

# *Regional Government Policy Innovation in Developing The Coffee Cluster (Case Study of Coffee Cluster Development in Bondowoso Regency, 2013-2018)*

**Royin Fauziana**

Public Relations Department in BAWASLU (Election Supervisor Committee) of East Java Province

*royin.fauziana67@gmail.com*

**Selfie Budi Helpiastuti**

University of Jember

*selfibudihelpiastuti@unej.ac.id*

**Pairan**

University of Jember

*pairan.fisip@unej.ac.id*

---

## **Abstract**

*Bondowoso Regency is one of the districts that has superior commodities in the coffee cluster development sector to accelerate economic development. The purpose of this study is to describe and analyze the policy innovation of Bondowoso Regency Government in developing coffee clusters in 2013-2018. The research method is descriptive qualitative in nature, coupled with purposive sampling in recruiting 7 informants as the primary data. These informants included Regent of Bondowoso operative for two periods from 2008 to 2018, DPRD Commission II, Head of Perum Perhutani Administration, Chairman of the Indonesian Coffee Farmers Association, Head of Department of Forestry and Plantation, the officer of cooperatives, Department of Tourism and Sports, exporters or buyers of coffee, and coffee farmers. The secondary data were obtained from documentation and literature review in Bondowoso Regency. The results showed that the innovation of Bondowoso Regency government in developing the people's coffee cluster established in 2013-2018 period is highly effective despite its infancy. This is because it creates synergy between the coffee farmers and government agencies. These various appointed government agencies carried out various strategies applied in planting, harvesting, post-harvesting, and marketing coffee. This success has brought to surface the Bondowoso Republic of Coffee and Ijen-Raung Coffee as successful coffee clusters awarded with a Geographical Index certificate, etc.*

**Keywords:** Innovation; Policy; Coffee Cluster

## **I. INTRODUCTION**

The effort to develop the existing coffee clusters in Bondowoso Regency has started since 2011. The government started managing coffee cluster which was initially carried out in Sumber Wringin and Sempol Districts. The Regent of Bondowoso and his officials worked hard to raise the image of Bondowoso coffee to prosper farmers and

communities in agropolitan area. Prior to the development of this coffee clustering, the community felt that they had not obtained much benefit from coffee plantations.

The government has carried out several coaching programs for farmers by cooperating with various elements to support Bondowoso coffee in reaching the world market and escalating farmers' prosperity. With the support of the Regulation of Ministry of Home Affairs (Permendagri) No. 22/2009 concerning technical guidelines for regional cooperation procedures, on March 21, 2011, the government signed a memorandum of understanding (MoU) with 7 institutions in the light of improving the quality and productivity of Arabica coffee clusters in Bondowoso Regency. The 7 institutions included Bank Indonesia Jember, Indonesian Coffee and Cocoa Research Center, East Java Regional Development Bank Ltd. Bondowoso, Perum Perhutani Bondowoso, Indokom Citra Persada Ltd., and Bondowoso Branch of the Indonesian Coffee Farmers Association.

Through innovative coffee cluster development policies and coaching coffee farmers, the government has succeeded in increasing the number of exports and selling value. In addition, the government has improved the living standard of coffee farmers. Unemployment has also decreased because the coffee processing industry involves a large number of workers, including housewives. Thus, poverty has also decreased significantly in Bondowoso Regency. Some of the achievements made by the government in collaboration with involved parties were able to bring Bondowoso Regency to receive an award from the Governor of East Java for its pro-poor policies for the success in reducing poverty rates in 2014.

As the mainstay and important commodity in global trade, coffee development calls forth relevant policy and supportive program from local governments. Heimlich (2003) states that government programs in agriculture and farming affect productivity through resource allocation. In addition, infrastructure development affects agricultural productivity through investment in public transport. The experience in several coffee-producing countries shows that there are policies and programs in favor of coffee farmers.

Wilson (Dunn: 1993) formulates that public policy is the actions, goals, and statements of government in response to particular problem, the steps which have or have not been taken, and the explanations regarding what has happened or is supposed to have happened. From a public policy perspective, Bondowoso Regency Government has made a policy innovation. As in the typology of public sector innovation stated by Khoirul Muluk (2008), there is product or service innovation, which includes processes, methods, policies and systems of a service. Policy innovation refers to a new vision, mission, goals and strategies. The government has come up with a new strategy to develop and protect existing coffee clusters and coffee farmers in Bondowoso Regency.

