

Welfare in Transition

The Political Economy of Social Protection Reform in Indonesia

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Declaration

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Abstract

There has been significant reform in social protection systems in developing countries in recent years. The extent, nature, and timing of such reform has varied significantly both between countries and within countries between sectors. Most scholars have explained these developments in terms of technical issues of design, implementation, finance or administration rather than political dynamics. However, recognition is growing that these varying patterns of reform and their implications for improving social protection need to be understood in terms of the underlying political context. This dissertation aims to contribute in this respect by examining the political dynamics surrounding social protection reform in Indonesia.

I begin the dissertation by advancing a framework for analysing the politics of social protection reform in developing countries, drawing on 'social conflict' theory. Applied to social protection reform, this approach entails identifying the actors, interests, and agendas at work in relation to social protection; assessing the relationships of power between them; analysing the way these shift over time; and how this translates into differing levels of ability to influence policy and its implementation.

Having developed this analytical framework, I examine the politics of social protection in Indonesia during the New Order (1965-1998) and post-New Order periods (1998-the present), focusing on three sectors: food security, social security and income support. I put forward two broad arguments.

First, I argue that the nature of Indonesia's social protection system has changed slightly over time. Specifically, I argue that the country's social protection system has gone from being productivist, particularist, unequalising, informal and predatory in nature under the New Order, to remaining productivist and predatory, but becoming more universalist, equalising, and formal in nature during the post-New Order period. The principal change has been the expansion of rights and coverage of social protection in Indonesia, a shift relevant to the particularist-universalist dimension of social protection. Yet, change has varied across different sectors. Reform has been strongest in the case of income support and social security, and weakest in the case of food security.

Second, I argue that the above continuities and shifts in the nature of Indonesia's social protection system are a product of the country's political and social order. Specifically they have reflected: i) continued control by predatory political, bureaucratic and corporate elites nurtured under the New Order over the state apparatus in the post-New Order period; ii) the increasing power of donors and technocrats in policy-making between 1997-2003, during which their advice and funding were required to ease the crisis; iii) the increased power of politicians and political parties to promote social protection policies to help them foster political support and, in turn, secure votes at election time following democratisation; and iv) the expanding power of popular forces to access, contest, and influence social protection policy following democratisation.

I conclude by discussing the implications of this analysis for proponents of social protection reform in the developing world. In this respect, I make four recommendations. First, proponents of social protection reform should focus their activities on areas where the prospect of change is greatest. Second, international organisations should provide increased funding and intellectual support to NGOs and unions. Third, proponents of social protection reform should coordinate their efforts as their influence has been greatest when they have acted collectively. Fourth, supporters of social protection reform should pursue strategies for ensuring that social protection programs circumvent bureaucratic involvement.

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Glossary

ADB	Asian Development Bank
AFC	Asian Financial Crisis
APINDO	<i>Asosiasi Pengusaha Indonesia</i> , Indonesian Employers' Association
ASABRI	<i>Asuransi Sosial Angkatan Bersenjata</i> , Insurance for Indonesian Armed Forces
ASKES	<i>Asuransi Kesehatan</i> , Health Insurance
ASKESKIN	<i>Asuransi Kesehatan untuk Rakyat Miskin</i> , Health Insurance for the Poor
ASLUT	<i>Asistensi Sosial Lanjut Usia Terlantar</i> , Social Assistance for the Elderly
ASTEK	<i>Asuransi Tenaga Kerja</i> , Labour Insurance
AusAID	Australian Agency for International Development
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> , National Development Planning Body
BKKBN	National Family Planning Coordination Board, <i>Badan Koordinasi Keluarga Berencana Nasional</i>
BLSM	<i>Bantuan Langsung Sementara Masyarakat</i> , Temporary Direct Cash Assistance
BLT	<i>Bantuan Langsung Tunai</i> , Direct Cash Transfer
BOS	<i>Bantuan Operasional Sekolah</i> , School Operational Assistance
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> , Social Security Administration Body
BPS	<i>Badan Pusat Statistik</i> , Indonesian Central Bureau of Statistics
BSM	<i>Bantuan Siswa Miskin</i> , Assistance for Poor Students
BULOG	<i>Badan Urusan Logistik</i> , Indonesian Bureau of Logistics
BUMN	<i>Badan Usaha Milik Negara</i> , State-Owned Corporations
Bupati	District Head
CCT	Conditional Cash Transfer
CGI	Consultative Group on Indonesia
DFAT	Department of Foreign Affairs and Trade
DJSN	<i>Dewan Jaminan Sosial Nasional</i> , National Social Security Council
DKR	<i>Dewan Kesehatan Rakyat</i> , Peoples' Health Council
DPA	<i>Dewan Pertimbangan Agung</i> , Supreme Advisory Council
FSBSI	<i>Federasi Serikat Buruh Sejahtera Indonesia</i> , Federation of Prosperous Labour Union Indonesia

FSPMI	<i>Federasi Serikat Pekerja Metal Indonesia</i> , Federation of Indonesia Metal Workers Union
FSPSI	<i>Federasi Serikat Pekerja Seluruh Indonesia</i> , Indonesian Federation of All Indonesia Workers Union
GIZ	German International Cooperation Agency
<i>Gotong royong</i>	Communal work or cooperation which provides informal social protection
HKTI	<i>Himpunan Kerukunan Tani Indonesia</i> , Indonesian Farmers' Association
ICW	Indonesia Corruption Watch
IGGI	Intergovernmental Group on Indonesia
ILO	International Labour Organization
IMF	International Monetary Fund
INFID	International NGO Forum on Indonesian Development
JAMKESMAS	<i>Jaminan Kesehatan Masyarakat</i> , Health Insurance for the Community
JAMSOSTEK	<i>Jaminan Sosial Tenaga Kerja</i> , Social Insurance for Private Sector Workers
JPS	<i>Jaring Pengaman Sosial</i> , Social Safety Net Programs
KADIN	<i>Kamar Dagang dan Industri</i> , Indonesian Chamber of Commerce and Industry
KAJS	<i>Komite Aksi Jaminan Sosial</i> , Social Security Action Committee
KPK	<i>Komisi Pemberantasan Korupsi</i> , Corruption Eradication Commission
KSBSI	<i>Konfederasi Serikat Buruh Sejahtera Indonesia</i> , Indonesian Prosperity Trade Union Confederation
KSO	<i>Kerja Sama Operasional</i> , Operational Cooperation
KSPI	<i>Konfederasi Serikat Pekerja Indonesia</i> , Indonesian Trade Union Confederation
KSPSI	<i>Konfederasi Serikat Pekerja Seluruh Indonesia</i> , Confederation of All-Indonesian Trade Unions
KUD	<i>Koperasi Unit Desa</i> , Village-Level Co-Operative System
LOI	Letter of Intent
MPR	<i>Majelis Permusyawaratan Rakyat</i> , People's Consultative Assembly
NGO	Non-Governmental Organisation
OPK	<i>Operasi Pasar Khusus</i> , Special Market Operation
PDI	<i>Partai Demokrasi Indonesia</i> , Indonesian Democratic Party
PDIP	<i>Partai Demokrasi Indonesia Perjuangan</i> , Indonesian Democratic Party of Struggle
PDM-DKE	<i>Evaluasi Program Pemberdayaan Daerah dalam Mengatasi Dampak Krisis Ekonomi</i> , Regional Empowerment Program in Overcoming the Impact of Economic Crisis

PKH	<i>Program Keluarga Harapan, Family Hope Program</i>
PKS	Prosperous Justice Party
PPP	<i>Partai Persatuan Pembangunan, United Development Party</i>
Prakarsa	Welfare Initiatives for Better Societies
<i>Pribumi</i>	Indigenous
PT Pos	Postal Service Indonesia
<i>Puskesmas</i>	Community Health Centres
Raskin	<i>Beras untuk Rakyat Miskin, Rice for the Poor</i>
<i>Reformasi</i>	reform or reformation, commonly refers to the post-Suharto era
SBSI	<i>Serikat Buruh Sejahtera Indonesia, All-Indonesia Prosperity Trade Union</i>
SCA	Social Conflict Analysis
SJSN	<i>Sistem Jaminan Sosial Nasional, National Social Security System</i>
SJSN Law	<i>Undang-undang Sistem Jaminan Sosial Nasional, National Social Security System Law</i>
SMERU	Social Monitoring and Early Response Unit
SPN	<i>Serikat Pekerja Nasional, National Trade Union</i>
SPSI	<i>Serikat Pekerja Seluruh Indonesia, Workers Union Indonesia</i>
SRMI	<i>Serikat Rakyat Miskin Indonesia, Indonesian Poor Peoples' Union</i>
TASPEN	<i>Tabungan Asuransi Pegawai Negeri, Insurance Savings for Civil Servants</i>
TNP2K	<i>Tim Nasional Percepatan Penanggulangan Kemiskinan, National Team for the Acceleration of Poverty Reduction</i>
TURC	Trade Union Rights Centre
UCT	Unconditional Cash Transfer
USAID	United States Agency for International Development
WDR	World Development Report
<i>Zakat</i>	Muslim tradition to provide social protection

Chapter 1

Introduction

In recent years, there has been a global shift in perceptions about social protection within governments of developing countries and international organisations, and among development experts. Social protection was once viewed as unaffordable, detrimental to economic growth, and therefore harmful to efforts to promote poverty reduction (Gwartney, Holcombe, & Lawson, 1998; Landau, 1985; Lindbeck, 1995; Weede, 1991). However, it is now increasingly viewed as a necessary component of an effective strategy for achieving strong and sustainable economic growth as well as addressing poverty, reducing vulnerability, promoting the economic participation of the poor, and reducing the risks associated with processes of economic reform (Fiszbein et al., 2009; Midgley & Piachaud, 2013; Norton, Conway, & Foster, 2001; Sabates-Wheeler & Devereux, 2008). The World Bank (2009, p. 1), for instance, views social protection as ‘crucial for sustainable and equitable economic growth’ arguing that: ‘It contributes in fundamental ways to human development and is crucial for poverty reduction’. Similarly, the International Monetary Fund (IMF) has argued that in the case of Russia ‘social safety net[s have] to be strengthened if economic reform is to be politically palatable’ (Gupta & Hagemann, 1994, p. 14). Bilateral donors have also noted the importance of social protection: for example, in one recent report, the Australian Agency for International Development (AusAID) (2012, p. 2), Australia’s erstwhile official development agency,¹ stated: ‘Social protection helps protect the poor from hunger and destitution, decreases malnutrition, contributes to human development and long-term economic growth, reduces inequality and improves gender equality’.

In this context, many low and middle income countries have sought to reform their social protection systems. They have done this by increasing funding for social protection, increasing the number of social protection programs they fund, and/or expanding the breadth and depth of these programs’ coverage.² According to *The Economist* magazine (2015):

A fifth of all those living in developing countries now receive benefits from at least one programme that aims at alleviating poverty, and Martin Ravallion of Georgetown University estimates that coverage is growing by 3.5% of their combined populations each year. A recent

¹ In 2013, AusAID was absorbed into the Department of Foreign Affairs and Trade (DFAT).

² ‘Depth means the average size of benefits received by actual beneficiaries, and breadth means the proportion of intended beneficiaries who actually receive benefits’ (Asian Development Bank, 2013, p. xii).

tally by the World Bank found only nine countries without some anti-poverty scheme, whether income-contingent cash payments, subsidies for food or public-work schemes which offer a low wage for manual labour.

The global shift towards social protection reform is perhaps most visible in the case of conditional cash transfers (CCTs). CCTs are a social assistance program that transfers cash to poor households on the condition that households invest in their children's human development, e.g. attendance at school or immunisations (Fiszbein et al., 2009). CCT programs first began in the 1990s in Chile, Bangladesh, Mexico, and Brazil. They rapidly spread across Latin America and later to the rest of the world. In 2010, cash transfer programs were functioning in 52 countries, of which 16 were low-income countries. These programs covered 191.4 million households, including a total of 863.3 million beneficiaries worldwide (Barrientos, Niño-Zarazúa, & Maitrot, 2010; Barrientos & Niño-Zarazúa, 2011). In Africa alone, in 2013, cash transfers were operating in 37 countries. This was up from 21 countries just three years earlier (The Economist, 2015).

The pattern of social protection reform has varied considerably across developing countries. There has been significant variation in the types and details of policies that these countries have adopted as well as the way they have implemented them, resulting in varying social protection systems. While some developing countries have invested heavily in social protection programs, others have done so to only a moderate extent, and others again have made little or no investment in such programs. At the same time, where countries have invested in social protection programs, their priorities have often differed with regard to targeted sectors and groups of beneficiaries. Finally, even where developing countries have introduced similar reforms, social protection programs have often yielded different results because of differences in the way these programs have been implemented. The result has been considerable variation in the extent of social protection provided to citizens across developing countries, even among those at similar income levels. As one indicator of the extent of variation, the Asian Development Bank (2013) has found vastly different levels of social protection across 35 countries in Asia and the Pacific, as measured by its Social Protection Index (SPI).³ The average SPI for 19 lower-middle-income countries in the study was 0.096, and their average

³ The Social Protection Index (SPI) is an indicator that divides total expenditures on social protection by the total number of beneficiaries of social protection programs (Asian Development Bank, 2013). This ratio of "expenditures per potential beneficiary" is then compared with a regional poverty line or GDP as a reference point. The higher this index number, the better a country's performance. The index provides a platform for rigorous diagnostic evaluations of a country's social protection provision and enables international comparison between countries over various time periods (Asian Development Bank, 2013).

expenditure on social protection was 3.4 percent of their GDP (Asian Development Bank, 2013, p. 18). Both are perceived by the Asian Development Bank (ADB) as relatively low. Within these 19 lower-middle-income countries, Uzbekistan performs the best, with an SPI of 0.343 (second only to Japan's SPI), and it spends 10.2 percent of its GDP on social protection (the second highest among all 35 countries studied). At the opposite end of the spectrum is Papua New Guinea, with an SPI of 0.005 and spending that is equivalent to 0.1 percent of GDP (Asian Development Bank, 2013, p. 18). Indonesia's SPI is 0.044 with a spending of 1.2 percent of GDP per capita, placing it well below the average for 19 lower-middle-income countries (Asian Development Bank, 2013, pp. 13-15).

In explaining the evolution of social protection systems in developing countries, many analysts have adopted what might be labelled a 'techno-managerial' perspective. According to this perspective, the extent to which governments in developing countries provide social protection to their citizens is primarily a function of the design, finance, and administration of social protection programs. Successful outcomes in social protection, it has been suggested, only occur when these programs are technically well-designed, adequately financed, and appropriately implemented (Grosh, Del Ninno, Tesliuc, & Ouerghi, 2008; Ortiz, 2001). Good design and proper implementation in this context mean the use of 'best practice' in relation to conditionality, targeting, social service provision, and delivery and that these processes are efficient and effective.⁴ Adequate financing means that programs have budgets to ensure use of these best practices, and that they provide sufficient coverage, in terms of breadth and depth, of the intended population. This perspective recognises the need for strong 'country ownership' of social protection reforms and, to this end, its proponents generally recommend extensive processes of consultation and community participation in the formulation of social protection programs (Handayani & Babajanian, 2012; World Bank, 2014). However, beyond this, they typically give little attention to the underlying political and social dynamics that shape whether country ownership exists or can be forged through negotiation.

The techno-managerial perspective has informed much analysis of social protection programs by the World Bank, the regional development banks, bilateral development agencies, and the academic researchers with whom they work closely. This can be seen clearly in the Indonesian context. For

⁴ For instance, best practice may entail monitoring of conditionality; the use of a combination of targeting mechanisms to eliminate errors in reaching the intended beneficiaries; increased social service provision to meet increased demand; and benefit delivery via basic transaction accounts (BTAs) rather than village officials (Handa & Davis, 2006; Kidd, Freeland, & Khondker, 2014; Mercy Corps, 2015).

instance, the World Bank (2012e) in its analysis of Indonesia's Rice for the Poor (*Beras Untuk Rakyat Miskin* or RASKIN) program, relates poor program performance to weak administration, limited socialisation, and targeting errors. The ADB (2013, p. 52) has taken a similar stance concerning Health Insurance for the Community (*Jaminan Kesehatan Masyarakat*, JAMKESMAS, a now superseded healthcare program for the poor) stating that improving the outcomes of the program hinges on improving targeting, administration, and financing. Finally, Sumarto, Suryahadi, and Widyanti (2002, p. 27), researchers based at the SMERU⁵ think tank have attributed the diverse performance of social safety net programs across regions in Indonesia to three factors: program design, budget allocations, and regional capabilities in program implementation. Overall, explanations for social protection policies, programs, and outcomes are often related to technical issues of design, implementation, finance or administration rather than the political and social dynamics that underlie these factors.

There can be little doubt that the nature of program design, financing, and implementation exercise an important influence on the impact of social protection programs in the developing world. However, the notion that development—and social protection reform in particular—is fundamentally a technical or practical matter has been strongly criticised. Leftwich (1994, p. 363), for instance, has labelled it the 'technicist fallacy'. In *States of Development* (2000, p. 4), he argued that 'the central and dominant variable determining not only the conception and shape of development but developmental success and failure in all human society, is their politics'. By ignoring this point, the techno-managerial perspective depoliticises the process of development and, in so doing, obscures its underlying drivers. Most importantly for our purposes, it ignores the way that political and social environments shape the adoption and implementation of social protection policies and, thereby, determine whether the program design is technically sound, financing arrangements are adequate, and implementation capacity is sufficient.

In accordance with this critique, a number of scholars have argued that social protection reform in developing countries needs to be understood as an essentially political process, centred on contentious choices about how much governments spend on social protection, to whom they provide social protection, and in what ways (Barrientos, 2011b; Devereux & Sabates-Wheeler, 2007, p. 2; Devereux & White, 2010; Hickey, 2011). The point, they have argued, is that social protection systems

⁵ SMERU originally stood for 'Social Monitoring and Early Response Unit'. The organisation is now known as the SMERU Research Institute.

do not emerge in a political and social vacuum; rather these systems are deeply embedded in political and social relationships. To fully understand the evolution of social protection systems in developing countries, and in particular to understand their varying experiences vis-à-vis social protection reform, they suggest there is a need to move beyond a concern with program design, financing, and implementation to consider the political and social dynamics that underlie these processes. In policy terms, they suggest, the challenge is to 'get the politics right' (Niño-Zarazúa, Barrientos, Hickey, & Hulme, 2012). Indeed, 'getting the politics right may be as important, or even more important than getting the initial technical design of programs right' (Niño-Zarazúa et al., 2012, p. 174). Such arguments imply the need for a shift in analytical orientation in the study of social protection reform away from the technical dimensions and towards the political underpinnings of social protection.

Thus far, however, scholars have conducted little analysis of the political economy of social protection reform in developing countries. As Bender, Kaltenborn, and Pflaiderer (2013, p. 2) have noted: 'Although a growing body of literature has been concerned with the design and impact of social protection, less attention has been directed towards analysing and explaining these reform processes themselves'. Likewise Cook and Kabeer (2009, p. 16) note that there is a critical gap and insufficient work in regard to social protection, this gap being 'the wider political and institutional arrangements that define the context within which social protection approaches and instruments need to be embedded....the importance of the political-economy of redistributive policies, the challenge of financing such policies, and their implications for the social contract between state and citizens'. Within the literature, there are accordingly calls for more work to be done on the political economy of social protection.

Purpose of the Dissertation

The purpose of this dissertation is to enhance our understanding of the political economy of social protection reform in developing countries in two ways. The first relates to conceptual frameworks. As I explain in greater detail later in the dissertation (see Chapter Two), to the extent that work has been done on the political economy of social protection in developing countries, it has focused on either i) assessing the general relationship between macrostructural and institutional factors (e.g. economic modernisation, late industrialisation, and political regime type) and the nature of social protection systems ; or ii) identifying the wide range of political and social factors that shape social protection policy and its implementation (see, for instance, Barrientos & Pellissery, 2015; Bender et al., 2013;

Hickey, 2009; Hickey, Sen, & Bukenya, 2015). The result has been a literature that either fails to explain the enormous variation in developing countries' experiences—in particular among countries at similar levels of income, with similar experiences with regard to industrialisation, and with similar political systems (in the case of the macrostructural and institutional analysis); or is excessively permissive in analytical focus (attributing reform to a wide variety of political and social factors and variables that matter). While the literature represents an excellent start on an important and policy-relevant intellectual project, it leaves unanswered the key questions of which explanatory factors should have analytical primacy, how political and social conditions shape variations in social protection outcomes in developing countries, and how the political economy of social protection reform plays out in particular cases (that is, particular countries and particular sectors).

Accordingly, I outline an approach to understanding the political economy of social protection reform in developing countries that aims to address these issues. It draws on work by Hickey et al. (2015) on 'the politics of inclusive development' and the 'social conflict' approach associated with the so-called 'Murdoch school of political economy' (Rodan, Hewison, & Robison, 2006). The approach focuses on: i) identifying the actors, interests, and agendas at work in relation to social protection policy and its implementation in specific contexts; ii) assessing the relationships of power between these competing actors, interests, and agendas and the way these shift over time in response to economic change and changes in the nature of political institutions; and iii) illustrating how these relationships of power, in turn, shape the ability of political and social actors to exercise influence over policy and its implementation. Such a framework, I argue, is well suited to explaining the specificities of particular countries' experiences, including why outcomes have varied across sectors/timeframes, and resolves the issue of analytical primacy by placing actors, interests, agendas and relationships of power at the centre of the analysis.

Second, the dissertation endeavours to enhance our understanding of the political economy of social protection in Indonesia specifically. Indonesia is an important case for such an analysis for several reasons. As a country with a large poor population—31.4 % of Indonesia's population lived on less than \$3.20 per day in PPP terms in 2016 (World Bank, 2015a)—its experience with social protection is important in terms of global efforts to reduce poverty. In this respect, Indonesia arguably represents a critical case—that is, one that is important and hence worthy of study in its own right. Indonesia's experience also illustrates the challenges involved in social protection reform in developing countries

with large populations, high poverty rates, widespread corruption, and democratic political regimes; characteristics shared by a number of developing countries central to the global development agenda⁶. Furthermore, Indonesia's experience with social protection has varied across sectors and timeframes with regards to the reforms adopted and the outcomes achieved, meaning that it allows for an examination of the factors leading to different outcomes across time and sector. Scholars and practitioners of development studies have noted that, despite expanding, Indonesia's social protection system has experienced mixed outcomes (Sumarto & Bazzi, 2011; Suryahadi, Yumna, Raya, & Marbun, 2010; World Bank, 2012e). Some policies and programs have been highly successful in meeting their objectives, while others have had limited success or failed to meet their objectives (e.g. improving malnutrition or school attendance). For example, evidence shows that as little as 53 percent of RASKIN goes to the intended beneficiaries (SMERU Research Institute, 2008, p. viii). The impact of the RASKIN rice subsidy has not been statistically significant, with no evidence that the program has improved the health of beneficiaries, such as via an improvement in children's development or a decrease in malnutrition rates (Vlajic, 2010). However, studies on the Family Hope Program (*Program Keluarga Harapan*, PKH) have shown that this program has had an impact on both attendance at health and education facilities (Nazara & Rahayu, 2013; World Bank, 2012c). As we will see, there has also been significant variation in the extent of reform across sectors in Indonesia. The Indonesian case thus provides an opportunity to explore the way in which political and social factors contribute to different outcomes and in so doing generates lessons for a wide array of organisations from government agencies to international donors operating in other developing country or sectoral contexts.

Finally, there has been relatively little analysis so far of the political economy of social protection in Indonesia. Scholars such as Aspinall, Rosser, and Wisnu have analysed the political and social dynamics surrounding the various publicly-funded health insurance schemes that the central and local governments have introduced since the early 2000s and which have constituted an important social protection initiative (see, for instance, Aspinall, 2014; Rosser, 2012b, 2016b; Rosser & Wilson, 2012; Wisnu, 2012). Rosser and his collaborators have also examined the political and social dynamics surrounding a range of education policy issues including free basic education (Rosser & Joshi, 2013; Rosser & Sulistiyanto, 2013), the legal status of public schools and universities (Rosser, 2015), and higher education reform (Rosser, 2016a). Some of this work has covered topics related to social protection (e.g. that of free basic education). However, none of these scholars have provided an

⁶ Examples include Nigeria, Brazil, and the Philippines.

overarching analysis of social protection reform—that is, one that moves beyond a concern with specific sectors or interventions to analyse the realm of social protection as a whole—and in particular variation across sectors. Ramesh (2014) has provided an overview of the evolution of social protection policy in Indonesia that provides some analysis of the underlying politics, but it is very brief. As such, these scholars have had little to say about how the political dynamics of social protection have varied by sector and have done little to explore the political dynamics surrounding the shifts in budgetary allocations that were necessary to fund these and other social protection programs.⁷

Argument

The central argument of this dissertation has two parts (see Table 1 for a summary). The first part relates to the nature of Indonesia's social protection system and how this has changed over time and varied by sector. In this respect, the dissertation traces the evolution of Indonesia's social protection system (both in aggregate and by sector) along five spectrums: productivist-welfarist, particularist-universalist, unequalising-equalising, informal-formal, and predatory-Weberian (see Chapter Two, Figure 1 for further detail). Under the New Order, it is argued, Indonesia's social protection system was productivist, particularist, unequalising, informal and predatory in nature. It was *productivist* in the sense that social policy was subordinate to economic policy and the state was growth-oriented. The New Order invested little in social policy and, to the extent that it did, favoured areas that contributed to economic growth, mainly by helping the regime maintain political stability and control over its population. The country's social protection system was *particularist* in that rights to social protection were extremely limited, covering only a tiny percentage of the population. The system was *unequalising* as it prioritised the provision of welfare to 'productive' elements in society reinforcing their position (for instance, formal sector workers, civil servants, and military officials). In addition, the system was *informal* as the state provided limited social protection programs, so people were reliant on the welfare activities of family and the community. Finally, the social protection system was *predatory* in that social protection programs, to the extent that they existed, were undermined by corruption and predation by elites, distorting how the benefits of these programs were distributed between the poor and non-poor.

⁷ Early articulations of the analysis presented in this dissertation are important exceptions in this respect (see Rosser & van Diermen, 2015, 2016).

Since the collapse of the New Order and Indonesia's shift to democracy, the country's social protection system has undergone reform, albeit much less than some accounts suggest (Riady, 2013; Schuman, 2013; The Economist, 2012, 2013). The system has remained broadly productivist in nature because, although government spending on social protection programs has increased, it has remained much lower than for neighbouring countries, including those at a similar level of development, and has continued to focus overwhelmingly on areas that contribute to economic growth. In other words, social policy has remained subordinate to economic policy. Indonesia's social protection system has also remained broadly predatory in orientation because social protection programs have—with one or two notable exceptions—suffered from severe leakages in implementation, and social protection has been used for personal and political gain by a range of elite actors, meaning it remains predatory. In both cases, there has been change in a more progressive direction—that is, towards a welfarist orientation and a Weberian mode of implementation—but this has been slight. The principal changes in the nature of Indonesia's social protection system have been that it has become increasingly universalist (that is, social rights have been more prevalent, with some programs offering universal coverage for all citizens), equalising (that is, the welfare system has increasingly reduced rather than reinforced class structure and other differentials via the extension of rights and access to social benefits for all), and formal (that is, the state has increasingly played a more significant role in welfare provision and there has been less reliance on the family, community or market). These changes reflect the fact that Indonesian citizens have gained greater formal legal rights to social protection, and the coverage of some social protection programs has expanded such that they are now delivered on a universal basis.

At the same time, the dissertation shows the extent to which reform has been uneven across sectors. More specifically, reform has been strongest (among the three cases examined in the dissertation) in the area of income support. Social protection in this area has shifted to a more universalist, equalising, formal, and Weberian system, although it has remained predominantly productivist in nature. Reform has also been strong in the area of social security (although to a slightly lesser extent). Social protection in this area has experienced a shift to a more universalist and formal system, although it has retained strong productivist, unequalising and predatory traits. Reform was weakest in the case of food security. Despite small shifts, it has remained productivist, particularist, unequalising, informal, and predatory in nature as it was under the New Order.

In this respect, the argument here contrasts with the exaggerated claims made by some media outlets that Indonesia is transitioning towards the emergence of a European-style welfare state (Riady, 2013; Schuman, 2013; *The Economist*, 2012, 2013). Rather, it suggests that the extent of change—while not insignificant—has been much more modest overall and varied significantly by sector.

The second part of the central argument relates to the politics underlying this pattern of reform. Here the dissertation's contention is that this pattern of reform has reflected continuities and shifts in the balance of power between competing sets of political and social actors. The enduring productivist and predatory nature of Indonesia's social protection system has reflected the continued political dominance of predatory military and bureaucratic officials and domestic business groups throughout the New Order and Post-New Order periods. These sets of actors have emphasised the need for economic policy to be prioritised over social policy, and where they have focused on social protection, this has only been to the extent that social protection is consistent with the achievement of economic growth. They have accordingly sought to limit the expansion of social protection. Furthermore, predatory elites have infiltrated social protection programs at various levels, using these programs for rent-seeking purposes. Overall, the ruling coalition of the New Order—predatory officials and their corporate allies—have retained sufficient political strength to ensure that social protection initiatives remain limited, focused on areas that contribute to economic growth and are subject to capture by predatory networks.

Limited change has nevertheless been possible because the Asian financial crisis (AFC) and the transition to a more democratic political regime following the fall of the New Order has seen a slight shift in the balance of power between competing coalitions. International donors and technocrats gained significant power from 1998 to 2003, due to the need for their financial and intellectual support in the wake of the AFC. They placed pressure on the government to establish protection for the poorest. This led to the introduction of new social protection programs. At the same time, democratisation led to the increasing use of populist strategies on the part of political elites. Politicians used social protection programs to gain popular support from the poor (such politicians are referred to here as political entrepreneurs). In so doing, they helped promote the agenda of popular forces, expanding rights and access to social protection programs. In addition, this resulted in the expanding power of popular forces—a grouping that includes non-governmental organisations (NGOs), civil society, and unions. Democratisation enabled greater political space for these actors to

participate in social protection policy-making and helped them forge a useful alliance with a small social democratic fraction of the elite (labelled here as left-wing intellectuals) opening up further opportunities for them to access the policy-making process, although, such participation varied significantly across sectors. In the case of social security, participation was strong, helping to promote reform, while it was limited in food security and income support. In the case of income support, participation in policy-making and implementation by the predatory military, bureaucratic officials, and domestic business groups was very limited, facilitating greater reform.

In essence, then, this dissertation suggests that social protection reform, both in general and in Indonesia specifically, is not merely a matter of good program design, adequate financing, and sound administration but also relies on the nature of the politico-economic context and how this evolves over time and varies by sector. In particular, it suggests that such reform is a function of the changing balance of power between competing political and social forces within a country and how this becomes manifest at both at a macro and sectoral level. Reform is an outcome of the political and social order understood as the configuration of interests, coalitions and power relationships that characterise each specific context. As such, it further suggests that there are significant political preconditions for social protection reform that need to be fulfilled before it will be adopted and implemented successfully: namely, a shift in the balance of power away from anti-reform elites, such as predatory bureaucratic officials and domestic business groups, towards technocratic elements and popular forces. This in turn implies that proponents of social protection reform need to devise strategies for achieving this shift in power.

Table 1. Summary of Argument

	Overall System	Food Security	Social Security	Income Support
Characteristics of Social Protection System and Sectors				
New Order	Productivist	Productivist	Productivist	Productivist
	Particularist	Particularist	Particularist	Particularist
	Unequalising	Unequalising	Unequalising	Unequalising
	Informal	Informal	Informal	Informal
	Predatory	-----	Predatory	-----
Post-New Order	Slightly less productivist/more welfarist than under the New Order	Slightly less productivist/more welfarist than under the New Order	Slightly less productivist/more welfarist than under the New Order	Slightly less productivist/more welfarist than under the New Order
	More universalist, less particularist than under the New Order	Particularist but slightly less evident than under the New Order	Significantly more universalist	Slightly less particularist/more universalist than under the New Order
	Slightly less unequalising/more equalising than under the New Order	Unequalising but slightly less evident than under the New Order	Slightly less unequalising/more equalising than under the New Order	Slightly less unequalising/more equalising than under the New Order
	Considerably less informal/more formal than under the New Order	Slightly less informal/more formal than under the New Order	Considerably less informal/more formal than under the New Order	Slightly less informal/more formal than under the New Order
	Predatory	Predatory	Predatory	Weberian
Underlying Politics				
New Order	Dominance of predatory political, bureaucratic and corporate elements. Marginalisation of technocrats (except in times of crisis, when they gained some power), donors, and popular forces.	Dominance of predatory political, bureaucratic and corporate elements. Technocrats had considerable influence here, although still subordinate to the above coalition. Marginalisation of popular forces.	Dominance of predatory political, bureaucratic and corporate elements. Marginalisation of technocrats, (except in times of crisis), donors, and popular forces.	Dominance of predatory political, bureaucratic and corporate elements. Marginalisation of technocrats (except in times of crisis), donors, and popular forces.
Post-New Order	Continued dominance of predatory political, bureaucratic and corporate elements, although their power was reduced compared with the New Order period. Technocrats and donors had significant influence from 1998-2003. Popular forces and political entrepreneurs gained greater ability to influence policy as a result of democratisation but remained subordinate to predatory elements.	Continued dominance of predatory political, bureaucratic and corporate elements. Technocrats and donors gained power only briefly from 1998-2003. After which most of their reforms were reversed and/or hijacked. Overall, marginalisation of technocrats, donors, and popular forces. Political entrepreneurs had power to expand programs, but not to improve effectiveness or efficiency.	Reduced dominance of predatory political, bureaucratic and corporate elements. Technocrats and donors gained greater power over policy, although subordinate to predatory elements. Political entrepreneurs also had the power to expand programs. Popular forces gained significant power to influence policy in the sector. They were very active and effective in driving reform.	Limited power of predatory political, bureaucratic and corporate elements to influence policy or to hijack/resist reform. Political entrepreneurs had power to expand programs. Dominance of technocrats and donors to design policy. Popular forces not very active, but local actors used in the implementation of one program.

Definitions of Key Terms

Most of the terms and concepts used in this dissertation are defined in subsequent chapters. However, it is necessary to mention three at the outset—social protection, social protection system, and social protection reform—because they are used throughout the analysis.

Social protection refers in this dissertation to ‘a range of public and private schemes providing insurance which protect income from life-course and work-related contingencies (social insurance); a set of public programmes and policies addressing poverty and vulnerability (social assistance); and active labour market policies facilitating employment’ (Barrientos, 2013, p. 24). Social insurance (also referred to as social security) is a contributory form of insurance where individuals or households make a contribution from their income to a pool of funds that protects all contributors from a common risk. This includes pooling funds for pension, unemployment, work injury insurance, and maternity benefits (Haggard & Kaufman, 2008, p. 216; Norton et al., 2001, p. 10). Social assistance refers to programs that are targeted at vulnerable groups funded through government tax and sometimes donors rather than individual contributions—for example, programs targeting malnourished children, the disabled, or the poor (Widjaja & Simanjuntak, 2010, p. 158). Labour market programs aim to facilitate employment and include skill development, training programs, and special work programs such as cash-for-work or food-for-work programs.

While social insurance, social assistance, and labour market programs are typically considered to be forms of social protection, other types of programs have a more ambiguous status. This includes fuel subsidies and food price stabilisation policies. Some commentators view fuel subsidies as a form of social protection, particularly a form of social assistance (Asian Development Bank, 2003; Perdana, 2014), while others do not (Del Granado, Coady, & Gillingham, 2012). In this dissertation, I do not consider such subsidies to be a form of social protection because their purpose is to keep the price of goods and services stable and hence control inflation rather than reduce poverty and vulnerability. In this respect, they are a form of economic policy rather than social policy. While inflation has an impact on the poverty rate, this effect is indirect and secondary to the principal goal of controlling inflation. Finally, to the extent that fuel subsidies directly transfer resources to the poor, they do not do so in a targeted way. Likewise, food price stabilisation policies do not constitute social protection because their purpose is to keep the price of goods stable, hence to control inflation, rather than to reduce

poverty and vulnerability. Price stabilisation policies are also used to control political stability. Hence the primary purpose is to achieve economic or political objectives, not social policy-related ones.

The term *social protection system* refers to the overall assemblage of social insurance, social assistance, and labour market programs, the policies underpinning them, and the way these programs are implemented. The nature of social protection systems can vary depending on the extent to which they embody notions of social rights; seek to concentrate or universalise coverage; promote economic as opposed to social goals; are underpinned by the state, the market or the family; and are effective in implementation. In Chapter Two, I elaborate on this point by providing a typology of social protection systems. This typology distinguishes between several models based on where social protection systems are located along the five spectrums mentioned above: i.e. productivist to welfarist, particularist to universalist, unequalising to equalising, informal to formal and predatory to Weberian.

The term *social protection reform* is used in this dissertation to denote changes in policy and institutions that enhance the depth and/or breadth of social protection provided to citizens, especially the poor. It is about the progression of social protection policy and practice towards providing equal access to social services and effective implementation of these services. In this sense, social protection reform involves two distinct parts. First, it is about the nature of social protection policies. In this respect, reform involves changes in policy that achieve greater depth and breadth of social assistance, social security and labour market programs. For instance, reform of social assistance could include a change in policy to allow expansion of social assistance from covering only the poorest 10 percent to covering all poor, the near poor and the vulnerable. The second component of reform is that programs are implemented and administrated effectively and efficiently. This entails a change to minimise corruption and leakages for instance via improved targeting mechanisms.

Methodology

To understand how political and social dynamics have shaped social protection reform in Indonesia, this research utilises a qualitative case study-based methodology and a type of ‘small-n’ research design known as ‘most similar’ analysis. This research adopts the following definition of qualitative research:

‘Qualitative research begins with assumptions and the use of interpretative/theoretical frameworks that inform the study of research problems addressing the meaning individuals or groups ascribe to a social human problem. To study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data in a natural setting sensitive to the people and place under study, and data analysis is both inductive and deductive and establishes patterns and themes. The final written report or presentation includes the voices of participants, the reflexivity of the researcher, a complex description and interpretation of the problem, and its contribution to the literature or a call for change’ (Creswell, 2013, p. 44).

A case study is ‘an empirical investigation of a contemporary phenomenon within its natural context using multiple sources of evidence’ (Hancock & Algozzine, 2006, p. 15). Commonly used in comparative political science and sociology, small-n research is employed when the number of possible units of analysis (cases) is limited. It involves the examination of a small number of cases in-depth with these cases being deliberately selected to ensure the desired variation in the independent and dependent variables of interest (Blatter & Haverland, 2012; Lieberson, 1991, pp. 308-309). Most similar analysis is a type of small-n research. It involves selecting and examining a handful of cases that are as similar as possible, except on the outcome of interest (the dependent variable). By selecting cases that are similar the many alternative explanations are controlled. Then if one or two factors are different between the cases, and the outcome is different, this is the probable cause for the outcome (Seawright & Gerring, 2008).

This study also employs a methodology known as process tracing.⁸ Process tracing can be defined as a method that ‘attempts to identify the intervening causal process—the causal chain and causal mechanism—between an independent variable (or variables) and the outcome of the dependent variable’ (George & Bennett, 2005, p. 206). It is used to identify how a set of factors contribute to producing an outcome. It involves tracing mechanisms from the cause to the effect, to establish if a mechanism is or is not operating. This process assists in narrowing the list of possible causes (Crasnow, 2017; George & Bennett, 2005). This methodology is well-suited to theory-building or theory testing, where it may be difficult to explain the outcome regarding two or three independent variables. This is due to the process enabling the analysis of not only the link between cause and effect but also how

⁸ This methodology is commonly used in the social sciences, particularly comparative politics.

this occurred (Crasnow, 2017). Process tracing requires an in-depth examination of a single case or a few cases to provide evidence for causation, using multiple sources of evidence.

The case studies that are the focus of this research are food security, social security, and income support. These case studies were selected due to their importance (they are among Indonesia's most significant areas of intervention in social protection) and perceived feasibility based on preliminary interview discussions. As the analysis will show, these cases also provide variation in the dependent variable—the extent of social protection reform—making them well-suited to an analysis concerned with the causes of such variation.

Fieldwork for the research was conducted over a 12-month period from 2014 to 2015 in Indonesia. The main fieldwork location was Jakarta. Other locations visited were Yogyakarta, Bogor, and Bandung. During fieldwork, mixed-methods were used to collect, analyse, and interpret data. These included interviews with key informants, collection and analysis of documents, and collection and analysis of descriptive statistics. Key informants included program coordinators, government officials, non-government organisations, community-based organisations, trade unions, and staff from both bilateral and multilateral agencies. These individuals provided in-depth information from a range of standpoints. In total, 92 semi-structured interviews were conducted with 120 informants participating. Table 2 depicts the number of interviews conducted with different groups (See Appendix 1 for a list of all interviews). Because the interviews were conducted between 2014 and 2015, the research is better placed to analyse developments up to that time than during the Joko Widodo administration that came into office in late 2014.

Table 2. Interview Break Down

Informant Group	No. of interviews
Government officials	30
NGO activists	14
Beneficiaries of social protection programs	13
Academics/Researchers	12
Implementers of social protection programs E.g. Facilitators of PKH	12
Officials at multilateral and bilateral agencies	5
Trade union activists	4
Politicians	2
Total:	92

Analysis of primary and secondary sources of data proved to be a vital component of the data collection. The main primary sources of data included, in addition to interviews, newspaper/media reports, court documents, statistical data, and confidential reports. The main secondary sources of data included previous academic studies and publicly-available official reports and analyses. In both cases, this data came from a variety of sources including the Indonesian government, multilateral and bilateral agencies, government-owned companies, private companies (e.g. media firms), and non-government organisations. This data provided valuable evidence to support the case studies and data collected in the interviews.

During fieldwork, as data was collected, details were documented, and interviews were transcribed. Following this, data was entered into Nvivo—a qualitative software program used for analysis of rich text-based or multimedia information. Where possible, secondary sources were also entered into the software. Data was coded to help grasp emerging themes. During the analysis, the method of process tracing was employed (discussed above). This practice involved a process of going back and forth between theories and data to assess relevant and valid links (George & Bennett, 2005).

Thesis Outline

This dissertation is divided into three broad parts. The first part—which consists of Chapters Two, Three, and Four—sets the scene by providing the theoretical model that will be used and mapping how it specifically relates to the Indonesia context. The second part—Chapters Five, Six, and Seven—present the case studies and provides evidence for the argument that social protection systems are an outcome of power dynamics between various coalitions. They show how power has shifted between actors over two time periods as well as how power among actors has varied between the three sectors examined—food security, social security, and income support. The third part concludes this dissertation by discussing the implications of this analysis for proponents of social protection reform in the developing world and speculating on the future direction of Indonesia’s social protection system. The contribution of the individual chapters is as follows.

Chapter Two lays the conceptual foundation for the dissertation. It is split into two sections. The first section devises a typology of social protection systems, drawing on the welfare state literature. It argues that Indonesia does not fit within existing models of social protection systems canvassed in the literature and accordingly proposes to extend the productivist welfare regimes framework created by Holliday (2000) to include two new subcategories, predatory-particularist and predatory-universalist. These, it is argued, fit the Indonesian case better.

This second section of the Chapter examines competing explanations of social protection reform in developing countries. It reviews and evaluates five approaches: the modernisation perspective, the developmental statist perspective, the political regime-centred perspective, the social contract perspective, and the social conflict perspective. It contests the first four theories on the grounds that they fail to explain reform adequately. Specifically, factors such as the level or type of industrialisation, the extent of economic development, or the type of political regime do not consistently account for the nature, extent and timing of reforms to social protection systems. Drawing on the social conflict approach devised by Rodan et al. (2006) it argues instead that a proper understanding of the politics of social protection reform in developing countries requires an analysis of the actors, interests, and agendas; the balance of power and contestation between these competing actors, interests, and agendas; and the way in which this translates into influence over policy and its implementation. Such analysis is accurately conveyed via the social conflict perspective.

Chapter Three begins the process of applying the social conflict perspective to the case of social protection in Indonesia by examining the actors, interests, and agendas that have shaped Indonesia's social protection system during the New Order and post-New Order periods. Four sets of coalitions are identified: the technocrats and donors, predatory officials and their corporate allies, political entrepreneurs, and popular forces. The chapter unveils their respective interests and agendas, and how they have exercised leverage over policy-making. These actors have competing—and at times intersecting—interests and agendas. They have distinctive levels of power and methods they employ to exercise their leverage over policy-making.

Chapter Four provides an overview of the political economy of social protection in Indonesia. The chapter has two purposes. First, it examines how shifts in the balance of power between actors over time produced changes in the nature of social protection policy and its implementation. Second, it examines the broad nature of these changes using the typology of social protection systems developed in Chapter 2. It argues that the balance of power between actors has slightly shifted between the New Order and post-New Order periods resulting in different social protection policies and implementation outcomes. At the same time, it suggests that this change has been limited. The New Order was characterised by a productivist, particularist, unequalising, informal and predatory social protection system. In the post-New Order period, Indonesia's social protection system has remained productivist and predatory in nature, but become slightly more universalist, equalising, and formal.

Chapter Five presents the first case study examined in the dissertation—on food security. It investigates how changes in the balance of power between coalitions resulted in changes to food security policy, focusing specifically on rice, the staple food for most of the population. It examines food security policy under the New Order and compares it with the post-New Order period, where two key cases are examined—rice trade policy and rice subsidies for the poor. The chapter argues that there was relatively little change in the nature of food security policy and its implementation between the New Order and the post-New Order periods, despite broad shifts in the balance of power between predatory and reformist forces. This is due to this change in power being relatively marginal in the realm of food security. There was continued political dominance of predatory officials and their corporate allies and continued marginalisation of popular forces within the food security sector. As a

result, Indonesia's food security system continued to be broadly productivist, particularist, unequalising, and informal in nature, as it was under the New Order. In addition, it was predatory in the post-New Order period, while in the New Order it cannot be characterised as predatory because there were no social protection programs within food security at this time. In comparative terms, the reform experienced in this sector was far less extensive than that experienced in the other case study realms, social security and income support.

Chapter Six examines the case of social security, focusing on pensions and health insurance. This chapter argues that there was a significant change in the nature of social security policy during these periods, but less so in implementation. During the New Order period, social security policy and its implementation, were productivist, particularist, unequalising, informal and predatory in nature (as in food security). However, in the post-New Order period, the system shifted to become more welfarist, universalist, and formal while remaining predatory and unequalising. Social security expanded to cover the poor with free healthcare, and later every citizen became entitled to social security. This outcome reflected important features of the country's political economy—broader shifts in power. The popular forces, political entrepreneurs, and technocrats and donors gained increasing power to drive policy reform.

Chapter Seven examines how changes in the balance of power between coalitions has resulted in the evolution of cash transfers and an income support program. This chapter analyses the lack of income support during the New Order. In the post-New Order period it examines the development of cash transfers, exploring two sets of cash transfers programs: an unconditional cash transfer program, and a conditional cash transfer. The chapter argues that there was a large change in the nature of income support policy and its implementation in the post-New Order period. The nature of Indonesia's income support system became characterised as more welfarist (although predominately still productivist), universalist, equalising, formal, and Weberian. In comparative terms, the reform experienced in this sector was greater than that encountered in the other sectors. The chapter argues that this shift in the income support system has been due to a shift in the balance of power between coalitions. Reform explicitly reflects the technocrats' and donors' increased leverage to influence policy leading to the start of cash transfer programs, including BLT, BLSM, and PKH in the post-New Order period. Also, political elites recognised the electoral benefits of income support programs to gain support from the poor, giving them a strong incentive to initiate programs. Finally, and most

importantly, the absence of entrenched predatory officials and their corporate allies made it easier for reform to occur.

Chapter Eight concludes by speculating on the future direction of Indonesia's social protection system and assessing the implications of the analysis in this dissertation for supporters of social protection reform in developing countries. I identify four such implications. First, proponents of social protection reform should purposefully focus their agenda on areas where the prospect of change is greatest. Second, international organisations should provide increased funding and intellectual support to NGOs and unions. Third, proponents of social protection reform should coordinate their efforts as their influence has been greatest when they have acted collectively. Fourth, supporters of social protection reform should pursue strategies for ensuring that social protection programs circumvent bureaucratic involvement.

Chapter 2

Understanding the Political Economy of Social Protection Reform

Introduction

To understand the political economy of social protection reform in Indonesia, we need a theoretical model of policy-making and implementation in this policy domain. Much has been written about the technical dimensions of social protection in developing countries, as discussed in the Introduction. Nevertheless, there is an alternative literature that gives primacy to politics in analysing social protection reform. This is in accordance with the growing interest in academic and policy circles in the political determinants of development outcomes (Fritz, Kaiser, & Levy, 2009; Hudson & Leftwich, 2014; Leftwich, 2000, 2005, 2010; Moore & Putzel, 1999). Although the literature on the politics of social protection reform in developing countries is small, it is growing. Despite disputes over which explanatory frameworks are most effective, it displays an underlying consensus that ‘getting the politics right’ is critical for successful reform (Hickey, 2009; Niño-Zarazúa et al., 2012).

This chapter is split into two sections. The first section presents a typology of social protection systems.⁹ This is done to provide a lexicon for describing shifts in the nature of Indonesia’s social protection system over time, as well as for locating Indonesia comparatively. The second section examines how developing countries move between these systems—in essence, how reform occurs. It reviews and evaluates five perspectives on the politics of social protection reform in developing countries, which I have labelled for the sake of parsimony: the modernisation perspective, the developmental statist perspective, the political regime-centred perspective, the social contract perspective, and the social conflict perspective. I argue that a proper understanding of the politics of social protection reform in developing countries requires an analysis of the actors, interests, and agendas at work in relation to social protection policy and its implementation; the balance of power and contestation between them; and the way in which this translates into influence over policy and its implementation. The social contract perspective comes the closest in terms of delivering such an analysis, but it often privileges the role of elites, downplays the role of popular forces (e.g. non-

⁹ An earlier version of parts of this section—specifically those related to welfare regimes—was published in Rosser and van Diermen (2016).

governmental organisations, trade unions, and other civil society actors), and is permissive regarding where it places analytical primacy. I accordingly outline a revised version of this perspective, drawing on the social conflict approach devised by Rodan et al. (2006). This perspective construes social protection policy and implementation as a reflection of the political and social order—that is, the configuration of interests, coalitions and power relationships that characterise each specific context—entailing both elite and non-elite elements. It narrows down the explanatory variables that are seen to have analytical primacy, arguing that the political and social order plays the principal role in regulating the extent of social protection reform.

Typology of Social Protection Systems

To understand properly how and why social protection reform occurs or fails to occur, we need a lexicon for describing the nature of, and variation in, social protection policy and its implementation. Social protection, as noted in the introductory chapter, is commonly defined as incorporating three types of programs—social assistance, social security, and labour market programs. This definition allows us to differentiate between countries with social protection systems and countries without such systems. It also makes it possible to distinguish between different social protection systems on the basis of the types of social protection programs that they incorporate—for instance, systems that focus on social assistance versus those that emphasise social security. However, this definition tells us little about the broader characteristics of social protection systems, such as the extent to which they embody notions of social rights, seek to concentrate or universalise coverage or promote economic as opposed to social goals.

Below, I develop below a typology of social protection systems that emphasises these broader characteristics by drawing on the welfare regimes literature. This typology views social protection systems in terms of their embeddedness within larger welfare regimes.

Conceptualising the Nature of Welfare Regimes and Social Protection Systems

In his seminal work, *The Three Worlds of Welfare Capitalism*, Esping-Andersen (1990) defined welfare state regimes as an institutional matrix of market, state, and family which produce welfare outcomes. Gough and Wood (2004, p. 23) further characterised welfare state regimes as: '(a) different patterns of state, market, and household forms of social provision, (b) different welfare outcomes, assessed according to the degree to which labour is de-commodified or shielded from market forces, and (c) different stratification outcomes'. The de-commodification of labour is the situation in which 'a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market' (Esping-Andersen, 1990, p. 22). Therefore, de-commodification varies according to the degree to which social welfare programs are generous in terms of coverage and eligibility. Stratification outcomes are the extent to which the welfare system perpetuates or breaks down class structures or other social hierarchies via rights of access to social benefits that are designated to various classes or groups.

Based on these two key features (de-commodification and stratification), Esping-Andersen (1990) developed three models of welfare state regimes to account for cross-national differences in Europe and North America. These were liberal, conservative, and social democratic. In the liberal regime (e.g. the US), the state provides minimal welfare, and benefits are modest and have strict entitlement criteria with recipients often means-tested and stigmatised. In the conservative regime (e.g. Germany and Italy), there is a strong focus on the traditional role of the family, and welfare program benefits are often earnings-related, administered through the employer, and geared towards maintaining existing social patterns, so the redistributive impact is minimal. In the social democratic regime (e.g. Sweden), programs are often universal and generous compared with other regimes' programs, entail a commitment to full employment and income protection, and there is a strong focus on social security promoting equality through redistribution (Esping-Andersen, 1990).

Subsequently, other scholars argued that this typology sheds little light on the nature of social welfare in developing and emerging countries, particularly in Asia, where welfare states do not exist (see, for instance Arts & Gelissen, 2002; Aspalter, 2006; Goodman & Peng, 1996; Gould, 1993; Jones, 1993; Kwon, 1997; Sung & Pascall, 2014; Walker & Wong, 2005; White & Goodman, 1998). In an important contribution to the debate, Holliday (2000) argued that East Asian welfare regimes were 'productivist'

in nature. He defined productivist regimes as being characterised by the subordination of social policy to economic policy and by the presence of a growth-oriented state. Countries that fit within this model characteristically invest little in social protection programs and, to the extent that they do, prioritise the provision of welfare to 'productive' elements in society (e.g. formal sector workers, civil servants, and military officials) and areas that promote economic growth. Holliday's (2000) model further distinguishes between three variants of the productivist model: 'facilitative' (e.g. Hong Kong), 'developmental-particularist' (e.g. Singapore), and 'developmental-universalist' (e.g. Korea and Taiwan). These variants differ in the extent to which they provide for the fulfilment of social rights, the effects of stratification, and state–market–family relations (Holliday, 2000, p. 710). In the facilitative regime, social rights are minimal, stratification is limited, and the market is prioritised (Holliday 2000). The developmental-particularist regime uses the state to direct individual welfare provision. There are almost no social rights, with significant segments of society excluded from social welfare. The provision of welfare is predominantly for the formal sector or employees who make a financial contribution. The state plays a regulatory role in social policy alongside the market and families (Holliday, 2000). In the developmental-universalist regime, the state creates universal welfare programs, at least for productive elements in society. Social rights are more prevalent with efforts made to extend coverage to all citizens. The state plays a bigger role in social policy, although, the market and family still perform a major role in welfare provision (Holliday, 2000, p. 710).¹⁰

In a recent paper, Rosser and I (2016) have argued that this framework does not accommodate economically successful countries with predatory/oligarchic states such as those that exist in parts of Southeast Asia. According to Beeson and Robison (2000, p. 12), it is important to distinguish 'between the different versions of the 'East Asian model' '. They note that, with the exception of Singapore, countries in the Southeast Asia, and in particular Indonesia, are closer to 'predatory' states than developmental states (Beeson & Robison, 2000, pp. 12-13). Holliday's (2000) typology of productivist welfare regimes assumes that all states in East Asia are either nightwatchman or developmental states, when in reality some do not fall into this category. Southeast Asia is in general characterised by economically successful countries that do not have such states. This is specifically the case with Indonesia. Rosser and I (2016) have accordingly argued that an additional dimension needs to be

¹⁰ In another important contribution to the literature on comparative 'welfare regimes', Wood and Gough identified productivist welfare regimes as a type of informal security regime. Informal security regimes can be defined as 'institutional arrangements where people rely heavily on community and family relationships to meet their security needs, to greatly varying degrees' (Wood & Gough, 2006, p. 1699).

added to Holliday’s typology related to implementation (Rosser & van Diermen, 2016). Table 3 provides a summary of our preferred extended typology.

