



Research Report

Improving the Business Climate in NTT: The Case of Agriculture Trade in West Timor

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For further information, please contact SMERU, Phone: 62-21-31936336;
Fax: 62-21-31930850; E-mail: smeru@smeru.or.id; Web: www.smeru.or.id

Widjajanti I. Suharyo

Nina Toyamah

Adri Poesoro

Bambang Sulaksono

Syaikhu Usman

Vita Febriany

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The SMERU Research Institute

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Research Team

Coordinator:

Widjajanti Isdijoso Suharyo

Advisor:

Sudarno Sumarto

Field Coordinator:

Nina Toyamah

Researchers:

Adri Poesoro
Bambang Sulaksono
Syaikhu Usman
Vita Febriany

Local Researchers:

Harry D.J. Foenay
Rowi Kaka Mone
Thersia Ratu Nubi
Yakomina W. Nguru

Editor

Kate Weatherley

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Improving the Business Climate in NTT: The Case of Agriculture Trade in West Timor

ABSTRACT

Efforts to improve the business climate in East Nusa Tenggara (NTT) Province are still facing significant obstacles. Moreover, a healthy business climate is needed to create conditions conducive to hastening development, increasing the employment field, and adding to local revenue.

In June-August 2006, SMERU conducted a study of the business climate in NTT, concentrating on four districts and one city in West Timor. The study aims to identify various government policies at the central, provincial, and district/city level, which are directly and indirectly related to market structure, the flow of goods, fee structures, and prices received by producers and traders of agricultural products. The study also examines the impact of various agricultural product charges on provincial and district/city local revenue. The information and data was gathered from various respondents, including producers (farmers, livestock producers, fishermen, and home industry operators); traders (intermediate traders to exporters); as well as relevant government offices and agencies.

The main finding of the research is that district/city local governments in West Timor are still attempting to increase local revenue by imposing various charges on the trade of agricultural commodities, although the total charges are currently lower than the period prior to 1997. Forestry products and large livestock (mainly cattle) attract the most charges. The study made several other findings. Firstly, in an effort to avoid a central government regulation that limits the total charges, the NTT local government has endeavored to reinvent charges as third party contributions or administration fees. Secondly, although the impact of official charges on the local budget (APBD) is relatively small, it can trigger the emergence of various unofficial charges, or bribes. Thirdly, agricultural producers generally have small-scale enterprises and weak bargaining powers as selling prices are still determined by several big inter-island traders—thus forming a monopsony environment.

Key words: business climate; charges; commodities; agriculture; local government; permits

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ABBREVIATIONS

ANTARA		Australian Nusa Tenggara Assistance for Regional Autonomy
APBD	<i>Anggaran Penerimaan dan Belanja Daerah</i>	Regional Budget
AusAID		Australian Agency for International Development
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i>	National Development Planning Agency
BPS	<i>Badan Pusat Statistik</i>	Statistics Indonesia
CPIS		Center for Policy and Implementation Study
DAK	<i>Dana Alokasi Khusus</i>	Special Allocation Fund
DAU	<i>Dana Alokasi Umum</i>	General Allocation Fund
Depdagri	<i>Departemen Dalam Negeri</i>	Ministry of Home Affairs
Dispenda	<i>Dinas Pendapatan Daerah</i>	Revenue Office
DPDK	<i>Dana Pembangunan Desa/Kelurahan</i>	Village/Kelurahan Development Funds
GDP		Gross Domestic Product
GRDP		Gross Regional Domestic Product
GoI		Government of Indonesia
Gov.		Government
GT		Gross Tonnes
HDI		Human Development Index
HPI		Human Poverty Index
Inpres	<i>Instruksi Presiden</i>	Presidential Instruction
IUI	<i>Izin Usaha Industri</i>	License for Manufacturing Business
Kab.	<i>Kabupaten</i>	District
KPPOD	<i>Komite Pemantau Pelaksanaan Otonomi Daerah</i>	Regional Autonomy Watch
LoI		Letter of Intent
MoHA		Ministry of Home Affairs
NTT	<i>Nusa Tenggara Timur</i>	East Nusa Tenggara
PAD	<i>Penerimaan Asli Daerah</i>	Local revenue
PP	<i>Peraturan Pemerintah</i>	Government Regulation
Peruri	<i>Percetakan Uang Republik Indonesia</i>	Indonesia Money Printing
Rp	<i>Rupiah</i>	Rupiah
RIA		Regulatory Impact Assessment
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i>	Reference Letter on the Legality of Forest Products
SMEA	<i>Sekolah Menengah Ekonomi Atas</i>	Senior Economics High School
SIUP	<i>Surat Izin Usaha Perdagangan</i>	License for Trading Business
SITU	<i>Surat izin Tempat Usaha</i>	License for Business Location
SP3	<i>Sumbangan Pihak Ketiga</i>	Third Party Contribution
SPK	<i>Sumbangan Pihak Ketiga</i>	Third Party Contribution
STM	<i>Sekolah Tehnik Menengah</i>	Senior Technical Vocational School
T.A.	<i>Tahun Anggaran</i>	Fiscal Year

TDG	<i>Tanda Daftar Gudang</i>	Warehouse License
TDI	<i>Tanda Daftar Industri</i>	Certificate of Manufacturing Registration
TDP	<i>Tanda Daftar Perusahaan</i>	Certificate of Business Registration
TTS	<i>Timor Tengah Selatan</i>	Southern Central Timor
TTU	<i>Timor Tengah Utara</i>	Northern Central Timor
UNDP		United Nation Development Programme
USAID		United State Agency for International Development
UU	<i>Undang-undang</i>	Law

GLOSSARY

<i>Bupati</i>	Regent
<i>Ijon</i>	The sale of produce before it has been harvested
<i>Kabupaten</i>	District
<i>Kecamatan</i>	Subdistrict
<i>Kelurahan</i>	Village level administrative area
<i>Kota</i>	City
<i>Retribusi</i>	A form of cost recovery to government; user charge for facilities or services provided
<i>Walikota</i>	Mayor

EXECUTIVE SUMMARY

The challenge of creating a business climate that will foster economic growth in East Nusa Tenggara (NTT) province is complex. The 2005 Regional Autonomy Watch (KPPOD) report highlighted several problems that constrained the development of business in this region. These include low economic potential, low availability and quality of infrastructure, low productivity of labor and low quality of human capital, as well as problems related to bureaucracy, illegal charges, law enforcement, and local regulations.

The central government effort to improve the regional business climate can be traced back to 1997 when the national deregulation reform intended to improve the business climate in Indonesia was first initiated. The deregulation has compelled the elimination of regulations that distort the marketing of agricultural products, and the reduction of various charges. A field study carried out by SMERU in 1998 found that national deregulation had positive impacts on traders and farmers in the rural area of NTT, as it had supported a more transparent and competitive price formation (Mawardi and Urman, 1998). However, the stipulation of the new law on regional taxes and *retribusi* (Law 34, 2000) has provided more flexibility for district/city governments to initiate taxes, *retribusi*, and levies, and has consequently stimulated the re-emergence of various charges imposed by district/city governments in their efforts to increase local revenue (*Pendapatan Asli Daerah* – PAD).

This study examines the business climate in the West Timor region of NTT province, which covers Kabupaten Kupang, Kota Kupang, Kabupaten Timor Tengah Selatan (TTS), Kabupaten Timor Tengah Utara (TTU), and Kabupaten Belu. By adopting both qualitative and quantitative approaches, this study specifically looks at how the existing government policies and their implementation affect the market structure, the flow of goods, the cost structure, the price received by farmers and marketing agents of agricultural products, and analyzes the contribution of various charges, particularly from agricultural products, on provincial and district local revenues. This study focused on several important agricultural and agro-industrial products categorized into six sub-sectors: forestry, plantation/cash crops, food crops, animal husbandry, fishery, and agro-industry. This focus was selected because of the importance of agriculture sector to the NTT's economy, as it contributes more than 40% of NTT's GRDP and absorbs more than 80% of its workforce. Thus, facilitating a regulatory environment that is conducive for the marketing and trading of agricultural products, both raw and processed, is crucial for improving the welfare of the farmers, who are predominantly poor, and expanding the economic of the region.

