

DYNAMICS OF TRANSMIGRATION POLICY AS SUPPORTING POLICY OF PALM OIL PLANTATION DEVELOPMENT IN INDONESIA

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Abstract

Transmigration is the program which cannot be separated with the success story of palm oil development in Indonesia. Transmigrants becomes the engine to build the palm oil smallholder. The involvement of transmigrant in the PIR-Trans program, primary credit for member Scheme (KKPA), and revitalization scheme has been accelerating the palm oil plantation development in Indonesia. However, the “success” of developing palm oil plantation in Indonesia through scheme mentioned above was not without flaws. Unclear of land status or overlapping claim become the biggest problems faced nowadays. This paper aims to observe the development transmigration program and palm oil development in Indonesia. By analyzing policies of both transmigration programs and palm oil development from different political administration, this paper shows that, first, transmigration policy went from narrative of security, economic growth to border development and security. Second, under those different policy narratives, transmigration policy has been accommodated to the development of palm oil in Indonesia. Transfer of central authority to local government in executing transmigration movement and settlement has been addition to local government operational permission authority for palm oil development.

Keywords: Indonesia, transmigrant, transmigration policy, palm oil, development

Abstrak

Transmigrasi adalah program yang tidak dapat dipisahkan dengan kisah sukses pengembangan kelapa sawit di Indonesia. Para transmigran menjadi sumber untuk membangun petani sawit. Keterlibatan transmigran dalam program PIR-Trans, kredit primer untuk anggota Skema (KKPA), dan skema revitalisasi telah mempercepat pengembangan perkebunan kelapa sawit di Indonesia. Namun, “keberhasilan” pengembangan perkebunan kelapa sawit di Indonesia melalui skema yang disebutkan di atas bukannya tanpa cacat. Status tanah atau klaim yang tumpang tindih menjadi masalah terbesar yang dihadapi saat ini. Makalah ini bertujuan untuk mengamati pengembangan program transmigrasi dan pengembangan kelapa sawit di Indonesia. Dengan menganalisis kebijakan program transmigrasi dan pengembangan kelapa sawit dari administrasi politik yang berbeda, makalah ini menunjukkan bahwa, pertama, kebijakan transmigrasi beralih dari narasi keamanan, pertumbuhan ekonomi ke pembangunan perbatasan dan keamanan. Kedua, di bawah narasi kebijakan yang berbeda itu, kebijakan transmigrasi telah disesuaikan dengan pengembangan minyak sawit di Indonesia. Pengalihan otoritas pusat ke pemerintah daerah dalam melaksanakan perpindahan dan penyelesaian transmigrasi telah menjadi tambahan bagi otoritas izin operasional pemerintah daerah untuk pengembangan kelapa sawit.

Kata kunci: Indonesia, transmigran, kebijakan transmigrasi, kelapa sawit, pengembangan

INTRODUCTION

The development of palm oil plantation in Indonesia cannot be separated from transmigration program. Through 5 years development plan (REPELITA) and PIR-Trans program, there was acceleration of land expansion as well as workforce for palm oil plantation. This acceleration has shaped recent enormous palm oil production in Indonesia. This enormous development could not be separated from the existence of transmigration programs which provided important factor productions such as labors and lands.

Transmigration program has been designed to meet range of purposes such as reducing population pressure in Java, promoting regional development, increasing agricultural production, creating employment and strengthen national unity (World Bank, 1994a; 1999b). Under the Suharto administration, the five years development planning gave intractable position between transmigration and development programs in which it provided supportive labor force (Hardjono, 1977). The program, to some extent, was also seen as new order interpretation of land distribution, amended by Basic Agrarian Law in 1967 (Neilson, 2016).

The transmigration program developed dissenting opinion between good and bad regarding the implementation of transmigration programs. Some researchers concluded that transmigration program had failed to bring prosperity for both transmigrants and local people. Unsuitable soil for food crops, inadequate infrastructures, land clearing, overlapping claims, to conflict between transmigrants and local people became reasons of its failure (Hardjono, 1977; Arndt, 1983; Wijst, 1985; Fearnside, 1997; Leibach, 1989; Hoey, 2003; Barter & Cotte, 2015).

Another research showed that transmigration program brought the prosperity especially for the palm oil plantation development. Transmigrants who joined government palm oil plantation expansion plan as plasma smallholder through program transmigration and Nucleus Estate and Smallholder or often called *PIR-Trans* (*Perkebunan Inti Rakyat – Transmigrasi*) usually had good economic achievement and less prone

conflict community. Refers to independent smallholders, the situation is different. They are not particularly assisted with company and develop the plantation independently and less government involvement. It was difficult to cover monthly expenses only from their smallholding production. Independent community has close association with poverty and conflict prone community.

However, this characterization seems to be unfit with the fact that smallholders contribute to higher growth rate of cultivated palm oil altogether with private company for period of 1980-2016. It appears that within socio and economic constraint, both plasma and independent smallholder has the capability to expand their smallholding to a different degree of achievement. Within this circumstance, transmigration program appears to have merit of success for palm oil development and reduction of equal poverty distribution in Indonesia.

With recently issued Law No 29/2009 by Indonesian government, the transmigration program has been revitalized. This law tries to encourage the new model of transmigration in the regional decentralization period. As the central government no longer becomes the decisive actor for transmigration program, there would be different motivation, narration and negotiation of the local government for program implementation. Furthermore, this transmigration program aimed to accelerate palm oil development in the location of new transmigration.

This paper aims to show that palm oil development through PIR-Trans program did not stop in 1996 due to budget cancellation from World Bank, but only changed the financing system. To address this aim, this paper analyzes the relation between transmigration and palm oil smallholder development in Indonesia. This paper describes the implementation of transmigration policy in Indonesia. Moreover, this paper studies the scheme of palm oil plantation development in Indonesia. Furthermore, this discussion continues with the implementation of new transmigration policy in relation with the development of palm oil plantation after the decentralization.

LAI D FOUNDATION FOR TRANSMI-GRATION PROGRAM IN INDONESIA

The policy to send people from central islands (Java, Bali and Lombok) to the outer islands (Sumatera, Sulawesi, Kalimantan and Irian Jaya) under government sponsorship has been done since Dutch colonization. During the Dutch colonization, according to MacAndrews, there were four stages of transmigration with fulfilling the necessity of manpower and labor as a main purpose from the transmigration (Andrews, 1978, p. 461). The first stage (1905-1911) was the small scale of transmigration, which transmigrated 6,500 people into outside Java. This first stage was used as experimental project to transmit people to fulfill the lack of manpower for running the development in outer islands.

Second stage was transmigrating more people, 17,000 people during 1911 – 1922, which also involved the loan from bank to fund this project. In the third stage (1922-1931), the Dutch government cut the government expenditures

for this program due to the failure to pay the loan service. However, during 1932-1941, the fourth stage of the transmigration program, the Dutch government uphold this program to fill the labor necessity due to lack of manpower for running the plantation. In this period, Dutch government transmigrated 162,500 people by introducing the share system to pay the labor called *Bawon* system¹ This *Bawon* system was changed after Indonesia independence.

Each period of government has its own main purposes in conducting transmigration. It can be seen from the regulation which was implemented by the different regime (see table 1).

¹ *Bawon* system is the system that is often used by Javanese farmer for cultivating their rice field. The farmer of the owner rented their lands. The farmer who rents the lands for cultivating their crops will prepare all the necessity for cultivating their crops. In the harvest time, the harvesting crops will be shared between the owner and renter depend on the agreement that they made before.