Table 3. The Productivist World of Welfare Capitalism Extended

	Social Policy	Social Rights	Stratification Effects	State-market-family relationship	Implementation Outcome
	1	2	3	4	5
Facilitative	Subordinate to economic policy	Minimal	Limited	Market prioritised	Implementation effective, characterised by low levels of corruption.
Developmental-universalist	Subordinate to economic policy	Limited; extensions linked to productive activity	Reinforcement of the position of productive elements	State underpins market and families with some universal programs	Implementation effective, characterised by low levels of corruption.
Developmental-particularist	Subordinate to economic policy	Minimal; forced individual provision linked to productive activity	Reinforcement of the position of productive elements	State directs social welfare activities of families	Implementation effective, characterised by low levels of corruption.
Predatory-universalist	Subordinate to economic policy	Limited; extensions linked to productive activity	Reinforcement of the position of productive elements	State underpins market and families with some universal programs	Implementation ineffective, characterised by high levels of corruption
Predatory-particularist	Subordinate to economic policy	Minimal; forced individual provision linked to productive activity	Reinforcement of the position of productive elements	State directs social welfare activities of families	Implementation ineffective, characterised by high levels of corruption

Source: Adapted from Holliday (2000) and Rosser and van Diermen (2016).

This extended typology yields two new types of productivist welfare regime: predatory-particularist and the predatory-universalist. Both predatory-particularist and the predatory-universalist welfare regimes, like productivist regimes in general, subordinate social policy to economic policy. This has an impact on the stratification of society and, in both cases, reinforces the position of productive elements. The predatory-particularist and the predatory-universalist regimes differ from other

productivist regimes in that, in both cases, implementation is ineffective and characterised by high levels of corruption reflecting the predatory/oligarchic nature of the state. These subcategories differ from each other in that i) the predatory-particularist regime involves minimal extension of rights and is focused on individual provisions linked to productive activity with the state directing social welfare activities of families while ii) the predatory-universalist regime has a limited extension of rights linked to productive activity and the state underpins markets and families with some universal programs. Hence, within the predatory-universalist regime, coverage, rights, and benefits are greater than in the predatory-particularist regime (See Table 3 above).

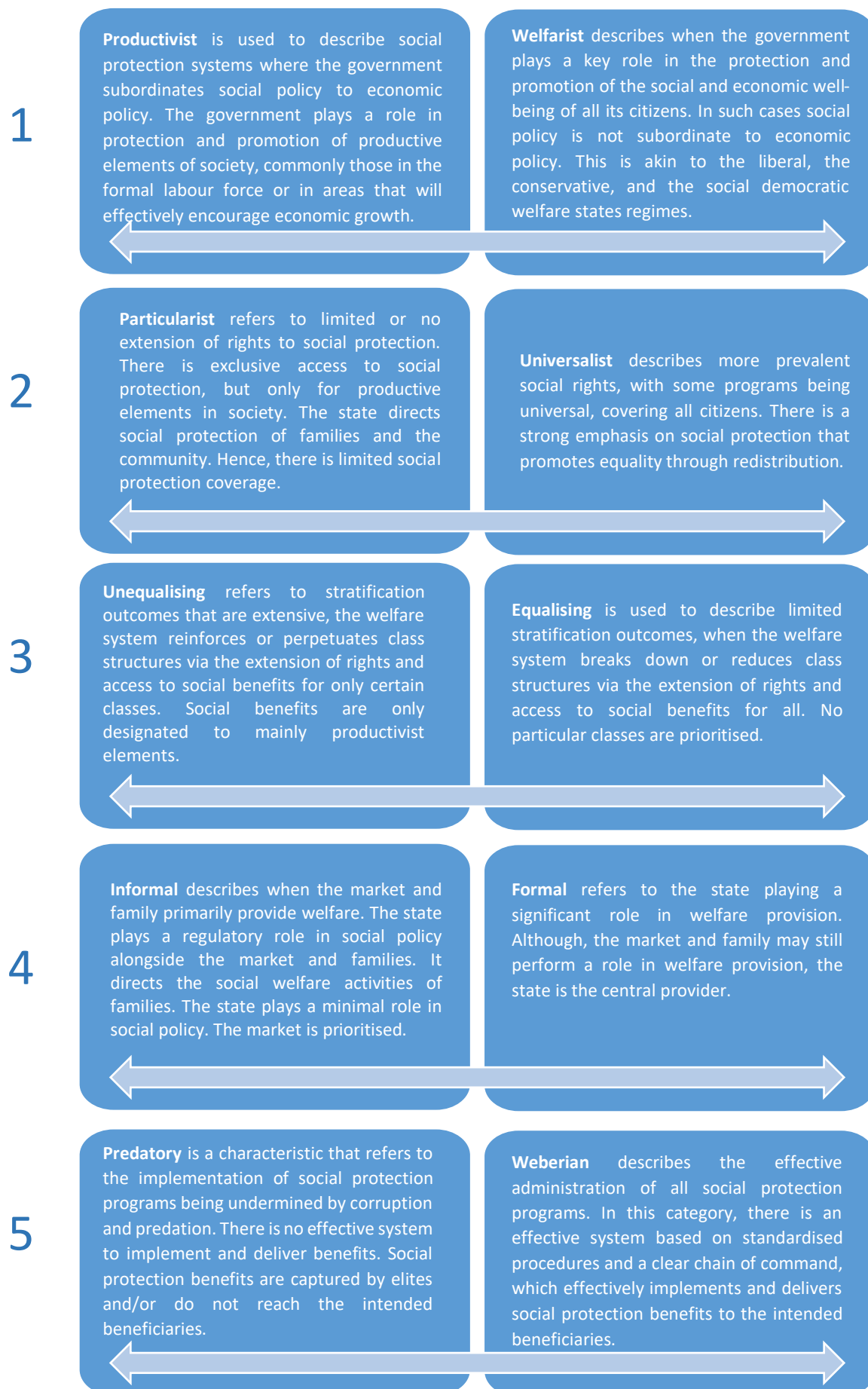
The nature of a country's social protection system—its social protection policies and the way they are implemented—can be understood as a reflection of the larger welfare regime of which it is a part. The point here is twofold. First, the social protection system represents a subset—a significant subset—of welfare policy. Welfare policy refers to the principles, activities, and framework adopted by a government for its citizens (Blau & Abramovitz, 2010, p. 21). Welfare policy is the broader understanding and provision of welfare that the state provides to its citizens. Examples include laws pertaining to rights or social services such as provisions for public housing, education or health facilities. The social protection system refers to policies and programs that provide protection and promotion of individual or household livelihoods, and the implementation of these. Hence, the way social protection policy is designed and implemented has a significant bearing on the formation of welfare policy in general.

Second, because a social protection system forms part of wider welfare policy, it embodies the key characteristics of welfare regimes. Accordingly, the categories used to describe and differentiate welfare regimes—for instance, developmental-universalist or predatory-universalist—also apply to social protection systems. This, in turn, implies a typology of social protection systems that broadly tracks the schemata outlined in Table 3 above. With regard to productivist welfare regimes specifically, it implies that social protection systems can fall into the same five broad sub-types: facilitative, developmental-universalist, developmental-particularist, predatory-universalist, and predatory-particularist.

Tracking Change

This delineation of types of social protection system allows us to track changes in the nature of countries' social protection systems over time, in particular those that are productivist in nature. Specifically, it suggests that there are five spectrums along which we can trace changes in productivist social protection systems (See Figure 1). These five spectrums relate to the various characteristics described in Table 3. Spectrum one is related to the relationship between economic policy and social policy; it describes whether a social protection system is focused more on economic or social policy. At one end, sit *productivist* systems, where economic policy prevails over social policy, and at the other end sit *welfarist* systems, where the reverse is the case. The other spectrums (two-five) relate to the nature of productivist systems. Spectrum two details the extent to which social rights are recognised. Along this spectrum, systems vary from being *particularist* with limited or no extension of rights, to being *universalist* with prevalent rights to social protection. Spectrum three relates to the stratification effects of social protection systems. It shows the degree to which social protection systems reinforce or break down class structures or other social hierarchies. Where systems reinforce such hierarchies, they are deemed to be *unequalising*; where they break down these hierarchies, they are deemed to be equalising. Spectrum four shows the state-market-family relationship. *Informal* is used to describe a system where the family, community or market are left to provide social protection, while *formal* describes a system where the state is the main provider. Spectrum five describes implementation outcomes. It details the degree to which the implementation of social protection programs is effective (i.e. benefits reach intended recipients) or ineffective (i.e. benefits are captured by predatory networks).

Figure 1. Five Spectrums for Assessing the Evolution and Nature of Productivist Social Protection Systems



Having established this typology of social protection systems, I now analyse theoretical perspectives for understanding social protection reform, focusing on those that move beyond technocratic accounts to explore the political and social factors shaping social protection policy and its implementation.

Theoretical Perspectives on the Political Economy of Social Protection Reform

Broadly speaking, five perspectives on social protection reform that bring political and social factors into the analysis can be identified within the literature. I label these the modernisation perspective, the developmental statist perspective, the political regime-centred perspective, the social contract perspective, and the social conflict perspective. Each of these perspectives offers a distinctive way of understanding the role of political and social factors in shaping social protection policy and its implementation. Here I argue that the level or type of industrialisation, the extent of economic development, or the type of political regime—the set of variables emphasised in the first three perspectives above—do not consistently account for the nature, extent and timing of reforms to social protection systems. This is because they obscure the role of contestation between competing sets of political and social actors in shaping social protection policy and its implementation. At the same time, while a social contract perspective recognises the role of such contestation, it is elite-centric; it fails to acknowledge the role of popular forces such as NGOs and unions. It is also vague as to which political variables should have analytical primacy. By contrast, a fifth approach, known as social conflict theory offers greater focus because it accords analytical primacy to the political and social order understood as the configuration of interests, coalitions and power relationships that characterise each specific context. In accordance with this theory, I argue that social protection systems are a product of the nature of the political and social order, entailing both elite and non-elite elements.

Modernisation Perspective

The first perspective for understanding the politics of social protection reform in developing countries has emerged out of the structural-functionalist tradition in the social sciences and, in particular, work associated with modernisation theory. The structural-functionalist tradition views change as an

uncontested, gradual and cumulative process. Society is maintained via a system that is homeostatic, with all parts working together to create balance. Change occurs through small incremental adjustments or adaptive change. Major changes are usually seen as exogenous to the system (Paulston, 1977). Powell and Almond (1966), key scholars within the structural functionalist tradition, argue that political systems are made up of institutions such as interest groups, political parties, branches of government, and a bureaucratic machinery. The way these various institutions perform their functions determines their success. If one of the institutions does not perform its function, then the success of the overall system is compromised.

Modernisation theory utilises the theoretical underpinning of structural functionalism to understand economic, social, and political development. Modernisation theory was the dominant paradigm in social science work on poverty and development in the 1950s and 1960s. Although it has declined in influence over time, it made a comeback following the collapse of the Soviet Union in the late 1980s (Hewison, Rodan, & Robison, 1993). Modernisation theory envisages that newly independent countries in the developing world will undergo a transition from traditional societies to modern ones. It defines a traditional society as one that is predominantly agrarian in terms of economic structure and characterised by traditional religious beliefs and cultural traits. By contrast, it defines modern society as one that is secular, urban, democratic, industrial, and technologically advanced. In short, it views modern society as being vastly more complex in economic, political, and social terms than traditional society. For modernisation theorists, development proceeds through a set of stages. Rostow (1960, pp. 4-16), for instance, argued that in transitioning from traditional to modern economies, nations would proceed through five stages: i) traditional agricultural based society, ii) pre-conditions for take-off (a stage characterised by an abundance of entrepreneurial activity), iii) take-off (a period of rapid economic growth), iv) maturation (a stage during which economic development slows to a steadier rate), and v) mass production or mass consumption (a period in which real income increases).

Applied to social protection reform in developing countries, modernisation theory has posited that such reform is a product of capitalist development, especially industrialisation. Specifically, it suggests that social protection reform is driven by the growing needs of citizens and the state to protect themselves from economic uncertainties, which have increased with industrialisation. Industrial capitalism made people dependent on the labour market as countries moved from agriculture to

industry. They developed new models of the workforce, moving from small self-sufficient communities to urbanised towns and cities with a formalised labour market. This transition drew people out of self-employment and into wage employment, increasing their risk of being exposed to unemployment, sickness or injury (Pampel & Williamson, 1989; Wilensky, 1976). It also reduced the traditional role of the family in providing welfare, making way for the increasing role of the state to protect citizens from economic risks. The decreased role of the family in welfare led to increasing demand for state protection against risks such as unemployment, illness, death, old age, and disability. Modernisation theorists believe that social protection was created as a functional response to the need to mitigate economic uncertainty and the risks that it entails. As evidence of this effect, scholars of this approach have produced data showing that spending on social welfare correlates with GDP, levels of industrialisation, and demographic variables (Pampel & Williamson, 1989; Wilensky, 1976).

In this approach, the development of social protection is attributed to a country's level of economic development and the systemic pressures this causes. While scholars recognised that a change in development—in particular, the development of a middle class—changes political or social forces, they gave analytical primacy to economic and demographic variables. For instance, Wilensky (1974, p. xiii) argued from his cross-sectoral analysis of sixty-four industrialised countries that 'economic growth and its demographic and bureaucratic outcomes are the root cause of the general emergence of the welfare state'. It was logical for all industrialising countries to develop social security, as they faced similar problems. Social security was a means to secure a healthy and active workforce. Ultimately, this approach claimed that countries would congregate towards an institutionally similar model of social welfare. Hence, high-income countries would have well-developed social protection systems. Low-income or middle-income countries would have limited social protection systems, but as they moved towards becoming high-income countries, their social protection systems would likewise develop. Pampel and Williamson (1989, p. 176) argued, via testing the theoretical explanations of welfare spending, that 'the industrialism theory correctly predicts that welfare spending is driven by economic development and demographic change'. They claimed that it is impossible to understand social welfare spending without some consideration of such internal economic structures (Pampel & Williamson, 1989, p. 102).

Stephen and Duma (1995) proposed a similar analysis. In their research on Uganda, they found that new forms of social protection developed in response to modernisation. Social protection in Uganda

was traditionally provided by the extended family and kinship systems. This traditional form of social protection deteriorated as the process of modernisation took over. The process of modernisation undermined the social contract that existed within the community, and this led to the destruction of traditional forms of social protection. This resulted in demand for new forms of social protection, which suited the new formal labour market and economic development that was emerging (Stephen & Duma, 1995). Mulligan, Gil, and Sala-i-Martin (2002) likewise found that social security systems varied according to economic and demographic factors. They found variables—such as ageing of the population and economic growth—dictated the size and design of social security programs (Mulligan et al., 2010). Hort and Kuhnle (2000) argued that East and Southeast Asian countries followed in the footsteps of European pioneers, introducing social security as they experienced rapid, strong economic growth, although they found that East and Southeast Asian countries tended to introduce programs at a lower level of modernisation and socioeconomic development than Western European countries. Scholars of this approach argued that economic development and, in general, modernisation stimulated the emergence and formation of social protection.

While the modernisation approach has been highly influential, it suffers from at least two serious weaknesses. First, it fails to capture or explain the considerable variation in the nature of social protection systems between countries at similar levels of development. The point here is that while many countries have been through processes of economic development, their governments' responses vis-à-vis social protection have varied substantially—the effects of modernisation have not been uniform (Ramesh & Asher, 2000, p. 5). Modernisation or economic development has not led to the emergence of a single universal model or level of spending on social protection, as modernisation theory might predict. While many high-income countries have developed generous social protection systems, others—such as Singapore—have not, indicating that the level of economic development does not correspond in any automatic way with the pattern of social policy (Ramesh & Asher, 2000, p. 5). Within East Asia, it is not clear that welfare states have emerged at all (Holliday, 2000). Even in the West, there is considerable variation in the nature of welfare states, as Esping-Andersen (1990) showed.

At the same time, it has not always been the most economically advanced countries that have reformed social protection or had the most effective programs and policies. Some middle-income and

low-income countries have developed, reformed, and expanded social protection systems. Bender et al. (2013, p. 36) noted:

A report published by the Commission on Growth and Development in 2008 identified 11 non-European high-growth countries achieving growth rates of 7 percent or more over a long-term time horizon. It is true that in 8 out of 11 countries an extension of social protection is to be observed (Botswana, Brazil, Japan, Republic of Korea, Taiwan, China, Indonesia and Vietnam).

However, change varied substantially between countries and three countries did not experience the extension of social protection. Still, many developing countries have adopted extensive social protection programs. Some countries in Latin America adopted conditional cash transfer programs, some of which have rapidly and successfully expanded to have positive developmental outcomes. For instance, *Bolsa Escola/Familia* (Brazil), *Progresar/Oportunidades* (Mexico), and *Chile Solidario* (Chile) made significant impacts on poverty and vulnerability (Barrientos & Hulme, 2009). Evidence from evaluations of these programs suggests that the programs had significant impacts on targeted development indicators, including consumption, nutrition, schooling, and health status (Barrientos & Hulme, 2009).

Furthermore, some countries have introduced social protection reforms during periods of economic downturn, not periods of high economic growth—something that fits awkwardly with modernisation theory's emphasis on the positive effects of economic development on social protection reform. In many East Asian countries, social protection did not expand until the late 1990s under severe economic constraint. During the AFC, it was used as a tool for economic development. Modernisation and economic growth may enable greater investment in social protection, but they are neither a necessary nor sufficient condition for change. Some countries have experienced economic growth yet have reduced investment in social protection. This was the case in the Philippines, for instance. The state initially invested in reforming and expanding social protection during the early stages of economic development but later regressed, despite economic growth progressing (Ramesh & Asher, 2000, p. 5). It has often been the case that the larger the resources, the larger the contestation over how they are spent and who receives what.

Second, the modernisation perspective is unable to explain not only variations in levels of social protection between countries at similar levels of development but also within countries. Specifically,

it cannot account for why a particular country may invest in certain social protection programs but not in others—for instance, education and health but not unemployment benefits or pensions. Modernisation theory also cannot explain why social protection systems in specific countries might privilege particular social groups and not others—for instance, civil servants but not the formal workforce. Underlying these weaknesses is the fact that the modernisation approach lacks a dialectic element. What is needed is an approach that understands how power and contestation have affected social protection reform.

Developmental Statist Perspective

A second perspective on the political economy of social protection reform—referred to here as the developmental statist perspective—has emanated from the literature on East Asian welfare regimes (Croissant, 2004; Holliday, 2000; Kwon, 2005; Peng & Wong, 2010; Pierson, 2004). This literature has focused on assessing how East Asian welfare regimes are different from those in other parts of the world, particularly Europe and North America, but has also sought to explain how these regimes evolved. In this latter respect, it has—like modernisation theory—emphasised the effects of systemic pressures created by economic development, reflecting similar structural functionalist roots. However, in contrast with the modernisation perspective, it has suggested that these pressures have compelled states to *hold back* on the provision of social welfare to enhance international competitiveness. Rather than progress towards Western-style welfare states, developmental states in East and Southeast Asia have minimised social protection expenditure and targeted this expenditure at ‘productive’ sections of society in order to advance economic growth (Aspalter, 2006; Croissant, 2004; Gough & Wood, 2004; Holliday, 2000). Social protection, in other words, has been a tool to promote economic growth that has been deployed or withheld in accordance with economic necessity.

In an important contribution to this dialogue, Pierson (2004) argued that social protection policy in East and Southeast Asia has reflected the imperatives of late industrialisation. Late industrialisers, he argued, have generally used social welfare policies as a developmental tool, adopting such policies at a much earlier developmental stage than early industrialisers. This is because they have benefited from the experience of early industrialisers. Late industrialisers have exploited their late arrival by adopting proven technologies developed elsewhere, copying programs that work elsewhere, and exploiting new ways of funding development. This has given them an advantage, allowing them to

industrialize rapidly, while early industrialisers developed slowly (Pierson, 2004). At the same time, however, late industrialisers have also tended to develop social protection systems that are smaller in terms of levels of social expenditure, less redistributive in their effects, and more focused on support for 'productive' sectors (Pierson, 2004, p. 15). For instance, Pierson (2004) describes East and Southeast Asia as having prioritised education and healthcare—the latter with slightly less emphasis—in an attempt to foster economic development.

Social policy and welfare have been seen as part—though very much the subordinate part—of a broader state strategy for national economic development. This helps to explain the continuing emphasis, in the region, on the investment elements of public welfare—health care and, above all, education—rather than on income maintenance, especially where this might entail an element of redistribution. (Pierson, 2004, p. 12)

In this sense, social protection has been utilised in line with economic necessity.

In another significant contribution, Kwon (2005) likewise argues that rather than waiting for economic development, East Asian countries employed social welfare programs as instruments for economic growth. Social policy has played a major role in the economic development of many East Asian countries and such policies were implemented at lower levels of economic development to mitigate risks from globalisation and to advance development. He emphasises that late industrialisers have withheld the provision of welfare, particularly to those deemed unproductive, such as the elderly or disabled, focusing social protection instead on the formal labour force. He argued that where developing countries have reformed welfare systems to be more inclusive, this has been due to a shift in the overall goals of economic policy from extensive economic growth to economic competitiveness (Kwon, 2005, p. 494). Hence the emphasis on social protection as a formula for economic development has remained unchanged.

The developmental statist perspective tells us much about how social protection has been used as an economic strategy in East and Southeast Asia and, more generally, late industrialising countries. However, it is problematic in a number of respects. Firstly, the perspective assumes that high expenditure in social protection may hamper economic growth in developing countries. It claims that late industrialisers have initiated social protection earlier, but also baulked at implementing more generous systems, due to the financial burden and impact this would have on the economy. Yet some developing countries, including some in East and Southeast Asia, have successfully managed to

combine high rates of economic growth with increased social protection expenditure. One example is Thailand (see Ramesh, 2000). Indeed, high social protection expenditure has often been an effective growth strategy. Scholars such as Bloom, Canning, and Sevilla (2004); Fiszbein et al. (2009); Gyimah-Brempong and Wilson (2004); Midgley and Piachaud (2013); Norton et al. (2001); Sabates-Wheeler and Devereux (2008); and Sachs (2002) have argued that social protection has been an effective tool for achieving economic growth in developing countries, because it has served to improve other development indicators, such as the health status of people, that have an effect on economic growth.

Secondly, the developmental statist perspective obscures the fact that social protection policy has other drivers besides economic necessity, including in East and Southeast Asia. As we have seen, scholars operating from the development statist perspective have argued that social protection systems in East and Southeast Asia have been the product of economic necessity; they have been expanded and/or limited on the basis of economic requirements. In reality, however, social protection policy has been used by both developed and developing countries for a variety of reasons, including fostering state legitimacy, promoting social development, reducing poverty, and improving human rights. For instance, there has been a shift towards more universal forms of social protection by several countries in East Asia since the AFC including Japan, Korea, and Taiwan (Peng & Wong, 2010). Some parts of the region have witnessed a shift away from the productivist model towards more inclusive forms of social welfare. Such shifts are driven by more than economic imperatives alone. They also relate to social pressure, equality, and human rights. These shifts to universalist social protection systems are not explained via the developmental statist approach. The perspective claims that reform has often occurred in conditions of economic crisis. However, such incidences are often accompanied by social conflict and upheaval—as was the case in Korea and Indonesia, for instance, in the wake of the AFC—indicating the role of political and social struggle. As Williamson and Pampel (1993, p. 176) note, it is more than need alone that has resulted in the expansion of social protection. Expansion of social protection also rests upon issues of political organisation, mobilisation, and power. The development statist perspective does not give sufficient attention to the role of the political and social order in social protection reform.

Political Regime-centred Perspective

A third approach to understanding the political economy of social protection reform in developing countries has emerged out of the institutionalist tradition in comparative political economy and, in particular, work concerned with the effects of political regimes on development. The institutionalist tradition is wide-ranging and diverse, consisting of at least five separate strands: sociological, economic, historical, normative, and rational choice. Here is not the place to provide a detailed survey of each of these strands—excellent reviews have already been published (see, for instance, Amenta & Ramsey, 2010; Dellepiane-Avellaneda, 2010b; Hall & Taylor, 1996; Hay & Wincott, 1998; Sangmpam, 2007; Thelen, 1999). Suffice it to say that institutionalist perspectives understand ‘institutions’, variously defined, as having an enormous influence on development outcomes and they, accordingly, give institutions analytical primacy.

The definition of institutions varies considerably within these strands. However, North (1991) and March and Olsen (2010) have offered perhaps the most influential definitions. North (1991, p. 97) defines institutions as ‘the humanly devised constraints that structure political, economic, and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)’. These institutions govern individual behaviour and structure social interactions. March and Olsen (2010, p. 21) define political institutions as ‘collections of interrelated rules and routines that define appropriate actions in terms of relationships between roles and situations’.

Institutionalists believe that institutions have autonomy from the society in which they exist and act. These institutions structure the incentives facing actors—such as policymakers, politicians, bureaucrats, and voters. Institutionalists claim that institutions determine and/or structure politics and the associated outcomes. Inevitably, the structure and nature of institutions impact on the process of development, growth, efficiency, and distribution of wealth (Haggard, 1999, p. 30; Sangmpam, 2007).

The theory views institutions as crucial for both understanding and generating development (Leftwich, 2000, p. 4). This argument stems from the belief that human society is characterised by a ‘diversity of interests, preferences, values, and ideas and that the larger and more complex the

society, the larger, sharper, more complex and, often, deeper the differences' (Leftwich, 2000, p. 5). To deal with these adverse differences, human society has developed a set of conscious processes. These processes are used to negotiate, and they are the foundations of politics, which society uses in the production and distribution of resources (Leftwich, 2000, p. 5). It is these processes of negotiation that define how society deals with conflict and divergence of interests. Furthermore, interactions between state and society are structured by these processes (Evans 1995, p. 18); in particular, processes of interaction defined by institutions (formal and informal). These institutions are historical products embedded in society. They influence the course of social and economic change, yet these institutions are also shaped by such change (Evans, 1995, p. 18).

A significant amount of work within the institutionalist tradition has sought to understand the relationship between democracy—understood as a particular configuration of institutions¹¹—and economic growth. Overall, theorists from this tradition argue that political regimes are a key explanatory variable in accounting for economic growth (see, for instance, De Haan & Siermann, 1996; Doucouliagos & Ulubaşoğlu, 2008; Helliwell, 1994; Heo & Tan, 2001; Lipset, 1959; Przeworski, Limongi, & Giner, 1995). There are two sides to this debate. The first argues that democracy hinders economic growth. Democracy is perceived to create consumption pressures, fuelling distributional conflicts, and inhibiting capital accumulation. The other side claims that democracy enhances economic growth. Due to the existence of human and political rights, this generates social conditions that are more conducive to economic development (Dellepiane-Avellaneda, 2010a).

Institutionalist scholars seeking to explain social protection reform in developing countries have typically argued that democracy contributes to reform. They have argued that democracies allow for the creation of interest groups. This, combined with electoral competition, results in increased pressure for redistribution of resources and increased investment in social protection (Huber, Mustillo, & Stephens, 2008; Peng & Wong, 2010). Thus, democratisation will result in the expansion of social protection, while authoritarian regimes will have limited social protection systems with restricted spending. Looking at the case of East Asia (and in particular Taiwan, Korea, Japan, Hong Kong, Singapore, and China), Peng and Wong (2010, p. 668), for instance, argue that 'democratic

¹¹According to Sangmpam (2007, p. 202): 'Regime structures include the formal structures of the authorities, often loosely called the government, together with the informal behaviour and relationships that collect around it; formal (legal) and informal rules of behaviour specifying rights and obligations for the authorities as well as for ordinary members of the system; and the values or goals associated with the given political system.'

reform and specifically the imperatives of electoral competition and political entrepreneurship created a set of incentives to deepen welfare state reform and to effect greater coverage and redistribution'. Essentially, for these scholars, reform to social protection has occurred as a result of the process of democratisation (Bender & Rompel, 2010, p. 38).

According to Huber et al. (2008, p. 431), the type of regime—be it a variant of democratic or authoritarian—is an important factor influencing the amount governments spend on social protection and social services. They found that democratic governments, of all political stripes, were more responsive to demands for state provision of health and education services than authoritarian governments (Huber et al., 2008, p. 431). This is a result of democracy increasing the strength of various groups in civil society, often the poor. This redefines the distribution of power and the ability to influence policy. Although they found that highly repressive authoritarian regimes had limited spending on health and education, the impact differed with regards to social security spending. They argued that social security spending is not restricted in repressive authoritarian regimes. Authoritarian regimes are often hesitant to reduce benefits in social security as the main beneficiaries are the middle and upper-middle classes—a coalition the regime does not want to alienate. Public health and education spending are restrained because the main users of these services are the lower classes and blue-collar unions, which authoritarian regimes wish to repress physically, legally, and economically (Huber et al., 2008, p. 432). Overall, they argued that there is a link between regime type and the formation of the welfare system. Different political regimes will react in a variety of ways to economic challenges with different social policy reforms.

Other scholars noted similar links between social protection and the deepening of democracy across various nations. In a comparative analysis of Ghana and Cameroon, Carbone (2012) found that democracy was instrumental to the development of welfare policies, in particular, health policies. Brooks (2015) found that democratisation increased the likelihood of implementing a CCT. Specifically, she found that in Latin America, the rapid expansion of CCTs occurred in conjunction with the democratisation of many countries in the region, such as Mexico and Brazil. In these cases, political competition led to social protection expansion, as politicians attempted to reach new groups of voters. At the same time, democratic freedom allowed for increased participation and interest groups formed to pressure for the expansion of social protection (Barrientos, 2011a).

However, there are two reasons to be cautious about these arguments. First, a number of studies have produced contrasting findings on the relationship between democracy and social protection. For example, Avelino, Brown, and Hunter (2005) found that in Latin America democracy had no significant effect on either pension or health spending. Likewise, Haggard and Kaufman (2008, pp. 202-203) found that democracy generally had no impact on social spending, except in the case of East Asia, where it had a positive impact on social spending. This signifies that not all democracies have experienced an expansion of social protection. Correspondingly, Mulligan et al. (2002, p. 38) showed that democratic and non-democratic regimes did not differ much in relation to the size and the design of social security programs. Clearly, from this mixed evidence, there is more to the picture than types of political regimes.

Second, there is considerable variation among social protection systems in authoritarian nations. Haggard and Kaufman (2008) highlight that countries such as China, Vietnam, Korea, and Taiwan have all expanded their social protection systems despite having authoritarian regimes at the relevant points in time. In Indonesia, the first formal social protection program, known as TASPEN (*Tabungan Asuransi Pegawai Negeri*, Insurance Savings for Civil Servants), was created in 1963 under authoritarian rule. Similarly, Cook and Kabeer (2009, pp. 16-17) contend that there is no direct connection between economic well-being or democratisation, and social development or development of a welfare system. They argue that social protection systems are, at times, reformed by authoritarian governments due to political pressure and that the introduction of programs is a way for governments to reduce pressures for democracy or to buy social legitimacy (Cook & Kabeer, 2009, pp. 16-17). For instance, they point to the case of Pakistan, which introduced a social safety net in search of support from an Islamic constituency under an autocratic military dictator in 2009. In another instance, China expanded social protection in 1950, partly as a response to growing social unrest which had threatened to destabilise the political system. Cook and Kabeer (2009) noted, similar to Haggard and Kaufman (2008), that democratic politics created space for a wider range of actors and policy options, and for these actors to have their needs and priorities fulfilled. Yet, this is not the sole determinant for reform (Cook & Kabeer, 2009).

Thus, social protection reform has not been exclusive to democratic states. Even if democratisation has had a positive effect on social protection reform in general, the results are not uniform (Bender et al., 2013, p. 38). The type of political regime does not account for drivers of change in social

protection systems, nor does it alone explain change. The political regime perspective makes many valid points; democracy is likely to lead to better access to institutions, and thus, can affect social protection. However, this perspective cannot explain the variations in the relationship between political regimes and social welfare regimes.

An important break from the traditional institutionalist literature, has emerged from the work of Douglass North, John Wallis and Barry Weingast. Their work offers an alternative to the previous model of institutional change discussed above and requires consideration here. They argue that societies have used institutions to limit and contain violence. Institutions give individuals control over resources and social functions, which limits the use of violence by shaping the incentives that individuals and groups face. They refer to these patterns of social organisations as social orders (North et al. 2009a, p. 2-4). There are three types of social orders: foraging order, natural state or limited access order, and open access order. The foraging order is characterized by small social groups as in hunter–gatherer societies. The limited access order or natural state emerged in the first social revolution. In this order, it is personal relationships—who one is and who one knows—which form the basis for social organisation and constitute the arena for individual interaction (North et al. 2009a, p. 2-4). In essence, the natural state is ruled by a dominant coalition. People outside of this coalition have limited ability to arrange or access organisations, privileges, and valuable recourses and activities (North et al., 2007). Open access orders emerged in the second social revolution and are linked to the emergence of economic and political development. The ability to form organisations is open to everyone who meets a set of minimal and impersonal criteria (North et al. 2013, 16-17). In the open access orders, identity is defined as a set of impersonal characteristics, whereas the limited access orders identity was inherently personal. Both limited access and open access orders have public and private organisations, but limited states limit access to those organisations whereas open access societies do not (North et al., 2009b, p. 56).

In a departure from the previous models on institutional change, the work of North, Wallis and Weingast does not argue that democracy results in development or redistribution. On the contrary, they make a distinction between elections and party competition in limited access orders and open access orders (North et al., 2009b, p. 65-67). They do not lump together elections in limited access orders and open access orders. North, Wallis and Weingast note that ‘For democracy to work, elections must be embedded in an institutional environment that allows political competition to

constrain politicians as well as to convey information to them. Elections in natural states typically fulfil these functions either inadequately or not at all' (North et al., 2009b, p. 65). There are a range of significant differences in elections within limited access orders and open access orders. They argue that these differences show that only open access orders can sustain democracy in the sense of citizens control over governments and officials.

Open access orders are established on the concepts of equality, sharing and inclusion of all. As a result open access orders have institutions and policies that share the gains of and reduce the individual risks from market participation (North et al. 2009a, p. 111). As such social protection programs such as universal education or social insurance exist. As a country progresses towards open access, it provides an increasing and more equally spread provision of schooling, healthcare, clean water, electricity, road networks, and waste management (Quintyn and Gollwitzer 2012, p. 22). On the other hand, limited access orders can still deliver social protection and redistribution, but this is discriminatory, partial and biased process. Limited access orders cannot deliver impersonal public services. They are susceptible to populist appeals launched by factional leaders who seek to shift wealth and to coups meant to prevent such shifts (North et al., 2009b, p. 66).

The work of North, Wallis and Weingast implies that social protection reform does not occur in exclusively in democratic states nor does democracy guarantee reform. They are correct in noting the correlation between open access and the existence of larger social protection systems, compared to limited access orders. However, North, Wallis and Weingast's work has some limitations. Firstly, it lacks a focus on the varying forces that account for the patterns that they describe. Their work does not acknowledge the varying forces, their diversity of interests and power. There is limited unpacking of the various actions that underpin the theory. They note that within the limited access order that the dominant coalition holds power, but they fail to explain the interplay between the varying coalitions.

Secondly and in correlation with the above criticism, due to the lack of analysis on actors and interests, it is difficult to explain the variances among open access orders. Open access orders do not guarantee a standard model or type of redistribution. For instance, Australian, America and many Europe countries are deemed open access orders, yet they have very different social protection systems with very actors and interests that underpin them. North, Wallis and Weingast fail to account for the

diversity of interests and power arrangements that exist within an open access orders'. In addition, not all open access states give citizens an equal share of recourses, some citizens are favoured and benefit more than over others. For instance the America the healthcare system favours some citizens over others. Such elements are not explained by North, Wallis and Weingast due to their limited focus on the forces the account for the patterns of change they describe. I now turn to an approach that has greater potential in this respect—the social contract perspective.

A Social Contract Perspective

A fourth perspective on the political economy of social protection reform has emerged out of work on the role of social contracts in shaping development outcomes in developing countries. The notion of a social contract stems from Thomas Hobbes, John Locke, and Jean-Jacques Rousseau, and in the twentieth century, John Rawls. These scholars questioned the origin and binding force of mutual obligations and rights in society. They claimed that a social contract outlines the basis for legitimate political order. A social contract is an agreement among individuals over how society is organised, including the right to secure protection and welfare. Thomas Hobbes (1985) argued that a social contract involved people coming together to create states to protect themselves. Hobbes believed that once the people created the state, they gave up any right to the state's power; hence, in Hobbes's view of the social contract, the state had supremacy, and there was limited conflict between state and society. John Locke and John-Jacques Rousseau disagreed that civil society was so powerless. Rousseau (1920) argued that the government gained its authority from the consensus of civil society. It was the will of the people as a collective that gave power and direction to the state. Rousseau (1920) argued that the social contract gave society civil rights in return for accepting the obligation to respect and defend the rights of others, giving up some freedoms in return. Locke (1690) emphasised the role of the individual in society and believed that revolution was civil society's right and obligation if the state abused its power. Hence, the social contract has mutual obligations, and there is the possibility of contestation and bargaining over the details and nature of these obligations.

Within the field of development studies, the notion of a 'social contract' has been used to understand development processes and outcomes in developing countries, including ones related to post-conflict situations (Goodhand & Sedra, 2007; Hellsten, 2009), human rights (Turner, 1993), mining and mineral wealth (Bebbington, Hinojosa, Bebbington, Burneo, & Warnars, 2008), the rule of law (Haggard, MacIntyre, & Tiede, 2008), civil war (Azam & Mesnard, 2003), and taxation (Di John, 2006; Moore,

2008). Most importantly for the purpose of this dissertation, development scholars have employed the notion of a social contract in analysing the politics of social protection in developing countries. Such scholars have argued that social protection programs reflect the nature of underlying social contracts. Where social contracts are inclusive, incorporating the poor, social protection systems tend to be more generous in terms of depth and breadth. Conversely, where social contracts are less inclusive, existing only between elite factions, social protection systems tend to be less generous and vigorous, covering a smaller group with minimal benefits. Tessitore (2011), for instance, has argued that inclusive social contracts are both a prerequisite for and a consequence of rights-based social protection. Social protection interventions linked to rights-based policies have led to transformative outcomes and moves towards realisation of citizenship, helping to equalise the distribution of power. These scholars have further suggested that social contracts are determined by bargaining and contestation between governments, social groups, and citizens (Hickey, 2011, p. 435). This process of bargaining and contestation shapes the existence and particular forms of social contracts and the scope for social protection reform. Scholars have presented such analysis in relation to the politics of social protection in Latin America (Graham, 2002; Haggard & Kaufman, 2004), South East Asia (Birdsall & Haggard, 2000; Haggard & Kaufman, 2004), India (De Waal, 2000), and sub-Saharan Africa (De Waal, 1996, 1997; Hickey, 2008, 2009, 2011).

Hickey's work has been particularly influential among this group of scholars (see especially Hickey, 2008; Hickey, 2011, 2013; 2008). Focusing on sub-Saharan Africa, he has explained the expansion of social protection programs in developing countries in terms of changes in the presence and nature of social contracts driven by political institutions, actors, state accountability, political discourse, popular mobilisation and social forces such as public attitudes or lobbying (Hickey, 2008, 2011; Niño-Zarazúa et al., 2012). Such factors are important in shaping the bargaining and relationship between governments and their citizens—the social contract. Hickey (2011) recognises the potential role of donor policy and practice as well as global social policy trends as being influential. However, he notes that they may experience difficulty in shaping the social contract, as it is fundamentally concerned with the relationship between national governments and their citizens. Hickey (2008) describes how social pension programs in both South Africa and Namibia were altered into progressive systems of social protection intended to reverse past discrimination. In South Africa this was in response to the erosion of apartheid, and in Namibia it was due to the country's independence. These changes, he argues, in turn, led to the emergence of a new social contract characterised by more progressive forms

of social protection. In contrast, he argues that the lack of a social contract between states and citizens was the greatest barrier to social protection reform in Botswana and Uganda.

Barrientos, another scholar whose work has been highly influential among scholars working on the politics of social protection in developing countries, has presented a similar analysis. In one piece, for instance, he and his collaborators (Barrientos, Moller, Saboia, Lloyd-Sherlock, & Mase, 2013) explain the emergence and reform of social protection systems in Brazil and South Africa in terms of political change and democratisation in those countries and the way these led to the establishment of new social contracts. The new social contracts enabled policy activism in relation to social protection and this in turn contributed to the emergence and reform of social protection systems (Barrientos et al., 2013, p. 56). In Brazil, for instance, policy activism led to an expansion of existing non-contributory pension programs. It also helped link benefits to households in extreme poverty with investment in the human capital of children, a perspective that informed the development of *Bolsa Escola*, a cash transfer program (Barrientos et al., 2013, p. 56). The quality of political processes—particularly the extent to which bargaining and contestation were inclusive of wider societal groups—resulted in a more extensive approach to social protection (Barrientos et al., 2013).

The social contract approach addresses the weaknesses of earlier approaches examined here by examining bargaining and contestation between various coalitions. However, it also has some limitations. Firstly, the vast majority of scholars who employ this perspective have focused on the role of elites in social protection policy-making and implementation and given limited recognition to the role of subordinate actors in these processes. Some scholars have argued that an inclusive politics is required for social protection reform. Yet they have provided limited analysis of who needs to be included and precisely how doing so serves to promote such reform. In his most recent work, Hickey et al. (2015) have, in effect, acknowledged this criticism by giving greater attention to the role of popular forces (Hickey et al., 2015). However, I discuss this work below rather than here because it fits better with the social conflict approach.

Secondly, in construing social contracts as agreements between government and society, the social contracts perspective tends to treat societies as undifferentiated, thus failing to recognise the diversity of interests and power among political and social actors. As Laws (2012, p. 9) has put it, the approach assumes that '(any) "society" is a unified entity, without a diversity of more or less distinct

social, economic and political groups with more or less different interests and, especially, different forms and degrees of de jure or de facto power'.¹² In other words, the social contract perspective fails to recognise that groups have different resources, rights, and capabilities, and that these differences translate into different levels of participation in policy-making and implementation processes. By viewing society as a single entity, the social contract approach fails to explain how various actors—such as the poor who are particularly important in the case of social protection—participate in forming an agreement with the state.

Thirdly, while the social contract perspective understands social contracts as political products, it does not specify which political variables matter the most in this respect. Most scholars employing this perspective provide an extensive list of political variables that might have an influence on reform to social protection (see, for instance, Barrientos et al., 2013; Devereux & White, 2010; Hickey, 2008). They attribute change to everything from institutions, global forces, and ideology to political incentives. In this sense, the approach is vague regarding where it places analytical emphasis. How exactly does it understand society, the state, and the relationship between them? It is agnostic regarding the big debates between liberals, pluralists, and Marxists, and adherents to other intellectual traditions in political studies and sociology about how we understand politics and society.

A Social Conflict Perspective

An alternative way of understanding the political economy of social protection in developing countries is suggested by the work of scholars such as Garry Rodan, Richard Robison, Kevin Hewison, Kanishka Jayasuriya, Colin Leys, Pranab Bardhan, Shahar Hameiri, and John Harriss (see, for instance, Bardhan, 1989; Hameiri, 2007; Harriss, 2006; Leys, 1996; Rodan et al., 2006; Rodan & Jayasuriya, 2012). Employing what Rodan et al. (2006) have termed 'social conflict analysis' (SCA), these scholars have explored how contestation between competing coalitions, interests, and agendas, and the relationships of power between them, have shaped policy and its implementation within specific country, institutional and/or historical contexts. SCA views the state as an expression of power rather than a set of institutional structures such as a parliament, a judiciary, and an executive, labelling the latter the 'state apparatus' (Hameiri, 2007; Hewison et al., 1993). The formal and informal institutions of the state apparatus and civil society are both spheres in which political power is organised and

¹² Laws (2012) is referring here to the idea of a political settlement within which a 'social contract' between 'the state' and 'society' exists.

exercised (Hameiri, 2007, p. 140). These power relations permeate both sets of institutions and generate interests which structure the creation and operation of these institutions. Hameiri (2007, p. 140) argues that these interests are 'social categories, such as classes, distributional coalitions, class fractions and ethnicities. These categories are dynamic and historically specific, and so are the coalitions forged between them'. At particular moments of time in particular contexts, some interests will be dominant, and others will be subordinate while the struggle between them is ongoing. At the same time, the approach recognises that power can shift between competing political and social forces as a result of economic or political shocks or broader structural changes in the economy and society, in turn, laying the foundation for changes in control over the state apparatus and the way in which it acts.

Essentially, then, this approach suggests that policy-making and its implementation are the product of contestation between competing political and social coalitions, each of which has a distinct set of interests and an associated policy agenda, and some of which are dominant and others subordinate (Carroll, 2005, p. 18; Rodan et al., 2006, p. 6). The nature of policy and its implementation is thus largely dependent upon the dominant political and social forces: change may be blocked or resisted if it reduces the control or power of these forces; likewise, it may be facilitated if it serves their interests (Bardhan, 1989, p. 1393; Hadiz, 2004a, p. 698; Rodan, Hewison, & Robison, 2001, p. 15). It is only when power shifts as a result of economic or political shocks or broader structural changes in the economy and society that policy and its implementation is likely to change, at least in any fundamental way.

The social conflict perspective shares much in common with the social contract approach outlined above, but it differs from and improves upon this approach in one important respect. The social conflict perspective gives analytical primacy to the nature of the political and social order—that is, the configuration of interests, coalitions, and power relationships that characterise each specific context. This is seen as underpinning—and existing prior to—other factors at work such as institutions, rights, capabilities, state accountability, or political discourse.

For the most part, scholars working from a social conflict perspective have given little attention to political struggles over social protection in the countries on which they have worked, preferring instead to focus on matters related to political regimes (Rodan & Jayasuriya, 2012), transparency and

accountability (Rodan, 2004), precarious work (Kalleberg & Hewison, 2013), and state-capital relations (Hewison, 1989; Hickey et al., 2015; Robison, 1986; Rodan, 1989). One exception has been Andrew Rosser (2012b, 2015; 2013; 2015; 2011b) who has explored how political dynamics have shaped health and education policy and implementation in Indonesia. He has analysed the competing coalitions that have been central to the struggle over policy, their respective agendas, and their sources of leverage in policy-making and implementation. Importantly he gives analytical primacy to the structure of power and interest. Rosser, Joshi, and Edwin (2011a, p. 16) note that ‘The fall of the New Order produced a modest change in the balance of power between the politico-bureaucrats, major business enterprises, and donors, on the one hand, and other political and social forces, on the other—and thereby revived the struggle over user fees for basic education in Indonesia’. The introduction of universal free basic education policies in Indonesia depended on struggles between competing coalitions of interests, and how these played out in particular contexts resulted in various levels of reform (Rosser et al., 2011a). For Rosser, difficulties in improving access to and the quality of education and health are a political problem. In particular, they are the result of contestation between different interest groups reflecting inequalities of power (Rosser & Joshi, 2013). Social protection reform has been challenging to achieve due to political factors—specifically the dominant position of politico-bureaucratic and corporate elements in Indonesia (Rosser, 2012b). This collection of interests has had political dominance and has used social policy to meet their agenda. Rosser argues that the resolution for this, in part, rests in efforts to empower the poor and their allies (Rosser, 2012b, 2015). Such action enhances the potential for reform. Essentially Rosser has given analytical primacy to the role of power and social order in shaping policy. Additionally, he has acknowledged the important role of the poor and their allies.

Although social conflict theorists themselves have given little attention to the politics of social protection in developing countries, ideas associated with the social conflict perspective have begun to shift the way in which other scholars think about this topic. In their most recent contribution, Hickey et al. (2015), for instance, have argued that there is ‘strong evidence that the process of elite bargaining, informal politicking, and coalition dynamics plays a key role in shaping the capacity and commitment of the state and elites to deliver development in specific domains’ (Hickey et al., 2015, p. 23). Within the context of social protection, Barrientos and Pellissery (2015) argue that the expansion of social assistance often involves intense political struggles. In some cases, such as in India, civil society actors played a key role in the expansion, and in other cases, such as Brazil and South Africa, it was political parties who were critical in the expansion. Hickey et al. (2015, p. 28) find strong

evidence that popular uprisings, or at least the threat of them, can shift elites' commitment towards more popular concerns. They highlight the limited analysis that currently exists on popular forces, and show how popular forces 'play a critical role in establishing and driving the kinds of coalitions which are required for inclusive forms of development to become seen as possible and to be delivered' (Hickey et al., 2015, p. 28).

Application of the Social Conflict Approach in this Dissertation

I employ the social conflict approach in this dissertation to shed light on the way in which political and social factors have shaped the process of social protection reform in Indonesia since the late 1990s. Consistent with this approach, I highlight the role of contestation between competing coalitions, interests, and agendas in shaping social protection policy and implementation within particular historical contexts. In so doing, I focus on the role of both elite groups (e.g. predatory bureaucrats and government technocrats) and popular forces (e.g. non-governmental organisations, trade unions, and other civil society groups). I further argue that the balance of power between these competing forces has been the key determinant of the nature of Indonesia's social protection system and, specifically, where this system is located in terms of the models and spectrums outlined earlier in this chapter. I recognise that this balance of power has shifted in response to changes in economic circumstances and shifts in political regime.

At the same time, I seek to enhance SCA's contribution to our understanding of the political economy of social protection in Indonesia by offering a cross-sectoral analysis. As noted earlier, Rosser has examined the education and health sectors separately but not completed a cross-sectoral analysis of social protection. Nor has he undertaken an in-depth evaluation of Indonesia's overall social protection system. This dissertation will show that political and social dynamics in relation to social protection in Indonesia have differed not only between time periods but also between the distinct sectors in social protection. In so doing, it will add both more nuance to Rosser's analysis and provide a clearer sense of how Indonesia's social protection system has evolved since the fall of the New Order.

Conclusion

This chapter has reviewed the main perspectives on the political economy of social protection reform employed in the literature on this topic. It has argued that the main variable determining policy is the distribution of power between competing political and social forces. Social protection reform is a political process characterised by struggle over how the costs and benefits of reform are allocated between competing groups. Furthermore, these struggles involve not only elite actors and interests but also popular forces. The following chapter begins the process of applying this approach by identifying the key actors involved in struggles over social protection policy reform in Indonesia, delineating their interests, and explaining how they have influenced policy and its implementation.

Chapter 3

Actors, Interests and Agendas

Introduction

The previous chapter argued that social protection policy and its implementation are best understood using a social conflict perspective that construes policy and its implementation in terms of contestation between competing coalitions, the balance of power between them, and how this changes over time. This chapter extends the application of this framework to the case of social protection in Indonesia by identifying the key coalitions who have influenced social protection policy and its implementation in Indonesia in recent decades. It explores their respective interests and agendas, and how they have exercised leverage over social protection policy-making and its implementation. It analyses four coalitions as having been particularly important in this respect: i) technocrats and donors, ii) predatory officials and their corporate allies, iii) political entrepreneurs, and iv) popular forces. Importantly, these categories are a heuristic device. It should be recognised here that my construction of these four coalitions simplifies reality and is an analytical tool, which enables the dissertation to examine shifts in power. In practice, there are divisions and subcategories within these coalitions, and particular individuals or groups may move in and out of categories over time as conditions and their interests change. But, in general, the actors within these coalitions have had, broadly speaking, a shared set of goals with regard to social protection.

Technocrats and Donors

This coalition consists of two distinct sets of actors: liberal economic technocrats within government, and donors, including their associated think tanks.¹³ The first set of actors—the technocrats—are well-educated individuals who have gained postgraduate degrees in economics from elite universities in Western countries and/or the University of Indonesia (Booth, 2016; MacDougall, 1976, p. 1166; McDonald, 1980, p. 76) and have subsequently taken up senior policy-making posts. Typically, they have acquired positions within government departments and agencies such as the National Team for the Acceleration of Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*, TNP2K); the National Development Planning Board (*Badan Perencanaan Pembangunan Nasional*,

¹³ There are numerous think tanks in Indonesia. Only a few are associated with donors. Nevertheless, these few have played an important role in shaping social protection policy in Indonesia.

BAPPENAS); the Coordinating Ministry for Economic Affairs, Trade, and Finance; Bank Indonesia; and the Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*, BKPM). Shiraishi (2006) distinguishes between 'academic technocrats' and 'technocratic bureaucrats'. Academic technocrats are individuals who trained at top universities and continued as lecturers, professors or associates at those universities, whilst also working within the government. Technocratic bureaucrats, by contrast, have also commonly been trained abroad at top universities but have pursued careers in the bureaucracy rather than academia (Shiraishi, 2006). While the academic technocrats dominated under the New Order, the technocratic bureaucrats have been of at least equal if not greater importance in the post-New Order period (Shiraishi, 2006). During the New Order, the leading academic technocrats included Johannes Sumarlin, Widjojo Nitisastro, Emil Salim, Soemitro Djohadikusumo, Subroto, Ali Wardhana, and Mohamad Sadli (Mas'oed, 1983; Shiraishi, 2006). These technocrats are often referred to as the 'Berkley Mafia' or, alternatively, as Shiraishi (2006, p. 13) calls them, the 'UI-Gajah Madah Mafia'. This reflects the fact that 'many of the academic technocrats who followed their footsteps were either trained at the University of Indonesia or Gajah Madah University'. The technocratic bureaucrats in the New Order included Radius Prawiro, Satrio Budihardjo Joedono, and Mar'ie Muhammad. During the post-New Order period, academic technocrats have included Sri Mulyani Indrawati, Bambang Brodjonegoro, Boediono, Muhamad Chatib Basri, Mari Pangestu, Bambang Widianto, and Darmin Nasution, while the technocratic bureaucrats have included Jusuf Anwar, Agus Martowardojo, Bambang Suhianto, and Prijadi Praptosuhardjo.

The second set of actors involved in this coalition is donors. These include multilateral agencies such as the IMF, the World Bank, and ADB, as well as bilateral agencies such as the UK's Department for International Development, the United States Agency for International Development (USAID), and AusAID/DFAT. Donors have been involved in an array of activities related to Indonesia's economic and social development, including funding development projects and programs, funding and directly producing research on development issues, and conducting workshops and seminars on development issues. With regard to social protection specifically, they have funded think tanks including TNP2K and the SMERU Research Institute to conduct research on social protection programs, conducted their own research on these programs, hired expert consultants to advise the Indonesian government, and contributed funding to social protection programs.

