The Implementation of Utilizing Government Capital Funds Policy in the Indonesia Logistics Bureau

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ABSTRACT

This study analyzes the policy implementation of Government Capital Funds (GCF) for the Indonesia Logistics Bureau (Perusahaan Umum Badan Urusan Logistik, Perum BULOG) to support national food security. This study also aims to identify any obstacles and determine the development of an effective policy model for implementing the policy. This study uses qualitative methods, and the primary data was obtained from informants using the snowball technique collected from in-depth interviews. The result of this study is that the implementation of GCF fund utilization could have been more optimal in achieving the set targets due to several obstacles. These obstacles include the incomprehensiveness and inconsistencies in GCF policy planning, the difficulty of undertaking land acquisition and obtaining an environmental license, GCF funds are much less than the total needs that should be met, and the discontinuation of the RASTRA Program for low-income families and poor food security governance. In addition, developing an implementation model for the effective use of GCF funds requires strengthening the authority of national food security management institutions. This study recommends that the government upgrade the status of Indonesia’s Logistics Bureau to become a ministry-level institution. The relationship pattern with the National Food Agency must also be strengthened for better food policy governance.

KEYWORDS:
Implementation; policy; food security; Government Capital Funds

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INTRODUCTION

The 1945 Constitution of the Republic of Indonesia instructs the Government to carry out public duties by fulfilling the welfare of each of its citizens. In carrying out public duties, the Government can appoint State-Owned Enterprises (SOE) through the Public Service Obligation (PSO) scheme (according to Law Number 19 of 2003 concerning state owned-enterprises) with Government Capital Funds (GCF) taken from the State Budget. For the GCF disbursed to Perum BULOG, Perum BULOG is one of the many SOEs that receive GCF funding and is a strategic SOE that plays a role in realizing food security in Indonesia according to the mandate of Government Regulation Number 13 of 2016 concerning Indonesia Logistics Bureau (Perusahaan Umum Badan Urusan Logistik, Perum BULOG).

Indonesia Government Regulation Number 13 of 2016 also states that in its duty as the guardian of national food security, Perum BULOG is obliged to maintain price stability of national staple food prices, both from the producer and consumer sides. From the producer side, Perum BULOG purchases rice or grain from farmers, while from the consumer side, Perum BULOG maintains food stability by conducting market operations. Perum BULOG is also assigned as a national food stock buffer and then distributes rice to low-income families as a form of aid. Moreover, it also undertakes the task of distribution for emergency conditions such as natural disasters or other assignments from the Government. In the event the national rice stock runs low, Perum BULOG is also allowed to import rice to maintain price stability, and according to Regulation of the Minister of Trade of the Republic of Indonesia Number 1 of 2018, Perum BULOG is the only company in Indonesia that is permitted to import rice.

The task of maintaining stability puts forth a burden on internal financial resources. The Joint Study of the Ministry of SOEs and the Ministry of Finance of the Republic of Indonesia in 2015 (Joint Study of 2015) stated that the working capital required by Perum BULOG to stabilize food prices at the producer side, namely the purchase of rice or grain rice from farmers, amounted to IDR 21 trillion, of which the entire working capital fund is covered by commercial banking credit. High working capital debt ultimately compels Perum BULOG to pay interest every year, even though, based on Law Number 19 of 2013 concerning Protection and Empowerment of Farmers, it is specified that every SOE receiving an assignment must be compensated by the Government. Based on the preceding, the Joint Study of 2015 proposed that a GCF of IDR 3 trillion be awarded to Perum BULOG and legitimized through Government Regulation Number 49 of 2015.

The disbursement of GCF is intended to strengthen the capital structure and increase the business capacity of Perum BULOG. Such an effort to strengthen the capital structure and increase business capacity aims to facilitate Perum BULOG in stabilizing food prices, purchasing domestic grain/rice, and distributing rice to low-income families. In 2016, the Government redisbursed GCF to Perum BULOG in IDR 2 trillion per Government Regulation Number 70 of 2016 to re-strengthen the capital structure and increase business capacity post-harvest infrastructure development. Based on the Joint Study between the Ministry of SOE of the Republic of Indonesia and the Ministry of Finance of the Republic of Indonesia in 2016 (the Joint Study of 2016), the construction of this infrastructure is intended to maintain the quality of food commodities purchased by Perum BULOG.

The disbursement of GCF to Perum BULOG to stabilize staple foods, especially rice, puts Perum BULOG in a vital position. Salasa
(2021) states that a country can only develop its economy if the food needs of its people have been met. Therefore, based on this background, this study is interested in analyzing the implementation of GCF at Perum BULOG to support the national food program.

There are pretty several studies related to the implementation of such policy, such as research by Alfiani, Rahayu, and Nurbaiti (2017), Barbu and Price-Kreitz (2018), and Sinaga, Hamdi, Wasistiono, and Lukman (2020), and some of them include implementation related to food security such as Mooij (1999). Furthermore, the study related to Perum BULOG has also been studied many times, such as Trinugroho et al. (2011), who reviewed the cost structure of subsidized rice, followed by Timmer (1996), who questioned whether Perum BULOG should stabilize rice prices also Yulianis, Sarastuti, Risfaheri, and Rachman (2021) who analyzed synergy of national food reserves. However, of all the studies that have been published, studies relating to the utilization of GCF funds at Perum BULOG have never been carried out, albeit their relevance for research.

