CIPS
Center for Indonesian Policy Studies

Protecting the Farmers:
Improving the Quality of Social Protection Schemes for Agricultural Workers in Indonesia

by Arianto A. Patunru & Hizkia Respatiadi

www.cips-indonesia.org

Protecting the Farmers:
Improving the Quality of Social Protection Schemes for Agricultural Workers in Indonesia

Author:
Arianto A. Patunru
Hizkia Respatiadi
Center for Indonesian Policy Studies (CIPS)

Jakarta, Indonesia
June, 2017

Glossary

AUTP	: *Asuransi Usaha Tani Padi* (Agricultural Insurance Program for Rice Farmers)
JKN	: *Jaminan Kesehatan Nasional* (National Health Insurance); Financial assistance through health insurance for low-income households
KIS	: *Kartu Indonesia Sehat* (Card for Healthy Indonesians); Further development of National Health Insurance with additional benefits for low-income households
KIP	: *Kartu Indonesia Pintar* (Card for Smart Indonesians); Financial assistance on education services for low-income households
PKH	: *Program Keluarga Harapan* (Hopeful Family Program). Conditional cash transfer program for low-income households
Raskin	: *Beras untuk Orang Miskin (*Rice for the Poor*)*; Subsidized rice program for low-income households
Rastra	: *Beras Sejahtera* (Prosperous Rice); The new name for Raskin with the same function.

Executive Summary

The agricultural sector covers 34% of the total employment in Indonesia in 2014, larger than those employed in services, and second only to industry sector. In estimation, this amounts to more than fifty million people - a significant share of the Indonesian workforce. Unfortunately, most of them live below the poverty line or just slightly above it. In rice-producing districts such as Indramayu in West Java, landless farm workers earn only about IDR 300,000 per month and small-scale farmers make less than IDR 600,000 per month from farm work. Limited job opportunities in the villages, poor irrigation systems, and unpredictable weather are among the factors that add to rural predicaments. Consequently, people in the villages choose to migrate into cities, indicated by the decreasing percentage of rural population compared to the total population in the country, from 50% in 2010 to just 46% in 2015.

To address this situation, the government allocates funds that enable farmers to buy seeds, fertilizers, and rice at subsidized prices. However, government agencies acknowledge that this support is ineffective. Despite their hefty annual state budget of IDR 52 trillion, the subsidized products are of low quality and their poor distribution systems leading to black market activities. Only the rich, well-connected farmers take advantage of these subsidies.

As poor farmers and farm workers struggle with their low-income, more targeted support programs such as conditional cash transfers (*Program Keluarga Harapan*/PKH) and financial assistance for healthcare (*Kartu Indonesia Sehat*/KIS) and education (*Kartu Indonesia Pintar*/KIP) are recommended. These programs can be more effective as they directly address recipients with insufficient earnings to cover their healthcare and education expenses. Meanwhile, agricultural insurance programs for rice farmers (*Asuransi Usaha Tani Padi*/AUTP) can help them by alleviating their income losses due to harvest failures. However, these programs are currently unable to reach their objectives due to budget restraints as their funds are less than half of the farm subsidies.

There are three possible solutions: firstly, the government may reallocate funds, from ineffective and costly farm subsidies to the more targeted and effective PKH, KIS, KIP, and AUTP schemes. These programs have greater impact on people's livelihood and reducing farmers' risk of income losses. This approach will require a paradigm shift, in which the government must improve public awareness that the subsidies only benefit the wealthy farmers. Secondly, once the budget of PKH, KIS, KIP, and AUTP increases, their coverage can be expanded along with an improvement of their targeting efforts and the infrastructure of the support systems. Thirdly, the government may develop their insurance policy as a tool to protect the farmers of various food crops against the risk of harvest failures. The insurance benefits must be clearly communicated to the farmers, the processes involved must be simplified, and the coverage to remote areas must be expanded in partnership with private insurance firms that maintain a wide network of branches and agents.

Study Approaches

This paper is the result of desktop research conducted from October 2016 to February 2017, using secondary data from various textbooks, academic papers, and official reports as the main sources. In addition, a field research was conducted in April 2017 in Karang Layung Village, Sukra Sub-district, Indramayu District, West Java Province. This location was selected as Indramayu is the top rice producer in West Java, in which its production of wetland paddy reached more than 1.2 million tons in 2014, or around 11.5% of the total production in the province.[1] The research was conducted by using semi-structured interviews and focus group discussions with ten farmers and two farm workers from different villages.

> Agricultural sector employs 54.8 million labor force in Indonesia. However, 34.3 million of them are poor or in danger of becoming poor.

[1] Statistics Indonesia (2016), *Provinsi Jawa Barat Dalam Angka 2016 [Jawa Barat Province in Figures 2016]*, p. 264

Current Situation

Agriculture is one of the major sectors in Indonesia employing 54.8 million of the labor force.[2] Unfortunately, most of the people who work in this sector live below the poverty line or just slightly above it. The World Bank recorded that 34.3 million of agricultural workforce are poor or in danger of becoming poor as they earn less than US$ 1.90 per day.[3] [4]

Table 1

Incomes in sample villages in West and Central Java[5]

No.	Village & District	Landholding Status	Proportion of the Agricultural Workforce (%)	Average Monthly Income Per Person* (IDR)	Distance to Poverty Line (%)**
1.	Wanakerta, Indramayu, West Java	Landless farm workers	60	333,000	-35.8
		Small-scale farmers (<0.25 ha)	15	583,000	12.3
2.	Sidosari, Kebumen, Central Java	Landless farm workers	10	277,000	-46.6
		Small-scale farmers (<0.25 ha)	46	555,000	6.9
3.	Sarimulyo, Cilacap, Central Java	Landless farm workers	5	333,000	-35.8
		Small-scale farmer (<0.25 ha)	42	500,000	-3.6

* = Excluding additional income from off-farm activities
** = Based on the International Poverty Line by the World Bank[6]
(-) = Below poverty line; (+) = Above poverty line
Source: Collated from Ambarwati et al. (2015)[7] and The World Bank (2015)

Table 1 shows that in selected villages in rice-producing districts in West Java and Central Java,[8] the majority of the agricultural workforce does not earn sufficient incomes from farm work to live above the poverty line. Small-scale farmers in Indramayu and Kebumen, who own less than 0.25 ha of land, are highly vulnerable to fall into poverty as they earn, respectively, just 12.3 or 6.9% more than those at the poverty line.[9]

This predicament correlates with various challenges they encounter. The first challenge relates to limited job opportunities in the rural areas. The number of landholding households

[2] Author's calculation based on the data from The World Bank (2017): *Population, total* (http://data.worldbank.org/indicator/SP.POP.TOTL?locations=ID); *Employment to population ratio, 15+, total (%) (modeled ILO estimate)* (http://data.worldbank.org/indicator/SL.EMP.TOTL.SP.ZS?locations=ID); *World Development Indicators: Agricultural employment to total employment ratio* (http://wdi.worldbank.org/table/3.2)

[3] The World Bank (2014), 'Informal Agriculture Workers in Indonesia Try to Avoid Poverty'. Accessible on http://www.worldbank.org/en/news/video/2014/05/08/informal-agriculture-workers-in-indonesia-try-to-avoid-poverty. [Accessed 17 November 2016].

[4] The World Bank (2015). *Indonesia's Rising Divide – Executive Summary,* p.20. The poor earns less than USD 1.30 per day = IDR 518,900 per month. USD 1 = IDR 13,307 (average exchange rate in 2016; www.x-rates.com). In order to be considered safe from poverty in the following year, a person must earn at least 50% above the poverty line or at least USD 1.90 per day = IDR 758,500 per month.

[5] Alternatively, the Farmers Index (NTP) is being used to estimate the farmers' welfare. The NTP compares their farm revenues with their production cost and household expenditures. However, the Ministry of Agriculture considers this method problematic due to the price fluctuations of the farm products. Kompas (2016), *'Sudah Tepatkah Polemik Analisis Kesejahteraan Petani? [Polemic on Farmers' Welfare Analysis: Is it the Right Way?].* http://biz.kompas.com/read/2016/04/25/154401628/Sudah.Tepatkah.Polemik.Analisis.Kesejahteraan.Petani

[6] See footnote 4

[7] Ambarwati, Aprilia and Harahap, Ricky Ardian (2015), 'Tanah untuk Penggarap? Penguasaan Tanah dan Struktur Agraris di Beberapa Daerah Penghasil Padi [Land for the Tillers? Land Tenure and Agrarian Structure in Some Rice Producing Villages]', *Jurnal Analisis Sosial [Journal for Social Analysis],* 19 (1), p. 20, 21, 22

[8] West Java and Central Java are two of Indonesia's main rice producers. In 2015, these two provinces produced more than 22 million tonnes of rice or 30% of the total national production (Statistics Indonesia, ***Statistik Indonesia - Statistical Yearbook 2016,*** p. 205)

[9] See footnote 4.

is decreasing and more farmers have become landless farm workers.[10] Land ownership and access are concentrated in the hands of a small number of villagers, while opportunities to work as hired farm workers are limited. For example, in several villages in Indramayu, West Java Province– where the agricultural sector is dominated by landless farm workers – landowners prefer to employ just one or two trusted workers to perform all pre-harvest work.

Table 2

Change in number of landholding agricultural households by land area controlled, 2003 & 2013

No	Farm size (ha)	Number of households (million)		Change	
		2003	2013	Number (million)	%
1	<0.1	9.38	4.34	-5.04	-53.75
2	0.10 – 0.19	3.60	3.55	-0.05	-1.45
3	0.20 – 0.49	6.82	6.73	-0.08	-1.23
4	0.5 – 0.99	4.78	4.55	-0.23	-4.76
5	1.0 – 1.9	3.66	3.73	0.70	1.76
6	2.0 – 2.9	1.68	1.62	-0.55	-3.27
7	≥3.0	1.31	1.61	0.30	22.81
Total		**31.23**	**26.14**	**-5.10**	**-16.32**

Source: Statistics Indonesia (2013)[11]

Table 2 shows that from 2003 to 2013, the number of landholding agricultural households decreased by more than 16%. While the number of landholding households with farm sizes of 1.0 – 1.9 ha and ≥ 3 ha increased by 700,000 and 300,000 respectively, more than 5 million households with farm sizes of ≤ 0.1 ha lost their landholding status and potentially become landless farm workers. The increasing number of landless farm workers[12] coupled with the shortage of work opportunities in villages makes it harder for them to earn a sufficient income to sustain their livelihood.

The second challenge is related to the irrigation system used by the farmers, especially rice farmers. Table 3 below shows that currently 57% of rice farms in Indonesia use irrigation to water the crops. Unfortunately, from 7.2 million ha of irrigation infrastructure in the country, 3.7 million or nearly 52% of them are in poor condition[13] due to soil sedimentation, rampant weeds, the absence of irrigation monitoring systems in the villages, and uncertainty on who must provide the funding for repair.[14] As a result, crops are exposed to the risk of drought which will lead to harvest failures and income losses for the farmers.

