

## CHAPTER I

### INTRODUCTION

#### I. Background

Indonesia as a developing country certainly needs foreign loans aimed at building public facilities such as irrigation, transportation, dam and electricity hydropower. In 1993, Indonesia received an offer to build a hydropower plant located in Koto Panjang. The construction of the Koto Panjang Hydroelectric Power Plant has gone through a long process. In 1980-1982, a feasibility study was carried out in the Koto Panjang area where the results showed that this location was considered feasible for the distribution of funds aided by the Japanese state which provided 1,152 billion yen in assistance (Rezky, 2006). But in the midst of the implementation of hydropower development, there was a problem that caused the project to stop. Not long after, in 1990, Indonesia and Japan agreed to continue the construction of this reservoir. The government began to seek support from local communities to participate in approving the project. In 1993 the project was successfully implemented and in 1996 the Koto Panjang Reservoir could be used.

The purposes of the construction of the Koto Panjang reservoir are as follows (Rezky, 2006) :

1. To meet the electricity needs of the people of Riau Province and West Sumatra through an interconnection system.
2. Able to encourage industrial activities such as palm oil mills, plywood and other industries, so as to spur economic growth.

3. To control flooding.
4. Open the isolation area.
5. Improve community welfare.

The construction of the Koto Panjang reservoir has an impact on the surrounding population around the area. Automatically, residents in the area around the reservoir will be moved, because all of these areas will be drowned. An area of 124 km<sup>2</sup> will be flooded due to reservoirs. The population of eight villages in Riau Province and two villages in West Sumatra Province must be moved, and the number of refugees is 4886 households with 16,954 people (Karimi, 2013). This activity will most likely lead to many conflicts, like the various opinions and behaviors of indigenous peoples in the area. Many people in the area agreed although there were many who did not agreed as well, but indirectly, they all agree on this. The resettlement was carried out in stages with the pattern of transmigration. In the area of this new settlement, the community was given facilities as compensation for their drowned houses, in the form of: decent housings, adequate electricity, and clean water facilities.

During the construction of the reservoir, there is certainly a lot of controversy that occurs. There are villages that follow the transfer pattern provided by the government and some do not want to follow the program that has been set by the government. The villages that follow the steps determined by the government are give compensation and agricultural land. The participating villages (those willing to follow the steps that have been determined by the government), are given compensation /

compensation options in the form of: money, 2 hectares of rubber plantation/ Palm oil plantation and house. Conversely, for villages that do not want to participate with the government, they are only compensated in the form of money.

Since the beginning of the relocation from 1997 until 2018, the villages affected by this relocation experienced many difficulties. They have to rebuild everything from scratch, such as houses, economy, public facilities and they also have to adjust to the new residence. Yet, a theory that says that "Involuntary resettlement has great potential in impoverishing displaced persons" (Cernea, 1999) is proven wrong by these villages. They were able to recover and rise from the difficulties they suffered and survived until now.

There are ten villages affected by the relocation of the Koto Panjang Hydroelectric Power Plant development, eight villages from Riau Province and two villages from West Sumatra. Each village has a different transfer pattern, some villages choose a transfer pattern that has been provided by the government (Bedol Desa) and there are also villages that choose a transfer pattern that they set themselves (Mandiri). each pattern of removal chosen will result in differences in the amount of compensation, when choosing a pattern of displacement of Bedol Desa the community will receive money, houses and agricultural land. but if choosing a transfer pattern that does not follow the advice of the government will only receive money as compensation. of the ten villages that were moved there were two villages that were so interesting, because these two villages had different levels of welfare, the two villages were the



Koto Mesjid and the Pongkai Istiqomah. The difference in welfare level can be seen from the average monthly income in the village of Koto Mesjid is between 1,000,000 to 10,000,000 rupiahs, while the average monthly income in the Pongkai Istiqomah village is between 500,000 and 2,500,000 rupiahs. Furthermore the difference in the level of welfare between the two villages can be seen from the source of drinking water, the average Koto Mesjid village already has a water well but the Pongkai istiqomah village on average still buys clean water provided by Pamsimas. And for the electricity capacity of the two villages, the Koto Mesjid community has 900 watts of electricity, while the Pongkai Istiqomah community has 450 watts of electricity. Therefore the writer is very interested in discussing what causes differences in the level of welfare between the villages of Koto Mesjid and Pongkai Istiqomah. Is there a change from the transfer pattern that has been chosen by these two villages to the welfare of the community in both villages. Therefore, the writer will determine differences of the level of welfare of these village by comparing the pattern of transfer with the form of compensation received by the two villages. Compensation is used because differences in transfer patterns cause differences in the amount and form of compensation received.



### **1.1 Research problems**

Based on the background described previously, then there is a formulation of the problem that can be taken as a research study to be conducted. Formulation of the problem is needed as a way to make a decision on this research, the formulation of the problem includes :



1. Are there any patterns of displacement affecting the economic well-being of people affected by involuntary displacement due to the construction of mega-projects?
2. Examine the causes of differences in the welfare of a village by comparing the pattern of transfers with the form of compensation received by the two villages
3. Are there another factor beside the Patern of Transfer that affect of contrast on the Economic welfare between Koto Mesjid and Pongkai Istiqomah?

## **1.2 Research Objectives and Research Advantages**

### **1.2.1. Research Objectives**

The purpose of this research is to :

1. Knowing the effect of the pattern of displacement on the welfare of people affected by involuntary displacement due to the construction of mega projects.
2. Knowing about the causes of differences in the welfare of a village by comparing the pattern of transfers with the form of compensation received by the two villages
3. Knowing about the another factors that affect the contrast on Economic Welfare between Koto Mesjid and Pongkai Istiqomah.

