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Indonesia: Concerns Regarding Corruption in Agriculture and the Way Forward

Introduction

Indonesia is a country in Southeast Asia that has problems with good governance. It is difficult to deal with corruption in Indonesia in part because the country is an archipelago with local government and decentralization, and also because the corruption is so deeply engrained from earlier eras ("History").

Indonesia is made up of more than 17,000 islands, including 6,000 which are inhabited by more than 250 million people, mostly Muslim. The main islands are Java, Sumatra, Kalimantan, Sulawesi and Papua, formerly Irian Jaya (*Information*). Java is the seat of government, and has the most political influence. More than 500 languages and dialects are spoken in Indonesia, but the official language is Bahasa Indonesian ("Indonesia"). The tropical country sits along the equator and experiences seasonal monsoons. Located along the Ring of Fire, it has frequent earthquakes and volcanic eruptions, including the 9.1 earthquake in 2004 that caused a tsunami that affected 14 countries and killed more than 200,000 people (Russell). These natural disasters frequently destroy villages, farms and towns and contribute to poverty and hunger.

Indonesia was originally populated by small kingdoms and Islamic traders, who took spices and other commodities across the Indian Ocean to the Middle East, China and other places. Later the Portuguese and then the Dutch arrived. The Dutch East Indies Company established a commercial empire over the islands, and then the government of the Netherlands took over, in part due to corruption within the company. The colonial empire lasted until after World War II. After much military and political conflict, Indonesia became independent. Then the country was led by a guided democracy under Soekarno. Next Suharto became leader and remained in power for 32 years by manipulating the voting ballots ("History"). Currently Indonesia is considered a democracy. The government council is the legislative body, and 400 of its members are elected, while 600 are appointed. Yudhoyono is now the 6th president, and the next election will be held in 2014. Yudhoyono tries to promote a lot of anticorruption reforms, but not all Indonesians believe his sincerity ("History").

Typical Subsistence Farm Family and Barriers

Indonesian households contain an average of four people. While 38.9% of all Indonesians work on farms, 62% of Indonesians in rural areas work on farms. Data shows that 11.7% of Indonesians live below the poverty line, although that line would be far below what would be considered the poverty line in developed countries. The average rural family income per capita is 226 thousand rupiah, or about \$22 (Pangaribowo, "Indonesia"). Anywhere from 8% to 70% of the labor on farms is done by women, depending on the crops being grown. In aquaculture, the percentage of labor done by women is 42% (Raney).

Rice is Indonesia's primary food staple and is eaten with every meal. Many Indonesian sauces are based on coconut milk. Many Indonesian dishes are cooked by frying, though other methods are also used. Students attending school often eat school lunches, which include imported ingredients such as powdered milk from the United States ("Food"). Food is not always plentiful, and 19.6% of Indonesian children under 5 are underweight ("Indonesia").

Indonesia's education system is split between primary, middle and secondary education. Primary school consists of an optional two-year kindergarten from ages 3 to 5 and then mandatory elementary school for

six years. Middle school is for children ages 12 to 14 and is also mandatory. Secondary education is not required, but for those who take it there are three pathways: university-bound, job-seeking, or Islamic education ("Education"). Despite having the fourth largest education system in the world, only a third of Indonesian students complete their mandatory schooling, 49% of teachers lack proper qualification, and education consists of solely 3% of the government's GDP ("Educating", "Indonesia").

There is not much precise data on the status of Indonesia's healthcare due to government decentralization. While primary healthcare is considered adequate, accessibility can sometimes be difficult due to geographic variation. In rural areas 26% of people have inadequate drinking water, and 61% have poor sanitation. Indonesians are considered at high risk for illnesses such as bacterial diarrhea, hepatitis A, typhoid, dengue fever, and malaria. Healthcare makes up 2.6% of GDP, but health spendings per capita in 2003 were \$33, or about 338,679 rupiah. Few Indonesians have health insurance, and the provision of healthcare is not well regulated. In 2007 it was estimated that there were only 29 physicians per every 100,000 people, and in 2010 there were 60 hospital beds per the same amount ("WHO", "Indonesia").