According to Desrochers and Sautet (2004), clusters can also increase the productivity, innovation, competitiveness, profit and creativity of companies belonging to a cluster. In addition, industrial clusters are also beneficial in reducing transportation and transaction costs, increasing efficiency, creating assets collectively

and enabling innovations that will ultimately increase productivity. This cluster denotes the initiative for organizing a country's industry, making it easier for the government to make policy formulations resulting from more fine-tuned organization and focus.

In addition, the demands for local government innovation are explicitly stated in Law 23 of 2014 concerning regional government, which defines innovation as all forms of reform in the administration of Regional Government. Article 387 states that in formulating innovation policies, regional government refers to the principles of increased efficiency, effectiveness improvement, service quality improvement, no conflicts of interest; orientation to the public interest; open management; alignment with the values of propriety; and rationale results for joint advantage. The goal of local government innovation is to accelerate community welfare. Meanwhile, one of the efforts of the Bondowoso Regency Government to achieve this welfare is developing coffee clusters.

The need to design policies related to the development of coffee clustering in Bondowoso Regency stems from poor conditions of coffee cultivation in Bondowoso Regency. The first deficiency is related to poor management of coffee plant, which is coupled with conservative method in harvesting coffee that is hand-picking method. The method is commonly done when there are only 10% fruits remaining on the tree. The farmers usually pick both red and green beans. The other problem is concerned with the common method of drying the beans on the street / on the yard. These traditional methods make it even harder to obtain high-quality original coffee. Lastly, low prices of coffee-based products also pose challenges for government and farmers. The low selling price of the farmers' coffee results from the fact that many coffee farmers sell their harvest in the form of logs, both wet logs and dry logs, instead of selling them as processed products. Another cause of this low price is marketing practices limited to the local market so the selling price is low.

Based on this background, to maximize the potential of coffee plantations in Bondowoso Regency and solve the obstacles faced by small coffee farmers, Bondowoso Regency government has implemented a policy innovation aimed at developing coffee clusters in Bondowoso Regency. As stated by Khoirul Muluk (2008), policy innovation refers to a new vision, mission, goals and strategies. Bondowoso Regency Government has certainly come up with new strategies to develop and protect coffee clusters and coffee farmers in Bondowoso Regency.

This policy innovation poses interesting terrains for researchers to delve into because, through this policy innovation, Bondowoso Regency Government has been able to develop the Bondowoso coffee cluster. The strategies related to the innovation are carried out by Bondowoso Government and its partners. Based on the above background, the authors are interested in conducting research with the title "Regional Government Policy Innovation in Coffee Cluster Development: Case Study of Coffee Cluster Development in Bondowoso Regency, 2013-2018".

## II. METHODS

This descriptive research employed qualitative approach. The research foci under investigation were related to (1) the new strategy carried out by Bondowoso Regency Government as a policy innovation in the development of the coffee cluster; (2) Bondowoso Government policies on coffee cluster development; and (3) the result of the policy innovation in developing coffee clusters.

The research was conducted from 2013 to 2018 at several research sites, including (1) Bondowoso Regency Government Office; (2) Bondowoso Regency DPRD Office; (3) Bondowoso Regency Agriculture Office; (4) The Department of Cooperatives, Industry and Commerce of Bondowoso Regency; (5) The Department of Tourism, Youth and Sports of Bondowoso Regency; (6) The Department of Communication and Information Office of Bondowoso Regency; (7) Farmer Group; and (8) Bondowoso Coffee Village.

The researchers delved into both primary data and secondary data. Primary data was obtained from field observations and interviews with informants, while secondary data was obtained from documentation and literature study.

The sampling technique in this study was purposive sampling based on certain considerations (Wiriyanto, B., et al: 2020), while the key informants in this study were: (a) Regent of Bondowoso operative in periods 2008-2018; (b) DPRD Commission II; (c) Head of Administration of Perum Perhutani; (d) Chairman of the Indonesian Coffee Farmers Association; (e) Head of Department of Forestry and Plantation; (f) Chairman of Coffee Cooperatives (g) exporters or buyers of coffee; (h) coffee farmers.

Data analysis and presentation techniques employed the methods developed by Miles and Huberman (1992: 20), namely data reduction (filtering and deleting unnecessary data), data presentation in the form of tables, pictures and graphs, and drawing conclusions from the research conducted. The researcher used field notes during interviews and observations upon data collection, making it easier for the researcher to record important data without the fear of losing or deleting the data.