[10] Ben White, Aprilia Ambarwati, Ricky Ardian Harahap, and Isono Sadoko, Agriculture (2016), Land Tenure and Livelihoods. ed. by John F. McCarthy and Kathryn Robinson, *Land & Development in Indonesia: Searching for the People's Sovereignty* (Singapore: ISEAS Publishing (Indonesia Update Series), p.278 - 279

[11] Statistics Indonesia (2013), *Laporan Hasil Sensus Pertanian 2013 (Agricultural Census 2013)*, p. 12

[12] See footnote 10, p.278

[13] Ministry of Agriculture (2015), *'Rencana Strategis Kementerian Pertanian Tahun 2015 - 2019 [Ministry of Agriculture Strategic Planning 2015 - 2019]'.*

[14] Trisna Subarna, Agus Muharam, and Nana Sutrisna (2006), 'Upaya Peningkatan Kelembagaan Sistem Pengairan di Kabupaten Karawang, Jawa Barat [Institutional Development on the Irrigation System in Karawang District, West Java]', in *Pengelolaan Lahan dan Air di Indonesia [The Management of Land and Water in Indonesia],* ed. by Effendi Pasandaran, Bambang Sayaka and Tri Pranadji (Jakarta: Ministry of Agriculture - Department of Agricultural Research and Development), p.196

Table 3

Type of Rice Fields in Indonesia

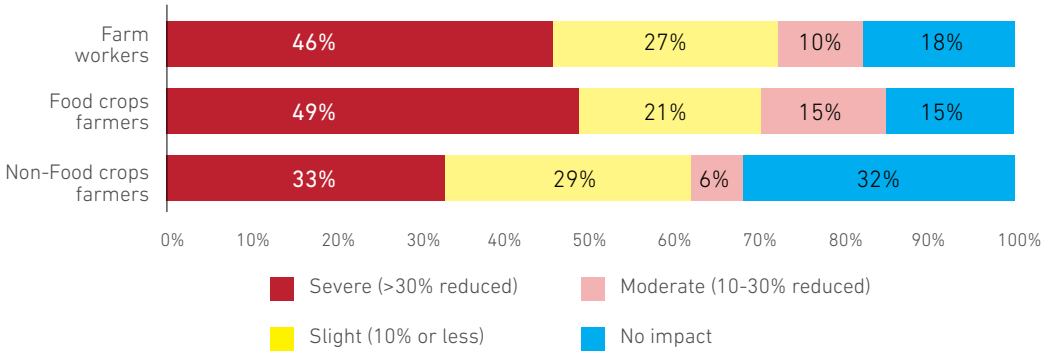
No.	Type of Rice Field	Total Size (ha)	Characteristics
1.	Irrigated	4,417,582	- Mainly uses man-made water channels - Water supplied by rivers or dams
2.	Rain fed	2,848,753	- Mainly uses rain water - During the dry season, farmers switch to other crops, such as corn and cassava
3.	River tide	300,710	- Located near rivers - As high river tides cause floods, farmers can only plant their crops during the low tide
4.	River bank	174,182	- Located at the river banks - Uses water overflown from the rivers to water the crops
TOTAL		**7,741,224**	

Source: Ministry of Agriculture (2016)[15]

The third challenge is the impact of unpredictable weather and the associated risk of floods and droughts.[16] In January 2014, floods in Java, Sulawesi, Sumatera, Nusa Tenggara, and Kalimantan[17] destroyed 400,000 ha of rice fields with a total loss estimated at IDR 1.2 trillion.[18] Meanwhile, a prolonged drought in 2015 and early 2016 forced the farmers to delay their rice planting by three months,[19] resulting in serious income reduction for agricultural households in various parts of Indonesia as shown in Figure 1 below.

Figure 1

Impact of 2015 to early 2016 drought on agricultural workers' income in East Java, East and West Nusa Tenggara, and Papua



Source: World Food Programme (2016)[20]

[15] Ministry of Agriculture (2016), *Pengelolaan Data Lahan Sawah, Alat dan Mesin Pertanian, dan Jaringan Irigasi [Data Management on Rice Field, Agriculture Equipment and Machinery, and Irrigation Infrastructure]*, ed. by Directorate General of Agricultural Infrastructure (Solo) p. 9 - 10

[16] Kabul Indrawan (2015), *'Dampak Subsidi, Bantuan Benih, Anomali Cuaca Dan Perekonomian Dalam Negeri Terhadap Konsumsi Benih Tanaman Pangan Serta Pertanian di Indonesia [Impact of Seeds Subsidies, Weather Anomaly, and Domestic Economy on the Consumption of Food Crops Seeds and Indonesian Agriculture]'*, (Media Research Center), p. 2 & 4

[17] Andi Abdussalam (2014), *'Indonesian Govt Still Taking Stock of Flood-Affected Rice Fields'*, AntaraNews. Accessible on http://www.antaranews.com/en/news/92384/indonesian-govt-still-taking-stock-of-flood-affected-rice-fields [Accessed 01 December 2016].

[18] National Geographic (2014), *'Bencana Banjir Rusak 400.000 Ha Lahan Pertanian'*. Accessible on http://nationalgeographic.co.id/berita/2014/02/bencana-banjir-rusak-400000-ha-lahan-pertanian.

[19] US Department of Agriculture - Foreign Agricultural Service (2016), 'Indonesia: Rice Production Prospects Reduced by El Nino', in *Commodity Intelligence Report.* Accessible on http://www.pecad.fas.usda.gov/highlights/2016/03/Indonesia/Index.htm.

[20] World Food Programme (2016), *'The Impact of Drought on Households in Four Provinces in Eastern Indonesia'*, (Jakarta), p. 13

> Almost 16 million or more than 60% of heads of agricultural households are aged between 45 and above 65 years old.

Hardship in the rural areas makes the younger generation prefer working as factory workers rather than working on farms[21] and to seek job opportunities in nearby cities. This contributed to the increasing proportion of urban population in the country, from 50% in 2010 to 54% in 2015.[22] With the migration of the youth to the cities, Statistics Indonesia recorded that currently almost 16 million or more than 60% of heads of agricultural households are aged between 45 and above 65 years old.[23] Ageing farmers often show certain characteristics that include declining physical abilities, reluctance to innovation, and lack of vision for strategic planning.[24]

Existing Policies to Protect and Assist the Farmers

A. Subsidy programs

In its attempt to protect farmers' livelihood, the Indonesian government imposes policies that are primarily part of a food self-sufficiency[25] objective as stipulated in Law 18/2012 on Food Security and Law 19/2013 on the Protection and Empowerment of Farmers. Article 15 of both laws stipulate that the government prioritizes local agriculture products to meet domestic needs, while Article 30 of Law 19/2013 states that it is prohibited to import agriculture commodities when the domestic supply is deemed sufficient by the government. Furthermore, Article 21 of the same law stipulates that the government is authorized to provide farmers with subsidies, including seeds and fertilizers, to reduce the farmers' costs and eventually to achieve the objective of food self-sufficiency. An overview and the legal bases of farm subsidy programs in Indonesia are illustrated in Table 4.

[21] Yogaprasta A. Nugraha, and Rina Herawati (2015), 'Menguak Realitas Orang Muda Di Sektor Pertanian Pedesaan [Unmasking the Reality of Youth in Agriculture]', *Jurnal Analisis Sosial [Journal of Social Analysis]*, 19, 27 - 38.

[22] According to the World Bank, the urban population in Indonesia was around 120 million or 49.92% of the total population in 2010. By 2015, this number increased to more than 138 million or 53.74% of the total population. Accessible on http://data.worldbank.org/indicator/SP.URB.TOTL?locations=ID & http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ID

[23] BPS [Statistics Indonesia], *'Laporan Hasil Sensus Pertanian 2013 (Pencacahan Lengkap) [Agricultural Census Report 2013 (Complete Calculations)]'*, p.18

[24] Herman Subagio, and Conny N. Manoppo (2012), *'Hubungan Karakteristik Petani Dengan Usahatani Cabai Sebagai Dampak Dari Pembelajaran FMA (Studi Kasus di Desa Sunju, Kecamatan Marawola, Provinsi Sulawesi Tengah) [Characteristic Relationship between Farmers and Chili Farms as the Impact of FMA Study [Case Study in Sunju Village, Marawola Subdistrict, Central Sulawesi Province)]* ', (Ministry of Agriculture - Department of Agricultural Technology Research in Central Sulawesi).

[25] Food self-sufficiency refers to a situation in which a state manages to meet all or most of the food needs of its population from domestic production (Iqbal Rafani (2014), *The Law No. 18/2012 Governing Food Security in Indonesia*, Food and Fertilizer Technology Center for the Asian and Pacific Region. Accessible on http://ap.fftc.agnet.org/ap_db.php?id=182)

Table 4

Overview and Legal Bases of Farm Subsidy Programs in Indonesia

No.	Program	Commencement	Current Legal Bases	Administered by	2016 Budget	Beneficiaries	Number of Target Beneficiaries
1.	Subsidies on seeds (rice, soy beans, and corn)*	1986 (rice and soy beans); 2004 (corn)	1. Law 19/2013 on Protection and Empowerment of Farmers 2. Regulation of the Minister of Agriculture (MOA) 04/2016 with Guidelines on Seeds Subsidies 2016 3. Regulation of the Director General of Food Crops, Ministry of Agriculture 19/KPA/SK.310/C/2/2016 on Hybrid Corn Development Program	Ministry of Agriculture via two state-owned enterprises: PT. Sang Hyang Seri (SHS) and PT. Pertani	IDR 1 trillion	Any farmers who have not received any other subsidies on seeds from the government. Eligible farmers must receive formal approval from relevant officials.	Total volume allocation of seeds: - Rice: 99,750 tons - Soy beans: 2,500 tons - Corn: 18,000 tons
2.	Subsidies on fertilizers**	1971	1. Law 19/2013 on Protection and Empowerment of Farmers 2. MOA 60/2015 on Requirements and Highest Retail Prices of Subsidized Fertilizers 2016 3. Regulation of the Minister of Trade (MOT) 15/2013 on Procurement and Distribution of Subsidized Fertilizers	Ministry of Agriculture via five state-owned enterprises: - PT Pupuk Sriwijaya, - PT Pupuk Kujang - PT Pupuk Kalimantan Timur, Tbk, - PT Pupuk Iskandar Muda, - PT Petrokimia Gresik	IDR 30.1 trillion	- All food crop farmers+ - Non-food crop farmers with maximum land size of 2 ha	Total volume allocation of fertilizers: - Urea: 4.1 million tons - SP-36: 850,000 tons - ZA: 1.05 million tons - NPK: 2.55 million tons - Organic: 1 million tons
3.	Subsidies on Rice (Raskin/Rastra)***	1998	1. Law 18/2012 on Food 2. Presidential Regulation 68/2002 on Food Security	Perum Bulog (National Logistics Agency)	IDR 21 trillion	Registered poor households	15.5 million households

Notes:

+ : Unlike previous regulations from 2013 to 2015, the current regulation does not limit the food crop farmers entitled to this subsidy by their land size. The land size limit of 2 ha still applies to non-food crop farmers.

Sources are collated from:

'* : Kariyasa (2007);[26] Ministry of Agriculture (2016);[27] Ministry of Finance (2016)[28]

** : Piggott et al (1993);[29] Zulkifli Mantau and Faisal;[30] Ministry of Finance (2016)[31]

*** : 1. Coordinating Ministry for Human Development and Culture (2017)[32]

2. Presidential Instruction 05/2015 on Government Policy on Rice Procurement and Distribution

3. Coordinating Ministry for Human Development and Culture (2014)[33]

4. Ministry of Finance (2016)[34]

[26] Ketut Kariyasa (2007). Usulan Kebijakan Pola Pemberian dan Pendistribusian Benih Bersubsidi [Suggestion on the Distribution Patterns of Subsidized Seeds]. *Jurnal Analisis Kebijakan Pertanian [Analytical Journal on Agricultural Policy]*.5 (4). 304 - 319

[27] Ministry of Agriculture (2016), *'Petunjuk Teknis Subsidi Benih Tahun Anggaran 2016 [Technical Guidelines on Subsidized Seeds 2016]'*, p.6

[28] Ministry of Finance (2016), *'Informasi APBN 2016 (Information on 2016 State Budget)'*, p.31.