TNP2K is a government institution housed within the Vice President's office that aims to assist the government in reducing poverty by coordinating the national poverty reduction strategy and improving the effectiveness of social protection programs. Established in 2010 by Presidential Regulation, its responsibilities include conducting research, drafting policies and programs, developing a national targeting system, and carrying out monitoring and evaluation. It advises the government on social protection programs and policies and how to improve their effectiveness. Comprised mainly of technocrats, it has received funding from AusAID and the German International Cooperation Agency (GIZ). The SMERU Research Institute is an independent research institute based in Jakarta. Like TNP2K, it conducts research, monitoring and evaluation of social protection programs in Indonesia, providing advice to both donors and directly to the government. It is an independent institution. Initially, it was a multi-donor initiative. It started due to concerns expressed at the July 1998 meeting of the Consultative Group for Indonesia (CGI) over the lack of independent, reliable, real-time monitoring of the social impact of the economic crisis unfolding in Indonesia. It was originally funded by several donor agencies, including AusAID and USAID, and it also received logistical and administrative support from the World Bank. However, in January 2001, a core group of staff turned the organisation into an independent institution (Sumarto, 2011).

This coalition has supported the adoption of neoliberal economic and social policies. Neoliberalism aims to maximise the reach and frequency of market transactions and to incorporate human action into the domain of the market (Harvey, 2007). In policy terms, it has been associated with the so-called 'Washington consensus', a set of policies that include fiscal discipline, trade liberalisation, tax reform, privatisation, foreign direct investment liberalisation, interest rate liberalisation, deregulation, exchange rate liberalisation, and secure property rights (Williamson, 1990), and more recently the 'post-Washington consensus'. The latter combines the policies of the Washington consensus with a concern to promote 'good governance' and enhance the role of civil society in the development process (Carroll, 2006; Jayasuriya & Rosser, 2001). The purpose of incorporating these new components of good governance and civil society has been to help create the political and social conditions necessary for market-oriented economic reform (Jayasuriya & Rosser, 2001). With regard to social policy specifically, neoliberals have gone from supporting cuts to social spending in order to reign in budget deficits—a policy consistent with the Washington consensus—to recognising the utility of such spending for economic development—specifically, its ability to build human resources, and assist in providing a conducive political and social environment for economic growth and market reform—an approach consistent with the post-Washington consensus. However, they remain concerned about the expense and fiscal consequences of social expenditure.

In accordance with this changing agenda, technocrats and donors generally did little to promote the adoption of social protection programs during the New Order period. Rather, they focused on promoting economic growth, and the trickle down effect as a means of sharing this growth (Bratanata, 1997, p. 217; Prawiro, 1998, p. 88). During the post-New Order period, technocrats and donors have been much more supportive of social protection programs, seeing them as essential to building Indonesia's human resources, creating a political and social environment conducive to market-oriented economic reform, and, in so doing, contributing to economic growth and the meeting of development targets (Alderman & Yemtsov, 2012; Boediono, 2009, pp. 13, 31, 44; Mathers & Slater, 2014). At the same time, however, they have sought to ensure that such programs are affordable, cost-effective, and speak directly to developmental targets (Evans & Popova, 2014; World Bank, 2010a). Where social protection programs have not met these criteria, investments have been cut. This has particularly occurred in cases where programs have not been consistent with the goal of increasing economic growth.

Where members of this coalition have countenanced support for social protection, they have most strongly supported investments in basic education, health programs, and food security programs. This is because these areas have been perceived to have benefits in terms of human capital and political and social stability (Moertopo, 1981; Prawiro, 1998). By contrast, they have been relatively averse to investments in areas such as old age pensions, unemployment benefits, or disability benefits, where the benefits to human capital and political and social stability remain unproven.

This coalition of technocrats and donors has exercised influence over social protection policy and (to a much lesser extent) its implementation for two reasons. First, neoliberal policies have served the collective interests of capitalism by opening up new business opportunities for private investors, making it easier for mobile capital to move in and out of the country as business needs dictate, and (perhaps most relevant to the issues at hand) reducing the need for the government to raise corporate taxes by lowering government spending. They have, therefore, been crucial for stimulating private investment. Second, donors have exercised influence by virtue of their direct control over scarce investment resources in the form of aid. In Indonesia, Official Development Assistance (ODA) has never accounted for a large proportion of Indonesia's gross national income (GNI) (Rosser, 2006, p. 62). Yet, at times of economic crises, the government has typically sought significantly increased

volumes of aid. For instance, between 1996 and 1999, aid flows rose from 0.5 to 1.6 percent of GNI (World Bank, 2017).

The ability of technocrats and donors to influence the government has consequently varied according to the government's need to attract new sources of investment. As Robison has noted: 'we can say that their power, at a most fundamental level, has risen and fallen with the Indonesian need for international capital investment, loans and aid' (Robison, 1986, p. 111). For instance, it has been greatest at times of economic crisis such as in the mid to late 1960s, mid-1980s, and 1997/8 when the government desperately needed capital; and lowest during resources booms such as the oil boom period of the late 1970s/early 1980s, when the government had alternative sources of revenue.

In contrast with many other sets of political actors, however, the technocrats and donors have lacked a mass political base and the ability to mobilise large numbers of people for collective action (Robison, 1986). Donors have been further constrained by an ostensible commitment to avoid political activities, especially the World Bank, ADB and the IMF, all of which are forbidden to engage in political activities by their Charter (Fujita, 2013). The technocrats and donors have consequently required support from key political patrons, especially the President, who has had the authority to appoint technocratic officials to cabinet positions (or not) and thereby played a pivotal role in determining who can be involved in shaping government policy¹⁴.

¹⁴ During the New Order, for instance, the technocrats were heavily dependent on Suharto's support. Suharto hand-picked the technocrats—specifically, the group that would later be known as the 'Berkley Mafia'—during a seminar held in Bandung in late August of 1966. Suharto saw their policy knowledge and instructions as crucial to overcoming the country's economic crisis and promoting his development agenda (Lee, 2014; Shiraishi, 2006). Specifically, they impressed Suharto with the clarity of their ideas on Indonesia's economic problems, and the group presented possible pathways to economic stabilisation (Lee, 2014, pp. 116-117). After this meeting, Suharto invited them to form his economic advisory team, but he also had the power to dismiss or disregard them. Amidst the AFC, Suharto allowed the technocrats to lead the negotiations with the IMF. He agreed to many of the reforms the technocrats and the IMF proposed. However, later he started to backtrack and disregard the proposed reforms, and the advice of the technocrats. Those who openly disregarded him were promptly dismissed—for instance, Soedradjad Djiwandono (Shiraishi, 2006, pp. 28-29). In the post-New Order period, under the leadership of Bacharuddin Jusuf Habibie, Abdurrahman Wahid, and Megawati Sukarnoputri, the technocrats had less of a presence in the Cabinet, although some of these presidents still had some technocratic ministers (Hill & Narjoko, 2010). Such ministers included Boediono, Bambang Subianto, Bambang Sudibyo, and Burhanuddin Abdullah. In the later years of the post-New Order, under the leadership of Susilo Bambang Yudhoyono, they gained greater influence, particularly during his second term in office when Boediono became Vice President. Yudhoyono emphasised achieving macroeconomic stability for the first time since the AFC, and he needed the help of the technocrats to achieve this.

Predatory Officials and Their Corporate Allies

The second coalition that has exercised influence over social protection policy and its implementation in Indonesia contains the predatory political, military, and bureaucratic officials who have occupied the state apparatus and the owners of the domestic business groups to whom the most senior of the first group are connected through family and other personal relationships. Predatory officials and their corporate allies were nurtured under the New Order, but they have continued to maintain a hold over the state apparatus in the post-New Order period. They have done so in part by operating ‘through the vehicle of political parties within which many old national and local predatory elites have now successfully repositioned themselves’ (Hadiz, 2004b, p. 620) and in part simply by virtue of their continued occupancy of bureaucratic positions within both national and local governments.

The most prominent figures associated with this coalition in the New Order period were President Suharto; his children and other members of his family; and the ethnic Chinese business people to whom they were linked, such as Liem Sioe Liong, Prajogo Pangestu, and Bob Hasan. Others included senior government ministers such as Habibie (President from 1998 to 1999, State Minister for Research and Technology of Indonesia 1978-1998), Ginandjar Kartasasmita (Speaker of the Indonesia Regional Representative Council 2004-2009), Akbar Tandjung (Leader of Golkar 1998 to 2004 People's Representative Council Speaker 1999 to 2004), and Wiranto (Coordinating Minister for Political, Legal and Security Affairs 1999 to 2000 and 2016 and founder and chairman of the Hanura party) and leading *pribumi* (indigenous) business people such as Aburizal Bakrie (Leader of Golkar 2009 to 2015), Jusuf Kalla (Vice-president from 2004 to 2009 and again from 2014-the present), and Fadel Muhammad. In the post-New Order period, figures from all these groups became active in national level politics. The most prominent examples are Habibie, Jusuf Kalla, Aburizal Bakrie, Prabowo Subianto (Suharto's former son-in-law and founder of the Gerindra party), Wiranto, and Akbar Tandjung. With the introduction of decentralisation in 2001, much government authority was devolved to local (especially district-level) governments, opening up greater opportunities for local elites to engage in rent-seeking. This coalition has accordingly also comprised local officials such as *bupatis* (district heads), local police chiefs, local business owners, and, at a somewhat lower level, officials within local government agencies and units (e.g. hospital administrators or school principals) (Hadiz, 2010).

The local and national arms of major business associations such as the Indonesian Employers' Association (*Asosiasi Pengusaha Indonesia, APINDO*) and the Indonesian Chamber of Commerce and Industry (*Kamar Dagang dan Industri, KADIN*) have also often been controlled by predatory national or local elites, making them important institutional vehicles for the pursuit of predatory interests (MacIntyre, 1992).

This coalition of predatory officials and their corporate allies have utilised control over the state apparatus to generate rents, particularly for state officials and the business groups linked to them. It has accordingly had an interest in limiting government spending on social protection to free up resources for other areas—such as infrastructure, industrial projects, and subsidised credit programs—where rent-seeking opportunities have traditionally been greater (Riady, 2013). For instance, Jusuf Kalla—one of Indonesia's wealthiest businessmen and the country's Vice-President from 2004 to 2009 and again from 2014 to the present—expressed opposition to increased education spending in 2007, as required under Indonesia's amended Constitution (Rosser et al., 2011a, p. 22). In an interview with an official from *Dinas Sosial* (the social services department district office), for instance, it was explained that there are community and family mechanisms—such as *gotong royong* (communal work or cooperation)—which act as an informal form of social protection in Indonesia and that long-term state intervention interferes with such mechanisms (Interview IN3114, September 5, 2014). Critics of this view have claimed that the government uses *gotong royong*—informal social protection—as an excuse to limit funding for the poor (Interview IN4114, September 10, 2014). However, predatory officials have supported investment in social protection where they have believed it will promote economic growth, in particular by creating a stable political and social environment (Moertopo, 1981; Soedjono, 1975). In this respect, their agenda has overlapped with that of the technocrats and donors.

At the same time, to the extent that they have had to accept or have supported the introduction of social protection programs, they have taken advantage of the opportunities for rent-seeking that these programs have provided. Such opportunities have existed at both local and national levels.¹⁵ At the local level, there have been opportunities for predatory officials to, among other things, charge illegal fees for health and education services, increase the price of subsidised rice, and use social protection benefits to buy votes. At the national level, there have been opportunities for predatory

¹⁵ This has conflicted with the agenda of the technocrats and donors.

officials to take bribes to ensure that a particular institution wins a contract, steer the allocation of benefits towards favoured groups such as the military and bureaucracy, ensure that contractual breaches are tolerated, and engage in theft of state assets (Rosser & van Diermen, 2016).

Predatory officials have exercised leverage over social protection policy and its implementation for a number of reasons. One is their direct occupation of the state apparatus, particularly key decision-making institutions. They have controlled institutions such as the parliament, cabinet, and bureaucracy (and their equivalents at the local level), giving them access to resources and power. Due to their position within the state apparatus, they have been able to influence the formation of social protection policy. For instance, they have been involved in designing programs, sourcing suppliers, setting benefit quotas, and devising mechanisms for benefiting delivery. This has enabled them to manipulate programs for their own personal benefit or that of their associates. Their control of the bureaucracy has also meant that they have often been responsible for directly implementing social protection programs, giving them the power to adapt programs to their benefit. For instance, they have had control over state agencies or bodies such as the Indonesian Bureau of Logistics (*Badan Urusan Logistik*, BULOG) or TASPEN, all of which—as we will see in subsequent chapters—have played a central role in the realm of social protection. With control over implementation, they have had the ability to alter who receives what, and what fees the beneficiary may be charged.

Political Entrepreneurs

The third set of actors who have exercised influence over social protection policy and its implementation—particularly in the post-New Order period—are political entrepreneurs. These actors can be defined as political elites or leaders who seek to further their own career and ensure their own political survival by mobilising support from the poor through the promotion of redistributive policies (Kosack, 2009, p. 497). The role of political entrepreneurs has been much more prominent since the fall of the New Order. Democratisation has created a new incentive for politicians and their political parties to promote such policies to help them foster a mass base of political support and, in turn, secure votes at election time. Many of Indonesia's most prominent post-New Order national political leaders fall into this category, or at least can be said to have engaged in political entrepreneurship at one or more points in their political careers. At national level, key figures include Susilo Bambang Yudhoyono (President of Indonesia from 2004 to 2014), Joko Widodo (Governor of Jakarta 2012 to 2014 and President of Indonesia, assuming office in 2014), and Prabowo Subianto. At

the local level, some *bupati* have also used strategies of political entrepreneurship, the best-known examples being Idham Samawi, the former *bupati* of Bantul, and I Gede Winasa, the former *bupati* of Jembrana, both of whom became well known for introducing progressive social policies (Rosser & Sulistiyanto, 2013; Rosser & Wilson, 2012; Von Luebke, 2009).¹⁶ Importantly, these actors have not been a coalition in the sense that they have not collaborated directly to achieve common goals or form joint organisations. Indeed, they have often been political rivals. However, the logic of electoral competition has propelled them to promote similar redistributive policies.

These individuals' promotion of redistributive policies has often formed part of broader populist strategies that have varied according to the individual leader concerned. Mietzner (2015, p. xi) defines populists as political leaders who 'mobilize voters by attacking a supposedly collective enemy (mostly domestic or foreign forces accused of exploiting the country's economic resources) and by appealing to the poor as their main constituency'. They commonly play on the general population's hopes and fears (Mietzner, 2015). Traditionally, they have targeted the poor, uneducated, and rural populations for support by condemning the existing polity as broken and beyond repair, blaming foreign companies for extracting natural wealth, and claiming that domestic elites facilitate foreign parasites (Mietzner, 2015, p. xii).

Scholars have identified various types of populism as being at work in the Indonesian context, including 'new Islamic populism', 'radical populism', 'technocratic populism', and 'ultra-populism' (Chalmers, 1997; Hadiz, 1997a, 2016; Mietzner, 2015; Robison, 1996). Hadiz (2016, p. 6) defines the new Islamic populism as:

A kind of identity politics among an increasingly diverse *Ummah* in order to forge social alliances that are, in effect, multi-class in nature for the purpose of contesting power and resources. It is, in part, the ability to claim authority over the symbols, terminology, and imagery associated with religious identity that endows the new Islamic populism with the potential to bring together disparate members of society to different degrees, as socially, politically, and economically marginalising.

¹⁶ Idham Samawi's government provided an early education subsidy to children of poor families, allocating top-up funds to support the School Operational Assistance Program (*Bantuan Operasional Sekolah*, BOS) in Indonesia). I Gede Winasa's government introduced a health insurance system that provided coverage for all registered residents of Jembrana (Rosser and Wilson 2012; Rosser and Sulistiyanto 2013).

Chalmers (1997), Hadiz (1997), and Robison (1996) refer to 'radical populism' as elements of the middle-class, workers, peasants, and small landowners who were brought together under the notion that, during the New Order period, economic development was unequally benefiting the foreign and local Chinese capitalists. The radical populist movement has offered various fragments of society the promotion of business enterprises, alleviation of poverty, and support of rural and urban cooperatives. Mietzner (2015, pp. 39-47) argues that two types of populism that were at work in the 2014 Indonesian national elections: 'ultra-populism' and 'technocratic populism'. The former, which was employed by Prabowo Subianto, was based on anti-foreign rhetoric, condemnation of the status quo to appeal to the poor, and neo-authoritarian reform plans. The latter, technocratic populism, employed by his opponent Joko Widodo, was based on inclusive and non-confrontational mechanisms and focused on improving democratisation and the quality of public service delivery.

Regardless of the particular form of populism in which political entrepreneurs have engaged, they have generally incorporated a component related to social protection. Social programs have proven effective as a mechanism for candidates to foster support and gain votes in national and regional elections (Mietzner, 2009a; Rosser et al., 2011b; Interview IN2114, 4 July 2014; Interview IN2014, 3 July 2014; Interview IN0314, 23 April 2014; Interview IN0214, 16 April 2014).¹⁷ In 2004 and again in 2009, Yudhoyono promoted rice subsidies, education subsidies, and health insurance as part of his election strategy (Interview IN2014, July 3, 2014). He was successfully re-elected in 2009, in part due to his promotion of a large number of policy reforms, particularly cash transfer programs and RASKIN which directly benefit the poor (Aspinall, 2014, p. 11). Yudhoyono successfully generated support by promising and actually delivering on some social protection programs (Rosser et al., 2011a, p. 28). Again, in the 2014 national elections, Joko Widodo expressed a commitment to expanding social protection through the introduction of the Smart Indonesia Card (*Kartu Indonesia Pintar*, KIP) and the Healthy Indonesia Card (*Kartu Indonesia Sehat*, KIS). Likewise, political parties such as the Prosperous Justice Party (*Partai Keadilan Sejahtera*, PKS), an Islamist party, provide social welfare services to attract voters. PKS included free healthcare, education, regional schooling and student training to recruit and mobilise supporters. They have labelled this in 'Islamic' terms as an essential component

¹⁷ Political leaders have also had adopted a range of other strategies for advancing their political careers. For instance, in writing about sub-national politics in Indonesia, (Rosser & Wilson, 2012, pp. 616-617) distinguish between three such strategies: '(i) the cultivation of mafia networks through patronage distribution; (ii) the consolidation of party machines through measures to enhance their institutional capacity at the local level and the cultivation of links to senior national party figures; and (iii) the mobilisation of the poor through populist/redistributive policies'. They maintain that the latter results in better quality leadership, as it provides greater opportunities for the introduction of progressive policies such as free healthcare programs for the poor.

of the *dakwah* (the preaching of Islam) movement to build a caring, just society (Hamayotsu, 2011, p. 979). In an interview, a prominent NGO leader involved in social protection described how politicians and political parties have increased the budget of social protection programs or the benefits of programs prior to elections, using it a political instrument (Interview IN2114, July 4, 2014). He stated:

Social assistance is a kind of political instrument. Before the general election, the social assistance's budget becomes very high. After the election, the budget would drastically fall. From 2007-2012, on average, the social assistance budget was only Rp. 75 trillion, and when the election got closer, it would become Rp 120 trillion. After the election, it would decrease to Rp 50-60 trillion. (Interview IN2114, July 4, 2014)¹⁸

At the local level, politicians have also used social protection programs in this way. In some instances, program benefits have been withheld in the lead-up to elections by local officials. Then in the weeks prior to elections, benefits are released as if they are a gift from the local government, enticing citizens to vote for the incumbents. An informant noted that in some cases, officials distributed benefits just one day before the election (Interview IN0214, April 16, 2014). At the same time, local political entrepreneurs have increasingly extended coverage of local social protection programs, in particular local healthcare programs, in order to enhance their electoral appeal. In one such case, a *bupati* in Central Lombok promised free maternity coverage. In Aceh, the Aceh Health Insurance program (*Jaminan Kesehatan Aceh, JKA*) provides unlimited healthcare with no restriction on the variation of illnesses that are covered by the program (Aspinall, 2013, p. 116).

Political entrepreneurs have been able to exercise influence over policy via their positions within the state apparatus, particularly the executive arm of government. For instance, in their capacities as heads of national or local governments, they have been able to dispense executive orders. At the national level, these include Government Regulations (*Peraturan Pemerintah, PP*), Presidential Regulations (*Peraturan Presiden, Perpres*), Presidential Instructions (*Instruksi Presiden, Inpres*), Ministerial Decrees (*Keputusan Menteri, Kepmen*) and Circulation Letters (*Surat Edaran*). The President also has the ability to propose draft laws and the right to participate in the deliberation of these laws. At the local level, the head of local government can prepare draft local government laws (*peraturan daerah, perda*) for submission to local parliaments (*Dewan Perwakilan Rakyat Daerah*,

¹⁸ Throughout this dissertation quotations from interviews have been edited for clarity.

DPRD) for approval and issue executive orders such as *bupati* regulations and decrees (e.g. *peraturan bupati* and *keputusan bupati*). In theory, either the head of local government or the DPRD can prepare a draft law, and the other must then agree. However, it has commonly been the head of the local government who initiates laws (Buehler, 2010, p. 278). In sum, political entrepreneurs have had sufficient authority, via their executive powers, to have significant influence over the regulatory instruments that provide the legal foundation and rules governing the operation of social protection programs.

Popular Forces

The final coalition that has exercised influence over social protection policy and its implementation in the post-AFC and post-New Order period are popular forces. This coalition has consisted of three distinct sets of actors:

- progressive NGOs such as the Trade Union Rights Centre (TURC), Indonesia Corruption Watch (ICW), Transparency International Indonesia, the Institute for Policy Research and Advocacy (*Lembaga Studi and Advokasi Masyarakat, ELSAM*), the International NGO Forum on Indonesian Development (INFID), the People's Health Council (*Dewan Kesehatan Rakyat Indonesia, DKR*), Welfare Initiatives for Better Societies (*Perkumpulan Prakarsa*), the Alliance for Fostering Civil Society (YAPPIKA), the Indonesian Poor People's Union (*Serikat Rakyat Miskin Indonesia, SRMI*), The National Secretariat of the Indonesian Forum on Budget Transparency (*Sekretariat Nasional Forum Indonesia Untuk Transparansi, Seknas Fitra*), the Jakarta Legal Aid Bureau (*Lembaga Bantuan Hukum Jakarta, LBH Jakarta*), the Indonesian Consumers' Foundation (YLKI), and *Yayasan Emong Lansia/HelpAge Indonesia*; and
- trade unions such as the National Trade Union (*Serikat Pekerja Nasional, SPN*), the Indonesian People's United Resistance (PPRI), the Indonesian Prosperity Trade Union Confederation (*Konfederasi Serikat Buruh Sejahtera Indonesia, KSBSI*), the Indonesian Trade Union Confederation (*Konfederasi Serikat Pekerja Indonesia, KSPI*), the Confederation of All-Indonesian Trade Unions (*Konfederasi Serikat Pekerja Seluruh Indonesia, KSPSI*), and the New Indonesian Labour Union Federation (*Gaspermindo Baru*). These trade unions have had the support of the International Labour Organization (ILO), which has been heavily involved with workers' rights in Indonesia; and
- left-wing intellectuals—that is, highly educated intellectuals who have been committed to improving the rights of the poor and fighting for equitable development. Such individuals have

included Laksono Trisnantoro, Hasbullah Thabrany, Sulastomo, and Ascobat Gani, most of whom are academics in leading state universities such as UI and UGM.

While distinct, these sets of actors have often joined forces to advocate for change. Although the various members of this coalition have had distinctive institutional missions, ideological commitments, and political bases, they have shared a broadly common agenda in relation to social protection. All have been broadly opposed to neoliberal economic and social policies; concerned to reduce poverty, vulnerability and inequality; and committed to promoting the fulfilment of human (especially social) rights.¹⁹

Accordingly, these various elements have sought to encourage the introduction of a social protection system that goes beyond the minimalist model envisaged by the technocrats and donors or predatory officials and their corporate allies (Irawan, Eriyanto, Djani, & Sunaryanto, 2004; Tjandra, 2014). They have generally supported the emergence of one form or another of the welfare state. For instance, Maftuchan and Fanggidae (2015) from Perkumpulan Prakarsa have argued that it is important for the government to ensure that workers from all income groups enjoy social security which, in the long run, they say, will reduce inequality. They support the notion of a welfare state that incorporates policies which guarantee the fulfilment of social rights and the welfare of all citizens (see also Triwibowo & Bahagijo, 2006). Such organisations have been fearful that neoliberal forms of social protection may simply promote the interests of the wealthy over those of other socio-economic groups and have accordingly argued for social protection policies that serve *all* Indonesians, not just productive elements in society. They have contended that social protection is a human right, as stated in Article 22 of the Universal Declaration of Human Rights (UDHR) (which reads '*Everyone, as a member of society, has the right to social security*' (emphasis added)). They have also invoked Article 25 of the UDHR (which states everyone has the right to health and well-being, including food, clothing, housing, medical care, and necessary social services) and Article 26 (which provides for a universal

¹⁹ Although these various organisations differ on a number of issues regarding to social protection. One difference is their sectoral focus. For instance, TURC focuses on the rights of workers while ICW focuses on corruption. There are, importantly, also ideological differences. For instance, SRMI and DKR are quite radical, while ICW is more liberal progressive. There are also differences in terms of the strategies these organisations use. For instance, ICW uses a combative approach entailing extensive use of the media, while Prakarsa or Pattiro focus more on trying to promote change through research. The impact of such differences is examined in Chapter Six, when discussing struggles over social security.

right to education). In short, they have pushed the government to take a rights-based approach to social protection, standing in strong opposition to neoliberalism.²⁰

Popular forces have exercised leverage over the policy-making process through four main mechanisms. First, they have conducted protests and demonstrations outside parliament, government buildings, and major thoroughfares, commonly *Jalan Jenderal Sudirman* in Jakarta. In some cases, they have been able to mobilise large numbers of people for such activities. These protests and demonstrations have helped popular forces to gain wider public attention for their cause and put pressure on the government to take action (Tjandra, 2016).

Second, they have been able to use mass and social media as tools to influence policy-making. Their protests and demonstrations have generally been aimed at attracting widespread attention in the media both in Indonesia and in some cases internationally. This has helped to ensure that the wider public is aware of the issue, as well as gain attention from politicians and donors. The mass media—and media campaigns via social media technologies (such as Facebook, wikis and blogs)—have been used by popular forces to debate public policies and disseminate information about social protection issues (Nugroho & Syarief, 2012; Pang, Goh, & Rohman, 2016). For instance, before the passing of both Law 40/2004 on a National Social Security System and Law 24/2011 on Social Security Administration Bodies (cases that are discussed in Chapter Six), the media and social media played a crucial role in informing citizens, raising attention, gaining supporters for demonstrations and placing pressure on policy-makers. The media, particularly social media, have been critical in the organising of collective action (Pang et al., 2016).

Third, the creation of various democratic institutions in the post-New Order has opened up avenues through which this coalition has been able to access the policy-making process and influence policy. In particular, the establishment of the Constitutional Court has provided an important pathway for citizens and NGOs to challenge policies considered to breach human rights: namely the judicial review of laws (Rosser, 2015). Furthermore, the national parliament has become more active in initiating and debating bills, and become increasingly accessible to popular forces. Stephen Sherlock (2003) argues that there is some evidence that parliamentarians, commonly with the help of universities and NGOs,

²⁰ On the tensions between neoliberal and rights-based approaches to development, see O'Connell (2007).

are beginning to draft and initiate legislation themselves. However, such cases remain uncommon. The establishment of other institutions has also benefited this coalition, including the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi, KPK*), the National Commission of Human Rights (*Komisi Nasional Hak Asasi Manusia, Komnas, HAM*), and many Human Rights Centres attached to Indonesian universities. Such institutions have fought for the poor and protected their interests (Beyerle, 2014). These democratic institutions have opened up new policy spaces for citizens' groups to participate in shaping policy.

Conclusion

This chapter has identified four sets of actors that have exercised influence over social protection policy and its implementation in Indonesia in recent decades. It described their interests and agendas and how they have exercised leverage over policy-making. The four coalitions I identified here are technocrats and donors, predatory officials and their corporate allies, political entrepreneurs, and popular forces. As noted earlier, the identification of these four coalitions is a heuristic device that simplifies reality—in reality these coalitions are more nuanced, at times divided, overlapping and shifting. Nevertheless, they are a useful analytical tool for examining shifts in power. The following chapter argues that power has shifted across these coalitions between the New Order and the post-New Order period, and that this has led to changes in the nature of social protection policy and implementation. Nuanced

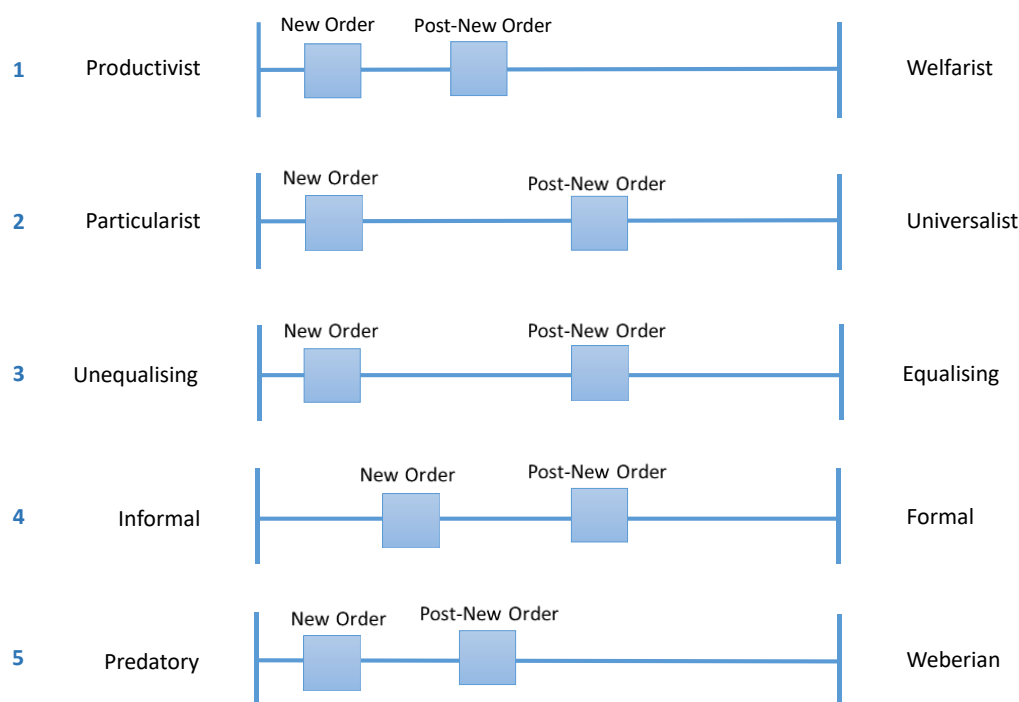
Chapter 4

The Political Economy of Social Protection in Indonesia: An Overview

Introduction

The previous chapter outlined the four main coalitions involved in social protection policy-making and implementation in Indonesia, their interests and agendas, and how they have sought to influence social protection policy and its implementation. This chapter i) analyses how shifts in the balance of power between these coalitions over time has produced changes in the nature of social protection policy and its implementation and ii) examines the broad nature of these changes. It focuses on two time periods: the New Order (1967-1997) and the post-New Order period (1998-onwards). In an important sense, this chapter is an *intermezzo* that sets the scene and maps out the broad nature of the argument before the case studies. The analysis here argues that the balance of power between coalitions was slightly different in each period, producing different outcomes in terms of the nature of social protection policy and its implementation. The result has been a change—albeit a limited change—in the nature of Indonesia’s social protection system over time. The New Order was characterised by a productivist, particularist, unequalising, informal and predatory social protection system. Since the fall of the New Order, the productivist and predatory aspects of this system have been largely maintained with only slight improvements being achieved, while there has been a more significant shift in terms of its particularist, unequalising, and informal aspects. The system has become more universalist, equalising, and formal in nature. Figure 2 provides a brief summary of the main changes in policy during these respective periods.

Figure 2. The Social Protection System Spectrum in Indonesia Over Two Periods²¹



The Political Economy of Social Protection in Indonesia under the New Order

Political Context

The New Order regime came to power in 1965 following a failed coup attempt involving elements within the Indonesian Communist Party and the military.²² It was underpinned by a coalition of political and social elements which opposed President Sukarno and the Communist Party (*Partai*

²¹ This dissertation uses the set of scales presented in figure 2 in each case study as an analytical tool to signify degrees of change in the nature of social protection system overall and in each sector. The scoring of the variables (squares) on the scale was determined on the basis of judgement founded on the extensive understanding of the Indonesia's social protection system developed through the course of the research.

²² On September 30, 1965, there was a coup attempt led by elements within the PKI and the military. Several top ranking military leaders were killed, and Major General Suharto assumed leadership of the army. After Suharto took over leadership of the army, he set about manoeuvring to remove Sukarno from power. He moved his allies into key army leadership positions (Jenkins, 2010). In 1966, as support for Suharto mounted, supporters of the army coined the term the 'New Order'. On 11 March 1966, amidst widespread protests and disorder, troops loyal to Suharto surrounded the Presidential Palace, and Sukarno handed power over to Suharto to restore order. During the next two years, Suharto set about consolidating power. Finally, on 27 March 1968, the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*, MPR) elected Suharto as president.

Komunis Indonesia, PKI). This coalition was led by the army, with support from some intellectuals, businesspeople, and conservative Islamic groups.

A central characteristic of the New Order regime was the immense personal authority held by President Suharto. The New Order was in certain respects a system of personal rule (Liddle, 1988, 1991). Suharto's authority stemmed from the formal powers of the office of the President; his ability to distribute patronage among selected allies; his capacity to determine key political and bureaucratic appointments including cabinet positions, high-ranking military positions, senior judicial appointments, and parliamentary positions; his personal wealth (which grew exponentially over time); and his moral authority as the self-styled Father of Development (*Bapak Pembangunan*). This authority enabled him to have those he trusted in significant political positions and to punish those who opposed him.

At the same time, the military was also enormously powerful. Military officials acquired senior positions within the bureaucracy, state-owned enterprises, cabinet, and parliament. For instance, as Crouch (1978, p. 242) noted: 'Of the twenty departments concerned with civilian affairs in 1966, army officers held the position of secretary general in ten and a naval officer was appointed in another. Of the sixty-four directors-general appointed at the same time, fifteen were army officers, and eight were from the other three services'. Military officials also had a guaranteed allocation of one-fifth of the seats in the national parliament and accounted for around one-third of all ministerial positions (Mackie & MacIntyre, 1994). Finally, they had key positions in major state-owned enterprises such as *Pertamina* (the oil and natural gas corporation), BULOG, TASPEN, Insurance for Indonesian Armed Forces (*Asuransi Angkatan Bersenjata Republik Indonesia*, ASABRI) and Social Insurance for Private Sector Workers (*Jaminan Sosial Tenaga Kerja*, JAMSOSTEK). For instance, *Pertamina*, which was formed in 1968, was led by Brigadier General Ibnu Sutowo between 1968 and 1976, giving the military control over the country's lucrative oil and natural gas industry (Crouch, 1978, p. 243). Sutowo used *Pertamina* funds as patronage resources, allowing him to cement a good relationship with Suharto and other army leaders, and in return, he gained autonomy to run *Pertamina* without any restrictions. The military dominated the state apparatus at all levels, and this enabled it to set the tone of the entire administration (Crouch, 1978, p. 307).

By contrast, the role of political parties and the national parliament, the People's Representative Council (*Dewan Perwakilan Rakyat*, DPR), was extremely limited (Robison, 1986, p. 105). During the New Order, the Indonesian parliament consisted of 500 members. 400 of these were elected every five years while, as noted above, the remaining 100 seats were filled by serving and retired military officers. The government intervened in the establishment of political parties allowing only three—Golkar, the United Development Party (*Partai Persatuan Pembangunan*, PPP), and the Indonesian Democratic Party (*Partai Demokrasi Indonesia*, PDI)—to exist. It also intervened in the appointment of individuals to party leadership posts and positions as members of parliament.²³ The parliament was, in general, a submissive institution that effectively rubber-stamped the Suharto's decisions. The parliament carried out a ritualised pretence of democracy, but it effectively had no or very limited autonomy (Schwarz, 1994).

The New Order had strong patrimonial features. These features included political officials blurring the boundaries between the public and the private realms, the exchange of resources from political officials to their allies or subordinates in return for loyalty, policies tending to be particularistic rather than universalistic in nature and significantly benefiting elites as a result, and the rule of law being secondary to 'the rule of man' (Mackie, 2010). Crouch (1979, p. 578) noted: 'The New Order thus bore a strong resemblance to the patrimonial model. Political competition among the elite did not involve policy, but power and the distribution of spoils'. Suharto built a pyramid-like network of patron-client relations through providing material rewards and opportunities to elites and officials, who sought for generosity and patronage from the government (Crouch, 1979).

As scholars such as Hadiz (2003); Robison (1986); and Rosser (2002) have pointed out, however, the New Order was not simply a system of personal rule, a military regime, or a patrimonial bureaucracy. Rather, it was fundamentally an expression of power relationships and contradictions between the broader coalitions of interests identified in the previous chapter. Specifically, it was an expression of i) the political and social dominance of a 'ruling alliance' consisting of predatory officials, their corporate allies who owned large conglomerates, technocrats, and donors (as well as the wider economic interests embedded in the latter two groups' policy agenda); ii) the subordination of

²³ For instance, in 1995, two outspoken members of parliament were dismissed for criticising government policies, Bambang Warih Kusuma, an elected Golkar member, and Sri Bintang Pamungkas, from the PPP (McBeth, 1995; Pardomuan, 1995). Furthermore, in July 1996, PDI chair Megawati Sukarnoputri was officially prohibited from running for parliament the following year (Jakarta Post, 1996).

popular forces such as labour, the peasantry, students, and NGOs; and iii) tensions within the ruling alliance and between the ruling alliance and popular forces emanating from different interests *vis-à-vis* the nature of government policy and its implementation. The point here is that, as Robison (1986) pointed out, the New Order was permeated by a wider set of interests and contradictions than was captured by notions of personal rule, military rule, and patrimonialism.

Arguably the dominant element in the ruling alliance that ran the New Order was predatory officials. Under the New Order, the state apparatus was appropriated by its own officials (Robison, 1986, pp. 105-108). Robison (1986) argues that the military-bureaucratic officials who occupied the state apparatus performed not only bureaucratic functions but also political ones. Such 'politico-bureaucrats', he said, were able 'to appropriate the offices of the state apparatus and in their own right exercise authority over the allocation of resources and access' (Robison, 1996, p. 82). The general rule of law did not limit politico-bureaucratic authority. The politico-bureaucrats used licences, concessions, contracts, and credits to enrich themselves and their families (Robison, 1978, 1986). Robison (1978, p. 25) noted that '(t)he new economic power of the military lay in controlling legal access to the market through state monopolies on various sectors of economic activity. The economic function of the military men running these enterprises was to generate finance for the political survival of factions, families, and even governments'. Through the military's control over such institutions, they established large conglomerates and built a collection of business empires. This enabled them to accumulate immense wealth, build patronage networks by rewarding political and business allies and co-opting opponents, and finance the campaigns and other activities of the New Order's electoral vehicle, Golkar (Rosser, 2002). These large conglomerates and their supporters, the predatory bureaucratic and military officials, held control over the majority of economic activity in the New Order.

Within this political context, the conglomerates had guaranteed political protection and were able to prosper. They exercised influence via their personal ties to senior officials and their domination of business representative organisations like KADIN. These connections gave them considerable power over policy, particularly in relation to economic policy where they had significant interests at stake. Many conglomerates secured state protection for their projects 'in the form of tariff and non-tariff barriers to trade and restrictions on foreign investment as well as privileged access to state facilities such as state bank credit, forestry concessions, and government supply and construction contracts' (Rosser, Roesad, & Edwin, 2005, p. 56).

The technocrats and donors were another important component of the political and social basis of the New Order. Suharto relied on the technocrats for advice on economic policy matters, particularly at times of economic crisis, seeing their policy prescriptions as crucial to the government achieving its economic growth objectives (Soesastro, 2009). They accordingly played a central role in formulating the government's regular five-year development plans known as *Repelita*. He also relied at times on their ability to assess funding from the donors (Shiraishi, 2006). Despite this, the technocrats' influence was often constrained as their advice frequently encountered resistance from predatory officials and their corporate allies. This resistance was because the technocrats supported trade liberalisation, tax reform, foreign direct investment liberalisation, and greater competition; measures that clashed with the interests of predatory officials and their corporate allies. The conglomerates only conceded to market-oriented reform when it promised them access to new business opportunities. For instance, the conglomerates strongly supported deregulation of the finance sector, as this enabled them to have access to a dramatic inflow of global capital (Rosser, 2002). Deregulation led to the rapid establishment of private banks, with limited regulatory control, giving the conglomerates a slice of a growing industry and enabling them to mobilise vast new sources of private funding (Hadiz & Robison, 2013).

Throughout the New Order, power shifted between these various members of the ruling alliance. In the formative years of the New Order, 1966 to the early 1970s, the economy was in crisis, a legacy of economic mismanagement during Sukarno's Guided Democracy and the political struggles that underpinned this. Such conditions enabled the donors and technocrats to exert some influence over policy. Growth was negative, inflation was high, the value of the rupiah dropped, poverty rapidly increased, unemployment was high, debt levels increased, and there were large budget deficits (Cole & Slade, 1998; Hill & Shiraishi, 2007; Soesastro & Basri, 1998). The New Order had to reconstitute the economy around foreign loans, investment and aid while seeking to entice domestic capital—which had vanished during the final years of Guided Democracy—back into the country. In February 1967, the first official meeting of the Intergovernmental Group on Indonesia (IGGI), a body that brought together donors and trading partners to coordinate the flow of foreign aid to Indonesia, was held in Amsterdam. The meeting was attended by representatives from all major donor countries. This resulted in a commitment of \$US 200 million in aid to the Indonesian government, and it discussed a plan for Indonesia's development (Rosser, 2002). At the same time, Suharto enlisted the technocrats to help rebuild the economy (McDonald, 1980).

In this context, the technocrats and donors—especially the World Bank and the IMF—gained substantial influence over development policy in Indonesia (Robison & Hadiz, 1993). Together, they ‘shifted away from the radical populist and nationalist interventionism of Guided Democracy and towards a more market-oriented approach to economic policy’ (Rosser, 2002, p. 40). Initially, their focus was on stabilising the economy through creating a balanced budgetary policy in which the budget deficit was eliminated and the central bank was also forbidden to finance it, abolishing multiple exchange rates, devaluing the Rupiah to its market value, investing in domestic oil production, and encouraging foreign trade and aid (Arndt, 1971, p. 391; Rosser, 2002, p. 41). By the late 1960s, the technocrats had stabilised the economy, and their focus (and the New Order’s focus more generally) shifted to rehabilitation and development (Resosudarmo & Kuncoro, 2006). In 1969, the government prepared a five-year development plan (*Repelita*). This placed great emphasis on rice and industrial production in the agricultural and consumer goods industries. This development plan achieved its investment targets and contributed to increased economic growth: between 1969 and 1974 the economy grew at an average rate of 8.6 percent per annum (Hobohm, 2002). As noted earlier, Suharto promoted himself as the father of development (*Bapak Pembangunan*) due to his emphasis on and success in achieving economic development (Eklöf, 1999).

In 1974, the economy experienced an economic boom, largely due to a dramatic rise in the price of oil. This led to a shift in the balance of power between these coalitions. The boom saw a rapid increase in state revenues and the state's capacity to invest. In this context, the economic advice of the technocrats was no longer as crucial to the country’s economic fortunes, nor was the financial support of donors. This resulted in power moving away from the technocrats and international donors towards predatory officials and their corporate allies (Robison & Hadiz, 1993) and an accompanying shift in economic policy away from a free market approach to one favouring economic nationalist principles supportive of strategic state intervention in the economy. In accordance with this, economic policy shifted to focus on import substitution industrialisation, substituting foreign imports with domestic production.

Another reason for the decline in the influence of the technocrats and donors was criticism from student groups, Muslim activists, the media and intellectuals over perceived foreign economic domination, especially during the early 1970s (McDonald, 1980). These criticisms culminated in rioting by student groups, the media, human rights leaders, and Muslim activists during the 1970s. Their

criticisms had an anti-Chinese sentiment, reflecting concern by *pribumi* Indonesians over the excessively firm ethnic Chinese grip on the domestic economy and concern over growing corruption. On the 14th of January 1974, several hundred student demonstrations broke out due to a visit from the Japanese Prime Minister, Kakuei Tanaka. Such protests were met with a massive army crackdown, resulting in eleven people being shot dead and 470 arrests; in addition, 800 cars and 150 buildings were destroyed (McDonald, 1980, pp. 135-141). Given these protests and their potential to undermine the New Order's political authority, Suharto had a further incentive to reduce the role of the technocrats and international donors in economic policy and promote policies of economic nationalism aimed at increasing indigenous participation in the economy.

In the mid-1970s, with a fiscal and political environment more conducive to their interests, predatory officials and their corporate allies pushed successfully for the introduction of a range of nationalist and protectionist policies with heavy state intervention during the oil boom period (Robison & Hadiz, 1993). Large industrial projects started in steel, petrochemicals, cement, paper, automobiles, and 'high-tech' sectors such as the aerospace sector, aircraft manufacture, shipbuilding, energy, electronics, telecommunications, and agricultural equipment. In many cases, these projects were led by state-owned enterprises with *Pertamina* (the state-owned oil company), Krakatau Steel (the state steel company), and IPTN (the state-owned aircraft manufacturer) being prominent examples. These projects also facilitated the emergence of major private business conglomerates, many of which had close connections to Suharto or his family members. Examples include the Salim Group (which was owned by Liem Sioe Liong, Suharto's friend and business partner), the Kalimanis Group (which was owned by Bob Hasan, Suharto's golf partner and financial adviser), and the Barito Pacific group (which was owned by Prajogo Pangestu, who was close to Suharto and the business partner of Suharto's eldest son, Sigit) (Aditjondro, 1998; Robison & Hadiz, 1993).

These conglomerates benefited from preferential access to licences, supply contracts, and subsidised state credit. State resources were important sources of patronage for military-bureaucratic officials and the basis of their alliance with corporate conglomerates. Furthermore, such resources provided officials with a means to enter the business world. Officials controlled the allocation of resources, and

this enabled them to dispense the benefits as they desired, giving them an advantage in the business world.²⁴

In the 1980s, the situation changed again, due to a sudden fall in international oil prices. This fall meant that the government lost its most important source of revenue (oil taxes), and the economy as a whole lost its principal source of investment funds. This in turn forced the Indonesian government to reconsider its economic policies, with the result that the technocrats and international donors regained influence in determining policy that they had lost during the oil boom years. Under their guidance, the government returned to an approach founded on neo-classical, free-market principles (Robison & Hadiz, 1993). For instance, in order to replace lost oil exports, it began to emphasise the introduction of an export-oriented industrialisation strategy based on low-wage manufacturing. To this end, the technocrats encouraged market-oriented reforms such as reductions in tariff and non-tariff barriers to trade, and the simplification of investment procedures. Similarly, to mobilise private domestic forms of investment capital, they promoted the deregulation of the banking system and capital market. The result was a dramatic increase in non-oil and gas exports by the late 1980s and an increase in real GDP growth. Growth returned to the seven percent per annum mark and remained at that level until the end of the New Order.

Although the technocrats regained some influence over policy in the 1980s, predatory officials and their corporate allies retained the dominant influence. The technocrats were able to impose some minor reforms to reduce trade barriers and increase manufacturing efficiency. But they were unable to promote reforms that seriously threatened the conglomerates' interests. For instance, they were able to abolish import monopolies for 165 items in October 1986. But they were unsuccessful in tackling those monopolies closest to the Suharto family and their cronies. Some of the biggest and

²⁴ For instance, Team 10 was established in 1979, with the idea surprisingly originating from Professor Widjono Nitisastro, a prominent technocrat. Officially Team 10 was meant to secure preferential allotment of government contracts to small and medium-sized *pribumi*, enterprises that had suffered in November 1978 when the rupiah devaluated (Winters, 1996). On the contrary, the team was misused as a cash cow for officials who allocated contracts, using the contracts as an instrument to nurture the activities of politically connected businesspeople. Thus it became a vehicle that intensified the power of the predatory officials and gave their allies control, encapsulating the closest circles around Suharto. In 1984, a Presidential Decree (#29 of 1984) gave the team control of all purchases over RP 200 million, which meant that they could distribute contracts over this sum without bidding (Winters, 1996). The team had extensive powers, and essentially it widened the reach and impact of the patronage networks (Chua, 2008). Team 10 gained a reputation as: 'the locus of far-reaching government control and an enclave for kickbacks to officials and contracts for everyone from backers of the Suharto regime to the president's children' (Winters, 1996, p. 125). At the same time, Suharto's children and family grew significant conglomerates, which also benefited from patronage networks (Winters, 2013).

most controversial monopolies remained intact, including the monopoly on plastics material controlled by Suharto's sons, Sigit Harjudanto and Bambang Trihatmodjo, and Suharto's cousin Sudwikatmono and the monopoly on cement controlled by Sudwikatmono (Jones, 1986; Jones & Pura, 1986). Indeed, the conglomerates prospered significantly throughout this period (Mackie, 1990; Robison, 1986; Schwarz, 1994).

While power shifted between predatory officials and their corporate allies and the technocrats and donors, popular forces remained marginalised more or less continuously throughout the New Order period. Suharto depoliticised civil society by imposing authoritarian controls on freedom of expression and the representation of societal interests. These included: freedom of expression, restrictions on student political activity, and use of the education system to ensure political obedience and nation-building through compulsory teaching of the state ideology, *Pancasila* (Rosser, 2016a, pp. 118-119).

This is not to say that the popular forces played no role in New Order politics. There were key moments of mass dissent, as is evidenced by the Malari riots, the 1978 student protests, and 1997/8 riots that contributed to the downfall of Suharto (McDonald, 1980). At the same time, the New Order period witnessed the establishment of an array of NGOs, particularly during the 1980s and 1990s. These became a key source of opposition to the New Order, even if they were not able to actively or freely participate in decision-making because of the restrictions imposed on civil and political rights mentioned above (Eldridge, 1996).

The Nature of Social Protection Policy and its Implementation under the New Order

Within this political and social context, the New Order invested little in social protection. For much of the New Order period, civil servants' salaries and debt repayments combined absorbed three-quarters of the routine budget, leaving little room for spending on other areas (Hill, 1996, p. 55).²⁵ At the same time, the development budget gave little priority to the social sectors, with the partial exception of

²⁵ In the early years of the New Order, civil servants' salaries and pensions dominated the routine budget accounting for almost half of the total. The remainder of the budget was absorbed mostly by regional subsidies and categories termed 'material' and 'other' expenses, while debt payment consumed a minor percent of the budget (Hill, 1996). This changed during the 1980s' economic downturn, when debt payments began to rise sharply; these payments overtook spending on salaries and pensions. Regional subsidies were also affected by the economic downturn and experienced cutbacks (Hill, 1996, pp. 52-58).

education.²⁶ In 1969, development expenditure emphasised three areas: agriculture, industry/mining, and communications. These areas absorbed over 70 percent of the total development expenditure. By 1979, six years into the oil boom, things had changed: while agriculture, industry/mining and communications continued to absorb the majority of the budget, new priorities had emerged including education, defence, labour, and transmigration (Hill, 1996, pp. 52-57). Over the remainder of the New Order period, development expenditure remained fairly similar, with the top four priorities being agriculture, industry/mining, communications, and education (Hill, 1996, pp. 52-57). Throughout the New Order, spending on health and other social services was very low. Even its spending on education was low by regional standards (Rosser et al., 2011a). The main purpose of the New Order's budget was to help develop the Indonesian economy, and this was viewed as being best achieved via investments in agriculture, industry, mining and energy, communications, science and technology, and the commercial investment sector, rather than social protection. Subsidies on fuel (gasoline, diesel, kerosene, and liquefied petroleum gas (LPG)), rice price stabilisation and fertilizers were also large items of expenditure in the development budget.

Indonesia began subsidising fuel in the 1970s during the first oil price shock. Thereafter, the government fixed and kept the price of fuel very low—below US\$0.20 per litre. The national budget bore the difference in cost between the government's set price and the market price (Diop, 2014). The government argued that its fuel subsidies program (*Program Kompensasi Pengurangan Subsidi Bahan Bakar Minyak, PKPS-BBM*²⁷) was needed to control inflation, and in particular to alleviate the burden of high fuel prices imposed on the poor.²⁸ However, in reality, it provided the greatest benefit to business and the middle class because they were the largest consumers of fuel. The poor received very marginal benefits by contrast (Interview IN0114, April 14, 2014). The government invested heavily in fertiliser subsidies to promote rice production and rice self-sufficiency in Indonesia. The government also invested in rice subsidies (implementing a floor and ceiling price) in an effort to promote political stability. These policies were a significant drain on the government's budget.

²⁶ The government made a distinction between the routine and development budgets. The routine budget comprised regular operating expenses such as civil servants' salaries, debt service repayments, fuel subsidies, purchase of goods, and subsidies to regions. The development budget, by contrast, comprised spending on non-routine items such as capital works, fertiliser subsidies, government departments and regional development (Hill, 1996, pp. 45-46).

²⁷ From here on referred to as BBM. BBM refers primarily to three fuel types: kerosene, automotive diesel and gasoline.

²⁸ Fuel subsidies are not regarded here as a form of social protection for reasons outlined in the Introduction.

To the extent that the New Order did invest in social protection, it prioritised the interests of ‘productive’ elements in society (especially military and bureaucratic officials) or programs that were aimed at promoting economic growth by ensuring political stability and, to a lesser extent, building human capital (Rosser & van Diermen, 2016). It invested little to nothing in schemes providing unemployment benefits, old-age social pensions, disability pensions, or work opportunities—schemes that benefited ‘unproductive’ elements in society. By contrast, it subsidised pension and health insurance schemes for military and bureaucratic officials including TASPEN, ASABRI, and health insurance for civil servants (*Asuransi Kesehatan*, ASKES) (see Table 4, which provides a brief overview of these programs). Pension programs and salaries for civil servants consumed a large percentage of the state budget in the New Order. These schemes provided health and maternity care, old-age benefits, death benefits, savings programs, disability benefits and workplace accident compensation (Ramesh & Asher, 2000, p. 43). The government also established a program for formal sector workers known as JAMSOSTEK which provided social insurance including employment injury insurance, life insurance, old age savings, and health insurance. Unlike the programs for the military and bureaucratic officials (TASPEN, ASABRI and ASKES), this program was not government-subsidised, and it suffered from numerous leakages and inefficiencies. However, the New Order at least provided a mechanism for social protection for formal sector workers, in marked contrast to the way it treated the unemployed and informal sector workers. Overall, then, these arrangements privileged the position of productive elements in Indonesia.