## III. RESULTS AND DISCUSSION

### A. Local Government Policy in Developing Coffee Clusters

James Anderson (1969, in Winarno 2007: 18) states that policy is a direction of action that has a purpose set by an actor or a number of actors in overcoming a problem. In developing the Coffee Clusterization, Bondowoso Regency Government issued several policies related to coffee clustering. The interaction between innovation and policy, according to Suwarno (2008), namely Policy Innovation, is a new policy initiative and direction. In the context of public policy, the initiative came from the Bondowoso Regent, H. Amin Said Husni, who was inaugurated on May 22 2016 to develop a coffee cluster. According to Amin Said Husni, the policy on coffee clusters is purely devoted to economic development and community welfare. He revealed that this innovation actually originated from his desire during his time in government in order to escalate public competitiveness.

In public policy, strategy and policy direction play pivotal roles for planning to achieve goals effectively and efficiently. Every regional government needs to have a clear policy direction so that goals can be achieved more quickly with sufficient budgets. Without a clear policy direction, the regional government will be spending the budget without clear and significant results.

With regard to policy direction, as Amin Said Husni himself admits, economically, the direction of the coffee cluster development policy is expected to increase the bargaining value of coffee, which may require minimum funding for establishment, but after quite some time it can eventually be valued at high price. Of course, this high value is expected by Amin Said Husni to escalate the economic level of the community around the coffee plantation. Regional government policy innovations have been regulated in Government Regulation Number 38 of 2017 which guarantees that every government agency can bring about diverse reforms in each implementation. Local government is therefore vital to support the achievement of good governance.

There are several policies that have been made by the Bondowoso Regency Government in developing the coffee cluster in Bondowoso Regency, including the following:

1. Regional Budget Revenue and Expenditures (APBD);
2. Bondowoso Regency Regulation Number 2 of 2018 concerning Protection and Development of Bondowoso Coffee Clusters;
3. Bondowoso Regency Regional Regulation Number 1 of 2017 concerning the Establishment of Regional Owned Companies Limited Liability Company Bondowoso Gemilang;
4. Bondowoso Regent Regulation Number 25 of 2016 concerning Governance and Trading of Ijen-Raung Java Arabica Coffee Products;
5. Bondowoso Regent Regulation Number 59 of 2017 concerning the Implementation Regulation of Bondowoso Regency Regional Regulation Number 1 of 2017 concerning the Establishment of Regional Owned Companies Limited Liability Company Bondowoso Gemilang;
6. Bondowoso Regent Regulation Number 52 of 2019 concerning the Appointment and Dismissal of Members of the Supervisory Board or Members of Commissioners and members of the Board of Directors of Regional Owned Enterprises in Bondowoso Regency;
7. Regent's Decree on the Formation of Farmer Groups.

#### B. Bondowoso Government Innovation Strategy in Coffee Cluster Development

Bondowoso Regency Government initiated the innovation in public sector for developing coffee clusters. In this study, the searchers used the typology of public sector innovation proposed by Khoirul Muluk (2008) to explain how innovation in Bondowoso Regency developed Coffee Clusters. Khoirul Muluk (2008) states that there are product or service innovations, which furthermore in service there are processes, methods, policies and service systems. Policy innovation itself refers to a good vision, mission, goals and strategies. Here, the researcher tries to focus on the new

strategies carried out by the Bondowoso Regency Government in developing the existing coffee clusters in Bondowoso Regency. The conclusions from the results of this study are as follows.

#### 1. Memorandum of Understanding (MoU) with 7 Parties

The cooperation of 7 parties which aims to develop coffee classification in Bondowoso is carried out by Bondowoso Regency government to empower and increase the prosperity of farmers and coffee business players in Bondowoso Regency. The cooperation aiming at developing Bondowoso coffee cluster was agreed upon by 7 parties, namely between the planters and coffee entrepreneurs in the Bondowoso Regency area and the supervisors, including the Regional Government, the Indonesian Coffee and Cocoa Research Center (Puslitkoka), Perhutani KPH Bondowoso, Bank Indonesia Jember, Bank Jatim Bondowoso, and Coffee Business Partners.

#### 2. Roles of the Department of Agriculture

The Department of Agriculture also took part in the realm of coffee promotion through branding. The department is the leading sector of FKN. The department is not the only party engaged in the realm of planting and nurseries since Bondowoso Government also takes measures in directing and developing the role of the agricultural agency. At the technical level, Bondowoso Regency Government has provided technology in the form of tools through the agricultural service to deal with plant pest and disease.