This study designed a framework of thought by reconstructing the theories that describe the idea of this study in order to present a clear position of the problem in this study, display a complete picture of the research problem, and provide guidance in finding answers to these problems. Based on this description, we have formulated a framework of thought which includes: First, grand theory as a theory that functions as an umbrella theory for applying middle range theory and applied theory. The Grand Theory of this study is government theory, as presented by Brasz (1975), that the science of government is a science that studies how institutions in government are structured and how government institutions function internally or externally for the people. Meanwhile, in another theory of government, as Strong (1960) stated, the government has the authority to maintain peace within its territory. It must also have financial adequacy to implement policies to meet the needs of its people.

Second, middle range theory serves the purpose of connecting the grand theory with applied theory. The middle range theory in this study is the theory of public policy, the theory of state finance, and the theory of welfare. In the public policy theory, Cochran et al. (2011) defines policy as a unified series of actions taken by the government to achieve common goals and is not limited to only making laws. This series of unified actions taken by the government can include doing something or even not doing anything (Dye, 2017) to solve problems that arise in society, such as the economy, education, health, and social issues (William, 2004). Meanwhile, Dye (2017) describes policy implementation as one of a series of policy processes, beginning with identifying problems to be resolved, followed by setting an agenda for how these problems will be resolved, then policy formulation developed by government officials and interested parties, after which the policy is ratified by the government and implemented by the government or institutions appointed by the government.

Furthermore, the basis for the following
middle-range theory is welfare theory. Welfare includes many dimensions (Goggin, Bowman, Lester, & O’Toole, 1990). However, according to Bubolz and Sontag (1993), welfare is the achievement of the quality of human life where the achievement of the quality of life is that basic life needs have been fulfilled and the desired values have been obtained. Meanwhile, social welfare means the existence of a system in the nation regarding services to assist the community in meeting their economic, social, educational, and health needs (Whitaker & Federico, 1997). The third middle-range theory is the theory of state finance. State finance is one of the elements of the government in carrying out its objectives (David, 2014), in which state finances are given management rights to the government based on the law for a certain period (Goedhart, 1982). Musgrave (1959) divides state finances into the following (1) allocation decisions, which are the authority of the government in allocating its economic resources (especially public goods of significant value) to the community, (2) distribution decisions, namely the government’s authority to distribute economic resources so that resources are guaranteed and can be accessed by the whole community (3) stabilization decisions, in which the government is authorized to maintain macroeconomic stability. Concerning state finances at Perum BULOG, which in this case is a state-owned enterprise, according to Law Number 19 of 2003, the state finances are included in state assets. Therefore, financial management does not eliminate its nature as a state asset.

Third, the applied theory is a driven theory which is the theoretical basis for preparing operational concepts of research variables. The applied theory is implementation theory, where implementation, according to Jones (1984), is “finishing the job by doing it.” We use policy implementation theory as proposed by Meter and Horn (1975), which contains (1) policy standards and objectives, (2) policy resources, (3) communication between organizations and strengthening activities, (4) characteristics of policy implementers, (5) social, economic and political conditions (6) disposition/tendency of implementers. The theoretical framework is depicted in Figure 2.

**RESEARCH METHOD**

This study applies a qualitative method, and in analyzing the utilization of GCF funds at Perum BULOG, we use six main variables developed by Meter and Horn (1975). In conducting the analysis, we compiled a practical implication of each variable by taking the perceptions of interpretations and opinions of the informants until empirical findings were found, as is usual in a qualitative study (Creswell, J. W. and Poth, 2016). After obtaining empirical findings, we developed an ideal model for utilizing GCF funds as a model development for this applied theory.

The data sources for this study consist of primary and secondary sources. Primary sources are who become informants in this study. Interviews with informants were carried out in-depth interviews using the snowball technique. The determination of a person to become an informant is by considering his position and competence in implementing the GCF funds utilization policy at Perum BULOG. Our informants represented three institutions, first from Perum BULOG itself, which consisted of 11 informants, five of whom are Board of Directors (BOD) and the remaining six are regional Division Heads for the Jakarta-Banten area, West Java, Central Java, East Java, South Kalimantan, and North Sumatra. Second, one representative from the Ministry of State-Owned Enterprise of the Republic of Indonesia is an informant who is...
According to Government Regulation Number 44 of 2005, GCF is a state asset separated from the State Budget (Anggaran Pendapatan dan Belanja Negara, APBN). The mechanism for granting GCF to Perum BULOG is based on a proposal from the Ministry of Finance to the President of the Republic of Indonesia, which includes a Joint Study between the Ministry of Finance of the Republic of Indonesia and the Ministry of SOEs. The President then approved the proposal for granting GCF with the issuance of Government Regulation Number 49 of 2015 for the disbursement of GCF for IDR 3 trillion and Government Regulation Number 70 of 2016 for the disbursement of GCF of IDR 2 trillion. The joint study describes the considerations and parameters for the success of granting GCF; hence, the joint study and Government Regulations issued to provide GCF are an inseparable unit.

**RESULT AND DISCUSSION**

According to Government Regulation Number 44 of 2005, GCF is a state asset separated from the State Budget (Anggaran Pendapatan dan Belanja Negara, APBN). The mechanism for granting GCF to Perum BULOG is based on a proposal from the Ministry of Finance to the President of the Republic of Indonesia, which includes a Joint Study between the Ministry of Finance of the Republic of Indonesia and the Ministry of SOEs. The President then approved the proposal for granting GCF with the issuance of Government Regulation Number 49 of 2015 for the disbursement of GCF for IDR 3 trillion and Government Regulation Number 70 of 2016 for the disbursement of GCF of IDR 2 trillion. The joint study describes the considerations and parameters for the success of granting GCF; hence, the joint study and Government Regulations issued to provide GCF are an inseparable unit.