[29] Roley R. Piggott, Kevin A. Parton, Elaine M. Treadgold, and Budiman Hutabarat (1993), *Food Price Policy in Indonesia,* p.86

[30] Zulkifli Mantau, and Faisal, 'Studi Komprehensif Kebijakan Subsidi Pupuk di Indonesia [Comprehensive Policy Analysis Regarding Subsidies on Fertilizer in Indonesia]', in *Seminar Regional Inovasi Teknologi Pertanian, mendukung Program Pembangunan Pertanian Propinsi Sulawesi Utara [Regional Conference on Technological Innovation on Farming to Support Agriculture Development Program in North Sulawesi Province]* (Sulawesi Utara). p. 213

[31] See footnote 28

[32] Coordinating Ministry for Human Development and Culture (2017), *'Pedoman Umum Subsidi Rastra [General Guidelines on Subsidized Rice]'*, p.4

[33] Coordinating Ministry for Human Development and Culture (2014), *Penerima KKS Masih Berdasarkan Data 2011, Mensos Undang Akademisi Cari Solusi [Social Security Recipients Still Based on 2011 Data, Minister of Social Affairs Invites Academics to Find Solutions]*. Accessible on http://www.kemenkopmk.go.id/artikel/penerima-kks-masih-berdasarkan-data-2011-mensos-undang-akademisi-cari-solusi. Accessed on 01 December 2016

[34] See footnote 28

Subsidies on seeds

This policy aims to enable farmers to purchase the seeds of rice and soy beans at subsidized prices, and the seeds of corn for free. Table 5 provides information on the volume of allocated seeds and the size of the target areas of this program. From 2015 to 2016, the allocation of subsidized seeds for non-hybrid rice and soybeans was reduced by 1% and 83%, respectively. On the other hand, the allocation of hybrid rice and hybrid corn seeds increased sharply by 50% and 1,100%, respectively. The types of rice seeds include IR-64 (non-hybrid) and SL-8 SHS (hybrid), which are the results of cooperation between the Indonesian government and International Rice Research Institute (IRRI).[35]

Table 5

Allocation on Subsidized Seeds, 2015 – 2016

No.	Seeds	Allocation for Subsidies					
		2015			2016		
		Reference Price per kg (IDR)	Volume (tons)	Target Area (ha)	Reference Price per kg (IDR)	Volume (tons)	Target Area (ha)
1.	Non-hybrid rice	3,050	98,500	3,940,000	2,500	97,500	3,900,000
2.	Hybrid rice	5,700	1,500	100,000	4,100	2,250	150,000
3.	Soy beans		15,000	300,000		2,500	50,000
	- Extension seeds (BR)	5,200			3,100		
	- BR1, BR2, BR3, BR4	4,200			2,500		
4.	Hybrid corn	16,300	1,500	100,000	Free – with conditions*	18,000	1,200,000

* Note: Corn seeds are given for free. The quantity depends on the condition in each target area.

Source: Collated from the Ministry of Agriculture[36] [37] and Kabul Indrawan (2015)[38]

Subsidies on fertilizer

This policy intends to enable farmers to purchase various fertilizers at subsidized prices, including urea, SP-36, ZA, NPK, and organic fertilizers.[39] From 2014 to 2015, the government increased the allocated volumes of subsidized fertilizers by around 20% for urea, 12% for SP-36, 31% for ZA, 27% for NPK, and 25% for organic fertilizers, which are shown in Table 6.

[35] Satoto and Made J. Mejaya (2014). Hybrid Rice Development in Indonesia, in *Hybrid Rice Development in Asia: Assessment of Limitations and Potential* (Bangkok: Food and Agriculture Organization of the United Nations and The Asia & Pacific Seed Association), p. 103 & 107. Accessible on http://www.fao.org/3/a-i4395e.pdf

[36] Elucidation of MOA 04/2016 on 2016 Guidelines on Subsidized Seeds, p.7

[37] Ministry of Agriculture (2016), *Petunjuk Teknis Gerakan Pengembangan Jagung Hibrida [Technical Guidelines on Hybrid Corn Development]*, p.34, as stated in Regulation of the Director General of Food Crops, MOA 19/KPA/SK.310/C/2/2016 on Hybrid Corn Development Program

[38] See footnote 16, p.3.

[39] Urea (NH2 CONH2) contains high level of nitrogen (46%), which is critical for the healthy growth of leaves and stems. SP-36 (P_2O_5) contains phosphate and is used to accelerate the growth of roots. ZA contains sulphate and ammonium and is used to accelerate cell growth and increase the crops' resilience against drought. NPK contains a mixture between nitrogen (N), rock phosphate (P), and chloride (KCl). Organic fertilizers are made of dead plants or animal dungs which contain nutrients needed by the crops. Sources: MOA 60/2015 on Requirements and Highest Retail Prices of Subsidized Fertilizers 2016, Sriwidjaja Fertilizer (http://www.pusri.co.id/ina/urea-tentang-urea/; http://www.pusri.co.id/ina/produk-npk-fusion/ ;), Petrokimia Gresik Fertilizer (http://www.petrokimia-gresik.com/Pupuk/SP-36.ZK), Faedah Jaya, distributor of fertilizer in Indonesia (https://faedahjaya.com/distributor-pupuk/tentang-pupuk-za)

Table 6

Allocation on Subsidized Fertilizers, 2014 – 2016

No.	Fertilizers	Reference Prices (IDR/kg)	Allocation Volume for Subsidies (ton)		
			2014	2015	2016
1.	Urea	1,800	3,418,000	4,100,000	4,100,000
2.	SP-36	2,000	760,000	850,000	850,000
3.	ZA	1,400	800,000	1,050,000	1,050,000
4.	NPK	2,300	2,000,000	2,550,000	2,550,000
5.	Organic	500	800,000	1,000,000	1,000,000

Source: Ministry of Agriculture[40 41 42]

Subsidies on rice (Raskin/Rastra)

While the first two subsidies mentioned above are specific for farmers, subsidies on rice (Raskin/Rastra)[43] is meant for all low-income households (including poor farmers and farm workers) registered by the respective local government in their neighborhood.[44] Each household is entitled to a monthly quota of 15 kg of medium-quality rice for a reference price of IDR 1,600 per kg[45] (in comparison, the average national market price in May 2017 was IDR 10,850 per kg).[46]

B. Targeted Social Protection Programs

Indonesia's current nationwide social protection programs are conditional cash transfer program (*Program Keluarga Harapan*/PKH), as well as financial assistance through health insurance (*Jaminan Kesehatan Nasional*/JKN – *Kartu Indonesia Sehat*/KIS) and education subsidies (*Kartu Indonesia Pintar*/KIP). Unlike the seeds and fertilizer subsidy program discussed in the earlier section, these programs are aimed at wider beneficiaries. The target of PKH, JKN-KIS and KIP are poor people who have been identified and registered by the Statistics Indonesia's 2011 Data Collection Program for Social Protection (PPLS). Since then, more recipients have been registered by the sub-district and villages authorities (for PKH and JKN-KIS) and by school authorities (for KIP) in the targeted regions. Table 7 presents an overview of the social protection programs and their legal bases.

In theory, these programs should also cover around 8.6 million households of rice and coarse grains (*palawija*)[47] farmers and farm workers. Statistics Indonesia recorded the national average income of household planting these crops is IDR 7,573,000 per year or around IDR 631,000 per month. According to the World Bank standard, this amount indicates these households are in danger of falling into poverty, if they are not poor already.[48]

> "In theory, these programs should also cover around 8.6 million households of rice and coarse grains (palawija) farmers and farm workers"

[40] MOA 122/2013 on Requirements and Highest Retail Prices of Subsidized Fertilizers 2014

[41] MOA 130/2014 on Requirements and Highest Retail Prices of Subsidized Fertilizers 2015

[42] MOA 60/2015 on Requirements and Highest Retail Prices of Subsidized Fertilizers in the Agricultural Sector 2016

[43] "Raskin" stands for *"beras untuk orang miskin"* (rice for the poor). The term is now replaced by "Rastra" that stands for *"beras sejahtera"* (prosperous rice).

[44] While Raskin/Rastra policy is still implemented this year, currently food voucher *(voucher pangan)* as the new food subsidy system is on trial run in 44 municipalities and districts in Indonesia. The government plans to implement the new system nationwide in 2018. Source: Executive Office of the President (2016), *Voucher Pangan, Terobosan Baru Pengganti Raskin [Food Voucher, New Innovation to Replace Subsidized Rice].* Accessible on http://ksp.go.id/voucher-pangan-terobosan-baru-pengganti-raskin/

[45] See footnote 32, p.12

[46] Indonesian Central Bank (2017), *'Pusat Informasi Harga Pangan Strategis Nasional – Harga Rata-rata dan Perubahan 23 Mei 2017 [Center of National Information on Strategic Food Prices – Average Prices and Changes 23 May 2017]'.* Accessible on http://hargapangan.id/

[47] Among 16.5 million households who rely on agriculture as their main source of income, rice and coarse grains farming households have the largest share of percentage (52%). Source: Statistics Indonesia (2013), *Agricultural Census 2013.* Accessible on https://st2013.bps.go.id/dev2/index.php

[48] See footnote 4

Table 7

Legal Bases and Overview on Targeted Social Protection Programs in Indonesia

No.	Program	Commencement	Current Legal Bases	Administered by	2016 Budget	Beneficiaries	Number of Target Beneficiaries
1.	Hopeful Family Program (PKH)* *Conditional Cash Transfer*	2007	Law 40/2004 on National System of Social Security	Ministry of Social Affairs – supervised by the National Planning and Development Agency (Bappenas)	IDR 9.98 trillion	Registered poor families (parents and children)	6 million families
2.	National Health Insurance (JKN) and Card for Healthy Indonesians (KIS)** *Financial Assistance through Health Insurance*	January 2014 (JKN); November 2014 (KIS)	1. Law 40/2004 on National System of Social Security 2. Law 24/2011 on Social Protection Coordinating Institution 3. Government Regulation 101/2012 on Financial Assistance Recipients for Health Insurance Program	BPJS Kesehatan (state-owned enterprise) under the supervision of National Council of Social Security (DJSN)	IDR 23.38 trillion (JKN); IDR 2.12 trillion (KIS)	1. Registered poor people (JKN & KIS) 2. Newborn infants and socially vulnerable persons (PMKS)+ within poor families (KIS)	103.5 million people
3.	Card for Smart Indonesians (KIP)*** *Financial Assistance for Education*	2015 (continuing the 'Scholarship for the Poor' program that ran from 2008 to 2014)	Law 17/2007 on the Long-term National Development Plan 2005 – 2025	1. Ministry of Education and Culture 2. Ministry of Religious Affairs	IDR 11.56 trillion	Students from registered poor families	19.5 million students

Notes:
+ : Ministry of Social Affairs states that there are 22 types of 'socially vulnerable persons' (PMKS), including neglected children, people with disabilities, commercial sex workers, illicit drug users, indigenous communities residing in remote areas, and displaced people due to natural disasters. Accessible on http://www.kemsos.go.id/modules.php?name=Database&opsi=pmks2008-1

Sources are collated from:
'* : 1. Ministry of Social Affairs (2015)[49]
2. National Board for Acceleration on Poverty Alleviation (TNP2K) (2016)[50]

Secretary of the Cabinet (2016)[51]
** : 1. Government Regulation 101/2012 on Recipients of Financial Assistance for Health Insurance
2. Ministry of Health (2015), *Rencana Aksi Kegiatan 2015 sd. 2019 [Action Plan 2015 – 2019]*, p. 11 & 15
3. National Board for Acceleration on Poverty Alleviation (TNP2K) (2016)[52]
4. Anastasia Susty Ambarriani (2014)[53]
5. Office of the President[54]
*** : TNP2K (2016)[55, 56]

[49] Susi Eko Zuhri Ernada, and Harapan Lumban Gaol (2015), *'Poverty Alleviation Programmes: Lessons from Indonesia'*, in 6th Meeting of COMCEC Poverty Alleviation Working Group (Ankara, Turkey: Ministry of Social Affairs). p. 15

[50] TNP2K (2016), *'Program Keluarga Harapan (PKH)'* 2016). Accessible on http://www.tnp2k.go.id/id/tanya-jawab/klaster-i/program-keluarga-harapan-pkh/. [Accessed 17 November 2016].