Table 4. Social Protection in Indonesia during the New Order

Program Name	Program description	Sector	Year Established	Coverage
TASPEN	Pension and old age savings for civil servants.	Social security	1963	In 1998, 4 million civil servants and 159,000 employees of state enterprises were covered.
ASKES	Health insurance for police, civil servants, military, and veterans.	Social security	1968	In 1998, 13.6 million people were covered on a compulsory basis.
ASABRI	Pension and old age savings for military and armed forces.	Social security	1971	In 1996, 0.5 million members.
JAMSOSTEK	Healthcare benefits (healthcare, work injury, death and old age benefits) for the formal sector.	Social security	1992	In 1998, there were 14.9 million insured people and 82,544 employers. The number of those actively participating was much lower.

Source: (Asher & Kimura, 2015; International Labour Organization, 2000, 2006).

As noted above, the New Order also invested to some extent in education programs reflecting their perceived payoffs in terms of economic growth. Suharto dramatically expanded the school system and introduced policies making basic education free. The New Order invested in education for three main reasons: first, to build human capital and in so doing achieve economic growth (Moertopo, 1981; Prawiro, 1998); second, to promote national identity via the use of the national language and curriculum (Foulcher, 1990; Leigh, 1999); and, third, to maintain political control and, in so doing, ensure regime survival and promote economic development. With regards to the latter reason, the New Order turned government schools into vehicles through which Golkar mobilised votes at election time and more generally ensured loyalty to the regime (Rosser & Fahmi, 2016).

At the same time that the New Order invested little in social protection programs (and selectively to the extent that it did), it allowed predatory officials to capture some of the benefits of these programs through leakages and rent-seeking. For instance, the military and bureaucratic officials who ran TASPEN and JAMSOSTEK essentially treated those institutions like private businesses, using them for their personal profit. Thus, JAMSOSTEK was involved in scandals where funds were allegedly channelled through state banks to finance public housing and to provide capital for well-connected business ventures at subsidised interest rates (Wisnu, 2011, p. 17). Likewise, TASPEN funds were used to support initial public offerings (IPOs) by well-connected conglomerates and state-owned enterprises (SOEs) in the late 1980s and 1990s. 'For instance, when the Suharto family-linked company, PT Indocement, went public in 1990, PT TASPEN, the civil servants' pension fund, was reportedly instructed to purchase its shares in order to ensure that the issue was fully subscribed' (Rosser, 2002, p. 95). In essence, predatory actors undermined the implementation of social protection programs for their own benefit. They used their positions and connections to channel funds from the programs and implementing institutions to private individuals and businesses.

Social protection programs were also affected by illegal fees, the proceeds of which often ended up in the pockets of program/institutional officials. During the New Order, illegal fees became an ingrained feature of Indonesia's public health and education systems. For instance, while schools were meant to be free, they commonly charged a range of legal and illegal fees including those for tuition, textbooks, uniforms, and so on. At the same time, unscrupulous teachers commonly demanded bribes to issue student reports, award passing grades, and allow students to participate in class (Rosser & Joshi, 2013). Likewise, community health centres (*puskemas*) and public hospitals commonly charged illegal fees on top of official legal fees for their services, which were often several times the value of

official fees (Achmad, 1999). Official legal fees for *puskesmas* and hospitals were very low, but the illegal fees made healthcare unaffordable for many poor families.²⁹ Consequently, millions of poor people were excluded from the health system during the New Order, making them reliant on family and community for access to social protection.

During the New Order, public service providers (schools, hospitals, universities etc.) and social insurance providers (TASPEN, JAMSOSTEK etc.) were effectively part of the Suharto franchise. McLeod (2000) characterised Suharto's New Order government as a 'franchise', akin to a McDonalds or Starbucks. Suharto effectively awarded institutions such as BULOG, TASPEN, hospitals, universities, health centres and even *yayasan* (foundations) to government officials at all levels (franchisees). Ownership of a franchise meant officials could enrich themselves via corrupt practices, often collecting large rents. In return, they would repay Suharto (the franchiser) for their positions through bribes, contracts, licences, and by granting monopolies (McLeod, 2000, pp. 104-106). Suharto created a well-designed system of predatory institutions that exploited their customers and maximised profit for the franchisees and franchiser. In the absence of an effective parliament, free press or freedom of speech, few voices were raised in opposition to Suharto's franchise, and those very few who did show signs of resistance were swiftly dismissed from their positions of power (McLeod, 2000, p. 100). There was limited extension of rights to social protection.

In sum, then, Indonesia's social protection system during this time can be characterised as productivist, particularist, unequalising, informal and predatory. It was productivist because it reflected the New Order's prioritisation of economic development over social welfare. It was particularist because it concentrated benefits on particular groups of citizens, especially military and bureaucratic officials. It was unequalising because the stratification outcomes were extensive: the social protection system reinforced class-based divisions via the extension of rights to only productive elements. In addition, it was predominately informal because for majority of Indonesians received no social protection and had to rely on the family, market or community.³⁰ Finally, it was predatory because corruption and predation undermined social protection programs. These policies were tainted by low administrative capacity and programs were easily preyed upon and used for personal

²⁹ One reason for the illegal fees was that health centres did not receive adequate funding for their maintenance and operations. Hence, to continue their operations health centres started to charge patients more than the official fee (Achmad, 1999).

³⁰ It did show some formal traits, with some social protection programs present but only for a small minority.

gain by elites. This system as such can be characterised as a predatory-particularist productivist social protection system, as per the typology outlined in Table 3, Chapter Two.

The Political Economy of Social Protection in Indonesia during the Post-New Order Period

Political Context

The onset of the Asian Financial Crisis in 1997 and subsequent democratic reform weakened the position of the predatory political, bureaucratic, and corporate elements that had dominated the New Order, and strengthened that of the technocrats, donors and popular forces. There are four main reasons for this. First, the AFC did severe damage to the economic base of the predatory coalition. In mid-1997, the value of the rupiah started to fall. It declined by more than 85 percent within one year. By 1998, the economy had contracted by 13.7 percent and the inflation rate rose to 78 percent, with food prices specifically escalating by as much as 118 percent (Suryahadi, Hadiwidjaja, & Sumarto, 2012, p. 209). Domestic and international investors relocated or withdrew vast amounts of capital. In this economic context, many major conglomerates went bankrupt (Rosser, 2002, p. 180). Their bankruptcy meant they lost control over a vast amount of resources, and with this, a significant proportion of their power to influence policy.

Second, the economic and social impact of the AFC forced the government to seek international financial assistance, greatly enhancing the influence of international donors and the technocrats. In 1997, the technocrats turned to the IMF for advice on the crisis. The two sides then started to negotiate a series of reform packages in order for the government to gain much-needed emergency finance (Booth, 2016; Soesastro, 2009). They discussed the necessary reforms and the technocrats advised Suharto and his allies to accept the conditions. For instance, the IMF was initially very resistant to the introduction of structural reforms such as reforms to the manufacturing sector and trade; it was the technocrats, and later the World Bank, who pushed for these reforms (Soesastro, 2009). In October 1997, the government signed the first LOI (Letter of Intent) committing to various reforms. The technocrats hoped that by adhering to its conditions, Indonesia would convince the domestic and international business community of its commitment to ongoing reform and its financial stability (Booth, 2016). However, the reforms included the closure of sixteen banks, the withdrawal of government support for the national aircraft manufacturer (IPTN) and the national car conglomerate (Boediono, 2002, p. 386), and various other measures in which Suharto and his allies had high stakes. When Suharto and his allies quickly backtracked, many of these reforms became merely a paper victory, and an impasse developed between Suharto and the IMF (Boediono, 2002; Soesastro, 2009). However, after Suharto resigned as President on May 22, 1998, the government conformed to the

IMF reform package until it ended in 2003. This reform package gave the donors and the technocrats substantially more influence over policy during this time.

These dynamics had particular implications for social protection policy. The AFC led to a sharp increase in the poverty rate. The poverty headcount more than doubled from 23 million in 1996 to just under 50 million in 1998 (World Bank, 2012f). The crisis also had a devastating impact on health and education indicators in Indonesia (World Bank, 2012f).³¹ In this context, donors—especially the IMF, World Bank and ADB—pushed successfully for the introduction of an array of social protection programs. For instance, as part of the IMF rescue package for Indonesia, the IMF required the Indonesian government to invest in a set of ‘social safety net’ programs aimed at alleviating the impact of the crisis on poverty. These included a food security program, a subsidy for basic health services, an education assistance program, and job creation programs (e.g. labour-intensive work programs, a scheme providing block grants to local communities, and small-scale revolving credit schemes for low-income households) (Government of Indonesia, 1998b). The IMF, the World Bank, and the ADB became heavily involved in designing and supporting these programs, working closely with technocrats such as Bambang Subianto, then Minister of Finance, and Boediono, then State Minister of National Development Planning. The Indonesian government had to accept a number of policy reforms as the conditions for support from the IMF. An expression of commitment to social protection was a common feature in the Letters of Intent to the IMF.

The role of the donors slowly subsided as the financial crisis abated and the country’s need for fiscal support decreased. In 2003, the IMF program came to an end. A few years later in 2007, the CGI, which had coordinated the flow of foreign aid to Indonesia since its establishment as IGGI in 1967³², was wound up after President Yudhoyono stated that Indonesia no longer needed the CGI’s assistance and could direct its own development (Hudiono, 2007). The post-crisis period also saw the role of the technocrats decline, as a result of deal-making between political parties. As noted in the previous chapter, relatively few were included in the cabinet in the years following the crisis, although

³¹ Households reduced their use of public health services, including preventive health services for children at *posyandu* (*Pos Pelayanan Terpadu*, Integrated Health Service Posts). School enrolment and grade completion rates also declined (World Bank, 2012b).

³² The IGGI became the CGI in 1992 after the Indonesian government refused to accept Dutch aid due to comments made by the Dutch Foreign Minister, Jan Pronk, regarding human rights abuses in Indonesia (Stokke, 1995, pp. 133-134).

Boediono's appointment as Vice-President in 2009 gave them a significant presence at the most senior level.

Third, the AFC empowered popular forces such as NGOs, trade unions, student groups, and left-wing intellectuals. At the height of the crisis in the first half in February 1998, popular forces mobilised on a mass scale, holding massive student demonstrations and other demonstrations. This mobilisation culminated in an occupation of parliament in May 1998, and ultimately Suharto's decision to resign as President on 22 May. The subsequent transition to a democratic regime created an environment more conducive to their participation in policy-making. It enhanced freedom of expression and freedom to organise, opened up opportunities for non-governmental actors to engage with and influence national and regional parliaments and other government bodies (for instance, the various commissions established in the post-New Order period, such as the KPK and national human rights commission), and led to the establishment of new judicial institutions with a policy-making role (such as the Constitutional Court) that these actors could access as a result of liberal legal standing rules.

Numerous studies have shown that popular actors have made extensive use of these opportunities to promote more progressive social policies, including measures related to social protection. In the case of universal free basic education, popular forces including the poor and middle-class parents' groups along with NGO allies such as the ICW and the Free Education Working Group have employed some strategies to influence basic education policy (Rosser & Joshi, 2013). These strategies have included: 'trying to capture control of school committees; attempting to gain media attention; applying pressure on elected political representatives to take action against illegal fees; pursuing complaints through the legal system; and mobilising support from the NGO community' (Rosser & Joshi, 2013, p. 179).

Fourth and finally, democratisation created incentives for political entrepreneurs to promote social protection initiatives because of their electoral payoffs (Aspinall, 2014; Rosser et al., 2011b). As described above, democratisation opened up the policy-making process to new actors and, in particular, popular forces. At the same time, it meant that political elites had to secure popular support in order to win or remain in office. This changed the incentive structures within which the old political actors operated, giving them an incentive to appeal to broader constituencies (Aspinall, 2014). In this context, political entrepreneurs at both the local and national levels have adopted and

advocated for social protection programs, particularly ones targeted at the poor and near-poor, in the hope that it would enhance their chances at the ballot box. However, while political entrepreneurs have adopted policies to attract support from social groups to gain and maintain power, this has not guaranteed implementation of these policies (Buehler, 2014). As will be seen in greater detail in the case studies, programs have suffered from poor implementation outcomes, which have included service refusal, illegal fees, leakages, and targeting errors. Furthermore, predatory officials and their corporate allies have made it difficult to establish new political parties. This has limited the opportunities for political entrepreneurs (not affiliated with these elites' interests) to enter the electoral arena. For instance, in the 2014 elections, political parties needed to have representation in all Indonesian provinces to qualify for electoral participation. To stand in the 2014 polls, they had to register by August 2011, three years before the election (Mietzner, 2015).

Despite the shift in power described above, predatory officials and their corporate allies maintained a large amount of power and continued to play a dominant role in policy-making, including in social protection. Many senior political, bureaucratic and military officials under the New Order retained leading positions in government. In broad terms, post-New Order governments continued to be run by the same people who ran the New Order (Robison & Rosser, 2000, p. 184). The state continued to be penetrated by interests that were opposed to reform (Crouch, 2003). Despite the increasing political presence and strength of popular forces, the most powerful elements in Indonesia remained those organised and nurtured under the previous regime (Hadiz, 2004a).

Predatory officials and their corporate allies appropriated many democratic institutions. They successfully reconstituted themselves as democratic actors via political parties and parliaments (Hadiz, 2004a; Robison & Hadiz, 2004).³³ As a result, they have largely survived and remained intact (Robison and Hadiz, 2004). Hadiz (2004a, p. 699) notes: 'A good example is the 'ruling' PDI-P (Indonesian Democratic Party for Struggle) of President Megawati Soekarnoputri. The party includes a range of former apparatchik, military men, entrepreneurs, and assorted political hustlers, peddlers and enforcers of the old New Order'. The introduction of democratic institutions did not directly result in a liberal transformation of society and politics. The underlying agendas and interests that were

³³ However, these institutions (political parties, national and local parliaments and elections) have also been important as arenas of genuine political contestation (Hadiz, 2004a).

established under the New Order did not vanish with the centralised authoritarian regime (Hadiz & Robison, 2013).

Correspondingly, predatory officials and their corporate allies have revived their fortunes in the business world following the AFC (Robison & Hadiz, 2006). Many rebuilt their economic empires. Robison and Hadiz (2006, p. 129) note: 'In the end, the return of the conglomerates appeared to be inexorable'. The conglomerates were in the prime position to start up private companies and take on contracts in the aftermath of the AFC, due to their close connections with bureaucratic officials. Despite a change to the political system, the reduction of authoritarian controls and restrictions on the activities of conglomerates, then, there was only a slight change to the position of the predatory officials and their corporate allies.

Furthermore, due to decentralisation, predatory officials at the local level have gained increasing power. Decentralisation saw predatory officials capture local parliaments, bureaucracies and other institutions (Hadiz, 2004a, 2010). Under the Suharto government, predatory officials at the local level had limited resources available for their use and/or manipulation because they were effectively monopolised by the central government. But after Suharto fell, the power and resources of local officials and elites increased significantly (Robison & Hadiz, 2006, p. 112). As Fealy and Aspinall (2003, p. 5) have noted: 'instead of a single centre of power managing the distribution of patronage, there would be many 'little Soehartos' at the local level, each struggling for access to the same economic resources'. These local officials were poorly paid and trained, had little capacity to supervise subordinates, had wide discretionary power, and were subject to limited accountability and enforcement mechanisms, meaning there was wide scope for misuse of state funds and power (Interview IN0114, April 14, 2014). Mirroring developments at the national level, democratisation created an incentive for local elites to adopt progressive social policies to help them win electoral favour. But decentralization also enabled local elites to capture program benefits, resulting in poor implementation.

In sum, then, the nature of government policy and its implementation in post-New Order Indonesia, particularly with regards to social protection, has been fundamentally an expression of power relationships between the coalitions of interest identified in the previous chapter. Specifically, it has reflected i) the continuing political and social dominance of the ruling coalitions from the New Order period—namely, predatory officials, their corporate allies, technocrats, and donors; ii) contestation

and tensions between these competing fractions; iii) the emergence of political entrepreneurs at both the national and local levels, competing for the attention of various popular forces; and iv) the increased power of popular forces as a result of democratisation. As we will see below, this configuration of power and interest has produced a social protection system somewhat (although not radically) different to that which prevailed under the New Order.

The Nature of Social Protection Policy and its Implementation in the Post-New Order Period

These political shifts led to the introduction of a set of new social protection programs between 1998 and 2004 that were much more generous than in the New Order period. These are commonly known as the 'first generation' of social protection programs (Sumarto & Bazzi, 2011) and officially referred to as Social Safety Net programs (*Jaring Pengaman Sosial, JPS*). These programs operated in five major sectors: food security, employment creation, education, health, and community empowerment (see Table 5 for a brief description of these programs). In food security, a program known as the Special Market Operation (*Operasi Pasar Khusus, OPK*) provided subsidised rice for poor households: targeted poor households could purchase 15 kilograms of subsidised rice per month. In employment creation, a program known as *padat karya* (labour intensive) consisted of 16 different programs in a variety of government departments. These labour intensive programs created jobs through ongoing investment and infrastructure projects; block grants given to local communities; retraining programs for laid-off workers carried out by sectoral ministries; and food-for-work programs (Sumarto & Bazzi, 2011, p. 5). In education, a program called SBG (scholarships and block grants to schools) provided scholarships directly to elementary, lower secondary, and upper secondary students, and block grants to selected schools. In the health sector, a healthcare card program started that provided subsidised medical services, operational support for health centres, medicine, medical equipment, family planning services, supplemental food, and midwifery services (Sumarto & Bazzi, 2011, p. 28). Finally, a community empowerment program called Regional Empowerment Program for Overcoming the Impact of Economic Crisis (*Evaluasi Program Pemberdayaan Daerah dalam Mengatasi Dampak Krisis Ekonomi, PDM-DKE*) distributed block grants to villages for public works or revolving funds for credit. Collectively, the main goal of these programs was to protect the poor from falling deeper into poverty and to regain economic stability (Sumarto & Bazzi, 2011, p. 2).

The IMF reform package enforced these programs, and the World Bank, ADB and Indonesian technocrats designed them. Most of the programs that formed the first generation were an advanced

and revised form of schemes that had existed under the New Order. They were different in that they covered more people, were more formalised (although they were generally still relatively *ad hoc*), and/or they were designed to target the poor. For instance, Suharto had subsidised the price of rice but during the AFC this program became targeted at the poor. In this sense, the first-generation programs represented an advance on what had occurred under the New Order. However, they were very exclusive covering only the very poor and providing them with minimal benefits. Hence, many poor and near-poor people were still without the right to social protection.

In 2005, a 'second generation' of social protection programs started. The second generation emerged after Yudhoyono took over as president from Megawati in 2004. The second generation included a revamp of the first-generation programs. For instance, the rice subsidy program, OPK, was transformed into Rice for the Poor (*Beras Untuk Rakyat Miskin* or RASKIN), and the health subsidy program, JPS-BK, was transformed into Health Insurance for the Poor (*Asuransi Kesehatan Masyarakat Miskin*, ASKESKIN). The second generation also involved several new programs such as a conditional cash transfer scheme known as PKH (*Program Keluarga Harapan*, Family Hope Program); a school grants scheme known as BOS (*Bantuan Operasional Sekolah*, School Operational Assistance), and an unconditional cash transfer scheme known as BLT (*Bantuan Langsung Tunai*, direct cash transfer) (see Table 5 for a summary of both first and second-generation programs). These programs were politically popular due to their perceived benefits in terms of political and economic stability. As they were already established, they were easy to continue and readily accepted by society.

Table 5. Social Protection in Indonesia during post-New Order

Program name	Program description	Sector	Timeframe	Coverage	Budget billion
First Generation					
Rice subsidy (OPK)	Sale of subsidised rice to the poor	Food security	1998-2001	12.8 million	5,450
Employment creation (<i>Padat Karya</i>)	Labour programmes in a variety of government departments	Employment	1997- 2003	12.7 million days	2.066
Community empowerment (PDM-DKE)	Block grants for villages for public works or revolving funds for credit	Community development	1998-2005	Almost all villages in the country	1,701
Scholarships and block grants to schools (SBG)	Scholarships for elementary, lower secondary and upper secondary students, and block grants to selected schools	Education	1997- 2005	6% of primary, 17% of lower secondary, 10% of upper secondary school students	1,138
Health cards (JPS-BK)	Subsidies for medical services	Health	1998- 2005	7.4 million households	1,043
Program Name	Program description	Sector	Timeframe	Coverage*	Budget Trillion **
Second Generation					
Fuel subsidies	Subsidized energy to its citizens	Subsidy	1998-2015	Nationwide	210.7
School operational subsidy (BOS)	Provides nine years free basic education to all students	Education	2005-	44.7 million students	23.6
Rice Subsidy (RASKIN)	Rice subsidy for the poor	Food security	2002-	17.5 Million HH	20.9
Temporary direct cash transfer for fuel (BLSM, BLT)	A temporary unconditional cash transfer programme to help the poor cope with the rising price of fuel	Safety net	2005, 2009, 2013	18 million HH (2008-09)	17.6
National program for community empowerment	Targets poor or rural areas providing block grants for community development projects	Community development.	2007-	6,622 sub-districts	13.4
Healthcare cards (JAMKEMAS)	Free health insurance for the poor. Previously ASKESKIN	Health	2006-2014	76.4 million poor people	7.3
Scholarships (SSM & BSM)	Scholarships for poor students from both public and private schools	Education	2007-	6.3 million students	3.8
Family Hope Program (PKH)	Conditional cash transfer. Cash on the condition that health and education standards are met	Safety net	2007-	1.5 million HH	1.89
Universal delivery care (JAMPERSAL)	Provides women with free birth delivery, pre-natal and post-natal check-ups	Health	2010-	2.6 million deliveries (2011)	1.2 (2011)
Social assistance for severely disabled (ASODKB)	Cash transfer for people with severe disabilities	Safety net	2006-	19,500 disabled people (2011)	79.2 billion
Elderly social protection (ASLUT)	Cash transfer assistance for vulnerable elderly	Pension	2006-2015	26,500 beneficiaries (2013)	63.6 billion

*Coverage is from 2012 unless stated otherwise **Second generation the budget is in trillions unless stated otherwise. First generation budget is in billions.

The table is organised in order of program budget.

Source: (Datta et al., 2011b; International Labour Organization, 2012; Pritchett, Suryahadi, & Sumarto, 2002; Sumarto & Bazzi, 2011; Sumarto, Suryahadi, & Bazzi, 2008)

The second generation involved increased spending on social protection programs (see *Table 6*). In 2009, Yudhoyono was re-elected following a campaign that heavily emphasised his commitment to social protection. Social protection spending rapidly increased in the year leading up to the election. However, expansion was limited in areas that were not deemed to bring a direct economic or political benefit. Programs that did not promote economic development were neglected or rejected by the government due to the pressure to invest in areas that foster economic growth and maintain political stability. It was programs that had wide coverage of the poor, such as RASKIN or BOS that experienced the greatest expansion. Donors, technocrats, and bureaucrats involved in policy-making view these programs as more beneficial for economic growth and political stability. Hence these programs that targeted productive elements of society, received more attention and funding. On the contrary, policies regarding the poor, elderly and disabled have been constrained, experiencing limited attention and growth (Priebe & Howell, 2014). For instance, a pension program for the neglected elderly called ASLUT (*Asistensi Sosial Lanjut Usia Terlantar, Social Assistance for Elderly*), which provides cash transfer assistance for vulnerable elderly people, only covered 26,500 beneficiaries in 2013 and had a budget of Rp 63.6 billion (Interview IN4314, September 15, 2014). This program started in 2006 and has since received almost no additional funding despite the fact that there are 2.5 million vulnerable elderly people in Indonesia who qualify for this program (Interview IN4314, September 15, 2014). In another instance, a social assistance program for the severely disabled known as ASODKB (*Asistensi Sosial Orang Dengan Kecacatan Berat, Social Assistance for People with a Serious Disability*) covered only 19,500 disabled people in 2011 and had a budget of Rp 79.2 billion. As such, it covered only a small percent of the relevant population (Ministry of Social Affairs, 2012). Accordingly, many Indonesians—in particular, poor elderly people, disabled people, and the informal labour force—have had limited access to social protection. The extension and progression of different programs (or lack thereof) reflects the respective utility of these programs for the agenda of the technocrats and predatory elites. Social protection remains focused on particular sections of society as well as particular sectors—such as education, labour market programs, and food security—that are deemed to have positive economic or political implications.

Table 6. Spending on social assistance versus fuel subsidies in Indonesia since 2005

Program	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
RASKIN		6.0	6.6	8.6	13	15.2	16.5	20.9	21.5	18.8
BSM³⁴					2.35	3.4	2.82	3.8	7.43	6.3
JAMKESMAS	3.2	2.8	4.4	4.7	4.53	5.13	6.29	7.3	8.1	19.9
PKH			0.8	1.0	1.1	1.3	1.61	1.89	3.6	4.5
Total social assistance				57.74	73.81	68.61	71.1	75.62	90.24	89.1
Fuel subsidies					45	82.4	165.2	211.9	199.9	210.7

Note: Figures in trillion Rp.

*Estimated budget by Ministry of Finance.

Source: (Bappenas, 2014).

In addition to producing higher government spending on social protection, the second generation also involved a change to the coordination and management of social protection programs. In 2010, a Presidential Regulation established TNP2K to coordinate the government's social protection programs and improve their effectiveness (Suryadarma & Sumarto, 2011, p. 168).³⁵ It plays a vital role in improving the performance of poverty reduction programs by improving program targeting, undertaking monitoring and impact evaluations of programs, and identifying and resolving issues with design and implementation. TNP2K received support and funding from AusAID, the World Bank, and GIZ. When compared with donors, domestic support for TNP2K has been limited, particularly from the opposition parties and existing social protection intuitions, which have been concerned that TNP2K may affect their power in distributing or receiving resources.

In 2014, further changes were made to the social protection system in Indonesia with the start of the National Social Security System. The National Social Security System (SJSN) is a social security system enacted by Law 40/2004 that provides Indonesian citizens with rights to various social security

³⁴ BSM (*Bantuan Siswa Miskin*, Assistance for Poor Students) is a scholarship program. It provides cash for students at risk of dropping out of school.

³⁵ TNP2K is not structurally part of the Government. It is not a line ministry. Rather it operates as a think tank that carries out oversight and coordination of social protection programs. TNP2K was established within the office of the Vice President.

programs: health insurance, employment injury, old-age (provident fund) pensions, and life insurance. It is implemented by two state social security implementing agencies, BPJS *Kesehatan* (health) and BPJS *Ketenagakerjaan* (employment). SJSN represented a shift towards a third generation of social protection reforms. This reform absorbed the various existing government health and social security schemes into one single system, and expanded coverage of social security and health insurance. Under Law 40/2004, the National Social Security System, these changes were meant to have been implemented in 2011. But, as I discuss in further detail in Chapter Six, they were delayed due to political resistance from predatory officials and their corporate allies and only began in 2014.

The introduction of these social protection programs served to ameliorate the social impact of the AFC; they helped the country avoid increasing poverty, deteriorating health conditions, declining enrolments in educational institutions, and increasing unemployment. Indeed, poverty fell from 50 million in 1998 to 38 million in 1999 (World Bank, 2012f, p. 9). Without the first generation programs, social welfare would not have recovered in such a short time (Sumarto & Bazzi, 2011). For instance, a study by Sumarto, Suryahadi, and Widyanti (2005, p. 173) found: ‘household participation in the social safety net programs tends to reduce the probability of a household to be poor’. In particular, households participating in the subsidised rice program increased their household consumption by 3 percent, and they were 4 percent less likely to be poor compared to their counterparts (Sumarto et al., 2005, pp. 167, 170). The subsidised rice program was also found to improve the consumption level of participating households, compared to those households that did not participate in the program. Another study found that the scholarships for school students and block grants to schools programs were an effective way of reducing school dropout rates during the economic crisis. Results revealed that the scholarship program lowered the dropout rate by 38 percent (Cameron, 2009, p. 316).³⁶

After the crisis abated and the second-generation programs started, there was a continued positive impact from programs on social development and poverty reduction. The poverty rate fell from 23.4 percent in 1999 to 12.5 percent in 2011 (World Bank, 2012d, p. 7). The PKH in particular had significant positive impacts for beneficiaries. Mothers and their young children consumed a wider variety of health services, including prenatal care, delivery at a facility, post-natal care, immunisations, growth monitoring checkups, visits to public and private health facilities, reporting of fever and diarrhoea,

³⁶ It needs to be noted that Indonesia covers a vast number of islands with varying social, cultural, political and economic circumstances. There was great variation in social protection programs and their outcomes across different regions in Indonesia.

and treatment for diarrhoea (World Bank, 2012d, p. 15).³⁷ Similarly, the temporary direct cash transfer for fuel (BLT, later known as BLSM, *Bantuan Langsung Sementara Masyarakat*, temporary direct cash assistance) was effective in reducing the short-term impact of fuel price increases for poor households. A World Bank (2012d, p. 19) study showed that the program increased household expenditure, and benefits were spent on necessities and also provided funds for spending in other areas such as nutrition, education, and health. Additionally, BOS significantly increased enrollment in junior secondary school, particularly for the poorest students. Since the introduction of the program, junior secondary enrolment rates for the poorest 20 percent increased by 26 percentage points (Al-Samarrai, Fasih, Hasan, & Syukriyah, 2014, p. 8). Overall, there have been some noteworthy impacts from social protection programs, especially for the poor.

Nonetheless, the effect of these programs was undermined by predation and rent-seeking, reflecting the continued political dominance of predatory elements. In the post-New Order period, social protection programs continued to suffer from numerous issues including targeting errors, illegal fees, leakages, service refusal, embezzlement, and missing funds or benefits. Predatory officials and their corporate allies continued to dictate policy and undermine the implementation of social protection programs. They used their businesses, positions, and connections to win contracts and syphon money and benefits from the programs. For instance, various reports demonstrate rampant corruption in RASKIN—with high-quality rice being swapped for lower quality rice, rice being sold at higher prices than those set by government with profits being kept by local officials, and/or subsidised rice being sold to the non-poor (SMERU Research Institute, 2003, pp. 36, 40; 2008, pp. 9-10, Interview IN4414, September 16 2014). In the same way, officials responsible for the National Program for Community Empowerment have been accused of misusing funds and embezzlement (Jakarta Post, 2011, 2014b). In one instance, in South East Sulawesi in 2011, the embezzlement was worth Rp 100 billion [US\$ 11.7 million] and was allegedly organised by local officials (Jakarta Post, 2011). Additionally, in some programs, regional political elites have withheld benefits and then distributed them in the lead up to the elections (Interview IN4414, September 16, 2014). Another common form of exploitation by the predatory officials has been via illegal fees. Beneficiaries of programs such as BOS and JAMKESMAS still face illegal fees to access services that they are entitled to for free (Rosser, 2012b; Rosser & Joshi,

³⁷ However, in terms of education neither PKH nor BSM benefits provided enough for households to invest in education services. Secondary education expenditures (including placement fees, transportation, and uniforms among others) cost as much as 20 percent of a poor household's annual income. This means given the small transfers these programs offer, secondary education is still not affordable even after transfers (World Bank, 2012d, p. 15).

2013). Accordingly, the benefits for the poor are diminished, and the ability of programs to meet targets is reduced.

At the same time, the government continued to prioritise investment in fuel subsidies over social protection programs, an approach that primarily served the interests of businesses and elites (see Table 6 above for a comparison of budgets). During much of Yudhoyono's presidency, fuel in Indonesia was extremely cheap, with the price of fuel being approximately 30 percent of the world market price (Pradiptyo & Sahadewo, 2012, p. 7).³⁸ The BBM fuel subsidy program was untargeted, meaning every household could purchase subsidised fuel regardless of whether it was poor or rich. The government justified the program on the grounds that it was pro-poor. But the groups that benefited the most from the subsidy were the elites and/or middle class, due to their greater use of fuel; the poor received a very small share of benefits (Interview IN1114, June 6, 2014; Interview IN2814, September 1, 2014). A study by Agustina, Arze del Granado, Bulman, Fengler, and Ikhsan (2008, p. 17), for instance, showed that the richest 50 percent of Indonesian households received 90 percent of the fuel subsidies. Likewise, a study by the World Bank (2011a, p. 27) found that the top 50 percent of households (by income) consumed 84 percent of subsidised gasoline, with those in the richest decile consuming almost 40 percent of fuel subsidies. By contrast, the poorest decile consumed less than 1 percent of subsidised gasoline and the bottom five deciles, consisting of the poor and near poor, only consumed 16 percent (World Bank, 2011a, p. 27). Also, this study revealed that two-thirds of poor and near-poor households did not consume any gasoline.³⁹ While the fuel subsidies were promoted as a program to benefit the poor, this policy promoted inequality and was an arrangement through which the government rewarded the middle class, elites and their businesses.

The fiscal cost of the fuel subsidies accounted for a large percentage of the budget. For instance, in 2014, fuel subsidies cost the Indonesian government Rp 210 trillion, or 11.44 percent of the state budget (Social Protection Knowledge Collaboration Seminar 2014). This was more than twice the budget allocated for social assistance in 2014 (see Table 6). As a result, there were numerous attempts

³⁸ This policy was supported by Law Number 22 of Year 2001 which was related to oil and gas. The law stated in Article 8 Verse 1 that: 'The Government shall give priority to the utilization of Natural Gas for domestic needs and has a duty to provide a strategic reserve of Crude Oil to support the supply of the domestic Petroleum Fuel that shall be further regulated by Government Regulation' (capitalisation in the original). This law obligated the government to guarantee the provision and the distribution of gasoline, although it did not set a price or quantity.

³⁹ Gasoline is predominantly used in vehicles. The poor and near poor own proportionally fewer of these than the rich.

to reduce fuel subsidies in the post-New Order period (see Table 7). These attempts at reform commonly resulted in protests coordinated by elements within the middle class or business community that had a vested interest in maintaining the subsidies (Interview IN2814, September 1, 2014). However, reductions to the fuel subsidies opened up fiscal space to increase social protection spending, and these programs also eased tensions surrounding reductions to the fuel subsidies.

Table 7. Fuel subsidy reforms

Date	Reform
1997	Government increased the price of kerosene by 2 percent, diesel by 60 percent and gasoline by 71 percent
2000	Kerosene, diesel and gasoline prices raised for households despite violent demonstrations
2001	Kerosene, diesel and gasoline prices raised for industry
2003	Attempt made to link movements in domestic fuel prices and international prices
2005	Gasoline and diesel prices increase by 29 percent in March and 114 percent in October. Industry no longer eligible to access subsidised diesel
2006	LPG prices increase for industrial users
2007	Introduction of Kerosene-to-LPG conversion program to encourage LPG use and phase out the kerosene subsidy
2008	Price increases in May of 33 percent for gasoline, 28 percent for diesel, and 25 percent for kerosene. Gasoline and diesel prices were lowered in December by 20 percent and 15 percent respectively, as international oil prices eased.
2009	Gasoline and diesel lowered in January by 11 percent and 7 percent respectively, leaving gasoline prices the same as diesel prices (close to 2005 levels)
2013	Gasoline and diesel one-time fuel price increase averaging 40 percent
2013	Electricity base tariff increased 15 percent over 2013 (households consuming > 450-900 volt-amperes not included)
January 2014	Attempt to raise prices of LPG 12 kilogram cylinders, but the price increase was rolled back
November 2014	Government initiated price increases for gasoline and diesel of 31 percent and 36 percent, respectively
January 2015	Subsidies for gasoline removed entirely, but low oil prices cause a price decline of 12 percent. Diesel subsidies reduced to IDR 1,000 per litre

Source: (Asian Development Bank, 2015, p. 22; Chelminski, 2016, p. 8).

Due to the intense political and social backlash, cuts to fuel subsidies were generally short term. These cuts followed a political cycle. The subsidy would be cut, which would increase the price of fuel. Then before an election, the subsidy would be reinstated, and the price of fuel would return to its previous level. For instance, in 2005, the government cut the subsidy, then increased the price of subsidised fuel from Rp4500 to Rp6000 per litre. However, in 2009, before the general elections, the price of subsidised fuel was reduced to its 2005 level of Rp4500 per litre (Pradiptyo, 2012, p. 10).

As of January 1, 2015, fuel subsidies for gasoline were removed. This was passed by parliament and signed into law in 2015. As a result, the 2016 budget did not include a budget for gasoline subsidies, although it did include subsidies for 3 kilogram LPG tanks, diesel and renewable energy (Chelminski, 2016, p. 15). The government kept a small subsidy (of Rp 1,000 (eight US cents) per litre) for diesel and kerosene widely used by public transport operators and the poor (Jakarta Post, 2015). Under this new scheme, the government cut spending on fuel subsidies by 75 percent, reducing spending to Rp. 60 trillion (Jakarta Post, 2015). The gasoline subsidy had accounted for about 65 percent of total fuel subsidies. Despite cuts to the fuel subsidy, the price of gasoline has remained the same and has not matched the market price. Instead, the cost of the gasoline subsidy has been shifted to *Pertamina* (Chelminski, 2016, pp. 15-16; Witular, 2015).⁴⁰ The price of gasoline should be altered every three months to match market prices, yet this has not been done. As a result, *Pertamina* has been paying the difference between the market price and the government's set price which has led to *Pertamina* sustaining massive losses. In 2015, the company had a financial loss of around Rp 15 trillion (US\$1 billion) (Cahyafitri, 2015; Otto, 2015). The government has not reimbursed *Pertamina* for its losses from the price controls in 2015, but it has pledged to do so in order to stop the company going bankrupt. *Pertamina* is a state-owned enterprise and, as such, the government has a fiscal liability to recapitalise it (Chelminski, 2016, p. 16).

These constant fluctuations with the fuel subsidies demonstrate the battle between key actors over policy. On the one hand, the removal of the fuel subsidies was widely supported by donors and technocrats. The technocrats have driven most of these cuts as they have argued that the subsidies created a false sense of economic stability and that such a policy was not sustainable in the long term. The IMF and World Bank were also strongly opposed to the fuel subsidies and were key advisors to the technocrats about possible solutions to the social impact of the increased price of fuel. The IMF and World Bank argued that the fuel subsidies should be reduced to make possible more effective investments in the economy in areas such as infrastructure and education. On the other hand, there was widespread opposition to fuel subsidy cuts from predatory officials and their corporate allies and political entrepreneurs. Political entrepreneurs have been resistant to cuts to fuel subsidies due to the impact this has on their electoral popularity. For instance, Yudhoyono held back reform whilst appearing to commit to it: in a number of instances, he did not have the political will to carry through with cuts to fuel subsidies due to fear of any political backlash. However, the real opposition has come

⁴⁰ Pertamina is a state-owned oil and natural gas enterprise.

from predatory officials and their corporate allies who have interests in protecting the fuel subsidies for their own benefit. For instance, in 2012, Golkar, the second largest party in the House, was the principal source of opposition to the government's failed attempts to cut the fuel subsidies. Golkar withdrew its support for cuts to fuel subsidies at the last minute before a vote to decide the House's position (Saragih, 2013). Hence, this coalition has severely constrained the possibilities for reform to the fuel subsidies, and this has impacted on the government's ability to shift funding to social protection.

By and large, during the post-New Order period, the social protection system in Indonesia has continued to be productivist and predatory. It has remained productivist in that the government has prioritised sectors that contribute to economic growth and stability. There has been a continuous emphasis on education and food security, while there has been limited emphasis on protection for the elderly, disabled, and unemployed. It has been predatory in that there have continued to be leakages in social protection programs, and social protection has been used for personal and political gain. There has been widespread capture of the benefits of social protection schemes by predatory officials and their corporate allies. Despite this, there has been an expansion of coverage, and particularly since 2014, there has been a clear move towards a more universal system. There has been an expansion of rights to social protection. Access to social protection has extended beyond the groups that benefited from it under the New Order: it became more equalising. Finally, the system has become more formal, with the state playing a greater role in welfare provision.

Overall, then, the nature of Indonesia's social protection system has changed in the post-New Order period. Whereas under the New Order Indonesia's social protection system fit the predatory-particularist type of productivity social protection system outlined in Table 3, Chapter 2, in the post-New Order period it has become a predatory-universalist system.

Conclusion

This chapter has analysed the shifts in power relationships between competing coalitions that have occurred in Indonesia across two time periods (the New Order and post-New Order periods), and how this has shaped changes to the country's social protection system. I argue that there has been a change in the nature of the Indonesia's social protection system across these periods. This shift is due

to the change in the balance of power between coalitions. Power has shifted from the predatory officials and their corporate allies to be shared slightly more with the technocrats, donors, popular forces and political entrepreneurs. Since the AFC, the latter actors have become more active in the policy-making process, resulting at times in changes to policy. Despite this, however, the balance of power has remained largely in favour of predatory officials, elites, and the business community. I argue that this slight shift in power has changed the development of the social protection system in Indonesia, leading to increasing coverage and benefits of social protection. Yet the continued dominance of the predatory officials and their corporate allies has resulted in social protection remaining focused on economic development and benefits being captured by elite interests.

This chapter sets the scene for the following three cases studies: food security, social security, and income support. The case studies are examined to argue that social protection reform has differed both across time periods and across sectors. The analysis in these chapters continues to build upon the argument that there has been change—albeit limited change—in the nature of Indonesia’s social protection system and that the nature of this change has reflected power relationships between competing political and social coalitions. Where significant social protection reform has occurred (e.g. income support), it is argued that this has been due to shifts in power, particularly an increase in the power of the popular forces or political entrepreneurs relative to that of predatory officials and their corporate allies. Where change has been relatively restrained (e.g. food security) this has been due to the continued dominance of the latter.

Chapter 5

Food Security

Introduction

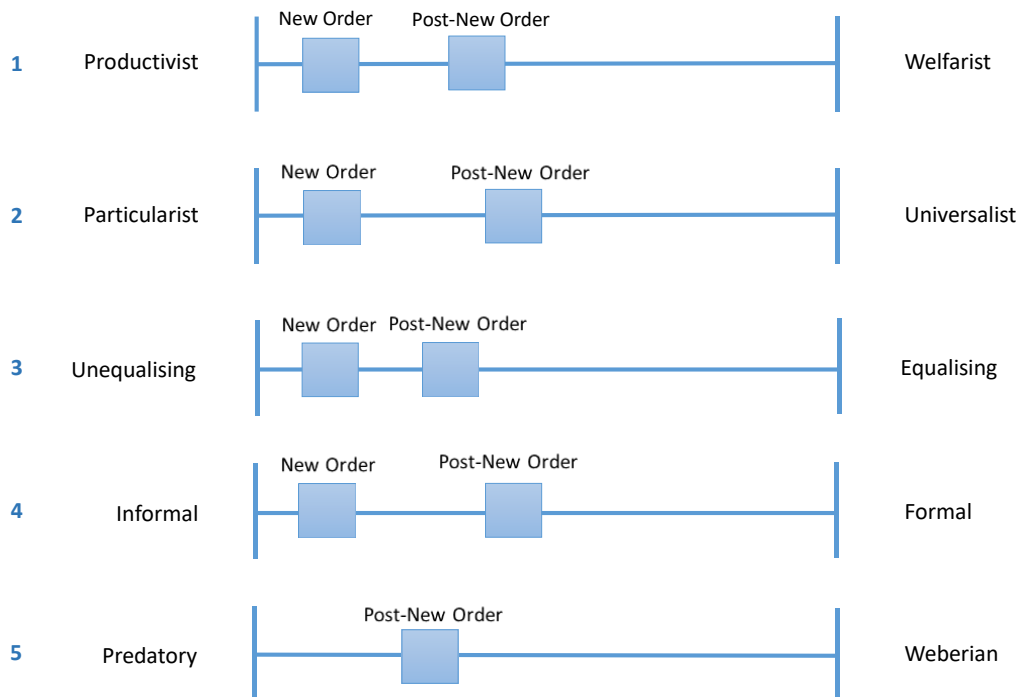
The previous chapter analysed how shifts in the balance of power between competing coalitions produced changes in Indonesia's social protection system during the New Order and post-New Order periods. This chapter examines how changes in the balance of power between coalitions has resulted in changes to food security policy and its implementation. The chapter focuses specifically on rice, the staple food for most of the population.⁴¹

The chapter advances two arguments. First, it argues that there was relatively little change in the nature of food security policy and its implementation in the post-New Order period compared with the New Order period. Under the New Order, the country's food security system was productivist, particularist, unequalising, and informal in nature. This was because it entailed subordination of social goals to economic goals; it primarily benefited productive elements in society; there was a limited extension of rights; and most people relied on support from their family and community to fulfil their food-related needs if they were unable to fulfil these needs themselves. Yet, it cannot be located on the predatory-Weberian scale in Figure 3 because there were no food security programs under the New Order⁴². In the post-New Order period, the country's food security system broadly retained these features, despite undergoing slight to moderate shifts towards greater welfarism, universalism, formality, and equalisation (see Figure 3 below). It also displayed strong predatory features, with implementation of new food security programs exploited by officials, elites, and their corporate allies. In comparative terms, the extent of reform experienced in this system was far less than that experienced in social security and income support, the two other systems examined in detail in this dissertation.

⁴¹ In 1996, SUSENAS data showed that for lower-income groups rice is a major part of peoples' diets, accounting for nearly 40 percent of their total household expenditures (Tabor & Sawit, 2001, p. 284).

⁴² Due to the no programs existing, we cannot characterise implementation as predatory or Weberian.

Figure 3. Evolution of the Food Security System in Indonesia



Second, the chapter argues this outcome reflected i) the technocrats' and donors' increasing power over policy following the AFC; ii) the continued political dominance of predatory officials and their corporate allies within the food security system, and in particular their continued control over the implementation of rice policy; and iii) the corresponding marginalisation of popular forces in this system. Participation by popular forces, it is argued, has been almost non-existent due to the rural location of farmers, the unbounded nature of rice consumers, and a lack of allies for farmers among the NGOs or left-wing intellectuals. Together, these factors have made collective action by popular forces difficult.

This chapter is organised into two sections: on the New Order and the post-New Order period respectively. The chapter begins by examining the politics of food security in the New Order and the way in which this has shaped the nature of food security policy and its implementation. I then undertake the same process of analysis for the post-New Order period. In the remainder of the chapter, I explore two cases which exemplify these dynamics and their effects—rice trade policy and rice subsidies for the poor. Before beginning with this analysis, however, I provide a brief definition of food security and explain its connection to social protection, both in general and in Indonesia specifically.

Internationally, food security policy and its implementation constitute a key component of social protection systems in developing countries because the intention of food security programs—as for social protection in general—is to manage and reduce poverty and vulnerability. The poor are susceptible to food insecurity as they lack the resources to meet their basic needs and this can result in malnutrition, starvation, developmental stunting and mortality. Food security programs and policies reduce this by ensuring reliable access to a sufficient quantity of affordable food. Food security has been defined by the 1996 World Food Summit (Food and Agriculture Organization, 1996) as ‘when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life’. Within Indonesia, food security was defined in similar terms by Law number 18 in 2012 as ‘the fulfillment of food for the state up to the individuals, that is reflected by food availability that is sufficient, both in quantity and quality, safe, diverse, nutritious, prevalent and affordable as well as not conflicting with religion, belief and culture, to live a healthy, active and productive life in a sustainable manner’.⁴³

Food security efforts in Indonesia have centred on rice because of its status as the key staple food. SUSENAS data from 2013 shows that, on average, rice accounts for the largest share of both calorie and protein intake in Indonesian households, representing 44 percent and 50 percent of calorie intake, and 36.9 percent and 44.4 percent of protein intake for non-farm and farm households respectively (OECD, 2014, p. 15). Over the years, the price, availability, and quality of rice has significantly influenced the number of people living below the poverty line, the quality of their diet, their levels of malnutrition, and the mortality rate of children under five years of age. In analysing the political economy of food security policy and its implementation in Indonesia, this chapter accordingly focuses on rice policy.

The Political Economy of Food Security under the New Order

⁴³ Direct quote which retains the grammatical emphasis. Original in Indonesian: *‘Ketahanan Pangan adalah kondisi terpenuhinya Pangan bagi negara sampai dengan perseorangan, yang tercermin dari tersedianya Pangan yang cukup, baik jumlah maupun mutunya, aman, beragam, bergizi, merata, dan terjangkau serta tidak bertentangan dengan agama, keyakinan, dan budaya masyarakat, untuk dapat hidup sehat, aktif, dan produktif secara berkelanjutan’.*

When Suharto came to power in 1967, food insecurity was rampant. Under Sukarno's Guided Democracy, domestic rice production fell, rice imports were low as foreign exchange ran out, and rice prices spiralled out of control. In an article entitled 'Indonesia: Of Rice and Rats', *Time* (1964) magazine described the terrible consequences: 'Nearly 1,000,000 people were on a starvation diet in Java; scores have already died of malnutrition. Peasant villages emptied as food supplies dwindled, and native families poured into already overcrowded cities'. High food prices—especially high rice prices—in turn, caused social unrest in the form of riots and demonstrations and ultimately contributed to the downfall of President Sukarno in 1965-66 (McDonald, 1980). Consequently, Suharto was extremely conscious of food insecurity and its potentially negative impact on political stability and national development.

However, this consciousness did not translate into a welfarist approach to food security. Technocrats from the Ministry of Finance and BAPPENAS and their supporters within the donor community had significant input into rice policy (Rock, 2002, p. 76). These elements wished to use rice policy to develop the economy. In a seeming disconnect from the technocrats' usual commitment to market-orientated policies, they supported an interventionist approach to achieving this objective, in particular, one that involved significant government spending. Specifically, they emphasised the need for increasing agricultural productivity with improved seeds, fertilisers, and better infrastructure in terms of ports and irrigation. They principally focused on improving rice technology which would increase efficiency in production (Falcon, 2014, pp. 48-49). The technocrats knew—given the scarcity of resources within the government—that they only had the ability to focus on a few key issues (Falcon, 2014, p. 55). Agriculture, and rice in particular, was one of their priorities because of the impact increased production of rice and other agricultural products could have on both economic development and political stability. Suharto and senior New Order figures were also on board with this approach, as were other predatory elements within the state, because they felt it would guarantee political stability, which would lead to greater economic stability. Suharto stated at a nationally-televised address to parliament in 1994 that 'Political stability is a prerequisite for smooth development, without being harmed by upheavals...Political upheavals do not bring a peaceful and tranquil feeling, which is greatly needed to mobilise sources for development' (Lopez, 1994). Suharto saw food security as a prerequisite for political stability. In particular, it was a way to rehabilitate rural Java, remove communist influences, and gain political cohesion (Djurfeldt & Jirström, 2005, pp. 49, 54).

At the same time, popular forces such as farmers and rice consumers had little input into rice policy. They were not able to organise for collective action because of restrictions on civil freedoms, such as limitations on demonstrating or creating a union. Only two farmer organisations were allowed under the New Order: the Indonesian Farmers' Association (*Himpunan Kerukunan Tani Indonesia*, HKTI), and the state-initiated village-level co-operative system (*Koperasi Unit Desa*, KUD) (OECD, 2012, p. 149). These organisations acted as instruments to control and monitor the community at local level. It was mandatory for rice farmers to join KUD. Being part of the KUD meant that farmers had to accept new technology and input and guidance from the KUD. Hence, during this time, farmer representative organisations were a mechanism by which the government controlled farmers. Several NGOs with a focus on agriculture, and to a lesser degree food security, also operated during the New Order, such as Bina Desa and Akatiga. Bina Desa was established in 1977 and focused on supporting low-income people and providing advocacy for the agricultural sector. Akatiga was started in 1991, focusing on marginalised people, to expand their access to resources and policy-making processes, especially in areas such as labour, small business, agriculture, and community development. However, they had very limited resources, were marginalised, and were unable to participate in the policy-making process. They thus had extremely limited ability to influence rice policy.

The government's approach to rice policy was developed in 1968 during a series of meetings dubbed by Widjojo Nitisastro, then one of the country's leading technocrats, as a 'bull session' (Falcon, 2014, p. 42). Twenty Indonesian economic technocrats attended the meeting. It was also attended by half a dozen foreigners from donor and advisory groups including Walter Falcon, a renowned academic and advisor to Indonesia. There was no representation from the NGO community or any other popular forces.

The approach conceived in these meetings and that evolved in following years centred on three main policies. The first was increasing rice production to ensure Indonesia was self-sufficient in rice. To achieve self-sufficiency⁴⁴, the government heavily subsidised rice production, in particular, key inputs such as fertilisers, high-yielding seeds and pesticides. It provided subsidised credit and loans to farmers to enable them to purchase these inputs.⁴⁵ It also invested in the development of

⁴⁴ Food self-sufficiency is defined as being able to meet consumption needs (particularly for staple foods such as rice) by domestic production rather than by importing it.

⁴⁵ This program was known as Mass Guidance (*Bimbingan Massal*, BIMAS). BIMAS promoted technological change via high-yielding varieties of rice, fertiliser and pesticides at subsidised prices through kiosks operated

infrastructure and technologies for rice production. In this sense, policy was *dirigiste* in nature; the government exercised a strong directive influence over rice policy and agriculture (Rock, 1999, p. 693). The second policy was the imposition of restrictions on the importation of rice. The New Order restricted trade due to a fear that it would cause price instability and, in turn, political insecurity. One of the reasons why Indonesia feared an open market in the trading of rice was that world market prices are at times highly volatile and this could lead to price fluctuations in Indonesia (McCulloch & Timmer, 2008, p. 40). Hence, BULOG, the state logistics agency, was given a monopoly on the right to import rice and other food commodities in order to carefully manage price stabilisation (Interview IN4914, October 17, 2014). The third policy was the use of price controls to ensure rice was affordable. BULOG enforced both a floor and a ceiling price for rice (World Bank, 2006, pp. 206-207). The floor price ensured the price of rice was above production costs. The ceiling price made sure rice was affordable for all Indonesians. BULOG bought any rice not sold on the market to protect farmers and develop a stockpile for times of crisis. If the price of rice were to go above the ceiling price due to a crisis, BULOG would release rice from its stockpile at below market value to reduce the price of rice, subsidising the price of rice (World Bank, 2006, p. 207). This policy ensured a stable rice price. BULOG usually maintained a rice stockpile of between 1.5 million to 2 million tonnes, which could be used to alter domestic rice prices. This approach to food security was productivist rather than welfarist in orientation. Food security was controlled via economic policies to ensure growth and stability. There was no social protection program to guarantee food for the poor, or provide equality in food security.

The role of BULOG was crucial in the implementation of these policies. Established in 1967, BULOG was dominated by predatory military and bureaucratic figures. From 1978 to 1993 it was headed by Bustanil Arifin, a military general and a relative of Suharto (he was married to a relative of Suharto's wife). Military officers also controlled its central and regional branches (Crouch, 1978, p. 278). BULOG's initial purpose was to purchase basic commodities for public servants and the military, whose salaries were paid partly in-kind. However, from 1970 onwards, its mandate increased so that it became responsible for the price and distribution of basic staples—particularly rice (OECD, 2012). The officials who ran BULOG and their corporate allies gained enormous benefits from their control over the organisation.

by the KUD. Farmers could purchase these by gaining subsidised credit provided by local branches of the Bank Rakyat Indonesia (BRI) (OECD, 2012, p. 149).