**GCF Policy Standards and Objectives**

Based on the Joint Study of 2015, in its role in carrying out the task of national food sovereignty, Perum BULOG requires a working capital of IDR 21 trillion to buy rice and grains from farmers, store them as national buffer stocks, and distribute them in mar-
ket operations (if the stock is rice at the consumer side is running low), deal with natural disasters, and other assignments such as providing regular rice assistance to the poor. Perum BULOG obtained funds of IDR 21 trillion from commercial bank loans. Against this background, the Government provided GCF to Perum BULOG in 2015, amounting to IDR 3 trillion, to achieve the targets described in Table 1.

The first parameter is price stability on the producer and consumer sides. This policy’s parameters are vague and not explicitly elaborated in the Joint Study of 2015. However, we use data from Statistics Indonesia (Badan Pusat Statistik, BPS) further to explore price stability on the producer and consumer sides. On the producer side, the average price of Harvested Dry Grain (HDG) was relatively stable between 2015 and 2017, which is in the range of IDR 4,600 per kilogram. Meanwhile, in 2018, there was an increase in the price of HDG to IDR 4,894/kg, and it stabilized again in the following year (2019), which reached IDR 4,828/kg. We consider the increase in grain prices to reflect the increasing welfare of national farmers (Wahed, 2015; Putri, Novindra, and Nuva, 2013). As for prices on the consumer side, which is also based on data from the BPS, in 2015, the average price of rice at the trade level was IDR 10,915/kg, then increased to IDR 11,511/kg in 2016 and remained stable until 2017, which is at IDR 11,535/kg. In 2018 there was another increase to IDR 12,054/kg, which was stable in the following year (2019), amounting to IDR 12,091/kg.

The second parameter is the purchase of grain/rice from farmers of, 1.47 million tons annually. Based on the findings of the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan, BPK) Special Purpose Audit Report Number 46A of 2016, the purchase of grain/rice from farmers was only 344,050 tons or only reached 23.4% of the total target. The figure of 344,050 tons is the total purchases to national farmers from 2015 to August 31, 2016. That condition occurred due to the disbursement of GCF funds from the Government to Perum BULOG, which was only disbursed in November 2015 and lost the momentum of the harvest season (BPK RI, 2016).

The third parameter is the distribution of rice to the poor, as outlined in the Prosperous Rice Program (Beras Sejahtera, RASTRA) of 2,784,000 tons/year. Perum BULOG’s annual report shows that the distribution of RASTRA only reached the target in 2015, which was 3,554,883 tons/year or 115.02% of the total target. Then in the following years, the distribution of RASTRA rice decreased. In 2016 it fell to 2,782,326 (99.94%). In 2017, it decreased to 2,542,405 tons per year (91.32%). In 2018 it went down to 1,207,269 tons per year (43.36%). The decline in performance, especially in 2018, was due to the shift in the program distribution. RASTRA is a cash aid program transferred to the poor through the BPNT (Non-Cash Food Assistance) program under the Minister of Social Affairs Regulation Number 11 of 2018.

The following parameter is interest efficiency

<table>
<thead>
<tr>
<th>Purpose and Objectives</th>
<th>Fund Needs</th>
<th>GCF Value</th>
<th>Success Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceleration of grain/rice purchases from farmers to achieve national food sovereignty</td>
<td>IDR 21 trillion</td>
<td>IDR 3 trillion</td>
<td>Stable food prices and increased farmer welfare.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Purchase of grain/rice from farmers is 1.47 million tons/year</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The distribution of rice distribution for the poor is 2,784,000 tons/year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bank interest efficiency of IDR 300 billion/year</td>
</tr>
</tbody>
</table>
of IDR 300 billion/year. This parameter needs to be more specific and explained in the joint study regarding the target for the total bank interest that must be paid each year. For this matter, we assume that the target bank interest to be paid is IDR 774 billion annually or has succeeded in streamlining bank interest expenditures from 2015, IDR 1,074 trillion. This assumption is based on the realization that the 2015 GCF was only transferred towards the end of 2015 (November); therefore, measuring efficiency can only be done after the GCF funds have been disbursed. Therefore, based on this and referring to the annual report of Perum BULOG, the interest efficiency target has never been achieved. Even bank interest payments by Perum BULOG continued to rise yearly, namely IDR 1,416 trillion in 2016, IDR 1,754 trillion in 2017, and IDR 1,927 trillion in 2018.

As for the disbursement of GCF in 2016, based on the Joint Study of 2016, these funds are intended for constructing post-harvest infrastructure facilities such that the harvested commodities purchased can be maintained in good quality. The details of the post-harvest infrastructure built are presented in Table 3. In subsequent developments, Perum BULOG was unable to execute immediately due to factual demands in the field, such as (1) moving the location of the Modern Rice Milling Plant, which is too close to the population, (2) differences in the calculation of investment needs between the results of Joint Study of 2016 and the Feasibility Study, (3) errors in determining the location of soybean warehouses that are not in the production center area (4) changes in the allocation of GCF funds such as adding commodity warehouses for rice, corn, and soybeans.

Perum BULOG, through the Review of the Financial and Development Supervisory Agency of the Republic of Indonesia (Badan Pengawasan Keuangan dan Pembangunan, BPKP) Number SP-1715/D4/02/2018, changed the GCF allocation so that there is an allocation that must use Perum BULOG’s internal cash for investment needs. Details of the approval of the amendments are described in Table 4.