[51] Secretary of the Cabinet (2016), *'Presiden Jokowi: Anggaran Program Keluarga Harapan Tahun 2016 Naik Menjadi 9,98 Triliun [President Jokowi: Budget for Conditional Cash Transfer Increases to IDR 9.98 Trillion in 2016].* Accessible on http://setkab.go.id/presiden-jokowi-anggaran-program-keluarga-harapan-tahun-2016-naik-menjadi-998-triliun/. [Accessed 17 November 2016]

[52] TNP2K (2016), *'Kartu Indonesia Sehat [Card for Healthy Indonesians].* Accessible on http://www.tnp2k.go.id/id/program/program-membangun-keluarga-produktif/kartu-indonesia-sehat. [Accessed 18 November 2016]

[53] Anastasia Susty Ambarriani (2014), 'Hospital Financial Performance in the Indonesian National Health Insurance Era', *Review of Integrative Business & Economics*, 4(1), 367 – 79, p. 368

[54] Office of the President *'Kemajuan Distribusi KIP dan KIS [The Progress in Distribution of KIP and KIS]'.* Accessible on http://presidenri.go.id/pendidikan/kemajuan-distribusi-kip-dan-kis.html [Accessed 01 December 2016]

[55] TNP2K (2016), 'Kartu Indonesia Pintar (Card for Smart Indonesian)'. Accessible on http://www.tnp2k.go.id/id/program/program-membangun-keluarga-produktif/kartu-indonesia-pintar/ [Accessed 01 December 2016]

[56] TNP2K (2016), *'Program Bantuan Siswa Miskin (BSM) [Scholarship for the Poor Program]'.* Accessible on http://www.tnp2k.go.id/id/tanya-jawab/klaster-i/program-bantuan-siswa-miskin-bsm/ [Accessed 01 Dec 2016]

Conditional Cash Transfer - Hopeful Family Programs (PKH)

PKH is a conditional cash transfer program aimed to provide poor households with access to healthcare and education.

Table 8

PKH Conditional Cash Transfer Components, 2014 – 2016

No.	Benefits	Annual Amount of Transfer (IDR)		
		2014	2015	2016
1.	Fixed cash transfer	240,000	500,000	500,000
Additional benefits for poor families with:				
2.	Pregnant/lactating mother or toddlers	1,000,000	1,000,000	1,200,000
3.	Elementary school children	500,000	450,000	450,000
4.	Junior high school children	1,000,000	750,000	750,000
5.	Senior high school children	-	1,000,000	1,000,000
6.	People with disability	-	-	3,120,000

Source: Ministry of Social Affairs (2015)[57]

As shown in Table 8, PKH provides cash transfer to the registered poor families with the annual amount paid in quarterly tranches. The total annual amount depends on the condition of the members in each recipient family. The recipients must comply with the government's requirements on how they use the cash, such as by taking the pregnant and lactating mothers to local healthcare centers and sending their children to school. Each recipient can receive PKH only for a maximum of six years to avoid dependency.

Financial Assistance through Health Insurance (JKN and KIS)

The National Health Insurance (JKN) aims to cover basic public healthcare services. All people covered by the JKN must pay insurance premiums, which the government fully covers for the poor with a monthly rate of IDR 30,000 per person. The poor are entitled to third-class health services at designated healthcare centers or hospitals in accordance with their registered domicile in their National Identity Card. Meanwhile, the Card for Healthy Indonesians (KIS) is a similar program aiming to expand the benefits of JKN for the poor by offering several additional benefits. Firstly, it covers not only those who are sick, but also people under the category of 'socially vulnerable persons'[58] and newborn infants in poor families.[59] Secondly, unlike JKN, KIS is more flexible as it allows recipients to use this program in healthcare facilities across Indonesia, including clinics, sub-district/village-level public healthcare centers, and hospitals. Thirdly, KIS can also be used for preventive treatments such as immunizations.

Financial Assistance for Education (KIP)

This program aims to increase the school enrolment rate of school-aged children (6-18 years old) of poor families. KIP provides poor families with financial assistance paid per semester, so they can use it to pay school-related fees for their children.

[57] See footnote 49

[58] See Notes for Table 7 on PMKS

[59] National Board for Acceleration on Poverty Alleviation [TNP2K] (2016), '*Kartu Indonesia Sehat [Card for Healthy Indonesians]*. Accessible on http://www.tnp2k.go.id/id/program/program-membangun-keluarga-produktif/kartu-indonesia-sehat [Accessed 18 November 2016]

Table 9

Amount of the government's financial assistance per child under KIP

No.	Education Level	Financial Assistance per Semester (IDR)
1.	Primary School, including: • Formal school (SD and MI) • Non-formal (Kejar Paket A, Pesantren (Islamic Boarding School) for 7-12 years old)	225,000
2.	Junior high school, including: • Formal school (SMP and MTs) • Non-formal (Kejar Paket B, Pesantren (Islamic Boarding School) for 13 – 15 years old)	375,000
3.	Senior high school, including: • Formal school (SMA and MA) • Non-formal (Kejar Paket C, Pesantren (Islamic Boarding School) for 16 – 18 years old)	500,000

Source: TNP2K (2016)[60]

C. Agricultural Insurance Program for Rice Farmers (AUTP)

Table 10

Legal Basis and Overview on Agricultural Insurance for Rice Farmers

Commencement	2012 (prototype projects)
Current legal basis	1. Law 19/2013 on Protection and Empowerment of Farmers 2. MOA 02/2016 on Guidelines on Insurance Premium Assistance for Agricultural Insurance for Rice Farmers
Administered by	Ministry of Agriculture via PT. Jasindo (state-owned insurance company)
Budget allocation in 2016	IDR 134 billion
Entitled parties	Members of farmers' groups in the villages
Number of targeted area	15 million ha of harvested rice fields

Sources: Collated from Ministry of Finance (2016)[61] and Hendrawan (2015)[62]

Agricultural insurance for rice farmers (*Asuransi Usaha Tani Padi*/AUTP) is intended to help farmers by reducing the risk of income losses due to the impact of climate change.[63] The insurance protects farmers from harvest failures caused by floods, droughts, pests, as well as plant diseases by compensating for their loss up to IDR 6 million per ha per plantation season. The compensation will be given only if the damage reaches minimum 75%. Those who can participate

[60] TNP2K (2016), *'Program Indonesia Pintar Melalui Kartu Indonesia Pintar [Smart Indonesian Program via Card for Smart Indonesian]'*. Accessible on http://www.tnp2k.go.id/id/tanya-jawab/klaster-i/program-indonesia-pintar-melalui-kartu-indonesia-pintar-kip/ [Accessed 01 December 2016]

[61] Ministry of Finance (2016), Analisis Strategi Pencapaian Efektivitas Pelaksanaan Anggaran Asuransi Pertanian dalam APBN Melalui Analisis SWOT [Analysis on Strategy to Achieve Effective State Budget Disbursement on Rice Farmers Insurance Program via SWOT Analysis], *Kajian Tematik Direktorat Anggaran Bidang Perekonomian dan Kemaritiman Tahun 2016 [Thematic Analysis of the Directorate of Budget on Economics and Maritime Affairs]*, p. 20 – 21

[62] Mulyadi Hendrawan (2015), *Rencana Uji Coba Implementasi Asuransi Pertanian 2015 [Testing Plan on the Implementation of Agricultural Insurance 2015]*. Directorate General of Agricultural Infrastructure, Ministry of Agriculture p.6

[63] Ministry of Agriculture (2016), *Pedoman Bantuan Premi Asuransi Usahatani Padi [Guidelines on Premium Assistance for Agricultural Insurance for Rice Farmers]*. Directorate General of Agricultural Infrastructure, as part of the Regulation of the Minister of Agriculture 02/2016 on Guidelines on Insurance Premium Assistance for Agricultural Insurance for Rice Farmers, p.1

in this program are landholding farmers with maximum size of land of 2 ha, and landless farm workers who work on land with the same maximum size. The total premium per participant is IDR 144,000 per ha per plantation season, in which 80% of it covered by the government. Each participant needs to cover the rest or IDR 36,000 per ha per plantation season.[64]

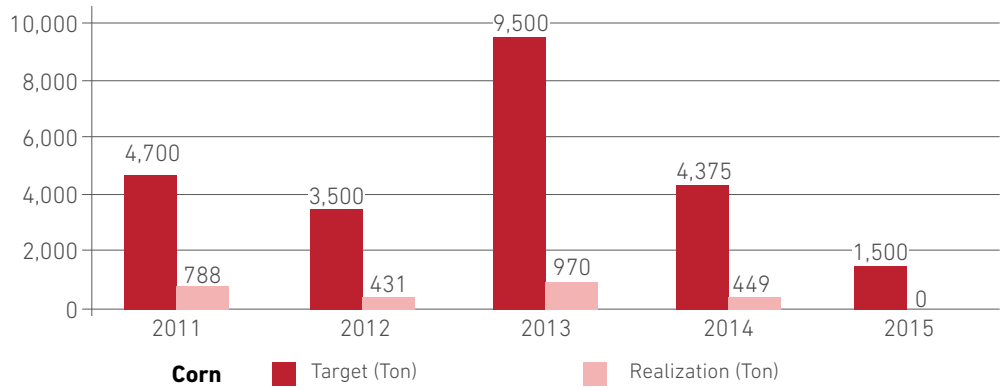
Analysis of Policies to Protect and Assist Farmers

Subsidies on seeds

From 2011 to 2015, none of the distribution targets were met for any of the subsidized seeds. The Ministry of Agriculture[65] and the National Development and Planning Agency (Bappenas)[66] stated that the main cause was the inability of two government-appointed state-owned enterprises to timely produce and distribute the seeds with the quality and variety needed by the farmers. The same circumstances also happen to rice seeds subsidy, even though the seeds were created as part of the cooperation between the Indonesian government and IRRI.[67]

Figure 2

Comparison between the targets and the realization of subsidized seeds distribution, 2011 – 2015