The military used BULOG for a range of activities that enabled it and its officials to gain rent. BULOG funds were used for investments that benefited bureaucrats rather than the poor. It financed its activities by using the government's low-interest credit system known as Bank of Indonesia (BI) liquidity credits (OECD, 2012, p. 138). At times, this money was invested in private banks, such as Bank Dharma Ekonomi, a subsidiary of the army-controlled trading company, PT Berdikari, offering investors around 10 to 15 percent returns (Crouch, 1978, p. 278). BULOG would then wait until after the harvest season to purchase rice, leaving funds in more profitable positions for a longer time. Occasionally, this had drastic repercussions as BULOG was not able to purchase the target amount of rice and was thus unable to control rice prices. In 1967, due to delaying rice purchases, BULOG was only able to buy 280,000 tons of rice, compared with a target of 597,000 tons. Due to BULOG's limited stocks, as prices increased at the end of 1967 and in early 1968, it could not respond as required, resulting in high rice prices (Crouch, 1978, p. 279). In another instance, BULOG imported rice even when there was rice unpurchased domestically. This gave BULOG officials opportunities to make personal profits by obtaining a bonus or commission from the purchase of rice from foreign suppliers (Crouch, 1978, p. 280). BULOG also gained a profit from the price difference, often importing rice when international rice prices were lower than domestic prices. Another example was an audit by Arthur Andersen—previously a large international accounting firm—which discovered a loss of US \$2 billion due to corruption by BULOG over a four-year period between April 1993 and the end of March 1998 (Lindsey & Dick, 2002; Suara Pembaruan Daily, 1999). A direct example of such corruption was seen in 1995 when Hutomo Mandala Putera ('Tommy' Suharto), President Suharto's youngest son, was involved in a land-swap deal between BULOG and a supermarket chain Tommy ran called PT Goro. Tommy was accused of swapping a worthless parcel of land for a prime building site—belonging to BULOG—for the construction of a supermarket store. The deal was reported to have resulted in state losses of US \$10.8 million (Rp 95 billion) (BBC News, 2000).⁴⁶

Essentially, a network of patron-client relations provided material rewards and opportunities to elites. According to Indonesian academic Bustanul Arifin (not to be confused with Bustanil Arifin, a military general and a relative of Suharto discussed above), '12 big companies or conglomerates obtained special authorization from BULOG to import rice from producing countries. About half of these companies were affiliated directly and indirectly with Suharto's cronies, controlling nearly 2 million tons of rice with a total value of contracts of about US \$800 million in the fiscal year of 1997/98'

⁴⁶ In September 2000, Tommy was sentenced to 18 months in jail for corruption. His conviction was later overturned on a technicality. As Tommy had not been the commissioner of the firm at the time, he could not be deemed responsible (BBC News, 2000).

(Arifin, 2008, p. 145). During this period, policies favoured a select group of large businesses: millers, traders, and farmers (Streeten, 1987, p. 47). These well-connected predatory officials and their corporate allies gained from their privileged access to contracts, licences, concessions, credits, and bribes related to rice policy. Despite such widespread predation, however, I have not classified Indonesia's food security regime as predatory in Figure 3 because BULOG's rice price stabilisation scheme did not constitute social protection as that term has been defined and used in this dissertation.

During the New Order, there was no right to food. In 1996, Law 7/1996 on Food noted in the preamble that 'fulfilment of the basic human need for food is the human right of all Indonesians in creating quality human resources to implement national development'. However, it did not explicitly provide Indonesian citizens with a right to food. Furthermore, even with this law, there was no effective mechanism by which people could claim a right to food (Rosser & van Diermen, 2015, p. 6). Rather, the policy benefited a select few bureaucrats, military officials, and corporate elites. As explained above, predation meant that the benefits were largely accrued by bureaucratic officials, military, elites, and conglomerates. This meant that the policy reinforced these productive elements. The wider population did benefit indirectly from economic growth, poverty reduction and guaranteed availability and price of rice. However, the specific beneficiaries of the food security system went to a relatively small group, comprising bureaucratic officials, the military, elites, and conglomerates. Most Indonesians were reliant on family and the community to protect them from market fluctuations.

The outcome of these policies and their implementation was a guaranteed supply and stable price of rice. BULOG effectively achieved price stability and self-sufficiency in rice production in 1984 (Arifin, 2008, p. 140). Indonesia was able to meet consumption needs by predominantly domestic production. This success was recognised internationally with the United Nations Food and Agriculture Organization (FAO) awarding Suharto a medal in 1985 for achieving self-sufficiency in rice (Jakarta Post, 2002b). By the mid-1990s, Indonesia was a net exporter of rice (Hadiprayitno, 2010, p. 123). It maintained a stable price—close to world prices up until the late 1990s—resulting in a secure price and supply of rice (McCulloch, 2008, p. 46) (see Figure 4).⁴⁷ In fact, during this period, Indonesia had one of the most stable rice prices in East Asia. Food self-sufficiency was higher than in other Asian

⁴⁷ BULOG received large incentives from the government for meeting its objectives.

countries and growth in the production of food surpassed population growth (Hadiprayitno, 2010, p. 123).

Figure 4. World Price and Domestic Price of Rice in Indonesia 1985-2004

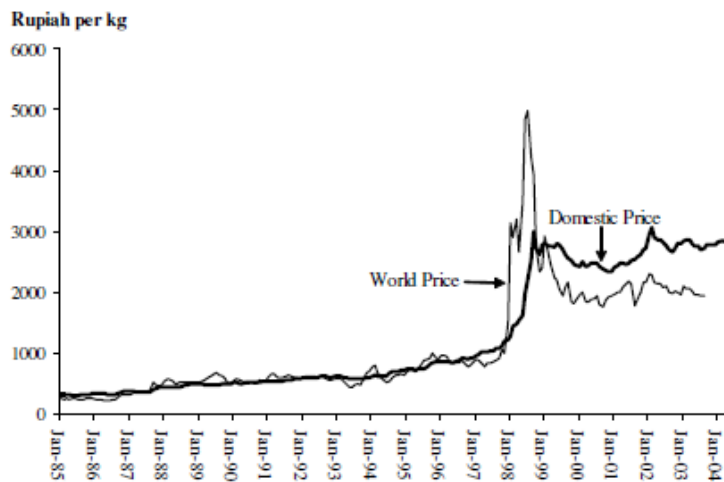


Figure 2 World price and domestic price of rice, Indonesia, 1985–2004.
 Note: 'World price' means c.i.f. import price of milled rice in \$US converted to Rupiah in current prices using market exchange rate. 'Domestic price' means market price in Jakarta of milled rice in Rupiah, current prices. Source: Bulog (rice prices) and Central Bureau of Statistics, Jakarta (exchange rates).

Source: (Warr, 2005, p. 431)

This stability in price and availability contributed to pro-poor growth. For instance, in 1970, 60 percent of the population (70 million people) were classified as poor. By 1996, poverty had fallen dramatically, with 11.30 percent of the population (22.50 million people) classified as poor (*Badan Pusat Statistik*, 2016). For almost 30 years, Indonesia experienced an average annual GDP growth of over 7 percent (McCulloch, 2008, p. 45). It was not only high growth but also the pattern of equitable growth that resulted in poverty reduction. Growth was spread across society, with both the poor and the rich gaining from the economic growth experienced during this time. This was depicted in the GINI coefficient of consumption inequality, which stayed at around 33 percent from the early 1980s until the AFC in 1998 (McCulloch, 2008, p. 45). The New Order's productivist policies in rice and agriculture helped to achieve this growth. The New Order's ability to guarantee the supply and price of rice and generate sustained economic growth helped maintained political stability for much of Suharto's leadership.

The outcome changed dramatically by the mid-1990s, however. Due to a slowdown in the world economy, the government responded by cutting public spending on pesticide subsidies, irrigation and fertiliser subsidies. Spending shifted to promoting manufacturing rather than agriculture. These changes in policy had a significant impact on rice production; yields fell and expansion slowed. By 1995, Indonesia was struggling to keep up with domestic rice demand. The government was no longer completely self-sufficient for rice (OECD, 2012, p. 138). As a result, Indonesia was forced to start importing rice, and by 1996 it was a major rice importer again (Jakarta Post, 2002b). Prices began to rise, increasing economic pressure on the population, in particular for the poor. By 1997, there was a food shortage and spiralling food prices.

In sum, then, Indonesia's food security system under the New Order can be characterised as productivist, particularist, unequalising, and informal in nature (See Figure 3). It was productivist as policy was used for economic advancement and political stability. It was particularist because there was no extension of food rights to Indonesian citizens. It was unequalising as policy privileged productive elements. It was informal as most Indonesians were unable to rely on state programs and were consequently at the whim of family, community and the market. In contrast, it cannot be characterised as predatory or Weberian (as seen in Figure 3) because there were no food security programs meeting the definition of social protection at this time, even though BULOG's operations exhibited extensive predation.

The Political Economy of Food Security in the Post-New Order Period

In 1998, during the onset of the AFC, food insecurity was widespread. Due to the economic crisis, food prices fluctuated significantly. In May 1998, there were riots throughout Indonesia, primarily in Jakarta, Medan, and Solo. These riots were generated by political tensions, poverty, mass unemployment, economic pressures as well as food shortages (Hill & Shiraishi, 2007; Warr, 2005). There was immense political pressure from the technocrats, international community and civil society for the government to address food insecurity.

In this context, the balance of power between the competing coalitions involved in struggles over food security shifted (albeit only slightly as we will see) away from predatory officials and their corporate allies, towards popular forces and the technocrats and donors. After the fall of the New

Order, numerous NGOs that prioritised concerns that related to food and agriculture emerged and became active in advocating for the rights of Indonesian citizens. Examples included Sawit Watch, the People Forest Program, People's Coalition on Food Sovereignty (KRKP), Association for Community and Ecology-Based Law Reform (HUMA), Food Security Council (DKP), Sundanese Peasant Union (SPP), the Agrarian Reform Consortium (KPA) and the Indigenous Peoples' Alliance of the Archipelago (AMAN). At the same time, NGOs with a similar focus established during the New Order, such as the Indonesian Forum for the Environment (WALHI) became increasingly active in the post-New Order period. Most of these NGOs conducted research and evaluation of food security issues in Indonesia. For instance, the Food Security Council (DKP) produced numerous reports providing recommended policies on food availability, distribution, consumption, quality, nutrition and safety, as well as evaluating national price stabilisation efforts. In 2015, for instance, it produced a report entitled *Food Security and Vulnerability Atlas of Indonesia 2015* with the World Food Program. This report identified areas vulnerable to food insecurity and recommended ways to improve food security. Furthermore, it analysed issues regarding nutrition and the need to prioritise approaches to address stunting. However, such NGOs were less forceful in advocating, coalition-building and pushing for more a welfare-oriented food security system, particularly compared with their counterparts operating in the realm of social security, where, as we will see in Chapter Six, NGOs and trade unions combined to mobilise civil society. Food security-focused NGOs were less forceful because they had fewer resources, and had weaker links to the poor and other institutions.

At the same time, there was rapid growth in the number and influence of farmer unions and organisations. In 1998, a new Presidential Decree (18/1998) removed the exclusive rights of the KUD and HKTl to service farmers and encouraged the development of new representative organisations. Farmers seized this newfound political freedom, forming numerous organisations, unions, and associations. Some organisations focused on issues such as land rights or sustainable agricultural practices, while others focused on sectors such as rice, sugar, coffee or palm oil. A study conducted by the International Food Policy Research Institute in 2011 found that there were 318,019 farmer organisations in Indonesia (see Table 8). However, only 25 percent of farmers belonged to a farmer or producer organisation (International Food Policy Research Institute, 2011, p. 2). The transition to a democratic regime generated an environment more conducive to the creation of unions and NGOs, and the participation of farmers in organisations. However, many remained marginalised, in part because these institutions had limited resources. They relied on other agencies for support regarding resources. Most relied heavily on support from international actors and small government grants.

Their limited resources meant that the benefits available to farmers from these organisations were often small (OECD, 2012).

Table 8. Farmer-Based Organisations in Indonesia

Type of Organisation	Number
Farmer groups	270,817
Farmer input supply and marketing co-operatives	15,433
Farmer organisations related to commodities such as cacao, coffee, sugar cane	1,365
Producer organisations (for high-value crops)	2,100
Rural/Farm Women's Organisations	28,304
Total Number of Farmer Organisations	318,019

Source: (International Food Policy Research Institute, 2011, p. 3)

In this new social and political context, popular forces started to lobby against unfavourable rice policies created under the New Order, although this was on a small scale, particularly when compared with the case of social security discussed in Chapter Six. Farmers began to resist unfavourable policies, increasingly voicing their opinions, and gathering to campaign. For instance, poor farmers and their NGO allies rallied together over land rights. This resulted in a policy victory in the form of a new MPR decree on agrarian reform and natural resources management. In September 2001, the Sundanese Peasant Union (SPP), working in coordination with other NGOs and the Agrarian Reform Consortium (KPA),⁴⁸ mobilised 17,000 farmers and workers from the Garut, Tasikmalaya, and Ciamis districts to demonstrate during a national workshop in Bandung. The workshop consisted of a working group from the MPR. They were discussing the draft of the MRP decree on agrarian reform (Afiff, Fauzi, Hart, Ntsebeza, & Peluso, 2005, p. 4). The MPR decree called for a revision of all natural resource management laws, as well as for agrarian reforms to recognise the rights of local people to natural resources. The demonstrators were blocked by the police thirty kilometres outside Bandung, but the

⁴⁸ From 1998, a coalition of NGOs and student organizations known as KUDETA (*Koalisi untuk Demokratisasi Sumber Daya Alam*, Coalition for Democratisation of Natural Resource Management) were heavily involved in directing the government on agrarian reform.

NGOs involved in the workshop persuaded the legislators to meet the group of demonstrators at the police lines to hear their views on the reform (Afiff et al., 2005, p. 4; Anugrah, 2015).⁴⁹ In 2001, the MRP decree was successfully ratified (Di Gregorio, 2006, p. 12).⁵⁰ This indicated the increasing ability of farmers to mobilise, the important role NGOs and unions had supporting them, and the growing influence this coalition had over policy.⁵¹

There were also civil society demonstrations against high rice prices and corrupt practices in rice policy. For instance, on the morning of August 26, 1998, in Bondowoso, East Java, hundreds of people looted 176 metric tons of rice, 12 tons of coffee beans, and 150 sacks of cement, as well as various other basic commodities that were also taken from stores (Jakarta Post, 1998a). Consequently, many stores closed for several days in Bondowoso and some surrounding towns. On the same day, in Surabaya, East Java, an activist group known as Children of Surabaya Pro Reform (*Arek Surabaya Pro Reformasi*, ASPR) coordinated around 200 activists to gather at the DOLOG (*Depot Logistik*, the regional logistics offices at provincial level) (Manan, 1998). They demanded transparency in the distribution of groceries to the public. A day later, around 300 rickshaw drivers, who were members of the Society of Rickshaw Workers Surabaya (*Paguyuban Tukang Becak Surabaya*), visited the same office. They protested in front of the office, demanding that the DOLOG provide them with rice at a low cost (Manan, 1998). The increased activism of popular forces placed mounting pressure for reform.

The media also became more active and free, exposing the corruption occurring within BULOG. For instance, the Tommy Suharto land-swap case (discussed above) featured heavily in the media. Another illustration involves President Abdurrahman Wahid, who came to power in 1999 following Indonesia's first democratic elections since the 1950s. Wahid was impeached in July 2001 for his involvement in the withdrawal of US \$4.1 million (Rp 35 billion) from BULOG, the scandal being dubbed 'Bulog-gate' by the Indonesian media (Eklof, 2002, p. 240; George, 2008, p. 98; Jakarta Post,

⁴⁹ Not all unions or NGOs supported the reform; for instance, the Indonesian Federation of Peasants' Unions (FSPI, *Forum Serikat Petani Indonesia*) and its supporting NGOs rejected it, arguing it had neoliberal and pro-market agendas.

⁵⁰ This decree became known as the People's Consultative Assembly Decree No. ix/2001 (*Ketetapan Majelis Permusyawaratan Rakyat No. ix /2001*, tap mpr No. ix/2001).

⁵¹ This MPR decree did not change conditions for farmers as legislation did not accompany it; thus reform did not progress beyond regulatory change (Rosser et al., 2005, pp. 64-67). In part, this was likely due to resistance from bureaucratic elements at the Ministry of Forestry who had a lot to lose from the implementation of land reforms. Reforms would reduce forest lands under their control and the rent-seeking opportunities for Ministry officials (Rosser et al., 2005, pp. 64-67).

2000c). In another case, the House of Representatives Speaker and Golkar Party chief, Akbar Tandjung, allegedly misused Rp 40 billion in BULOG funds to finance Golkar's campaign in the 1999 general election (Bresnan, 2005; Jakarta Post, 2002c). Such cases led to a statement in the *Jakarta Post* that the 'Bulog scandal(s) merely show(s) that throughout these years Bulog has been 'a piggy bank' ready to be cashed in at any time the government needed money' (Jakarta Post, 2000c). In this sense, the media played a major role in exposing cases of corruption and, more generally, in informing the public. Such information often encouraged citizens to mobilise and improved their ability to participate.

The AFC and the collapse of the New Order also empowered the technocrats and donors in relation to food security policy, at least for the first few years after the onset of the crisis. As noted in the previous chapter, donors—especially the IMF, World Bank and ADB—gained substantial influence over development policy as a result of the crisis. Collectively, the technocrats and donors pushed the government to liberalise the trade of food and agriculture products. They also pushed for the introduction of a social safety net scheme related to food security, a targeted rice subsidy program known as OPK (*Operasi Pasar Khusus*, special market operation) which is discussed later in this chapter. In 1997, to gain a loan from the IMF, Indonesia had to sign a series of LOIs. LOIs dated May 17th, July 31st and September 7th in 2000 pledged that the Indonesian government would make several reforms relating to BULOG and rice policy. These LOIs specified that Indonesia would provide food aid in the form of food subsidies and detailed the continued increase in food subsidies and essential items. They also detailed other measures in regard to food security, such as: cutting tariffs on all food items, phasing out import monopolies and price controls on agricultural commodities, levelling the playing field in the import and distribution of essential food items between BULOG and private sector participants, and preparing a mechanism for the regular adjustment of administered food prices (Government of Indonesia, 1998a).

However, in pursuing this agenda, the technocrats and donors ran up against fierce resistance from predatory officials and their corporate allies. Despite the broader political changes unleashed by *reformasi*, predatory elements retained effective control over the food security system and, in particular, BULOG, as we will see in greater detail below.

One sign of the continued authority of predatory forces within the food security system was their ability to maintain a closed market in the rice trade. In 2012, the government released Law No. 18/2012 on Food. This law emphasised that food is an essential human need and meeting this need is vital to fulfilling human rights. It also stressed the obligation of the government to achieve availability, affordability and fulfilment of food needs, where the food is sufficient, safe and nutritionally balanced for all Indonesians. The new law also highlighted the importance of food sovereignty and autonomy. Yet it also consolidated the legal basis for many existing import limits and tariffs, which were in place to protect domestic farmers and businesses. These import limits and tariffs resulted in a stable but higher rice price, disadvantaging consumers. This is because they protected domestic markets from international fluctuations in price but, due to Indonesia's comparative inefficiencies in rice production, resulted in a higher price of rice. This policy also maintained a monopoly on the importing of rice for elite-affiliated businesses that were often exempt from trade barriers. Such a policy was beneficial for large domestic farmers, businesses, and elites, but had a significant negative impact on the poor. This outcome reflected the immense pressure from predatory forces lobbying for greater import restrictions.

Another sign of the continued authority of predatory forces within the food security system was the fact that the country's main farmer union, the HKTI, remained closely integrated with elite political networks, rather than evolving into an independent voice for Indonesian farmers. Between 2004 and 2009, for instance, it was closely aligned with Gerindra (*Partai Gerakan Indonesia Raya*, Great Indonesia Movement Party) (Mietzner, 2013, p. 94). The chairperson of HKTI, Prabowo Subianto, 2004-2009—a retired Army general, a former chief of the Special Forces, and the former son-in-law of Suharto—used HKTI to gain support for his political campaign for the presidency in 2014. Furthermore, in 2009, of the 26 Gerindra members of the parliament, six had ties to HKTI (Mietzner, 2013, p. 94). Other leaders of the HKTI in the post-New Order period have also used it to advance their political careers. Siswono Yudo Husodo, the chairperson of HKTI from 1999-2004, was a candidate for Vice President of Indonesia in the 2004 General Election. Hence, while the power of the unions and associations expanded, political parties and politicians also seized the power of these organisations—such as HKTI and its members—and took advantage of them to strengthen support for their party, using the organisations to facilitate their agenda. These unions captured by predatory forces show the sustained dominance of the predatory officials and their corporate allies in food security.

As we will see in the remainder of this chapter, predatory officials and their corporate allies were able to hijack reforms to food security. Within this context, the nature of Indonesia's food security system evolved in a way that exhibited considerable continuity with the New Order period. As described above, during the New Order, Indonesia's food security system was productivist, particularist, unequalising, and informal in nature. In the post-New Order, it became faintly more welfarist in nature as a result of the government placing an increased emphasis on rice policy promoting social development as opposed to economic growth. It similarly became marginally more universal and formal in nature as a result of an expansion of rights and coverage and the fact that the state played a greater role in providing food security. However, it remained relatively unequalising in nature due to the fact that policy continued to reinforce the position of productive elements. Finally, implementation of policy was highly predatory, with the implementation of food security programs tainted by corruption and rent-seeking (see Figure 3).

In the following two subsections, I illustrate these dynamics and the outcomes that prevailed by focusing on two specific issues: rice trade policy and subsidised rice for the poor. In the first case, I argue that policy reforms were hijacked to ensure political stability by reinstating protectionist trade policies. These policies resulted in a stable price of rice, helping to promote political stability and in turn economic growth, but they also produced high rice prices, which hindered poverty reduction efforts. In other words, economic policy was prioritised over social policy. These policies also entailed a limited extension of rights to food because many Indonesians were still excluded from that right. Finally, the rice trade policy reforms were captured by predatory elements. The second case involved the introduction of a food security program that provided subsidised rice for the poor. The establishment of this program represented a move towards a more equal relationship between social policy and economic policy. However, I argue that the shift in this direction was only modest because economic policy was still privileged over social policy. I also argue that many program benefits were captured by predatory officials and their corporate allies, undermining the extension of rights and access to food.

Case 1: Rice Trade Policy Reform

Food trade policies are not considered a form of social protection in themselves. But they have a significant impact on national food security because they affect the availability, price, and stability of food supplies. This is particularly the case when they relate to a staple food such as rice which, as noted earlier, is the staple food for most of the Indonesian population.

Following the fall of the New Order and under pressure from the IMF, the Indonesian government introduced a range of reforms to rice trade policy. The first of these was the removal of BULOG's monopoly powers in 1998. BULOG lost its discretionary power over import and export licenses; this power was transferred to the Ministry of Trade. This meant that private importers were permitted to import rice and could compete with BULOG.⁵² This led to free trade in rice, although BULOG was still authorised to manage and control the price of rice (Interview IN4914, October 17, 2014).⁵³ A second reform was that from 1999 BULOG could no longer use Bank Indonesia's low-interest credit loans, known as Bank Indonesia liquidity credits, to support its rice procuring operations. This change meant that BULOG had to borrow from ordinary commercial banks (Yonekura, 2005, p. 128). A third reform was that the government removed its food price subsidies in August 1998 and replaced them with a targeted rice distribution program to poor households known as OPK, discussed in detail later in the chapter. Essentially, BULOG's functions shifted to focus on overseeing a buffer stockpile and managing the OPK.

A fourth reform occurred in 2003 when BULOG became a state-owned enterprise (*Badan Usaha Milik Negara*, BUMN) (Rashid, Gulati, & Cummings, 2008, p. 155). Previously, it was a national agency under the command of the president. This reform had already been set in motion by the IMF reforms in 1998-2000. In the LOI dated September 7, 2000, the government committed to having special audits conducted on BULOG. The results from this indicated that the best solution was for BULOG to become a state-owned enterprise (Yonekura, 2005, p. 132). In Indonesia, there are two forms of state-owned enterprises: general companies (*perusahaan umum*, Perum), in which the state owns all the shares, and limited companies (*perseroan terbatas*, PT), which are listed on the stock exchange and in which the public can hold shares (Rashid et al., 2008, pp. 155-156). BULOG chose to become a general company, giving itself dual functions as a profit-maximising entity and as a public entity responsible

⁵² After BULOG lost its monopoly rights, its rice imports in 2001 dropped to almost a third of their 1999 level (World Trade Organisation, 2003)

⁵³ Although BULOG lost its ability to manage and control the price of other food commodities such as soy, sugar, and wheat.

for distributing subsidised rice to the poor. It could enter into trading activities, provided it had permission from the government (Rashid et al., 2008, p. 155). Many government departments and agencies, such as the Ministry of Agriculture, rejected this shift to a state-owned enterprise as they wished to acquire BULOG and, in so doing, gain control over its resources and rent-seeking opportunities (Yonekura, 2005, p. 141).

These reforms encountered fierce resistance from predatory political and bureaucratic elites. They pushed the government to impose import bans and trade restrictions. BULOG, the Ministry of Agriculture, the PKS, the Golkar Party, and PDI-P were key institutional sources of opposition to reform. At the individual level, the principal opponents of reform included bureaucrats such as: Suswono, Minister of Agriculture, 2009-2014; Ma'mur Hasanuddin, a member of the PKS in the House of Representatives' Commission IV, 2009-2014; Airlangga Hartarto, a Golkar politician appointed Minister of Industry in 2016; and Firman Subagyo, a Golkar member of the House of Representatives, 2009-2014. Other key opponents of reform were previous BULOG president directors such as Beddu Amang, Rahardi Ramelan, and Widjarnarko Puspooyo. Beddu and Rahardi were known to be Golkar financiers, while Widjanarko was with the PDI-P (Afrida, 2011). They openly protested the liberalisation of rice imports, wanting to maintain the power of predatory officials to distribute such licences and preserve importing and exporting privileges for their corporate allies. Hence, despite the slight shift in power in the post-New Order period in favour of the technocrats and donors, predatory officials and their corporate allies still maintained close patronage networks, which enabled them to distribute benefits as they wished and played a dominant role in food security policy-making.

Predatory officials and their corporate allies were reluctant to liberalise the rice trade, as protectionist policies enabled them to exploit the food security system, turning import-restrictive measures into a cash cow. Large companies gained import licences due to their connections with other elites. By having a closed economy, the price of rice in Indonesia remained high—in part due to inefficiencies in the production of rice in Indonesia—while the price of rice internationally was much lower. Companies that imported rice made a profit from the difference between the international and the domestic price of rice. Officials agreed to inflate the price of the imported rice and to split the profits among themselves (Afrida, 2011). In addition, due to predatory officials' connections with elite-affiliated conglomerates, they were often exempt or able to circumvent trading tariffs (Jakarta Post, 2001). Predatory officials and their corporate allies, who owned large conglomerates such as the Salim group or Bakrie group (both of which at various times have been involved in the rice industry, and

other food industries), had a lot to gain from keeping the rice market closed. These actors pushed the government to restrict trading to maintain the rents such restrictions generated.

BULOG was perhaps the strongest source of resistance to reform. BULOG strongly supported trade restrictions. Its officials wished to maintain its monopoly on importing premium quality rice because it provided rent-seeking opportunities, bonuses, and the ability to make a profit. For instance, during an interview, a specialist on RASKIN revealed that those who control the importing gain large profits. Both the civil servants from BULOG and the importers received profits—sometimes in the form of bonuses or fees—for importing rice (Interview N0214, April 16, 2014).⁵⁴ In 2001, BULOG chief, Widjanarko Puspojo, accordingly requested support from the House of Representatives to impose quotas on rice imports and thereby reinstate its monopoly on the importation of rice (Jakarta Post, 2001).

The result of this political context was the reversal of many reforms. For instance, in 2000, the government reintroduced tariffs and quantitative restrictions on the importation of rice. In 1999-2000, there were no such tariffs. However, only a few months after liberalising trade, the government imposed a specific tariff of Rp. 430 per kilogram.⁵⁵ In 2002, the government raised the import tariff on rice to Rp 753 per kilogram (Jakarta Post, 2002a). By January 2004, coinciding with the end of the IMF reforms, the government brought an end to free trade in rice and imposed a supposed ‘seasonal ban’ on imports. This ban was never lifted.⁵⁶ Under this ban, rice could only be imported during the off-season with licensing approval from the Ministry of Trade (OECD, 2012, p. 182). This ban and the increase in tariffs were supported by the Ministry of Agriculture. BULOG was also a strong advocate of trade protectionism, while the Ministry of Finance opposed the reversal of the IMF reforms (Warr, 2005, p. 4). The Ministry of Finance has responsibility for all taxes, but not for non-tax instruments

⁵⁴ In another case, in 2014, it was revealed that private (non-BULOG) importers illegally imported more than 17,000 tonnes of medium-quality rice when they were only permitted to import premium-quality rice (Lingga, 2014). The rice import policy was vulnerable to import smuggling, rent-seeking, and abuse of special import licenses—enabling the predatory officials and their corporate allies to capitalise (Interview IN4414, September 16, 2014).

⁵⁵ From January 2000 to December 2003, private imports of rice were subject to tariffs averaging 21.4 percent of the world import price. Non-tariff barriers were also imposed on rice imports in the form of strict customs treatment and import licensing requirements.

⁵⁶ There was only a brief period of free trade from January 1999 to December 2003 (World Bank, 2006, p. 206). The import ban is currently still in place.

like an import ban, which in the case of rice is under the shared authority of the Ministry of Trade and the Ministry of Agriculture (Warr, 2005, p. 3).

The Ministry of Trade and the Ministry of Agriculture used the trade ban in 2004 to give BULOG a monopoly over imports and exports of medium quality rice—the most commonly consumed quality of rice in Indonesia. Private companies (commonly those affiliated with elites) were still permitted to import premium rice for special purposes, subject to approval by the Ministry of Trade, but many non-tariff and tariff barriers made it difficult for them to do so (Dodge, 2012, pp. 4, 21).⁵⁷ However elite-affiliated companies were often exempt from such tariffs, giving them a large advantage. The import ban reinstated BULOG's monopoly over the rice market and made it tough for others to compete with it (Interview IN2714, July 18, 2014).

The effect of this pattern of reform and reversal was to produce a set of policies that reinforced the productivist nature of Indonesia's food security system, as it had developed under the New Order. Rice trade policy was focused on creating a stable rice price to maintain both economic and political stability. For instance, the import limits and tariffs which were imposed resulted in a stable but higher rice price. This policy was beneficial for the economy in that it maintained stability, but had a significant negative impact on social development. In particular it hampered efforts to reduce poverty, as discussed further below. There has been a continuous emphasis on food security providing stable prices, while there has been less emphasis on social policy, such as increasing access, rights, or reducing the price of food for the poor. To the extent that there has been emphasis on social policy, it has been subordinate to economic concerns.

In addition to reinforcing productivism, this pattern of reform and reversal also reinforced the particularist and unequalising dimensions of Indonesia's food security system. During the period of free trade, unions and farmers regularly advocated for the implementation of greater trade barriers (Bisnis Indonesia, 2001; Jakarta Post, 2003). For instance, in 2006, hundreds of farmers and unions

⁵⁷ For instance, they had to have both general import licenses, special rice-importer licenses and a letter of recommendation from the Agriculture Ministry, which clearly stipulates details of the quantity, countries of origin and the seaports where the rice would be imported into Indonesia. Before importing, they must also declare the imports and provide the letters and import licenses to the state-owned surveyor companies, either PT Sucofindo or PT Surveyor Indonesia and customs (Lingga, 2014).

protested the government's plan to import 210,000 kilograms of rice. This predominantly involved large rice farmers. The farmers, unions and their allies crowded the House of Representatives building in Jakarta to voice their opposition to the planned imports (Jakarta Post, 2006). Free trade of rice pushed down prices. When international prices were lower, this made it difficult for domestic farmers to compete and it had a drastic impact on their livelihoods. Trade liberalisation reduced the profits of farmers. For instance, 'If the tariff is reduced by 50 percent (or 225 IDR/kg), the farm profit per hectare for Indonesia will decrease by 20 percent. If the tariff is completely eliminated, the farm profit per hectare for Indonesia will decrease by 39 percent.' (Hadiprayitno, 2010, p. 127). However, most small farmers—who collectively account for 57 percent of all Indonesian farmers⁵⁸—are net consumers of rice. Hence tariff and trade protection benefits the biggest, most efficient and richest farms. The vast majority of the poor in Indonesia are net consumers of rice, who do not benefit from trade and tariff protection (Asian Development Bank, 2006, p. 96). Hence, this policy was particularist in its effects in that the benefits went to a small group, and unequalising as policy perpetuated class inequalities. The campaigning against imports was not led by small farmers; rather, it was led by the HKTI, which received generous funding and political support from Golkar. The HKTI actively campaigned against imports, arguing that they discourage production and rural development. The HKTI supported the interests of large farmers and elites, who had a lot to gain from these import restrictions.

The technocrats and donors responded to these policy reversals by arguing that this resulted in high rice prices and subsequently poverty. Initially, after the IMF reforms, domestic rice prices were below world prices for a brief period. However, from 2000 onward, domestic rice prices stabilised at levels 30 to 35 percent above import prices (Warr, 2005, p. 431) (See Figure 4 above). An OECD study found that 'as a result of policy interventions, domestic rice prices were 60% higher than international prices in 2010-12' (OECD, 2015, p. 2). Likewise, Gunther Schulze noted that the average price of medium-quality rice, from July 2015 to June 2016, was 73 percent higher in Indonesia compared with Vietnam due to trade restrictions. These protectionist policies privileged rice producers over rice consumers and put upward pressure on poverty rates.⁵⁹ The World Bank calculations for 2013 showed that a ten percentage point increase in rice prices increases the poverty rate by 0.45 of a percentage point—equivalent to 1.1 million people in Indonesia (Schulze, 2016). Essentially, the outcome of protectionist policy measures was an increase in prices for Indonesian consumers and an increase in poverty. As

⁵⁸ Small farmers (known as *Petani Gurem*) are usually those with less than 0.5 hectare. According to the Indonesian Agricultural Census of 2013, they account for 57 percent of Indonesian farmers (Makbul, Ratnaningtyas, & Dwiyanoro, 2015, p. 218).

⁵⁹ 75 percent of rice growers in Indonesia are also net consumers of rice, meaning they are disadvantaged by high rice prices (Jakarta Post, 2014a).

such, during the post-New Order period, issues of food insecurity persisted—including hunger, malnutrition, and unequal access to food.

As a result of these issues, the technocrats were accordingly opposed to trade barriers and pushed the government to implement trade liberalisation. Technocrats who actively campaigned for the liberalising of rice trade in the post-New Order included Mari Pangestu, Trade Minister, 2004-2011; Boediono, Vice-President, 2009-2014; and Mahendra Siregar, Deputy Minister of Trade, 2011-2014. To the extent that they supported intervention in the rice market, they preferred investment in subsidy inputs and technologies—for instance, in developing dams, irrigation, and better logistics that improved productivity and international competitiveness. In this respect the technocratic position shifted slightly from the late 1960s, when they supported some protectionist policies. This shift in view likely reflected the rise of neoliberalism during the 1980s and 1990s and the strong bias towards market-oriented policies this promoted.

Likewise, donors also expressed opposition to the trade restrictions. In a 2006 report on the various dimensions of poverty in Indonesia, for instance, the World Bank called for a revision of Indonesia's trade barriers on rice (World Bank, 2006, pp. 98, 126). In general, donors advised the government to abandon the import ban and, instead, introduce an import tariff which would automatically adjust in accordance with domestic rice prices. They argued against protectionist policies due to the negative impact they have on poverty and the economy. In 2006, senior World Bank economist Neil McCulloch told the *Straits Times*: 'Because of the impact on the poor, it is important to depoliticise rice trade policy...You only do that by having open trade and making it a private sector issue. It is too important to leave it to the vagaries of the bureaucracy' (McBeth, 2006).

However, donors and the technocrats were ultimately unsuccessful in preventing the winding back of reform, as described above. This demonstrated that despite the shift in power towards the technocrats, donors and the popular forces in the early post-New Order period, predatory officials were able to reassert control over the rice sector.

For their part, popular forces faced a range of challenges to participating in rice trade policy-making. As noted above, farmers mobilised in large numbers over land rights in 2001, but such instances have

been relatively rare. To the extent that they have been active in rice trade policy-making, this has often been through the larger unions such as HKTI, which, as noted above, held protests over rice imports. It has been smaller farmers who have been marginalised and engaged in limited participation. Rice farmers are located in rural areas that span across Indonesia. As a result of this location, they have had difficulty in forming collective action, except when organised by larger unions such as the HKTI. In addition, NGOs have done little to help consumers of rice take collective action against trade barriers, import bans or the corruption in the industry that results in high rice prices and increasing poverty. NGOs concerned with food security remain small and disjointed, and have limited resources. In essence, in the case of food security, advocacy and participation have been difficult due to the rural location of farmers, and the limited ability of NGOs.

In sum, then, the rice trade policy in post-New Order Indonesia demonstrates that policy reforms were hijacked to ensure a productivist agenda. These policies maintained a stable (but higher) price, calculated to ensure political and economic stability, and to protect the domestic rice market. Economic concerns were given priority over social policy. This was at the expense of the vast majority of Indonesians, who endured high (but stable) rice price as a consequence. Ultimately, this policy resulted in a higher incidence of poverty in Indonesia. Hence, rice trade policy was particularist in that it benefited a small minority, but it was also highly unequalising as it reinforced productivist elements. Although this policy was not a social protection program and cannot be characterised as predatory, nonetheless policy was used for predation, revealing an inability to successfully eliminate predatory elements.

Case 2: OPK and RASKIN

As part of the IMF reforms in 1998, the government created the OPK, a food security program. The OPK was part of a series of Social Safety Net Programs known as JPS, implemented by the government in the aftermath of the AFC. The program became the government's most important instrument to address food insecurity during the crisis. Three main goals lay behind its adoption: to mitigate unrest from civil society, to alleviate poverty, and to provide food security for the poor. The program entitled low-income families to buy 10 kilograms of subsidised rice per month at the subsidised price.⁶⁰ In

⁶⁰ The benefit increased to 20 kilograms in April 1999 and changed back to 10 kg in April 2000 (Sumarto et al., 2005, p. 5).

1998, the average market price for a kilogram of medium quality rice was around Rp 3,000, while OPK subsidised rice was Rp 1,000 per kilogram (Sumarto et al., 2002, p. 6).⁶¹

OPK was a donor initiative. As stated earlier, in 1997, to gain a loan from the IMF, Indonesia had to sign a series of LOIs. During negotiations over the IMF loan to Indonesia, the ADB, in collaboration with the World Bank, pushed the Indonesian government to introduce food subsidy programs targeted at the poor. Specifically, the LOIs—dated May 17th, July 31st and September 7th in 2000—detailed the provision of food aid in the form of food subsidies (Government of Indonesia, 1998a).

The program was implemented by BULOG. This essentially sustained BULOG's existence⁶² and enabled predatory officials to continue exploiting rice policy. These predatory officials remained in control of BULOG. Hence, OPK not only had support from the donor-technocrat coalition, but also predatory officials and their corporate allies. The key bureaucrats and staff changed little. The government regularly handpicked the Chiefs of BULOG. After the AFC, Widjanarko Puspoyo served as the head of BULOG from December 19, 2001 to March 21, 2007. Puspoyo was politically well-connected, being a close ally of the Yasin Limpo family—an extremely wealthy, powerful, prominent family in Indonesia.⁶³ Puspoyo was a member of PDI-P, the party established by former President Megawati Sukarnoputri. When Yudhoyono became president in 2004, he led a political witch-hunt to remove Puspoyo from office. In 2007, Puspoyo was replaced by Mustafa Abu Bakar, who was head of BULOG from March 21, 2007 to October 22, 2009. Abu Bakar was a former governor of Aceh province and a prominent member of the Golkar Party. At the time, Vice-President Jusuf Kalla was Golkar chairperson. Kalla was apparently instrumental in Abu Bakar's appointment as head of BULOG. Such positions served as important instruments for maintaining political power and securing rents. BULOG was responsible for getting OPK rice to the distribution points, after which the local government was responsible for distributing the rice to the targeted households. Hence BULOG and predatory officials within it had the opportunity to misappropriate funds/resources from the program. In one instance in October 2016, Bulog head Agus Dwi Indirato and four rice distributors were arrested after allegations of

⁶¹ On average, households purchased RASKIN rice at a price 75 to 80 percent lower than the market price (World Bank, 2012e, p. 8). For instance, in 2012, RASKIN enabled poor and vulnerable households to purchase up to 15 kilograms of rice at a subsidised price of Rp 1,600 per kilogram, while the market price of equivalent quality rice was estimated at Rp 5,500 per kilogram (World Bank, 2012e, p. 8)

⁶² Around 80 percent of the rice procured by BULOG was distributed through OPK (SMERU Research Institute, 2008, p. xvi).

⁶³ The Yasin Limpo family have held key political positions in South Sulawesi since the 1998. They have a dedicated group of local supporters.

corruption. They were accused of mixing subsidized RASKIN rice with imported rice from Thailand and later selling it as a premium product (Tang & Ribka, 2017). In other cases in 2014, it was found that as much as 30 percent of RASKIN rice went missing, in part resulting in the KPK launching a full-scale investigation of BULOG (Reuters, 2014).

In 2002, the government changed the name of OPK to RASKIN. The name change occurred for two main reasons. First, it was a strategy to reduce program leakages and corruption. By having the name of the program reference the poor, it was hoped that this would discourage the non-poor from using the program. Second, it was also a political move—a strategy to claim recognition for the program. When Megawati came to power in 2001, she renamed the program in an attempt to gain political praise and recognition for the program. Later, during her 2004 campaign for re-election, she regularly noted her efforts towards the poor, including the rice subsidy program (Go, 2004). Despite the change to the name, however, little else changed within the program (Riyanto, Rosyid, & Retno, 2003). A Tempo article stated: ‘OPK has been renamed to RASKIN (selling cheap rice to the poor), but the management is the same, without improvement’ (Riyanto et al., 2003). Essentially, the goals and implementation of RASKIN remained the same.

During the post-New Order period, the budget for RASKIN expanded steadily and food security became more universal. In 2002, when the program started, the budget was Rp 4.24 trillion. By 2012, the budget was Rp 15.6 trillion (more than US \$1.65 billion), and RASKIN distributed about 3.7 million tonnes of rice to 17.5 million households in Indonesia (World Bank, 2012e, p. 9). This meant that the program covered about 66 million people—equivalent to 25 percent of the population and 10 percent of the total rice consumed in Indonesia (Interview IN4914, October 17, 2014). RASKIN was one of the world's biggest rice subsidy programs, and it represented almost 53 percent of all targeted social assistance expenditure in Indonesia (World Bank, 2012e, p. 4) (see Table 9).

Table 9. Increase in Coverage and Budget of RASKIN

Year	Budget (Trillion Rupiah)	Percent of GDP	Coverage (Households)
2005	6.40	1.8	11,100,000
2006	5.30	1.2	12,700,000
2007	6.60	1.3	16,000,000
2008	12.10	1.7	19,100,000
2009	13.00	2.1	18,500,000
2010	13.90		17,500,000
2011	15.30		17,400,000
2012	15.60		17,400,000
2013	17.90		15,500,000
2014	18.80		15,500,000

Source: (Halim, 2014; SMERU Research Institute, 2008, p. 27; Sumarto, 2014, p. 54; World Bank, 2012e, pp. 16, 25)

This expansion of access and rights to food security was possible due to the political support for the program among the political elite and its apparent popularity with the voting public. Political entrepreneurs used RASKIN to gain support from the public for their own political purposes. During an interview with an employee from an international donor agency, the employee described RASKIN as: ‘a political vehicle for all layers of leaders, from the president to the village chief’ (Interview IN5214, October 22, 2014). At the national level, politicians often used RASKIN as a tool for mobilising support before elections (Interview IN2714, July 18, 2014). Yudhoyono, for instance, used RASKIN to gain the support of the poor during his campaigning in both 2004 and 2009. His popularity largely stemmed from his strong emphasis on rice subsidies, among other social protection programs (Rosser et al., 2011a, p. 28). After he won the election in 2004, he continually increased the budget and coverage of the program over his ten years in office (2004 to 2014). In the year leading up to the 2009 elections, the budget for RASKIN almost doubled—going from Rp 6.60 trillion in 2007 to Rp 12.10 trillion in 2008 (see Table 9 above). During the 2009 presidential campaign, Yudhoyono frequently

referred to social assistance programs, including RASKIN in his campaign speeches/statements to the media. On the final day of campaigning, Yudhoyono announced his 15 election promises and these included a pledge to reduce poverty by 8 to 10 percent by increasing farm development and programs for rural and civil society. He also emphasised that rice self-sufficiency should be maintained (DetikNews, 2009). Yudhoyono's re-election in 2009, can be attributed in no small part to his promotion of a vast number of policy reforms—in particular, RASKIN, which directly benefited the poor (Aspinall, 2014, p. 11).

The use of RASKIN to gain political support also occurred at the local level. Local politicians politicised RASKIN in the same way as national political elites, using it to mobilise political support. In some instances, local officials withheld rice in the lead-up to elections. Then in the weeks before elections, they released the rice to make it seem as if the rice were a gift from the local government, enticing citizens to vote for them (Interview IN4414, September 16, 2014; Interview IN2514, July 16, 2014). Local and national political entrepreneurs widely supported RASKIN—they encouraged the program's expansion, often for their own political benefit. Essentially, democratic reform in 1998 resulted in political elites relying on a wider base of political support and this shifted the power towards popular forces and led to the increased coverage and budget of RASKIN.

Predatory bureaucrats also largely supported RASKIN as it sustained the existence of BULOG and opportunities for rent-seeking. Corruption occurred at multiple stages including the buying of rice, the importing of rice, rice transportation, rice delivery, and the re-selling of rice (that is, the re-entry of rice into the market). During an interview, an NGO worker described all processes of implementation in RASKIN as vulnerable to exploitation (Interview IN1714, June 30, 2014). While OPK and RASKIN represented a reform and a policy shift in Indonesia, predatory officials and their corporate allies were able to hijack and manipulate these programs in a variety of ways.

First, they were able to manipulate the price of rice to gain a profit (Interview IN4414, September 16, 2014). BULOG was accused of offering prices to rice farmers at the village level that were lower than prices provided by traders and rice mills (McCarthy & Zen, 2013). This phenomenon was described in an interview with a researcher and academic, who stated:

They [BULOG] can push the price of rice for the farmers down and get lower than the rice price even for RASKIN. Farmers usually have no negotiating skills, so they do not say no. They would just be happy when someone bought their rice. The middleman [BULOG] could get some profit from each kilogram of rice they distribute, and since they are buying it in tonnes of kilograms, the benefit is quite big. (Interview IN0214, April 16, 2014)

BULOG officials would deflate the value of rice when buying rice and inflate it when selling rice to increase their profit margin⁶⁴. For instance, in 2003, the cost for BULOG to procure rice was Rp 2,790 per kilogram, but it sold the rice to the government for up to Rp 3,343 per kilogram (SMERU Research Institute, 2008, p. x). Likewise, local officials —who controlled the program at the village level—could also increase the price of rice when they sold the rice to beneficiaries in order to make a profit (Halim, 2014; Interview IN8214, December 12, 2014). There were few incentives for the local administrators to implement the program efficiently. They did not receive funds to implement the program, so they increased the price to cover these costs. The outcome of this was reduced benefits for the poor. For instance, the actual benefits received by a household covered only 2 to 3 percent of the average poor household's expenditure in 2010 (World Bank, 2012e, p. 5).

Second, bureaucratic officials sometimes substituted rice of different qualities to increase profits. The quality of RASKIN rice provided to the poor was often extremely low and below the quality mandated by the scheme (Kompas, 2014a; Sambijantoro, 2015). In an interview, a RASKIN beneficiary described the rice quality as 'very bad'. 'The colour', she said, 'is yellow. So, we mix it with the better-quality rice. We mix the yellow rice with the white rice' (Interview IN3614, September 6, 2014). Beneficiaries also said that there were often small rocks and gravel in the rice. Due to the poor quality of the rice, some recipients of the rice re-sold it to the market. The low quality of rice was partly because BULOG did not buy the correct rice quality (Interview N0214, April 16, 2014). BULOG was mandated to purchase medium-quality rice. However, it regularly bought lower quality rice, cutting its costs in the process. When the price of rice was high, it would sell the lowest quality rice, making a profit from the price discrepancy between medium-quality and low-quality rice, and from market fluctuations (Interview IN8214, December 12, 2014). There was no system to check rice quality (Interview N0214, April 16, 2014).

⁶⁴ They were often successful. In 2011, BULOG gained a total of Rp 936 billion in profits, up by around 11 percent compared with 2010 (Jakarta Post, 2012a).

The issue of low-quality rice also occurred when the rice was delivered. When the rice was transported to the province or district level, rice could be swapped (sold and re-bought) for a lower quality rice with officials making a profit on the price difference. Local officials sold the rice at the market and purchased lower quality rice at a lower price to make a profit (Halim, 2014; Interview IN4414, September 16, 2014). A representative of an organisation investigating corruption in RASKIN revealed that there were cases 'where local government sometimes didn't distribute RASKIN but instead sold it and took the profit for themselves. Last year there were some cases where several local governments sold RASKIN rice for themselves in Garut, West Java' (Interview IN4414, September 16, 2014). Local government officials controlled the implementation of the program and easily manipulated it. In an interview with an Indonesian NGO researching corruption, an informant stated: 'RASKIN, as far as we know, is in the hands of the village head and the police, and unfortunately for the poor, they get the worst rice... The problem is the conspiracy between the village head and the police officer, and BULOG' (Interview IN1714, June 30, 2014).

Third, local officials also used nepotism in targeting the program. The program benefits often did not go to the intended beneficiaries. There was an extremely high inclusion and exclusion error in the program. Due to weak targeting and leakages in program implementation, rice was distributed to households that were not eligible for the program (Interview IN0114, April 14, 2014). Weak targeting in RASKIN resulted in limited benefits reaching the poor. For example, World Bank data suggests that as little as 30 percent of benefits reached poor households, and 70 percent of beneficiaries are not classified as poor (World Bank, 2012g, p. 12). Rice was commonly shared amongst households, regardless of their eligibility. While the Indonesian Central Bureau of Statistics (*Badan Pusat Statistik*, BPS) provided a list of beneficiaries, this was often disregarded in favour of sharing the rice among the community or distributing it to family and friends of the village head and officials (Kompas, 2014b). The program was at the mercy of the local officials who had the power to misuse the program.

In response to this situation, the media and democratic institutions such as the KPK increasingly scrutinised the actions of the predatory officials operating within and around BULOG and RASKIN. KPK deputy chief Busyro Muqoddas announced in April 2014 that: 'Our examination [of RASKIN] found strong indications of cartel practices in the RASKIN program' (Halim, 2014). Busyro suggested that if the central government decided to continue RASKIN, it should re-design the system as it permitted widespread corruption (Taylor & Kapoor, 2014). Importantly, the media and democratic institutions

have acted as watchdogs and reported widely on the corruption by predatory forces and their corporate allies, although they have not successfully restrained them in the case of food security.

At the same time, the technocrats and donor agencies have been active in pushing for reform. The technocrat's initial support for RASKIN shifted over time, due to clear evidence of corruption and limited evidence of developmental outcomes. The technocrats argued for funding to be cut or shifted away from RASKIN due to the high costs associated with the program and its failure to meet any program objectives (Interview IN6714, December 9, 2014; Interview IN8515, January 12, 2015). For instance, in an interview about rice policy, one technocratic official explained that RASKIN was not needed. If the government reduced trade restrictions on rice, the price of rice would be reduced, and there would be no need to subsidise the price of rice for the poor. Instead, funding could be spent elsewhere—investing in rice technology to make rice farmers more productive and competitive or investing in other social protection programs (Interview IN5914, November 11, 2014).

The technocrats instigated some reforms to RASKIN. They changed the mechanisms by which the program targeted beneficiaries to improve effectiveness. Before 2006, targeting was conducted by the National Family Planning Coordination Board (*Badan Koordinasi Keluarga Berencana Nasional*, BKKBN). Beneficiaries with the lowest welfare conditions were selected. This was determined by five variables: food consumption patterns, housing floor type, type of accessible healthcare, possession of clothing, and ability to practice religion (SMERU Research Institute, 2003, pp. 1-2). From 2006 onwards, the program was targeted in two stages. In the first stage, BPS used its database to construct a list of beneficiaries who were considered poor households. The eligibility of a household was generated by BPS data which consisted of the bottom four deciles—the poorest 40 percent of Indonesians. The second stage was a village meeting to verify the list created by BPS data. However, RASKIN program manuals did not mandate that the BPS data was used, and in practice, the lists were often disregarded. This resulted in targeting often being conducted by the village head, political officials, and/or program administrators (World Bank, 2012e, p. 15). Thus, households commonly received much less than 15 kilograms of rice because the benefits were shared amongst those who were ineligible (Interview IN3414, September 5, 2014; Interview IN7414, December 11, 2014). While the technocrats imposed changes, they were ineffective, and local predatory networks continued to capture the benefits.

Similarly, donors pushed the government to make changes to RASKIN to improve outcomes. The ADB invested in a pilot rice fortification program to improve the impact of RASKIN. Fortification is widely recognised as increasing the nutritional value in a food.⁶⁵ Experts from ADB and other international organisations advised that RASKIN should fortify rice to increase the impact of the program (Interview IN5214, October 22, 2014). If the rice were fortified, the program could have an impact on malnutrition and stunting, as well as cognitive development. In 2013, 8.4 million children under five (37.2 percent) were stunted (World Bank, 2015b). Nevertheless, the fortification of rice saw resistance from politicians and BULOG. Both were hesitant about their ability to implement this nationally due to budget and logistical constraints (Interview IN5214, October 22, 2014).

In sum, the OPK and RASKIN programs were more about redistribution than the New Order's approach to food security had been. Hence, they have promoted a slight shift in the nature of Indonesia's food security system away from a productivist orientation towards a more welfarist one. The programs also enabled greater fulfilment of citizens' rights to food, involved the government playing a greater role in the protection and promotion of food security, and promoted greater equality rather than reinforcement of the position of productive elements. Thus they served to promote a shift towards a more universalist, statist, equalising, system as well. In all these cases, though, there was only a partial shift in orientation, with food security still largely dominated by economic policy and benefiting a select group, namely elites, predatory officials and their associates. Furthermore, predatory officials and their corporate allies heavily exploited implementation of the OPK and RASKIN, ensuring the system had predatory characteristics.