![Figure 3. Price Chart of Harvested Dry Grain-HDG and Average Rice Prices in IDR/Kg](Source: BPS (2020))

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest Payment/Year (More Efficient IDR 300)</th>
<th>Interest Paid</th>
<th>Efficiency Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>IDR 0</td>
<td>IDR 1,074 trillion</td>
<td>IDR 0</td>
</tr>
<tr>
<td>2016</td>
<td>IDR 774 Billion</td>
<td>IDR 1,416 trillion</td>
<td>(IDR 642 billion)</td>
</tr>
<tr>
<td>2017</td>
<td>IDR 774 Billion</td>
<td>IDR 1,754 trillion</td>
<td>(IDR 980 billion)</td>
</tr>
<tr>
<td>2018</td>
<td>IDR 774 Billion</td>
<td>IDR 1,927 trillion</td>
<td>(IDR 1,153 trillion)</td>
</tr>
</tbody>
</table>
Based on the Audit Results from the Public Accounting Firm (PAF) Kosasih, Nurdiyaman, Mulyadi, Tjahjo, and Partners with Report Number KNMT&R-15.02.2014/04 on 15 February 2018 and Report Number 00007/2.1051/RK/11/0269-2/ 1/II/2019 on 26 February 2019, the physical development of post-harvest infrastructure construction is still low and can only be carried out in 2017 with the disbursement of only IDR 586,512,000 for that year. Whereas in 2018, the construction was still minimal, and the disbursed budget was only IDR 10,442,700,600 that year. The total disbursement for the construction in the two years (2017 and 2018) combined only reached IDR 12,315,701,000 - or less than 1% of the total budget of GCF (IDR 2 trillion). The land has yet to be acquired to build post-harvest infrastructure. In this regard, the target to maintain the quality of food purchased cannot be achieved because the construction of the infrastructure has yet to be carried out.

### Resources

For financial resources, based on the 2015 and 2016 annual reports, the Paid-up Capital of Perum BULOG prior to the GCF was IDR 6,847,135,795,560.00, where the Government owns the entire capital as the shareholder. After being granted the GCF, the total paid-up capital of Perum BULOG increased to IDR 12,847,135,795,560. The reason for adding GCF as Paid-up Capital is that to buy rice from national farmers, a fund of IDR 21 trillion is needed by Perum BULOG. Therefore with this GCF, Perum BULOG’s dependence on commercial banking credit is reduced. However, the disbursement of GCF

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Before (GCF)</th>
<th>GCF</th>
<th>After Internal Cash</th>
<th>Total</th>
</tr>
</thead>
</table>
| 1  | For Rice Commodity  
|   | Modern Integrated Rice Milling Plant  
|   | Rice To Rice Machine | 1,346,746,000 | 1,133,835,000 | 139,334,254 | 1,273,169,254 |
| 2  | For Corn Commodity  
|   | Drying Center & SILO | 479,254,000 | 311,767,000 | 31,866,000 | 343,633,000 |
| 3  | For Soybean Commodity  
|   | Warehouse | 78,000,000 | 21,626,000 | - | 21,626,000 |
| 4  | Combined Food Commodities  
|   | Warehouse | 194,559,000 | - | - | 194,559,000 |

**Investment Amount**  
2,000,000,000  
2,000,000,000  
263,599,254  
2,263,599,254
is still considered insufficient because, based on Perum BULOG's annual report, Perum BULOG's leverage ratio is still high, namely 287% (2015), 214% (2016), 152% (2017), and 302% (2018). This ratio shows that the debt of Perum BULOG is still higher than the capital owned. The high debt ratio leads to Perum BULOG paying high interest yearly.

Meanwhile, for human resources, the quality of the resources of Perum BULOG is quite good. Between 2016 and 2018, employees with a higher education level (Diploma and above) make up more than 50% of the total employees. In addition, quality development through employee training is continuously carried out and is increasing yearly, with 1,719 employees in 2015, 3,000 employees in 2016, 3,222 employees in 2017, and 4,715 employees in 2018. A good level of education will ultimately improve the quality of company resources in order to achieve effective and efficient performance (Ukkas, 2017).

**Inter-Agency Communication and Strengthening Activities**

As a state-owned enterprise, Perum BULOG is officially under the subordination of the Ministry of SOEs. However, in national food governance, Perum BULOG has links to many institutions, so communication between institutions must be carried out by Perum BULOG. Good communication has been established with the Ministry of SOEs and the Ministry of Finance of Perum BULOG. The form of communication is formal through regular official reports or informal communication. However, even though coordination has been carried out periodically, miscommunication still often occurs, especially between Perum BULOG and the Ministry of Finance, where communication barriers are frequent slow payments of Government receivables to Perum BULOG. Furthermore, to understand communication between institutions, we will describe the integration before and after the existence of the National Food Agency, which was formed on July 29, 2021, based on Presidential Regulation Number 66 of 2021.

**Inter-Agency Communication Before the National Food Agency Existed**

In national food management, Perum BULOG also collaborates with the Ministry of Agriculture and the Minister of Agriculture as the Daily Chairman of the National Food Council (based on Presidential Regulation Number 45 of 2015). In purchasing grain/rice from national farmers, Perum BULOG uses the purchase price for unhulled rice/rice, which refers to Presidential Instruction 5/2015, while to buy unhulled grain/rice, Perum BULOG must refer to the Regulation of the Minister of Agriculture Number 3 of 2017.