Table 1. Regulation on the Implementation of Transmigration in Indonesia

Period	Regulation	Remarks	
Sukarno	Law No. 29 Prp Year 1960 on basic provisions of transmigration	Introduced the independent (<i>swakarsa</i>) transmigration	
	2. Law No. 5 Prps Year 1965 on the national movements for transmigration (<i>Gerakan Nasional Transmigrasi</i>)		
Suharto	Repelita I (1969-1974)	Law No. 3/1972 on basic provision of transmigration Government Regulation No. 42/1973 on implementation of transmigration	
	II (1974 – 1979)	President Decree No. 29/1974 on formation of transmigration area development agency President Decree No.2 /1976 on independent transmigration (<i>transmigrasi swakarsa</i>)	Responsible agency was interdepartmental coordination (<i>badan Pengembangan Pembangunan Daerah Transmigrasi, BPPDT</i>) in the central (development agency), province (supervision/advisory agency) and district (implementing agency) level under the coordination of Minister of Labour, Transmigration and Cooperative. Active implemented in 1976.
	III (1979 – 1984)	President Decree No. 26/1978	Formation of <i>Badan Koordinasi Penyelenggara Transmigrasi</i> under the coordination of Minister of Labour and Transmigration. It replaced BPPDT.
	IV (1984 – 1989)	President Instruction No. 1/1986 about Nucleus Estate Smallholder – Transmigration (NES – Trans)	The regulation on NES-Trans or PIR-Trans (<i>Perkebunan Inti Rakyat –Transmigration</i>) was aimed to support the development of palm oil nucleus estate smallholder program where the smallholder was brought to this plantation through transmigration program.
	V (1989 – 1994)	-	
	VI (1994 – 1999)	President Decree No. 25/1994 about coordination on implementation of transmigration Law No. 15/1997 on transmigration	
After Reformation	B.J Habibie (1998-1999)	Government regulation No. 2/1999 on the implementation of transmigration	The development of integrated city (KTM)
	Susilo Bambang Yudhoyono (2004-2014)	Law No. 29/2009 on Transmigration	Revised transmigration law No. 15/1997
		Government Regulation No. 3/2014 about the implementation of transmigration after law revision	
	Joko Widodo (2014-2019)	President Regulation No. 12/2015 about the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration	The duty of the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration as a new agency that responsible for transmigration that previously became the responsible of Ministry of Labor and Transmigration
Minister of Villages, Development of Disadvantaged Regions, and Transmigration Decree No. 91/2016		Determined 26 areas of transmigration.	

Source: Data were compiled from various laws and regulations on transmigration

Transmigration and National Integration in Sukarno Era

After the independent day, the Sukarno administration was still continuing the transmigration programs with a slight change on the purpose of transmigration. Transmigration was not only used to fulfill the necessity for labor and farmers for plantation, but also to fulfill the local administration as well as national sovereignty. The necessity of workers from Java rose after the result of Roundtable Conference in 1949 which gave the sovereignty of Indonesia from the Dutch to Indonesia government. After this decision, he nationalized 40 plantation companies.² It was followed by nationalizing around 500 Dutch companies in 1957 (Directorate General of Estate Crops, 2009). Increasing of labor became the consequence of this decision. Nonetheless, it needed the educated and skilled labors to run the companies under the new management.

Under his regime, the purpose of transmigration was not only to transfer people from Java to outside Java for plantation labor as in the Dutch period, but it also aimed

2 The history of palm oil development in Indonesia cannot be separated from period conservative, liberal and political ethics of Dutch colonialization. In was in 1848 when palm oil seed (*Elaes guineensis*) was brought from Bourbon and Hortus Botanicus to be successfully planted in Bogor. This was followed by experimentation of planting of 5,6 hectare in Banyumas and 3 hectares in Palembang. In 1865, the experiment was declared success. This had put interest from Belgian businessman to develop total of 2,630.5-hectare palm oil in Pulau Raya, Deli Muda and Sungai Liput in North Sumatra in 1910. Seven years later, processed palm oil was successfully produced. Unfortunately, this development was interrupted during Japanese occupation as well as political turmoil and dynamics after Indonesian independence. During Sukarno administration plantation rehabilitation was planned through several phases of nationalization. In the first phase, Dutch plantation and unproductive foreign private owned plantation submitted to Indonesian government. Meanwhile, Indonesian government rehabilitated productive foreign private plantation and returned it to the owner through transaction. There were 40 plantations owned by Indonesian government in this phase which administered under the name *perusahaan perkebunan negara-lama* (old-PPN) in 1950. The second phase of nationalization occurred in 1957 creating new-PPN. In 1961, both old and new PPN were combined and grouped into seven operational units. Through government regulation PP No. 14/1968, PPN become *Perusahaan Negara Perkebunan* (PNP). PNP was short lived. Their business operation was changed into *Perseroan Terbatas* (PT) through UU no. 9/1969 and PP No 12/1969. (see Directorate General of Estate Crops, 2009 and Badrun, 2010)

for national integration. The government formed the National Reconstruction Bureau or called BRN (*Biro Rekonstruksi Nasional*) and National Backup Corps or CTN (*Korps Cadangan Nasional*) in 1951 to transmigrate the former army members and veteran of war. After the establishment of these organizations, from 1951 until 1953, central government succeeded to transmigrate 8,240 families of former military and veteran or around 20,078 people (Manay, 2016, p. 97). The head of transmigration bureau (*Kepala Jawatan Transmigrasi*), Tambunan, made plan called *Rencana Tiga Puluh Tahun Tambunan* (Tambunan thirty years plan). He expected to transmigrate more than 48 million people from Java to outside Java. However, the realization was far from the target. After 10 years of the implementation, it was merely success to transmigrate 246,110 people (Manay, 2016, p. 98).

Beside military transmigration, central government started to locate Javanese officer in the conflict area as well. For instance, in Irian Jaya (Papua) after New York Agreement 1962 which signaled the end of Dutch control over West Irian on 15 August 1962, Indonesian government began to locate non-Papuan officers in Papua, replacing Papuan officers that had been hired by the Dutch government. By April 1963, the number of non-Papuan working as administrators in West Irian reached 1,564 (Gruss, 2005, p. III; Visser & Marey, 2008, p. 75). This purpose was reinforced in the Law No. 5/1965 that mentioned the main aim of transmigration was “nation and character building”. According to Hoey, this purpose became concern of President Sukarno since the outer islands were considered lacking in control and influence from central government. Transmigration thought as an effective instrument to promote the nation building as “one identity” in the name of development (Hoey, 2003).

Sukarno started to introduce the *swakarsa* (or encouraged spontaneous) transmigration in 1960³. *Swakarsa* transmigration was trans-

3 This transmigration was not the same with the encouraged spontaneous transmigration in the current translation, however, that encouraged spontaneous transmigration translated into transmigration without government permission or called *transmigrasi liar*.

migration policy with limited assistance from government. It was different from general transmigration (*transmigrasi umum*) that received full government sponsorship. Even though it was only received limited assistance from government or even used their own expenses, the transmigrants had to register to the transmigration authority. Under Law No. 29/1960, central government tried to boost the number of transmigrants through *swakarsa* transmigration to reduce the government expenditures. This program was re-reinforced in 1965 with the program called “funds and forces”. This had a meaning the cooperation between private and cooperative sectors, local government and labor citizens (*rakyat pekerja*) sectors to support this program. It remarked the involvement of private sectors in transmigration policy in the Sukarno presidential term. During this period, the implementation of transmigration policy was ineffective and unwell planned due to political instability after the independence (Hardjono, 1977, p. 22).

Transmigration and Economic Development of Outer Island during Suharto Regime

After the government changed from Sukarno into Suharto, commonly known as new order regime, this government set up the five-year development plan or called *Rencana Pembangunan Lima Tahun* (Repelita) and started re-planning the transmigration program. Massive transmigration was taken place with carrying out several purposes in this regime. Transmigration became the main vehicle for the development of the outer islands. This purpose further supported the government plan to reduce the over population in Java. There were four criteria which made certain area became the priority for the sending of transmigrant. There was population density, area impacted by natural disaster, land in the critical erosion area, and the area where the government development designated. From those criteria, Java, Bali and Lombok became the main transmigrant sender.