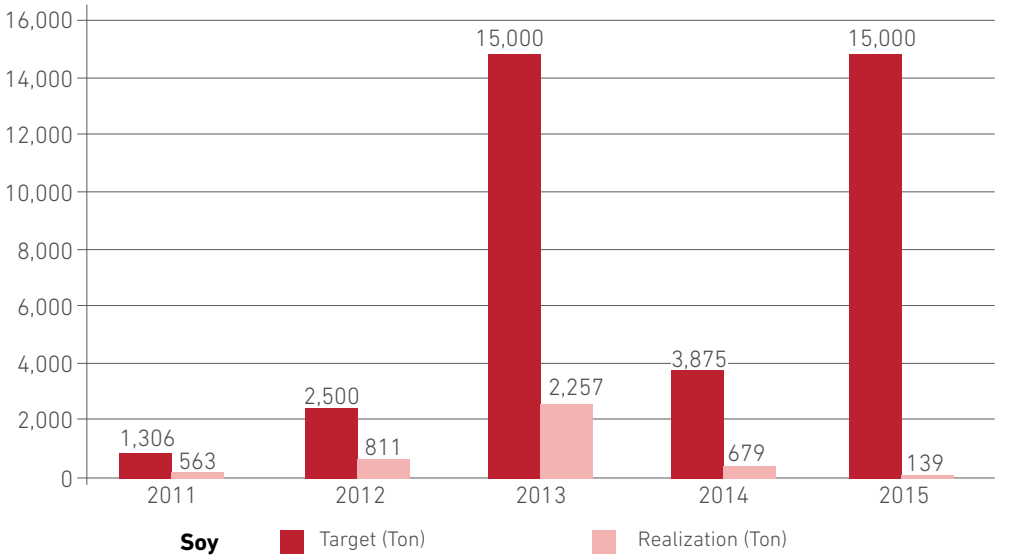


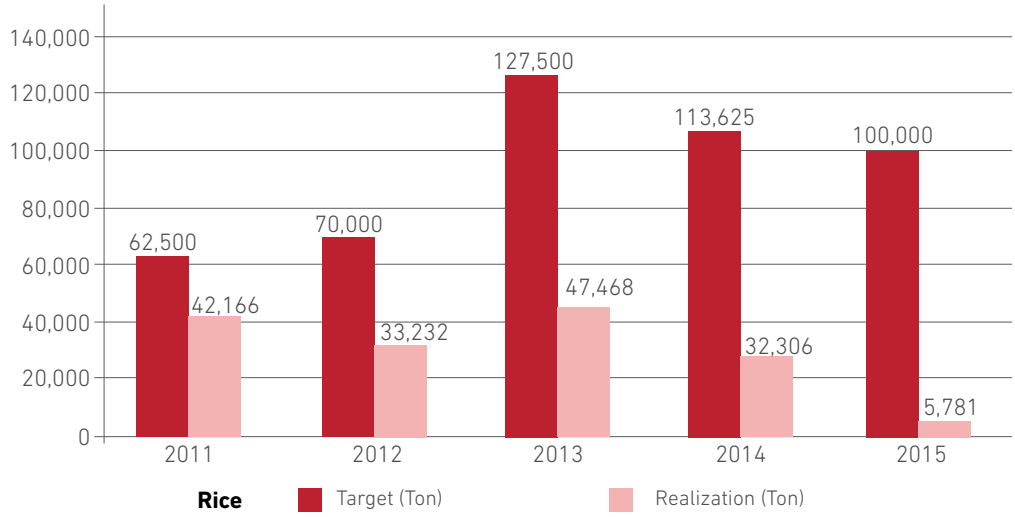
[64] See footnote 63, p. 7

[65] Ministry of Agriculture (2015), *'Laporan Kinerja Direktorat Jenderal Tanaman Pangan 2015 [Performance Report of Directorate General of Food Crops 2015]'*, ed. by Directorate General of Food Crops, p. 58.

[66] National Development and Planning Agency [BAPPENAS] (2011), *'Laporan Kajian Strategis Kebijakan Subsidi Pertanian Yang Efektif, Efisien Dan Berkeadilan [Strategic Review Report on Effective, Efficient, and Fair Agricultural Subsidies Policy]'*, p.10.

[67] See footnote 35





Source: Ministry of Agriculture – Performance Report of Directorate General of Food Crops 2011 – 2015

> "From 116,500 tons of allocated seeds, only 5,920 tons or 5% was used by the farmers"

Figure 2 shows that between 2011 and 2015 the realization of subsidized rice, corn and soy seeds distribution by the Indonesian government has fallen far below the target for each year. In total, from 116,500 tons of allocated seeds, only 5,920 tons or 5% was used by the farmers. Considering the risk of receiving poor quality[68] subsidized seeds and the uncertainty of their distribution period,[69] some farmers prefer to use non-subsidized seeds that provide them with more certainty in terms of their expected yields. A farmer in Indramayu recounted his view on subsidized seeds:

[68] See footnote 66, p. 74

[69] See footnote 16, p. 4

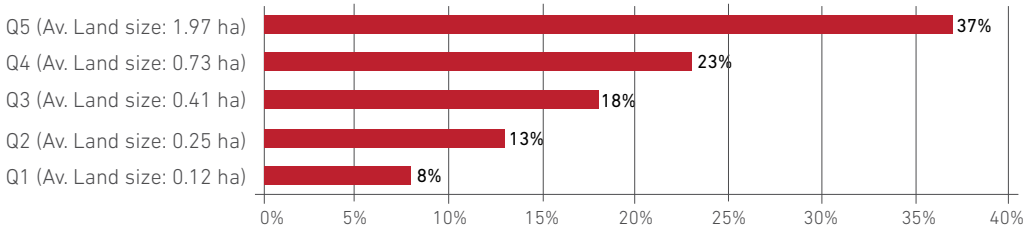
"To me, subsidized seeds are nothing more than a waste of money. There is zero benefit from them"

~ Abdul, farmer from Karang Layung Village, Indramayu -[70]

Subsidies on fertilizers

Figure 3

Distribution of Urea Subsidy Spending by Quintiles of Farmers' Land Size



Source: The World Bank (2011)[71]

A study by the World Bank (Figure 3) showed that only 21% of the recipients of fertilizer subsidies fall under the category of small-scale farmers with land up to 0.25 ha. Meanwhile, 60% of the beneficiaries were farmers who own between three-quarters to nearly 2 ha of land.

> "Only 21% of the recipients of fertilizer subsidies fall under the category of small-scale farmers"

There are several key factors that contribute to this problematic distribution. The first factor is the distance between the villages and the government-appointed official sellers of these fertilizers. The farther they are from the villages, the more difficult it is for small-scale farmers to purchase the fertilizers as they face considerable transportation costs.[72] The second factor is the inadequate system of monitoring the distribution process. Due to the lack of monitoring, many farmers who control more than 2 ha of land manage to circumvent the regulation by splitting their lands into several plots, which are then transferred to their family members, who can then receive the subsidy.[73] The third factor lies in black-market activities. Given the absence of an adequate monitoring system, sharp price disparities between subsidized and non-subsidized fertilizer (Table 11) provide a strong incentive for the appointed sellers to sell the subsidized fertilizers illegally and outside the targeted regions.[74] This leads to a scarcity of subsidized fertilizer, which in turn, further diminishes the benefits of this program for small-scale farmers, as stated by a farmer from Bojongslawi Village, Indramayu.

[70] Interview with a farmer from Karang Layung Village, Indramayu, West Java, 31 March 2017. For privacy reasons, pseudonym is used.

[71] Camilo Gomez Osorio, Dwi Endah Abriningrum, Enrique Blanco Armas, and Muhammad Firdaus (2011), *'Who Is Benefiting from Fertilizer Subsidies in Indonesia?'*, in Policy Research Working Paper (The World Bank), p. 10. Accessible on https://openknowledge.worldbank.org/bitstream/handle/10986/3519/5758.pdf [Accessed 17 Dec 2016]

[72] In Bogor, West Java, there were cases of rich farmers who were the only ones purchasing subsidized fertilizer as only they had the means to transport the fertilizer (Tina Rakhmawati (2013*), 'Analisis Efektivitas Subsidi Pupuk dan Faktor-faktor yang Mempengaruhi Produksi Padi [Analysis on the Effectiveness of Subsidized Fertilizers and Determinant Factors of Rice Production]'*, p.44 – 45)

[73] Organization for Economic Cooperation and Development [OECD] (2012), *'OECD Review of Agricultural Policies: Indonesia 2012'*, (OECD Publishing), p.156

[74] See footnote 71, p.6

"In my village, subsidized fertilizers are often unavailable when we need them. Even when they are in stock, their prices are higher than they should be. It seems these subsidies only make the distributors become richer than ever before."

~ Sutarman, farmer from Bojongslawi Village, Indramayu –[75]

Table 11

Price Comparison of Fertilizers

Fertilizer	Prices per kg (IDR)		
	Subsidized[76]	Domestic Non-Subsidized[77]	World Bank Reference* [78]
Urea	1,800	3,900	2,831
SP-36 (Phosphate-based)	2,000	3,600	3,622

'* Notes = Indonesian Central Bank exchange rate per 1 December 2016: USD 1 = IDR 13,417.67
Sources: Ministry of Agriculture; The World Bank; Priceindo.com

The price of subsidized urea is approximately 54% lower than the non-subsidized one in the domestic market, and subsidized SP-36 is around 45% cheaper. At the international market, subsidized urea is nearly 37% cheaper compared to the World Bank's reference price, and subsidized SP-36 is around 45% cheaper. Subsidized fertilizers are, therefore, sold on black markets, both domestically[79] and internationally.[80] Eventually, the wealthy and well-connected farmers are better positioned to reap the program's benefits.

Subsidized rice for the poor (Raskin/Rastra)

The subsidized rice program has three major problems that reduce its effectiveness. Firstly, although it targets poor people only, in practice, the non-poor also enjoy this subsidy.[81] The targeted poor often find it difficult to receive their quota of 15 kg/month as village officials commonly give the rice to other people who claim they are equally eligible. The officials claim they do this to maintain a sense of fairness and avoid conflicts among the villagers.[82] Secondly,

[75] Interview with Sutarman, a farmer from Bojongslawi Village, Lohbener sub-district, Indramayu, West Java, 31 March 2017. For privacy reasons, pseudonym is used.

[76] Regulation of the Minister of Agriculture 60/2015 on Requirements and Highest Retail Prices of Subsidized Fertilizers in the Agricultural Sector 2016

[77] Harga Pupuk Terbaru Bulan Desember 2016 [Latest Fertilizer Prices December 2016]. Accessible on http://priceindo.com/harga-pupuk-terbaru/, [Accessed 18 December 2016]

[78] The World Bank (2016), 'World Bank Commodities Price Data (The Pink Sheet) – December 2016'. Accessible on http://pubdocs.worldbank.org/en/974201480716030226/CMO-Pink-Sheet-December-2016.pdf [Accessed 18 December 2016]

[79] Rakhmawati (2013), *Analisis Efektivitas Subsidi Pupuk dan Faktor-faktor yang mempengaruhi Produksi Padi (Studi Kasus Desa Hambaro, Kecamatan Nanggung, Kabupaten Bogor) [Analysis on Effectiveness of Subsidized Fertilizers and Contributong Factors to Rice Paddy Production (Case Study in Hambaro Village, Nanggung Sub-district, Bogor District)]*, p. 2, p. 19 PDF. Accessible on http://repository.ipb.ac.id/bitstream/handle/123456789/66007/H13tra.pdf;jsessionid=3828D0F12C40B798DC00B2EC5D202855?sequence=1

[80] See footnote 71, p.6

[81] Mabel Josune Gabriel Fernandez (2015), *'Improving Food Access for Poor Households in Indonesia: Cash Transfers and the Raskin Program Reform'* (Harvard University). Accessible on http://ash.harvard.edu/files/ash/files/mabel_gabriel_sypa_mar_15_2015_final.pdf, p.17

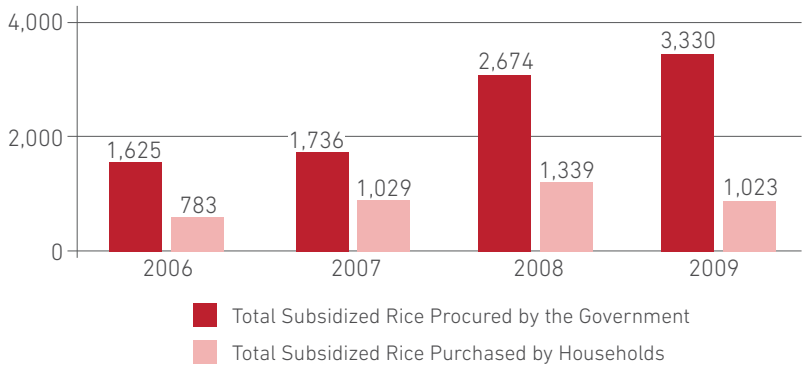
[82] Muliadi Widjaja, 'Indonesia: In Search of a Placement-Support Social Protection', ASEAN Economic Bulletin, 29 (2012), 184 – 96, p. 193.

the poor are made to pay more than the fixed price and are charged with additional transport and packaging costs.[83] In some cases, the weak monitoring system also leads to fraud and manipulation.[84] Thirdly, the rice sold at subsidized prices is often not the intended medium-quality rice but rather poor in quality.[85] [86] At least one of these main problems occurs in various provinces in Indonesia, including North Sumatera,[87] East Java,[88] and DKI Jakarta.[89]

These circumstances contribute to the discrepancies between the total subsidized rice procured by Bulog and those purchased by the targeted households (Figure 4). From 2006 to 2009, the annual average of purchase only accounted for 44.6% from Bulog's total procurement for the same period.