After the rice/grain from farmers is purchased by Perum BULOG, the commodities will be labeled as Government Rice Reserve (GRR) and serve as a buffer stock whose ideal amount of rice reserves is determined by the Ministry of Agriculture based on Presidential Regulation 48/2016. As explained in the preceding, one of the distributions of GRR is through market operations. Regarding the Regulation of the Minister of Agriculture 12/2017, Perum BULOG shall not conduct such operations by itself before carrying out market operations. However, instead, they must await further instructions from the Minister of Agriculture. Upon receiving instructions from the Minister of Agriculture, Perum BULOG can conduct market operations by selling rice. The higher shall not be higher than the Highest Retail Price (HRP) set by the Minister of Agriculture.

The authority within the Ministry of Agriculture overlaps with that of the Ministry of Trade. Referring to the Regulation of the
Minister of Trade Number 127 of 2018, the Ministry of Trade also has the authority in market operations. It sets HRP to determine the selling price of GRR in market operations. The same authority between the Ministry of Agriculture and the Ministry of Trade will certainly confuse Perum BULOG as the executor of market operations (Ministry of Trade, 2018).

In the event the GRR stock in the warehouse of Perum BULOG or at the consumer side market is running low, therefore based on Government Regulation Number 13 of 2016 and Regulation of the Minister of Trade Number 1 of 2018, Perum BULOG can import with the approval of the Minister of Trade for buffer stock or price stabilization purposes. However, Perum BULOG and the Ministry of Trade often need help communicating regarding rice imports. Perum BULOG considers the stock of GRR in the warehouse of Perum BULOG to be very large and even tends to accumulate over the years due to the cessation of distribution of RASTRA rice to low-income families, while the Ministry of Trade as the authority views that the stock of GRR in the warehouse of Perum BULOG is insufficient to meet national food needs.

Furthermore, as mentioned earlier, the stock of GRR in the warehouse of Perum BULOG is also distributed to low-income families through the RASTRA program. Based on the General Guidelines for the RASTRA Subsidy, the Coordinating Ministry for Human Development and Culture is in charge of this program. At the same time, the Ministry of Social Affairs is the technical Ministry that holds the Budget Holder Authority. As a result, hence Perum BULOG in distributing the RASTRA program must be based on instructions from the Minister of Social Affairs. The distribution of the RASTRA program is one of the targets of GCF. It is also a source of distribution of GRR rice from Perum BULOG, causing incoherent communication between all stakeholders (Perum BULOG, Ministry of Finance and Ministry of BUMN as the proponent of GCF funds, and the Ministry of Social Affairs and Coordinating Ministry of PMK as the RASTRA authority holder) GCF program.

Regarding the management of GRR stored in the warehouse of Perum BULOG, it is often the case that the quality of GRR becomes damaged due to prolonged storage. In order to overcome this, the Minister of Agriculture released Regulation of the Minister of Agriculture Number 38 of 2018, which governs the release of GRR; which in the event the GRR is stored for more than four months or is damaged, it can be sold, processed, or donated. However, for the mechanism for releasing GRR, Perum BULOG cannot immediately release it but must submit a letter requesting the release of GRR to the Minister of Agriculture by attaching the results of the Surveyor verification, after which the Minister of Agriculture will forward the matter to be decided in a Limited Coordination Meeting (RAKORTAS) comprising the Coordinating Minister for Economic Affairs as Meeting Coordinator, the Minister of Agriculture, the Minister of Trade, the Minister of Finance, the Minister of SOEs and the President Director of Perum BULOG. The complicated release mechanism causes the release proposal to be lengthy. Communication between Perum BULOG and the relevant ministries has been well established. However, such communication often needs to be improved by the protracted decision-making on GRR issues due to bureaucratic problems.

Furthermore, to achieve GCF objectives, communication and coordination between Perum BULOG and Regional Government have also been established regarding price stabilization on the consumer side in market operations and distribution of RASTRA to low-income families. However, if we look at the land acquisition constraints that are ob-
staces to GCF 2016, communication and integration between Perum BULOG and Regional Government should be able to be resolved by applying for Regional Government land for at least 30 years based on Government Regulation Number 27 of 2014 concerning Management of State/Regional Assets. This will become an essential and more efficient breakthrough to achieve the goals of the 2016 GCF. The integration of Perum BULOG and the Regional Government will also be more optimal in achieving the 2015 GCF goal, particularly Regulation Number 17 of 2015, which has yet to be met in the regions (Kurnia et al., 2020). The optimal utilization of GCF funds cannot be separated from the many links between Perum BULOG and other institutions in the context of national food security. Therefore the above explanation can be summarized in Appendix 1 regarding food governance before establishing the National Food Agency on July 29, 2021.

Integration After the National Food Agency Existed

The fat bureaucracy finally compelled the government to revise national food governance by establishing the National Food Agency on July 29, 2021, based on Presidential Regulation Number 66 of 2021. The National Food Agency, in its authority, took over the authority that the Ministry of Trade assumed in formulating and determining policies to stabilize prices and national food distribution. In addition, the authority of the Ministry of Agriculture was also taken over by the National Food Agency regarding the formulation of the government’s purchase price and the number of national food reserves. Finally, the National Food Agency also took over the authority of the Minister of SOEs to assign Perum BULOG in terms of national food policy.