Conclusion

This chapter has demonstrated that Indonesia's food security system has undergone relatively limited change since the end of the New Order. Under the New Order, the country's food security system was productivist, particularist, unequalising, and informal in nature. In the post-New Order period, it developed some welfarist, universalist, equalising and formal traits but not enough to change its fundamentally productivist, particularist, unequalising, and informal character. At the same time, it was extremely predatory: programs such as OPK and later RASKIN were exploited by predatory

⁶⁵Rice can be fortified by adding a micronutrient powder to the rice that adheres to the grains or spraying the surface of ordinary rice grains in several layers with a vitamin and mineral mix to form a protective coating.

officials and their corporate allies. The chapter argues that this slight change—or the lack of reform—was due to the balance of power between coalitions remaining very similar between the New Order and post-New Order periods. During the AFC a slight shift in this balance of power led to some reform in the form of trade liberalisation and the introduction of a social protection program for the poor, driven by technocrats and donors. But predatory officials and their corporate allies were quick to contest and hijack these reforms. Trade liberalisation was overturned, and BULOG regained its monopoly on the rice industry. Additionally, the social protection programs, OPK and later RASKIN, became a rent-seeking opportunity for all levels of predatory officials. In the post-New Order period, sustained political dominance by the predatory officials and their corporate allies within the system resulted in limited reform. As will be seen in the next two chapters, reform has been greater in the areas of social security and income support because there has been a more significant shift in the balance of power between coalitions in each of these areas.

Chapter 6

Social Security

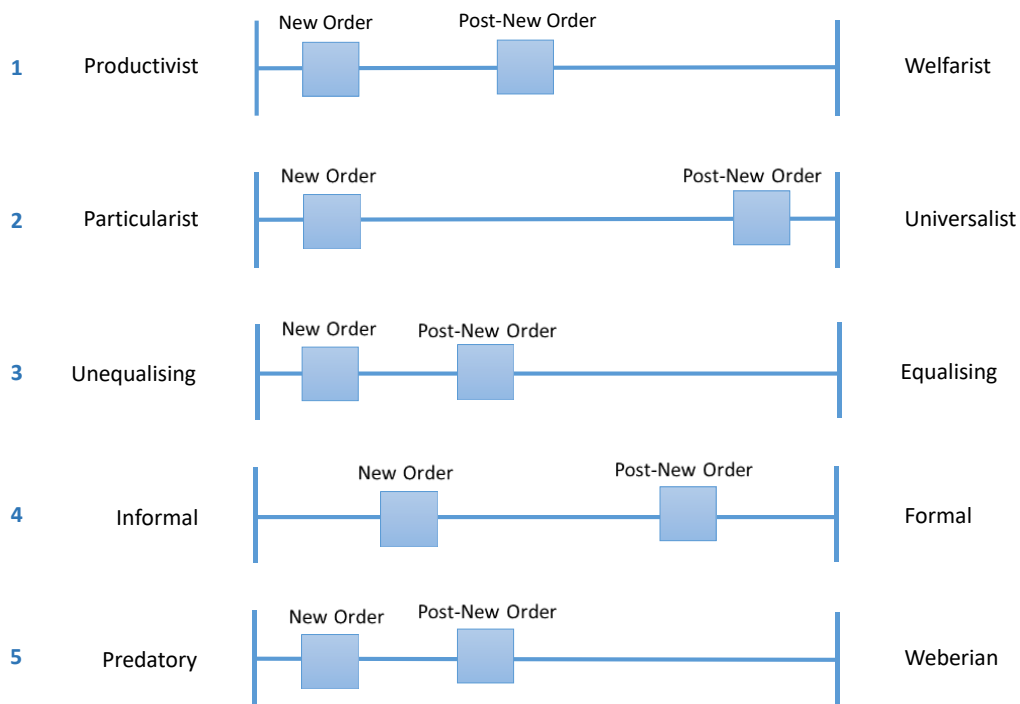
Introduction

The previous chapter argued that there has been limited change to food security policy and its implementation despite broad shifts in the balance of power between predatory and reformist forces since the fall of the New Order. This is because this change in power was relatively marginal in the realm of food security specifically. This chapter examines the case of social security. The argument in this chapter is twofold.

First, the chapter argues that there was a significant change to social security policy, but less so to its implementation, between the New Order and post-New Order periods. In the New Order period, Indonesia's social security system had the following characteristics: i) the Indonesian government invested little in social security, preferring instead to invest in areas more likely to promote economic growth; ii) there was limited extension of the right to social security to the population as a whole; iii) to the extent that social security existed, it reinforced the position of productive elements rather than promoting a more equal distribution of resources within society; iv) the state did little to provide social security with the result that the majority of Indonesians relied on their families or the market for social security; and v) the few social security programs that existed were used for rent-seeking purposes. In the post-New Order period, the nature of the country's social security system became slightly more welfarist in nature, although social security concerns remained subordinate to economic policy concerns; significantly more universal in orientation as a result of an extension of the right to social security to include the poor; and more formal as the state came to play a larger role in providing social security. However, the system continued to be unequalising in its effects because it reinforced the existing class structure through the extension of greater rights and access to social benefits to formal sector workers. It also continued to be tainted by corruption, encountering numerous issues in implementation, such as leakages, illegal fees, and service refusal. In this sense, the country's social security system continued to be highly predatory in nature. Overall, I argue that social security policy and its implementation has shifted from being productivist, particularist, unequalising, moderately informal, and predatory in nature under the New Order towards being more welfarist (although still largely productivist), universalist, and formal in nature, while retaining an unequalising and predatory disposition in the post-New Order period (See Figure 5 below). In this respect, the outcome has been

more progressive than in the case of food security where, as we saw, the shifts in relation to welfarism and universalism were less pronounced.

Figure 5. Evolution of the Social Security System in Indonesia



Second, the chapter argues that this outcome has reflected important features of the country’s political economy. As in the food security system, predatory officials and their corporate allies retained their dominance within the social security system, and in particular over the implementation of government social security programs. At the same time, however, (and in contrast with the food security case) there was active participation by popular forces in driving social security reform. Initially, during the AFC, the technocrats and donors were the primary instigators of policy reform, pushing the government to expand social security and play a role in the protection and promotion of all citizens. Then, political entrepreneurs started to advocate for social security reform to gain popular support and advance their political careers. However, subsequently, popular forces started to drive universal social security coverage, reflecting their interests in expanding human rights, and their assessment that reform in this policy arena was more achievable than that of minimum wages. Mobilisation on their part was also facilitated in part by their urban location, because this enabled them to more easily build the coalitions and alliances needed for mass mobilisation (which were not present in the case of food security).

In presenting this argument, the chapter begins by outlining the politics of social security in the New Order and characterising the country's social security system during this period. I then examine the politics of social security and the way the social security system has evolved in the post-New Order period. In so doing, I explore two key reforms: free healthcare for the poor and the national social security system (SJSN and BPJS), as case studies.

Before proceeding with this analysis, however, it is necessary to briefly define the term 'social security' as it is used here. As explained in Chapter One, social security (or social insurance) is a fundamental component of social protection. It is defined as public and private programs that provide insurance that protects individuals or households against risks including death, injury, old age or illness. Programs can include health insurance, pension insurance, unemployment benefits, work injury insurance, and disability grants (Barrientos, 2013, p. 24). The financing of social security is predominantly taken from beneficiary contributions, but it can include government-funded programs. In Indonesia, Law 40/2004 on National Social Security defines social security in similar terms as 'one form of social protection that ensures that all people have their basic living needs fulfilled' (Article 1).

The Political Economy of Social Security During the New Order

The first social security program in Indonesia was established under Sukarno in 1963. The scheme was known as TASPEN. TASPEN was run by a state-owned enterprise (*Badan Usaha Milik Negara*, BUMN), PT TASPEN, which provided government funded pension insurance and retirement savings for civil servants, and the dependents of deceased civil servants. In 1964, the government started another program known as the Social Security Fund (*Dana Jaminan Sosial*) for private sector employees. The program covered health related benefits for employees such as medical care, maternity, and death benefits. It was voluntary for both employees and employers and covered a very small number of people (Suryahadi, Febriany, & Yumna, 2014, p. 6).

In 1967, when Suharto was formally made President, social security only covered civil servants and a small group of private sector workers. The majority of Indonesians had no protection from life-course

events such as unemployment, illness, disability, work-related injury or old age. They had limited capacity to manage these economic and social risks.

The New Order established a series of new social security programs to improve coverage for military personnel and civil servants and, to a lesser extent, the formal labour force (see Table 10 for an overview of these programs).

Table 10. Social Security Programs under Suharto

Scheme	Start Year	Target	Coverage	Benefit	% of Salary	Contributor
TASPEN	1963	Civil Servants	In 1998, 4 million civil servants and 159,000 employees of state enterprises were covered.	Pension Insurance	4.75%	8% Employee
				Old-age Insurance	3.25%	
ASKES	1968	Civil Servants	In 1998, 13.6 million people were covered on a compulsory basis.	Health Insurance	4%	2% Civil Servants 2% Government
ASABRI	1971	Military	In 1996, 0.5 million members.	Old-age	4.75% pension fund and 2.5% old-age savings program	7.25% Employee
JAMSOSTEK (originally known as ASTEK)	1992	Private Sector Workers	In 1998, 14.9 million insured people and 82,544 employers. ⁶⁶	Work Accident	0.24%-1.74%	6.70% Employer
Old-age				5.70%		
Life				0.30%	2% Employee	
Health				3% Single-6% family		

Source: (Asher & Kimura, 2015; International Labour Organization, 2000, 2006)

The first expansion the New Order made to social security was in 1968, when it established a program known as ASKES.⁶⁷ This provided health insurance for active and retired civil servants, veterans, police, military personnel, national patriots, and their families. Members had to make a compulsory

⁶⁶ But it is estimated that those actively participating was much lower. For instance, in 1998, there were 350,000 withdrawals of provident fund membership.

⁶⁷ It became a state-owned enterprise in 1992.

contribution of 2 percent of their wages, and the government matched these contributions (International Labour Organization, 2013b; Joedadibrata, 2012).

In 1971, the New Order established a scheme for armed forces personnel called ASABRI (Fahmi, 2009, p. 18; Purwoko, 1996, p. 57).⁶⁸ This program provided military and police personnel with a pension, old-age savings, injury, and life insurance. Participation was mandatory, and the program covered the entire military and police force. There was a monthly contribution for insurance, which was set at 4.75 percent of salary for a pension, and 2.5 percent for old-age savings programs.

In 1974, the New Order changed TASPEN to be partly funded, meaning civil servants had to make contributions. Civil servants made a compulsory contribution of 8 percent of their wages each month (Purwoko, 1996, p. 57). The rest of the budget came from TASPEN and the government. TASPEN contributed 22.5 percent of the funding for the program, and the government funded the other 69.5 percent from the national budget (Asher & Kimura, 2015, p. 224). The program entitled retired civil servants to receive a monthly pension and a lump-sum savings benefit.

In 1977, the New Order expanded coverage for the formal labour force. Suharto merged the previously voluntary Social Security Fund—created by Sukarno in 1964—into an income-based social insurance scheme for formal sector workers called labour insurance (*Asuransi Tenaga Kerja*, ASTEK) (Fahmi, 2009). This program was less generous than those for civil servants and the military. In 1992, ASTEK was renamed JAMSOSTEK. This program provided private sector employees with benefits for work accidents, health insurance, death, and old-age security (Joedadibrata, 2012, pp. 10-11). Employees paid 2 percent of their monthly wages to JAMSOSTEK, while employers paid 6.7 percent of employees' wages per month. The program was mandatory for companies with ten workers or more, or with an annual payroll of Rp 1 million.

Although JAMSOSTEK extended social security coverage to formal private sector employees, coverage was limited. Benefits were small and leakages were prevalent. The program was widely critiqued as inadequate due to the limited coverage and benefits that reached members (Ramesh & Asher, 2000, p. 43). JAMSOSTEK had low effective coverage—only about 83,100 out of 400,000 registered

⁶⁸ It was also a state-owned enterprise.

companies in Indonesia had joined JAMSOSTEK by 1997 (Jakarta Post, 1997). The program's low performance also made it unattractive. The benefits provided by the program were widely perceived as minimal, contributing to its low membership. Even though this scheme provided some healthcare benefits to members, it was much less effective as a pension scheme with less than ten percent of members receiving any pension benefit. Members received only 8.27 percent of all payments at retirement age (Asian Development Bank, 2012, p. 26). A World Bank study estimated that the total pension payments received by a JAMSOSTEK member at retirement were only valued at about 7 percent of their final basic salary (Leechor, 1996, p. 38). Thus, the vast majority of JAMSOSTEK members were not provided with protection in their old age. The government also imposed requirements for employers to make mandatory severance payments to workers, but these were widely flouted (Ramesh, 2014, p. 43). For these reasons, despite the shift to include the formal private sector in social security, the program was very ineffective in protecting the formal labour force.

At the same time, the New Order did little to improve protection of the informal labour force and the poor, who continued to have very limited or no protection. For instance, it provided no unemployment benefits, social pensions, or significant disability benefits (Rosser & van Diermen, 2015, p. 11). As a result, the informal labour force and the poor predominantly relied on family or community support to meet basic needs and mitigate risks.

Overall, Indonesia's social security system under the New Order can be characterised as productivist, particularist, unequalising, moderately informal, and predatory in nature. First, it was productivist because economic objectives were privileged over social ones. For Suharto, social security was an important instrument in rewarding and maintaining the faithfulness of civil servants and the military and, in so doing, maintaining the political stability necessary for economic growth. As a result, there were significant disparities in the levels of protection offered within the programs. The benefits were lower for the formal labour force than for civil servants and members of the armed forces. Second, Indonesia's social security system under the New Order was particularist in nature because there were limited or no extensions of rights to social security. Entitlement to social security was limited to productive elements in society. As discussed above, social security covered predominantly the civil service, the armed forces and the formal labour force. Third, Indonesia's social security system was characterized by a high degree of informality because the poor, the unemployed and informal workers had no access to government-run social security programs. They relied on protection from their families and communities. It was only a small group of formal workers who had access to social

security. Fourth, the above characteristics meant that Indonesia's social security system under the New Order reinforced the position of productive elements and continued the marginalization of 'unproductive' elements such as the unemployed, the elderly and the disabled.

Finally, Indonesia's social security system under the New Order was predatory in character. State-owned enterprises were the implementers of the aforementioned social security programs: PT TASPEN in the case of old-age savings and pensions for civil servants, PT ASABRI in the case of pension funds for the armed forces, PT JAMSOSTEK in the case of pension and health insurance for private sector workers, and PT ASKES in the case of work accident, old-age, and life insurance for formal workers. These enterprises were dominated by political, military, and bureaucratic officials who used the programs for rent-seeking. For instance, PT JAMSOSTEK⁶⁹ was associated with numerous incidences of corruption. At numerous points, it was accused of spending workers' retirement funds on luxuries for its officials and for projects not related to social security benefits (Jakarta Post, 1998c, 1998d). For instance in 1998, when PT JAMSOSTEK purchased a 3,538 square meter plot of land, from PT Lippo Profi, on which the company built two multimillion-dollar towers leading to the misappropriation of more than Rp 63.3 billion (US \$7 million) in state funds (Jakarta Post, 1998d). Furthermore, money from PT JAMSOSTEK was used to help the New Order maintain political control over popular forces. In the 1990s, PT JAMSOSTEK made significant contributions each year to SPSI (*Serikat Pekerja Seluruh Indonesia*, Workers Union Indonesia) to fund the operation of SPSI's national headquarters. At that time, SPSI was the only legal union in Indonesia and was used by Suharto as a mechanism for controlling organised labour. The use of JAMSOSTEK to fund government initiatives led to the belief that PT JAMSOSTEK was a slush fund for the government, rather than a legitimate social security provider (Dailey & Turner, 1997; Tambunan & Purwoko, 2002, p. 52). In another instance, PT TASPEN was instructed to purchase shares in the Suharto family-linked company, PT Indocement, when it went public in 1990, to ensure that the company was fully subscribed (Rosser, 2002, p. 95).

These features of Indonesia's social security system reflected the underlying politics of social security during the New Order. As just noted, predatory elites controlled the social security system and in particular the state-owned enterprises were the implementers of social security: PT TASPEN, PT ASABRI, PT JAMSOSTEK and PT ASKES. At the same time, the technocrats exercised some (albeit more

⁶⁹ When using PT in front of a program name, I am referring to the state-owned enterprise responsible for managing the program. PT stands for *perseroan terbatas*, or limited liability company.

limited) influence over the system as well. The technocrats were cautious in regard to expansion of the social security system due to the financial and administrative burden this placed on the government. For instance, in 1992, the technocrats opposed the Workers' Social Security Law (Law 3 of 1992) which established the right of every employee to social security law (Cole & Slade, 1999, p. 338). The Law gave PT JAMSOSTEK a monopoly right to provide insurance to the formal labour force.⁷⁰ The technocrats opposed this law for three reasons: they feared that state-owned social security enterprises would take advantage of the law—specifically, that they would misuse funds; they were concerned about the fiscal impact of the law; and they were concerned that the government would not deliver on the promises inherent in the law (Cole & Slade, 1999, p. 338). In the end, the technocrats lost this particular battle because predatory elites, officials and their corporate allies, particularly those aligned with PT JAMSOSTEK, wanted this law to get through. But their intervention nevertheless illustrates the technocrats' reticence to see social security expanded.

The technocrats exercised greater influence over social security policy at times of economic crisis. In the 1980s and 1990s following the collapse of international oil prices, for instance, they were able to initiate some reform to social security policy. The technocrats wanted greater guidelines on the state-owned social security enterprises—in particular, regarding their commitments to employees. In 1992, this came about via the enactment of the Pension Fund Law, Law 11 of 1992. This law required employers to draw up regulations for their pension funds that spelt out pension commitments and provided a basis for determining the solvency or deficiencies of the funds (Cole & Slade, 1999, p. 338). The technocrats developed and advocated for the law for two main reasons. First, they believed the law had the potential to mobilise private savings through pensions and direct these savings into financial institutions and capital markets. Second, they wanted to protect pensioners and prevent abuse by employers and managers of the pension funds (Cole & Slade, 1999, p. 338). Not surprisingly, the political, military, and bureaucratic officials within the state-owned social security enterprises and managing ministries rejected the law. However, the technocrats prevailed because in the 1980s and 1990s they had regained some power due to the economic crisis.

The political constraints on expansion of the social security system under the New Order became further apparent in relation to healthcare. In 1994, the New Order began the country's first healthcare

⁷⁰ According to the Law, companies with ten workers or with an annual payroll of RP 1 million were obligated to participate in JAMSOSTEK, as stated above (Jakarta Post, 1998b). Companies that failed to enrol workers could be fined RP 50 million (US \$21,800) and the company directors could be jailed for up to 6 months.

program for the poor. Driven by senior officials within the Ministry of Health, including Minister Sujudi (17 March 1993 to 16 March 1998), this program, known as *Kartu Sehat* (health card), entitled poor households to health services (which included a selected package of services) provided by public providers without fees (Jakarta Post, 1994). The program was established to improve health conditions by promoting greater equity in access to primary healthcare. Services included outpatient and inpatient care, contraceptives for women of child-bearing age, prenatal care, and assistance at birth. Health cards were distributed through local health centres based on the perceived need for assistance by local leaders. Considerable discretion was given to local officials in the distribution of health cards, resulting in widespread misallocation of the cards. Furthermore, and most importantly for our purposes, the government did not provide any funding for local governments or public health facilities to support the program and, as a result, it was not implemented in many regions (Rosser, 2012b, p. 258). Without adequate funding, the program was extremely small, not widely implemented, and covered only a tiny fraction of the poor population. Studies of the impact of the program suggest that it was ineffective in promoting increased utilisation of health services (Johar, 2009). The majority of Indonesians continued to rely on their families and communities to fund and provide healthcare. Accordingly, the vast majority of the poor remained without adequate health insurance in the New Order.

While predatory elites and technocrats exercised significant influence over the nature of Indonesia's social security system under Suharto's authoritarian rule, this was not the case for popular forces. The New Order repressed civil society organisations and labour unions. Civil society had no room for activism or organisation as this was tightly controlled. The trade union movement, which grew under Sukarno, was drastically hampered and constrained by Suharto.⁷¹ In 1973, the government created the Federation of All-Indonesian Workers (*Federasi Buruh Seluruh Indonesia*, FBSI) as the only legal labour union (Ford, 2004; Nyman, 2006, p. 98).⁷² Workers were only allowed to participate in this trade union, giving it a monopoly on representing workers (Hadiz, 1997b). The union was closely monitored and controlled by the government (Tiraboschi & Ortiz, 2008, p. 241). SPSI did not support workers' rights in the New Order. It focused instead on supporting predatory officials and their corporate allies. Rather than supporting workers, it aimed to reduce the ability of employees to

⁷¹ One of the biggest labour unions under the New Order, the Centre for All Indonesian Workers' Organisations (*Sentral Organisasi Buruh Seluruh Indonesia*, SOBSI), was abolished because of its connection with the Communist Party (Beeson & Hadiz, 1998). In 1948, SOBSI announced their affiliation with the Indonesian Communist Party. After the end of Sukarno's tenure, the Communist Party was banned in Indonesia and, in 1966, Suharto banned SOBSI.

⁷² This was renamed *Serikat Pekerja Seluruh Indonesia* (SPSI, Workers Union Indonesia) in 1985.

mobilise and protest. It also permitted rent-seeking and colluding between predatory officials and their corporate allies. Consequently, there was little ability for civil society activists and workers to contest social security policy or infringements to their rights.

In sum, then, despite the New Order's expansion of the social security system through the establishment of ASKES etc., the New Order did not provide social security to a significant portion of the population. The social security system provided mainly for the armed forces and civil servants. There was modest coverage available for formal sector workers through JAMSOSTEK but this program was used for rent-seeking and was ineffective. Informal sector workers, the poor and the near poor—who collectively account for the vast majority of Indonesians—had no access to social security. This left them extremely vulnerable to economic fluctuations. In essence, social security under the New Order was: i) productivist—the government prioritised political stability and economic advancement over social protection; ii) particularist—there were limited to no extensions of rights to social security; iii) unequalising—the social security system reinforced the position of productive elements; iv) partially informal—the state provided some social security to some groups of citizens, but the majority of Indonesians relied on their families or communities for coverage; and v) predatory—existing social security programs were undermined by corruption (See Figure 5). This reflected the fact that the predatory officials and their corporate allies were in control of policy in the New Order and they used social security to pursue an agenda of political stability, economic growth, and rent-seeking.

The Political Economy of Social Security in the Post-New Order Period

When the AFC hit in 1997, it exposed the weaknesses of Indonesia's social security system as it had evolved under the New Order. Without access to social protection programs, many Indonesians fell into poverty. There was a widespread loss of jobs in both the formal and informal sectors. In February 1998, data from SUSENAS showed employment fell by 13 percent in manufacturing, 7 percent in finance, and 27 percent in electricity (Thee, 2010, p. 11). Increasing unemployment, accompanied by high inflation levels, led to a drop in purchasing power and a significant increase in the prevalence of absolute poverty. Furthermore, due to the crisis and rising unemployment, the number of employees protected by social security fell. This was embarrassing for the Indonesian government as it undermined its legitimacy, particularly given that the New Order had emphasised a developmentalist ideology to justify its rule.

The AFC had a particularly significant impact on the health of the disabled, elderly, unemployed, and informal sector workers, the majority of whom were not protected by any form of social security. For instance, it caused a decline in healthcare utilisation and expenditure. Between 1997 and 1998, household utilisation of healthcare services decreased by 25 percent (Waters, Saadah, & Pradhan, 2003, p. 179). Household expenditure on healthcare also declined by 16 percent, from 1.9 percent of household expenditure to 1.6 percent (Frankenberg, Thomas, & Beegle, 1999).

In this context, technocrats and donors feared that if nothing were done, the decline would be drastic, particularly for the poor. Leveraging their enhanced power as a result of the crisis, they were able to push the Indonesian government to introduce a set of new social security programs, the details of which are examined below. As noted in Chapter Four, these programs came initially in the form of social safety net schemes related to health insurance for the poor, before proceeding to a national social security system.

The country's subsequent transition to a more democratic regime created further momentum for social security reform. By creating new incentives for political elites to adopt more progressive social protection policies, it enhanced the scope for social security reform, especially to favour the poor, elderly, and informal sector workers. The poor represent a large section of voters in Indonesia; as such there has been an increased incentive for politicians to adopt policies that appeal to this group. Civil society organisations such as TURC, SRMI, the Health Legal Aid Institute (*Lembaga Bantuan Hukum Kesehatan*, LBH *Kesehatan*), and Prakarsa have also been extremely active in the area of social security, demanding rights to health insurance, pension insurance, unemployment benefits, work injury insurance, and disability grants. Hence, there have been considerable electoral payoffs for politicians to appeal to wider social constituencies on these issues (Aspinall, 2014; Hicks, 2012; Rosser & Wilson, 2012). The outcome has been the introduction of a range of new programs and legal requirements that provide poor people with free social security, including free access to healthcare.

At the same time, democratisation triggered greater mobilisation by popular forces, as discussed in Chapter Four, but this was especially important in relation to social security. This mobilisation created further pressure on the state to carry out reform in this area. In June 1998, Habibie (President from May 21, 1998 – October 20, 1999) signed the ILO convention of the freedom for workers to organise

(Tiraboschi & Ortiz, 2008, p. 133). After the convention had been signed, the labour movement and civil society's participation in social security policy-making slowly increased. In particular, it enabled unions such as SPN, KSPI, KSBSI, and KSPSI to play a role in debates surrounding the BPJS law in the late 2000s. However, the positions of the unions were often divided in regard to social security. Due to this division in regard to policy, they sometimes hampered efforts to fulfil universal access to social security, as discussed further below.

Likewise, NGOs became increasingly active in relation to social security issues. TURC, Transparency International Indonesia, SRMI, LBH *Kesehatan*, the Indonesian Health Consumers' Empowerment Foundation (*Yayasan Pemberdayaan Konsumen Kesehatan Indonesia*, YPKKI), and Prakarsa all came to play a crucial role in advocating for social security reform. In particular, they produced publications advocating for a welfare state or the expansion of social security in Indonesia. For instance, Prakarsa has promoted the development of a welfare state (Triwibowo & Bahagijo, 2006) and the notion of a 'constitutional budget' (Yenny, Setiawan, Wiadl, & Maftuchan, 2015). These NGOs placed pressure on the government to address the rights and needs of all citizens, including the establishment of an inclusive social security system. They have been far more united than the unions in terms of social security policy development.

Left-wing intellectuals—in particular ones with a background in public health and social security research—also became increasingly prominent in social security policy-making after the AFC. With greater academic freedom, they were able to engage in academic debates on the right to social security. In so doing, they pushed the government to expand social security (Gani, 1996; Hidayat, Thabrany, Dong, & Sauerborn, 2004; O'Donnell et al., 2007; Thabrany, 2001; Thabrany, Gani, Pujiyanto, & Mahlil, 2003; Tjandra, 2009; Trisnantoro, 2005). In particular, the following key figures were critical in this respect: Sulastomo (former director of PT ASKES from 1986-2000), Hasbullah Thabrany (Dean of the Faculty of Public Health at the University of Indonesia), Ascobat Gani (also from the University of Indonesia's Public Health Faculty), Laksono Trisnantoro (a professor from Gadjah Mada University's Medical Faculty), Surya Tjandra (a Law lecturer from Atma Jaya University), and Indra Hattari (a retired high-ranking advisor to PT JAMSOSTEK).

Importantly, these three groups—left-wing intellectuals, NGOs, and unions—formed a coalition. This proved to be instrumental in their ability to push for reform to social security policy. The left-wing

intellectuals helped to inform NGOs and unions about social security laws and policies, nurture ideas, establish plans, and infiltrate the state apparatus. As discussed in previous chapters, these intellectuals were well-respected within the government for their specialised knowledge. They had connections and ties within the state apparatus which enabled them to gain access to decision-makers. Their ability to build coalitions and infiltrate the state apparatus, was a key advantage. Consequently, popular forces came to play a significant role in driving social security reform. This level of coalition building and infiltration of the state apparatus was not apparent in either of the other cases studies examined here: food security and income support.

However, the continued political dominance of predatory officials and their corporate allies, both in relation to politics in general and in relation to the country's social security system in particular constrained, undermined, and slowed the potential for social security reform. Predatory officials and their corporate allies retained control over the country's social security programs via their positions within these institutions and others such as hospitals and local governments. For example, a survey by Indonesia Corruption Watch (ICW) discovered that in 2009, 13.6 percent of patients covered either by the JAMKESMAS scheme or a regional equivalent, were required to make illegal up-front payments at public hospitals before receiving service, 16 percent were refused service altogether, and 34 percent received poor quality service (Kusumaningsih & Hendri, 2010). Similarly, another survey by the ICW found that only 60 percent of people in Tangerang, Depok, Bekasi and Bogor who were entitled to a JAMKESMAS card actually received one, signifying there was significant leakage to the non-poor. The survey also showed that 7.5 percent had to buy their card from local officials or community leaders (Indonesia Corruption Watch, 2008, p. 19). Predatory officials were consequently able to dictate who did, and who did not receive benefits from social security programs. They were also able to capture many of the benefits of these programs themselves, through leakages and rent-seeking.

Importantly for our purposes, however, the shift in the balance of power in relation to social security was far greater than in relation to food security. In social security, popular forces built a stronger coalition. Given their urban location, they more easily built the alliances needed for mass mobilisation. (Such alliances were not present in the case of food security). This coalition made a conscious choice to invest their energy into the social security policy arena, and they tactically devised strategies to achieve reform. In particular, their ability to gain allies within the state apparatus helped to foster support within the government. Comparatively, in the case of food security, popular forces were not

very active in part due to the rural and diverse locations of farmers and consumers of rice. This geographical barrier meant that farmers' unions, NGOs and farmers could not coordinate for collective action as easily.

The upshot was several significant reforms to the social security system. These included the establishment of programs providing health insurance for the poor and legal changes providing all Indonesian citizens with a right to social security. These reforms in turn have transformed Indonesia's social security system into one that is a more welfarist, universalist, equalising, and formal in nature (see Figure 5). It has become more welfarist in that the government has started to play a vital role in the protection and promotion of the social and economic well-being of all its citizens via social security, notwithstanding the economic cost involved. The system has remained fundamentally productivist, though, because it has offered economically productive citizens far greater benefits than 'unproductive' ones. It has become more universal because the right to social security has been extended to all Indonesians; slightly more equalising because it has promoted the interests and needs of the poor rather than simply reinforced the position of productive elements; and become more formal because the state has provided social security programs and, in so doing underpinned both the market and family. Finally, notwithstanding these changes, it has remained predatory in nature because elites and bureaucrats have been able to use social security programs for their own benefit.

In the following three subsections, I illustrate these dynamics and the outcomes that have prevailed by focusing on three key issues: i) the introduction and implementation of new programs providing health insurance for the poor during the AFC and then in expanded form during the 2000s, ii) the enactment of new legislation providing for a national social security system (SJSN) in 2004, and iii) its implementation through the enactment of subsequent legislation on social security implementing agencies (BPJS) in 2011 and the subsequent establishment and operation of these agencies.

Case 1: Healthcare for the Poor

The health effects of the AFC created widespread concern among donors and technocrats about the health of the poor. The crisis threatened to further reduce healthcare expenditure, poor people's utilization of health facilities, and the health status of the population as a whole (World Bank, 1998b). Donor organisations took the lead in expressing concern about these threats, raising health issues on

a regular basis during the Consultative Group on Indonesia (CGI)⁷³ meetings from 1998-2007 and in their reports and assessments on Indonesia's development (Lundberg, Over, & Mujinja, 2000; World Bank, 1998b; World Health Organization, 1998). For instance, in a report on Indonesia's road to recovery, the World Bank (1998b) argued that it was essential to preserve the poor's access to healthcare, and in another report on Indonesia's macroeconomic situation (World Bank, 1998a) it claimed that significant expansion of basic health services was required. In broad terms, donors advocated for an expansion in health spending and for the introduction of health programs targeting the poor in recognition of the serious threats posed by the AFC and the inadequacy of existing government policies (World Bank, 1998a, 1998b).

With the AFC giving donors renewed power to influence policy, the government introduced a program providing free healthcare to the poor and funding for health centres in 1998. Known as the Social Safety Net-Health Sector (*Jaring Pengaman Sosial-Bidang Kesehatan, JPS-BK*), this program aimed to prevent further deterioration of the health status of the poor. The program had two main components. First, it distributed healthcare cards to poor households, which entitled them to obtain free services from government health centres and public hospitals. Second, it provided funds for local midwives and health centres. In this sense, it differed from *Kartu Sehat*, discussed above, which did not provide any additional funding. The funding provided was paid to the heads of the healthcare centres and, in the case of village midwives, via the local post office. These funds covered the costs of the service providers but were indirectly shared with anyone using the facilities, both poor and non-poor.

The program was a condition of the IMF loan in 1998, and the ADB and the Government of Indonesia were its primary financiers. For the fiscal year 1998/1999, the ADB and the state budget contributed Rp 1.4 trillion to JPS-BK. The program also had strong support from government technocrats, NGOs, and left-wing intellectuals who all advised the government of the importance of the program (Jakarta Post, 2007). Due to the strong support and the enduring effects of the crisis, the program rapidly expanded in coverage from 3.9 million households in 1999 to 7.8 million households in 2004 (see Table 11) although, even with this expansion, it still only covered a small proportion of the poor and near poor.

⁷³ CGI consisted of Indonesia's international donors and the Indonesian government. It existed from 1992 to 2007. The group coordinated the flow and use of foreign aid to Indonesia. Coordinated by the World Bank, it discussed policy issues as well as matters related specifically to foreign aid.

Table 11. Coverage of JPS-BK Healthcare

Year	Coverage (households, actual)
1998/9	3.9
2000	4.8
2002	6.9
2004	7.8

(World Bank, 2012b)

As the crisis abated, donors continued to emphasise the need for increased attention to health issues. For instance, during the 12th meeting of the CGI on January 21-22, 2003, the World Bank stated: ‘The Working Group strongly believes that health has a central role in contributing to the Government of Indonesia’s poverty reduction strategy and promoting national development and security’ (World Bank, 2003b). The World Bank discussed how a failure to focus on health brings about enormous costs to both individuals and society. Illness increases household medical expenses and reduces spending on other needs such as food and education, particularly for the poor. Illness also reduces the productivity of individuals directly affected by the illness and imposes high costs on the state (World Bank, 2003b). The World Bank underscored the importance of targeted health subsidies such as those provided through JPS-BK. During this meeting, donors reportedly expressed continued support for government provision of healthcare cards (World Bank, 2003a).

In 2004, at the beginning of Yudhoyono’s presidency, the government ended JPS-BK and started a new program known as Health Insurance for the Poor (*Asuransi Kesehatan Masyarakat Miskin*, ASKESKIN, 2005-2008). This program provided the poor with free healthcare at public health facilities and some participating private facilities. The central government funded the program from general tax revenue, and beneficiaries did not pay a premium or a co-payment. The Ministry of Health paid PT ASKES to manage the program. All public hospitals automatically qualified as providers and PT ASKES contracted some private hospitals to be providers.⁷⁴ PT ASKES reimbursed providers in two ways. First, *puskesmas* were paid based on the number of poor registered in their region, and second, hospitals were paid on a fee-for-service system.

⁷⁴ Most private hospitals did not want to join the program; it was mainly private non-profit hospitals that joined.

Yudhoyono and his cabinet drove this shift to ASKESKIN, seeing it as useful in advancing their political careers. For instance, on the first day of campaigning for the presidency in 2004, Yudhoyono delivered a speech that touched on all the massive problem areas Indonesia faces that he would address including a shortage of healthcare, endemic corruption, chronically under-funded education, 100 million people in poverty, and so on (Moore, 2004). His mention of healthcare signalled an intention to use it as a tool in the election. Furthermore, Siti Fadillah Supari, Health Minister during Yudhoyono's first term as President claimed to be one of the key architects of ASKESKIN (Rosser & Wilson, 2012, p. 620). Rosser (2012b, p. 265) describes how 'Supari claimed that ASKESKIN was essentially her idea and that she persuaded an initially reluctant cabinet to adopt it'. Supari was a regular feature in the media at this time advocating for additional reforms to the country's health programs, such as greater transparency (Antara, 2005; Bisnis Indonesia, 2007; Jakarta Post, 2008a). ASKESKIN enabled political elites such as Yudhoyono and Supari to advance their political careers through gaining popularity and recognition for the program. In this context, the program's coverage and budget expanded rapidly. In 2005, it covered 36.4 million poor with a budget of Rp. 3.2 trillion, but by 2008 it covered 76.4 million with a budget of RP. 4.7 trillion (see Table 12).

Table 12. The Expansion of ASKESKIN

Year	2005	2006	2007	2008
Coverage	36.4	60	76.4	76.4
Budget	3.2	2.8	4.4	4.7

Source: (Bappenas, 2014)

At this point, donors no longer played a dominant role in driving the program, as from 2004 onwards their role in policy-making decreased with the end of the IMF reform package. Furthermore, there was tension between the World Bank and Supari that possibly led to the World Bank playing a reduced role in Indonesia's health sector (Rosser, 2012a, p. 180). Nevertheless, they continued to offer support to the program. At the same time, the technocrats also supported health insurance for the poor as they viewed it as a contributor to economic growth. In 2009, Antara News reported Boediono discussing the importance of health and education for the economy.

'Development of health and education infrastructures was very important for the development of the country's human resources for raising its human development index, ...

I think development of these types of infrastructure will boost the people's economy,' Boediono said (Abdussalam, 2009).

In 2008, the government changed the name of the ASKESKIN program to health insurance for the community (*Jaminan Kesehatan Masyarakat*, JAMKESMAS). At the same time, it shifted the management of the program from PT ASKES to the Ministry of Health. While ASKESKIN was designed to cover the poor, JAMKESMAS also covered the near-poor, making it a much larger program. By 2014, it covered 87 million people (see Table 13).

Table 13. The Expansion of JAMKESMAS

Year	2009	2010	2011	2012	2013	2014
Coverage	76.4	76.4	76.4	76.4	86.4	87
Budget	4.53	5.13	6.29	7.3	8.1	19.9

Source: (Bappenas, 2014; International Labour Organization, 2013a)

This change in name and management followed a public brawl between PT ASKES and the Ministry of Health over management of the program (Maulia, 2009a). In 2007, PT ASKES suffered a deficit of Rp 1.2 trillion (Sawitri, 2009). Both PT ASKES and the Ministry of Health accused each other of causing this deficit (Interview IN1014, June 5, 2014). PT ASKES claimed that the deficit was due to markups in hospital claims and an insufficient budget from the Ministry of Health. The Ministry of Health, by contrast, blamed PT ASKES for the problem, accusing its management of corruption by marking up the cost of services they conducted. The Ministry of Health requested an audit to find out if the additional cost of the program was due to such markups. The Supreme Audit Agency (BPK) and the Finance and Development Supervisory Agency (BPKP) found no indication of manipulation or corruption in the program (Wardany, 2009). According to an informed source, this tussle reflected the fact that the Ministry of Health and Health Minister, Siti Fadillah Supari, wanted control over the program (Interview IN1014, June 5, 2014). They sought control over the program due to the financial resources, power, and rent-seeking opportunities it offered.

The change from ASKESKIN to JAMKESMAS also coincided with the period leading up to the 2009 presidential and parliamentary elections. On numerous occasions, President Yudhoyono attributed

the reduction in poverty that had occurred in Indonesia since the AFC to the government's poverty alleviation programs including JAMKESMAS, and he promised to continue these programs if reelected (Maulia, 2009b). The Jakarta Post reported how campaign advertisements for Yudhoyono and his Democratic Party featured poverty reduction programs such as JAMKESMAS (Maulia, 2009b). On July 4, 2009, during Yudhoyono's re-election campaign, he detailed 15 election promises. Number five was to address 'Health problems by continuing to eradicate infectious diseases and continuing free healthcare for the poor' (DetikNews, 2009). Yudhoyono rose to power and was re-elected by pledging to provide affordable healthcare and other social protection programs to the poor.

Despite this expansion, the health budget was small compared with fuel subsidies and education (see Table 6 in Chapter Four) reflecting caution about or opposition to increased health funding from government technocrats and predatory officials and their corporate allies. In a discussion held by the public health faculty at the University of Indonesia in 2007, health experts expressed concern over the lack of funding for health. They agreed this was due to the government and legislators lacking the 'political will' to adequately fund the ASKESKIN program. The Dean of the Faculty, Hasbullah Thabrany, questioned why the government spent 15 percent of the 2007 state budget or Rp. 760 trillion on fuel subsidies but less than 1 percent on ASKESKIN. He established that the program was seriously underfunded and stated that: 'The government should be taking responsibility for making healthcare a priority instead of fooling around with fuel subsidies' (Jakarta Post, 2007). This reluctance to spend on health reflects predatory elements' interest in spending government resources in other sectors, such as fuel subsidies, and major business groups' interest in keeping corporate taxation as low as possible, the benefits of which significantly accumulate to business and the middle and upper classes (Rosser, 2012b, p. 261).

Donors were also a key source of caution in relation to increased health spending. In a Health Public Expenditure Review for Indonesia conducted in 2008, the World Bank advised that ASKESKIN would not be financially sustainable unless vigilant cost containment measures were introduced, such as co-payment mechanisms (World Bank, 2008a, pp. 7-8). While this obviously does not advise against the existence of ASKESKIN, it does suggest cautious consideration over increasing funding. Health was not the top priority for donors, technocrats or bureaucrats.

This resistance and caution over funding proved effective. For instance, despite inflation and increasing costs, the allocation of funding per person under the JAMKESMAS program remained well below levels required to cover people's health needs (Interview IN1014, June 5, 2014). Before 2010, the government allocated Rp 5,000 (45 US cents) per person per month, this amount remaining unchanged for a number of years. This figure should be compared with an estimated cost of healthcare in Jakarta in 2009 of Rp 20,000 per patient per month at hospitals and Rp 8,500 at public health centres (Setiawati, 2010). In 2010, the government increased the JAMKESMAS allocation to Rp 6,500 per person per month (about US\$8 per person per year) but this continued to remain well short of the level required to cover people's estimated health needs (Setiawati, 2010).

The outcome of JAMKESMAS was increased health service utilisation, and this impacted on the overall health of beneficiaries (Harimurti, Pambudi, Pigazzini, & Tandon, 2013, p. 1). However, positive impacts were larger for non-poor households (World Bank, 2012b, p. 22). In 2012, the World Bank (2012b, p. 24) reported: 'Jamkesmas cards cover nearly 30 percent of the population, the overall utilisation rate for those with Jamkesmas is approximately 11 percent. In the poorest 30 percent, middle 40 percent, and richest 30 percent of households, about 39, 38, and 34 percent (respectively) of those with coverage used Jamkesmas for healthcare services in the past 6 months'. Such evidence indicated that JAMKESMAS was not effectively targeting poor households. Despite the expansion of rights to healthcare, many poor people remained unprotected due to targeting errors and corruption in the distribution of healthcare cards.

Furthermore, JAMKESMAS did not reduce out-of-pocket spending for the poor due to the involvement of predatory forces. The program was hampered by widespread leakages, illegal fees, and service refusals. Examples of predatory behaviour included JAMKESMAS beneficiaries being rejected if they could not pay for services and hospitals accepting beneficiaries but asking for an additional fee despite the cost of the service being supposedly covered by the government (Harimurti et al., 2013; Jakarta Post, 2009a; Rosser, 2012b). Indonesia Corruption Watch found that 40 percent of 868 JAMKESMAS cardholders surveyed in the greater Jakarta area, had to pay additional hospital fees (Maulia, 2009a). The ability of the program to operate effectively remained blocked by the predatory officials who used the program to collect rents.

There was some reaction from popular forces over these issues. For instance, a corruption case involving Agustina Rante, the former head of Mabelopura public health centre in South Palu district, Central Sulawesi, was brought to light due to the collective work of 32 officials from the health centre. In 2009, Agustina kept Rp 300 million (US\$31,500) meant to fund JAMKESMAS in her private account, resulting in health officials refusing service to the poor trying to use JAMKESMAS cards or charging them illegal fees for services. This prompted 32 officials at the centre to strike and to file reports with the police and the local prosecutor's office. As a result of this collective action, Agustina was sentenced to one year and six months in jail in November 2009. Beneficiaries of JAMKESMAS were then able to use the services they were entitled to for free (Jakarta Post, 2010). Such cases indicated the ability of civil society to have an impact on the outcomes of programs.⁷⁵ However, such cases were rare.

The introduction of health insurance for the poor represented a change in the nature of Indonesia's social security system, albeit only a slight one. The expansion of health insurance represented a shift towards a more welfarist orientation. But the basic orientation remained productivist because the system continued to be concentrated on economic concerns. This expansion of healthcare to the poor meant the social security system also became more universal in nature because it expanded to cover the poor. Yet again the shift was small because the majority of the informal labour force remained without protection. There was also a very slight shift to a more equalising system because the poor finally gained access to benefits. This also meant that the state started to play a large role, resulting in a more formal system with less reliance on the family, community and market. Yet in both cases the shift was very marginal; the system remained at this point relatively unequalising and informal because policy still privileged the formal labour force over the poor, near-poor and informal labour force, who as a result continued to rely on protection from family and community. Finally, there was little to no shift in the predatory nature of the country's social security system as a result of the introduction of health insurance for the poor, as these programs experienced significant rent-seeking from predatory officials. Overall, then, the introduction of healthcare for the poor in the form of JPS-BK, ASKESKIN, and then JAMKESMAS only resulted in a very slight shift in the nature of Indonesia's social security system. Notwithstanding the expansion of rights and access to social security, the system remained broadly productivist, particularist, unequalising, informal, and predatory in nature.

⁷⁵ The media was very active in reporting on beneficiaries of JAMKESMAS being denied their rights to healthcare (Jakarta Post, 2010; Maulia, 2008; Nurhayati, 2008; Setiawati, 2010; Wardany, 2009).

Case 2: National Social Security System (SJSN)

The second reform to Indonesia's social security system explored in this chapter is the creation of SJSN. The idea for an SJSN first emerged in 1998 when the Supreme Advisory Council (*Dewan Pertimbangan Agung*, DPA) advised the government on ways to overcome the AFC.⁷⁶ Achmad Tirtosudiro was the chair of the DPA during the administrations of Bacharuddin Jusuf Habibie, Abdurrahman Wahid, and Megawati Sukarnoputri. In 1998, he requested the help of Sulastomo, a former operational director of PT ASKES (1986-2000) and a medical doctor; Hattri, retired high-ranking official at PT JAMSOSTEK; and Sri Muwardjo, also a retired high-ranking official at PT JAMSOSTEK, in advising the government on how to address the crisis and the impact it was having on the welfare of the people (Wisnu, 2012, p. 97). These three were to become the founders of the SJSN.

Sulastomo, Hattri, and Sri Muwardjo met with the other DPA members to discuss the idea of social security with them. They proposed to the council that the way to overcome the crisis and protect Indonesian citizens against future crises was to develop a national social security system (Interview IN1914, July 3, 2014). In particular, Sulastomo was a strong advocate for a national social security system, believing it would lead to development. Sulastomo had attended a seminar in Singapore by PriceWaterhouseCoopers in 1999, where he heard that social security programs were an integral aspect of financial recovery (Interview IN1914, July 3, 2014). Sulastomo became intrigued with this idea and started to consider what such a system would mean for Indonesia. The DPA was very supportive of the idea. In particular, the chair of the DPA, Achmad Tirtosudiro, along with members Azwar Anas and Yusuf Syakir, were enthusiastic about the idea of creating a national social security system in Indonesia (Wisnu, 2007, p. 164)

In 1999, the DPA approached the Coordinating Minister for People's Welfare, Haryono Suyono, and submitted an endorsement letter for the formation of an SJSN committee to Habibie but they received no reply. The DPA continued to support the idea of an SJSN, and later, when Abdurrahman Wahid became president, they continued to pursue it. Under Wahid's administration, the Ministry of Social Affairs and the Coordinating Ministry of Social Welfare were dissolved, so the DPA approached the

⁷⁶ The existence of the DPA was prescribed in the original 1945 constitution. Its purpose was to give advice to the president on important matters. The council comprised senior and retired government figures appointed by the president. The council was abolished on July 31, 2003 as a result of amendments to the 1945 constitution between 1999 and 2002 (Wisnu, 2007, p. 162).

Vice President, Megawati Sukarnoputri. Megawati was very supportive and enthusiastic about the concept. She wanted to pursue the idea, and on March 21, 2001, the SJSN working committee was formed. They were given the task of analysing and drawing up a plan for an SJSN. This included thinking about allowances, contributions, implementation, a governing body, a time frame for conducting research, and dissemination of information to the public. The committee was also given the task of evaluating ways to expand and strengthen the existing social security system. The chair of the working committee was Yaumil Achir (then chief of the BKKBN and Deputy Secretary of the Vice President's Office) and the deputy was Martiono Hadianto (the President Director of Pertamina from 1998 to 2000). The committee consisted of eleven members in total (Wisnu, 2012, p. 99).⁷⁷

After Megawati became President on July 23, 2001, she remained enthusiastic about the plan for a national social security system. Megawati's support was crucial in the creation of the SJSN from very early on in the process. In 2004, as the next election drew closer her advocacy for SJSN grew stronger. Essentially this was another case of populist politics at play.⁷⁸ As one politician interviewed in 2014 put it, 'her political party was, in jargon "*Wong Cilik*" (which means "little people" in Javanese). They wanted to support the healthcare services for poor people' (Interview IN6514, December 5, 2014). Megawati and the Indonesian Democratic Party of Struggle (*Partai Demokrasi Indonesia Perjuangan*, PDI-P), her party, wanted to have a grassroots movement. She pushed for the enactment of SJSN to gain popular support from the poor and informal sector.

The process of implementation started in 2002, during the general session of the MPR, when the 1945 Constitution was amended (Tjandra, 2014, p. 9). In the original 1945 Constitution, no article explicitly mentioned social security (Suryahadi et al., 2014, p. 9). However, the amended Constitution, in Article 28H, subsection 3, states: 'Every person shall have the right to social security to develop oneself as a dignified human being'; and Article 34, Subsection 2, states: 'The state shall develop a social security system for all people and shall empower the vulnerable and poor in accordance with human dignity'. The change to the Constitution required the president to form a national social security system that would protect all citizens. This change enabled the beginning of social security development at a formal level.

⁷⁷ Later in 2001, an additional five members were added to the committee.

⁷⁸ In interviews conducted in Jakarta in 2014, several informants referred to Megawati's motivations as 'political', implying that she used the creation of SJSN as a way of enhancing her popularity with the electorate (Interview IN1214, June 16 2014; Interview IN2014, July 03 2014).

On April 10, 2002, the year after the working committee was formed, Megawati formed an official ‘team’ to replace this committee. The mandate of this team went beyond concept development to include creating a draft law for SJSN (Wisnu, 2012, pp. 104-105). The team consisted of social security experts, government officials, and representatives of workers and employers.⁷⁹ Yaumil remained the leader of the group, and when he died in July 2003, Sulastomo became the leader on December 17, 2003 (Wisnu, 2012, p. 105). Hasbullah Thabrany—a doctor, academic, and expert in public health—also became involved at this point to help draft a blueprint for what was to become Law 40 of 2004. Sulastomo and Hasbullah were close to Megawati; they helped inform and persuade her to form the SJSN law (Interview IN2114, July 4, 2014). It was these key left-wing intellectuals who played a critical role in the early development of the country’s new social security system.

At the same time, the team received technical and financial support from the ADB, ILO, the European Union, and the Australian government. The team conducted seminars, study tours, and workshops in a number of other countries including Australia, Germany, South Korea, China, Thailand, France, and the Philippines (Interview IN1914, July 3, 2014). Within Indonesia, they also conducted public forums. They invited members of parliament, APINDO, academics, NGO activists, labour unionists, and figures from existing social security institutions. The concept of SJSN was discussed and scrutinised in two limited cabinet meetings led by President Megawati; in meetings convened by the Coordinating Minister of People’s Welfare, Jusuf Kalla; and in informal dialogues between the SJSN team and Commission VII of parliament (the committee that specialised in welfare issues). It was discussed with various other relevant institutions including the Ministry of Internal Affairs, the National Family Planning Agency (BBKBN), the Ministry of State Apparatus and Bureaucracy Reform (*Kemenpan*), the State Employment Agency (BKN), PT ASKES, PT JAMSOSTEK, PT TASPEN, PT ASABRI, and among social security experts as well as representatives of workers (Wisnu, 2007, p. 177; 2012).

During the preparation for the National Social Security Law, the team became increasingly aware of resistance to the creation of an SJSN and the diversity of agendas at stake. This resistance mainly came from predatory officials and their corporate allies. These actors raised a wide range of objections

⁷⁹ Team members included Erman Rajagukguk, Atifah Thaha, Martiono Hadianto, Indra Hattari, Sulastomo, Eddy Purwanto, Azrul Azwar, Darmin Nasution, Abdul Gani Abdullah, Sumarjati Arjoso, Widyastuti Wibisana, Firdaus Djailani, Payaman Simanjuntak, Dadi Effendi, and Hartono.

including that a national social security system would have a detrimental fiscal impact on the state and that there was inadequate administrative capacity and structure to support this system.⁸⁰

In particular, the existing social security providers were resistant to SJSN. The four state-owned social security enterprises —PT JAMSOSTEK, PT TASPEN, PT ASKES, and PT ASABRI—were concerned about losing their autonomy, institutional power, funding, and thus their ability to seek rents. They had substantial assets, estimated by one source to total Rp 195 trillion (US\$ 23 billion) (International Labour Organization, 2011, p. 1). There was also strong criticism of SJSN from foreign insurance businesses. For instance, the SJSN team received a letter from USAID rejecting the SJSN bill because it would harm the operation of many American private insurance companies in Indonesia (Tjandra, 2014, p. 10).

At the same time, APINDO, the businesses it represented, and some unions also rejected SJSN. APINDO and many of the businesses they represented rejected free health insurance for the poor because they were suspicious about where the funding would come from. They feared that the funding for the poor would come from increasing charges to employers. They claimed that the government was using social security to try to gain political support and to divert public attention away from the inability to deal with the high prices of electricity and fuel. Likewise, many unions including KSPSI, SBSI (*Serikat Buruh Sejahtera Indonesia*, The Indonesian Prosperous Workers' Union), SPN, and KSPI were also resistant to SJSN. As we will see below, there was a divide between unions over the SJSN—many unions were also supportive of SJSN—and even within some unions (Tjandra, 2014). In particular, the FSPMI (*Federasi Serikat Pekerja Metal Indonesia*, the Federation of Indonesia Metal Workers Union) was a strong supporter of SJSN. Those unions opposed to SJSN felt that they were not involved enough in the process of reform nor were their opinions heard or considered (Interview IN4614, September 17, 2014). They rejected the idea of merging the existing social security agencies because they suspected that the government had no intention of paying the premiums for the poor and that would mean the assets of JAMSOSTEK would be used to fund the poor. Also, they feared that the government would increase the costs of insurance for employees to cover the cost of the poor (Interview IN2114, July 4, 2014; Interview IN4714, October 2, 2014). These actors were very active in protesting against SJSN. During this time, they released a statement requesting that the

⁸⁰ Such resistance was discussed in numerous interviews, including Interview IN0114, April 14, 2014; Interview IN6414, December 4, 2014; Interview IN9115, 26 January, 2015; Interview IN9215, 29 January, 2015.

national parliament delay the adoption of law SJSN. APINDO and some unions also staged demonstrations at the House of Representatives to pressure them to suspend endorsement of the bill.