SMERU's research team conducted the field study from 19-24 June 2006 and 19 July to 1 August 2006. The team interviewed and collected secondary data from relevant sources, including government officials, producers/farmers and traders, and visited various trading facilities. This field study uncovers the following findings:

Trade Regulation of Agricultural Products and its Implementation

- (1) This study found several problems related to the socialization and documentation of regional regulations, including: poor documentation of local regulations, lack of clarity of the type of regulations used, and limited knowledge of government officers at subdistrict level, village staff, and businesspeople regarding the changes to existing formal regulations, procedures and tariffs.
- (2) This study found no regulation that impedes the entry to the marketing of any agricultural and agro-industrial products. The Governor Instruction number 7, 1993 stipulates a control on the movement and shipment of cattle and the Governor Decree number 5, 2006 regulates the maximum permitted quantity of exportable cattle. However, these regulations have not been enforced, so the traders can ship cattle according to the availability of cattle and the funding to purchase the cattle.
- (3) The charges on commodities sold for inter-island trade, particularly cattle and various timber and non-timber forestry products as well as plantation products, are more excessive than the charges imposed on food crops and agro-industrial products that are mostly for domestic consumption. The rank of sectors according to the excessiveness of control and regulation (most to least excessive), are forestry products, large livestock (particularly cattle), fisheries, plantation, food crops, and agro-industrial products.
 - a. The excessive government control on the transport and trading of forestry products is based on Government Regulation Number 34, 2002 and the Decree of the Minister of Forestry Number 126/KPTS-II/2003. The ministerial decree imposed tight control over both timber and non-timber forestry products, and the exploitation of these commodities should be supported by a license to conduct business on the use of forestry products and a license to collect forestry products. The transport of forestry products should be supported with a list of the products as the basis for issuing a Reference Letter on the Legality of Forest Products (*Surat Keterangan Sahnya Hasil Hutan – SKSHH*).
 - b. Large livestock, particularly cattle, are the subject of various regulations and excessive charges, starting from the village level. These regulations include: the certification of calves, a permit to export large livestock, and quotas for beef cattle exports. The charges imposed include: village and *kecamatan* fees, the third party contribution (*Sumbangan Pihak Ketiga – SPK*) or *retribusi* for issuing a permit for the import and export of large livestock, *retribusi* for slaughterhouse services, *retribusi* for livestock market services, fee for livestock health check services, and livestock quarantine.
 - c. In the fisheries sector, for the purpose of shipping safety, every boat or ship, including fishing vessel, should obtain a shipping permit from the harbormaster each time they go to sea. Owners of large fishing boats (more than 2 gross tonnes) complained about the transparency of permit costs because they have to be obtained through particular agents, who charge almost ten times the formal charge. The charges for fisheries commodities, however, are limited, except for export and inter-island trade commodities

that require quarantine and a quality assurance certificate. There is no charge for domestically consumed fish, but some villages still impose a charge on seaweed trading.

- d. Plantation and food crops are the least regulated sector and should have been free from any charges since 1998. However, up to the end of 2004, Kabupaten Kupang still imposed *retribusi* for the transport of agricultural products. It was removed in early 2005. In Belu, SPK is still charged on these commodities. In addition, these commodities require a quarantine permit when they are to be sent to the outer islands.
- (4) Most licensing and regulation concerning agricultural products are related to inter-district, inter-island or cross border (export) transportation and trading of the commodities, and they usually involve *retribusi* (user charges), administration costs, or third party contributions. In an effort to comply with the existing national regulations limiting the permissible types of *retribusi*, most charges that were specifically associated with the trading of agricultural and agro-industrial products have been transformed from *retribusi* into third party contributions. Another change is the shift from *retribusi* to administration costs. The coverage and the amount of new charges vary across district/city and across commodities but generally tend to be lower than the period before 1997.

Agricultural Product Marketing

- (5) Marketplaces in rural areas that operate on a weekly basis have limited role in supporting the inter-island trade of local agriculture products. Most products sold at the weekly market in rural areas are products imported from other regions. Local commodities sold in these marketplaces are mostly raw food products for local consumption. The transaction of most agricultural and agro-industrial products that are exported to other regions, particularly to Surabaya and a lesser extent to South Sulawesi and Bali, usually does not take place in these markets as inter-island traders buy directly from the producers at the farm or in their premises.
- (6) The marketing of various agricultural products in the West Timor region is characterized by the presence of many small producers with limited marketing power. The presence of middlemen and traders at the village and subdistrict levels has a very limited impact on price formation, since the product price is mostly determined by the limited number of inter-island or large traders that form a natural monopsony market structure.
- (7) The recent increase in the number of traders and exporters going to Kupang has not fully benefited farmers. This is due to the limited information on product locations, and excessive inspections along the road that increase the amount of informal charges and uncertainty for business operators.

The Impact of Regulation on Local Government Revenues and the Business Climate

- (8) The contribution of various charges on the agricultural produce trading to regional revenue of the regional budget (APBD) is very small. In addition, it seems that all efforts to increase it have not resulted in any significant increase. On the other hand, there are indications that the increase in charges will have a negative influence on the prices received by farmers and producers.
- (9) The marketing of agricultural and agro-industrial products is also subjected to informal charges. The types of informal charges include: (1) an extra amount of formal charge; (2) the payment of formal charges that have been eliminated, that can happen due to unclear regulation; and (3) bribery intended to smooth the transportation of the goods.
- (10) The total cost of charges is relatively small compared to the value of the commodities. However, the licensing and regulations have encouraged the imposition of informal charges that disturb the marketing of agricultural products, particularly exportable ones. The excessive inspections and informal charges have increased uncertainty over cost, time of delivery, and law enforcement. This is due to a lack of publicly accessible information regarding licensing procedures and actual charges that is accessible to general public.

Based on these findings, it can be concluded that the interest of district/city governments in the West Timor region to generate local revenue by imposing various charges persists, although there have been reductions in the charges imposed on plantation and food crops, and fisheries and agro-industrial products. The contribution of these charges to local government revenues appears to be very small and the amount of formal charges is also relatively small compared to the unit value of commodities. Indeed, the regulations and licensing have drawn out informal charges that tarnish the business climate and distort the marketing of exportable agriculture products of the region. This in turn limits the opportunity of farmers to receive better prices and increase of income. As agricultural products are being targeted by many kinds of charges, most of the burden has been transferred to farmers and fishermen, who are predominantly poor. For that reason, local governments must reconsider their policies regarding the imposition of charges.

There is a call for a review of the relevant central government regulations, particularly those concerning forestry products and the operation of medium and large fishing vessels. At the very least, local government policies and practices need to be enhanced so that farmers and producers can receive better prices. The following are some recommendations to improve the business climate in West Timor regions:

1. Review existing licensing requirements and regulations to assess whether they really serve the intended objective. This should be associated with the effort to eliminate opportunity for informal charges to be imposed. Formal charges should be directly related to the provision of services.

2. Undertake public dissemination about the removal and changes to licensing/regulations and charges, as well as the existing licensing procedures and the charges.
3. Minimize controls (inspections) and eliminate uncertainty due to informal charges, such as by minimizing the number of checkpoints and placing integrated (multi-sector) checkpoints in strategic locations only if necessary, clearly assigning an official in charge of inspections, and not allowing the involvement of officials who are not in charge.
4. Increase local government and regional legislature knowledge of the difference between *retribusi*, administration fees, and third party contributions. In addition, there is a need to improve the documentation of regulations so that the public can easily access it.
5. Increase market competition by attracting more traders. This could be done by improving existing roads and increasing access to roads, enhancing the role of marketplaces in the marketing of local products by involving the local community and facilitating the development of specific (or seasonal) commodity markets, and publicizing local products to attract buyers from other regions and overseas.

To support these efforts, ANTARA could provide assistance in the form of:

1. Support for various initiatives to increase the knowledge, understanding and awareness of the existence of licensing and regulations that distort the market and ways to avoid them. This includes facilitating seminars or discussions, exchange of experiences, and most importantly a forum where the district/city governments, the business community, and other relevant stakeholders can discuss the impact of such regulations. This can be complemented by the provision of necessary technical assistance to enhance the capacity of local government officials to analyze the social and economic impact of licensing, regulation, and charges, similar to Regulatory Impact Assessment (RIA) common to many developed countries, including Australia.
2. Technical assistance to improve the documentation of local regulations, and to disseminate information to the public about the changes to licensing procedure and charges, through various means.
3. Technical assistance to identify potential commodities to increase the income of the farmers, as well as ways to improve the marketing of the products. This can include the improvement of roads, development of commodity-specific market places, and provision of product information to potential traders.
4. As an incentive scheme for local government, the above mentioned assistance should only be provided by ANTARA if the local government is committed to improve their regulatory environment.

I. INTRODUCTION

A. Background

Creating a favorable business climate is the key for economic growth, but it has not been a priority of most local governments. For a long time business communities have contested the proliferation of local regulations that create a high cost economy and impose trade and non-trade barriers on business. Many local governments, both at the provincial as well as the district/city levels, collect various taxes and levies to increase their own local revenue (*Pendapatan Asli Daerah – PAD*) without considering the potential adverse impact on the economic development of the region and the welfare of the community. Some local governments also impose non-revenue raising regulations that distort the market, such as market restrictions, trade quotas, administered prices and specific economic privileges. The central government has created a mechanism to control the creation of distorting local regulations by issuing Law Number 34/2000 and assigning the Ministry of Home Affairs and the Ministry of Finance to control any local regulations in conflict with this law. However, this has not been fully effective because of the vague definition of ‘good tax’ and the limited capacity of the central government to review all local regulations.