> "The annual average of purchase only accounted for 44.6% from Bulog's total procurement"

Figure 4
Comparison Between Government Procurement and Household Purchases of Subsidized Rice (million Kg), 2006 - 2009



Source: The World Bank (2012)[90]

[83] The World Bank (2012), *'Raskin Subsidized Rice Delivery: Social Assistance Program and Public Expenditure Review 3'*, p.21

[84] Ari A. Perdana (2014), *'The Future of Social Welfare Programs in Indonesia: From Fossil-Fuel Subsidies to Better Social Protection'*, (Global Subsidies Initiative (GSI) & International Institute for Sustainable Development (IISD), p.9

[85] DKI Jakarta (Mabel Josune Gabriel Fernandez (2015), *'Improving Food Access for Poor Households in Indonesia: Cash Transfers and the Raskin Program Reform'* (Harvard University), p.17. Accessible on http://ash.harvard.edu/files/ash/files/mabel_gabriel_sypa_mar_15_2015_final.pdf

[86] Amelia Fitrotun Nisak (2014), *'Implementasi Kebijakan Beras Miskin (Raskin) di Kecamatan Kenjeran Kota Surabaya: Studi Deskriptif Pada Kelurahan Tanah Kalikedinding [Implementation of Subsidized Rice Policy in Kenjeran Subdistrict, Surabaya, East Java (Descriptive Study on Tanah Kalikedinding Village)]'*, Jurnal Politik Muda, 3(2), 17 – 25, p.23

[87] Juniati Bakkara, Rahmanta Ginting, Emalisa, *'Analisis Efektifitas Distribusi Beras Miskin (Raskin) Studi Kasus: Desa Sitalasari Kecamatan Siantar Kabupaten Simalungun [Analysis on the Effectiveness of Subsidized Rice Distribution: Case Study in Siantar Sub-district, Simalungun, North Sumatera].* Accessible on http://jurnal.usu.ac.id/index.php/ceress/article/viewFile/8094/3483

[88] Andri Winandra (2012), *'Evaluasi Distribusi Program Beras Miskin (Raskin): Studi di Desa Sidoharjo, Kecamatan Gedeg, Kabupaten Mojokerto [Evaluation on Subsidized Rice (Raskin) Distribution: Case Study in Sidoharjo, Mojokerto, East Java.* Accessible on https://core.ac.uk/download/pdf/12218532.pdf

[89] See footnote 81

[90] See footnote 83, p.20

Conditional Cash Transfer - Hopeful Family Program (PKH)

While PKH's immediate impact may not be necessarily significant at the moment, this instrument could stimulate significant development in the future.[91] Several studies show the positive impact of this program on poor households, especially in the areas of health and education.[92] [93]

Table 12

Impact of PKH on Health and Education Indicators

No.	Health		Education	
	Indicators	Estimated impact (%)	Indicators	Estimated impact (%)
1.	Pre-natal visits to healthcare facilities	7.1	Primary school (7 – 12 y.o.) – Gross enrolment	1.8
2.	Assisted delivery	6.8	Primary school – Attendance > 85%	1.3
3.	Delivery at health facility	3.9	Primary school – Drop-out rate	-0.9
4.	Completed immunization (by schedule and age)	7.7	Secondary school (13 – 15 y.o.) – Gross enrolment	9.5
5.	Severe stunting occurrences	2.7	Secondary school – Attendance >85%	0.8
6.			Secondary school – Drop-out rate	-0.7
7.			Transition rates (13 – 15 y.o.)	17.8
8.			Transition rates all (7 – 15 y.o.)	8.8

Source: TNP2K (2016)[94]

> "PKH's positive impact lies in the increasing number of visits by pregnant mothers to subdistrict/village-level healthcare facilities, completed immunization activities, as well as school enrolment and transition rates"

PKH's positive impact lies in the increasing number of visits by pregnant mothers to sub-district/village-level healthcare facilities, completed immunization activities, as well as school enrolment and transition rates (Table 12). The increased number of assisted births and completed immunizations reduces the mortality rate of mothers, infants, and toddlers.[95] Meanwhile, PKH's impact on transition rates of students indicates their increased chances to continue their studies and progress from one level to the next, especially from primary to secondary schools.

[91] Huck-ju Kwon, and Woo-rim Kim, *'The Evolution of Cash Transfers in Indonesia: Policy Transfer and National Adaptation'*, Asia & the Pacific Policy Studies, 2 (2015), 425 - 40.

[92] Togiaratua Nainggolan (2012), *'Program Keluarga Harapan di Indonesia: Dampak Pada Rumah Tangga Sangat Miskin di Tujuh Provinsi [PKH in Indonesia: Impacts on the Poor Households in Seven Provinces'*, ed. by Juneman, p.127

[93] M. Ramesh, *'Social Protection in Indonesia and the Philippines: Work in Progress'*, Journal of Southeast Asian Economies, 31 (2014), 40-56, p.45

[94] Elan Satriawan (2016), *'Evaluating Longer-Term Impact of Indonesia's CCT Program: Evidence from a Randomised Control Trial'*, in JPAL SEA Conference on Social Protection (Jakarta: National Board for Acceleration on Poverty Alleviation [TNP2K], 2016), p. 23, 25

[95] Maternal mortality went down from 359 (2012) to 305 (2015). Meanwhile, in every 1,000 live births, infant mortality reduced from 32 (2012) to 22.23 (2015), and toddler mortality reduced from 40 (2012) to 26.29 (2015).
Ministry of Health (2015), *Profil Kesehatan Indonesia Tahun 2015 [Health Profile in Indonesia 2015]*, p. 104 & 125

Table 13

Proportion of PKH Budget Allocation and Targeted Recipients, 2007 – 2016

Year	PKH Budget Allocation (IDR billion)*	Total State Budget (IDR billion)**	%	Targeted Recipients*	Poverty headcount (million)***	%
2007	605	763,570	0.08	387,887	37.17	1.04
2008	946	752,373	0.13	405,955	34.96	1.16
2009	1,068	1,037,100	0.10	675,636	32.53	2.08
2010	1,123	1,047,700	0.11	778,000	31.02	2.51
2011	1,610	1,229,600	0.13	1,116,000	30,02	3.72
2012	2,217	1,435,400	0.15	1,516,000	29.13	5.20
2013	2,093	1,726,190	0.12	1,404,000	28.55	4.92
2014	1,765	1,842,500	0.10	1,170,000	27.73	4.22
2015	6,457	2,039,500	0.32	3,500,000	28.51	12.28
2016	9,980	2,095,700	0.48	6,000,000	27.76	21.61

Sources:
'* = Collated from The World Bank (2012);[96] Ministry of Finance;[97] Indonesian President press statement[98]
** = Indonesian Government State Budget 2007 – 2016
*** = Statistics Indonesia[99] [100]

Despite nearly one decade of implementation, PKH's coverage developed significantly only in the recent years. In terms of budget allocation, after a period of stagnation from 2007 to 2012, followed by a declining trend from 2012 to 2014, there is a positive sign in 2015 and 2016 that the government have started to put more resources into this program (Table 13). Nevertheless, its 2016 budget is still limited and lacks meaningful impacts as it only targets less than a quarter of the total number of poor people in the country. There are also reports from farmers in Indramayu, West Java where some families with decent income also received PKH while some poor households did not.[101]

> "The quota of PKH is not in line with the number of people who need it. Its statistics are messy, and its targeting is even worse, as I often see those who receive them have decent income already. Those who are poor, on the other hand, don't get PKH at all. Why does nobody cross-check this thing?"
>
> ~ Nurjaman, a farmer from Ranca Mulya [102]

[96] The World Bank (2012), *'PKH Conditional Cash Transfer: Social Assistance Program and Public Expenditure Review 6'*, (Jakarta: The World Bank), p. 14, 24, 29 – 30

[97] Ministry of Finance (2015), *'Kajian Program Keluarga Harapan [Review on Hopeful Family Program]*, p. 2

[98] Indonesian President (2016), *'Merajut Masa Depan Lewat Program Keluarga Harapan [Build a Better Future with Hopeful Family Program]*. Accessible on http://presidenri.go.id/pengentasan-kemiskinan/merajut-masa-depan-lewat-program-keluarga-harapan.html

[99] Statistics Indonesia (2013), *'Jumlah dan Persentase Penduduk Miskin 2007 – 2012 [Poverty Statistics 2007 – 2012]'*. Accessible on https://www.bps.go.id/linkTabelStatis/view/id/1489

[100] Statistics Indonesia (2016), *'Jumlah Penduduk Miskin Menurut Provinsi, 2013 – 2016 [Poverty Statistics by province 2013 – 2016]'*. Accessible on https://www.bps.go.id/linkTableDinamis/view/id/1119

[101] Interview with farmers from the villages of Gabus Kulon, Gabus Wetan, and Ranca Mulya, Indramayu, West Java

[102] Interview with Nurjaman, a farmer from Ranca Mulya Village, Gabuswetan Sub-district, Indramayu, West Java. For privacy reasons, fictitious name is used.

This limitation is attributed to the condition of PKH's infrastructure. The program suffers from the lack of a properly functioning management information system that supports its payments via various pay-points. This issue causes significant delays and errors in the disbursement of payments to the recipients' bank account, and limits the program's capacity to exercise oversight and monitoring on fund disbursement.[103]

> "JKN-KIS' health service quality across the country is unequal and considered poor in many areas, including in rice-producing regions where most farmers reside... due to the absence of an independent monitoring system for the quality of medical services at the district level"

Financial Assistance through Health Insurance (JKN and KIS)

The additional benefits of KIS in terms of inclusivity, flexibility in choosing health care facilities, and covering preventive treatments make this program more relevant for the poor compared to JKN. Therefore, the development of government's financial assistance on health services for the poor must continue this path while taking lessons from JKN's nearly three years of implementation since January 2014.

There are two key issues to address in regards to JKN. Firstly, its health service quality across the country is unequal and considered poor in many areas,[104] including in rice-producing regions where most farmers reside. In West Java, community health centers (*Puskesmas*) only meet around 70% of basic amenities requirements such as electricity, toilets, as well as water and sanitation.[105] In Central Java, less than 40% community health centers have computer and internet required to process JKN expeditiously. These circumstances occur due to the absence of an independent monitoring system for the quality of medical services at the district level, and the lack of auditing regulations for the managing state-owned enterprises that manage these services.[106]

Secondly, a joint study by GIZ and the National Council of Social Security[107] revealed that, despite explicit rules prohibiting hospitals from charging JKN patients, around 18% of the study respondents paid out-of-pocket (OOP) expenses at health care facilities, especially on medicines. The inadequate and untimely supply of the required medicines to the healthcare facilities leads to the unavailability of those medicines when they are needed.