Such policy transformed and streamlined food governance. However, strengthening food institutions is our responsibility, considering that the National Food Agency has not yet taken over the distribution of the RASTRA program, which is still under the Ministry of Social Affairs and the Coordinating Ministry for Human Development and Culture. This transfer of authority is essential, considering that the portion of the distribution of the RASTRA program reached 90% annually before the program was revoked in 2018 (see Table 5). The absence of the RASTRA program has made it difficult for Perum BULOG to purchase rice/unhulled rice from farmers because the Government requires Perum BULOG to purchase rice/unhulled rice. At the same time, there are no rice distribution posts due to the abolition of the RASTRA program. Although the National Food Agency is still in the consolidation process and has yet to operate effectively, it provides hope for better national food governance. National food governance can be summarized in Appendix 2.

Characteristics of Policy Implementers

Perum BULOG has a structure that outlines

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSO Distribution (Tons)</td>
<td>1.860.27</td>
<td>100.00</td>
<td>2.716.91</td>
<td>100.00</td>
<td>3.212.80</td>
</tr>
<tr>
<td>- RASTRA Program</td>
<td>1.207.27</td>
<td>64.90</td>
<td>2.542.40</td>
<td>93.58</td>
<td>2.782.33</td>
</tr>
<tr>
<td>- Budget Group</td>
<td>101.36</td>
<td>5.45</td>
<td>102.68</td>
<td>3.78</td>
<td>110.12</td>
</tr>
<tr>
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<td>29.65</td>
<td>71.82</td>
<td>2.64</td>
<td>311.55</td>
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<tr>
<td>- Etc</td>
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<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>8.81</td>
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</tbody>
</table>
precise tasks and functions for each section concerning the characteristics of the organizational structure. In connection with the implementation of the GCF, which could not be carried out because the study's results differed from the factual conditions, as we have previously stated, this needs to be minimized if Perum BULOG has an Internal Research Division. In addition, with the Internal Research Division, there is no roadmap for using GCF funds as indicated by BPK's audit results Number 46A/Auditama VII/ PDIT/11/2016, which the company's Internal Research Division can carry out.

In the context of company characteristics in the form of company norms, Perum BULOG has implemented Good Corporate Governance, one of which is by making a Public Official Wealth Report (Laporan Hasil Kekayaan Penyelenggara Negara, LHKPN) for all companies. LHKPN reporting is mandatory, and officials who do not report it will be imposed with a sanction that denies them their office allowance.

The understanding of GCF policies still needs to be fully understood by officials. There are different interpretations of the 2015 GCF objectives, namely the efficiency of bank interest of IDR 300 billion/year based on an audit from the Public Accounting Firm of Kosasih, Nurdiyaman, Tjahyo, and Partners on 26 February 2018 related to the utilization of GCF funds to cover the working capital debt of Perum BULOG in the Bank. The follow-up to these findings has been completed by returning the GCF funds used to cover the working capital debt to a separate GCF account. Furthermore, the understanding of GCF needs to be socialized to the regions, as Perum BULOG acknowledges. An inadequate understanding of each region will make it more difficult for Perum BULOG to achieve GCF goals. Concerning the policy response, Perum BULOG officials' response in GCF is very positive. This is understandable considering the finances of Perum BULOG, which are encumbered by working capital to purchase grain/rice from national farmers.

Social, Economic and Political Conditions

The implementation of GCF Funds utilization can be very strategic, considering that the ultimate goal of GCF is for national food sovereignty. The social conditions of Indonesian people have a high preference for consuming rice, with national rice consumption reaching 29.1 million tons per year in 2017, as seen in Figure 4. This high preference is because rice reflects high social status and is imaged as a good source of nutrition with a delicious taste and is easier and faster to serve (Martianto & Ariani in BPS, 2018). While from an economic point of view, Indonesia's economic growth is stable at around 5% annually for the 2014-2019 period. How-

![Figure 4. National Rice Consumption and Economic Growth National](Source: BPS (2020))
ever, in 2020, Indonesia's economic growth was -2.07% due to the impact of covid-19 (Oeliestina, 2021; Wuryandani, 2020). Minus economic growth due to COVID-19 has made the distribution of RAstra to the poor relevant and needed.

Meanwhile, in the political context, the support for providing GCF is a form of the Government’s political support to actualize food sovereignty which is a national priority agenda as stated in the 2015-2019 National Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN), which is a derivative of the Presidential Regulation Number 2 of 2015. Political support from the House of Representatives (Dewan Perwakilan Rakyat, DPR) is also evident. DPR wants Perum BULOG's become national buffer stock and urges the Ministry of Finance to pay Perum BULOG's outstanding receivables immediately.

The Obstacles to Implementation of GCF Fund Utilization

Policy planning less comprehensive and inconsistent

Based on the Joint Study of 2015, the purpose of the 2015 GCF is to purchase grain/rice from national farmers. The assumptions built in the policy planning in the Joint Study of 2015, Perum BULOG are expected to rotate their inventory three times a year, namely 1.47 million tons per year. This figure of 1.47 million tons per year is the target for GCF of 2015, as described above. However, based on the BPK Audit Report (BPK, 2016), the realization for purchasing grain/rice only reached 344,050 tons or did not reach three times the expected turnover. Based on the annual report of Perum BULOG in 2013, inventory turnover only happened 1.86 times, while in 2014, inventory turnover occurred 2.08 times. For this reason, GCF’s target of wanting an inventory turnover of three times per year or 1.47 million tons per year becomes excessive.