For the East Nusa Tenggara (NTT) Province, the challenge of creating a business climate that will facilitate economic growth is far more complex. According to the latest report of the Regional Autonomy Watch (2005), which analyzed data from the perception of business operators and relevant secondary data, most districts in this province rate poorly in almost all aspects compared to other regions. In addition to the low economic potential, the availability and quality of infrastructure such as roads, seaports, and airports, and the quality of human capital are among the issues that inhibit business development. Although business operators concede that there have been institutional improvements regarding bureaucracy, illegal levies, law enforcement, and local regulations, there are still a number of problems typical to these factors that impede the business development in NTT (*Regional Autonomy Watch Report 2005*).

Given the low economic potential and the prevalence of poverty related problems in the NTT Province, the local government has to create a business climate that is not only favorable for the growth of secondary and tertiary sectors (manufacturing, trade and services) but that will also facilitate the growth of the primary sector, in particular the agriculture sector. NTT’s economy relies heavily on agriculture, as this sector contributes more than 40% of the province’s GRDP (*BPS, 2004*). More than 80% of the workforce is employed in this sector. The majority of NTT’s land is used for agricultural purposes such as horticulture, cash crops, food crops, livestock, and forestry. In addition, NTT has abundant marine resources, although there have been some concerns regarding uncontrolled over-fishing by both local and foreign businesses. Recently both government and non-government institutions have promoted alternative livelihoods from marine culture, particularly seaweed production.

Thus, the local government has a vital role in developing and implementing policies that will facilitate the formation of a regulatory environment that is conducive for the marketing and trading of agricultural products, both raw and processed. Besides improving the welfare of the predominantly poor farmers, these policies are needed to expand the economic development of the region in general.

So far the government, donor community and non-government institutions have endeavoured to support the economic development of the province through supply side assistance, including introducing new farming techniques, new commodities, and credit supports. These efforts have been successful in some areas but less successful in others, and the results vary across programs. On the other hand, less attention has been devoted to assessing the condition of the business climate. Such assessment is necessary to develop policy and programs that support a business friendly environment, particularly for small and medium business, by smoothing the marketing of agricultural products and increasing the price received by farmers and producers.

B. Objectives

This study aims to look at the business climate in NTT, particularly in West Timor, which covers Kabupaten Kupang, Kota Kupang, Kabupaten Timor Tengah Selatan (TTS), Kabupaten Timor Tengah Utara (TTU), and Kabupaten Belu. The focus of this study is to find how existing government policies and their implementation affect market structures, flow of goods, cost structures, and prices received by producers and marketing agents, particularly for primary agricultural products (both raw and processed).

Specifically, this study attempts to:

- a. Describe marketing channels and marketing infrastructure of various agricultural products in the West Timor region and identify the factors that determine marketing costs and affect the price received by farmers (farm-gate price);
- b. Review and examine the rigidity, clarity, consistency, and potential impacts of government policies and regulations at all levels, from central down to village governments, that directly and indirectly affect the market structure, the marketing and flow of agricultural products in the region;
- c. Monitor the implementation of regulations concerning market structure, licensing, and charges for tax, *retribusi*, and other informal charges (especially for agricultural and primary commodities) and analyze their impacts on market structure, marketing channels, marketing costs, and the prices received by producers, marketing agents and consumers;
- d. Analyze the contribution of various charges (taxes, *retribusi* and other payments) on provincial and district local revenues (PAD), particularly from the trade of both raw and processed agricultural products.

C. Methodology

This study began in early June 2006. The initial stages involved the literature study and field research preparation. During the preparatory phase of this study, a five-day preliminary study was conducted from 19 to 24 July 2006 in Kota Kupang, Kabupaten Kupang, and Kabupaten TTU. The preliminary study was intended to identify the main issues linked with the business climate and economic development in the West Timor region. During the preliminary study, interviews were conducted with entrepreneurs in the agricultural, manufacturing industry, trade, and transport sectors. In addition, interviews were conducted with several government officials, NGOs, and tertiary education facilities, and visits made to several trading facilities, like the seaports, fishing ports, and markets. The results of the preliminary study were used as input for the main study design, including its main focus.

Following this, the field study was carried out from 19 July to 1 August 2006 in Kabupaten Kupang, Kota Kupang, Kabupaten TTS, Kabupaten TTU, and Kabupaten Belu. This study adopted qualitative approaches supplemented by quantitative approaches based on primary data gathered from respondents and secondary data from various sources. Apart from conducting the interviews and collecting secondary data, the research team observed various trading facilities, including weekly markets, daily markets, cattle market, airports, seaports, fishing ports, slaughterhouses, weighting points, check points, and quarantine facilities. The team also interviewed and collected secondary data from relevant government officials at the provincial, district/city and subdistrict levels and from the village administrations, as well as traders, farmers, fishermen, small and medium agro-industries entrepreneurs, truck drivers, and other relevant respondents. All interviews were done using semi-structured interview guidelines. In addition, the team gathered documentation of relevant local regulations and analyzed their contents, collected data on regional budgets, and analyzed the contribution of various charges imposed on agricultural product trade to the local government revenue.

The commodities encompassed in this research include primary agricultural products and several agro-industrial products. Most agricultural industries are micro/small scale enterprises. The commodities covered are divided into six sub-sectors: forestry, plantation/cash crops, food crops, animal husbandry, fisheries, and agro-industry. The list of commodities being investigated is presented in Table 1. In addition, the trade of various consumer goods was briefly investigated in the preliminary phase of this study. The trade of *sembako* (nine basic food commodities)¹ were included in the main research, because the results of the preliminary study indicated that the latest developments in the trade of these commodities were quite good and inclined to be beneficial to both small traders and consumers (see Chapter II C for a more detailed discussion). Although such retail trade is the object of several regulations and charges, the total charges are relatively small compared with the total value of goods, and the collection procedures are not too problematic. Hence, the main research focused on the trade of agricultural products, which is evidently still subject to various regulations and charges.

¹*Sembako* consists of rice, sugar, cooking oil and margarine, beef and chicken, egg, milk, kerosene, corn, and salt.

Table 1. List of Commodities under Investigation

Commodity		Commodity	
Animal Husbandry		Forestry Products	
1.	Cattle	17.	Timber
2.	Horse	18.	Tamarind
3.	Pigs	19.	Candlenut
4.	Chicken	20.	Honey
Plantation Crops		Fishery Products	
5.	Cashew Nut	21.	Seaweed
6.	Coconut	22.	Tuna
7.	Coffee	23.	Sea Cucumber (<i>Teripang</i>) and Shark Fin
8.	Betel Nut (<i>Pinang</i>)	24.	Other sea fish
Food Crops		Agro-industrial Products	
9.	Corn	25.	Brown Sugar
10.	Peanut	26.	Coconut Oil
11.	Mungbean	27.	<i>Sopi</i> (Traditional Liquor)
12.	Vegetables	28.	Eucalyptus Oil
13.	Orange	29.	Beef products (smoke beef, shredded beef, dried beef)
14.	Shallot		
15.	Garlic	30.	Salty/dried Fish
16.	Sweet Potatoes		

To identify the charges involved in agricultural and agro-industrial trading, the research team followed the trading channels of various commodities, starting from the farmer up to the consumer or inter-island trader. The results of the preliminary study shows that most agricultural products—especially those for inter-island trading—from Kabupaten TTU and Belu are sent via Atambua, whilst agricultural products from TTS and Kupang are sent via Kota Kupang. The research team was therefore split into two: one team examined trading channels from TTU and Belu; and the other team examined trading channels from TTS and Kupang.