There was also resistance from within government to the transformation of the four social security enterprises (Interview IN2214, July, 10, 2014). In particular, predatory officials and their corporate allies opposed the change from for-profit state-owned enterprises to non-profit public entities, something that was required by Law 40/2004. The state gained a dividend from the state-owned social security enterprises (Asian Development Bank, 2007). However, if the legal structure changed to non-profit public entities, this would eliminate the need for social security agencies to pay taxes and dividends to the government. This would drastically affect the government's ability to gain funding from the social security providers. Furthermore, this would also create an additional burden on the state budget for two reasons. First, the government would have to make contributions to insurance funds for the poor and near poor. Second, it would have to contribute to SJSN to fund its role as provider for civil servants and military personnel.

Due to the significant contestation surrounding the concept of SJSN, the draft bill was revised 56 times before finally being submitted to parliament on January 26, 2004 (Tjandra, 2014, p. 9; Interview IN1914, July 3, 2014). Many of the key features in the law were deliberated over for some time. It was these disagreements and objections, described above, which led to the drawn-out process of designing the SJSN law.

Even once the law had been submitted to Parliament, the debates continued. There was a great deal of deliberation over the law within parliament. One of the major debates in the deliberation process was on deciding the type of institution that would manage the National Social Security programs—specifically, whether it should be a state-owned enterprise or a public and non-profit legal entity—and who would control this institution. The already existing institutions—such as the Manpower and Transmigration Ministry, the Health Ministry, PT JAMSOSTEK, and PT ASKES—fought for control of the program, all wanting to manage it (Wisnu, 2010). Since the national social security system would cover the entire population of both the formal and informal sectors and bring them under two bodies, BPJS *Kesehatan* (health) and BPJS *Ketnagakerjaan* (employment), a significant amount of resources was at stake. This created contestation over who had authority.

On October 19, 2004, Megawati's last day of term, she signed Law No. 40 of 2004 (*Undang-undang Sistem Jaminan Sosial Nasional*, National Social Security System Law) which stated that all Indonesian citizens were entitled to social security. The signing of the law was held at the Presidential Palace. A special ceremony was conducted, and everyone involved in the making of the law was invited (Interview IN2114, July 4, 2014).

The national social security system law provided for five key changes to Indonesia's social security system. Firstly, it stipulated the establishment of a National Social Security Council (*Dewan Jaminan Sosial Nasional*, DJSN) under the direct control of the President to manage the implementation of the national social security system. The DJSN was composed of 15 members representing the government, social security experts, employers' organisations, and workers' organisations. Its primary function was to formulate the policies and provide supervision for the implementation of the National Social Security System. Secondly, the law stated that membership of social security was mandatory, but the implementation of universal coverage would be phased in according to the economic capacity of the people and the government (Interview IN6314, December 3, 2014). Thirdly, the existing four social security providers (PT JAMSOSTEK, PT TASPEN, PT ASABRI, and PT ASKES) would continue to operate as social security providers. However, their legal status would change from *Persero* (profit-oriented limited liability state enterprises) to not-for-profit, known as BPJS *Kesehatan* (health) and BPJS *Ketenagakerjaan* (employment) (Arifin, 2014). This would occur over a five-year transition period (completed by 2009). Additional social security providers could be created as needed, but the law required that the financial accounts of different programs should be managed separately and it prohibited inter-program fund transfers. Fourthly, the law covered five social security programs, specifically: (i) health insurance, (ii) employment injury, (iii) old-age (provident fund), (iv) pensions, and (v) death benefits (Muliati, 2013). Finally, the law stipulated that contributions for the social security programs were to be paid jointly by the employers and employees. However, it did not specify the contribution rates nor how contributions were shared between employers and workers (Interview IN4814, October 17 2014). It also stated that the government would subsidise financing for the poor and the economically disabled.

Due to the significant contestation that transpired during the drafting of the law, the law provided only a basic framework for the development of the national social security system. The law did not

specify how the system would be implemented. The law was an ‘umbrella law’—that is, it provided a framework for other types of legislation and regulation. At the same time, to be effective in practice it required the passage of an ancillary law on social security providers (BPJS) (Wisnu, 2007). The SJSN law required the government to enact the ancillary law on BPJS within five years. The law was vague on many of the details regarding the transition from the existing schemes to the new system (International Labour Organization, 2008). Many supporters of the reform—primarily NGOs and left-wing intellectuals—considered this to be a significant compromise and a delaying tactic by predatory officials and their corporate allies (Interview IN2014, July 3, 2014, Interview IN2214, July 10, 2014). However, in other areas, they comparatively won in the bargaining process against predatory officials and their corporate allies. For instance, the change in the legal status of the existing social security providers from profit-oriented limited liability state enterprises to not-for-profit entities was a victory for the popular forces and their supporters. This signifies a shift from institutions and a system dominated by a profit-seeking attitude to one more centred on protection and promotion.

In sum, then, the SJSN led to significant change in the nature of Indonesia’s social security system. Social security became less about economic utilisation and rewarding public servants, and more about the protection of all citizens. In that sense, it represented a step towards a more welfarist social security system, away from a system exclusively shaped by economic policy. The program also enabled greater fulfilment of citizens’ rights to social security particularly in health, representing a shift towards a more universalist system. In both cases, though, there was only a partial shift with social security still broadly subordinate to economic policy and benefiting a select group, the formal labour force. As a result, the system remained informal with the majority of the informal sector reliant on their families, communities or the market to provide social security. It also remained unequalising in that social security primarily benefited and therefore reinforced the position of productive elements. Furthermore, despite the reform, there was no change as to how programs were implemented. Predatory officials and their corporate allies continued to exploit social security programs for their own benefit.

Case 3: Social Security Administrative Bodies (BPJS)

Yudhoyono was sworn into office as president on 20 October 2004. As noted above, the SJSN law stipulated that the government had five years to enact the ancillary law on BPJS. The deadline for the bill on BPJS was October 19, 2009 (Interview IN2014, July 3, 2014). In Yudhoyono's first term (2004-2009), his government took some small steps toward preparing for SJSN. During his first term, his cabinet prepared a roadmap and formulated scenarios related to the enactment of the BPJS law (Tjandra, 2016, p. 140). Moreover, in 2009, his government created DJSN to be responsible for ensuring efficient and fiscally sustainable operations of the national social security system (Interview IN6314, December 3, 2014).⁸¹ Yudhoyono successfully gained re-election as president in July 2009. However, as the October 19, 2009, deadline approached, the government had not yet submitted a draft BPJS bill to the parliament. In Yudhoyono's first term insufficient progress was made and in his second term, he continued to stall on progress towards implementing SJSN (Tjandra, 2016, p. 140).

Although Yudhoyono's presidency witnessed the introduction of new health insurance schemes for the poor, he failed to show strong support for universal healthcare. In part, this was due to the fact that SJSN was not his legacy but rather that of Megawati. Hence, he stood to gain little in terms of political popularity from supporting SJSN. At the same time, he was not very supportive of SJSN and BPJS because of the increased funding the new social security system required from the government and the loss of funding for the government from the state-owned enterprises dividends it entailed.

The lack of action towards the implementation of SJSN and the drafting of the BPJS bill led to growing concern among NGOs, some unions⁸², and left-wing intellectuals about the future of social security. In 2010, they decided to form a coalition to address their concerns and fight for the implementation of SJSN. This group became known as the Social Security Action Committee (*Komite Aksi Jaminan Sosial*, KAJS). KAJS was formally established during a meeting facilitated by FSPMI at the Hotel Treva in Jakarta on March 6-8, 2010 (Tjandra, 2016, p. 141). KAJS consisted of 67 labour unions from the

⁸¹ The SJSN law stipulated the creation of this body. DJSN consisted of 15 Members including six from government organisations (Ministries of Health, Defence, Finance, Labour, and Social Affairs), five experts, two from employers' organisations, and two from workers' organisations. Council members were selected by the President (Reich & Takemi, 2015). DJSN represented the interests of the government and they were not active in attempting to implement SJSN.

⁸² Labour unions were deeply divided over BPJS. The pro-reform group included FSPMI. This group joined the KAJS coalition to fight for the implementation of BPJS. On the other hand, the anti-reform included SPN, KSPSI, SBSI, and KSPI.

Greater Jakarta area,⁸³ NGOs such as ICW and TURC, student groups, mass organizations, parliamentarians such as Rieke Diah Pitaloka,⁸⁴ and left-wing intellectuals such as Hasbullah Thabrany, Laksono Trisnantoro, Sulastomo, and Ascobat Gani (Interview IN2914, September 1, 2014; Interview IN2214, July 10, 2014). Many of the left-wing intellectuals who were critical of the establishment of SJSN under Megawati Sukarnoputri continued to play a role in getting the BPJS law enacted.

KAJS aimed to place pressure on the government and advocated for the implementation of the national social security system. It actively campaigned, protested, and advocated for five goals—it demanded that parliament and the government implement Law No. 40 of 2004, pass the draft BPJS Law, implement a universal healthcare system for all Indonesian people, and implement a pension fund for formal workers (Asia Monitor Resource Centre, 2013). To achieve this, KAJS employed four key strategies. First, it worked on designing the BPJS law and submitted its version to government stakeholders. Second, it intensively lobbied the parliament and the government, organising seminars, public discussions, focus group discussions, hearings, and public meetings about SJSN and the required reforms. Third, it organised and mobilised mass action to pressure the government to implement SJSN. Fourth, it issued press releases and conducted press conferences on the issue. Fifth, and finally, it took legal action. Specifically, on June the 10th 2010, KAJS lodged a citizen lawsuit at the Central Jakarta District Court against the government for its failure to fulfil Law No. 40 of 2004 (discussed in more detail below).

In 2009, the parliament submitted a draft BPJS bill for deliberation as part of its 2010 legislative program (Interview IN9115, January 26, 2015). Prakarsa, an NGO based in Jakarta that specialised in social security, was critical at this stage. It had been working with KAJS on a draft of the BPJS bill and had persuaded the PDI-P to submit the bill as a House initiative (Interview IN2214, July 10, 2014)⁸⁵. A key factor in the PDI-P's decision to support and submit the bill was that the SJSN Law was one of

⁸³ Also included were unions leaders such as Joko Hariyono (SPN), Achmad Munji (FSP PP KSPSI), Indra Munaswar (KOBAR), Ali Akbar (FSP, PPMI, KSPI), Abdullah Sani (KSBSI), Said Iqbal (FSPMI/KSPI), and Secretary General.

⁸⁴ Rieke Diah Pitaloka—from PDI-P and a former soap star—was fundamental in supporting KAJS's initiative and the passing of the BPJS bill in Parliament. She participated in public protests, lobbied other members of parliament, and convinced many government officials to support the BPJS bill. When PDI-P was elected in 2014, however, Rieke reportedly reduced her involvement with KAJS and in advocating for social security.

⁸⁵ During this project, the Asia Foundation supported Prakarsa. Previously, the Asia Foundation had not conducted much work on social security but they were keen to support Prakarsa in this initiative (Interview IN2014, July 3 2014).

President Megawati's most important legacies from her administration (Tjandra, 2016, p. 140). Another factor was the role of left-wing intellectuals in persuading the political parties to support the BPJS bill. In particular, Surya Chandra Surapaty—who was previously a legislator for PDI-P, Chairman of the Special Committee on the SJSN Bill (1999-2004), and Vice Chairman of Commission IX in parliament (the commission in charge of welfare, manpower, and health matters)—helped persuade his party to support enactment of a BPJS law. Surapaty had substantial knowledge of the issue as he held a PhD in public health with a focus on public healthcare (Tjandra, 2016, p. 140). Another parliamentarian who helped to ensure passage of the law was Okky Asokawat, a United Development Party (*Partai Persatuan Pembangunan*, PPP) representative and also a member of Commission IX. A staunch advocate of the BPJS law, she helped persuade her party to support the BPJS bill (Interview IN2014, July 3, 2014). A member of the KAJS coalition described in an interview how KAJS reached out to members of parliament to gain their support, and Okky was one member who responded and advocated for the national social security system from within the parliament (Interview IN2014, July 3, 2014).

For the BPJS bill to be accepted as a House of Representative's initiative, it had to first be supported by all the political parties in the plenary opening session in the House of Representatives on April 5, 2010 (Tjandra, 2016, p. 142). KAJS played a vital role in lobbying various political parties and leaders to accept the bill. On April 5, 2010, the day of the House of Representatives' plenary session, KAJS gathered thousands of workers together to carry out a demonstration (Interview IN2614, July 16, 2014; Interview IN1914, July 3, 2014). The demonstration, combined with lobbying of the leaders of the House of Representatives, resulted in an agreement that the bill would be an official House initiative bill in 2010.

During the discussions in the House of Representatives on the BPJS bill in 2010, the government continuously tried to obstruct and delay negotiations with parliament. In particular, the Ministry of Finance and the Ministry of State Owned Enterprises strongly opposed BPJS, reflecting, in the case of the former, concerns about the fiscal impact of SJSN and, in the case of the latter, the implications for existing social security providers (Interview IN2014, July 3, 2014; Interview IN8314, December 8, 2014). Within these institutions and especially the latter, predatory officials strongly argued that the social security providers should continue to operate without changes to their legal status. As noted above, the SJSN law stipulated that the existing four social security providers (PT JAMSOSTEK, PT TASPEN, PT ASABRI, and PT ASKES) would change their legal status from *persero* (profit-oriented

limited liability state enterprises) to a non-profit entity—meaning the government would no longer receive profits from them. The bureaucrats did not want to lose control over the state-owned social security enterprises and access to their assets and revenues. The combined total value of their assets was estimated to be Rp 195 trillion (US\$ 23.01 billion) (Sijabat, 2011). Within parliament, opposition to the BPJS bill came mainly from Yudhoyono’s Democratic Party.⁸⁶

Predatory officials within the state-owned social security enterprises opposed the BPJS bill for similar reasons. They were against BPJS as they did not want to become non-profit public legal entities. They did not want to lose their assets and autonomy. They also did not desire stricter transparency of their investments which would be a likely consequence (Interview IN2014, July 3, 2014). They attempted to persuade unions, businesses, and parliament members to resist and fight against the implementation of SJSN. For instance, JAMSOSTEK accumulated large assets every year from the premiums paid by workers and used this to influence unions. In 2011, the accumulated assets amounted to Rp 109 trillion (Tjandra, 2016, p. 146). Most unions—including SPN, KSPSI, KSBSI, KSPI, and KASBI—were able to gain financial support from JAMSOSTEK via a scheme known as KSO (*kerja sama operasional*, operational cooperation) (Tjandra, 2016, p. 146). Unions were meant to use these funds for socialisation of JAMSOSTEK, but effectively they could use the funds as desired. Unions could claim Rp 1,500 for each member from JAMSOSTEK. Hence, SPN, which had 400,000 members, could claim about Rp 600 million a year (Tjandra, 2016, p. 115). JAMSOSTEK effectively used its finances to buy the support of unions. If the existing state-owned social security enterprises became non-profit entities, it was likely the KSO scheme would no longer run and unions would lose this funding. This had a substantial influence on some unions’ decisions to oppose the BPJS law. Furthermore, some unions had an affiliation with JAMSOSTEK. The chairman of KSPSI (*Kali Bata*), Sjukur Sarto, and the president of KSBSI, Rekson Silaban, were commissioners of JAMSOSTEK (Jung, 2016, p. 488). As commissioners, they received hundreds of millions of rupiahs every year for their roles on the board of commissioners. In this sense, they had a vested interest in ensuring that JAMSOSTEK remained a state-owned enterprise. SPN, KSPSI (*Kali Bata*) and KSBSI were the main unions campaigning against BPJS (Tjandra, 2016, p. 146). Additionally, according to an informant from an NGO involved in the drafting of the BPJS bill, JAMSOSTEK also tried to influence members of parliament—specifically those affiliated with the state-owned social security enterprises (Interview IN2014, July 3, 2014).

⁸⁶ While PDI-P was consistent in supporting social security.

The unions opposed to the BPJS bill took issue with several specific aspects of the law. In general, they did not agree with merging the four state-owned social security enterprises —PT JAMSOSTEK, PT ASABRI, PT TASPEN, and PT ASKES—into two non-profit bodies. They claimed that this would increase the cost and decrease the service quality for workers. They were also concerned with the payment mechanism, worrying that the new system would increase costs for employees (Interview IN4714, October 2, 2014; IN2114, July 4, 2014). For instance, in an interview, a union representative from SPN stated that the union rejected the change in the payment of premiums because it imposed additional costs on workers. Before BPJS, workers did not pay the premium, but BPJS required workers to make a contribution to the premium. He argued that it should be free—fully subsidised by the government—for all union members (Interview IN4614, September 17, 2014; IN2114, July 4, 2014). Furthermore, in JAMSOSTEK, workers received first-tier service. However, in BPJS, workers received third-tier service instead (Interview IN4614, September 17, 2014).⁸⁷ In part, resistance from unions was also due to their vested interest in gaining financial support from JAMSOSTEK, as discussed above.

APINDO and KADIN also heavily criticised the BPJS bill. They and the employers they represented, favoured a private social security system over a public one due to a lack of trust in public social security programs, such as PT JAMSOSTEK. They would rather pay for their own private insurance than pay for public insurance from which they would likely gain little to no benefit. Both APINDO and KADIN rejected the notion that required workers and employers to pay insurance premiums (Jung, 2016). They also feared that the payment system meant cross-subsidisation, such that the formal labour force and employers would pay more to cover the insurance premiums for the informal workers and the poor (Interview IN2114, July 4, 2014).

Hospitals were also resistant to the implementation of BPJS. One of the main concerns driving resistance to BPJS was the private hospitals' ability to make a profit (Interview IN1214, June 16, 2014). Large conglomerates have high stakes in the Indonesian private hospital industry (Dalimunthe, 2016). For instance, Siloam (backed by the Lippo Group), Modern Group, Ciputra Group and Mitra Keluarga (affiliated with Kalbe Farma) all have large investments in the private hospital industry in Indonesia (Bland, 2012; Indonesian Commercial Newsletter, 1996; Nikkei, 2013). Before BPJS, hospitals used a

⁸⁷ There are three classes of insurance with different monthly premiums: third-class Rp 25,500 (\$2.11), second class Rp 42,500 (\$3.51), and first class Rp 59,500 (\$4.92). Each class of insurance entitles participants to the associated class of hospital room. For instance, the poor and near-poor, who are paid for by the government, receive service in a third class hospital ward (Interview IN6414, December 4 2014).

fee-for-service based system, where the hospital issued a claim and the government paid the claim. With the new system, the prices were fixed—the government provided a set price for what was covered by the BPJS program—and thus a hospital would be reimbursed the same amount for conducting a service regardless of its location or its status as public or private (Interview IN1014, June 5, 2014). According to hospitals and doctors, the fixed prices were well below the actual costs of medicines and procedures. Hospitals were also concerned they would not be paid (reimbursed) by the government, or there would be long delays in being paid by the government for providing services (Interview IN1014, June 5, 2014, Interview IN0114, April 14, 2014). Hospitals reacted to the BPJS program with hesitation and some resistance, refusing to participate or accept patients with the BPJS cards (Interview IN1814, July 30, 2014).

At the same time, some unions supported the national social security system and joined KAJS. By 2011, the KAJS network had expanded to include sixty-six organisations. These included unions, student associations, and NGOs representing the interests of farmers and fishermen, the urban poor, migrant workers, domestic workers, and students (Jung, 2016, p. 488). Unions such as FSPMI were strong supporters.⁸⁸ Despite the divide between the unions, KAJS was an important initiative that united many unions and gave them clear information about the national social security system and BPJS. It merged many small minorities into one relatively powerful force.

This resistance triggered further action from popular forces. KAJS continued to push the government via mass mobilisation and legal action. On Labour Day, May 1, 2010, KAJS organised a large demonstration. It is estimated that 150,000 workers attended (Interview IN2614, July 16, 2014). They marched from Hotel Indonesia to the Presidential palace and demanded the implementation of SJSN via the enactment of the BPJS bill. Additionally, as stated above, KAJS filed a citizen lawsuit in 2010 against the President, Vice President, Speaker of the House, and eight related Ministers—suing the government for negligence and lack of commitment in implementing the 2004 SJSN law within the specified timeframe (Tjandra, 2016; Interview IN1814, July 30, 2014). This lawsuit was lodged on behalf of 120 people including trade unions, NGO activists, lawyers, students, journalists, and other professionals at the Central Jakarta District Court. KAJS was represented by a team of 17 lawyers which

⁸⁸ FSPMI was one of the key supporters. Other unions such as KSPI did not reject BPJS, but they did not support the initiative either. In part, this was because the KSPI was divided with some federations under the KSPI actively supporting and engaging with the KAJS, and others not. There was a divide within many unions over BPJS (see Tjandra, 2016).

named themselves Defenders of the People for Social Security (*Tim Pembela Rakyat untuk Jaminan Sosial*). The proceedings lasted over a year, from October 2010 to July 2011. Court sessions were held weekly. During this time, civil society demonstrated outside the court, placing pressure on the court to act to find in favour the BPJS cause and against the government (Tjandra, 2014, p. 11).

On July 13, 2011, the Central Jakarta District Court decided that the Government of Indonesia was guilty of neglecting the implementation of the national social security system (Interview IN1014, June 5, 2014). The court mandated the government to start the implementation of this system and enact a new law stipulating the implementation of SJSN. This was a victory for popular forces, achieved through their campaigning and advocacy. This situation represented their growing strength and ability to influence policy in Indonesia. The popular forces achieved this in the context of a democracy, with democratic institutions and processes, including the court system.

Soon after, in September 2011, the chairperson of the Federation of Indonesian Workers' Associations (FISBI), Susi Sartika, and Yulianti, a member of staff of PT Megahbuana Citramasindo, filled a judicial review request with the Constitutional Court (Sijabat, 2012). Others including APINDO, the State Enterprise Workers Union (FSBUMN), SPN, DKR and SRMI also supported the request (Rosser, 2017, p. 34).⁸⁹ They lodged the request against Article 15 of Law No. 24/2011 regarding BPJS, which stated that employers must register their workers. The article did not outline details about who should pay the premiums; it only required employers to register their workers. The labour unions considered this contradictory to the 1945 Constitution, which guaranteed workers the right to social security. Essentially, they found BPJS unacceptable because it entailed payment of premiums by private individuals and businesses rather than by the state (Interview IN6414, December 4, 2014). However, the Constitutional Court did not agree, and rejected their request for Law 40/2004 to be made invalid. On October 16, 2011, the Court ruled that employers had to register their workers on national healthcare and occupational social security programs, and had to pay their premiums (Sijabat, 2012). The Constitutional Court stated that the social security programs were part of workers' rights and, therefore, should be at their employers' expense.

⁸⁹ Some bureaucrats, such as former health minister Siti Fadilah Supari, also supported the judicial review claiming the law violated the Amended 1945 Constitution which required the state to give social security protection to all people for the sake of human dignity. In an interview in 2014, an NGO activist noted that Siti Fadilah Supari had been a strong opponent of BPJS (Interview IN2214, July 10, 2014). Many bureaucrats had other interests at stake, from institutional territory to their bureaucratic positions.

After the Court's ruling, the government deliberately stalled during discussions over BPJS in parliament. For instance, on February 9, 2011, the government and parliament debated whether the BPJS bill would mandate the formation of a new social security institution without transforming the existing state-owned social security enterprises or whether the new social security law would mandate the transformation of the existing state-owned social security enterprises into a new institution. The government wanted the existing enterprises to remain while the house wanted them to merge into the new institution (Tjandra, 2016, p. 21). There was still great contestation over many issues and resistance from the predatory officials and their corporate allies.

During the deliberation over the BPJS bill, KAJI was very active in monitoring the parliament and pushing them to pass the bill. For instance, it had people dedicated to sitting in the sessions and on the balcony of the House meeting rooms to watch the performance of the legislators closely. These people targeted legislators who stalled or provided false or misleading information by sending hundreds of messages to their phones (Tjandra, 2014, p. 12). They continued to hold demonstrations, often gathering large numbers of people in front of parliament and drawing a large amount of media attention.

Finally, on October 28, 2011, the House of Representatives passed the social security providers law.⁹⁰ The law was passed late in the evening of the 28th as massive demonstrations took place outside parliament. These demonstrations were organised by KAJI to push parliament to pass the BPJS Law. In 2014, in an interview, a left-wing intellectual described the scene stating: 'The law was passed around 9 pm amidst demonstrations outside the parliament, which was held from noon. The movement of the people is the most important thing in pushing the law' (Interview IN1914, July 3, 2014). Social mobilisation played a major role in the creation and passing of BPJS. The Supreme Court and the Constitutional Court also played an integral role as they provided a platform for civil society to contest the government. After the BPJS bill was passed, KAJI continued to play a role—setting up an initiative known as BPJS Watch (Interview IN4114, September 10, 2014; Interview IN1814, July 30,

⁹⁰ It was not until November 25, 2011, that the draft bill was ready and the Indonesian government issued Law No. 24 of 2011 on BPJS as the body coordinator of social security.

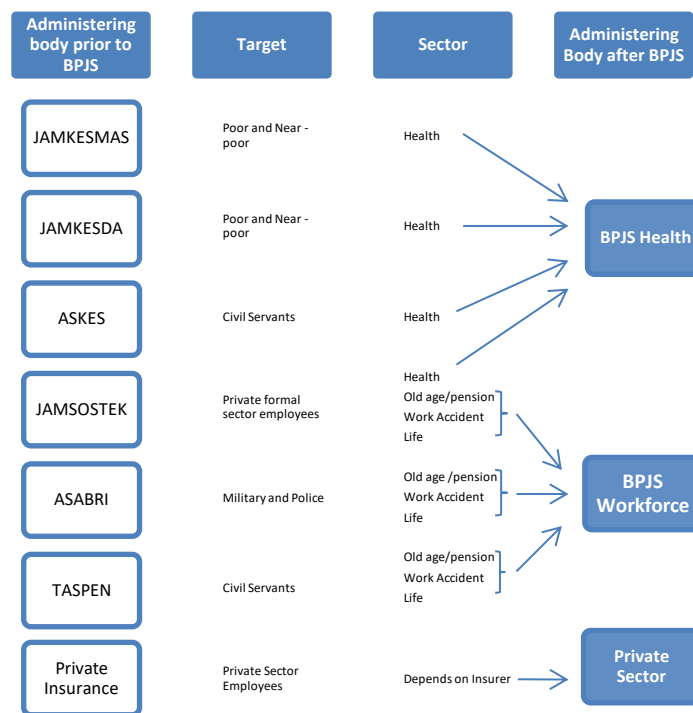
2014). BPJS Watch is an NGO established to monitor, evaluate, report, and problem-solve issues with the implementation of the BPJS.

The government had appealed the decision made by the Central Jakarta District Court on July 13, 2011, to the Jakarta High Court. However, at the time when the Constitutional Court made its ruling the Jakarta High Court had still not ruled on the government's appeal (Rosser, 2017, p. 37). It was not until one year after the BPJS law had been enacted by the House of Representatives that the Jakarta High Court finally made a ruling. It ruled that Central Jakarta District Court had no power to force the government to endorse a law and claimed that only the parliament and government held such authority. However, this verdict did not influence the BPJS law as the House of Representatives had already decided to enact the BPJS law (Rosser, 2017, p. 37).

Under this law, the existing state-owned social security enterprises (PT TASPEN, PT ASKES, PT ASABRI, and PT JAMSOSTEK) were merged into two non-profit public enterprises: BPJS Health (which took over the health-related programs) and BPJS Employment (which took over programs related to employment including insurance for old-age, death, pension, and accidents) (see Figure 6).⁹¹ The law was concerned with who would implement social security programs, how they would be chosen, their powers, functions, and constraints. BPJS Health started operation in January 2014, and BPJS Employment commenced in July 2015. It is expected that the programs will be fully implemented by 2019. Both BPJS Health and BPJS Employment are self-funded through members' premiums, but the government covers the poor's premiums. Under this new system, all Indonesians are entitled to healthcare. It is mandatory for the formal labour force to participate in health and employment insurance, and the informal sector can voluntarily contribute to an old-age savings program.

⁹¹ The merging of the state-owned enterprises with BPJS was required by law to be completed no later than 2029.

Figure 6. The Transformation of Social Security



The change from state-owned social security enterprises to non-profit public legal entities brings Indonesia into compliance with international practice (Muliati, 2013). It is widely perceived that social insurance programs should not be enterprises that are profitable for the government; rather, they should be established to protect citizens against macroeconomic risks (Muliati, 2013). Hence this change signifies a shift from a productivist system towards a more welfarist system, where social policy is implemented for the protection and promotion of citizens, not to the extent that it benefits economic objectives. At the same time, this change only represents a partial shift in this direction because the system continues to privilege productivist elements, and implementation remains predatory.

This change will also mean that the four schemes must become more transparent. As non-profit public bodies, everything they do must be open for inspection, with information about their activities being more publicly available. It will now be easier to follow where the insurance premiums go and how money is spent, reducing the scope for corruption. For instance, BPJS Kesehatan and BPJS Ketenagakerjaan will be required to report how much they pay out in incentives and benefits to top executives, the number of members covered, how much they are investing, the dividends they are collecting, and how they are managing these investments and returns. Due to the system being new,

it is unclear if it will be less predatory. Furthermore, healthcare officials may still decline healthcare cards and/or charge illegal fees, leading to a continued predatory system.

In total, this reform to social security in Indonesia has resulted in a slight shift in the direction of a more welfarist system because social policy has been given greater emphasis. These reforms have extended the right to social security to all Indonesians, resulting in the social security system becoming more universal as well. But the system has remained relatively unequalising because it has continued to reinforce the position of productivist elements by giving greater benefits to a select group, the formal labour force. The reforms have also meant that the government has come to play a greater role in providing social security, and thus that it has become more formal in nature, with the state underpinning the market and the family. However, it is too soon to know if the effectiveness of this program has improved. Overall, the social security system has shifted from being a productivist, particularist, unequalising, moderately informal, and predatory system under the New Order, towards being a more welfarist (but still essential productivist), universalist, unequalising (slight shift to equalising), and formal system in the post-New Order period.

Conclusion

This chapter has contended that Indonesia's social security system has experienced significant change since the New Order in terms of the five dimensions used here to assess the nature of social protection systems. Under the New Order, the country's social security system was productivist, particularist, unequalising, moderately informal, and predatory in nature (see Figure 5). During the post-New Order period, by contrast, it has become increasingly welfarist, universalist and formal in nature, while retaining unequalising and predatory characteristics. In this respect, it differs from the case of food security, where reform has been minor across all five dimensions. The chapter has also argued that this change in the nature of Indonesia's social security system has reflected the distinctive politics of this system in the post-New Order period. In particular, it has reflected the ability of popular forces to mobilise and influence policy. Popular forces were very active at pushing a progressive agenda, mobilising in their thousands to ensure universal social security. The result was an extension of the right to social security beyond military and bureaucratic officials and private sector workers to include 'unproductive' elements such as the poor and a rebalancing of the relationship between economic and social policy. However, I argue that the shift from productivism to welfarism has been partial. I also argue that the social security reform has been limited in terms of implementation due to the

continued domination of the predatory officials and their corporate allies. Predatory officials and their corporate allies were quick to contest and/or hijack these reforms. The corporate sector was extremely resistant to the introduction of the new BPJS law, seeing it as an expensive initiative that would limit their control of resources. Meanwhile, predatory officials have continued to use the new social security programs as an opportunity for rent-seeking, undermining reform.

Chapter 7

Income Support

Introduction

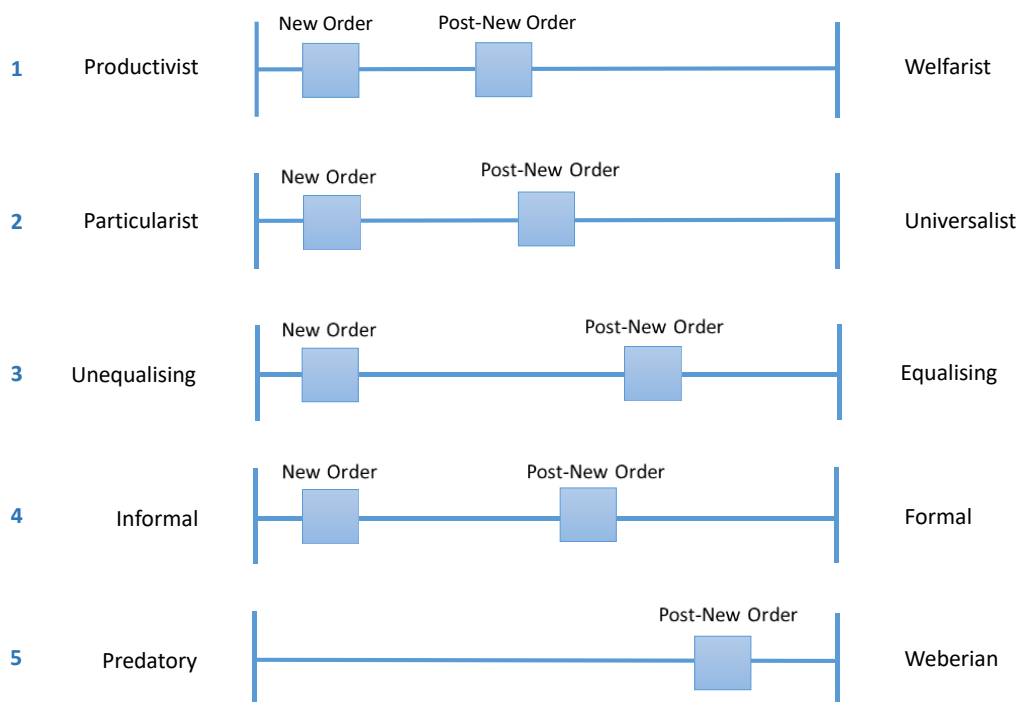
The previous chapter analysed how shifts in the balance of power between competing political and social coalitions produced changes in Indonesia's social security system during the New Order and post-New Order periods. This chapter examines how changes in the balance of power between these coalitions has shaped the evolution of the country's income support system. The chapter presents two key arguments.

First, it argues that there was a relatively large change in the nature of Indonesia's income support system in the post-New Order period compared with the New Order period (see Figure 7). In the New Order period, the country's income support system was productivist, particularist, unequalising and informal in nature. This is because the government favoured economic growth over the provision of income support and it did not extend rights to income support to citizens, with the result that it did not introduce any formal income support programs and existing inequalities in society were maintained. In these respects, the country's income support system was similar to the other social protection systems examined in this dissertation. In contrast with social security, however, it cannot be located on the predatory-Weberian scale in Figure 7 because there were no income support programs at this time.

In the post-New Order period, by contrast, Indonesia's income support system became more welfarist, universalist, equalising, formal, and Weberian—to varying degrees (see Figure 7). This was because the government played a more prominent role in the protection and promotion of the social well-being of all its citizens via income support, a more formal system developed, rights to income support were extended, and this in turn led to a more equalising system. However, the shift in this direction was only partial. Most income support programs were small and coverage was limited compared with social protection programs in other systems. Thus, while the government's greater concern for the social and economic well-being of its citizens and the extension of rights produced a more a welfarist, universalist, equalising, and formal income support system, there was only a partial

shift in all respects. At the same time, the country's income support system in the post-New Order period can be characterised as relatively Weberian, compared with the food security and social security systems, because the implementation of the new income support programs experienced relatively limited corruption. Overall, then, I argue that the reform experienced in this system was greater than that encountered in the other systems examined in this dissertation. Indonesia's income support system experienced more significant shifts towards a Weberian and equalising system compared with social security. In comparison with food security, Indonesia's income support system experienced greater shifts in all five dimensions: it became more welfarist, universalist, equalising, formal and Weberian compared with food security.

Figure 7. Evolution of the Income Support System in Indonesia



Second, the chapter argues that this change in the nature of the income support system has reflected the specific politics at work in this area of social protection. In contrast with the food security and social security realms, predatory officials and their corporate allies did not exercise the dominant influence over income support policy and its implementation after the fall of the New Order. As discussed earlier, the collapse of the New Order and the subsequent transition to democracy resulted in greater political competition between political elites at election time. Political elites, and especially President Yudhoyono, recognised the electoral benefits of income support programs in terms of gaining support from the poor, giving them a strong incentive to initiate cash transfer programs and

implement them effectively. At the same time, donors and technocrats were able to take advantage of the leverage afforded to them by the AFC and political support for income support programs emanating from electoral dynamics to promote the adoption and successful implementation of cash transfer programs. There was also some support for income support programs from popular forces, particularly NGOs, although they became increasingly sceptical of the benefits of unconditional cash transfers over time. Finally, and most importantly, there were no powerful entrenched predatory bureaucratic or corporate interests that worked against reform, in contrast with the social security and food security systems. There were no elements broadly equivalent in their political effects to BULOG or the state-owned social security enterprises (i.e. PT JAMSOTEK, PT Taspen and the like). Nor was there powerful resistance to income support from the business community, except in relation to the unconditional cash transfer program and then only in its final implementation.

This chapter is organised into two main sections, one on the New Order and the other on the post-New Order period. In each section, I describe the evolution of the nature of the country's income support system and examine the politics underlying this. The chapter then concludes by summarising the findings and re-stating the key points.

As in the previous two chapters, it is necessary to deal briefly with definition issues: in this case, the terms 'income support' and 'cash transfers'. Income support is defined as a set of means-tested payments that help disadvantaged people with everyday living costs. This may include payments for the disabled, poor parents, poor elderly people, or the unemployed (Shepherd, Marcus, & Barrientos, 2004; World Bank, 2012d). 'Cash transfers' are a form of income support. These are defined as the direct transfer of money to eligible beneficiaries, usually the poor. There are two broad types of cash transfers that have operated in Indonesia: unconditional cash transfers (UCTs) and conditional cash transfers (CCTs). UCTs provide cash without conditions to improve welfare and/or reduce financial stress (UNICEF, 2015). CCTs provide cash to recipients on the condition that they meet certain criteria, such as children attending school, receiving vaccinations or seeking employment, to improve social development indicators (Fiszbein et al., 2009).

The Political Economy of Income Support under the New Order

During the New Order, Indonesia had no government programs that provided income support. The government introduced minimum wage laws that set minimum wages at a rate based on a scale known as Minimum Physical Needs (*Kebutuhan Fisik Minimum*, KFM). The rate varied between regions as determined by the Local Wage Research Council (*Dewan Penelitian Pengupahan Daerah*, DPPD), which comprised ten public servants, three SPSI trade union members and three company representatives (Tjandra, 2016, p. 67). This served to provide a degree of income security for formal sector workers. However, it was not a form of income support.⁹² Specifically, the New Order did not introduce the sorts of cash transfer schemes that were subsequently to be implemented in the country in the mid-2000s.

Most Indonesians consequently relied predominantly on family and community support mechanisms at times when they required income support. These took a variety of different forms, including *gotong royong*, *zakat*, and assistance from wealthier family members. *Gotong royong* describes a community in which people assume responsibility for one another's well-being. If one person is financially unstable, the community is meant to help find a solution. Such notions of *gotong royong* are widely seen as characteristic of Indonesian society.⁹³ *Zakat* is an obligatory religious practice, which requires Muslims to pay a tax of 2.5 percent of their income to the poor and needy and, in so doing, provide informal income support for the poor (Ali & Hatta, 2014; Halimatusa'diyah, 2015; Kwon & Kim, 2015). This payment is often in the form of food and cash. During the New Order period, faith-based political parties and the Ministry of Religious Affairs attempted to centralise the administration of *zakat* within the national government structure but such a system never fully materialised. In the New Order period, two Islamic proponents of *zakat*, Masdar Farid Mas'udi, an Islamic scholar, and Amien Rais, a political scientist with a doctorate from the University of Chicago, highlighted its importance. Both emphasised its redistributive purpose, likening *zakat* to state taxation. They sought to establish new government policies that institutionalised *zakat*, although they failed to achieve this (Retsikas, 2014).⁹⁴ While both *zakat* and *gotong royong* are not government income support programs, the government saw them as useful to the extent that they reduced the need for it to use other means to

⁹² Tjandra (2016, p. 68) notes that minimum wage policy was a tool 'used by the Indonesian New Order government to maintain its control over labour, in the perceived interests of economic development'. The minimum wage was adjusted according to economic necessity. Hence, it represents another policy focused on economic growth rather than social well-being.

⁹³ For more detail on *gotong royong* as a mechanism for providing social protection, see Bowen (1986); Tambunan and Purwoko (2002); Wiebe (1996).

⁹⁴ See Calder and Tanhchareun (2014); Halimatusa'diyah (2015); Kusujarti (2011); Kwon and Kim (2015); Retsikas (2014) for discussions of *zakat*.

provide some protection to the poor (Kusujarti, 2011). The poor relied on family or community support to meet basic needs and mitigate risks.

Beginning in the 1980s, foreign donors started to emphasise the importance of income support programs for poverty reduction and especially cash transfer programs in developing countries as the negative social effects of SAPs in sub-Saharan Africa and Latin America started to become clear.⁹⁵ Many World Bank reports illustrated a shift in ideology from an approach to poverty reduction that rested predominantly on economic growth to one that countenanced a limited degree of redistribution. For instance, in its 1987 *World Development Report (WDR)*, the World Bank (1987, p. 59) stated:

Economic reform undoubtedly benefits the poor in the long term. It will sometimes hurt them in the short term...Experience suggests that the alleviation of poverty in the short term is best tackled directly through well-targeted programs to provide social services or direct compensation in cash or kind to the poorest, rather than indirectly through interventions in factor or goods markets.

In its 1995 *WDR*, the World Bank again noted the importance of income support stating: 'Sometimes there may be little scope for investment, either in skills or in infrastructure, to help those left behind. Poverty relief policies or transfers will then be necessary' (World Bank, 1995, p. 47). It suggested that cash transfers were required for those unable to work due to old age or disability and were in general a good way to achieve social protection. It argued that 'Cash transfers are often more effective than food rations: cash is faster to move and easier to administer, and it does little or no harm to producers and hence to future food security' (World Bank, 1990, p. 97). Such statements reflect the growing shift away from the Washington Consensus in the 1990s (previously discussed in Chapter Three).

At the same time, the New Order period, especially in its final years, saw cash transfers starting to emerge and spread rapidly in other parts of the developing world. In 1981, the first CCT program began in Chile known as the Single Family Subsidy (*Subsidio Unico Familiar*) (Fiszbein et al., 2009, p. 248). Later, in 1994, Bangladesh started a CCT program known as the Female Secondary School Assistance Program. In Brazil, a CCT program originally known as the Programme for the Eradication

⁹⁵ In general, SAPs resulted in hardship for the poorest and most vulnerable members of society. Areas such as education and health experienced the greatest deterioration and there was widespread introduction of user fees, which had severe impacts on the wellbeing of the poor (Willis, 2011).

of Child Labour (*Programa de Eradicacao do Trabalho Infantil*, PETI) started in 1996. This was later renamed *Bolsa Escola* in 2001 and from 2003 *Bolsa Familia*. It expanded rapidly. In 2001, it covered 3.6 million families, and by 2010 it covered around 12 million families. It is recognised as the largest program of its kind in the world (Duffy, 2010). In 1997, Mexico started a CCT program known as *Progresa* (renamed *Oportunidades* in 2001). Initially covering 300,000 beneficiary households, it grew to cover 5 million households by 2009 (Fiszbein et al., 2009, p. 3). Studies of these programs have suggested they were largely successful, contributing to improvements in the poor's quality of life (Handa & Davis, 2006; Lagarde, Haines, & Palmer, 2007). This initial success resulted in the expansion and spread of CCT programs across Latin America, and later the rest of the developing world, as noted in the introduction. By 2010, cash transfer programs were operating in 52 countries. These programs protected 191.4 million households comprising of 863.3 million beneficiaries worldwide (Barrientos & Niño-Zarazúa, 2011, p. 17).

Cash transfers became popular among the poor in these countries⁹⁶ and an effective means by which to rally popular support. There has been extensive research on the electoral returns of the CCT programs in Latin America, particularly in Mexico and Brazil. Generally, it suggests that the programs led to an increase in voter turnout and/or incumbent vote shares. For instance, Cornelius (2004, p. 17) found that in 2000, respondents enrolled in *Progresa* were 12 percent and 26 percent more likely to vote for the incumbent Institutional Revolutionary Party candidate than for rival right- and left-wing candidates. Analysis of national exit polls in 2000 and 2006 by Diaz-Cayeros, Estévez, and Magaloni (2007, p. 223; 2009) demonstrates that voters enrolled in *Progresa* were 17 percent and 11 percent more likely to vote for the incumbent party in each election respectively.

By contrast, there was little domestic impetus for income support programs in New Order Indonesia. In part, there were technical difficulties in implementing income support programs under the New Order. For instance, it would have been difficult for the government to target the poor because there was limited data available at the time to determine who was poor. Furthermore, as discussed in Chapter Four, at this time power was in the hands of predatory bureaucrats and their corporate allies and, at times, the technocrats. The sort of electoral dynamics that had led to the introduction and expansion of income support programs in Latin American countries (and subsequently contributed to their adoption in Indonesia) were not at work in New Order Indonesia because the country had an

⁹⁶ In part, this is because the poor receive cash, perceived by many as more valuable than better services or infrastructure, as cash helps the poor meet their immediate needs (Sandefur, Birdsall, & Moyo, 2015).

authoritarian political system. Instead of funding income support, the New Order focused on alleviating poverty by promoting economic growth and relying on the 'trickle-down' effect. As Slamet Bratanata (1997, p. 217), an Indonesian Cabinet Minister during the reign of President Soekarno and critic of President Suharto, noted:

We believe in an authoritarian development ideology and what is called the 'trickle down effect'. In developing, we help those on top; we pamper those who are diligent, persistent, and able to deliver rapid economic growth. The benefits of development are then expected to trickle down to those below.

To the extent that the New Order attempted to address poverty, it was through investment and growth, particularly via agricultural and fuel subsidies and rice price stabilisation policies, as discussed in previous chapters. Radius Prawiro (1998, p. 88), a former senior economics minister under the New Order, stated that: 'Virtually every economic policy was geared to achieve one objective: that of *economic development*. The success or failure of a policy was judged by the extent it contributed to economic development, which in turn was further defined as the 'Development Trilogy' ' (emphasis in original). The Development Trilogy comprised of stability, growth, and equity.

In sum, then, under the New Order, Indonesia's income support system can be characterised as productivist, particularist, unequalising and informal in nature. The New Order did not invest in income support but rather in programs that fostered economic growth or political stability. Because Indonesians had no access to formal income support programs, they relied on family or community support to meet basic needs and manage risks. Citizens also had limited rights to income support. In contrast with its approach to social security, however, its approach to income support cannot be characterised as predatory in orientation because the absence of any programs in this area meant there were no opportunities for predatory officials to corrupt them for their own purposes. The productivist, particularist, unequalising and informal nature of Indonesia's income support system under the New Order reflected the dominance of predatory bureaucratic officials and their corporate allies' control over the state apparatus, and their agenda to promote economic growth. It also reflected the (much less prominent) power of the technocrats, who also at the time emphasised economic growth as well as limited government interference.

The Political Economy of Income Support in the Post-New Order Period

The onset of the AFC in 1997 exposed the weaknesses of the New Order's approach to income support and, in particular, its unwillingness to invest in formal government programs providing such support to the poor. As noted in previous chapters, many Indonesians lost their jobs or had their wages reduced and the poverty headcount doubled. The poor were particularly affected by the crisis, not only because of reduced demand for labour and wages but also because the informal mechanisms of income support relied upon during the New Order began to break down. There were reduced transfers from wealthier family and community members. For instance, transfers through mechanisms such as *zakat*, *gotong royong* and other charitable sources all reportedly declined (Hossain, Brook, Notosusanto, Noor, & Seda, 2012, p. 4).

In this context, and taking advantage of their increased leverage over the state as a result of the crisis, technocrats and donors advocated for fuel and food subsidies, labor-intensive public work programs, and basic health and education programs (World Bank, 1998b). But they did not appear to argue for the introduction of cash transfer schemes, or at least not initially. Indeed, they regarded cash transfers with some hesitation in terms of whether such programs reach their intended beneficiaries—the poor (World Bank, 2000). The World Bank noted in 1998 that as better techniques were found to target the poor, fuel and food subsidies could be reduced (World Bank, 1998b). Hence, by 2000, cash transfers were on the agenda.

As part of its negotiations with the Indonesian government following the AFC, the IMF advised the government to reduce the BBM fuel subsidy to lessen the burden on the state budget and free up spending for other areas. The government accordingly committed to introducing reductions to spending on the fuel subsidy in 2000 (Jakarta Post, 2000a, 2000b; Mapes, 2000). At the same time, it signalled an intention to introduce a cash transfer scheme, stating: 'We are working toward a mechanism involving a lump-sum cash transfer to targeted households, and using the safeguards established for the social safety net program, in consultation with the World Bank' (Government of Indonesia, 2000; Jakarta Post, 2000a).

Later that year, the government introduced a small pilot UCT scheme in fulfilment of this commitment, funded by cuts to the fuel subsidy. In October 2000, the BBM fuel subsidies were decreased by roughly 12 percent, leading to a reduction in government spending on these subsidies from Rp44 trillion to Rp43.2 trillion (SMERU Research Institute, 2001, p. iii). This enabled the

government to reallocate Rp800 billion to a package of short-term compensatory programs including very small cash transfers, revolving funds⁹⁷ and community empowerment programs. Collectively, these initiatives were known as the Fuel Subsidy Reduction Compensation Program (*Program Kompensasi Pengurangan Subsidi Bahan Bakar Minyak*). The cash transfer element received Rp200 billion of funding (SMERU Research Institute, 2001, p. 1). The program covered 6.6 million poor households across Indonesia, with each receiving Rp.10,000 per month for three months between October and December (Sumarto & Bazzi, 2011). Money was distributed directly into the accounts of Administration Activities Offices at the village or *kelurahan* level. A study by SMERU Research Institute (2001) suggested that the program's small budget and short implementation timeframe reduced the impact it had on poverty and social development. There were also many issues with implementing this new system. For instance, 30 percent of funds were not delivered in some areas due to difficulties caused by the transport system and poor communications (SMERU Research Institute, 2001, p. v).

In part, the small scale of this initial cash transfer scheme reflected technical factors. The implementation of a cash transfer program was more complicated than the much larger social safety net (JPS) programs such as RASKIN and JPS-BK. The latter were able to make use of mechanisms and institutions that existed under the New Order. For instance, JPS-BK used health centres, the Ministry of Health and PT ASKES, all of which existed under the New Order. It was also able to draw on lessons learned from an earlier iteration of the program known as *Kartu Sehat* (health card). Likewise, RASKIN used BULOG. Kwon and Kim (2015, p. 433) note that the introduction of cash transfers was difficult due to a lack of techniques, data, institutions and mechanisms required to implement them successfully. These included techniques for targeting the poor, data on the poor, appropriate delivery methods and effective managing institutions. However, the small scale of the initial cash transfer scheme also reflected the political context. Donors and technocrats were supportive of cash transfers in principle, however, at the time they did not have political support for cash transfers as the sort of electoral dynamics that had promoted the adoption of cash transfers in Latin America had not taken root in Indonesia. Similarly, while NGOs were generally supportive of cash transfers (as with other forms of social protection), they did not actively campaign for the government to adopt them. They were instead focused on health, social security, education, and human rights.

From 2004, however, the political context changed. While the 1999 parliamentary and presidential elections had been largely about the country transitioning away from the New Order by electing

⁹⁷ Revolving funds provided loans to support the development of small business and micro enterprises.

opposition figures and representatives of new political parties into power, elections from 2004 offered greater opportunity for the country to consider and debate new policy initiatives. By 2004, the country's transition to democracy was largely complete and the country entered a period of democratic consolidation (MacIntyre & Ramage, 2008; Mietzner, 2009b). At the same time, amendments to the Indonesian Constitution in 2002, which became effective in 2004, stipulated that the people, rather than the MPR, would directly elect the Indonesian president and vice-president, forcing presidential and vice-presidential candidates to formulate policy platforms that enhanced their attractiveness to the electorate. In this context, Indonesia's political elite increasingly judged that cash transfer programs could help them gain votes, although, as we will see, it was not until the 2009 election that this calculation really appears to have come into play.

The political salience of cash transfer schemes was also enhanced by the fiscal difficulties the country faced as a result of increases in global oil prices in the early to mid-2000s, which led to serious fiscal problems because of the fuel subsidy. As discussed in Chapter Four, the government subsidized the cost of fuel in Indonesia, but as international prices for oil increased, it became extremely expensive for the government to continue to subsidize the price. In January 2001 the cost was US\$ 29.52 /barrel; by January 2005 the cost had risen to US\$ 46.82/barrel (Dartanto, 2013, p. 118). In 2005, there was a hike in international oil prices as a result of increasing demand, supply bottlenecks and concerns over the security of oil supplies, which related to geopolitical uncertainties in the Middle East. These price increases placed the government under enormous financial strain because increasing international prices led to the BBM fuel subsidy consuming a large portion of the government budget. By 2005, this subsidy accounted for almost 30 percent of total government spending, placing considerable pressure on the government budget (Kwon & Kim, 2015, p. 431).

In this context, the government had no choice but to reduce the subsidy, leading to a big increase in the domestic price of fuel and other goods. Specifically, in 2005 the government reduced the BBM fuel subsidies more dramatically than it had previously (see Table 6 on fuel subsidy reforms in Chapter Four). The domestic price of fuel, for instance, rose by 29 percent in March 2005 and reached 144 percent in October 2005 (Kwon & Kim, 2015, p. 431). The fuel subsidy reform generated over US\$ 10 billion per annum in budgetary savings. However, this, in turn, had a substantial impact on the purchasing power of the poor. Many poor people struggled to afford basic necessities (Jakarta Post, 2012b). As a result, during 2005-2006 the number of poor people in Indonesia increased by around 3.95 million (Dartanto, 2013, p. 119). As noted in Chapter Four, there was a severe political backlash

as a result of these cuts to the BBM fuel subsidy. In order to make such cuts possible, specifically to ensure the cuts to the fuel subsidy were politically palatable, a portion of the money saved was re-invested in social protection programs. The social protection programs were viewed as a cost-effective way of making the fuel subsidy cuts more politically acceptable.

Furthermore, the technical obstacles that had worked against the implementation of income support programs during the AFC began to dissipate by the mid-2000s, at least to a certain extent. In the mid-2000s the government developed new institutions, data, and mechanisms for targeting and implementing programs. For instance, targeting approaches were continuously improved, specifically through the first and second surveys of the poor, the 2005 socio-economic population survey (PSE 2005) and the 2008 data collection for social protection programs (PPLS). These innovations helped the government to more accurately determine who was poor and therefore could be classified as a suitable beneficiary of cash transfer programs. In 2001, SMERU was established. Researchers at this institution helped the government to identify effective policy instruments for social protection programs, such as the targeting mechanisms employed by JAMKESMAS, in order to monitor their effectiveness. In 2010, Yudhoyono established TNP2K as part of his pro-poor political strategy. TNP2K assisted in assessing policy measures and coordinating programs. Furthermore, in 2011 the government established the Unified Database for Social Protection Programs (UDB) to coordinate and manage poverty data to improve the targeting system of Indonesia's social protection programs.