The first five years plans, started in 1969, transmigration was placed as a solution for over population in Java island and population redistribution in outer islands. The area of

Java Island was only 6.1% of Indonesia total area. Meanwhile, the population at that time reached 63.3% of total population in Indonesia. Recorded on that year, the population in Sumatera, Sulawesi and Kalimantan was 17.8%, 7.2% and 4.4%. Therefore, during this early transmigration program, Sumatera; Kalimantan; and Sulawesi became the main target (Wijst, 1985).

During the Repelita I (1969-1974), the number of transmigrants transferred into outer islands was considered few⁴. Several mechanisms were used to boost the implementation of transmigration, especially to promote the independent transmigration (*transmigrasi swakarsa*). This promotion was in-line with the government policy to boost the development of agricultural and plantation sectors as stated in the Transmigration Law 1972. *Swakarsa* transmigration, which was started in Sukarno`s period and re-emphasized in Transmigration Law 1972 and Government Regulation No. 2/1976, aimed to reduce the government expenditure to transmigrate more people. All the expenditure of general transmigration was covered by government. Government prepared housing, cleared lands, agricultural necessity and also lump sum until the transmigrants earned owned income for living. Different from general transmigration, the expenditure of *swakarsa* transmigration could be covered by government, transmigrant itself, or other non-government party such as a private company.

4 The implementation of this program was also fully sponsored by government. The number of transmigration kept growing during Suharto`s regime. Sumatera always became the main target for transmigration since the First Repelita. During Repelita I, central government was success to send more than 105 thousand families to several provinces in Sumatera such as Lampung, South Sumatera, Riau and Jambi (Lampung, Riau, South Sumatera and Jambi always became government pilot project especially related with transmigration and plantation development. (See Hardjono, 1977: 47)

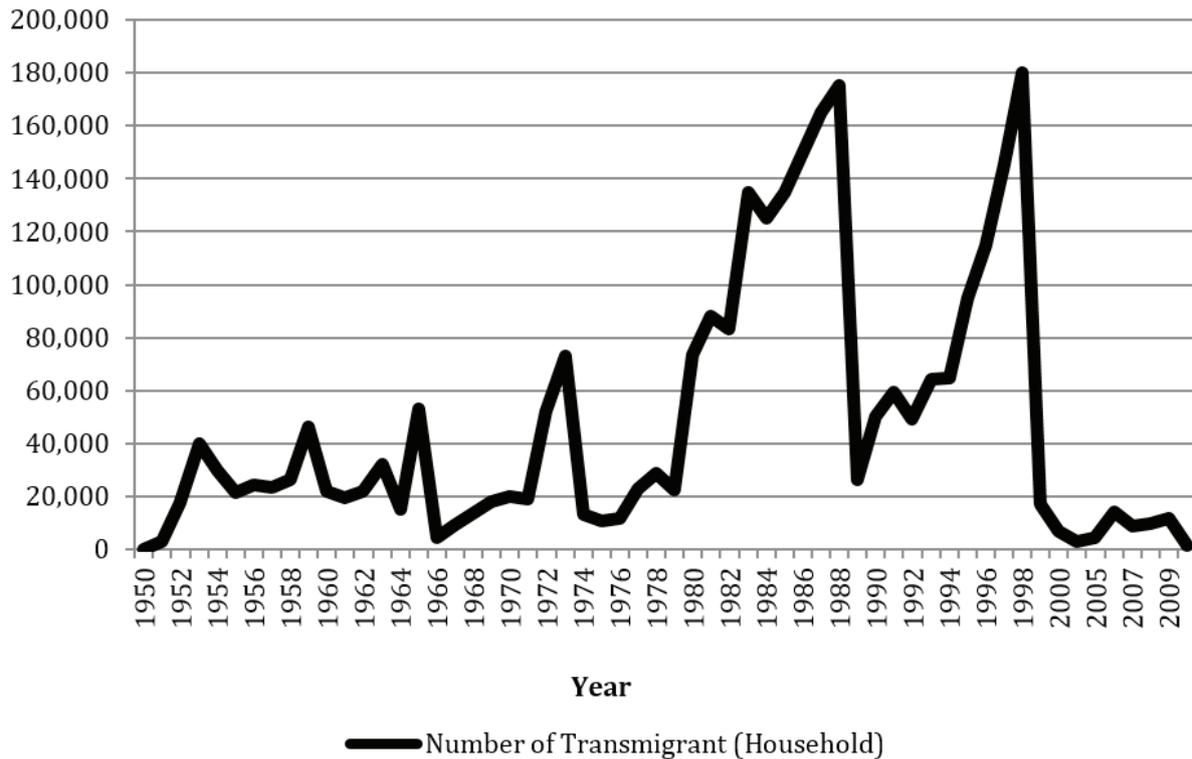


Figure 1. Number of Family Transmigrants in Indonesia (1950 – 2016)

Source: The graph is compiled from (Hadjono, 1977; Arndt, 1983; Ministry of Labour and Transmigration, 2016; Repelita).

There were two types of *swakarsa* transmigrations. First type was *swakarsa* transmigration with the government financial assistance. Except cleared land, this type of transmigration also received government assistance such as transportation fee, housing, agricultural materials, and so on. Second type was *swakarsa* transmigration without any financial assistance. It meant that all the transmigration cost had to be paid by transmigrant itself. Transmigrant also did not receive any kinds of financial assistance from government other than uncleared lands. Although the transmigration cost was not covered by government, the transmigrant had to be registered with government sponsorship status in transmigration agency (*Dinas Tenaga Kerja dan Transmigration*). This registration was aimed to control the number and settlement of transmigration in certain area as planned and prepared by the government in order to keep the record of transmigrant number, minimize the failure of transmigration and conflict with the

local people. This type of transmigration was different with the spontaneous transmigration that was conducted without registration or permission from government. Moreover, according to article 16 and 17 of Transmigration Law 1972, the transmigrants would be punished if they did this kind of transmigration.

The government promotion on *swakarsa* transmigration prompted the transmigration. The increasing number of transmigrant was also influenced by the involvement of the international financial agency to support transmigration policy such as World Bank, and Asian Bank Development. World Bank started to involve in the implementation of transmigration in Repelita II (1974-1979). This program aimed to develop and improve the agriculture and plantation sectors in outer islands. World Bank funded several projects of transmigration through loan and credit (see the detail on table 2). This first project became

the foundation to implement not only the next World Bank transmigration project, but also transmigration program in general. This program was continuing side by side with government transmigration program that had been planned in Repelita. The success of this program together with the government transmigration project to transmigrate people from Java especially to outer Java Islands contributed the huge number of transmigrants outside Java as indicated in Figure 1 in particular during Suharto regime.

DEVELOPMENT OF PALM OIL PLANTATION THROUGH TRANSMIGRATION PROJECT

Suharto administration-initiated series of development projects through World Bank financial assistance such as plantation rehabilitation, smallholder project and transmigration program. This assistance helped Indonesia in strengthening national company, shaping prototype for scheme for palm oil development and accelerating the implementation. Under this administration, transmigration program was established to support development of tree crops plantation such as coconut, rubber as well as palm oil.