Policy inconsistency can be seen from the 2015 GCF target setting to distribute the RAstra program to the poor at 2,784,000 tons annually. Meanwhile, the Government has stopped the RAstra program policy, and termination of the RAstra program policy by itself will disrupt the achievement of GCF targets. Other less comprehensive policies can also be seen from GCF 2016, whose contents are irrelevant to factual conditions. Such as (1) having to move the location of the Modern Rice Milling Plant, which is too close to residential areas, (2) there being a difference in the calculation between the results of the joint study and the feasibility study, (3) errors in determining the location of the soybean warehouse development that is not in the production center area, (4) changes in the allocation of GCF funds such as adding commodity warehouses for rice, corn, and soybeans.

Difficulties in land acquisition and obtaining environmental license

In GCF 2016, the budgeted funds of IDR 2 trillion could only be used as much as IDR 12,3 billion or less than 1% in two years (until the end of December 2018) due to the difficulty of land acquisition. The difficulty of land acquisition can be solved by establishing good communication between Perum BULOG and Regional Government regarding land use according to Government Regulation 27 of 2014. It is possible, considering local governments are also interested in maintaining food security in their regions according to the instructions specified in Government Regulation 17 of 2015 (Venkatesh et al., 2012).

In addition, in building post-harvest infrastructure as the goal of GCF 2016, Perum BULOG is also bound by development regulations in Indonesia which require obtaining an Environmental License before construction. The processing of this permit takes up to four
months, and the slow bureaucracy of obtaining permits has undoubtedly hampered the absorption of the 2016 GCF funds.

**Lack of GCF Funds and confusion of BULOG’s business model**

Based on the Joint Study of 2015, the working capital requirement of Perum BULOG to buy grain/rice from national farmers is IDR 21 trillion. From this capital requirement, the funds covered by the government in the form of GCF are IDR 3 trillion, and the remaining (IDR 18 trillion) must be covered by commercial banks. The use of bank funds causes the finances of Perum BULOG to be weighed down. In 2015 the bank interest to be paid was IDR 1.074 trillion and continued to increase yearly.

The imposition of bank interest due to the PSO or the necessity to buy rice/grain from national farmers needs to be clarified in Perum BULOG’s business model. In the case of PSO in the government’s interest, these funds should apply and not use bank money, or even if they must apply for bank money, according to Law Number 19 of 2003, this bank interest should be charged to the government.

**Discontinuation of the RASTRA Program**

PSO in the form of the obligation to buy rice/grain from national farmers differs from the existence of a distribution source of the grain/rice. The policy of the Coordinating Ministry for Human Development and Culture and the Ministry of Social Affairs as a technical ministry in terminating the RASTRA Program for low-income families resulted in a slow turnover of Perum BULOG’s stock, bearing in mind that this program held an average of 90% of the total distribution of rice (see table 5). The length of stock rotation also results in a higher potential for the damaged stock. This condition was also exacerbated by the purchase of rice/grain using bank money; as a result, Perum BULOG had to bear higher interest rates due to the slow rotation of the stock.

The confusion of the business model is also seen where bank interest must be paid for slow stock turnover. However, the stock turnover cannot be used by Perum BULOG, bearing in mind that the stock belongs to the government. This means that the stock in the warehouse of Perum BULOG cannot be transferred without the government’s permission. The existing management function of the government makes the shelf life of stocks extensive, even approaching four years. The extended shelf life makes the damaged grain/rice stock in Perum BULOG very large. In order to release it, Perum BULOG must first send a letter to the Ministry of Agriculture attaching the results of the Surveyor’s analysis. The Ministry of Agriculture will schedule a Limited Coordination Meeting (RAKORTAS) led by the Coordinating Minister of Economic Affairs, with members of RAKORTAS comprising the Minister of Agriculture, the Minister of Trade, the Minister of Finance, the President Director of Perum BULOG. In practice, the decision to release damaged stock at RAKORTAS can only be decided after some time. However, it must seek an opinion again from the Development Finance and Supervision Agency. The decision to release the damaged stock due to poor food management took a very long time and even exacerbated the condition of the damaged stock.

This poor food governance is also observed in the distribution of stock for Market Operations, where the authority of Market Operations overlaps in two Ministries, namely the Ministry of Agriculture and the Ministry of Trade. Determining the Highest Retail Price (HRP) set by these two ministries to sell rice during market operations will also confuse Perum BULOG in determining which HRP to use.
In maintaining food stability as the GCF’s target, Perum BULOG is also authorized to import or export when the stock at Perum BULOG accumulates or runs low. As mentioned, this authority rests with the Ministry of Trade. Perum BULOG and the Ministry of Trade often have different opinions concerning the necessity of imports under certain conditions. Perum BULOG stated that food stocks were adequate for an extended period, whereas the Ministry of Trade stated otherwise. Such disagreement occurred because the ideal parameter regarding the amount of stock in the warehouse of Perum BULOG has never been established. Unfortunately, the Ministry of Agriculture should establish such an ideal parameter based on Presidential Regulation Number 48 of 2016 rather than by the Ministry of Trade or BULOG Perum.

**Policy Implementation Model for the Utilization of GCF at Perum BULOG**

As mentioned earlier, one of the obstacles to implementation is poor national food governance and excessive bureaucracy. However, on July 29, 2021, the government, based on Presidential Regulation Number 66 of 2021, formed the National Food Agency and changed the national food governance structure. The National Food Agency takes over the authority and powers of the three Ministries.

