

Strategy of Institutional Reinforcement to Overcome Regional Disparities in Siak Regency

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Abstract: The development process in spatial perspective is always faced with a phenomenon called regional disparity. Siak regency, particularly the central area of the capital city has grown rapidly, while its hinterland in the eastern part, lags behind. The reasons behind this widening development gap include the increased exploitation of resources by the capital city, rapid urbanization, agglomeration of educated and skilled workforces in the city center, high proportion of constrained land, centralization of economic activities and low mobility of goods and services. This backwash effect makes the eastern area of Siak Regency lag behind. The methods used in this research are policy development analysis and institutional linkage analysis. The strategy was carried out from institutional capacity through development scenario based on local economic development and regional cluster concepts. The result indicates that the institutional capacity in the eastern area of Siak Regency remains low. It is proven through assessment of achievement which shows that most variables being assessed have not met all targeted indicators. The scenario development has been formulated, first step is called establishment (year 2019-2023), second step is called functionalization (year 2024-2028), third step is called innovation (year 2029-2038) and fourth step is called sustainability (year 2034-2038).

Keywords: development; institutional reinforcement; local economic regional cluster; regional disparities

1 Introduction

Regional disparities in Siak Regency have risen sharply over decades. With them, strong patterns of polarisation emerged, as increasing openness and economic–regional integration, stimulated by the process of transition, have not been equally beneficial across space, particularly in the eastern region. Besides their policy relevance, these developments are particularly important to identify the causes and the impact toward regional sustainability. Several hypothesis asserts that economies starting from higher development levels experience slower growth rates, so that less developed economies eventually catch-up (Barro, Sala-i-Martin, Blanchard, & Hall, 1991).

Conceptually, economic imbalances always lead to weakening of interregional differences (Gunnar, 1957), i.e. the rich regions are getting richer and the poor are getting poorer (Peet & Hartwick, 2015). Neoclassical growth models predict an overall pattern of economic convergence where poorer areas tend to catch up with richer areas within a country or region (Carlino & Mills, 1993). The impulses which may cause negative cumulative process include an inequality, fragmentation, sudden bankruptcy of a production or local increase of taxes. In this context, the rich regions may utilize external and internal economies of scale (Błażek & Uhler, 2002).

Consequently, the gap occurred due to the occurrence of the trickle down effect from the central region to the periphery area smaller than the polarization effect, which led to increasingly high income disparities between regions and its sub regions. In regional development context, disparity indicates to the imbalance of sector within level of growth. The existence of this phenomenon shows the different level of development, e.g in economic, social and policy, which the central area of the capital city has grown rapidly and its hinterland, lags behind. Eventually, the regional disparities is a difference progress of economic scale in consumption and production between regional center and its sub region or inequalities in development level.

Siak regency, particularly the central area of the capital city has grown rapidly, while its hinterland in the eastern part, lags behind. This is due to the economic development policy which only focused in regional center (capital city of Siak) and would not have positive implications to the region as a whole. The reasons behind this widening development gap include the increased exploitation of resources by the capital city, rapid urbanization, agglomeration of educated and skilled workforces in the city center, high proportion of constrained land, development fragmentation, centralization of economic activities and low mobility of goods and services. Thus, the backwash effect makes the eastern part of Siak Regency are deeply weakened. Meanwhile, the big potential of economic in the eastern area has not been managed and supported to improve the economic and human well being by the government, such as potential agropolitan area in Bunga Raya subdistrict, sustainable of food and

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agriculture land use (food security area) in Bunga Raya, tourism development in Naga Sakti Lake, then potential fishery and plantation in Pusako and Sabak Auh subdistrict and strategic industrial area in Tanjung Buton. The role of government is necessary to create and implement an appropriate policy (Bridgman, P. and Davis, 2000; Dahuri, Rais, Ginting, & Sitepu, 2001; Dye, 2000).

This study aims to develop a strategy to strengthen the institutional capacity to overcome regional disparities in Siak Regency by applying institutional linkage analysis and institutional capacity through development scenario based on local economic development and regional cluster concepts. The proper and balance of development policy are needed in the eastern region in order to follow the dynamic of inter-regional development between city center and its hinterland. Furthermore, as stated in Nawacita of Indonesia year 2015-2019, called the top nine of national agenda, initiated by Indonesia's president also regulates that inclusive policies are needed in reducing disparities between regions and sub regions, not only concern to the city center, but also regulates the policy of regional development (urban-rural linkages) as a whole from border area or isolated area in Indonesia. Nothing the importance of border or coastal area as the development activities, it needs the right policy to regulate the utilization of existing resources in order to provide purposeful use, efficient use and enable it to achieve the development goals (Dahuri et al., 2001).

This research contributes to the knowledge of formulating the strategy to strengthening the institutional capacity to overcome regional disparities base on LED and Regional Cluster. Moreover, this research can be as a basic concept or input to government in Siak regency to understand the importance of integration in institutional development policy among stakeholders, create synergistic and inter-regional development strategy and achieve mutually beneficial of regional development between the regional center and its periphery.

2 Literature Review

2.1 Regional Disparities

The imbalance of economic division has been rising through the regional development in Indonesia. In many region, policy development are taken to overcome regional disparities. Since decentralization era, many cities and regencies are only focusing on economic growth without taking an attention toward economic development. As result, regional development plan ignore the distribution of economic welfare and widening economic gap and inequality of life between city center and its hinterland, poor distributions and allocation of goods and services, low quality of life, rising of unemployment, etc. Other hand, disparity is defined as an unbalanced condition or imbalance of development stages (Chaniago, Sugiarti, & Pangaribuan, 2000). This is closely related to sectoral or regional development, which is showing condition of differences in growth between regions and sub regions.

Imbalance in growth between regions depends on the development of economic sectors and regional structures (socio-economic facilities and infrastructure, such as education, health, labour, housing, transportation, sanitation and others). Eventually, disparities is a universal phenomenon which will lead to the imbalance of economic growth, some societies were able to absorb selectively form this imposed development to their own advantage/back wash effect (Affendi, 2005).