D. Report Structure

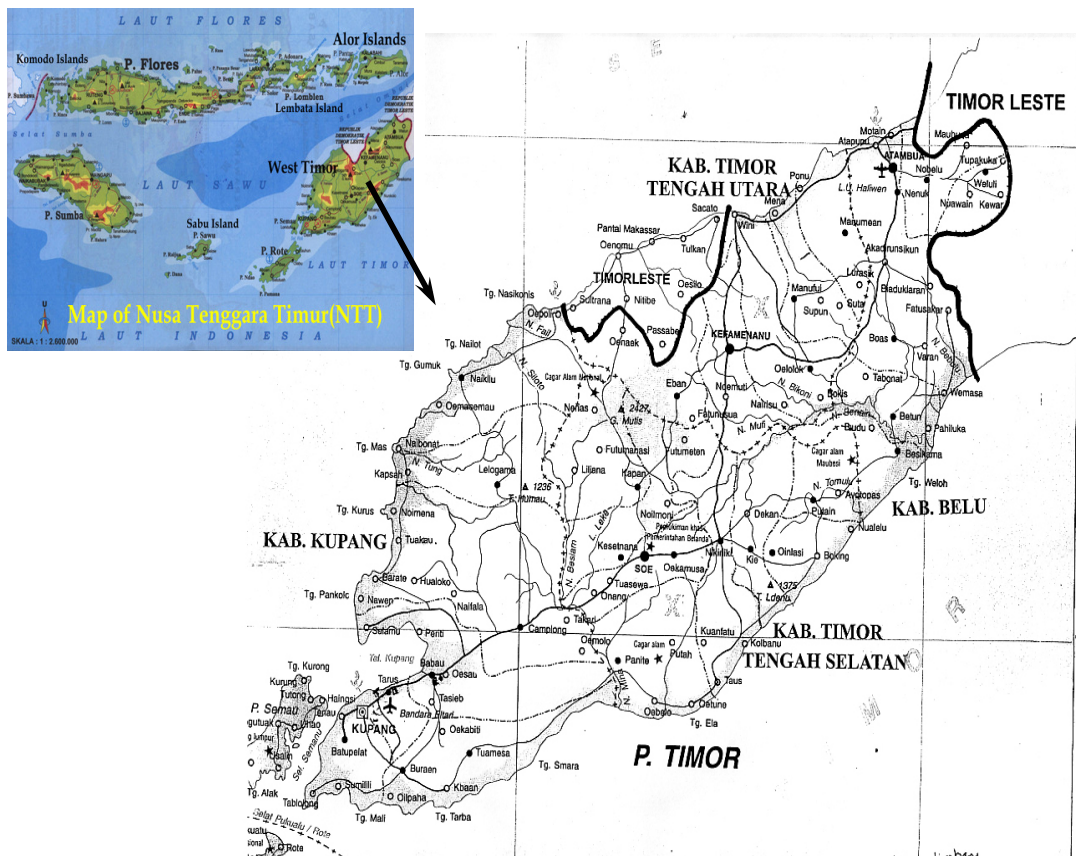
This report consists of six chapters. Chapter I introduces the background, objectives, research methodology, and report structure. Chapter II presents a general overview of NTT and the West Timor region, from regional administration aspect, natural conditions and infrastructure, community welfare conditions, and economic conditions, including the developments in the trade sector that were unearthed during the preliminary study. Chapters III to V discuss the results of the study. Chapter III discusses the trade regulations of the various commodities studied, both revenue raising and non-revenue raising. It begins with a discussion on national policies concerning the marketing regulation of agricultural product, followed by an examination of the current regulations. Chapter IV outlines the marketing conditions of agricultural products in West Timor, which are influenced by various central, provincial, district and village level regulations, as well as the availability of trading facilities and infrastructure. Chapter V specifically highlights the impact of regulations and charges for agricultural product marketing on local revenues and the business climate in general. Finally, Chapter VI contains a summary and important observations from the study, and posts some recommendations for local governments and the ANTARA-AusAID Program.

II. GENERAL FEATURES OF NTT AND THE WEST TIMOR REGION

A. Regional Administration

NTT province consists of 566 islands with a total land area of 47.3 thousand square kilometers. It is estimated that 42 of the islands are populated, while the others generally remain nameless and uninhabited. A large proportion of the NTT inhabitants reside in Flores, Sumba, Timor, and the Alor Islands (Figure 1).

Figure 1. Map of the West Timor Region



Administratively, the NTT province is divided into 15 districts, one city, and 203 subdistricts. Two districts are located in Sumba Island, eight in Flores and the Lembata and Alor Islands, four districts and one city are located in West Timor, and one district is in the Rote Islands located to the Southwest of Timor. The districts and city located in West Timor are Kabupaten Kupang, Kabupaten TTS, Kabupaten TTU, Kabupaten Belu, and Kota Kupang.

The West Timor region, which is directly adjacent to the Democratic Republic of Timor Leste, constitutes 32% of the total NTT area and is inhabited by around 38% of the total population of NTT. Kota Kupang is the provincial capital of NTT, and the district capital of Kabupaten Kupang. In addition, the city has become the center of trade and financial services in the region, and so has the highest population density in NTT. Kabupaten Kupang surrounds the city. Further to the east is Kabupaten TTS, with its capital Soe; Kabupaten TTU with its capital Kefamenanu; and Kabupaten Belu, with its capital Atambua. Kabupaten Belu is bordered by Timor Leste (Figure 1). The population figures and administrative profiles of these districts are outlined in Table 2.

Table 2. Profile of NTT and West Timor, 2004

Description	NTT Province	District				Kota Kupang
		Kupang	TTS	TTU	Belu	
Width (km ²)	47,349.9	5,898.3	3,947.0	2,669.7	2,445.6	160.3
Population	4,188,774	337,406	405,993	197,174	352,176	258,104
Female	2,100,618	163,436	203,917	98,489	174,298	123,336
Male	2,088,156	173,970	202,076	98,685	177,878	134,769
Population Density (per km ²)	88	57	103	74	144	1,610
Number of District & City	16	-	-	-	-	-
Number of Subdistricts	203	28	21	9	17	4
Number of Villages & <i>Kelurahan</i>	2,569	186	212	159	166	45

B. Natural Conditions and Infrastructure

The topography of NTT is mountainous and scattered with plains. The climate is generally dry, with the dry season lasting for between eight and nine months of the year, and a wet season extending for only three to four months. Rainfall only reaches more than 3,000 millimeters in a few regions, including Manggarai and Ngada. With these conditions, the proportion of arable land is limited and the productivity of both wet and dry land is low. In the dry season, most of the districts in NTT experience food scarcity, including TTS, TTU, and Belu in West Timor.

NTT possesses potential for the livestock and sea-fishing sectors. The vast grassland available for cattle grazing will support the development of the livestock industry. Moreover, the province's large sea area contains a diversity of marine products. The sea area reaches 200 thousand square kilometers, or more than four times its land area with a coastline 5,700 kilometers long. This does not include the Indonesian Exclusive Economic Zone.

The island regions' mountainous conditions make communications and transport at the local level difficult, as well as between the islands of NTT and islands outside the NTT region. However, the existing infrastructure has opened access and fulfilled various community needs. Sea transport has a strategic role in NTT. There are 22 seaports equipped with piers, and 12 traditional ports where various sea transport vessels dock regularly. Tenua port in Kota Kupang is the largest seaport, and is of an export standard. The Atapupu port in Kabupaten Belu and the Wini port in Kabupaten TTU are two other large ports in West Timor. For air transportation facilities, besides the El Tari Kupang Airport, there are 13 domestic

airports in NTT, including the Haliwen Airport in Kabupaten Belu, though some of them are rarely used.

The mainland's mountainous topography is the main challenge for mainland transport in many areas. Road conditions are the main obstacle for the distribution of major agricultural products. The main road extends for 2,900 kilometers, and some parts are badly damaged. Many villages are still difficult to reach, and villagers often have to walk long distances to get to the market.

C. Human Resources and Community Welfare Conditions

In 2004, the population of NTT comprised of 2,088,156 men and 2,100,618 women. More than 50% of the population is aged between 15 and 55 years, the age group considered to be economically productive (Figure 2). A large proportion of the population in NTT is dependent on the agricultural sector for their livelihoods.² In 2004, approximately 74% of the working-aged population worked in the agricultural sector. This proportion is only slightly lower than 10 years earlier (1994). The trade sector experienced the largest increase as a source of main employment, while the increase in the manufacturing industry and other services were relatively small.