Finally, there was relatively little political resistance to the introduction of cash transfer schemes. As noted earlier, there were no entrenched predatory bureaucratic interests at work in the income support system because the New Order conducted no income support programs. As such, in contrast to the food security and social security systems, reform measures did not run up against the interests of powerful implementing agencies, state-owned enterprises or bureaucrats who might have sought to corrupt the new cash transfer programs or stymie them as part of turf wars. As discussed in Chapter Four, popular forces mobilised in large numbers to protest reductions in fuel subsidies on numerous occasions (such as in 2005, 2008 and 2012), in many cases at the instigation of predatory corporate interests. However, these protests only served to shed light on the need for the government to provide the poor with income support. While these protests did not demand income support, they did push the government to address the plight of the poor. This gave donors, technocrats, and political entrepreneurs further leverage to push for the implementation of cash transfer programs. For instance, in 2005 BBC News (2005) reported: 'Angry protests have continued in Indonesia after the

government more than doubled the average price of fuel... The government hopes to defuse some of the protests by making direct payments to 15 million poorer families, who will be worst hit by the rise in kerosene prices’.

Within this context, Indonesia’s income support system evolved in a way that presented a significant departure from the New Order period. As described above, the country’s income support system during the New Order period was productivist, particularist, unequalising and informal in nature reflecting subordination of social policy to economic policy, and the limited extension of the right to income support to citizens. In the post-New Order period, by contrast, it became more welfarist in nature, due to an increased emphasis on protecting the poor, rather than promoting economic development. It also became more universal as a result of an expansion of rights and access to income support for the poor. The system also became more formal, with the state playing a more significant role in income support. In addition, it became more equalising as the system breaks down class structures via redistribution, rather than solely reinforcing productivist elements. Although the shift towards the welfarist classification was limited in that the government still favoured policies that benefited economic growth over social policy. There was a shift towards a more universalist, equalising and formal system, but these shifts were again limited as some programs covered only a small percentage of the population, were short-term or were comparatively small, when compared with other social protection systems. Yet, as will be seen, the implementation was Weberian, with limited corruption and rent-seeking by predatory officials and their corporate allies.

In the following three subsections, I illustrate these dynamics and the outcomes that prevailed by focusing on two specific cash transfer programs: i) Direct Cash Assistance (*Bantuan Langsung Tunai*, BLT, later known as temporary direct cash assistance, *Bantuan Langsung Sementara Masyarakat*, BLSM), a UCT program; and ii) the Family Hope program (*Program Keluarga Harapan*, PKH), a CCT scheme. In both cases, I argue, the relevant income support schemes emerged primarily as a result of pressure from donors and technocrats combined with electoral dynamics. In addition, reform was aided by the absence of predatory officials and their corporate allies. Because of name changes to the programs, the discussion below is organised according to the type of cash transfer scheme rather than their names.

Case 1: Unconditional Cash Transfers

The first significant cash transfer scheme introduced by the government was a UCT program known as Direct Cash Assistance. Introduced in 2005, this program provided poor households with financial assistance to compensate them for the income shock caused by rising fuel prices over the previous few years and the government’s subsequent decision to cut fuel subsidies by 29 percent in March 2005 and 144 percent in October 2005 (World Bank, 2012a, p. 9).⁹⁸ The program identified poor households using the Central Bureau of Statistics (BPS) data. These households received Rp100,000 (about \$11) per month, paid quarterly. This was equivalent to nearly 15 percent of the poverty line expenditure⁹⁹ in 2005 and 12 percent in 2008 (World Bank, 2012d, p. 55). The program ran for twelve months during 2005-2006 and covered 15.5 million households or nearly a quarter of the population (see Table 14) (Widjaja, 2009, p. 4).

In 2008, the government implemented a second iteration of BLT in response to further increases in international fuel prices. When the global financial crisis occurred in 2007/8, fuel prices increased rapidly in Indonesia. Similar to the 2005 BLT, the 2008 BLT aimed to protect vulnerable households from further fuel price increases and the subsequent impact this had on food and other prices. The 2008 BLT ran for nine months and covered 19.1 million households (World Bank, 2012f, p. 15)

In 2013, the government launched a third iteration of the program, this time as temporary direct cash assistance (*Bantuan Langsung Sementara Masyarakat*, BLSM). BLSM covered 18.5 million households. It provided each household with IDR 150, 000 (US\$16.50) every month for a period of four months. The total expenditure on BLSM was IDR 25.6 trillion (International Institute for Sustainable Development, 2012, p. 8).

Table 14. The coverage and budget of BLT and BLSM.

Year	Coverage	Budget
2005-2006	15.5 million	23.1 trillion

⁹⁸ The regulation introducing the program (Presidential Decree No. 3/2008 on a Savings Guarantee Institution (*Lembaga Penjamin Simpanan*)) stated that the aim of the program was (a) to help the poor in fulfilling their basic needs, (b) to prevent the decline of the welfare level among the poor resulting from economic hardship, and (c) to promote social responsibility and social awareness.

⁹⁹ The poverty line expenditure is the estimated expenditure of households required to meet the minimum calorie intake.

2008-2009	19.1 million	17.6 trillion
2013-2014 (<i>BLSM</i>)	18.5 million	25.6 trillion

Source: (International Institute for Sustainable Development, 2012)

The introduction of BLT in 2005 was in part a technocratic initiative. The program was designed by BAPPENAS (World Bank, 2012a). It also had support from senior technocratic ministers including Jusuf Anwar (then Minister of Finance), Sri Mulyani (then Minister of National Development Planning) and Purnomo Yusgiantoro (then Minister of Energy and Mineral Resources) (Beaton, Lontoh, & Wai-Poi, 2017, p. 156). These elements supported the program to enable cuts to the universal fuel subsidy, BBM, because, as already discussed, this was a huge strain on the government's budget (Prasetyantoko, 2014). By reducing spending on BBM, the technocrats wanted to free up budgetary resources to invest in other areas, such as infrastructure and education, that would help to improve economic development (Calvert, 2014; Mocuta & Alifandi, 2014). They also supported BLT as it reduced the financial pressure on the poor created by rising fuel prices.

At the same time, BLT offered a way of defusing opposition to BBM subsidy cuts, especially from popular forces. There were numerous demonstrations against the BBM fuel subsidy cuts during 2005-2014 (Interview IN2814, September 1, 2014). For instance, in 2005 demonstrations took place in Jakarta and many other cities with hundreds of people gathering to protest increasing fuel prices in Indonesia (AFX Asia, 2005; BBC Indonesia, 2005; Jakarta Post, 2005). Many of the demonstrations were engineered by business groups that benefited from the fuel subsidies but done in the name of the poor. During an interview in 2014, an academic observing the politics of cash transfers in Indonesia explained that a cash transfer program had started in 2005 due to political necessity. The academic stated: 'Because at that time [in 2005] the administration of SBY, the current president [in 2014], he wanted to increase the price of gasoline, well it is actually political, in order to prevent riots they gave the cash transfer' (Interview IN0214, April 16, 2014). In 2005, BLT was implemented in the weeks after the BBM subsidy reform was enforced, to ease social unrest.

The second iteration of BLT in 2008 also reflected government concerns about and desire to placate opposition to fuel price rises. Similar to 2005, in 2008 many demonstrations occurred over government fuel price increases (SBS News, 2008). The government was concerned that rising prices

would lead to increasing poverty, political instability and ultimately have political repercussions. The government wanted to mitigate this prospect by implementing BLT to increase the purchasing power of the poor. For instance, in 2008 technocrat Bambang Widianto, Deputy Head for Development Performance Evaluation at BAPPENAS, stated: 'If there is no BLT program in 2008, the poverty rate will increase by 5 million (to 42 million) in 2009 from 37.17 million this year' (Antara, 2008). But, in contrast to the 2005 iteration of the program, the 2008 iteration also became bound up with elite competition in the lead-up to the 2009 national parliamentary and presidential elections. The 2005 BLT had been very popular with the poor, making clear its potential electoral benefits, especially for the incumbent Yudhoyono government. In 2008, Yudhoyono thus sought to capitalise on the program's electoral benefits.

The second iteration of the program was accordingly implemented between June 2008 and April 2009, close to the general election. It was also implemented alongside other social assistance programs including Assistance for Poor Students (*Bantuan Siswa Miskin*, BSM) and People's Business Credit (*Kredit Usaha Rakyat*, KUR), a microcredit program, both of which also promised to have positive effects in electoral terms (Mietzner, 2009a, p. 4). From June 2008 to April 2009, the government spent approximately US\$ 2 billion on benefit payments under these two programs (Mietzner, 2009a, p. 4). In essence, President Yudhoyono took advantage of these programs to mobilise popular support for his re-election campaign. Speaking before thousands of supporters of the Democratic Party at a campaign event in Medan, North Sumatra, for instance, he claimed that he would continue supporting BLT as part of the government's pro-people programs if he won the presidential election (Wardany & Hajramurni, 2009). BLT became part of his strategy to win votes during the election period. Observers of Indonesian politics widely recognised this strategy. During an interview in Jakarta in 2015, for instance, one academic who has closely observed the politics of cash transfers in Indonesia, stated: 'The money from social assistance is sometimes used to buy votes. The money is dispersed just one day before the election' (Interview IN0214, April 16, 2014). Another academic and researcher with similar expertise noted in an interview that the increase in the fuel price was many months prior to the implementation of BLT, and the government did not need to distribute BLT in 2009. Hence, it was quite clear that they did so as an election campaign tactic (Interview IN1414, June 17, 2014).

Golkar and the Indonesian Democratic Party of Struggle (PDI-P), the Democrat Party's main electoral opponents in the 2009 election, were highly critical of BLT (Interview IN1414, 17 June 2014). They

claimed that the program was being used as a 'political tool', that it did not benefit the community, and that the money would be better spent on long-term projects such as infrastructure (Alfian & Nurhayati, 2009; Dewi, 2013; Jakarta Post, 2009b) For instance, the PDI-P's Megawati Sukarnoputri, a rival presidential candidate in 2009, stated that 'BLT is meaningless. For a mere Rp 200,000 [US\$16.96] people have to crowd like beggars. It would have been better if the money for BLT were spent building roads or public toilets' (Alfian & Nurhayati, 2009). In particular, some commentators and opposition political party figures described the 2008-2009 BLT program as a 'lure' and regarded it with suspicion because it was meant to run for seven months but was later extended for a further two months (Jakarta Post, 2009). Commentators and opposition political party figures argued that this extension occurred as the election was nearing and that this was a strategy to win votes (Jakarta Post, 2009b). Researcher Adjie al-Faraby from the Indonesian Survey Institute (LSI) noted that: 'Out of all government programs, nothing provides greater impact to electability than the BLT program and changes in fuel prices' (Tempo, 2012).

Progressive NGOs also responded to the 2008 BLT with criticism. These NGOs had hitherto been broadly supportive of cash transfer schemes because of their contribution to poverty reduction. During the first iteration of BLT in 2005, they were accordingly silent with regards to the program, even when it was subject to public protests by other popular elements. Over time, however, they became increasingly hostile and critical of the program (especially around 2008-2009) because of claims about vote buying, targeting issues, social disturbance, lack of sustainability, dependency, and increasing debt (Indonesia Corruption Watch, 2009; Koran Jakarta, 2014; Tribun News, 2013).

In some cases, this criticism reflected ideological considerations. UCTs, they claimed, did not address poverty and human development issues. Some NGO criticism of the 2008 BLT thus expressed a desire to see government support for the poor go further. For instance, in 2008, Agustinus Edy Kristianto, director of the publication and education affairs of the Indonesian Legal Aid Institute (YLBH), stated: 'We reject the BLT program and other assistance of its kind because it does not solve the essence of problems being faced by the people' (Abdussalam, 2008). In another case, Binny Buchori from Perkumpulan Prakarsa noted: 'The problem is that even though Indonesia has laws and strategic plans, poverty alleviation programs are still reactive, ad-hoc and residual. For example, the JPS was launched when Indonesia was hit by a crisis and BLT was used to compensate for the fuel price hike'. This, she said, was 'far from adequate' (Buchori, 2008).

Predominantly, however, the shift in NGO support for BLT/BLSM was due to a view that the program was being used for political purposes. For instance, Hadar N. Gumay, executive director of the Centre for Electoral Reform (CETRO), an NGO, criticised the use of advertisements for BLT featuring Yudhoyono during the election campaign, claiming these were clearly part of Yudhoyono's political campaign. He stated: 'Although we don't have a law prohibiting such practices, it is unethical. Why should the ads use Yudhoyono as an actor or his big pictures everywhere for the government's commercials? They should use a real actor instead' (Jakarta Post, 2008b). Executive director Muhammad Qodari from Indo Barometer, a leading research center stated, 'The ads have contributed to the rising popularity of Yudhoyono and his party' (Jakarta Post, 2008b). Such sentiments were echoed in interviews with NGOs and left-wing intellectuals. These individuals generally expressed criticism that the program did not invest in human development but was instead a short-term tool to win votes (Interview IN0214, 16 April 2014; Interview IN0414 24 April 2014; Interview IN1414, 17 June 2014; Interview IN2014, 3 July 2014). In an interview, activists from Perkumpulan Prakarsa noted that they and many other NGO activists were sympathetic to cash transfers. However, they did not like cash transfers being used for political purposes in the lead-up to the 2009 elections.¹⁰⁰

Despite these criticisms, BLT had the desired effect for Yudhoyono and the Democratic Party. Before the implementation of BLT in 2008, voter support for both was low. Opinion polls in June 1998 showed the Democratic Party well behind its rivals, having support from only 8.7 percent of voters, compared with the PDIP's 24.4 percent and Golkar's 19.7 percent (Mietzner, 2009a, p. 4). Additionally, Megawati had an estimated 5-10 percent lead over Yudhoyono as preferred president. At this point, it was widely believed that Yudhoyono would be thrown out of office after just one term (Mietzner, 2009a, p. 4). The 2008/9 BLT brought Yudhoyono and the Democrats back into the game. Yudhoyono's popularity increased from 25 percent in June 2008 to 50.3 percent in February 2009, and the Democratic Party's support rose from 8.7 to 24.3 percent in the same time-frame (Mietzner, 2009a, p. 4). When the presidential election was held in July 2009, Yudhoyono won comfortably. He secured 60.8 percent of the vote, well ahead of ex-president Megawati and Vice-President Jusuf Kalla, who only secured 26.8 and 12.4 percent of the vote respectively (Sydney Morning Herald, 2009).

¹⁰⁰ I wish to thank Andrew Rosser for this information which is drawn from an interview be conducted with Prakarsa activists, 12 September 2017, Jakarta.

The 2013 iteration of the UCT program was shaped by similar political dynamics as the 2008 iteration. Renamed BLSM, apparently because of the political backlash against BLT described above (Interview IN1414, June 17, 2014), the program was implemented in anticipation of inflation hitting poor households as a result of increased fuel prices in 2013. Again, it was aimed in part at trying to mitigate the political repercussions from this hike in prices. In 2012, plans to reduce the fuel subsidy were underway and gaining resistance. On June 22, 2013, the new price of subsidised fuel came into force. The price of subsidised gasoline went up from Rp 4,500 per litre to Rp 6,500 and the price of subsidised diesel was increased from Rp 4,500 per litre to Rp 5,500 (Riesardhy & Agustiyanti, 2013). These changes resulted in large crowds protesting, mobilised by predatory corporate elements who wished for the subsidy to remain in place. For instance, in 2012:

As an expression of mass opposition, thousands of Indonesians nationwide took to the streets on 21 March to protest the controversial plan. Around 4,000 workers and students marched from the Hotel Indonesia traffic circle in Central Jakarta to the presidential palace, calling on the government to halt its plans. ... Protests were also seen in South Sulawesi, where some 300 students took the streets in the provincial capital of Makassar, chanting "Crush SBY" and "bring down the SBY-Boediono regime", referring to the Susilo Bambang Yudhoyono and his vice-president. (Neff, Grieder, & Patrikainen, 2012)

The BLSM was aimed in part at subduing potential political backlash from the BBM fuel subsidy reductions. Hours after the subsidy cuts, the government began distributing direct cash handouts through BLSM.

Similar to the implementation of BLT in 2005 and 2008/09, Yudhoyono also used BLSM to foster support for the Democratic Party in the lead up to the parliamentary and presidential elections in 2014. Yudhoyono was unable to run for President in 2014 because the Indonesian Constitution limits Presidents to two terms in office. However, he still had a stake in the outcome of the elections, as BLSM enabled him to advance support for his political party, even though he was not a candidate. The NGO watchdog, Indonesian Voter Committee (Tepi) Coordinator, Jerry Sumampouw, said that BLSM could potentially influence the outcome of the 2014 elections and feared that the program resulted in voter bribery (Jakarta Globe, 2013). The Great Indonesia Movement (Gerindra) Party's spokesman, Fary Djemy Francis, stated: 'We disagree with BLSM as it is, in reality, political in nature, ahead of the 2014 elections' (Jakarta Post, 2013). Similarly, the Indonesian Democratic Party of Struggle (PDI-P) also strongly opposed BLT and BLSM. PDI-P senior politician and House deputy speaker, Pramono

Anung, stated: 'It is only the government's tactic to garner public sympathy ahead of the elections' (Saragih, 2013).

In response to the 2014 iteration of the cash transfer program, NGOs were again critical due to a view that the program was being politicised once again. For instance, the Indonesian Forum for Budget Transparency (Fitra) criticised BLSM for being too political, specifically given that it was implemented right before an election. They believed that the BLSM program was about improving certain political figures' political image rather than helping the poor cope with the impact of the subsidised fuel price hikes (Jakarta Globe, 2013). Furthermore, NGOs rejected the program due to the lack of developmental goals attached to it. They felt the program did not go far enough in addressing poverty. For instance, Dina Ardiyanti from the Trade Union Rights Centre (TURC) argued that BLSM would not improve conditions for the poor and that CCTs were a more appropriate policy (Setiawati, 2013). She stated: 'I think the cash assistance should be given under certain conditions. For example, low-income families earning the minimum monthly wage could receive a few years of cash assistance, but they would have to ensure that their children stayed in school' (Setiawati, 2013).

Finally, there was also some opposition to BLSM from the business community. First, this reflected opposition within the business community to the fuel subsidy cuts. While the business community had not previously criticised BLT/BLSM, in 2012 their position shifted as the cuts to the universal fuel subsidies BBM appeared imminent. At the same time, it became clear that BLT/BLSM was being used as a way to ease social unrest related to the fuel subsidies reductions. The business community saw BLT/BLSM as being tied up with the fuel subsidy reform and accordingly objected to the programs on these grounds.

Second, business opposition to BLSM reflected concerns about the fiscal impact of the program. For instance, in June 2013, Anton Supit, an associate of the Indonesian Employers' Association (*Apindo*), stated that the program undermined the government's decision to cut fuel subsidies in order to free up government funds for other programs. He claimed politics drove the cash transfer program rather than advancing the economy or alleviating poverty (Riesardhy & Agustiyanti, 2013). 'What we hoped for is that [subsidy money] would be used to finance education, infrastructure, sustainable programs to create better human resources but instead the government is distributing BLSM...There are too many political games [surrounding the handout]. It is all to do with popularity' (Riesardhy &

Agustiyanti, 2013). In 2012, both Kadin and Apindo argued that the government should be investing in jobs for people, rather than giving cash to the poor (Meryana, 2012; Putra, 2012).

In terms of implementation, BLT/BLSM faced some issues with leakage. The frequency and size of the transfers to beneficiaries varied because of deductions to benefits through illegal fees, benefit sharing or nepotism. The World Bank (2012d, p. 55) noted:

According to recall questions from the *Susenas* surveys, in 2009, the frequency of deductions may have increased to as much as 50 percent (of all who received BLT) from 10 percent during the first disbursement in 2005. Likewise, the median (mode) amount deducted may have increased to as much as Rp 50,000 (Rp 100,000) per disbursement in 2009 from Rp 10,000 in the first disbursement in 2005.

Bazzi, Sumarto, and Suryahadi (2012, p. 6) found that leakages occurred in some villages due to local officials arranging group transport for households to the post office and accompanying them on these trips. They would sometimes charge a fee for transport. However, Sumarto (2012) noted that in Indonesia cash transfer programs over 90 percent of households received full entitlements (this observation was referring to PKH and BLT/BLSM). Comparatively, only 30 percent of the intended subsidy reached RASKIN beneficiaries (Sumarto 2012).

This better performance was due in large part to the use of the post office as the mechanism for distributing the program's benefits. The benefits were transferred to beneficiaries via the local post offices (PT Pos) which were located in almost every village in the country. Eligible households received benefit cards (*Kartu Kompensasi Bahan Bakar Minyak*, KKB) which they used to collect the benefit at the post office (Sim, Negara, & Suryahadi, 2015, p. 6). While use of the post office did not prevent corruption in the distribution of BLT/BLSM funds, as noted above, it does appear to have made it more difficult by reducing the scope for local officials to manage the money directly. The post office made corruption more difficult by reducing the role of predatory officials in managing the money from the government to the post office and then to the beneficiary. This limited the various levels of government offices that are typically involved and limited the opportunities for manipulation and mismanagement of the program. In this respect, a useful contrast can be drawn with RASKIN. As explained in Chapter Five, Bulog and the RASKIN coordination team participated in distributing rice to distribution points. After this, district-level governments were responsible for delivering RASKIN rice from distribution points to sharing points. Then, RASKIN rice was distributed to the village level where

local officials were in charge of distribution to beneficiaries. This process exposed the program to many predatory bureaucratic actors and increased the opportunities for misappropriation. In contrast, the alternative process used in the cash transfer program whereby money went straight to the people, limited the opportunities for predatory actors to mismanage the program.

In addition, the targeting of BLT and BLSM was good compared with the other social protection programs examined in this dissertation so far. In a study on targeting of social protection programs in Indonesia, Bah, Bazzi, Sumarto, and Tobias (2014, p. 15) found that BLT was better targeted than both RASKIN and JAMKESMAS: leakage of benefits to the richest four deciles was 74% for RASKIN, 39% for JAMKESMAS, and 34% for BLT. Similarly, Sim et al. (2015, p. 17) presented evidence that elite capture was lower for BLT than for RASKIN. They conducted statistical analysis on data from the 2009 National Socioeconomic Household Survey (*Susenas*) and 2008 Village Census (*Podes*) finding ‘an increase in Gini ratio is not significantly associated with a change in inclusion error in both programs, indicating the existence of elite capture in both programs. However, an increase of 0.01 point in Gini ratio is associated with a reduction of 0.55 percentage point in exclusion error of BLT, while the elasticity is smaller for RASKIN, with only 0.50, implying a larger elite capture in this program’ (Sim et al., 2015, p. ii).

In essence, then, the design of BLT/BLSM meant that a different configuration of interests served to shape the implementation of this scheme compared with RASKIN. Whilst predatory bureaucrats exercised the dominant influence over the implementation of RASKIN, resulting in widespread leakage of benefits, they were unable to capture BLT/BLSM to quite the same extent, preserving initial technocratic influence over how the program was implemented.

In sum then, BLT and BLSM indicate the government playing a greater role in the protection of Indonesian citizens against economic shocks. Cash transfers became increasingly important, placing more emphasis on redistribution, and less on economic utilisation. Nonetheless, the agenda underpinning the program was based on economic growth and efficiency. Hence, the program represents only a very slight shift towards a welfarist system and away from a system exclusively driven by economic policy. The program also permitted greater short-term access to income support, representing a slight shift to a more universal system. The program also represents the start of a formal system where the state directs income support rather than solely the family or the market. Furthermore, the program was targeted at the poor and, in this sense, there was a reduced emphasis on reinforcing productive elements. In all these characteristics, though, there was only a partial shift from left to right in Figure 7 with income support largely still dominated by economic policy and benefiting a small group only for the short-term. While it stabilised the income of the poor in times of crisis, it did not improve their legal entitlement to income support in the long term, and there was only a partial shift as income support remained fairly limited. Importantly, there was a shift to a more Weberian system because predatory officials and their corporate allies had less impact on the implementation of BLT and BLSM.

Case 2: Conditional Cash Transfer. PKH

The government had wanted to introduce a CCT program in the early 2000s. However, such a scheme could not be implemented as the government needed time to establish the appropriate systems for its implementation (Kwon & Kim, 2015, p. 430). Hence, the government initially started with a UCT because this was technically easier to do than implementing a CCT. A CCT was viewed as more complicated as it required coordination between more institutions including health facilities and education facilities and mechanisms for monitoring the conditions of the program.

In 2006, the government started to prepare and plan a CCT program and in 2007, it launched one in the form of *Program Keluarga Harapan* (the Family Hope Program). In 2007, initially the government, with assistance from donors including ADB and the World Bank, launched a small piloted trial of PKH, but it later expanded the program. PKH aimed to reduce poverty and improve human development by providing long-term financial support to a narrowly targeted group of very poor households. It aimed to improve maternal and neonatal health as well as children's education (Satriana & Schmitt, 2012, p. 23). The program was designed to give cash to poor parents on the condition that their

children attend health and education facilities (Satriana & Schmitt, 2012, p. 23). The fundamental goal was to improve human development, unlike the UCT scheme where the aim was to ease financial pressures on the poor.

PKH was targeted at very poor mothers. To be eligible for the transfer, a woman must be classified as very poor and be pregnant or have children aged less than 18 years old who had not completed basic education (World Bank, 2008b, p. 5). PKH beneficiaries were given an identification card that recognised them as a PKH recipient. They then presented this card at the post office every four months to receive their benefits. Recipients received cash benefits that ranged from Rp 800,000 to Rp 2.8 million annually (equivalent to \$80-\$280), depending on the structure of the household (see Table 15 for details).¹⁰¹ These benefits accounted for approximately 12 percent of average total household expenditure for PKH households (World Bank, 2012c, p. 15). The cash was intended to cover the cost of meeting the conditions, as well as acting as an incentive to meet these conditions.

Table 15. Amount of annual cash benefit received through PKH.

Cases	Annual amount per household
Fixed amount	Rp. 300,000
Plus the following for families who have:	
a) Child below the age of 5	Rp. 1,000,000
b) Pregnant and feeding mother	Rp. 1,000,000
c) Child in primary school	Rp. 500,000
d) Child in secondary school	Rp. 1,000,000
Average amount per household	Rp. 1,800,000
Minimum amount per household	Rp. 800,000
Maximum amount per household	Rp. 2,800,000

Source: (Nazara & Rahayu, 2013, p. 2)

¹⁰¹ The amount of the cash transfers also changes to adjust to inflation.

Beneficiaries received these benefits if they complied with the conditions of the program. These conditions included pre- and post-natal checkups, the weighing of newborn babies and toddlers at health check-ups, and the verification of school attendance for school-age children (See Table 16 for more detail) (Datta et al., 2011a, p. 71). Social services providers and facilitators such as schools and health centres monitored whether beneficiaries met the conditions of the program. In theory, if beneficiaries did not comply with these conditions, the government could reduce or possibly suspended their benefits. However, in reality, checking of compliance with these conditions and the imposition of penalties for noncompliance was ad hoc and varied from one area to another.

Table 16. Conditions for Benefits under PKH

Sector	Condition
<i>Health</i>	1) Four prenatal care visits for pregnant women
	2) Taking iron tablets during pregnancy
	3) Delivery assisted by a trained health professional
	4) Two postnatal care visits for lactating mothers
	5) Ensure that the children have completed childhood immunisation (including tuberculosis, diphtheria, whooping cough, tetanus, polio measles and hepatitis B).
	6) Take children for growth (weight) monitoring check-ups (monthly for infants 0-11 months, and quarterly for children 1-6 years).
	7) Consumption of Vitamin A capsules a minimum of twice a year for under-fives.
<i>Education</i>	8) Enrol children aged 6-12 years in primary school and ensure attendance for a minimum of 85 percent of school days.
	9) Enrol children aged 13-15 years in junior secondary school and ensure attendance for a minimum of 85 percent of school days.

Source: (Arif, Syukri, Isdijoso, Rosfadhila, & Soelaksono, 2011, p. 8; World Bank, 2010b, p. 15).

The PKH was smaller in scale than other social assistance programs examined in this dissertation. The World Bank (2012c, p. 14) noted:

In 2010, Rp 1.1 trillion (US\$ 115 million) was spent on PKH, representing just 4.3 percent of total central government expenditures on SA (Social Assistance) initiatives or 0.3 percent of total central government expenditure. By contrast, RASKIN, JAMKESMAS, and BSM account for 53, 18, and 14 percentage shares (respectively) of SA spending in 2010.

However, it grew significantly over time. In 2007, the program covered 338,000 households in 7 provinces, with a budget of \$79 million USD. By 2012, the program covered 1,454,000 households in 33 provinces with a budget of \$228 million USD (Nazara & Rahayu, 2013, p. 1).

Initially, the impetus to establish PKH came from the technocrats within BAPPENAS and donors. They both emphasised the need for a CCT program to improve human development indicators and break the intergenerational cycle of poverty. During an interview with an NGO advocator, they noted that the World Bank conducted analysis on health coverage and conditions in Indonesia, recommending that the government establish a CCT and later they advised the government on the design and implementation of PKH (Interview IN1114, 06 June 2014). The World Bank had been involved in similar programs in Latin America, such as Mexico's *Progres-a-Oportunidades* and Brazil's *Bolsa Família*. After the rapid spread and success of these programs, along with the other multilateral development agencies such as the ADB, the NGOs were keen to roll out similar programs elsewhere in the developing world. Overall, the World Bank has been involved with starting CCTs in more than twenty countries in South America, Central America, Africa, and Asia (Widjaja, 2012, p. 185).

Within Indonesia, technocrats within BAPPENAS and TNP2K were influential in the design of PKH. At the implementation stage, the Ministry of Social Affairs was extremely important. During an interview, a technocrat who had previously worked at BAPPENAS and was involved in the design of PKH reported that: 'At that time, BAPPENAS was conducting research, which was supported by the World Bank, on cash transfers. We were looking for the right implementing agency and directorate' (Interview IN5114, October 20, 2014). In the design and initial stages of PKH, technocrats from BAPPENAS and TNP2K conducted a study tour through Latin America to examine the cash transfer programs there and discuss ideas for Indonesia (Interview IN5114, October 20, 2014).

Donors provided various forms of support to the Indonesian government in their efforts to encourage it to adopt and implement a CCT scheme. For instance, the ADB provided the government with around US\$ 2.6 million in technical assistance over eighteen months, to support the initial pilot program of

PKH in 2007 (Kwon & Kim, 2015, p. 434). The World Bank and the Japan Bank for International Cooperation also provided technical assistance to help with the introduction of PKH, including the establishment of a targeting system (Hermawan, 2007). Over time, however, PKH, like BLT and BLSM, increasingly became driven by electoral dynamics. Like these programs, political entrepreneurs used PKH to mobilise support from the poor. In an interview in 2014, a consultant and academic claimed that Yudhoyono used PKH to gain popularity in his election campaign in 2009 (Interview IN0214, 16 April 2014).

PKH also received support from the NGO community. As noted above, many members of the NGO community argued that the government should shift away from UCT programs to CCT, because the former bred dependence among beneficiaries and was being used as a political tool (Interview IN0514, 12 May, 2014). CCT, by contrast, had greater potential to promote social development because of the conditions attached to education and health.

There was also little resistance to PKH. The business community remained silent on PKH; it put up no active resistance to the scheme. Unlike BLT and BLSM, PKH was not seen as being affiliated with the fuel subsidy reductions. There was some minor resistance from opposition parties because they perceived that the scheme was being used for political gain. One source noted: 'Some resistance comes from the parliament, especially the opposition parties. At the start of PKH, most of the PDIP people refused PKH' (Interview IN5114, October 20, 2014). In an interview, a technocrat who was previously employed at BAPPENAS noted the budget was limited as the program did not have support from the parliament or other stakeholders within the government (Interview IN5114, October 20, 2014). He suggested that they did not view PKH as making either a strong contribution to economic growth or political stability or providing great opportunities for rent-seeking (discussed below). Hence elites and bureaucrats did not strongly support the program, preferring to advocate instead for programs such as RASKIN that offered greater benefits to them. However, this resistance from the opposition parties was relatively minor compared with BLT/BLSM, perhaps reflecting the scheme's relatively small scale. This political context made it possible for the government to expand PKH's coverage and budget, both of which were initially small (see Table 6 in Chapter 4), at least to the somewhat greater levels it had reached by 2012.

The PKH has not experienced the same level of predation in implementation as programs in social security and food security. The World Bank (2011b, p. 7) noted from their analysis that: 'PKH is a cost-effective program due to limited leakage of benefits and reasonable overhead costs'. In another study, Sudarno Sumarto, a senior researcher at SMERU and policy advisor to TNP2K, found that PKH had minimised leakage at the distribution stage. He stated that over 90 percent of households receive full entitlements from cash transfer programs (Sumarto, 2012). Such evidence was also reflected in interviews I conducted in Jakarta. According to a BAPPENAS official, PKH experienced minimal corruption and leakages (Interview IN5114, 20th October 2014). He explained that: 'In other programs, the assistance was not transferred directly to the beneficiary, but through several institutions which causes some leakages. With PKH, the leakage is minimal as the money is transferred directly to the beneficiaries' (Interview IN5114, 20 October 2014).

There are three reasons for this. First, like BLT/BLSM, PKH was implemented via the post office. In PKH the money goes directly from the central government to beneficiaries via the post office rather than being passed through layers of local government (Sumarto, 2012), limiting the opportunities for predatory actors. As a result, there are far fewer interactions between government levels. Furthermore, ID cards and payments can be tracked through the computer system (Sumarto, 2012). In an interview, a university lecturer and social protection specialist stated that it was much harder for corruption to occur in PKH because the money was going straight from central government to the beneficiary. As a result, the distribution of PKH was different from RASKIN as PKH could not give profit to the 'middle man' since the program had few actors involved in the handling of the money (Interview IN0214, 16 April 2014).

Second, the use of field-level facilitators (*pendamping*) to operate the program on a day-to-day basis reduced corruption by monitoring and evaluating the program.¹⁰² The facilitators were the operational link between the Social Affairs Agency at the local level, which was responsible for implementing PKH at that level, and service providers such as health facilities and schools, which as noted above were responsible for monitoring whether beneficiaries met the conditions of the program. The facilitator's main roles were: encouraging PKH beneficiaries to comply with conditions, advising them in relation to spending money, assisting them with administrative matters, socialising the program, managing data, conducting monthly meetings with beneficiaries, coordinating with the

¹⁰² Although the role and level of support from facilitators has varied across Indonesia (World Bank, 2010b).

local authorities and providers of health and education services, facilitating and resolving complaints, and reporting on the wellbeing of beneficiaries (World Bank, 2010b).¹⁰³ As part of the local community, facilitators were able to reduce the role of the state and scope for corruption in PKH. According to one informed source: 'The facilitator helps empower and protect the poor. They have a positive effect on very poor households' (Interview IN0614, 5 September 2014). According to another informed source, their role was the main reason why PKH fared better in implementation than many other social protection programs, most notably RASKIN.

The main reason for the lack of effectiveness in the RASKIN program is the non-existence of a supervisory mechanism at the local level. For example, in PKH, even though the funding is much smaller, the program is able to have facilitators at the local level to supervise the execution of the program. Meanwhile, RASKIN, with much larger funding, has no facilitators or supervisors at the local level. The facilitators are important to making the programs effective. We can see this from PKH. (Interview IN8214 12 December 2014)

Facilitators protected the program from predatory interests, particularly those at the local level, by reducing the role of predatory elites. In other social assistance programs, such as RASKIN, programs are implemented at the village level by someone with status, such as a village leader or local government office. This was not the case with PKH. The facilitators tended to be ordinary members of society volunteering their services, who had no special connections to elites or bureaucratic officials (Interview IN0614, May 30 2014). This was particularly important when it came to determining eligibility for support under the scheme. RASKIN used village elites to verify the poor, whereas PKH used the facilitators. This resulted in better targeting. According to a researcher with extensive knowledge of social protection programs in Indonesia: 'The targeting of PKH is very good. Because of the use of the facilitator, it is very clear when the conditions of a family change, for example, if the child no longer goes to school' (Interview IN8214 12 December 2014). The role of the facilitator generally worked to ensure that only eligible people received entitlements under the scheme.

¹⁰³ The facilitators were responsible up to 250 households (Hickling, 2008, p. 19). In 2014, there were 3,134 facilitators for PKH in 1,454 *kecamatan* (provinces). The salary (or honoraria) was Rp. 2,200,000 a month. This was small compared with the salary of a civil servant but the role of a facilitator was meant to be more of a volunteer position that enabled people to help others and have a positive impact on the community (Hickling, 2008).

Third, PKH experienced less predation due to the nature of the institutions that managed the program. The absence of any institutions that had been present in the New Order and staffed predatory bureaucrats resulted in more effective implementation. PKH used institutions created in the post-New Order period and this meant that the design of the implementation was in the hands of democratic institutions, which were not infiltrated with predatory officials from the New Order. TNP2K is a key example. This limited bureaucratic involvement resulted in more effective implementation. In comparison, in the case of RASKIN and JAMSOSTEK, there were BULOG and PT JAMSOSTEK respectively, which meant even in the post-New Order period, the implementation was in the hands of predatory offices and their allies from the New Order.

In sum, then, PKH has represented a shift in the nature of Indonesia's income support system towards a more welfarist orientation. PKH subordinated social goals to economic ones because income support benefited only a small group, and had a small budget relative to other programs. But, compared with previous arrangements, it indicates the Yudhoyono government was placing greater emphasis on poverty reduction through redistribution, rather than simply economic growth and the trickle down effect. The program also enabled greater fulfilment of citizens' rights to income support, signifying a shift to a more universal system, and constituted a move towards a more formal system, whereby the state provides some income support rather than forcing citizens to rely solely on the family or market. Additionally, the program was targeted at the poor, producing equalising effects. Finally, the ability of predatory officials and their corporate allies to exploit the program was constrained, with the result that implementation of the program was more effective in reaching the poor.

Conclusion

This chapter has demonstrated that Indonesia's income support system has undergone significant change since the end of the New Order. Under the New Order, this system was productivist, particularist, unequalising and informal in nature because the government made very limited income support available through formal programs targeting the poor, privileging economic goals over social ones and reinforcing existing inequalities in society. In the post-New Order period, by contrast, it developed significant welfarist, universalist, equalising, formal, and Weberian traits while remaining partially (to varying degrees) productivist, particularist, informal and unequalising in nature. The chapter has argued that this change was due to a shift in the balance of power between coalitions.

Under democracy, politicians relied on the support of the poor and used income support programs such as cash transfers to gain political support. The technocrats and donors gained greater leverage to influence policy leading to the start of cash transfer programs, including BLT, BLSM, and PKH. A key dynamic that resulted in greater reform in implementation of cash transfers was the absence of entrenched predatory officials and their corporate allies, who worked against reform.

Chapter 8

Conclusion

This dissertation has sought to enhance our understanding of the political economy of social protection reform in developing countries by analysing the evolution of Indonesia's social protection system and the political dynamics surrounding it. It advanced four main arguments.

First, it has argued that patterns of social protection reform are best described in terms of a framework that combines Holliday's (2000) welfare regime typology with an implementation component. Holliday's model of welfare systems did not account for the way in which differences in state capacity to implement social protection programs influences the nature of these systems, despite the fact that implementation contributes significantly to their effectiveness in achieving objectives. In accordance with this argument, I have proposed an additional variable related to implementation to Holliday's typology. This yielded two more sub-categories of productivist welfare regime: namely, predatory-particularist and predatory-universalist. Both of these regime types subordinate social policy to economic policy like other types of productivist welfare regime. However, they differ from Holliday's developmental-particularist and developmental-universalist regimes in that, in both cases, the state lacks the capacity to properly implement social protection programs because it is predatory or oligarchic, rather than developmental, in nature.

Second, this dissertation has argued that we need to look beyond a 'techno-managerial' perspective in explaining patterns of social protection reform. Many analysts have explained social protection policies, programs, and outcomes in terms of technical issues of design, implementation, finance or administration rather than the political and social dynamics that underlie them. This has depoliticised our understanding of social protection reform. In contrast, this dissertation has argued in favour of an approach founded in social conflict theory that emphasises the role that the political and social order plays in determining the scope for social protection reform. Following Hickey (2009) and Niño-Zarazúa et al. (2012), this approach suggests that "getting the politics right" is critical for successful social protection reform.

According to this approach, it is the balance of power between competing coalitions that is the key determinant of the nature of a country's social protection system. This determines who has access to

the process of social protection policy-making, and in turn, the evolution of the country's social protection system and its outcomes. It views the balance of power between competing coalitions as path dependent, influenced strongly by historical context but capable of disruption by major economic and social events such as the Asian Financial Crisis in 1998 or the oil boom in the 1970s to early 1980s. Fundamentally, this approach contends that competing coalitions, interests, and agendas, and the relationships of power between them, shape policy and its implementation within a given country, institution or historical context.

Third, this dissertation has argued that the nature of Indonesia's social protection system has varied across sector and timeframe. Using the revised version of Holliday's productivist welfare regime model noted above, it has shown that the nature of Indonesia's social protection system has changed since the fall of the New Order. Under the New Order, Indonesia's social protection system was productivist, particularist, unequalising, informal and predatory in nature. In the post-New Order period, it has remained broadly productivist, universalist, equalising, formal, and predatory in nature but experienced shifts in relation to all these dimensions. The system developed some welfarist traits, reflected, for instance, in the fact that it started to place less attention on social protection that reinforced the position of productivist elements and more on programs that facilitated redistribution. It also developed a more universalist orientation, primarily as a result of increasing rights to and coverage of social protection, with some programs covering all citizens (most notably BPJS). The system also became more formal in nature as the state came increasingly to underpin the market and families as a provider of social protection. Finally, a small number of social protection programs (most notably PKH) have been implemented relatively free of corruption. Overall, then, the dissertation contends that there has been a small shift in the nature of Indonesia's social protection system, away from a predatory-particularist productivist model to a predatory-universalist productivist one. With regards to different sectors, the dissertation showed that reform was strongest in the case of income support and social security and weakest in the case of food security.

Fourth, and finally, the dissertation has argued that this pattern of reform in Indonesia has—in accordance with social conflict theory—reflected continuities and shifts in the balance of power between competing coalitions in the New Order and post-New Order periods. Specifically, it has argued that this pattern was the result of four main features of politics in Indonesia.

- I. The fact that predatory officials and their corporate allies nurtured under the New Order continued to exercise control over policy-making and its implementation in the post-New Order period. These elements, it was argued, have either resisted policy reforms or sought to undermine them in implementation, albeit less so where they have served in some way to promote economic growth. This has resulted in a sustained orientation towards social protection policies that privilege productive elements in society and the persistence of rent-seeking and corruption in the implementation of social protection programs. In the case of income support, implementation circumvented the involvement of the predatory bureaucrats. But, as the other cases show, this was far from the norm. Instead, the more common outcome was the continued dominance of the predatory officials and their corporate allies.
- II. The increasing power of donors and technocrats in the years immediately following the AFC. The AFC created a situation more conducive to the expansion of social protection programs by forcing the government to seek financial and technical assistance from the technocrats and donors, significantly enhancing their influence over policy. Donors and technocrats were able to introduce many new programs during this period, specifically a set of social safety net schemes that were the precursor to the better funded and more universalist second and third generation schemes that followed. However, they continued to prioritise economic goals over social ones and favour productive elements in order to advance economic growth, in accordance with their neo-liberal orientation.
- III. The rise of populist politics following democratisation in the late 1990s and early 2000s. Intensified electoral competition persuaded many political leaders to use social protection reform to gain the support of the poor at election time. Many made promises to implement new social protection initiatives or expand existing programs, and in some cases followed through by implementing these programs, expanding budgets, and increasing coverage. This resulted in the expansion of rights and access to social protection, particularly for the poor.
- IV. The increased influence of popular forces due to the changes wrought by democratisation. During the New Order, there was limited involvement by popular forces in policy-making; the policy-making process was highly exclusionary. By comparison, in the post-New Order period, policy-making became more inclusionary. Democratisation produced a shift in power towards popular forces, giving them greater access to the policy-making process and, with that, the ability to contest, and influence social protection policy to their advantage.

This set of arguments—and particularly the latter—implies that the future evolution of Indonesia’s social protection system will depend on the outcomes of ongoing and future struggles between competing coalitions. Indonesia’s social protection system is continuously evolving. Welfare systems are not static; they are dynamic. The success of social protection systems hinges on political and social circumstances. The realisation of rights, the adoption of social protection reforms, and the successful implementation of these reforms do not progress in a linear fashion. Social protection can provide protection and promotion for the poor, but this is not guaranteed. The fate of social protection systems will be determined by the outcome of power struggles between competing coalitions. We must hope and encourage these processes to be advantageous for pro-poor coalitions.

Having said this, we can speculate on the possible direction of Indonesia’s social protection system in the near future based on current trends. As mentioned in the introduction, some media outlets have claimed that Indonesia is transitioning towards a European-style welfare state (Riady, 2013; Schuman, 2013; *The Economist*, 2012, 2013). The argument here suggests that these claims are overblown. Indonesia is not shifting towards a European-style welfare state, at least not in the short term. There are a variety of coalitions including predatory bureaucrats and their corporate allies and technocrats and donors who will continue to push for economic growth to have priority over social policy as this is financially and politically beneficial. Given the structure of power and interest, it is unlikely that Indonesia will give social policy priority over economic policy any time in the near future. Hence, it will remain within the productivist world of welfare capitalism. A wholesale shift to a European-style welfare state would require the use of social policy for the protection of people rather than the protection and promotion of the economy, something that, given current political trends, appears unlikely. There is also the possibility of regression. If popular forces lose influence over policy, and the technocrats or predatory bureaucrats gain even greater power and become more concerned about economic growth, social protection could decline, with spending shifting to sectors that are perceived by these elements to have a greater impact on economic growth. However, it seems most likely that Indonesia is currently heading towards a more predatory-universalist system, in which social protection will expand although only in accordance with the productivist model. Below, I examine the implications of the argument advanced in this dissertation for efforts to promote social protection reform in developing countries.

Implications for Policy

The implications of this analysis of Indonesia's experience for efforts to promote social protection reform in developing countries are fourfold. First, this dissertation suggests that advocates of social protection reform should purposefully focus their efforts on contexts where the prospect of change is greatest. In countries with underlying political contexts that bias social protection systems towards a productivist orientation, this will tend to be in areas that promote economic growth such as health, education or food security, as this coincides with the growth-oriented agenda of predatory officials, their corporate allies, technocrats and donors. In this sense, proponents of social protection reform will likely achieve greatest success in areas where their interests align with, rather than conflict with, these elite coalitions.

Second, this dissertation implies that international organisations and supporters of social protection reform should provide increased financial and intellectual support to NGOs and trade unions. Without funding, many of these organisations risk disappearing due to a lack of funds. Yet they can be important actors in influencing social protection reform, particularly when they are able to mobilise for large-scale collective action and make use of the media. Greater funding would help NGOs and trade unions to pursue their agenda and have a more significant impact on policy. Popular forces can also benefit from non-financial support in the form of mentoring, organisational support, and knowledge transfers, so this form of support should be provided as well.

Third, this dissertation implies that proponents of social protection reform such as NGOs, unions, left-wing intellectuals, and civil society groups need to focus on coalition-building, because they have, as just noted, been stronger in large numbers. Coalition-building involves establishing alliances with other actors to facilitate joint activities and accomplish a shared agenda. As we have seen, in Indonesia, popular forces have had more influence over policy in cases where they have built a coalition that provides strength in numbers, the principal example in this respect being social security. As we saw in Chapter Six, popular forces were successful in securing implementation of Law 40/2004 on a National Social Security System because they formed a strong coalition of NGOs, unions, left-wing intellectuals, and other supporters, were able to mobilise in large numbers, and gained a great deal of media attention. By contrast, reform was unsuccessful in the case of rice trade policy (Chapter Five) because there was no coordination or collaboration between NGOs and other popular forces.

Fourth and finally, this dissertation suggests that social protection design should circumvent bureaucratic involvement where possible in order to reduce the scope for resistance or hijacking of social protection reform. This could perhaps be done by the use of selective incentives to get those in power to avoid involvement that resulted in rent-seeking and corruption. In the case studies, the participation of bureaucrats and other elites in the implementation of social protection programs resulted in rent-seeking and corruption. The design of social protection programs should thus attempt to reduce their involvement. In Chapter Seven, we saw that the CCT program, PKH, was designed so that funds went directly to beneficiaries via the post office, thereby reducing (although not eliminating) the scope for misappropriation by bureaucrats. It was broadly successful in this respect, enhancing the pro-poor impact of the program. By contrast, RASKIN was captured by predatory officials, elites and their corporate allies, undermining its impact on the poor.

Another approach is to incorporate local facilitators in the implementation of social protection programs. As we saw in Chapter Seven, the PKH program was implemented by field-level facilitators known as *pendamping*, who were ordinary people—not elites as in the case of RASKIN. This contributed to the program being more effectively implemented with less corruption because local facilitators have an in-depth understanding of issues on the ground at the local level. Given their knowledge, they are able to problem-solve, ensuring that poor people receive their entitlements. There are thus many benefits from using such local actors, and supporters of social protection reform should consider their involvement in implementing programs, instead of using bureaucratic actors.

In conclusion, effective social protection is important in addressing poverty and vulnerability by promoting and protecting people's ability to deal with risks, shocks, crises, hazards, and changes in circumstances. Reform of social protection systems promotes a significant shift towards a more equal and redistributive society. The evolution of these systems will depend on political and social struggles between competing coalitions. Social protection reform is not linear; it occurs in accordance with these struggles. To better understand the scope for such reform and to devise more effective strategies for promoting such reform, we need a more sophisticated understanding of how political dynamics shape social protection policy-making and its implementation. This dissertation has sought to make a contribution in this respect. I call on other scholars to extend this work further.

Appendix 1 ¹⁰⁴

Interview Number	Role and Institution	Date
IN0114	Academic, Trisakti University	14/04/14
IN0214	Academic, Universitas Indonesia	16/04/14
IN0314	Academic, Universitas Pelita Harapan	23/04/14
IN0414	Activists, DNIKS (group interview)	24/04/14
IN0514	Activist, DAMANDIRI	12/05/14
IN0614	Public Policy Advisor, Government Employee	30/05/14
IN0714	Employees, Dinas Kesehatan (group interview)	30/05/14
IN0814	Activists, BIGs (group interview)	30/05/14
IN0914	Head of Administration, Puskesmas	30/05/14
IN1014	Academic, Universitas Indonesia	05/06/14
IN1114	Activists, INFID	06/06/14
IN1214	Academic, Gadjah Mada University	16/06/14
IN1314	Academic, Gadjah Mada University	16/06/14
IN1414	Academic, Gadjah Mada University	17/06/14
IN1514	Academic, Gadjah Mada University	20/06/14
IN1614	Activists, NGO (group interview)	20/06/14
IN1714	Activists, ICW (group interview)	30/06/14
IN1814	Activist, TURC	30/06/14
IN1914	Social Security Expert	03/07/14
IN2014	Activist, Oxfam	03/07/14
IN2114	Activists, TRUC	04/07/14
IN2214	Activists, Prakarsa	10/07/14
IN2314	Activists, Seknas Fitra (group interview)	11/07/14
IN2414	Employee, KPK	15/07/14
IN2514	Activist, Transparency International Indonesia	16/07/14
IN2614	Employee, USAID	16/07/14
IN2714	Employee, KPK	18/07/14
IN2814	Employee, ILO	01/09/14
IN2914	Employees, Unions (group interview)	01/09/14

¹⁰⁴ The following table is designed to give the reader context, but not to disclose the exact identity of the person as to maintain their anonymity.

IN3014	Employees, Dinas Pertanian (group interview)	05/09/14
IN3114	Employee, PKH	05/09/14
IN3214	Employee, Anak Jalanan	05/09/14
IN3314	Facilitator, PKH	05/09/14
IN3414	Government Employee	05/09/14
IN3514	Beneficiary	06/09/14
IN3614	Beneficiary	06/09/14
IN3714	Beneficiary	06/09/14
IN3814	Beneficiary	06/09/14
IN3914	Beneficiary	06/09/14
IN4014	Beneficiary	06/09/14
IN4114	Activists, YAPPIKA (group interview)	10/09/14
IN4214	Employee, Union	14/09/14
IN4314	Employee, Ministry of Social Affairs	15/09/14
IN4414	Employee, KPK	16/09/14
IN4514	Employees, Ministry of Social Affairs (group interview)	16/09/14
IN4614	Employee, Union	17/09/14
IN4714	Employee, Union	02/10/14
IN4814	Activists, NGO	17/10/14
IN4914	Employee, BULOG	17/10/14
IN5014	Employee, Ministry of Social Affairs	18/10/14
IN5114	Employee, Ministry of Social Affairs	20/10/14
IN5214	Employee, ADB	22/10/14
IN5314	Employee, BULOG	22/10/14
IN5414	Employee, Ministry of Social Affairs	27/10/14
IN5515	Employees, Ministry of Social Affairs (group interview)	27/10/14
IN5614	Employee, BPJS	28/10/14
IN5714	Employee, Coordinating Ministry for People's Welfare	05/11/14
IN5814	Employee, BPJS	06/11/14
IN5914	Ministry of Agriculture	11/11/14
IN6014	Employee, Coordinating Ministry for People's Welfare	18/11/14

IN6114	Employee, Coordinating Ministry for People's Welfare	19/11/14
IN6214	Government employee	24/11/14
IN6314	Employee, BPJS	03/12/14
IN6414	Employees, BPJS (group interview)	04/12/14
IN6514	Politician	05/12/14
IN6614	Activist, YEL	08/12/14
IN6714	Politician	09/12/14
IN6814	Employee, Dinas Sosial	10/12/14
IN6914	Employee, Dinas Sosial	10/12/14
IN7014	Employee, Dinas Sosial	10/12/14
IN7114	Facilitator, Aslut	11/12/14
IN7214	Beneficiary	11/12/14
IN7314	Beneficiary	11/12/14
IN7414	Facilitator, Aslut	11/12/14
IN7514	Beneficiary	11/12/14
IN7614	Beneficiary	11/12/14
IN7714	Beneficiary	11/12/14
IN7814	Facilitator, Aslut	11/12/14
IN7914	Beneficiary	11/12/14
IN8014	Beneficiary	11/12/14
IN8114	Employee, The Ministry of Health	12/12/14
IN8214	Researcher, SMERU	12/12/14
IN8314	Employee, Ministry of Social Affairs	08/12/14
IN8415	Academic, Universitas Indonesia	12/01/15
IN8515	Employee, National Development Planning Agency (BAPPENAS)	12/01/15
IN8615	Employees, DJSN (group interview)	12/01/15
IN8715	Employee, Ministry of Social Affairs	15/01/15
IN8815	Employee, Ministry of Social Affairs	15/01/15
IN8915	Academic, Universitas Indonesia	15/01/15
IN9015	Government Employee	20/01/15
IN9115	Academic, Universitas Paramadina	26/01/15
IN9215	Employee, World Bank	29/01/15

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