2.2 Factors Affecting Regional Disparities

Several main factors causing regional disparities are related to the physical and socio-economic variables of the region (Tulus, 2001), there are :

- **Centralization of Economic Activities**
The region with a high centralization of economic activities (industrial, commercial, trades and services) will grow faster rather than region with dispersed or low economic concentration. This is due to the level of economic development, which most occurred in city center as Central Business District (CBD). The gap conditions, emphasizing that localized industrial development generates cumulative advantages, due to various forms of increasing returns (Kaldor, 1970).
- **Investment Allocation**
The lack of direct investment in the region causes economic growth and income level of per-capita remains low, this is due to the less productive economic activities such in secondary and tertiary sectors, e.g manufacturing industry, garment, hotelling, transportation, etc.
- **Inter-regional level of mobility in production**
Shortage of production factors such as wages and interest rates or the rate of return from direct investment between regions is also causing regional economic disparities.
- **Natural Resources**
Natural resources availability plays a determining role in the regional development. The physical region with has more resources will be more developed rather than region with low natural resources availability. However, human quality also being important to process those resources.
- **Inter-regional demographic**
Differences in demographic conditions between regions, especially in terms of population size and growth, population density, education, health can influence the level of development and economic growth through supply and demand and social inequalities.

2.3 Local Economic Development Concept (LED)

Several observers point out that as the concept of LED is both elusive and contested there are numerous definitions [46]. For one American LED scholar it represents increases in a 'local economy's capacity to create wealth for local residents' (Bartik, 2003; Trah, 2004). paints a wider canvas of LED as 'a territorial concept and part of local development or regional management, specifically aiming to stimulate the local economy to grow, compete and create more jobs, in particular by making better use of locally available resources' (Helmsing & others, 2005) consider LED to be 'a process in which partnerships between local governments, NGOs, community based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory'. The World Bank views LED as 'a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation' (World Bank, 2003)

Many LED programmes are anchored 'on one or more theories of economic development but the multiplicity of theoretical perspectives results in confusion among practitioners' (Beer, 2009) Indeed, this array of different theories which inform LED research has prompted (Rowe, 2009) to assert that no definitive all-encompassing theory of local or regional economic development exists, and to observe that 'there are many theories that relate to and impact on local economic development, but none that explicitly provides a framework for understanding the complex relationships that comprise this interdisciplinary field of endeavour'. One consequence of the absence of any comprehensive theory 'for understanding the practice of local economic development' (Rowe, 2009) is that linkages between theory and practice in the emerging discipline of LED are, at best, 'partial' (Beer, 2009).

The ILO (ILO, 2006) distinguishes four core features of LED strategies: the need for participation and social dialogue, the territorial focus, mobilisation of local resources and building of competitive advantage, and local ownership and management. These four characteristics are brought together in the ILO's own definition, which states that LED represents a: (1) participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, (2) enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity (ILO, 2006).

Local Economic Development (LED) is a process of economic development where stakeholders (government, private sector, social community) plays an active role in managing local resources to create jobs and provide stimulus of economic growth in the region as a whole. The principle of its application is the main collaboration of stakeholders which will greatly determine the sustainability of local economic development. Conceptually, local Economic Development is "natural resources, labor, capital, investment, entrepreneurships, transport, communication, industrial composition, technology, size, export market, international economic situation, local government capacity, national dan state government spending and development supports) (Blakely & Leigh, 2013)

However, the economic development practitioner is never stipulated which factor has the greatest weight in any economic situation". Therefore, "Local Economic Development (LED) is the process by which public, business and non governmental sector partners work collectively to create better conditions for economic growth and employment generation". The aim is to improve the quality of life for all. Practicing Local Economic Development means working directly to build the economic strength of all local area to improve its economic future and the quality of life of its inhabitants. Prioritizing the local economy is crucial if communities today depends upon them being able to adopt to the fast changing and increasingly competitive market environment" (World Bank, 2001).

2.4 Regional Cluster Concept

Regional clusters are considered to be core entities of economic growth and innovation in the modern world. As such, clusters are seen as a central structuring element of economic activity for firms, regions and even national economies. In line with this view of innovation as a systemic phenomenon, clusters have risen to prominence not only in the academic community but also among strategists seeking to increase firm and regional value creation during globalization. Thus, propulsive clusters are a phenomenon investigated by academics. Clusters can develop not only organically but also because of targeted efforts by policy-makers and practitioners, most notably through cluster projects.

It is believed that targeted policy efforts can contribute to the growth of clusters and regions, a field of particular interest to evolutionary economic geographers (Cooke, 2012; Malmberg & Power, 2006; World Bank, 2003). However, it has been claimed that a thorough discussion of the contribution of cluster policy to advantageous regional development has been lacking (Cooke, 2012).

In the literature, cluster development has primarily been linked to changes in the scale of clusters (through the internationalization of regional clusters) (Bathelt, Malmberg, & Maskell, 2004; Malmberg & Power, 2006; Martin, 2010; Rey & Janikas, 2005). However, insights from recent contributions from the evolutionary perspective have been critical towards the idea of narrow specialization and geographic scale as sources of growth. It has been argued that it is important to emphasize a second dimension – scope – in the promotion of innovation and the evolution of clusters (Chapman, MacKinnon, & Cumbers, 2004; Cooke, 2012; Florida, 2002).

This focus on scope suggests a connection between cluster development and regional development. For instance, regional branching and cooperation between firms in related industries and clusters are considered to be especially important for innovation and advantageous regional development (Aarset & Jakobsen, 2015; Jakobsen et al., 2012).

However, the question is how policies for mature clusters (which are assumed to have a great impact on regional economic activity) can support this transition. Accordingly, our premise is that directed policy programmes can guide cluster development and that given appropriate political ambitions, cluster projects can play an important role in regional development.