Figure 2. NTT Population by Gender and Age Groups, 2004

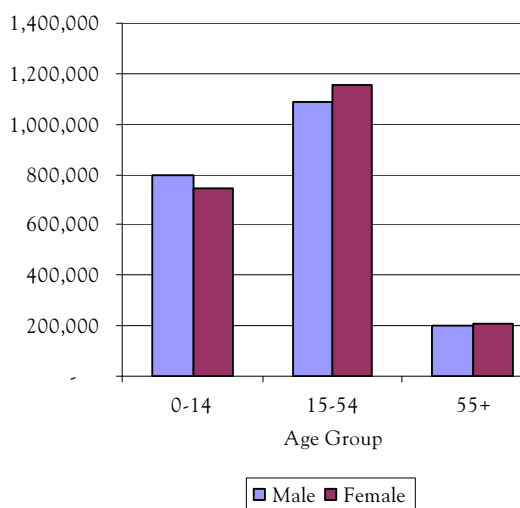
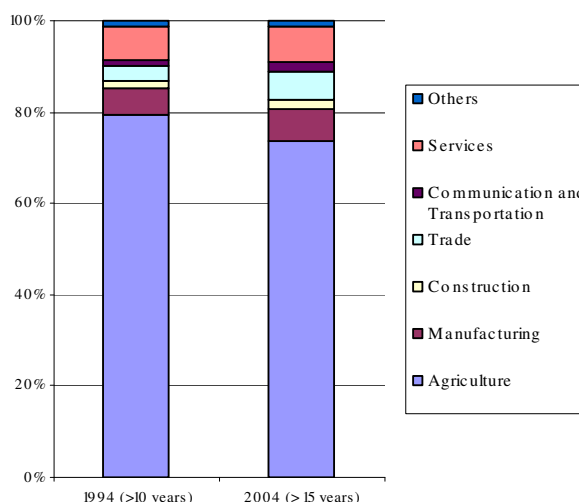


Figure 3. Main Occupation of Working Age Population in NTT, 1994 and 2004



The low quality of human resources and poor community welfare are still big problems in NTT. The Human Development Index (HDI) in NTT is lower than the Indonesian average (Table 3). The health, educational, and economic conditions of the people of NTT and the studied districts/city are relatively low compared to the average Indonesian. In West Timor, Kota Kupang has relatively high levels of education, health and purchasing power. However, Kabupaten Kupang, TTS, TTU

²In this context, agriculture is broadly defined to include food crops, plantation crops, forestry, animal husbandry, and fisheries.

and Belu, have similarly low levels, even below the average of NTT. In addition, the Human Poverty Index (HPI) of NTT is higher than the national average, which indicates the high level of poverty in this province. The HPI indicators also show the extent of the high proportion of malnourished children under five years old, both in NTT generally and across all districts and city in West Timor. The indicators for access to clean water also show the high proportion of the population who do not have access to clean water, especially in TTS.

Table 3. Human Development Conditions in NTT and West Timor, 2002

	Indonesia	NTT Province	Kab. Kupang	Kab. TTS	Kab. TTU	Kab. Belu	Kota Kupang
Human Development Index (HDI)	65.8	60.3	56.9	57.7	59.5	58.3	70.9
Life Expectancy (years)	66.2	63.8	64.2	65.7	65.4	63.7	69.8
Literacy Rate	89.5	84.1	80.7	79.1	79.5	79.3	97.5
Mean Years of Schooling	7.1	6.0	5.4	5.3	5.6	5.8	10.1
Adjusted Real Expenditure per Capita (Rp thousand)	578.8	563.1	531.6	536.1	558.2	552.9	578.8
Human Poverty Index (HPI)	22.7	28.9	27.5	29.5	24.6	27.3	14.4
People Not Expected to survive to the Age of 40 (%)	15.0	19.2	18.4	15.9	16.4	19.3	9.7
Adult Illiteracy Rate	10.5	15.9	19.3	20.9	20.5	20.7	2.5
People without Access to Clean Water	44.8	46.8	36.9	49.9	33.1	42.4	19.8
People without Access to Health Facilities	23.1	32.8	30.8	19.3	16.7	18.0	6.4
Malnourished Children under the Age of Five	25.8	38.8	41.8	50.5	45.1	46.3	33.9

Source: BPS, BAPPENAS & UNDP. *Indonesia Human Development Report 2004*.

Table 4. The Number and Proportion of Poor People in NTT Province and West Timor, 2004

District/Province	Poor People (Thousand)	% Poor People
Kab. Kupang	109.0	32.68
Kab. TTS	149.5	37.38
Kab. TTU	62.7	30.65
Kab. Belu	70.4	20.51
Kota Kupang	27.8	10.65
NTT Province	1,152.1	27.86
National		16.67

The low welfare levels of the communities in NTT are also reflected in the low per capita Gross Regional Domestic Product (GRDP) figures. The preliminary 2003 figure was only Rp2.2 million, while the GRDP per capita in the four studied districts was less than Rp2.0 million (ranging between Rp1.7 and 1.9 million), far below the Indonesian average which has reached around Rp9.0 million. The poverty rate in NTT is also relatively high (Table 4). In 2004, there were about 1,152,100 poor people in NTT or around 27.9% of the total number of poor households. About 88%

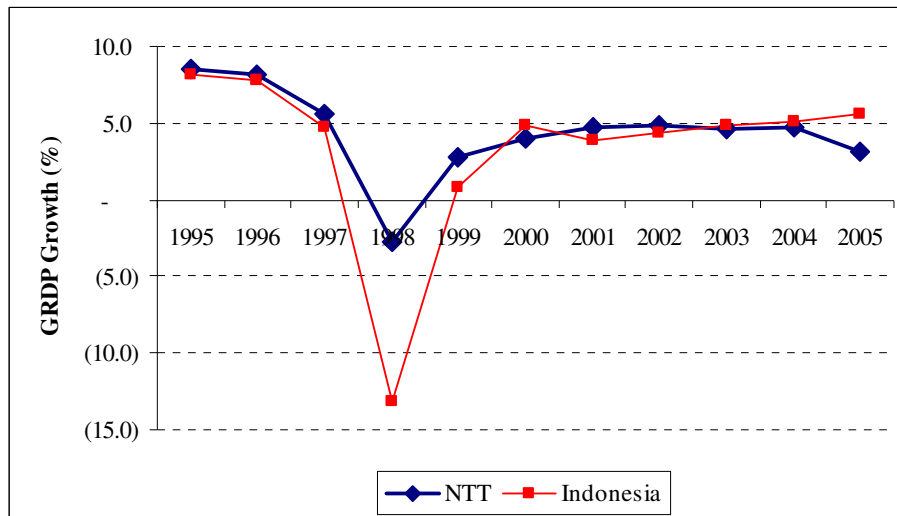
of the poor household heads work in the agricultural sector. Of the four sample districts, Kabupaten TTS has the highest poverty rate at 37.4%, while Kota Kupang has the lowest poverty rate of 10.7%.

D. Regional Economic Conditions

After the economic crisis and drought that occurred in 1997-1998, the economy of NTT showed steady growth. In 2001 and 2002, NTT's GRDP growth was slightly higher than Indonesia's GDP (Figure 4). However, the province's economic growth slowed in 2005.

Among all the districts and city in West Timor, Kota Kupang experienced the highest economic growth, followed by Kabupaten Kupang. Both areas are business centers and centers for the NTT provincial government. In the past couple of years, Kota Kupang in particular has experienced relatively high growth, mainly from the retail trade sector. This economic growth is supported by the growth in banking facilities that are now available in every district. The number of bank offices continues to increase, though most are still concentrated in Kota Kupang.

Figure 4. The Economic Growth of NTT Province and Indonesia, 1995–2005



Although most land in NTT is not favorable for agricultural business, the economy of this province is still dominated by agricultural sector. The preliminary figures for 2004 show that the agricultural sector contributed 42% of NTT's GRDP, while the manufacturing sector contributed less than 2%. These figures do not vary greatly from the conditions in 1999. Various parties interviewed during the preliminary research were optimistic that the agricultural sector in NTT can be developed. The sectoral composition of districts GRDP in West Timor is not very different from the NTT provincial picture. Kota Kupang is an exception, as a large proportion of its GRDP is produced by the other service sector (especially government services), trade, hotel and restaurant, and transport and communications (Table 5).

The major agricultural products of NTT and all the studied districts include cattle, corn, tamarind, candlenut, tubers, nuts, betel nut and coconut. Kabupaten Kupang is the main producer of cattle in NTT, and accounts for almost 25% of the province's cattle production. Kabupaten Kupang also produces peanut, mung bean, rice, soya bean, and kapok,³ as well as fisheries products such as fish, seaweed, squid, and sea cucumber. Significant agricultural products in Kabupaten TTS include cassava, sweet potato, soybean, mung bean, and betel nut. Important agricultural products for Kabupaten TTU include peanut and kapok, while the major commodities in Kabupaten Belu include mung bean, sorghum, tobacco, betel nut, cacao, kapok, coffee, and cashew nut.