Table 2. World Bank Transmigration Project in Indonesia

Project	Submission		Approval	Completed	Transmi-grant (Family)	Settle-ment Area	Loan and Credit (US\$ Million)		Land Al-location (ha)
	Year	Target (Family)					Credit	Loan	
Transmigration I	1976	16,500	1977	1983	9,000	South Sumatra (Way Abung and Batu Raja)	N.a	N.a	9,000
Transmigration II	1979	30,000	1979	1987	19,631	Jambi	67	90	3.25/family
Transmigration III	1981	2,000	1981		2,000	Batu Raja	-	101	3.25/family
Transmigration IV		14,000		1991		East Kali-mantan		63.5	3.25/family
Transmigration V									

Source: World Bank Document from various years

There were series of transmigration program funded by the World Bank to accelerate transmigration and plantation development in Indonesia (see Table 2). The program of Transmigration I was the first plantation development project in Suharto administration which involved the settlement process. Plantation development program through transmigration was accelerated in the mid of 1970s. The first project schemes were under the supervision of Directorate General of Estates who was responsible for executing series of projects for strengthening state-owned estates plantation or called PTP (*Perusahaan Terbatas Perkebunan*). Preparing PTP as a nucleus-company or an

executing agent for plantation development was the main focus at this stage. Transmigration program became the feasibility program to find the best form for smallholder development through tree crops and food crops. In 1973 this directorate started to expand smallholder projects such as North Sumatra Smallholder Development Project (NSSDP), West Sumatra Smallholder Development Project (WSSDP) as well as rubber development project and coconut.

Table 3. Nucleus Estate Smallholder (NES) Program in Indonesia

No	Description	NES I	NES II	NES III	NES IV	NES V	NES VI	NES VII
1	Period	1977-1981	1978-1983	1979-1986	1980-1984	1981-1985	1982-1986	1983-1989
2	Smallholder							
	Development Area for rubber (ha)	11500	22700	27719	-	2585	5800	23700
	Development Area for coconut (ha)	-	-	-	-	7460	4950	14000
	Development Area for palm oil (ha)	-	-	-	8000	14296	-	-
	No of participant (families)	5750	7600	12000	4000	15127	6200	18850
	Land allocation for smallholder (ha)	5	5	3	3	1.5 - 2	1.5 - 2	2.25 - 2.75
3	Nucleus Estate							
	Beneficiaries Estate	PTP X & XI	PTP IV	PTP I, VI, XVIII	PTP X	PTP VII; XI; XII; XXIII & LPP	PTPXII; XXIII; XXVIII	PTP VI; XII; VII/XXVIII
	Development area for rubber (ha)	20000	3500	18145	-	4617	3614	5500
	Development area for coconuts (ha)	4200	-	-	-	700	3520	-
	Development area for palm oil (ha)	5800	-	5125	-	8229	-	7000
4	Location	Alue Merah in Aceh and Tebenan, South Sumatra	Air Molek and Ba-jubang					Kalimantan and Sulawesi

Source: compiled from (World Bank, 1989a; 1989b; 1989c; 1989d; 1990; 1991a; 1991b; 1993)

Directorate General of Estates employed different strategies by incorporating PTP's on the development of smallholder in the context of Nucleus Estate Smallholder (NES) (see table 3). Unlike transmigration program that was executed under the government direct supervision, the NES gave more authority to PTP's as executing agencies for plantation development. PTP's had responsibility for coordinating with district, provincial, and central government for site selection; and also, settlement program. This was not only giving an important position of PTP as the provider of technology, knowledge and management of plantation, but also as an

assistant for transmigrant as supportive entity for palm oil development.⁵ Those programs were important as the core conception for expansive development of palm oil plantation through Nucleus Estate Smallholder (NES) that were started in 1977 (Badrun, 2010).

⁵ Indeed, the notion of supportive entities is translated differently. For the government, it is expected that transmigration participant with their people plantation can be backbone for the development of Indonesian plantation. In addition, at large, their presence can boost equality in Indonesian regional development. For the company, transmigration participation provides accessible and availability of workforce as well as material commodity for business sustainability.

Table 4. Palm Oil Smallholder Development through NES, NES-ADB, PIR-SUS, and PIR-LOK

No	Province	Project	Beneficiary Estate	Nucleus (inti)		Plasma	
				Estimation	Realization	Estimation	Realization
1	NAD	PIR-SUS II Alor Punti	PTPN I	7374	5643	3000	2500
		Pir-Lok Cot Girek	PTPN I	4000	4004	6000	7573.19
2	North Sumatra	NES ADB Besitang	PTPN II	-	-	125	125
		PIR-Lok Langkat	PTPN II	4500	4230	4500	4500
		PIR-Lok Labuhan Batu	PTPN III	-	-	7000	700.64
		PIR-Lok Bandar Tinggi	PTPN III	-	-	2110	1540
		PIR-Lok Asahan	PTPN III	-	-	2000	1862
		PIR-Lok Sumut	PTPN III	-	-	4346	2660
		PIR-Lok Tanduhan	PTPN IV	-	-	2000	1422.80
3	West Sumatra	NES Ophir Asaman	PTPN VI	1200	3269	4800	4800
4	Jambi	PIR-SUS II Sei Bahar	PTPN VI	2000	2000	6000	6000
5	Riau	NES ADB Sei Buatan	PTPN V	1000	1000	5000	5000
		NES ADB Sei Garo	PTPN V	2000	3196	7000	5974
		NES ADB Sei Galuh	PTPN V	2350	2658	8000	8000
		PIR-SUS II B.Sinembah	PTPN V	2000	2000	6000	6000
		PIR-SUS I Sei Tapung	PTPN V	2500	2669.50	5000	5000
		PIR-SUS II Sei Buatan	PTPN V	4000	4262.12	10000	10000
		PIR-SUS I Sei Siasam	PTPN V	-	-	-	-
		PIR-Lok Bagan Batu	PTPN V	-	-	4700	4703
6	South Sumatra	NES IV Betung (Talang Sawit)	PTPN VII	5630	5630	8000	8023.15
		PIR-Sus II Muara Enim (S. Niru)	PTPN VII	4000	3562	12000	12040.54
		PIR-Sus II (S. Lengi)	PTPN VII	-	-	-	-
7	Bengkulu	NES VII Talo Pino	PTPN VII	2000	1300	6000	4515
8	Banten	NES V Bansel KRAL	PTPN VIII	4000	4184	8000	7337
		NES V Bansel KRAP	PTPN VIII	-	-	-	-
9	West Kalimantan	NES V Ngambang	PTPN XIII	3500	3500	8000	8000
		PIR-SUS I Parindo	PTPN XIII	2500	2101.6	9000	5046.67
10	East Kalimantan	NES VII Pasir	PTPN XIII	5000	5142	17000	17000
11	South Sulawesi	NES VII Luwuk	PTPN XIV	4000	4000	5000	5068
12	Papua	NES ADB Pravi	PTPN II	2000	2010	2000	2000
		PIR-SUS II Arso	PTPN II	2400	561.05	3600	3600
		PIR-Sus II Pravi	PTPN II	1000	767.12	2400	2400

Source: *Badrin, 2010.*

Other than those sponsored transmigration and NES program that was sponsored by the World Bank, the Indonesian government further sponsored special transmigration (*transmigrasi khusus*) (and local transmigration (*transmigrasi lokal*) integrated with palm

oil plantation development program in the *Perkebunan Inti Rakyat Perkebunan* (PIR-Bun) program. This merging program known as palm oil special nucleus estate smallholders or called PIR-Sus and palm oil local nucleus estate smallholders or PIR-Lok (see Table 4).

Pir-Trans and Acceleration of Palm Oil Development through Different Credit Schemes

World Bank sponsored programs had helped to shape the scheme for Indonesian plantation development. However, the NES IV became inspiration for Indonesian government to develop further the palm oil plantation with the similar schemes. This initiative known as *perkebunan inti rakyat-transmigration* (PIR-trans) was introduced after Suharto released President Instruction No. 1/1986. His instruction incorporated transmigration program into this scheme. The PIR-Trans were created at least to serve two purposes. First, it aimed to improve government revenue from non-oil resources. Second, this program tried to incorporate private company in developing palm oil plantation in Indonesia.