Agriculture consists of 14.4% of Indonesia's GDP and 38.9% of its labor force, and 60% of the population relies on agriculture as a source of income. Indonesia produces over 50 million tons of rice each year, but this is not enough to satisfy domestic need. The country is a global leader in exporting palm oil and also exports coffee, cocoa, rubber, forestry products, and spices. Commercial crops such as corn, soy and sugar are also produced (Barichello et al). Plantations can be found in the palm oil, rubber and sugar industries, but the majority of farmers consist of smallholders and tenant farmers. These plots of land typically average only 0.3 hectares. Many farmers practice traditional farming methods and own little machinery. However, the use of fertilizer, pesticides and herbicides is common. Indonesia produces some poultry but not much dairy and imports most beef from Australia. Shrimping is also an important agricultural activity in Indonesia that many families rely on (*Indonesia*). Rural families usually procure food from their farms or from small grocery stores. Some parts of Indonesia also have community plantations (Abdussalam).

Environmental phenomenon such as La Niña as well as long-term climactic changes can damage crops and produce lower yields ("Indonesia: Farmers Lament"). Indonesia is expected to experience more delays in monsoon rains and longer dry seasons in the future, which would reduce the productivity of rice cultivation (Firdaus). Lack of education on good farming techniques can also cause farmers to produce less than their means. The Indonesian government offers few subsidies to farmers, and many farmers are struggling to maintain their incomes. In the shrimp industry, the cost of shrimp food is steadily rising but farmers are being paid much less for their shrimp than they used to receive (Ekawati). To develop plantations, large agribusinesses are being granted land that already contains villages, and the people are usually evicted and their small farms destroyed (Noor, Gilbert et al). Increasing piracy near the Strait of Malacca and South China can make trading overseas difficult ("Indonesia"). The lack of an import duty and corruption within the government can stifle the ability of smallholders to compete (Suryana).

Corruption and Agriculture

The World Bank states the elements of good governance are public-sector management, accountability, legal framework for development, and transparency and information ("6"). However, these elements are not always prominent in Indonesia. Although the country is technically a democracy, because more government officials are appointed instead of elected it is harder to change corruption and have more transparency ("History"). In addition, it is hard for the government to maintain accountability because local governments often act separate from the national government, whether legally or not (Martini). Farmers and business owners must deal with varying levels of corruption from these local governments. Provincial governors tend to handle investment related permits such as investment approval and import tariff reduction, while district or city governments issue administrative permits related to location, building and business (Mursitama).

Corruption impacts agriculture in Indonesia the most through illegally granted licenses and permits. Local officials often demand bribes in exchange for land use licenses and permits. Land is often divided up and sold to companies without consent from the locals already living on the land (Noor). The companies seize the land with help from Indonesian police and military, and the locals are evicted with little or no compensation, their villages and farms destroyed to build plantations. This hinders the ability of farmers to produce crops to be used to feed families or to be sold for income. These families can also be prevented from fishing on the land or foraging for supplies (Gilbert et al). This lack of access to food and money can make it difficult for families to gain adequate nutrition. Even for farming communities who do not face this situation, corruption can still cause problems with the transportation of crops, where corrupt police may charge for tolls on roads, decreasing the amount of income the family can make (Martini). There was also a transmigration program put in place during Dutch colonial rule and continued throughout Suharto's presidency that forced displaced farmers to move to less inhabited islands where frequent and sometimes violent conflicts arose with indigenous communities (Block). Violence also arises from conflicts between farmers and the government and corporations. These conflicts result in police occasionally firing on protesting farmers such as the incident in Riau Province in Sumatra on June 8, 2010 ("Indonesia: Demand"). Some corporations have also been accused of torturing farmers who complain (Block).

Although the government has departments such as the Corruption Eradication Commission (KPK), they are not able to fully address the severe corruption at all levels, and charges of corruption are sometimes ignored. Even some leaders of the KPK were once suspected of corrupt dealings (Jasin). Corruption can also have serious impacts on the environment. During the Suharto administration, land with peat rainforest was sold to a company in Riau even though the land was listed as a protected zone. Although the company was missing a Timber Cutting Permit and did not release an Environmental Impact Report, they were allowed to proceed, and over 4.4 million hectares of rainforest were cut down. In 2010, only 37% of the forest remained compared to its size in 1985. This rainforest is the last habitat of the Sumatran tiger, of which only 400 exist in the wild, and was the home of the Sumatran elephant, which is now locally extinct. The company also drained the giant peat domes underneath the rainforest, emitting billions of tons of carbon into the atmosphere (Gilbert et al). Subsistence farm families are extremely disadvantaged by such corruption because it is more difficult for them to relocate and get resources. As a developing country, Indonesia is disadvantaged because its citizens are not able to defend themselves against the consequences of corruption due to their poverty and lack of resources.