[103] National Board for Acceleration on Poverty Alleviation [TNP2K] and National Development and Planning Agency (Bappenas) (2012), *'Disbursement of Social Assistance Cash Transfers through Bank Accounts: A Study of PKH Payment Mechanisms and Options for Social Assistance Cash Transfers'*, p. iii.

[104] Elizabeth Pisani, Maarten Olivier Kok, and Kharisma Nugroho, 'Indonesia's Road to Universal Health Coverage: A Political Journey', *Health Policy and Planning*, 00 (2016), 1 – 10, p.8

[105] World Bank and Ministry of Health (2014), *Supply-side Readiness for Universal Health Coverage: Assessing the Depth of Coverage for Non-Communicable Diseases in Indonesia*, p. 27

[106] Laksono Trisnantoro, Julita Hendrartini, Tana Susilowati, Putu Astri Dewi Miranti, and Vini Aristianti (2016), 'Chapter 3: A Critical Analysis of Selected Healthcare Purchasing Mechanisms in Indonesia', in *Strategic purchasing in China, Indonesia and the Philippines*, ed. by Ayako Honda, Di McIntyre, Kara Hanson and Viroj Tangcharoensathien (World Health Organization), p.113 & 121

[107] Budi Hidayat, Mundiharno, Jiří Němec, Viktoria Rabovskaja, Cut Sri Rozanna, and Julius Spatz (2015), *'Out-of-Pocket Payments in the National Health Insurance of Indonesia: A First Year Review'*, (National Council of Social Security (DJSN) and German Corporation for International Cooperation (GIZ), p.4 & 7.

Figure 5

Incidence of OOP Payments by Income Quartiles

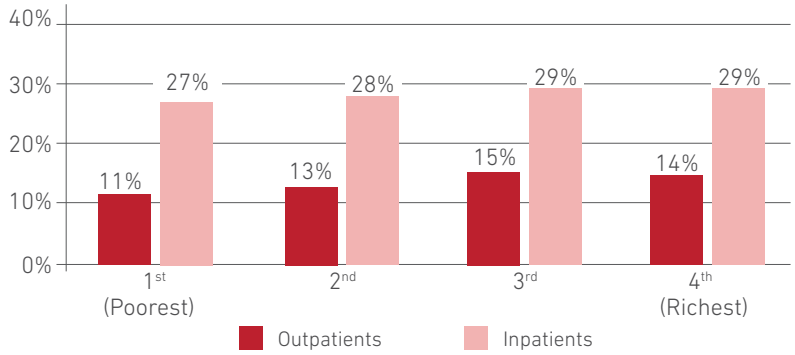
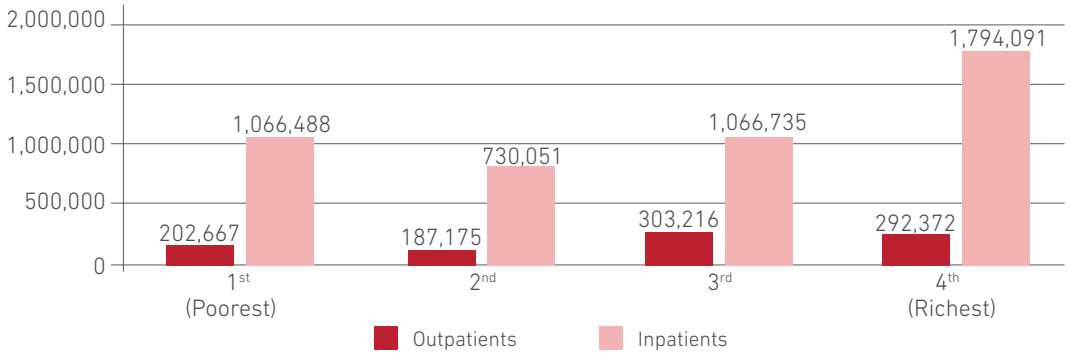


Figure 6

Average OOP Payments by Income Quartiles



Source for Figure 5 and 6: DJSN and GIZ (2015)[108]

Figure 5 shows that at least 1 out of 4 poor inpatients and 1 out of 10 poor outpatients are charged out-of-pocket payments by the healthcare facilities. Figure 6 shows that on average, the poor outpatients are charged more than IDR 200,000 while inpatients paid above IDR 1,000,000. The DJSN/GIZ study further explains that poor outpatients' OOP equals to 21% of their monthly household income, while the poor inpatients' OOP cost them nearly twice (180%) of their household income per month.

Financial Assistance for Education (KIP)

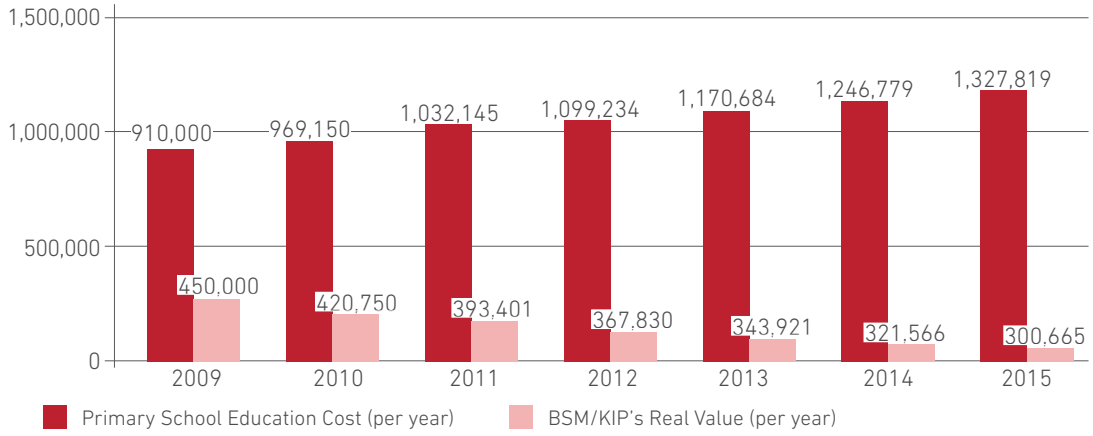
As recorded by the National Board for Acceleration on Poverty Alleviation (TNP2K),[109] the "Financial Assistance for Education" program suffered a budget reduction. Its budget allocation in 2016 (IDR 11.6 trillion) was 9% less than in 2015 (IDR 12.8 trillion). In response, the number of targeted recipients decreased slightly by 4%, from 20.3 million in 2015 to 19.5 million children in 2016.

[108] Budi Hidayat, Mundiharno, Jiří Němec, Viktoria Rabovskaja, Cut Sri Rozanna, and Julius Spatz (2015*), 'Out-of-Pocket Payments in the National Health Insurance of Indonesia: A First Year Review'*, (National Council of Social Security (DJSN) and German Corporation for International Cooperation (GIZ), p.5.

[109] National Board for Acceleration on Poverty Alleviation [TNP2K] (2016), *'Kartu Indonesia Pintar (Card for Smart Indonesian)'*. Accessible on http://www.tnp2k.go.id/id/program/program-membangun-keluarga-produktif/kartu-indonesia-pintar/ [Accessed 01 December 2016]

Figure 7

Comparison between the Cost of Primary School Education and Benefits of BSM/KIP, 2009 – 2015



Source: Collated from The World Bank (2012) and TNP2K (2016)[110]

Notes:
1. The World Bank[111] stated that BSM/KIP benefits' real value from 2008 to 2010 (two-year period) has declined by 13 to 14% due to inflation (adjusted by using poverty basket price index). Meanwhile, cost of education in real terms has increased by 20 to 50% between 2006 and 2009 (three-year period).
2. Based on the World Bank statement mentioned above, in this figure we calculate that BSM/KIP real value declines by 6.5% per year, while the cost of education increases by 6.5% annually.

> "Since the amount of benefits per KIP recipient has remained unchanged since 2008, its impact on allowing the poor access to education has consistently decreased, especially in case of further budget cuts"

Between 2009 and 2015, the value of the "Scholarship for the Poor" and "Financial Assistance for Education" programs (BSM/KIP) went down from 49% to 22% of the primary school education costs (Figure 7). A similar development happened to the cost of junior and senior high school education.[112] Since the amount of benefits per KIP recipient has remained unchanged since 2008, its impact on allowing the poor access to education has consistently decreased and, especially in case of further budget cuts, this trend will most likely continue in the future.

These circumstances contribute to the average school participation rate of students aged 16 – 18 years old (senior high school age) in Indonesia that only reached at 70.8% in 2016.[113] In fact, the school participation rates in several food-crop-producing regions are even lower than the national average. The participation rates in three main food baskets in Indonesia, West Java, Central Java, and East Java[114] are only 65.8 (second-lowest in the country), 67.9, and 70.5%, respectively. This situation indicates that farmers in these regions are struggling to send their children to attend higher education level.

[110] National Board for Acceleration on Poverty Alleviation (TNP2K) (2016), *'Program Bantuan Siswa Miskin [Scholarship for the Poor Program].* Accessible on http://www.tnp2k.go.id/id/tanya-jawab/klaster-i/program-bantuan-siswa-miskin-bsm/ [Accessed 17 November 2016]

[111] The World Bank (2012), *'Bantuan Siswa Miskin (Cash Transfers for Poor Students): Social Assistance Program and Public Expenditure Review 5',* (Jakarta: The World Bank), p.14

[112] See footnote 111, p.14

[113] Statistics Indonesia (2017), *Angka Partisipasi Sekolah (APS) menurut Provinsi, 2011-2016 [School Participation Rate by Provinces, 2011 – 2016.* Accessible on https://www.bps.go.id/linkTableDinamis/view/id/1054

[114] These three provinces are the top producers of rice and soy in Indonesia. Along with Lampung and South Sulawesi, they are also part of the main corn producers in the country. Source: Statistics Indonesia (2016), *Statistik Indonesia 2016 [Statistics Indonesia 2016],* p. 205, 208, and 211.

Agricultural Insurance for Rice Farmers (AUTP)

Despite its potential, this program does not attract many farmers in the main rice-producing regions due to the lack of information about the benefits of the program. [115] [116] While the government claimed that AUTP has covered 3 million ha of harvested area in 2016, this figure only constitutes 19.9% of the program's target,[117] or just around 37% of the total size of rice fields in Indonesia.[118] A recent study in Malang, East Java even showed a 60% decline on the size of land insured by AUTP, from 4,000 ha in 2015 to 1,600 ha in 2016.[119]

Rice farmers in Indramayu reported that this low interest is attributed to the minimum understanding of the farmers to the terms and conditions of the insurance.[120] The infrequent dissemination efforts and unconvincing deliveries of information from both the local government and PT. Jasindo agents contribute to these circumstances. The farmers also revealed that the lack of preparedness of the sub-district officers in handling the insurance-related documents hinders the compensation process of AUTP. This situation contributes to the poor service delivery of this program, which then adds to the difficulty in promoting it to the farmers.

> "The low interest on AUTP is attributed to the minimum understanding of the farmers to the terms and conditions of the insurance...and the lack of preparedness of the sub-district officers in handling the insurance-related documents"

[115] Victorianus Sat Pranyoto (2016), *'Program Asuransi Pertanian Masih Minim Peminat [Agricultural Insurance Attracts Few Farmers Only] '*, Antara News. Accessible on http://www.antaranews.com/berita/596629/program-asuransi-pertanian-masih-minim-peminat [Accessed 01 December 2016]

[116] Destyan H. Sujarwoko, *'Asuransi Pertanian Kurang Diminati Petani Tulungagung [Agricultural Insurance Fails to Attract Farmers in Tulungagung]'* (2016). Accessible on http://www.antarajatim.com/berita/180802/asuransi-pertanian-kurang-diminati-petani-tulungagung [Accessed 01 December 2016]

[117] See footnote 61, p.20

[118] Statistics Indonesia (2016), *'Statistik Indonesia – Statistical Yearbook of Indonesia 2016'*, p. 202

[119] Bambang Siswadi, and Farida Syakir (2016), *'Respon Petani Terhadap Program Pemerintah Mengenai Asuransi Usaha Tani Padi (AUTP) [Farmers' Responses to Government's Rice Farmers Insurance Program (AUTP)]'*, in Seminar Nasional Pembangunan Pertanian [National Seminar on Agricultural Development].