In PIR-trans schemes, the government and private sector joined in cooperation for developing palm oil (Larson, 1996, p. 5). The Ministry of Agriculture Decree No 469/KPTS/KB.510/6/1985 provided umbrella for pushing private sector to develop this scheme. Indeed, by policy design, this scheme intended to build plantation at the frontier by incorporating excess labor and utilize advance agricultural technology of company. Within company assistances, it was expected that the smallholder would be equal partner in production, processing and marketing. However, unlike NES that emphasized the construction and development of plantation and settlement, the involvement of company was limited to plantation development. In this program, transmigration became the program that provided the settlement and infrastructure for participant of PIR-Trans program (Badrun, 2010, p. 103).

As partnership scheme, there were obligations and rights for both participant and company in PIR Trans. The participant of PIR-Trans was not only transmigrant from Java and neighboring island, but also the local people whom their neighborhood affected by this program. Moreover, the swidden farmers appointed by the local government were also

included.⁶ As participants, they would receive 2 hectares for palm oil, and 0.5 hectare for housing and food crops. Based on NES implementation experience, this land allocation proportion was believed that it would support transmigrant livelihood. The company had responsibility for the construction of nucleus plantation (*inti*) and also palm oil plot for the participant or often called plasma. After plasma plot showed some production, the plot ownership should be given to participant. It should be noted that the cost for building the plasma plot was borne by the participant and should be paid right after the ownership transfer or time of conversion. The participant had the obligation to sell their palm oil production to the avails company before debt completion. Even so the president instruction gave guidance that the price should benefit both parties. After the debt completion, participants actually became the independent smallholder. They could continue the cooperation with the company or not. Generally, the cooperation was resumed through annual price contract and as well company assistance through company corporate social responsibility program. Therefore, they became the assisted smallholder or plasma smallholder, not independent smallholder.

The companies that involved in this scheme received the government support through credit scheme (KLBI) provided by the central bank, Bank Indonesia. Through KLBI credit scheme, the company received 55% credit to build plantation with interest of 6.5% per year. The rest of 45% cost were provided by appointed general bank with interest of 16% (Badrun, 2010, p. 112). According to Bank Indonesia regulation (PBI) No 6/12/PBI/2004, the company had to provide 35% fund for the construction of core plantation and the rest could be funded

6 Presidential decree, Keppres No 1, 1978, give opportunity for local people to join the transmigration program by providing 10% of land from total land allocated for the program. Furthermore, Keppres 59,1984, not only had pointed for Ministry of transmigration as responsible agency for transmigration program. The Keppres also provide clearer coordination between central and regional authority such as Governor or *Bupati* where the program took place. It gives greater authority for local government to hold the implementation of the program in coordination with Ministry of Transmigration.

with investment credit scheme⁷. Meanwhile, plasma plot construction was fully funded with the scheme. This was luxurious government support for the company.

Within this company and smallholder partnership, the existences of cooperative became important key to the successful implementation of PIR-Trans. The government also noted the role of cooperative as institution to manage community palm oil plots and to invigorate it. This was further strengthened through several joint decrees among the Ministry of Agriculture, Ministry of Transmigration and Ministry of Cooperative No 864/KPTS/KB.510/12/1990, SKB 134/MEN/1990 and 02/SKB/M/XII/1990 on invigoration and development for village unit cooperative within PIR Trans area. This decree was repealed by joint decrees SKB 91/MEN/1996, No 512/KPTS/KB.510/1996 and No 01/SKB/M/VII/1996 with the introductory of new financial scheme for palm oil development. Within this decree, the company also had responsibility to nurture village unit cooperative to be independent economic institutions. This village unit cooperative should give economic services and developing potential economic business during important period of plantation construction, conversion as well as debt completion and post-completion. For the company, the existence of village unit cooperative was crucial in managing participant palm oil production and revenue especially in completing the debt in time.

In the early 1990s the credit scheme through KLBI for PIR-Trans was stopped. However, this did not mean that the program also followed similar path. The government introduced new credit facility for cooperative

7 Referring to Law No 23/1999, Bank Indonesia is no longer provides KLBI scheme. Bank Indonesia issue PBI no 1/5/PBI/1999 regarding KLBI on credit program in transition. After these law and decree, credit program will be managed by PT Bank Rakyat Indonesia, PT Bank Tabungan Negara and PT Permodalan Nasional Madani. For PIR-Trans that had been previously funded by KLBI, those appointed institutions is responsible to manage under the auspice of Bank Indonesia. However, exception is being made by Bank Indonesia considering the importance of PIR Trans Program. PIR Trans program will be funded by credit investment scheme which consist of 55% fund from KLBI and 45% funded by those appointed institutions.

purported the Primary Credit for Member (KKPA).⁸ The KKPA scheme was then formulated and administered through Bank Indonesia decree No. 29/66/Kep/Dir and Bank Indonesia Circulated Letter on 26 July 1996 regarding credit scheme for KKPA. Based on this decrees, Bank Indonesia supported KLBI credit for KKPA scheme to 65% and 35% credit that would be provided by appointed bank (Badrun, 2010, p. 179). In 1998, KKPA scheme was supported fully by KLBI (Noorjaya, 2001, p. 4). The PIR-Trans program was continued using this KKPA scheme. However, the omission of KLBI had KKPA program to be financed through appointed state-owned enterprises (BUMN). The program was focused to develop palm in Eastern Part of Indonesia or *kawasan timur indonesia* (KTI). This program was known as PIR-Trans KKPA KTI. Within this PIR-Trans KTI, there were 18 eligible development units administered by Ministry of agriculture. However, only 3 units got approval from the bank for realization, as shown in the following table.⁹

8 There are many interpretations regarding implementation of KKPA. Nagata & Arai (2013), KKPA was implemented within PIR conception under the Ministerial decree of Forestry and Plantation No 107/1999 regarding plantation business permit. Moreover, the authors noted that PIR-KKPA replaced PIR-BUN as well as PIR-Trans as means of partnership between plantation companies and smallholder (Nagata & Arai, 2013:84-85). Meanwhile Zen et al (2016) mentioned that KKPA was introduced in 1995 to shift government approach on state-led for plantation development to a private-sector orientation (Zen, 2016:90). Potter (2016) is similarly shared this view (Potter, 2016:323). The perspective from Zen & Potter can be traced from Badrun (2010) explanation on KKPA. However, the birth of KKPA was initiated by Bank Indonesia Directors Decree No 22/81/KEP/DIR, 29 January 1990 on credit system (Noorjaya, 2001:4).

9 Badrun, M. 2010. *Tonggak Perubahan Melalui PIR*. P. 130

Table 6. Planned and Realization of PIR-Trans KT1

No	Province	Core/Nucleus Estate	Planting Year	Target			Realization		
				Core	Plasma	Total	Core	Plasma	Total
1	West Kalimantan	Surya Borneo Indah	97/98-2003	4000	3000	7000	4000	3000	7000
		PT Sawit Desa Kapuas	99/00-2004	1332	5328	6660	-	5328	5328
2	Papua	PT Varita Majutama I	97/98-2003	4000	3000	7000	4000	3000	7000
		Total			9332	11328	20600	8000	11328

Sources: Noorjaya, 2001; Badrun, 2010.