#### 3. The role of Dishutbun

The Department of Forestry and Plantation (Dishutbun) guides farmers to improve the quality of production, which is expected to be accepted by the international market. The department also holds the basic principle that coffee is a prospective commodity that is expected to improve community welfare, and at the same time reduce the poverty rate in Bondowoso Regency.

#### 4. The role of Diskoperindag

The development of coffee clusters carried out by Diskoperindag, The Department of Cooperative, Industry, and Commerce, alludes to the following measures: (a) facility assistance for cafe entrepreneurs (b) financial assistance for farmers and farmer group in buying fertilizers to support coffee farming activities; and (c) training baristas in Bondowoso Regency.

#### 5. The Role of the Department of Tourism, Youth and Sports

The Department of Tourism, Youth and Sports, Disparpora, also plays a role through training activities and providing assistance to coffee farmers and cafe entrepreneurs in Bondowoso Regency. Disparpora also designs tour packages for tourists who are interested in coffee. According to Disparpora, there are 3 packages related to coffee development in Bondowoso, which comprises visiting cafe in Pelita Coffee Village, attending events such as Kampung Kopi Paguyuban at town square, and joining coffee tour packet at Sumber Wringin.

The following table shows the strategies employed in Bondowoso Regency Policy Innovation to develop coffee cluster.

Department or Agencies	Actions
MoU with 7 Agencies 1. Bondowoso Regency Government 2. Bank Indonesia 3. Puslit Koka 4. Bank Jatim 5. Perum Perhutani KPH Bondowoso 6. Partners for Coffee Business 7. APEKI	a. Preparing infrastructure, facilities and infrastructure, as well as conducting training and mentoring b. Providing technical assistance, training and information for improved competence and performance c. Inviting expert in fostering cultivation, processing and marketing of products to increase community income through increased production and quality of coffee of coffee planters d. Providing capital loans for the development of coffee clusters e. Providing forest areas that can be used in the development of coffee clusters with the principle of sustainable forest development f. Serving as a marketing partner for coffee produced by farmer groups (exporters) g. Managing coffee farmers, coffee entrepreneurs, and farmer groups.
Department of Agriculture	a. Optimizing farmer groups through providing funding and equipment b. Providing technology in Coffee Product Processing Units c. Using local government budget (APBD) in East Java Province to manage product processing unit (UPH) for wet coffee, provide 1,500 kg of wet coffee logs, and develop coffee plantation. d. Collaborating with Assistance Task (TP) for providing training to coffee farmers for growing togetherness, intensifying coffee-specialty activities, post-harvest assistance (Pulper 3 cylinders, Washer, Huller), development of coffee quality, constructing water conserve e. Conducting coffee roasting and coffee brewing competitions at Nusantara Coffee Festival, which is an event that enhances branding as well as coffee processing competence
Department of Forestry and Plantation	a. Empowering farmer groups in both socialization and consolidation related to group awareness b. Developing community's coffee varieties c. Opening a plantation area of approximately 25 hectares; issuing plantation business permit (cultivation); establishing a coffee processing business (coffee factory); processing business license (processed coffee).
Department of Cooperatives, Industry and Commerce	a. Conducting a comparative study on Kampung Kopi b. Assisting Small and Medium Enterprises (SMEs) c. Providing facilities for cafe entrepreneurs (such as neon boxes and coffee press equipment), granting loan for farmers and farmer groups for buying fertilizer to support coffee farming activities, and training baristas in Bondowoso Regency
Department of Tourism, Youth and Sports	a. Providing assistance to "Paguyuban Kampung Kopi" in Bondowoso b. Branding Bondowoso Coffee (Bondowoso Republic of

	Coffee) c. Organizing Nusantara Coffee Festival which showcases coffee roasting and brewing competition as well as a special coffee tourist attraction for tourists d. Involving “Bondowoso Coffee Village” Paguyuban to provide an alternative to BRK's city branding and promote superior products in Indonesia e. Offering tour packages for tourists who are interested in coffee
--	--

Several policy innovations have been made by Bondowoso Regency Government in developing the community's coffee cluster. Bondowoso Regency Government made innovations regarding the development of coffee classification stated in the policies issued by the government. Several policies that focus on developing coffee clusters are mainly aimed at improving the welfare of coffee farmers in Bondowoso Regency.