As the explanation of Regional Cluster theory above is closely related to the relationship of rural-urban interdependence policy. The inter-connection occur between Rural-urban, such as the flow of human resources, economic production, commodities, the flow of production factors, and information flows. The regional cluster concept sees the urban and rural as an active system which well connected each other to (Tacoli, 1998)

- Diversity in rural-urban relations, the integration and coordination of various sectors and rural-urban activities. Clusters aim to classify natural resources according to their potential and managed by sub-regions and interconnected with local economic potential
- Interaction between settlements on a local scale which is connected with good rural and urban infrastructure planning, so that the flow of transportation connectivity occurred between the main activity centers, rural and regional centers.
- Connections between one group and another group with the interaction of rural and urban local communities in providing economic activities, so that the flow of a good regional economic development between the regional and sub-regional centers.

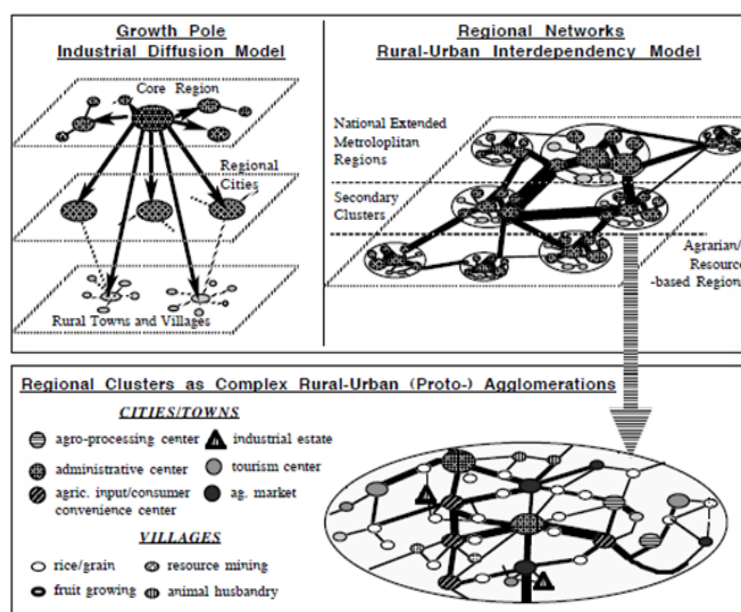


Figure 1. Urban Rural Interdependency vs Growth Pole (Tacoli, 1998)

3 Methods

This research is based on qualitative research. The research is referred to as naturalistic inquiry. Qualitative research describes a set of processes and techniques of non statistical inquiry in discussing the phenomenon. Thrustworthiness involves establishing: credibility, transferability, dependability and confirmability.

The locus of this research is in the eastern area of Siak, Riau Province, Indonesia. Eastern area has four district, there are Sabak Auh, Bunga Raya, Sungai Apit and Pusako. This location was chosen based on the results of the regional typology analysis in Siak Regency. This typology is formulated from the potential land to be developed, regional integration, distribution and population density, education and health level, poverty level, economic shares, and networks coverage.

Informant is the essential source of information in this research, in which the initial informants are derived from the Government, Private Owned Enterprises, NGO, Local Community, Malay Customs Institution, Regional Planning Association and any relevant stakeholders.

This research type is exploratory research uses an inductive approach, due to examine the institutional capacity in administering local economic development and regional cluster. The primary data obtained from in depth-interview with "snowball sampling" technique. Informant are chosen in related with responsibility, influence and policy in the development of eastern area. In addition, for secondary data obtained from the relevant documents. The researcher analysed the data referring to the steps which consist of three phases: data reduction, data display and conclusion (Miller G.J.M and Yang, 2008). Here are following figure 2 of study area.

4 Result and Discussion

4.1 Identification of Stakeholder

Stakeholder analysis is a systematic method for obtaining and analyzing stakeholders (individuals, groups, and organizations). In neat arrangement to identify key stakeholders and actors in a system, to asses the level of respective intreset/concern, and to estimate the potential to influence policy implementation (Freeman, 1984; Hovik & Bjørn Stokke, 2007). Considering the complexity of stakeholders in overcoming regional disparities, stakeholder analysis as presented is very helpful to promote the result of managing policies to be more effective. Stakeholders are all parties whose interests are divided into three groups, (1) main stakeholders (whose who receive a positive or negative impact (beyond the willingness) on an activity, (2) supporting stakeholders (encourage and support the process of implementation), (3) key stakeholders (those whose strong or significant effect related to the problems, and attention to continuity activities) (Crosby, 1991).

Stakeholders identification describes the duties and functions of each Regional Official involved in the planning, implementation, monitoring and evaluation of the Economic Strategic Plan in overcoming disparities in the eastern of Siak Regency. The fact shows that all of local agencies participating in overcoming disparities in the eastern of Siak, but only a few of the institution evaluating the process and monitoring the regional strategic program. Here are the institution involves in the eastern of Siak:

1. Office in the district (Government), consisting of:
 - Regional Secretariat (Divison of Economic Development)
 - Regional development planning agency
 - Food Crop Agriculture Office
 - Food Security and Agricultural Training Implementation Agency
 - Cooperatives, small and medium enterprise, and trade office
 - Marine and Fishery Office
 - Forestry Office
 - Tourism and Culture Office
 - Enviromental Agency
 - Industry and Trade office
2. Community and village empowerment agency
3. Creative community
4. Private owned enterprise
5. Private enterprise
6. Malay Custom institution
7. Regional planning association

