

## Local Economic Development and Resettlement Program

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In the region of Central Sumatra, consisting of Riau and West Sumatra provinces, the demand for electricity has increased at a rate of more than 20% per annum between 1983 and 1988. There is a strong indication that the market for electricity is prospectively bright. The region is endowed with water resource that can be utilized to produce electric power. In response to the potential excess demand for electricity, the Government of Indonesia decided to construct the Koto Panjang Dam Project to support Hydroelectric Power Plant. Koto Panjang Dam Project has submerged ten traditionally local villages in the Koto Panjang region. The dam construction project has successfully resettled the indigenous inhabitants of Koto Panjang. Since the commercial operation of the Koto Panjang Power Plant, the supply of electricity has increased. It has positively contributed to act as an engine of economic growth in Riau as well as in West Sumatra provinces. The present commercial operation has passed through several complexities. Although the Koto Panjang dam construction is relevant to increase the supply of electricity in order to support regional as well as local community economic development, evidently it is highly challenging to convince the indigenous inhabitants to accept the necessary resettlement program. The most important reason for the local community to accept resettlement was the expectation to improve economic welfare. All parties involved in the dam construction have convinced the local community that their life would improve if they support the dam construction project by accepting the resettlement program. The local community completely relocated to the new villages. The responsibility of all parties remains to witness the outcome in terms of welfare improvement for the local community that has involuntarily resettled. The most important outcome of resettlement program should be a better economic development for the local community. The present paper is based on a sampled survey on resettled household. The study was conducted to clarify the present condition of resettled villagers, compared to that of before their resettlement, and to associate the present condition with some cause. The analysis is focused on the implication of resettlement program on local economic structure, performance and stability. The findings showed that resettlement program as expected has dominantly revived the role of rubber plantation in agricultural economic activities. Before relocation there were only 55% of households in the sampled village possessing rubber plantation. After relocation the number increased to account for more than 91% of households. Economic performance has impressively improved in some villages, but has badly stagnated in some other villages. Better performed local economies seem to accompany more stable household income source, while under performed economies seem to associate with less stable income source.

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