Table 5. Sectoral Composition and GRDP Growth in NTT and West Timor

Sectoral Composition of GRDP (%)						
Industrial origin	Prov. NTT (2003)	Kab. Kupang (2004)	Kab. TTS (2002)	Kab. TTU (2003)	Kab. Belu (2003)	Kota Kupang (2002)
Agriculture, Livestock, Forestry & Fishery	34.8	42.7	48.5	40.9	36.2	3.9
Mining & Quarrying	1.1	0.6	0.8	1.5	0.9	1.6
Manufacturing Industry	2.3	1.7	1.1	1.9	1.6	4.8
Electricity, Gas & Water Supply	1.0	0.5	0.4	0.9	0.6	2.3
Construction	5.8	9.4	4.9	6.3	4.3	5.7
Trade, Hotel & Restaurant	14.3	13.6	7.3	6.4	14.8	24.8
Transport & Communication	10.9	7.5	5.0	10.7	12.8	21.3
Financial & Business Services	3.9	1.5	2.4	4.0	5.5	5.7
Other Services	26.0	22.4	29.6	27.4	23.4	30.0
Average Growth Rate (%)						
Industrial origin	Prov. NTT (1999–2003)	Kab. Kupang (2000–2004)	Kab. TTS (1999–2002)	Kab. TTU (1999–2003)	Kab. Belu (1999–2003)	Kota Kupang (1999–2002)
Agriculture, Livestock, Forestry & Fishery	2.8	5.0	1.4	(1.0)	1.7	3.3
Mining & Quarrying	1.8	8.2	0.9	7.8	(0.6)	0.9
Manufacturing Industry	4.2	4.1	3.9	4.0	3.3	2.5
Electricity, Gas & Water Supply	3.6	8.5	1.9	18.4	0.3	2.0
Construction	1.2	1.5	4.6	6.1	1.8	4.6
Trade, Hotel & Restaurant	5.4	3.2	4.2	6.3	3.1	4.0
Transport & Communication	5.6	5.2	3.7	5.6	6.0	10.2
Financial & Business Services	2.7	2.7	2.3	9.3	8.6	2.7
Other Services	11.1	6.5	16.2	15.5	14.3	10.1
Total	5.3	5.2	5.6	4.9	5.2	6.7

Source: Appendix 1.

³At the time the research was being conducted, kapok was no longer well maintained as there were no buyers of this commodity.

A large part of the community in West Timor manage their agricultural businesses by cultivating several commodities simultaneously. Apart from planting food crops, they also cultivate plantation crops, gather forest products, raise livestock, and the coastal communities cultivate seaweed or become fishermen. On average, farming households work less than half a hectare of land. Recently, there has been a growing interest of the community in many areas to grow various varieties of vegetables individually or in group plots, although the size of the plots are limited (see Box 1). In animal husbandry, generally the community only raises one to three large livestock, particularly cattle. In the livestock fattening business, many people are only hired to look after the animals and receive a single payment or commission from the livestock owners. With regard to forest products, primarily tamarind, the community relies on the existing potential offorests.

Box 1. The Obligation to Grow Vegetables: A Story from The Misum Hamlet of Desa Retrain

The Misum Hamlet of Retrain Village of *Kecamatan* Amarasi Selatan is located on a plateau, and has a relatively cool climate. It is quite remote due to the steep, rocky access road that forces vehicles to drive slowly. Every family here grows vegetables. According to the people, the village head made it compulsory for the villagers to grow vegetables. Some villagers said that the instruction came from the subdistrict administration. If a family does not grow vegetables it will be fined Rp5,000 a year, however, the legal basis for this fine is not clear, and the number of villagers who have already paid the fine is not known. One thing is certain, though: this regulation has become a tool to encourage the villagers to grow vegetables in their yard.

In the hamlet head's yard, there is a garden where a group of 15 women grow vegetables. Each person is allocated two or three vegetable beds, each bed measuring approximately one by two meters. The village received assistance from World Vision Indonesia for a water pipeline running from the nearby hill to their garden. Every morning and late afternoon, villagers come to the garden to water the vegetables. They grow shallots, chinese cabbage, carrot and tomato. Most of the vegetables are for household consumption;⁴ only a small part of the produce is sold in the local market.



Most of the agro-industries are dependent on family workers and have very limited capital. The palm sugar and coconut oil industries are among the examples of manufacturing industries that are commonly found in communities across all districts in West Timor. Some villages have become production centers for these two industries, particularly in TTS (see Box 2 and Box 3).

⁴The villagers depend on their cattle, banana trees, and coconut palms as their main livelihoods. They also grow corn once a year, but it is for their own consumption and is not for sale.

Box 2. Desa Tupan: The Center of the Palm Sugar Industry

Desa Tupan is located in the Batu Putih subdistrict, and is one hour and 15 minutes away from Soe (district capital of Kabupaten TTS). The village has a very dry climate and hard soil. Few plants grow well here, however Palm (*Lontar*) trees thrive. The villagers mostly originate from the Rote and Sabu tribes, whose people are well known as *tuak* (an alcoholic beverage made of palm sap) drinkers, and are used to climbing palm trees.

Between 500 and 600 households in Desa Tupan produce palm sugar. One of the producers, a respondent in this study, can make an average of 220 plates of sugar a day. He processes the sugar twice each day, as palm trees have to be sapped twice daily to keep producing sap and stay alive. In order to operate his business, the respondent only outlays money to buy several clay cooking pots, which last for two years and cost Rp150,000 each. He collects firewood from the forest or from the mountain near his house for fuel. The sugar he produces is stored and accumulated while he



waits for buyers from Soe to visit his house. The buyers usually come once a week. The respondent sells around 1,700 plates of sugar each week with a total worth of Rp250,000. He does not sell his sugar in the market, as he has no time left after sapping the sugar palms. The money he earns means he is able to send his children to secondary school. His oldest child has graduated from Senior Technical Vocational School (*Sekolah Teknik Menengah – STM*); his second child is now pursuing his studies at Senior High Economic School (*Sekolah Menengah Ekonomi Atas–SMEA*) in Soe; and his youngest has graduated from Junior High school, but is not continuing to the next level. The respondent wants to make more sugar, but he faces a shortage of helpers to collect the sap since they have to climb palm trees five to ten meters high. He maintains that the younger generation is generally incapable of climbing palm trees, including his children.

In 1980, the local government organized village training on how to make palm sugar. Back then the community practiced the technique of making sugar, but there was no market demand for it, even in Kupang. Now the villagers do their businesses without any government support.

Box. 3. Desa Sei: The Center of the Coconut Oil Industry

Desa Sei is located in Kecamatan Koalbano of Kabupaten TTS. It takes about three hours to get to the village from Soe, as several sections of the road to the village are heavily damaged. Upon entering Sei, one can see a lot of coconut palms. According to the village head, Desa Sei was the home of a king who ordered his people to plant coconut palms. Nowadays each family owns an average of around 10-30 coconut palms, however some families own up to 500.

Coconut oil production has been practiced here for a long time and the practice is passed down from one generation to the next. Almost all of the 541 households spread over three hamlets produce coconut oil. It is generally small-scale production used for personal consumption and for sale.

Traditional processing methods are still widely practised. The process takes three hours, and involves picking the coconut fruit, peeling it, grating then squeezing the flesh, and cooking the extracted liquid to produce the oil. Households that cook coconut oil in large amounts usually buy the fruit from their neighbors as well as using coconuts from their own fields. One coconut costs Rp250 during the wet season and Rp300 during the dry season. Four people in the village rent out grating tools, which are known as mall. The fee for renting the mall is Rp1,500 per bowl (a bowl consists of 30 coconuts). The workers in this industry come from the family. Leaves from the coconut palms and firewood are used for fuel. Each day three batches of coconut oil are made: one in the morning, afternoon, and evening. As much as 0.75 liters can be produced from four to five coconuts.



The oil is usually sold at the Desa Sei weekly market on Thursdays, for an average of Rp3,500 per bottle. During the dry season the price can rise to Rp5,000 per bottle. Sei Village is well known for its coconut oil. Every Thursday people come to the market from surrounding villages especially to buy coconut oil. There is also one intermediate trader in Desa Sei who retails the coconut oil at the market in Niki-Niki (the subdistrict capital). The individual producers in Desa Sei do not personally sell the coconut oil in the Niki-Niki Market due to the high transport cost of Rp20,000 for a round trip.

In the 1980s, Desa Sei received a grant of grating tools, but these are now broken and unusable. In the 1990s, the Plantation Office of Kabupaten TTS provided a grant of coconut seedlings to the villagers. Then in 2000, ten villagers participated in training on how to preserve coconut, which was organized by the Industry and Trade Office of Kabupaten TTS. However, this technology was not applied due to the increase in production costs. As a result, the preserved coconut could not compete with the cheaper products of modern oil manufacturers.

Although the agricultural sector still makes the largest contribution to the NTT and West Timor GRDP, the relative contribution of this sector is continuing to fall, as growth for the sector over the last few years has been lower than total economic growth. The decline in the agricultural sector's contribution is compensated by an increase in the proportion of contributions from the trade, hotel and restaurant sectors, and the transport and communications sectors. In NTT, the trade sector is the third largest contributor to GRDP at around 6 to 16%. The increasing importance of this sector is reflected in an increase in the proportion of the sector's workforce, as suggested in the discussion of human resources (Figure 3, page 7).