Although government did not prioritize PIR Trans for the development of Indonesian palm oil at present, it was still regarded as important program for the government. There were some policies adjustment to continue this program. Ministry of Agriculture Decree No. 353/Kpts/KB.510/6/2003 on the implementation procedures and plantation development through PIR scheme provided room to changes the proportion of core plantation and plasma plot that could be adjusted based on local condition. It did not fix to 20:80 proportions anymore. In addition, credit investment scheme by Bank Indonesia in 2004, plantation law No. 18/2004 and the latest plantation law No. 39/2014 were provided the scheme as an umbrella for further development.¹⁰

The transitional of financial bearer from Bank Indonesia to appointed financial state-owned companies influenced the development of Indonesian palm oil. There were two financial schemes, KKPA and plantation revitalization scheme, for palm oil development. Unlike PIR-Trans scheme that had a priority to open the plantation in frontier landscape, KKPA scheme provided financial access for development and optimization in the established plantation areas. Cooperative became eligible agency in making partnership with avails-company to receive bank financial assistance to develop their palm oil plots in KKPA scheme. This partnership was based on the law No 20/2008, Government Decree No 44/1997 and Ministry of Agriculture

decree No 940/Kpts/OT210/10/97.¹¹ It was important for the partnership to have a clear agreement on the form of business, rights and obligation, duration and dispute settlement.

The position of cooperative on KKPA could take position as a channeling agent or an executing agent.¹² The difference among this position regarded the business risk of cooperative. As a channeling agent, cooperative did not bear responsibility of the non-performing loan from cooperative members. Instead, it became the appointed bank responsibility. Meanwhile, as an executing agent, cooperative not only had to be administratively responsible for documents registration, monitoring palm oil plot development and also make sure credit payment from the members. For this service, the bank gave 2 percent yearly credit interest administered by Bank Indonesia.¹³ It should be noted that the crucial element on the partnership was the presence of local government in supervising the partnership and monitoring it, at least in the determination of “indeks K” or proportion index. These indexes were shown in percentages that should be accepted by the farmer or smallholder.¹⁴

¹⁰ Indonesian Palm Oil Smallholder Association (AP-KASINDO) is advocating for the enactment of PIR Trans program especially in Indonesian border. With the latest issuance of Ministry of villages, development of disadvantage region and transmigration Decree No 91/2016 on appointment of 26 destination areas for transmigration, the PIR-Trans program might be enacted soon.

¹¹ Based on those regulations, partnership in agricultural business was the cooperation between state owned company at national or regional as well as private company and cooperative, small business, fisherman and their related organizations that were being supervised by government. The partnership should be based on principal of necessity, strengthening and profitable to each other.

¹² The important position of cooperative was explained in joint agreement between Ministry of Agriculture and Ministry of Cooperative and Small Enterprise Development No. 73/KPTS/KB.510/2/1998 and No 01/SKB/M/11/98.

¹³ Based on Bank Indonesia Directors Decision letter (SK-Direksi BI) No 30/97/KEP/DIR, KKPA credit scheme interest is about 16%.

¹⁴ Index K is determined and revised by the Governor at least once in month in which the implementa-

The presence of local government in supervising the initial contractual agreement was important to conclude the success of partnership. This was necessary when the partnership involved the land distribution, since the government regulations of partnership did not elaborate on land sharing the scheme. It focused more on arrangement for community loan completion, company responsibility and sanction for breaking regulation. If the partnership involved land distribution, it solely became the responsibility of cooperative and company under the local government supervision. This case can be found in the practice of land distribution on KKPA scheme in West Kalimantan that involved Sime Indo Agro company and Dayak community in Sanggau. The company demanded 7.5 hectares of land from the community as a return for 2 hectares of productive palm oil plot gave to the smallholders. However, strong cooperative of Dayak community gave less than company demanded (Potter, 2016, p. 323).

NEW MODEL OF TRANSMIGRATION FOR SUPPORTING PALM OIL DEVELOPMENT IN THE DECENTRALIZATION ERA

Suharto had important role in the history of transmigration. Before Suharto was toppled from his presidency in May 1998, he had enacted the new transmigration law No. 5/1997 that replaced old law No. 3/1972. The number of transmigrations peaked during his administration. The transmigration law enacted in 1997 was still used. Only several parts of this law amended in 2009. After the fall of Suharto, the transmigration mechanism slightly changed. It is not controlled by central government through the Labor and Transmigration Agency, yet it used the mechanism of agreement between the sender and receiver province or district.

tion become responsibility of local head department of agriculture. The presence of index K has been contested by Palm Oil Farmers Union (SPKS) for it has been putting farmers position at loss. Since the calculation of this index incorporate company operational cost. As consequence, the farmers loss Rp.200-400 per kg of palm oil production sold to the company.

The implementation of transmigration law No. 5/1997 did not only regulate the process of transmigration, but it also started to give attention to the transmigrants who had been sent and the development of transmigration areas that had been settled. Through the development program of integrated city or called KTM (*Kota Terpadu Mandiri*), central government tried to develop the transmigration areas to be a center of economic, trade, education and public facilities, which was imposed through government regulation No. 2/1999. This program aimed to improve the economic welfare of transmigrants as well as local people around the transmigration areas through development of transmigrations development areas (*Wilayah Pengembangan Transmigrasi, WPT*).¹⁵

This program developed five WPTs into five KTMs in 2007 (Minister Decree No. 214/2007). There were four KTMs in South Province - KTM Rambatan Parit, KTM Belitang, KTM Banyuasin, KTM Mahalona - and KTM Mesuji in Lampung Province. Those KTMs became the center for many economic activities for surrounding areas which were isolated or underdeveloped. Besides that, there was possibility for KTM to be a new district. KTM Mesuji was one of the KTM that successfully become the district. The Mesuji received status as a new district, which was divided from Tulang Bawang district, on 26 November 2008. Mesuji becomes the national example for a success story of transmigration development program which supports the government eagerness to promote transmigration programs.

In 2009, the Minister of Labor and Transmigration, Muhaimin Iskandar, tried "revitalizing and refocusing transmigration policy". In this year, the government issued the new Law No. 29 Year 2009 that revised several parts of

¹⁵ The WPT consists of several *Satuan Kawasan Pengembangan or SKP* (Unit of Development Areas). Around 9,000 families stay in WPT. The SKP is the areas which consists of several *Satuan Pemukiman* or SP (settlement unit) or villages. Every SKP is inhabited around 1,800 up to 2, 000 families, while the SP or village is around 300 up to 500 families. (Government regulation No. 2/1999 about the implementation of transmigration).

the Law No. 5/1997.¹⁶ This revision aimed to synchronize this law with the condition after decentralization. This version emphasized on the involvement of local government in the transmigration program. Transmigration was not only central government responsibility, but it also encouraged the greater role of local government to be the sending or receiving transmigrants.

It was believed that the food and energy security policy urged the changing of transmigration policy. The food and energy security policy that was promoted by President Susilo Bambang Yudhoyono opened the wider investment for opening palm oil plantation in Indonesia. Central government promoted establishment of Kalimantan Border Oil Palm Mega Project in 2005. This project planned to open 1.8 million hectares for palm oil plantation in Indonesia – Malaysia Border areas (AGRA, 2010). This campaign was followed by launching of Merauke Integrated Food and Energy Estate (MIFEE) in 2010 which opened 2.5 million hectares for agriculture and plantation expansion target in Merauke District, Papua. This project involved 36 companies which the majority are the palm oil companies (Dewi, 2016, p. 91-94).

Transmigration is still needed for fulfilling the necessity of farmers and labor for developing this estate project. The urgency to revitalize the transmigration program was manifested in Medium Term of National Development Planning or called RPJMN (*Rencana Pembangunan Jangka Menengah*) 2010 – 2015. However, this program could not boost the number of transmigrants due to rejection from several provinces or districts which became the target of plantation investment to receive transmigrants.