The establishment of the National Food Agency has not entirely resolved the complexities of the food management bureaucracy, where the National Food Agency has not taken over the RASTRA program for low-income families. This takeover is significant, considering that the share of Perum BULOG’s stock distribution is 90%. The RASTRA program must remain in place to ensure distribution, bearing in mind that the absence of a distribution source disrupts Perum BULOG’s effort to maintain price stability on the producer side due to slow stock rotation. The instability or even the reluctance of Perum BULOG to buy rice/grain from farmers causes farmers’ bargaining position to become weak in front of traders. For this matter, we propose that the National Food Agency also strengthen its authority by taking over the role of the Coordinating Ministry for Human Development and Culture and the Ministry of Social Affairs to deliver the RASTRA program for low-income families. We also propose that the authority of the National Food Agency be strengthened and improve facilities and infrastructure for farmers, specifically for rice/grain, to supervise farmers to produce the quality of grain/rice.

The strengthening of the authority of the National Food Agency can be seen in Appendix 3. The presence of the National Food Agency and the reinforcement of its authority is a new synthesis in responding to poor national food governance. Thus, we propose an institutional strengthening of the National Food Agency as the Sole Authority for Food Public Policy that supports Perum BULOG as a Food Policy Implementor as a model development for effectively utilizing GCF funds in Appendix 4.

**CONCLUSION**

From this study, the implementation of GCF at Perum BULOG has not been optimal against the set targets due to Perum BULOG’s need for more institutional authority to carry out policies. Therefore, it is necessary to strengthen institutions to manage national food sovereignty, with the National Food Agency as the sole authority in the food sector at the ministerial level and Perum BULOG as the policy implementer. Institutional strengthening can make policies more integrated so that they can be easily imple-
mented in the PMN in the food security framework.

Therefore, the obstacles to the implementation of this GCF are (1) policy planning is not comprehensive and inconsistent, (2) difficulty in acquiring land and obtaining an environmental license, (3) lack of GCF funds compared to the total working capital required and confusion in the BULOG business model, (4) termination of the RASTRA Program for low-income families and poor governance of food security. Furthermore, the development of a model for the effective utilization of GCF funds is strengthening the authority of the National Food Agency as the sole authority for a food policy that supports Perum BULOG as the food policy implementor.

Based on the preceding, the authors provide recommendations to elevate Perum BULOG’s status as an institution to the status of a ministry-level institution. In addition, it is best if the pattern of relations with the National Food Agency is strengthened for even better food policy governance, such as the formulation and determination of food infrastructure, food stability, and export and import policies so that the management of national food reserves can be carried out in an integrated and comprehensive manner.

REFERENCES


Government Regulation Number 44 of 2015 concerning Procedures for Participation


Presidential Instruction Number 5 of 2015 concerning Policy on the Procurement...


Regulation of the Minister of Trade Number 127 of 2018 concerning Management of Government Rice Reserves for Supply Availability and Price Stabilization (Peraturan Menteri Perdagangan Nomor 127 Tahun 2018 tentang Pengelolaan Cadangan Beras Pemerintah Un-


APPENDICES

Appendix 1. Food Governance Before the National Food Agency

- Management of GRR stock especially damaged
- Formulation of Rice Purchasing Price
- Set of HRP
- Market Operations

- Distribution RASTRA program for low income family
- Aid Distribution for disaster

- Stock Report
- GRR Distribution Report

- Stock Report
- GRR Distribution Report

- Coordination for the establishment of Regional Food Reserves.
- Coordination for the distribution of GRR/ during a disaster

- GCF realization reporting
- Perum BULOG is officially under the Ministry of SOEs

- Market Operations
- Import/Export Assignment
- Set of HRP
- Price stability reporting


Appendix 2. Food Governance After the National Food Agency Existed

- Providing Agricultural Facilities (such as seeds, etc.)
- National Farmers
- Selliing Grain/Rice
- National Food Agency
- Management of GRR stock especially damaged
- Formulation of Rice Purchasing Price
- Set of HRP
- Market Operations
- Import/Export Assignment
- Price stability reporting
- Perum BULOG
- Government Rice Reserve (GRR)
- Distribution RASTRA program for low income family
- Aid Distribution for disaster
- Etc.
- The Ministry of Social Affairs
- Stock Report
- GRR Distribution Report
- Ministry of Finance
- GCF realization reporting
- Rice/Grain Invoicing
- GRR Distribution Report
- Regional Government
- Coordination for the establishment of Regional Food Reserves
- Other SOE / Regional Owned Enterprises
- The Coordinating Ministry for Human Development and Culture Affairs
- Coordination for the establishment of Regional Food Reserves
- Ministry of Agriculture
- National Farmers
- Selling Grain/Rice
Appendix 3. The National Food Agency as the Sole Authority for Food Policy that Supports Perum BULOG as the Implementor of Food Policy
Appendix 4. Model Development for the Implementation of Effective Utilization of GCF Funds

**STRENGTHENING AUTHORITY FOR NATIONAL FOOD SECURITY INSTITUTIONS**

- **Grand Theory**
  - Government Theory

- **Middle Range Theory**
  - Public Policy Theory
  - State Finance Theory
  - Welfare Theory

- **Applied Theory**
  - Implementation Theory of Public Policy

- **Communication between Organizations and Strengthening Activities**

- **Performance of Utilization of GCF**

- **Characteristics of Policy Implementers**
  - Disposition / tendency of implementers
  - Social, Economic, and Political Characteristics

- **Policy Resources**

- **Empirical Findings**

- **STRENGTHENING AUTHORITY FOR NATIONAL FOOD SECURITY INSTITUTIONS**