The development of the trade sector in Kota and Kabupaten Kupang can be observed from the development of various trade infrastructures, both in the form of *ruko* (a shop with attached residence) and shopping centers. In addition, especially in Kota Kupang, the total number of operators in the supply and distribution of daily necessities is rising. Since 1999, a minimum of three new large wholesalers of various consumer needs have been operating in Kota Kupang. Generally the new traders had been trading in East Timor before it split from Indonesia. Most major operators are supported by agents or shops located in each district in West Timor and a strong network of suppliers. They give better service to small shop owners in the West Timor region as a strategy to penetrate and secure that particular market segment. Small shop owners now receive better prices and services as a result of this competition, as distributors are willing to deliver the goods to the shop and some allow delayed payment. Several distributors even employ sales representatives who go to the shops and small stalls to send and receive orders.

Based on the interviews conducted in the preliminary study, most wholesalers of daily necessities declare they do not face obstacles when obtaining trade permits or when distributing their goods. According to them, there are no formal or informal charges for distributing goods, with the exception of alcoholic beverages. Most food and non-food goods come from Surabaya by ship. The daily and weekly markets, kiosks, and small stalls in remote villages have an important role in the distribution and marketing of various types of community needs. A frequently mentioned obstacle for business development is the low purchasing power of the community, especially in rural areas. Because of this, business operators have recently sought products that are relatively inexpensive and within reach of the community.

In NTT, especially in West Timor, the annual monitoring study by the Regional Autonomy Watch (KPPOD, 2005), reported several factors that impeded business development. Based on the perception of several sample business operators and relevant secondary data, the 2005 KPPOD report highlighted some problems related to bureaucracy, illegal charges, law enforcement, and local regulations that restrain the development of business in this region (see Table 6 and Appendix 3).

**Table 6. Institutional Performance of District and City Governments
in West Timor, 2003 and 2004**

District/ City	Score 2003	Score 2004	Problems
Kota Kupang	C	BB	Local regulations, bureaucracy, development budget in local budget, illegal charges outside bureaucracy, executive - legislative relationship
Kab. Belu	AA	AA	Local regulations, development budget in local budget, executive - legislative relationship
Kab. TTS	AA	C	Local regulations, bureaucracy, abuse of authority, consistency of various regulations, law enforcement, illegal charges outside bureaucracy, executive - legislative relationship, taxes/ <i>retribusi</i>
Kab. TTU	AA	A	Local regulations, taxes/ <i>retribusi</i> , executive -legislative relationship

Sources: KPPOD reports, 2003 and 2004.

Note: The rank is from AAA, AA, A to EEE, EE, E; AAA is the best, while E is the worst.

III. TRADE REGULATION OF AGRICULTURAL PRODUCTS AND ITS IMPLEMENTATION

A. National Deregulation Policy and Local Government Responses

1. 1997–1999

The development of the business climate in NTT cannot be separated from various national level policies. In 1997, the Government of Indonesia (GoI) replaced Law Number 11 Drt, 1957 on General Regulation of Regional Taxes, and Law No. 12 Drt, 1957 on General Regulation of Regional *Retribusi*, with Law No. 18, 1997 on Regional Taxes and *Retribusi*. This amendment aimed to reduce high cost economies and create a better business climate in Indonesia by creating a simpler, fairer, more effective, and efficient charging system. The new law significantly limited the types of taxes and *retribusi* that could be charged by provincial and district/city governments.

Then, on 15 January 1998, the GoI signed a Letter of Intent (LoI), which affirmed the government's commitment to improve the business climate by eliminating regulations that distort the marketing of agricultural products and by reducing the level of charges. Following on from this, the GoI stipulated Presidential Instruction (*Inpres*) Number 1, 1998 on the Prohibition to Charge Exportable Goods, and *Inpres* Number 2, 1998 on Inter-Provincial, Inter-District and Inter-Island Trade. The Ministry of Home Affairs (MoHa) also issued Instruction Number 9, 1998 on the Prohibition to Charge Exportable Goods, and the Removal of the Ban on Inter-Provincial, Inter-Districts, and Inter-Islands Trade; and Instruction Number 10, 1998 on the Removal of Provincial and District Regulations about Regional Taxes and *Retribusi* (Mawardi and Usman, 1998).

Responding to the new central government policy, the provincial government of NTT circulated Governor Instruction Number 1, 1998 to all *Bupati* and *Walikota* (Mayor), which demanded:

- a. The removal of local regulations on charges and *retribusi* on commodities to be exported and traded to other districts and islands;
- b. The removal of *Bupati/Walikota* decrees regarding the ban on the export and inter-districts and inter-island trade of goods and commodities; and
- c. The prohibition of any policies regulating marketing procedure on goods and commodities in all districts/cities.

A field study carried out in 1998 (Mawardi and Usman, 9) found that the 1997/1998 deregulation had positive impacts on traders and farmers in the rural areas of NTT, and that the traders and farmers had eagerly commented that it was the “era of free trade”, in the sense that there were no more government officials disrupting their businesses. The early implementation stage of Law Number 18, 1997 resulted in the removal of 30 regional taxes and 26 regional *retribusi* at the

district/city level in West Timor.⁵ As a result, this supported a more transparent and competitive price formation (Mawardi and Usman, 1998).

The results of SMERU's study *Regional Trade Deregulation, Impact to the Local Economy and Lessons Learned in 18 Kabupaten/Kota* carried out in 13 provinces showed that after deregulation the proportion of prices received by farmers increased, agricultural commodities trade became more competitive, and the obstacles faced during products delivery decreased. The results of the analysis on 36 sample cases comprised of 20 agricultural commodities showed that after the deregulation, the proportion of the final price received by farmers increased by an average of 9%. The margins enjoyed by farmers was higher than those enjoyed by trader (Usman et al, 1999).

2. 2000–Now

In 2000, the GoI amended Law Number 18/1997 and issued Law 34/2000. This adjustment was part of the new policy of administrative and financial decentralization that transferred significant government functions to the district/city level. The new law provides more flexibility to district/city governments to initiate new taxes and *retribusi* as long as they meet certain predetermined criteria. In its implementation, many articles in Law 34/2000 were considered to be unclear. (A comparison of the main points in Law No. 18/1997 and Law No. 34/2000 is outlined in Appendix 2.)

The major change in intergovernmental relations started in 2001, and has stimulated the reemergence of various charges imposed by district/city governments in their efforts to increase local revenue. Although fewer numbers and types of commodities were subjected to charges than before the issuance of Law Number 18, 1997, this trend raised many concerns. Responding to this problem, the central government assigned the Ministry of Home Affairs (MoHA) and the Ministry of Finance (MoF) to review and withdraw any distorting local regulations. This mechanism, however, has not been fully effective due to the vague definition of 'good tax' contained in the existing law and regulations, and the limited capacity of the central government to review all local regulations. Nevertheless, as of 2 March 2006, the MoHA had required the removal of some 506 local regulations, nationwide (Depdagri, 2006).

This study also uncovered the reemergence of some types of the old charges in West Timor, even though the formal licensing regulations abolished these charges. In an effort to comply with the existing national regulations that limit the permissible types of *retribusi*, charges that were particularly associated with the trading of agricultural and agro-industrial products have mostly been changed from *retribusi* to third party contributions (*sumbangan pihak ketiga* – SPK or SP3) or to administration fees. The formal legal base for the imposition of SPK is the MoHA Regulation Number 8, 1978 on the Receipt of Third Party Contributions by the Head of the Region. These changes are confusing and misleading because despite

⁵Based on data from Trade Office of NTT Province, 1998. The decision taken by Kabupaten TTS, via TTS Bupati Instruction No. 2, 1998, revoked as many as ten taxes and 22 regional *retribusi*.

the different meaning of *retribusi*, SPK, and administration fees, these terms are used interchangeably in various local regulations. In some cases, the amount of SPK being charged is set unilaterally (or through an agreement with a limited number of businesspersons), while the administration fees are calculated based on the quantity of the traded commodities. This violates the general rules of SPK, which state that third party contributions should be voluntary and not obligatory, as well as the rules of administration fees, which are determined based on the type and quantity of services and not the quantity of the commodities.

The coverage and the amount of new charges vary across districts/city and across commodities, but they are generally more limited than before the existence of Law Number 18, 1997. Most licenses and charges for the trade of forestry commodities, livestock, and fisheries are still in effect, while the charges related to the trading of plantation products and food crops in particular have been removed in some districts. Nevertheless, information regarding the elimination of these charges has not been widely disseminated.