[120] Interview with the farmers from the villages of Bojongslawi and Leuwigede, Indramayu, West Java, 31 March 2017

Summary of Assessment and Recommendations

We summarize our assessment on the existing programs as described in the table 14 below.

Table 14

Assessment Summary on the Existing Programs to Protect and Assist the Farmers

No.	Program	Description	Assessment
1.	Subsidies on Seeds	Enabling farmers to purchase the seeds of rice and soy beans at subsidized prices, and the seeds of corn for free.	**Less effective** The subsidized seeds carry the risk of poor quality and uncertainty of their distribution period. As the result, farmers prefer to use non-subsidized seeds, as indicated by subsidized seeds low-level of realization at just 5.08% from their target.
2.	Subsidies on Fertilizers	Enabling farmers to purchase various fertilizers at subsidized prices, including urea, SP-36, ZA, NPK, and organic fertilizers.	**Less effective** This policy benefits the rich more than it does poor farmers, as 60% of its recipients each owns between three-quarters to nearly 2 ha of land. Problematic distribution process, lack of monitoring system, and black market activities contribute to this situation.
3.	Subsidies on Rice (Raskin/Rastra)	Providing low-income households (including poor farmers and farm workers) with a monthly quota of 15 kg of medium-quality rice for a reference price of IDR 1,600 per kg.	**Less effective** The poor must pay more than the reference price as they must deal with various extra costs, fraud, and manipulations. In addition, the rice quality is poor. These circumstances contribute to the low annual average of purchase by the targeted households that only accounted for 44.6% from Bulog's total procurement.
4.	Conditional Cash Transfer (PKH)	Providing poor households with cash transfers to open their access to healthcare and education services.	**More effective (improvement required)** This program has increased the number of visits by pregnant mothers to local healthcare facilities and completed immunization activities. This development has reduced the maternal mortality rate by 15%, and toddler mortality by 34% from 2012 to 2015. This program also increases secondary school gross enrolment by 9.5%, and enhances the transition rates of students by 17.8%. Nevertheless, this program could be improved even further by enhancing the capacity of its management information system, so it could support more pay points and exercise better oversight and monitoring on its disbursement.

No.	Program	Description	Assessment
5.	Financial Assistance for Health Services (JKN and KIS)	Providing poor households, including their newborn infants, with basic health insurance via clinics, public healthcare centers, and hospitals.	**More effective (improvement required)** While this program could potentially help the poor farmers in obtaining healthcare services, lack of basic amenities requirements in the local clinics and healthcare facilities hinders the delivery of this program. There are 11 in every 100 cases where the poorest patients need to pay out-of-pocket expenses due to inadequate and untimely supply of the medicines.
6.	Financial Assistance for Education (KIP)	Providing poor families with financial assistance paid per semester, so they can use it to pay school-related fees for their children	**More effective (improvement required)** This program could have helped much more poor farmers in sending their children to school if only it did not suffer from budget reduction. As the 2016 budget is 9% less than in 2015, the number of targeted recipients decreased by 4%. Furthermore, since the amount of benefits per KIP recipient has remained unchanged since 2008 despite of the inflation rate, its impact has consistently decreased.
7.	Agricultural Insurance for Rice Farmers (AUTP)	Compensating farmers' income losses due to harvest failures caused by floods, droughts, pests, as well as plant diseases.	**More effective (improvement required)** The lack of information about the program's potential benefits makes the farmers unaware of its importance. Only 36.97% of the total size of rice fields covered by this program. Infrequent dissemination efforts, unconvincing deliveries of information, and lack of preparedness of the relevant officers in handling the documents makes it difficult to promote this program.

The social protection system must be made more inclusive to cover all the poor people regardless of whether they live in rural or urban areas. Its programs must have wider coverage and better monitoring scheme. We propose three suggestions to improve the situation:

Re-allocate the budget for subsidized seeds, fertilizer, and rice to PKH, KIS, KIP, and AUTP

The total combination of 2016 state budget for subsidized seeds, fertilizers, and rice amounts to IDR 52 trillion. This figure is twice as much as the budget on PKH, KIS, KIP, and AUTP which amounts to only IDR 23.7 trillion. Moreover, the subsidy programs are struggling with a bad track record of budget misappropriation. A World Bank study[121] shows that social assistance programs such as PKH, KIS, and KIP have a greater impact on the poor's welfare as they directly address the issue of low income, health, and education. Meanwhile, AUTP has the potential to become an essential protection tool for the farmers to reduce the risk of harvest failures. Allocating more budget for these programs will enable the government to expand their coverage and improve the service quality as well the accuracy of the database.

[121] The World Bank (2015), *'Indonesia's Rising Divide'*, p.32.

> "PKH, KIS, and KIP have a greater impact on the poor's welfare. Allocating more budget for these programs will enable the government to expand their coverage and improve the service quality as well the accuracy of the database"

An example is provided by the conditional cash transfer program 'Bolsa Familia' in Brazil. The Brazilian government uses a Single Registry system to create a database of targeted poor households. Different government sectors use the same system for various complementary programs, thus minimizing the possibility of data duplication and discrepancies.[122] As a result, this system improves targeting techniques and provides more efficiency to the programme.[123] In 2012, using a budget of USD 10.7 billion[124] or 1.2% of the total federal budget,[125] this program covered 41.2 million recipients, or 22.2% of the entire Brazilian population.[126] It reduced the poverty gap by 18%, the severity of poverty by 22%, and inequality by between 16 and 21%.[127]

Paradigm shift and focus on improving the programs' impact

Re-allocating budget for subsidies requires a paradigm shift in the country that must be clearly communicated to the public. While farmers and farm workers will lose their access to subsidized prices of farm inputs and rice, in practice these subsidies only benefit the rich farmers and the distributing agents. Low level of purchase by the targeted households indicates these subsidies could only draw small interest from their intended recipients.

On the other hand, as the budget allocation for PKH, KIS, and KIP increases, the next steps need to improve the impact of each program. PKH should improve its targeting system so it could reach all poor families in urban and rural areas, including the poor farmers and farm workers. It also should have a better technological infrastructure – to accelerate the disbursement of payments – and a greater variety of pay points to reach more poor people, especially those who reside in remote areas. Meanwhile, JKN-KIS needs to concentrate on improving the quality of healthcare services and facilities as well as addressing the challenges in medicine procurement and distribution to all regions. As for KIP, the government should use their budget to progressively increase the amount of benefits by taking the inflation rate into account.

> "While farmers and farm workers will lose their access to subsidized prices of farm inputs and rice, in practice these subsidies only benefit the rich farmers and the distributing agents."

[122] Sergei Soares (2012), *'Bolsa Familia, Its Design, Its Impacts and Possibilities for the Future'*, (International Policy Centre for Inclusive Growth), p.4 & 5.

[123] Luis Marcelo Videro Vieira Santos (2010), *'Bolsa Familia Programme: Economic and Social Impacts under the Perspective of the Capabilities Approach'*, in BIEN 2010 Brasil (University of London), p.22 & 23.

[124] United Nations Development Programme [UNDP] (2013), *'Bolsa Familia Budget Expected to Increase by $2.1 Billion USD in 2013'*. Accessible on http://pressroom.ipc-undp.org/federal-government-announced-an-additional-2-1-billion-usd-for-bolsa-familia-in-2013/ [Accessed 01 December 2016].

[125] The World Bank (2016), *'Government Budget'*. Accessible on http://obtables.worldbank.org/boost_brazil2/ [Accessed 01 December 2016].

[126] See footnote 121, p.6

[127] Sergei Soares (2012), *'Bolsa Família: A Summary of Its Impacts'*, (International Policy Centre for Inclusive Growth).

Improve the service quality of agricultural insurance system and extend its coverage beyond rice farmers

The government needs to intensify the dissemination of information to inform the farmers about the benefits of AUTP as an integral part of their protection program. Conducting further studies and comprehensive reviews of the current insurance mechanism are necessary to determine the best practices that suit the farmers' needs. The registration and claim processes must be streamlined and simplified to ensure that farmers can execute these processes without difficulties. Capacity-building programs must be conducted for the relevant government officers who directly handle these processes to improve the speed and quality of AUTP service to the farmers.

Expanding the insurance coverage means not only covering rice farmers but also of other food crops. To do this, the government should form additional partnership with private insurance firms. With a wider network of branches and agents, these private firms will complement PT. Jasindo's capability of reaching the farmers in remote regions across the country. Furthermore, it is worth considering using agricultural insurance as an investment opportunity for these private firms. By doing this, the government should be able to gradually reduce the burden of subsidizing the insurance premium and instead shift it to improve the service quality of the program as mentioned before.

> "The government should form additional partnership with private insurance firms, so they could reach the farmers in remote regions across the country."

ABOUT THE AUTHOR

Arianto A. Patunru is member of the board of directors of the Center for Indonesian Policy Studies (CIPS) and a fellow at the Arndt-Corden Department of Economics, Crawford School of Public Policy, Australian National University. He was formerly Director of the Institute for Economic and Social Research at the Faculty of Economics, University of Indonesia (LPEM-FEUI).Arianto A. Patunru is member of the board of directors of the Center for Indonesian Policy Studies (CIPS) and a fellow at the Arndt-Corden Department of Economics, Crawford School of Public Policy, Australian National University. He was formerly Director of the Institute for Economic and Social Research at the Faculty of Economics, University of Indonesia (LPEM-FEUI).

Hizkia Respatiadi is a Researcher at Center for Indonesian Policy Studies. His research encompasses several policy issues related to the CIPS focus area on Trade and Livelihood, including trade policies on agriculture and food commodities, as well as property rights and community forestry. He leads the Affordable Food for the Poor project that aims to lower basic food prices in Indonesia by reducing trade barriers between Indonesia and other countries.

Previously, Hizkia worked as a civil servant at the Indonesian Ministry of Foreign Affairs. His international experience includes a posting period to the Indonesian Embassy in Zimbabwe, and short-term assignments to the United Kingdom and several countries in Asia and Africa.

ABOUT THE CENTER FOR INDONESIAN POLICY STUDIES

The Center for Indonesian Policy Studies (CIPS) is a strictly non-partisan and non-profit think tank providing policy analysis and practical policy recommendations to decision-makers within Indonesia's legislative and executive branches of government.

CIPS promotes social and economic reforms that are based on the belief that only civil, political, and economic freedom allows Indonesia to prosper. We are financially supported by donors and philanthropists who appreciate the independence of our analysis.

KEY FOCUS AREAS:

Trade and Livelihood: CIPS exposes the adverse effects of economic restrictions and formulates policy options that allow Indonesians to support their own livelihood and their natural environment.

Low-Cost Private Schools: CIPS studies the situation of low-cost private schools and how they contribute to quality education for children of low-income households in Indonesia.

International Labour Migration: CIPS suggests policies that facilitate low-skilled labour migration as it is of critical importance for the income generation and capacity development of marginalized communities in Indonesia.

www.cips-indonesia.org

facebook.com/cips.indonesia
@cips_indonesia
@cips_id

Grand Wijaya Center Blok G8 Lt. 3
Jalan Wijaya II
Jakarta Selatan, 12160
Indonesia
Tel: +62 21 27515135