Corruption has been measured by a variety of scales and surveys that give percentages for people's responses. A study conducted by the Indonesian government gave the country a 3.55 on a scale from zero, being highly corrupt, to five, highly anticorrupt. The organization Transparency International ranked Indonesia 118th on its Corruption Perception Index of 176 countries (Rubinfeld). Another study surveying over 6,000 Indonesians showed that the majority of Indonesians find their government to be corrupt ("Corruption"). Because of the vast size of Indonesia, the varying local languages, and the difficulty of managing local governments, it can be presumed that only a portion of corruption can be known. The trends of corruption often fluctuate between increasing and decreasing but overall corruption seems to remain the same ("Indonesia: Controlling"). This stability affects typical rural subsistence farm families by ensuring that corruption does not worsen but at the same time prevents improvement.

Improving good governance in Indonesia and reducing corruption would help insure the continued livelihood of subsistence farmers by protecting their rights to land and resources. It would prevent needless and unwanted environmental damage if the government followed its own laws. Some foreign companies are wary of doing business in Indonesia due to corruption, and Monsanto pulled out of Indonesia in 2003 because of problems with corruption. The people they had hired to act for them were involved in bribery, and it caused a lot of trouble for the company when this became known (Saraswati). Reducing corruption could foster economic growth by encouraging more companies to do business there.

It can also give domestic companies and small farmers fair opportunities to compete, thereby helping to reduce poverty levels so they can afford more food to feed their families and withstand rising food prices.

World Issues

Other global trends can also affect rural subsistence families and the governance of Indonesia. Climate change with longer dry periods and less rain will have a large impact by reducing the productivity of rice, Indonesia's main staple crop, and increasing poverty. More rice would have to be imported, which could stimulate high-level corruption over which companies are allowed to import. Population growth will likely put a strain on families and resources. It can also increase unemployment, and since the government likes to hire some of the unemployed to lower its unemployment statistics, this can increase corruption because the government cannot afford the new hires so bribery is used to supplement low wages (Imbaruddin). Water scarcity and depletion of other natural resources will cause families and communities to struggle to support themselves, and agricultural production will fall due to inadequate irrigation. Corruption may be increased as officials vie for control over water resources. Urbanization will increase city populations, and the local governments will have to adapt. This process will also leave fewer people in rural areas to work on the farms and plantations. Traditional methods and local culture and way of life will continue to be replaced by both urbanization and trends toward modern agriculture.

Recommended Solutions

Corruption can appear so pervasive in Indonesia that it would seem that nothing short of an upheaval in the government would be effective to produce change. However, there are some small steps that can be taken toward improving the situation by 2015 and beyond. There are three Millennium Development Goals that may improve the situation of rural subsistence farmers in Indonesia and help promote good governance in the country: Goal 1, eradicate extreme poverty and hunger; Goal 7, ensure environmental sustainability; and Goal 8, create global partnerships for development ("United Nations").

Allotting more financial power to local governments and making more government positions elected instead of appointed will hold government officials to a higher degree of responsibility and allow local governments to raise enough funds to support expenses and salaries without resorting to illegal methods (Imbaruddin). Policies that protect food prices help eradicate extreme poverty and hunger not only of citizens but of local officials as well. Usage of computer technology and centralized databases could be used to keep better track of finances and to coordinate information and statistics, including data on corruption, and increase transparency and integrity in all levels of government. Indonesia also needs investment from global partnerships for sustainable development, reducing national debt, and protecting against harmful lending policies. An increase in elected rather than appointed officials would hold government leaders to a higher degree of professional responsibility, as well as provide citizens with a larger say in government. Elected officials who display a high level of corruption are less likely to be re-elected, and there is more transparency in the aims and interests of the national government.

There are also existing projects in Indonesia that could be successfully scaled up. One of these projects is the introduction of anticorruption education, such as what was done in Sulawesi in 2011. Sulawesi introduced the new curriculum from Kindergarten through 12th grade ("North"). There are studies that show that some Indonesians consider corruption to be normal, so anticorruption education is important ("Corruption"). The capital of Sulawesi has also been declared a corruption-free zone by the KPK (Bernama). These efforts could be further implemented across the rest of Indonesia by 2015. Another effort involving international assistance is the Support to Indonesia's Islands of Integrity Program for Sulawesi (SIPS). This project involves the support of the trade department of Canada and Cowater International Inc. in combating corruption and implementing transparency in ten local governments in Sulawesi. The new practices being implemented from 2009-2014 to increase transparency include one-stop services for business permits, the issuance of identity cards and birth certificates, and procurement methods for government supplies. SIPS also assists the KPK in corruption prevention and diagnostic

methods to detect and track corruption ("Project"). If these measures are successful, they could be scaled up and implemented in other parts of Indonesia with the proper international support.

