

Stakeholder Analysis Case Study: The Indonesia Rice Tariff PSIA

This PSIA conducted prior analysis of the poverty impacts of an increase in rice tariffs in Indonesia (Leith and others 2003). The context for the policy reform was broadly characterized by two opposing arguments:

- Supporters of a high rice tariff policy argued that higher prices were associated with higher incomes for farmers and rural workers; and
- Supporters of rice tariff abolition argued that poor people are net rice consumers, who will suffer due to high rice prices.

In the Indonesia PSIA, computable general equilibrium (CGE) modeling provided the economic evidence for policy making. To assess the poverty effects of the proposed policy, the model focused on short-run and medium-run effects of the proposed tariff increase across the economy using 10 categories of consumers and producers of rice.

However, in the highly political environment in Indonesia in 2002, with its fragile democracy, evidence was often not the primary factor in government decision making. In addition to the economic evidence, a matrix of key stakeholders was created to identify their policy positions, why those positions were held, sets of interests that those positions represented, and the degree of influence over the decisions (see table). This matrix helped to identify natural coalitions with similar perspectives, as well as the most powerful and influential interest groups, and to create a clearer, more transparent policy environment at a time when many people spoke out with contradictory views.

The matrix was generated done through content analysis of published policy statements (official documents, newspapers, secondary data studies, and other data sources), key informant interviews, and focus group discussions. This information was triangulated and cross-checked during focus group discussions, using flip charts and draft matrices.

The key players identified in the first column (in this case) were government departments, influential government officials, external donors (such as USAID and the World Bank), academics, influential policy advocates, citizen's groups, and NGOs. The top row categorized the policy position of each key player (by the explicit and implicit objectives of the position), followed by the rationale of the position held. The next columns on the matrix identified the benefits and constraints of the position held in the short-, medium-, and long-terms. The following columns listed how the policy position would be implemented, sets of interest or beliefs the position represented, and finally, the degree of influence of the policy actor.

The matrix was able to show how the pro-tariff and anti-tariff positions were not as polarized as many believed by explaining the rationale behind the positions, which helped to identify room for maneuver. The informal policy objectives, sets of beliefs, and the official rationale for the position helped to provide insight into why agencies, institutions, and individuals held certain positions, in addition to identifying their vested interests. Unexpectedly, many NGO positions were shown to be very similar to positions held by large landowners who would benefit from a protectionist environment of high tariffs and higher costs for imported rice, making rice in fact more expensive. Finally, the transparency that resulted from the matrix meant that institutions and individuals could be held accountable for their positions.

Table: Key Actors Policy Interest Matrix, Indonesia Rice Tariff PSIA

| Key players | Policy objective | | Argument rationale | Benefits | | | Constraints | | Transmission channel | Interests | Degree of influence |
|--|---|---|--|---|--|--|--|---|---|---|--|
| | Explicit | Informal | | Short-term | Medium-term | Long-term | Short-term | Medium-term | | | |
| Bulog ((the state commodities logistical agency)) | high tariff, regulate imports | source of finance | protect local farmers from import dumping | stable rice market, domestic production | increase rice production increase farmers' profitability | self-sufficiency, control of rice economy | don't have control of policy, smuggling | tariff less binding, creation of black market | high price means higher wages for labor, benefit to farmers | source of income | high, linked to ruling party fund raising |
| Ministry of Agriculture | high tariff, encourage domestic prod. of rice, self-sufficiency | it is their job, perform based on agri. prod. | higher returns to rice farmers | maintain high income of farmers | more rice availability | | none stated, unsure if it would encourage high wages | | | political, high tariff, local rice prod. | high (less than Bulog) |
| Bappenas/ DAI (consultants) | no tariff, to maintain low rice prices | none, DAI represents US interests? | Java should diversify out of rice | low price benefits poor | stable economy, food available | efficient resource allocation removes distortion, farmers will plant high-yield crop | sustainability of diversity | | low price for rice | Pro free market, allied with intl. community and World Bank | high, but declining |
| Ministry of Finance & Ministry of Economy | no tariff, to maintain low rice prices | no | Not having a rice tariff will help poor people | increase purchase power | flexibility to plant high-price crops, less dependent on govt. | better resource allocation | farmers will suffer in short term, employment problems | shortage of rice, no self-sufficiency | prices and wages | stabilized, lower price of basic needs | Ministry of Economy high, Finance high but less so, lower than Bulog |

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|--|----------------------------|---|---|--|------------------------|---|------------------------|-------------|---|-----------------------------------|--|
| | Explicit | Informal | | Short-term | Medium-term | Long-term | Short-term | Medium-term | | | |
| Ministry of Trade and Industry | no tariff, more open trade | lower direct/indirect costs to indust., less politics | efficient resource allocation | low price eases pressure on wage demands | macro economic benefit | | no power to enforce | | low price for rice | industry/ prices, clean govt. | medium (less than Ministry of Agriculture) and declining |
| Ministry for Peoples Welfare and Poverty Alleviation] | Contradictory statements | none | low food price for poor | low price benefits poor | | | | | | less burden on them! | high (more than Bappenas; some say no influence on tariff setting) |
| Poverty Reduction Coordination Board | high tariff | none | protect agri. prod., increase productivity before industrialize | higher rural wage lowers poverty | | high productivity in agricultural sector | | | price rise increase wages | maybe political ambition? | no (has no allies) |
| Ikhsan (Univeristy Researcher) | low tariff | economic principles | high price bad for poor who are net rice consumers | low price helps poor | increased consumption | | | | | academic based on theory and data | medium (some access to key ministries and media) |
| USAID, World Bank, IMF, ADB | no tariff | trade liberalization | increase welfare of world, high price leads to black market | cheap price helps poor | stabilize price | market efficiency, better resource allocation | not policy makers | | like Bappenas | free trade | high (can block), usually informal |
| Producers, NGOs | high tariff | business interest | higher prices protects farmers | benefit farmers | | higher productivity | not part of government | | high price means higher wages for labor, benefit to farmers | | low but vocal |

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|------------------------------|------------------|-----------------------|--------------------------|--------------------------------|----------------------------|------------------------------|-----------------|-------------|-----------------------------|---------------|---------------------------------|
| | Explicit | Informal | | Short-term | Medium-term | Long-term | Short-term | Medium-term | | | |
| Governor of East Java | ban imports | populist rent seeking | protect farmer interests | greater sales of domestic rice | higher incomes for farmers | expansion of rice production | not enforceable | | blockages at ports, customs | election 2004 | access to media and politicians |