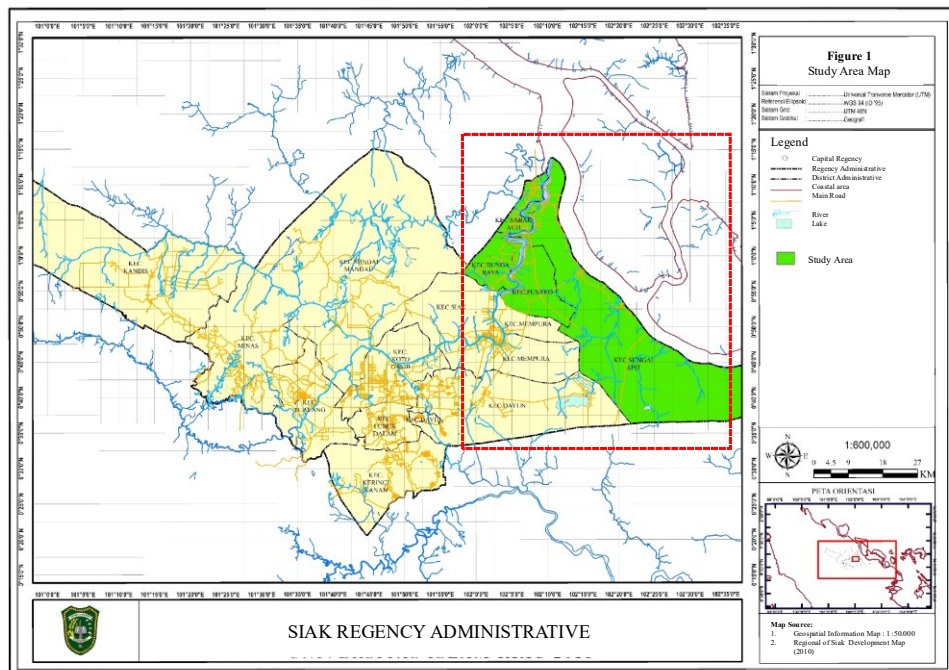


Figure 2. Study Area of The Eastern Part in Siak Regency

Based on this fact, the analysis results of the research showed:

1. The key stakeholders are Government and Local People in improving the economic growth and striving for human wellbeing. These two actors are importance in administering the LED and Product Clustering to have a brand local image, innovative bussines and enterpreneur class. Therefore, goverment are

responsible in management and monitoring the creative class in sub district level in producing the derivative product from leading sector. Below the leading sector in the eastern area of Siak:

- Fishery – eco friendly fishery, local fishing pool, fillet of riverfish
 - Crops – organic crops cultivated, contract farming, mushroom cultivated
 - Animal Farm – meat cows bussiness, dairy cattle, organic chicken
 - Plantation – agroforestry, theme park/garden
 - Tourism – eco tourism, educational tourism in promoting micro handicraft and sourvenier bussines
2. The main stakeholder in economic development and regional cluster to overcome disparities are local community, cooperatives and regional planning association. These stakeholder are less responsible to operate economic development and reinforcing the finance capacity in the local community. This is due to the complexity regulation and coordination among related stakeholders.
 3. Supporting stakeholder can be classified as the funders, implementers, regulator/supervisor, and advocacy organizations such as NGO and private sector. Based on the stakeholder analysis, it is revealed that supporting stakeholder consist of (1) private owned enterprises, (2) private enterprises, (3) malay customs. These actors are not working effectively and properly in their position. Private owned enterprises and private enterprises as a funder are less attention to facilitate the finance and budgeting through Corporate Social Responsibility (CSR), Malay customs as an advocacy are working properly to solve the conflict between Indah Kiat and Local people due to land grabbing and restricted land development by local people, weanhile the regional association are responsible for Uniting the stakeholder in a meeting for planning program.

4.2 Policy Development Analysis

Policy development analysis are adopted to classify profit and non profit institution toward economic development and its role to strengthening institutional capacity to overcome regional disparity in the eastern area of Siak Regency. Here are following figure 3 flowchart of institutional capacity.

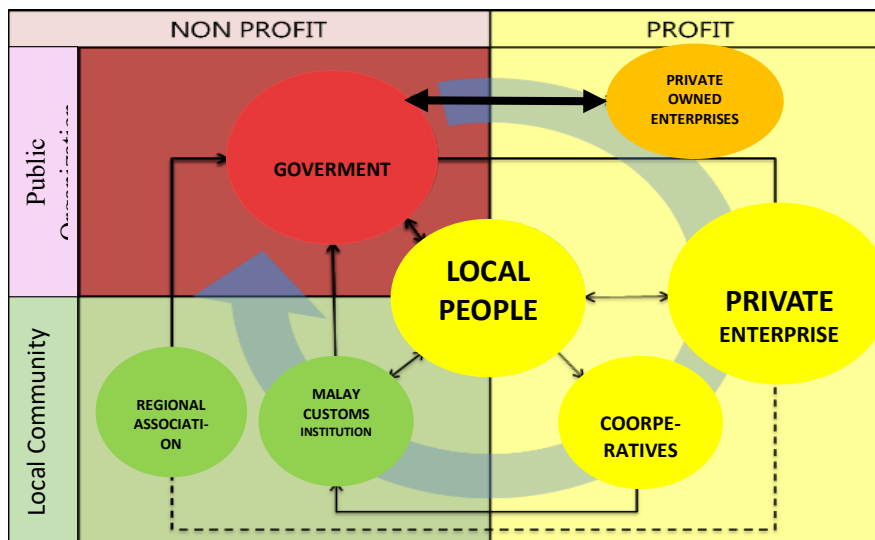


Figure 3. Flowchart of Stakeholders Classification in Regional Development

Table 1: Policy Development

No	Stakeholder	Orientation		Responsibility
		Profit	Non Profit	
1	Government	-	√	<ul style="list-style-type: none"> • As a key stakeholder to bridge the needs and necesscity of local people in clustering the village product based on regional leading sector, e.q fishery, crops, animal farm, plantation and eco tourism. • Train the local people to have a qualify brand product image • As a facilitator in facilitating the infrastructures and services • As a regulator in allocative, stabilization and distributive function to increase the local economic growth • Improve the institutional efficiency as well as to establish good governance • Asssesing toward local economic prospective in future • Reviewing the economic plan and program
2	Privated owned enterprises	√	-	<ul style="list-style-type: none"> • As a supporting stakeholder (funder) to reinforce the local people bussines • Improve the local production by working together that fits local skill and