Implementing Improvements

Communities are important for implementing change in Indonesia towards good governance. The number of local governments in Indonesia increased over 70% in 2007 (Barnes). However, these local governments only have limited sources of income, and the majority of finances remain centralized (Martini). The salaries of local officials are much lower than those in other countries with similarly priced goods and services (Imbaruddin). If local governments had further taxing and other income-producing abilities, they would be better able to cover expenses and have a lesser need to use bribes to supplement funds. A similar situation can be found in the national government with political parties. The parties must have offices in all 34 Indonesian provinces and in at least two-thirds of the local districts to compete in elections. However, legal sources of income cover less than 15% of these expenses, and state subsidies, which in most democracies cover at least 25% of party expenses, only cover about 0.01% in Indonesia, causing corruption to be abundant at these levels (Cochrane). An increase in funding to political parties would go a long way in reducing corruption.

The national government can increase usage of computer technology and centralized databases, providing more transparency and accountability. Accurate and synchronized data on aspects of the country can be hard to come by due to the degree of decentralization, where the data is spread out between many different local governments and communities when it exists at all ("WHO").

Corporations and companies can be responsible by choosing to not participate in bribery and other corrupt practices, and by insuring that their actions do not harm local smallholders or the environment. Global partnerships can be made to provide corporations and companies with more financial incentives to promote social and environmental stewardship and to turn away from corruption.

International organizations can also affect the country positively if policies are revised. During the 1997 Asian currency crisis, for example, the IMF provided the Indonesian government with financial backing in return that the government cease all subsidies on food (Suryana). However, it would have been more helpful to Indonesian subsistence farmers if the subsidies were allowed to continue. It is becoming increasingly harder for farmers to make a profit. For example, in the shrimp industry, the amount paid to farmers for one kilogram of shrimp dropped from \$12.40 in 2006 to \$6.80 in 2010. Meanwhile the price of shrimp feed continued to rise, increasing 25% in 2009 alone (Ekawati). If the Indonesian government were allowed to provide subsidies, the livelihood of these families would be protected. Some free trade policies have also been shown to hurt local farmers. An example is when the World Trade Organization convinced the Indonesian government to lift the import duty (Suryana). Many of the imported products are cheaper than domestic ones, and small farmers find it difficult to compete. Reviewing these and similar policies could potentially improve the lives of many Indonesian farmers and their families.

Subsistence farmers as well as urban families can be involved as key players in implementing good governance, primarily by being active participants in the government. They can do this by informing themselves on issues and policies, by voting when possible, and by running for local offices. They can also inform proper authorities about corruption and other concerns.

Conclusion

The Indonesian government has a lot of corruption which can impact the ability of farmers and their families to produce food and protect their standard of living. Although there are steps being taken to try to reduce the amount of corruption in the government, so far no serious impact has been made. Ending corruption in Indonesia can help end hunger in our lifetime. Lack of management and accountability in the national government and large levels of corruption in many local governments lead to illegal land

deals and agricultural permits that cause locals to be forced from their farms and villages and denied access to basic resources on the land such as going to the river for water. Almost overnight these people lose their food, shelter and livelihood, with little or no compensation for what they've lost. Corruption also wears down family incomes through road tolls where policemen must be bribed to pass and through bribery for government services such as marriage licenses and ID cards. These difficulties make it hard for poor rural families to earn money for food and support themselves.

Better government policies such as the creation of more elected officials and the use of technology and computer databases to track finances increase the accountability of the government and reduce opportunities for corruption. Decentralizing more finances to local governments and providing more financial backing to political parties also helps reduce the financial need of corrupt practices to supplement lacking funds. Projects such as SIPS and anticorruption education can improve awareness to these problems and increase effectiveness in fighting them. The ability of the Indonesian government to provide subsidies and levy an import duty would help smallholders maintain their farms and income and help them compete in the marketplace. These methods will all help raise and secure the income of these rural families and protect their rights so they may be able to better support themselves and their small holds and afford food and proper nutrition, even in times of rising food prices.

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