However, it should be noted that palm oil plantation development also required government financial incentive to attract the active role of private sector. The government introduced new form of financial scheme called plantation revitalization program in 2006 regulated in

Ministry of Agriculture No 33/Permentan/OT.140/7/2006. The government planned for expansion, revitalization and rehabilitation through partnership scheme between company and smallholder cooperative. The government provided subsidies in form of commercial interest deduction and grace period for credit payment to attract the participations of both company and cooperative. The company, which responsible in initial development of the palm oil plantation, received government subsidies more or less around 11-14% of interest for 5 years basis through the government appointed bank¹⁷. The ministry of agriculture would give the recommendation for the company to redistribute the plantation to the smallholder. This also meant the transfer of repayment for completion cost of plantation development to the smallholder. In order to guarantee a successful partnership, the local government recommended smallholder eligible for revitalization program. Furthermore, the local government supervised the partnership agreement between company and smallholder.

There were two phases of plantation revitalization program. The first phase (2006-2010) targeted expansion and rehabilitation of 2 million hectares that consisted 1.75 million hectares of palm oil, 336,000 hectares of rubber and 246,000 hectares of cocoa plantation. As indicated on the Table 7, the expansion, revitalization and rehabilitation for 1.75 million hectares of palm oil plantation needed IDR 88 billion fund allocation or almost 94% of total allocated fund of this program.

¹⁶ There were 13 articles that were revised, 1 article (article 34) and 1 Chapter that consisted of articles 36,37 and 38 were erased, and 3 chapters (Chapter XA, XB, and XC) were added in the new law.

¹⁷ According to Ministry of Financial regulation no 117/PMK.06/2006 on credit for renewable energy and Plantation Revitalization or KPEN-RP, credit interest is formulated from LPS interest plus additional of 5 %. LPS is government agency that was formed after economic crises in 1998 in order to give assurance for public banking saving. Since 2006, the LPS decided 1 digit of interest, which went around 9 %. This regulation also guarantee that KPEN-RP is fixed during plantation development, which determined differently among plantation. For palm oil is 5 years.

Table 7. Revitalization Program for Palm Oil in 2006-2010

No	Components of Revitalization Program (plantation expansion, plantation rehabilitation & revitalization, targeted area & groups)	Land for development (Ha)	Fund Allocation (million Rupiah)	
			Per year average	Total first phase period
I	PLANTATION EXPANSION			
A.	West part of Indonesia			
1	Plasma Smallholder	120,000	3,366,321	16,831,607
2	Core Company	30,000	1,878,765	9,393,827
3	Government	-	561,015	2,805,075
	TOTAL	150,000	5,806,102	29,030,510
B	East part of Indonesia			
1	Plasma Smallholder	160,000	5,086,666	25,433,332
2	Core Company	40,000	3,176,417	15,882,086
3	Government	-	623,350	3,116,750
	TOTAL	200,000	8,886,443	44,432,168
II.	PLANTATION REVITALISATION AND REHABILITATION			
A.	West part of Indonesia			
1	Plasma Smallholder	62,000	1,592,791	7,963,956
2	Core Company	18,000	487,597	2,437,988
3	Government	-	69,982	349,913
	TOTAL	80,000	2,150,371	10,751,856
B.	East part of Indonesia			
1	Plasma Smallholder	16,000	601,151	3,005,754
2	Core Company	4,000	148,202	741,011
3	Government	-	22,575	112,875
	TOTAL	20,000	771,927	3,859,639

Source: Goenadi, 2007.

The second phase of revitalization program was prepared for 4 years (2011-2014) that was adjusting for SBY-Kalla last period of administration. For this phase, the government allocated IDR 27.9 billion or 3 times less than the first phase. It was targeted to revitalize 343,279 hectares which consisted of 223,996 hectares of palm oil plantation, 119,008 hectares of rubber plantation, and 13,173 of cocoa plantation (Sawit Indonesia, 2014).

The revitalization program was stopped on 1 January 2015 and ended through enactment of Ministry of Finance decree S-5/MK 05/2015. The implementation of the revitalization program became subject of question for the low program realization. The program only accommodated 165,241 hectares in the first

phase (Sawit Indonesia, 2014). By 2013, the program only incorporated 213,582 hectares or less than 1% of the total of revitalization target in the first and second phase (Sinar Tani, 2013).

Main problem of this low realization was the bottleneck on banking financial allocation, especially for palm oil smallholder (Marsuki, 2007; Rustam, 2011). The bank considered that the investment on agriculture had enormous risk and low rate of return, although the government had provided subsidies for the program. Government convenience policy for smallholder period of grace on initial credit payment also became burden that opened another risk for giving loan to smallholder of revitalization and rehabilitation program. Therefore, the bank was quite rigid on legality aspect and administration

requirement for the participant of the program. The requirement such as presenting certificate of land ownership (SHM) was difficult to be fulfilled by smallholder. Mostly smallholder had not had SHM yet, only letter land ownership that was signed by head of village or sub-district (SKT or SKGR). For those who had the SHM, their certificates usually had already become the collateral in the bank for their previous credits. Obtaining, banking authorization to get copy of the certificate took further administration process, which was difficult for smallholder.¹⁸

Under the new administration of President Joko Widodo (Jokowi), the revitalization project for palm oil development is continued. This program has been targeting not only the established smallholders, but also smallholders who are planning to develop palm oil. Smallholder has the opportunity to access government financial assistance under this administration. The first source of financing was through Indonesian Oil Palm Estate Fund or BPDP-KS (*Badan Pengelola Dana Perkebunan Kelapa Sawit*).¹⁹ From this fund, the eligible of smallholder granted fund

around IDR 25 million to revitalize their plot.²⁰ Meanwhile, the remaining cost could be obtained from another source financing. People's Business Credit Program or KUR (*Kredit Usaha Rakyat*) becomes the second source of financing prepared by government. The government decided to give low interest rate of 7% for the maximum loan of IDR 25 million for 3 years in KUR program.

The presence of those financing is beneficial for the development of transmigration area especially for KTM which focuses on palm oil as commodity for the region. The presence of fund for revitalization and KUR are beneficial for pushing closer cooperation between company and smallholder. For the company, it is better for preparing and organizing the assisted smallholder to receive the funds. It will reduce company financial burden for palm oil replantation and managing smallholder palm oil plot. From the smallholder side, wider financial assistance provided bigger opportunity for increasing palm oil production. These funds are complementary for other development funds such as village funds. Meanwhile, the local government would have additional tool for monitoring the development of palm oil especially in relation to partnership between smallholder and the company. The local government can monitor capital disbursement, the development of revitalized smallholder plot as well as ensuring company responsibility for fulfillment of 20% land allocation to smallholder.

President Jokowi targeted to send 3.5 million family for 5 years in his Presidential term. To fulfill this target, the Minister of Villages, Development of Disadvantaged Regions, and Transmigration, Marwan Jafar (2014-2016), promoted the transmigration program intensively. This program would allocate 9 million-hectare lands. The minister claimed that there were 17

¹⁸ The researcher field research experience for 7 months in Riau gives some insight that for individual smallholder whether independent and plasma has some hesitancy in personally dealing with bank administration process. It takes cultural approach for them to do such process in which cooperative leader and/or head of village or sub-village to be involved by smallholder request for deliberation as well as accompanying them presenting at bank office.