No	Stakeholder	Orientation		Responsibility
		Profit	Non Profit	
				product
3	Private Enterprises	√	-	<ul style="list-style-type: none"> • Maximize commitment to achieve the economic sustainability • Reducing the risk of product failure in marketing by controlling the quality product • Engaging the local people in corporate social responsibility (CSR) in organizing the local economic development (Indonesian Law, No. 06 year 2014 : Rural Funding) • As a supporting stakeholder (funder) which role in funding the process of product allocations and distributions to the potential marketplace • Ensure the participation of local people in administering the leading sector in strengthening local economic capacity • Promoting the leading product between entrepreneur and its market orientation • Pro entrepreneur to overcome trickle-down effect • Practising LED concept to build economic growth and competitive market
4	Cooperatives	√	-	<ul style="list-style-type: none"> • Jointly arrange and establish the budget to support local economic • As a main stakeholder are responsible to build networking and partnership between economic actor in local, regional and national to utilize the potential of local resources • As a main funder to reinforce local economic business • Implementing effectively and efficiently of cluster development (supply-chain)
5	Local People	√	-	<ul style="list-style-type: none"> • Strengthening the local finance to have a better economic circumstance • As a key stakeholder are responsible in implementing the value of economic development to achieve economic sustainability
6	Malay customs institution	-	√	<ul style="list-style-type: none"> • Maintaining the environmental aspect from exploitation and forest fire • As a supporting stakeholder (advocacy) are in charge in advocacy organization and social learning • As a mediator of conflict between Indah Kiat Enterprises and Local People in land ownership • Empowering, educating and enlighten the local people to have a local branding image • Monitoring and maintenance the environmental area from potential land grabbing and land abuse
7	Regional Planning association	-	√	<ul style="list-style-type: none"> • As a main stakeholder (regulator) are responsible in regulators in land use management (land suitability land capability) to protect the forest from forest fire and land abuse • Uniting the stakeholder in a meeting for planning program • Monitoring and maintenance the environmental area from degradation • Developing and transferring of knowledge regarding market distribution through technology • Supporting good corporate governance in micro small and medium enterprises
8	Local and Creative Community	√	-	<ul style="list-style-type: none"> • As a main stakeholder and essential actor in implementing the value of economic development to achieve economic sustainability • Optimizing in resource utilization • Mobilizing the stakeholder participation in any economic process • Monitoring the quality control of micro business product • Encouraging the local people to be competitive and independent • Supporting marketing agent and quality control in product diversification • Strengthening micro business capacity

4.3 Institutional Linkage Analysis

Institutional linkage analysis was adopted to identify the roles, interests, resources and influences of stakeholders in administering Local Economic Development and Regional Cluster. As shown in the figure 4 below, the concept of LED and Regional Cluster consist of Pro LED, Entrepreneurship, Green Knowledge, Adaptive, Collaborative and Leadership, and innovative (Bridgman, P. and Davis, 2000). This creative class developed to increase the local product diversification in order to build Research and Development (R&D) and competitive advantage.

Literature with a strong focus on the scope of clusters and on collaboration between firms in related co-located clusters links cluster evolution to regional development. The point of departure from the evolutionary perspective is that 'the emergence of self-reinforcing effects steer a technology, industry or a regional economy along one path rather than another' (Martin, 2010, 2012). In analyses of such path-dependent regional development, it is important to emphasize the twin processes of continuation and change (Freeman, 1984; Jakobsen et al., 2012; Martin, 2010).

In implementing stakeholders linkages, the key stakeholder, main stakeholder and supporting stakeholder are should be working collaboratively to create better condition for economic growth and employment generation.

The aim of this concept is to improve the quality of life and build the economic strength in the eastern region. Based on the analysis, the stakeholders must be adopted the those six indicators, there are:

1. Pro LED : encouraging the implementation of LED, carry out of capability and capacity to cathh up the potential bussines opportunity
2. Enterpreneuship : capability to grab the opportunity to be young entrepreneur
3. Green Knowledge : technology that is considered environmentally friendly based on its production process, renewable energy, and
4. Adaptive : capability in mitigation of forest fire, resilience region
5. Collaborative and Leadership : affect the local actors to be well integrated in developing and strengthening economic cluster
6. Innovative : capability to adopt the creatives ideas, applying technology to procces the economic product, and create a local brand. Here following figure 4 flowchart of institutional linkage in the eastern of Siak Regency.