These policies regulate all coffee cultivation activities, ranging from harvesting and post-harvesting processes, marketing, to institutionalizing Bondowoso coffee. With this policy, the government seeks to exploit the potential of small coffee plantations to produce high-quality products by improving coffee farmers' competence, establishing institutions and partnerships, and creating markets. If coffee farmers' productivity is high and the product quality is improved, the selling price of Arabica coffee produced by farmers will be high. This can increase coffee farmers' income which will slowly improve their welfare. In public policy, strategy and policy direction are important parts to achieve goals effectively and efficiently. Every regional government needs to have a clear policy direction to achieve goals more quickly with sufficient budgets. Without a clear policy direction, the regional government will be spending the budget without clear and significant results.

### C. The Result of Bondowoso Regency Government Innovation in Coffee Cluster Development

The outcome indicators can be seen from the extent to which the program generates positive results for the community. This has been aligned with the initial goal of Bondowoso Republic of Coffee Policy, which is to improve the community welfare, especially coffee farmers. Another important point is that the government policy has brought a positive and tangible result in improving community's living standard, especially the poor and disadvantaged.

In this study, the author tries to analyze a number of outcomes stemming from the innovation of the Bondowoso Government's policy in developing a coffee cluster, known as Bondowoso Republic of Coffee. This policy has brought about multiple outcomes for farmers, coffee management, institutions, coffee quality, farmer economy, coffee prices, the development of community business unit, environmental utilization and development.

## IV. CONCLUSION

Based on the research data and regarding government innovations in developing the People's Coffee Cluster in Bondowoso Regency in years 2013-2018, the researcher has

drawn several conclusions. First, the authors conducted an analysis related to policy innovation. Khoirul Muluk (2008) states that products or service innovations are related to processes, methods, policies, and systems. Policy innovation itself refers to decent vision, mission, goals and strategies. Here, the researcher focuses on the new strategies carried out by the government in developing the existing coffee clusters in the regency. There are innovations made by Bondowoso Regency government and also through government agencies, in developing Bondowoso coffee cluster.

Second, the government has made an innovation on the development of coffee classification stated in the policies issued. Several policies that focus on developing coffee clusters are mainly aimed at improving the welfare of coffee farmers in Bondowoso Regency. Regarding the policy direction, as voiced by the Regent of Bondowoso, Amin Said Husni, economically the direction of coffee cluster development policy is expected to increase the bargaining value of coffee, which may call for small amount of funding yet will generate high value after a certain period of time. Of course, this high value is plantation. Policies, both Regional Regulations and Regent Regulations, are the legal umbrella governing coffee, which aims to develop Bondowoso coffee more rapidly with better quality standards.

## REFERENCES

### Books:

- Dunn, William N. 2003. Pengantar Analisis Kebijakan Publik Edisi Kedua. Gadjah Mada University Press: Yogyakarta.
- Muluk, M.R. Khairul. 2007. Menggugat Partisipasi Publik dalam Pemerintahan Daerah (Sebuah Kajian Administrasi Publik dengan Pendekatan Berfikir Sistem). Malang: Bayumedia Publishing.
- Muluk, Khairul. 2008. Knowledge Management Kunci Sukses Inovasi Pemerintah Daerah. Jatim: Bayumedia Publishing.
- Suwarno, Yogi. 2008. Inovasi disektor publik. Jakarta: STIA-LAN Press.
- William N. Dunn, Kebijakan Publik dan Pengambilan Keputusan (Yogyakarta: tp, 1993)
- Winarno, Budi. 2002. Kebijakan Publik: Teori dan Proses. Media Presindo: Yogyakarta
- Wiryanto B., Hidayat R., Mastika K. 2020. Transforming Local Government with Innovative Leadership: an Evidence from Banyuwangi, East Java. REGIONAL DYNAMIC: JOURNAL OF POLICY AND BUSINESS SCIENCE

### Regulations:

- Undang-Undang Nomor 32 Tahun 2004 tentang Pemerintahan Daerah.
- Permendagri No. 22 Tahun 2009 tentang petunjuk teknis tata cara kerja sama daerah
- Undang-undang 23 tahun 2014 tentang pemerintahan daerah

### Website:

- Profil pengembangan klaster kopi arabika Java Ijen-Raung Dinas Kehutanan dan Perkebunan Bondowoso <http://wartawirausaha.com/2014/06/kisah-sukses-kopi-bondowoso-yang-mendunia/#axzz5ELutdIhK>