¹⁹ The BPDP-KS fund was formed under President Decree No 61/2015 on collection and utilization of oil palm estate fund and Government Decree No 24/2015 on plantation fund collection. These decrees considered that development of sustainable palm oil plantation requires sustainable fund. Therefore, BPDP-KS as government agency was form for organizing, administrating, managing, storing and disbursing estate fund. The fund is collected from two resources which are palm oil commodity export quotation and contribution fund. These funds are collected from plantation company who conducting export palm oil and its derivative commodity, general company that use palm oil as production material and exporter of palm oil and its derivative products. This estate fund is allocated for several activities that support plantation development such as human resource development, palm oil research and development, palm oil promotion, palm revitalization and infrastructures. By 2016, BPDP-KS manages Rp.11.7 billion of estate fund

²⁰ There are several requirements for smallholder receiving palm oil estate fund for revitalization. First, smallholder land ownership is less than 4 hectares. Second, smallholder must affiliate to cooperative or farmers group with total land for replantation is less than 300 hectares. Third, smallholder has an avails company for cooperation. Fourth, the smallholder has potential in receiving ISPO certification particularly referring to aspect of legality for their smallholding plot such as certificate of plantation registration (STDB).

provinces and 13 districts or cities in Indonesia agreed to this program. It was proved by signing agreement between the governor and head of district from sender and receiver province. These 17 provinces consisted 7 sender provinces and 10 receiver provinces²¹. Several provinces, such as Sulawesi Utara and Papua Province rejected transmigration program, especially to be transmigrant receiver, because it triggered conflict between local community and transmigrant. Furthermore, the local community marginalized and caused jealousy due to this program (Interview with JW in Jayapura on 20 August 2014; GG in Merauke District on 23 August 2014).

However, under Marwan Jafar, this program could not meet its expectation. Therefore, President Jokowi appointed Eko Putro Sandjojo to replace Marwan Jafar as Minister of Villages, Development of Disadvantaged Regions, and Transmigration. Soon, he enacted Minister Decree no.91/2016 to determine 26 targeted areas for transmigration as indicated in table 8. This decree was expected to accelerate the realization of the transmigration target.

Table 8. Targeted Areas for Transmigration

No	Transmigration Area	District	Province
1	Babahrot	Aceh Barat Daya	Aceh
2	Lembah Sabil	Aceh Barat Daya	Aceh
3	Karang Agung Ilir	Banyuasin	Sumatera Selatan
4	Kikim	Lahat	Sumatera Selatan
5	Ponu	Timor Tengah Utara	Sumatera Selatan
6	Batutua Nusamanuk	Rote Ndao	Nusa Tenggara Timur
7	Lewa	Sumba Timur	Nusa Tenggara Timur
8	Mbay	Nagakeo	Nusa Tenggara Timur

²¹ The 7 provinces as transmigrant senders are Lampung, Jawa Barat, Jawa Tengah, Daerah Istimewa Yogyakarta, Jawa Timur, Bali and Nusa Tenggara Barat. Meanwhile the receiving provinces are Bangka Belitung, Sumatera Selatan, Bengkulu, Kalimantan Barat, Kalimantan Utara, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sulawesi Utara and Maluku.

No	Transmigration Area	District	Province
9	Kodi Laura	Sumba Barat Daya	Nusa Tenggara Timur
10	Maukaro	Ende	Nusa Tenggara Timur
11	Sabu	Sabu Raijua	Nusa Tenggara Timur
12	Banggai Selatan	Banggai Laut	Sulawesi Tengah
13	Mambi Melaan/Pitu Ulanna Salu (PUS)	Mamasa	Sulawesi Barat
14	Tubbi Tarumanu	Polewali Mandar	Sulawesi Barat
15	Paguyaman Pantai	Boalemo	Gorontalo
16	Taluduti	Pahuwato	Gorontalo
17	Salim Batu	Bulungan	Kalimantan Utara
18	Bahari Tomini Raya	Parigi Moutong	Sulawesi Tengah
19	Kawasan Kantisa	Muna barat	Sulawesi Tenggara
20	Pulau Morotai	Morotai	Maluku Utara
21	Tambora	Bima	Nusa Tenggara barat
22	Labangka	Sumbawa	Nusa Tenggara Barat
23	Gerbang Mas Perkasa	Sambas	Kalimantan Barat
24	Sekayam Entikong	Sanggau	Kalimantan Barat
25	Enggano	Bengkulu Utara	Bengkulu
26	Selaut	Simeleu	Aceh

Source: Minister of Villages, Development of Disadvantaged Regions, and Transmigration Decree No. 91/2016.

This transmigration program is coordinating together with village competitive product or called *prukades* (*Produk Unggulan Kawasan Desa*). This program will involve 102 districts 68 companies. They have signed around 200 *prukades* cooperation. The 68 companies are ready to invest IDR 47 trillion (estimated around US\$ 3 millions). Moreover, this program is expected to absorb 10 million labors (Kompas, 2018).

Prukades is a program to develop the competitive product through government aid package (*paket bantuan*) especially for

agriculture and plantation product including sugarcane and palm oil that becomes strategic commodity for Indonesia. This program needs the involvement of local government, private company, and community to succeed. *Prukades* encourages productive activities for village communities. This activity is expected optimizing the village allocation funds through village-owned enterprises or called *BUMDes* (*Badan Usaha Milik Desa*). For further product marketing from this activity will be helped by a private company as partner. Moreover, this program wants to optimize the spending of village fund (*dana desa*) in the productive sector. This program, further, is expected to support the development of KTM that is still continuing. Since 2007, it has formed 48 KTMs spreading in 23 provinces and 45 districts. This program plans to develop 20 KTMs. Until 2018, 11 KTMs have been established, and the other 9 KTMs are still in the development process.

CONCLUSION

Transmigration policy contains two important elements. Those are people movement and population settlement. The government as the initiator for the policy bears responsibility for facilitating and financing both of the movement and settlement. In Sukarno era, transmigration was part of agenda of national security. Transmigration process had merged with national army deployment for securing national border and national assets. During Suharto administrations, the flag of national growth was flown. Transmigration has been part for accelerating Indonesian economic growth. It is set for providing labor for palm oil development in outer island while arguing to relieve population burden and combating poverty in Java. All government agencies with their specific functions were deployed to ensure process of transporting, education facilitation, health service, village administration, business organization, and national land ownership was well-received by transmigrant. The transmigration under those administrations was considered suffered from organizational problem for facilitating transmigrant movement. Furthermore, the administrations were also

failed in recognizing the cultural and economic rights of transmigrant settlers and population around them.

However, there was a successful story of transmigration processes where the existence of transmigration settlement and the atmosphere for economic development is presence in nowadays situation. The old-flow of transmigrant movement within PIR-Trans program is difficult to be categorized as unskilled labor serving palm oil company interest. Individually, they have transformed themselves as palm oil farmers with parcel of land and accumulative knowledge in nurturing this annual crop and sometimes taking business opportunity as small traders by using of banking facilities. As community, the settlement has been able to take their position towards palm oil company and local government existence by organizing production process through cooperative. The cooperative existence in the community has become community vehicles to take advantage of government aid and technical assistance for improving their palm oil production. The KKPA program has brought cooperative opportunity for having partnership with a company to expand their palm oil production area. This organization becomes a pool to unite opinion and suit protest towards unsatisfactory company decision. The transmigrant ownership of land, knowledge and community organization have helped them in process of capital accumulation, which reflected on the Indonesian palm oil production structure where smallholder palm oil production and plot area are increasing.

Under the transmigration revitalization program, the notion of national security and economic growth are remained used by the government. This program is not only targeting the development Indonesian border areas with neighboring countries, but it also accommodated the expansion of previous transmigration settlement as center for regional economic growth, KTM. The decentralization has given important position for the local government in process of transmigration. As the process of transmigration depends on MoU between sending and receiving local government. As the result, both of the local government is

responsible for transmigration movement and population settlement process.

The local government new authority on transmigration program is important for upbringing successful process of movement and settlement. Since the presence of transmigration programs is adjusted to necessity development for both local governments. This given authority would close distance for decision-making process related to transmigration. This would reduce organizational problems on transmigration such as participant selection, establishment of settlement location, infrastructure construction and the most importantly delivering land rights for the participant. Moreover, the local government can also have the authority in directing the development of transmigration settlement towards their regional plan, which in most cases went towards palm oil development.

However, it has to be noted that inability of the local government to solve these organizational problems would prevent the new wave of transmigrant to join capital accumulation process as their predecessor fellow. This would be detrimental for causing poverty, uncontrolled land expansion as well as horizontal conflict.

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