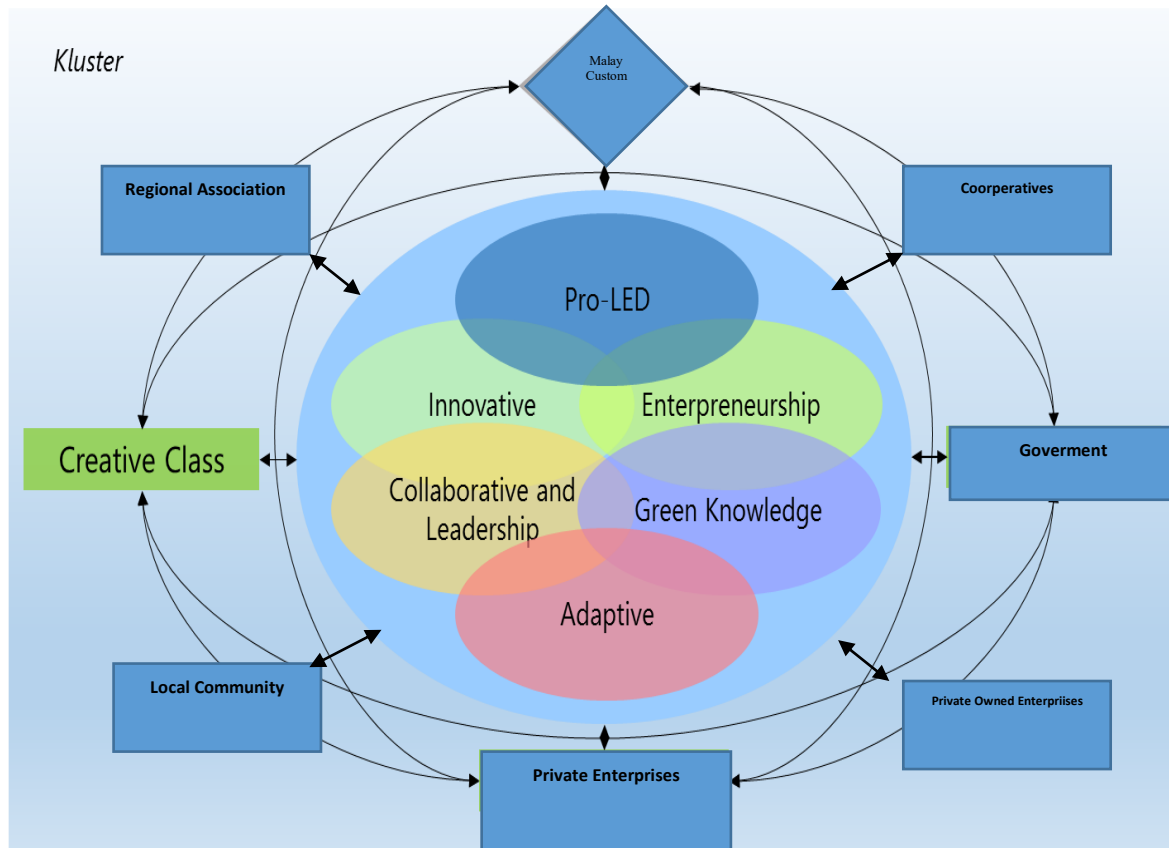


Figure 4. Flowchart of institutional linkage in the eastern of Siak Regency

Below table 2, the comparison between the condition and target of institutional linkages in the eastern area of Siak.

Table 2: Institutional Gap Analysis

No	Condition	Indicator	Target Achievement	Gap Analysis
1	Less supporting from local government in reinforcing the capital and finance toward micro small and medium bussiness activities	Pro LED	<ul style="list-style-type: none"> • Budget allocation are available in developing micro small and medium bussiness activities • Local government are capable in reinforcing and seeking for funding and budget to the micro, small and medium bussines 	Disintegrated
2	Less optimalization of governance to develop leading economic sector, particularly in fishery, animal farm, plantation, tourism and crops.	Collaborative and Leadership	<ul style="list-style-type: none"> • The stakeholders (Government, NGO, Community) are working collectively to support leading commodity • Link and match has been implemented between young entrepreneur and 	Disintegrated

No	Condition	Indicator	Target Achievement	Gap Analysis
3	The institutional capacity remains low in regulating the role and responsibility toward environmental issues, e.g : peatland conservation. This land is potentially abuses and causes forest fire	Green knowledge and Adaptive	market specialization <ul style="list-style-type: none"> Strong capacity of stakeholder in protecting the conservation area (peatland) due to forest fire. Monitoring of land capability and land suitability in Arara Abadi Enterprises 	Disintegrated
4	Creative class has been developed in all district, and several local product has been invented and distributed to surround area, e.q (palm oil) to be gliserol, soap, oleat, patty alcohol, seeds. Crumb Rubber to be sport equipment, driving equipment and tire.	Entrepreneurs hip	<ul style="list-style-type: none"> Product diversification are invented within local community in sub district level Government facilitate and promote derivative product from its leading commodity to have brand local image 	Integrated
5	Malay customs institution has been working effectively in maintaining the local wisdom and protecting several conservation area.	Adaptive and Innovative	<ul style="list-style-type: none"> Ensure the resources suistanability in supporting local economic production Law enforcement in land protection and development of eco tourism Optimalization of economic diversification based on local resources Developing mutual partnership between local and regional stakeholder in peatland conervation 	Integrated
6	The marketplace of local community in distributing the product are still limited due to capital shortage.	Collaborative and Leadership & Green knowledge	<ul style="list-style-type: none"> Expanding the distribution of local product into potential marketplace Promoting the local brand toward regional level (local branding) 	Disintegrated
7	Government's quality qontrol and monitoring are still low in administering regional cluster	Collaborative and Leadership	<ul style="list-style-type: none"> Optimalization and synchronization between public organization and local community in developing link and match program toward young enterprenur Meeting session in discussing the research and development center to have innovation, creativity and competitive advantage 	Disintegrated
8	The management and coordination among key stakeholder, main stakeholder and supporting stakeholder are still disintegrated and ineffective in making policy development	Collaborative and Leadership	<ul style="list-style-type: none"> Optimalization and synchronization between public organization and local community in developing link and match program toward young enterprenur Policy development in allocating the resources effectively and efficiency has been implemented 	Disintegrated
9	Research and development center in developing creativity and innovation are still low in district and sub district level	Innovative	<ul style="list-style-type: none"> Creative class has developed in the eastern area Learning center development are available to educate, empower and enlighten the local people to be young entrepreneur Transferring of knowledge and building mindset toward local people to be entrepreneur Having strong capacity in developing micro scale bussiness 	Disintegrated

4.4 Institutional Capacity in the Eastern Region of Siak Regency

Institutional capacity analysis obtained from (1) stakeholder participation which consist of key stakeholder, main stakeholder and supporting stakeholder, (2) policy development analysis, and (3) institutional linkages analysis. However, in stakeholder participation, of all the stakeholder do not have direct role in strengtehnng the economic growth and regional cluster. There are certain agencies which are identified as merely aware of the local economic development. Aside from government as a key stakeholder, the role of supporting stakeholders which are non government organization (NGO) and private sector are less dominant and responsible through the clusterization of leading sector. This is due to the lack of policy, coordination and awarness in implementing

branding image in the eastern area. So, finance allocation from supporting stakeholders to the local economic improvement are very difficult to process and having uncertainty.

In other words, fiscal decentralization encouraged local governments to produce duplicate and inefficient industry structures and limit coordination with other regions, including obstacles for labour mobility and interregional trade (Fleisher, B., & Yang, 2003). Additionally, local budgetary control has impeded the development of infrastructure (e.g., highways, telecommunication and power), particularly connecting regions, as some infrastructure was more efficient on a national scale (ZHOU & ZHANG, 2008). For these reasons, evidence suggests that fiscal decentralization has actually exacerbated regional inequality. To wit, it finds that the degree of decentralization is negatively related to provincial economic growth.

