

Image Building Politics Raises Government's Doubt about Fuel Subsidy Removal


Monday, 12 March 2012 WIB, By: Marwati

YOGYAKARTA - The government's doubt to remove fuel subsidy in 2011 was mainly due to the strong politics in image building. The government was not firm in the preparation to eliminate fuel subsidy using the most optimal strategy. In fact, the fuel subsidy reduction roadmap prepared by the Ministry of Energy and Mineral Resources has not been realized by the government. Moreover, the recommendation given by a consortium consisting of three universities - UGM, UI, and ITB - in 2011 was ignored by the government. In fact, the subsidy control study is a mandate of Law Number 10 Year 2010 on State Budget Year 2011.

"If the problem is on image building, ideally the government asks the public about the methods of fuel subsidy reduction as well as reallocation of savings from the reduction in the budget," a researcher from the Research and Training of Economics and Business Institute (P2EB), Faculty of Economics and Business UGM, Dr. Rimawan Pradiptyo said on Monday (5/3).

In Rimawan's view, the fuel subsidy has exceeded its normal limit, especially in year 2011. The Government set fuel subsidy amounting to 129.7 trillion rupiah in state budget year 2011, but its realization reached 160 trillion rupiah, increasing by 23.4%. The irregularity occurred because of the wrong subsidy concept that the application is on commodities, not on individuals or target groups. Consequently, the subsidy is misdirected because the subsidy is more enjoyed by wealthy rather than poor households.

"Unfortunately, this fuel subsidy inhibited the government in using the budget for strategic programs such as poverty alleviation, infrastructure development and regional development," he said.



Motivated by the government's stance in resolving fuel subsidy and the importance of knowing the community's response, Rimawan along with another researcher from P2EB, Gumilang Aryo Sahadewo, M.A, conducted a study on the reduction of fuel subsidy from the household's perspective.

The study is a collaboration between P2EB and the Economy and Environmental Programs for South East Asia (EEPSEA), Canada. Research is done for six months from September 2011-February 2012.

Rimawan described the research adopted the experimental method in which 335 non-student and non-university students were invited to play a simulation game in the computer laboratory of the Faculty. The participants came from various members of community, ranging from housewives, parking-men, drivers, food sellers, civil servants and employees of private companies.

The research team, said Rimawan, did not ask about the 'fuel price' but asked about the matter mostly feared by supporters and actors of image building politics, namely 'the removal of fuel subsidy'.

"Of course, there is no economic actor who wants fuel subsidy that has been enjoyed for years to disappear. In the case of fuel subsidy allocation errors, households are faced with choices between 'bad' or 'less bad'," the researcher who was also involved in the university research consortium in the year 2011 explained.

The result showed that the policy options which is most acceptable for households is gradual elimination of subsidy with reallocation to earmarked programs (specific allocation). On the other hand, the choice of the most unacceptable for households is the direct subsidy elimination for the reallocation to pay government's debts and other government programs (non-specific or non-earmarked allocations).

In addition, people who do not have motor vehicles, are more 'daring' to take the option to direct removal of fuel subsidy. This is understandable because the removal of subsidy does not affect them directly. The removal scheme is not related to kerosene subsidy, as in 2005 and 2008, so the direct impact to households that do not have the motor vehicles tends to be minimum.

Related News

- [Only 65 Percent of People Enjoy Electricity](#)
- [Arie Sudjito: Regeneration of Political Party is Getting Weaker](#)
- [Government is Asked to Increase Fuel Price Gradually](#)
- [The Use of New Energy Not Optimal](#)
- [PLN Energy Usage Needs to be Audited](#)