Moreover, in policy development, government's quality control and monitoring are still low in administering regional cluster, this effects are certainly lowering down the quality product of leading sectors. In private owned and private stakeholder policy (funder), their role as funder was not optimum in strengthening the capital of local bussiness, the engagement between local people and private in utilize budget allocation in CSR was not effective and the link and match program has not implemented yet. Eventually, the stakeholder's linkage are shown that most of variable are still disintegrated with the government system and management, it is proven by collaborative and leadership program are remains low. There were no coordination and synchronization between the policies of each stakeholder, participation are weak and the implementation are running individually. Based on the results above, the institutional capacity in the eastern area remains low.

4.5 Optimization Strategy of Institutional Reinforcement to Overcome Regional Disparities

Strategies to strengthening institutional capacity are divided into 4 phases. There are establishment (phase 1), functionalizing (phase 2), Innovation (phase 3), sustainability (phase 4). Institutional strategies was formulated based on Local Economi Development (LED) concept and Regional Cluster. Here are following table 5 the strategies of institutional reinforcement in the eastern region of Siak Regency.

Table 3: Strategies of institutional reinforcement in the eastern region of Siak Regency

Phase	Development Characteristic	Institutional Strategy
Phase 1 Year 2019-2023 "Establishment"	<ul style="list-style-type: none"> Reinforcement the institutional capacity in local working group to accomodate the basic needs ,e.q funding, network, and marketplace Building cluster organization in sub district level Strengthening the network and access between any micro business and cluster organization (cluster fishery, cluster crops, cluster animal farm, cluster plantation, cluster eco tousrims) 	<ul style="list-style-type: none"> Educating, empowering and enlightening the role and responsibility of micro,small and medium bussines to have local branding image in marketplace Monitoring the internal and eksternal progress of cluster affinity in sub district level Bulding cluster working group and creative class fulfill with multi stakeholder (key stakeholder, main stakeholder and supporting stakeholder) Expanding the cluster network through promotion in district and regional scale Revitalization the role and responsibility of Malay Custom institution as an enviromental supervisor in order to improve th economic welfare, disaster mitigation and social cohesiveness.
Phase 2 Year 2024-2029 "Functionalizing"	<ul style="list-style-type: none"> Optimalization of Malay Custom Institution as disaster mitigation agency in sub district level, e.q forest fire Optimalization of local production factors in administering cluster working group Optimalization of Land capability and land suitability based on cluster group Functionalizing the interaction between micro bussines to cluster working group, cluster working gorup to young entrepreneur and internal cluster to other cluster 	<ul style="list-style-type: none"> Monitoring and evaluation of development process within any cluster. Law enforcement in land protection Transferring of knowledge and building mindset toward local people to use local resources (land, labor and capital) Monitoring the enviromental degradation by applying strategic enviromental assesment (SEA) as an isntrument to be regional suistanability Intensification of communication and interaction between cluster
Phase 3 Year 2030-2035 "Innovation"	<ul style="list-style-type: none"> Strengthening the cooperation capacity in supporting finance allocation Developing cluster partneship and cooperation in sub district and regional level Developing economic networks to regional and national level by promoting leading economic, e.q fishery, plantation, animal farm, crops. 	<ul style="list-style-type: none"> Management and cooperation capacity Creating conducive investation for economic development Expanding working group in internal and eksternal level Strengtehning leading cluster economic based on land capability and land suitability Strengtehning the position of eastern area as conservation area
Phase 4 Year 2031-2036 "Suistanability"	<ul style="list-style-type: none"> Improving cluster cooperation in connecting national marketplace with local branding product Suistaining the enviromental conservation in 	<ul style="list-style-type: none"> Strengthening a conducive investment climate for local investors Dissemination of good practices for environmentally friendly economic development

Phase	Development Characteristic	Institutional Strategy
	administering sustainability • Establishing relationships with national and global partners to facilitate investment in their members through global association membership.	and fast response to forest fire disasters • Channeling cooperation and association with regional trade and services agency as their bussiness counterpart

5 Discussion

The complexity of regional disparities issues causes interest involved, so that stakeholders in the management of local economic development and regional cluster in the eastern area also very complex. Government, cooperatives, local people and regional planning association are main stakeholder and very dominant actors in regional development, economic growth and regional cluster. Regional planning board has two attributes, there are power and influences (Ondee & Pannarunothai, 2008). However, government has to strive the public needs and interest. The policy development have to certainly convince the other stakeholders to implement the Pro LED, Adaptive, Collaborative and Leadership, Entrepreneurship, Green Technology and Innovative concept. Considering that government has the authority to coordinate the relevant offices and agencies, (Helmsing & others, 2005) consider LED to be 'a process in which partnerships between local governments, NGOs, community based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory'.

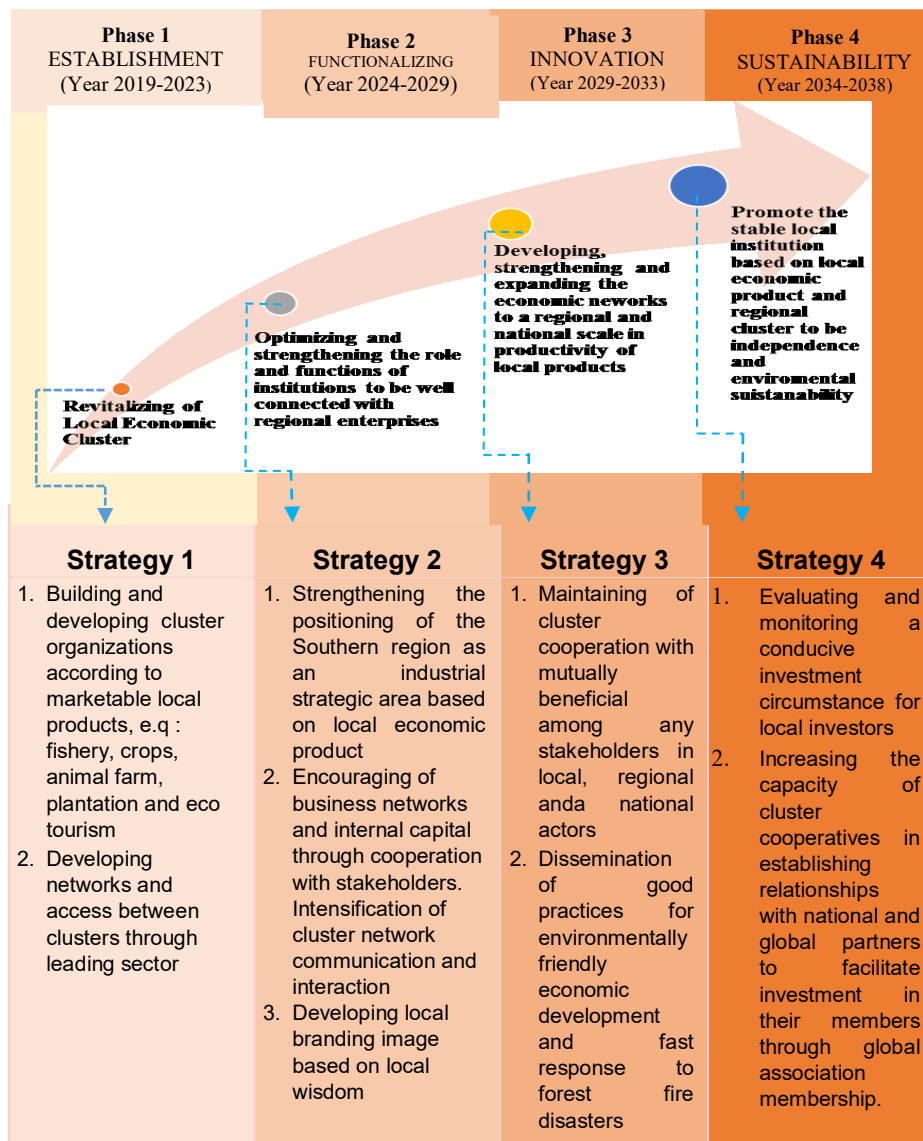


Figure 5. Strategy of institutional reinforcement in the eastern region of Siak Regency

In the literature, cluster development has primarily been linked to changes in the scale of clusters (through the internationalization of regional clusters) (Bathelt et al., 2004; Malmberg & Power, 2006). However, insights

from recent contributions from the wider perspective have been critical towards the idea of narrow specialization and geographic scale as sources of growth. It has been argued that it is important to emphasize a second dimension and broader economic networks – rural urban linkages in the promotion of innovation, adaptive and the evolution of clusters (Chapman et al., 2004; Cooke, 2013). So, it is not only institutional policy development are needed in overcoming regional disparities, but also it requires integrated stakeholders, monitoring and evaluation, local participation, to jointly be responsible for the continuity and the economic development. Furthermore, it is revealed that supporting stakeholder as funder are responsible in helping the process of strengthening the budgeting and financing whose the strong or significant effect related to the problems, needs and attention to the diminishing regional disparities in the eastern area of Siak regency (Yusuf & Kismartini, 2015). So, the institutional reinforcement in overcoming disparities can be a participatory development process that encourages partnership arrangements between the main public and private organization of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity. (ILO, 2006).

6 Conclusion

This paper contributes to the international literature focused on highlighting and proposing solutions to Siak regional inequality. It has been demonstrated that the growing regional disparities within Siak are a complicated issue with proper solutions. The research focused on formulating the strategy of institutional reinforcement in overcoming regional disparities in Siak Regency. The results are following below:

1. The results of stakeholders identification shows that the institutional which are involving in overcoming regional disparities are:
 - Key stakeholders are Government and Local People in improving the economic growth and striving for human wellbeing. These two actors are importance in administering the LED and Product Clustering to have a brand local image, innovative bussines and enterpreneur class. Therefore, government are responsible for management and monitoring the creative class in producing the derivative bussines from leading sector.
 - Main stakeholders are local community and cooperatives. These two stakeholder are less responsible to operate economic development and reinforcing the finance capacity in the local community.
 - Supporting stakeholders can be classified as the funders, implementers, regulator/supervisor, and advocacy organizations such as NGO and private sector. Based on the stakeholder analysis, it is revealed that supporting stakeholder consist of (1) private owned enterprises, (2) private enterprises, (3) malay customs, (4) regional associaton of planning.
2. The results of policy development shows that the poliy development are applied into government, private owned enterprises, private enterprises, local community, malay customs institution, cooperatives, regional association, local people. The policies are focusing on encouraging the leading cluster to have local branding image in regional and national scale, syncronization of economic development policy into regional strategi plan, expanding marketplace for local product, monitoring the implementation of LED and regional clustering in each level (sub district untill national) scale.
3. The results of institutional linkages analysis shows that the roles, interests, resources and influences of any stakeholders (key stakeholders, main stakeholders and supporting stakeholders) in administering Local Economic Development and Regional Cluster are base on Pro LED, Entrepreneurs, Green Knowledge, Adaptive, Collaborative and leadership and innovative.
4. The strategy was formulated from the combination of LED and Regional Cluster concept. There are four phase indicates the strategy, (phase 1) establishment, (phase 2) functionalizing, (phase 3) innovation, (phase 4) suistanability. Those strategy have to be implemented to overcome regional disparities in order to strengthening the local economic development and maintaining enviromental area from disaster of forest fire.

7 Policy Recommendation

The policy recommendations in the eastern area of Siak Regency are considering the number of stakeholders whose interests and responsible in the eastern area, the economic growth and regional development policy requires intensive coordination activities, both sectoral coordination, coordination with goverment or inter-regional, synronization of policy in regional through sub district level, participation with relevant institutions and it requires Pro LED, Adaptive, Entrepreneur Branding, Collaborative and Green Technology to be suistanable.

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