This study tries to explore and list the various regulations that influence business and trade of agricultural products in West Timor. The results of the investigation will be discussed in the following subchapter and are summarized in Appendix 6. It should be noted that the results are not as complete as expected because of several technical difficulties experienced when collecting the necessary information and data (Box 4). Apart from affecting the comprehensiveness of this report, the problems experienced when collecting documents and information concerning the various regulations at the regional level also reflects weak administration and socialization of the local regulations.

Box 4
Problems with Local Regulation Documentation and Socialization

Several problems were faced during the collection and analysis of local regulations concerning various agricultural and agro-industrial trading, including:

- (1) The poor documentation of local regulations. There is insufficient storage space for the documentation of various local regulations. In fact documents were stacked and unsorted. These conditions make it difficult for local government agencies and researchers to find interrelated regulations and to find out which regulations are still valid and which ones had been amended or abolished. Because of this, there is the possibility that some local governments regulations are not included in this analysis;
- (2) The legal basis for the removal of local regulations that are inconsistent with national policy is ambiguous. In some cases, the removal of the local regulation was stipulated by bupati decree or circular letters that have less legal standing than local regulations. Given the poor documentation of the various regulations, it is very difficult to obtain documentation of the official stipulations concerning the abolition of local regulations that contradict the national regulations.
- (3) The community, and even government officials at the subdistrict level and village staff, have limited knowledge of the changes to regulations and the existing formal regulations, procedures and tariffs. In many cases, the removal of charges is not widely disseminated to the public, which increases the potential for over charging and the imposition of charges that have been formally removed.

B. Regulations on Agricultural Product Marketing in West Timor

In general, this study found no regulations that directly control or restrain the marketing structure of specific agricultural and agro-industrial products in West Timor region. Regulations that specifically limit commodity trade are only found in the livestock sector. These regulations are imposed to curb the spread of livestock disease and increase livestock numbers. They will be outlined in the subsection regarding livestock commodities.

Most of the regulations in effect at the district/city level are developed based on national and/or provincial regulations. The national regulations in effect are usually reaffirmed by local regulations or governor, *bupati*, and *walikota* decree/instruction, or decree of the head of the relevant office. As a result, most regulations are of a similar form across the regions. The main differences can only be seen in the stipulations of the tariff/fee amount for the service/license rendered.

Many of the various regulations in effect in the region regulate business and trade licensing. These regulations can be divided into two categories: general regulations on business and trade; and regulations for specific businesses and trading of specific commodities.

1. General Regulations on Business and Trade

All districts and cities in the study area applied similar business licensing requirements for general trading and manufacturing industry, by referring to Department of Trade and Industry regulations. The licensing requirements are listed below:

- (a) All types of businesses should have a License for Business Location (*Surat Izin Tempat Usaha – SITU*);
- (b) General traders should have a License for Trade Business (*Surat Izin Usaha Perdagangan – SIUP*);
- (c) Manufacturing industry should have a License for Manufacturing Business (*Izin Usaha Industri*) and Certificate of Manufacturing Registration (*Tanda Daftar Industri*);
- (d) Businesses that have a warehouse should have a Certificate of Warehouse Registration (*Tanda Daftar Gudang*).
- (e) All formal enterprises should be registered and have a Company Register (*Tanda Daftar Perusahaan – TDP*).

Local regulations regarding licensing of business/trade and industry generally still refer to old regional and central regulations. In Kota Kupang for example, local licensing regulations were introduced in 2001. In Kabupaten TTS, local regulations regarding trading business permits were introduced in 2002. With reference to new central regulations,⁶ Kabupaten TTU is currently preparing a draft Local Regulation on Guidelines for Issuing Permits and Registration in the Trade Sector. This will regulate all forms of licensing in the trade sector in TTU.

⁶The most recent central regulations include: Decree of the Minister for Industry and Trade No. 596/MPP/Kep/9/2004 on Business Registration Implementation Standards, and No. 597/MPP/Kep/9/2004 on Administration Fee Guidelines for Registering Businesses and TDP Information; Decree of the Minister for Trade No. 09/M.DAG/PER/3/2006 on Stipulations and Guidelines for Issuing SIUP, and No. 16/M.DAG/PER/3/2006 on Structuring and Developing Storage Facilities.

In almost all regions, the stipulation regarding this business licensing only applies to large and medium scale enterprises, while small or micro enterprises are generally not required to have permits.

All of these licenses and certificates should be renewed regularly, depending on the validity period specified by each district/city and the type of license. The validity period for each license type is usually similar for all districts/city, but there are permits with different validity periods. For example, in some regions, the SIUP is valid for as long as the company exists, but there are also regions that set its validity period for five years. The SITU is generally valid for five years, but the SPK should be paid every year. The TDP is generally only valid for three years.

Most operators (traders/shop owners) consider the processes and tariffs to be quite reasonable, so they do not raise any complaints. From the perspective of the importance to local governments, licensing is intended not only to provide order to the administration of documentation of various businesses in the region, but also to increase local revenue. Local governments usually impose SPK when formulating licensing requirements. In order to increase local revenue, TTU and other districts took the initiative to require SITU for all businesses in their area—including small kiosks.

2. Agricultural Product Trade Regulations

Generally, all licensing and regulation of agricultural products are concerned with the inter-districts and inter-islands or cross-border (export) transportation and trading of the commodities. Each regulation and license imposes charges in the forms of *retribusi*, administration fees, or SPK into effect. While the central government has limited the type of commodities that may be levied, there is a tendency for provincial and district/city governments to continue their efforts to collect charges as a source of local revenue. Local governments merely change the term '*retribusi*' to '*retribusi* to cover administration costs' or to SPK, which is legalized under different licensing procedure regulations. These changes are generally determined by decree of the regional head that has less legal standing than *perda*. The list of regulations in various sectors is outlined in Appendix 6.

In addition to the charges at the district level, the village and subdistrict administrations also impose charges on several commodities that are sold or sent to other village (Box 5). The village is the lowest autonomous region that has the authority to arrange their own income and expenditure, and charges are one source of village income. All legal village charges must be recorded in village regulations and approved by the district administration. Besides *retribusi*, a village also receives funds from district budget in the form of Village/Kelurahan Development Funds (*Dana Pembangunan Desa/Kelurahan – DPDK*). In Kabupaten TTS, for example, the value of DPDK funds is set at Rp10 million/village/year. The DPDK funds are allocated for infrastructure development, procurement of office stationery, and village officials' operational costs.

In terms of expenditure, a village's operational costs are not low. Besides having to pay electricity bills and finance various village activities (including meetings with community members), a village also has to finance its official's routine travel expenses for regular trips (at least once a week) to the subdistrict and district offices. For villages located far from the subdistrict/district office, this expense can be Rp50,000 for a round trip. Moreover, the village usually serves refreshments for official visits by local government officials or other important official guests.

Box 5. Village Retribusi

In many villages, trade in agricultural commodities attract charges. Business operators often complain about these charges. For example, one village has five kinds of village charges, four of which are levied on agricultural commodities. These are:

- (1) The fee of Rp2,500–Rp5,000/year is charged for owners of the trees with beehives that produce honey. There are 30 family heads who own these trees. It is estimated that in one year the village receives an income of Rp75,000–150,000 from this fee;
- (2) The fee of Rp50/kg intended for traders buying tamarind from the village. Almost all of the people in this village sell tamarind. In one year, the volume of tamarind sold by the people of this village can reach 30 tonnes, so the village's yearly income from this fee is approximately Rp1,500,000;
- (3) The wood certification fee of Rp1,000/tree. It is estimated that are around 500 trees are felled each year, so this fee contributes approximately Rp500,000 to the village's annual income;
- (4) The cattle certification fee, that is, the awarding of a statement letter of cattle origin, which is Rp5,000/head. About 50 cattle are sold each year, so, this fee contributes approximately Rp250,000 to the village's annual income;
- (5) The family fee of Rp500/month/family head. With 375 family heads, this fee earns the village approximately Rp2,250,000/year.

The legality of all the five kinds of village charges was stipulated in a village regulation released in 2003. When SMERU visited this village, a neighboring village that intends to introduce similar regulations had borrowed the regulation's documentation.

In general, the charges on commodities sold for inter-island trade, particularly cattle and various timber and non-timber forestry products as well as plantation products, are more excessive than the charges on food crops and agro-industrial products. The rank of sectors from the most regulated to the least regulated ones, are forestry products, large livestock, fisheries, plantation, food crops, and agro-industrial products. An analysis of the respective sectors follows.

a. Forestry Commodities

The excessive regulations and charges on forestry products stems from the Government Regulation (PP) Number 34, 2002 on the Forest Management and the Formulation of Forest Management Plans, Forest Utilization and the Use of Forest Estate, which stated that in an effort to protect government rights over forestry products and forest sustainability, the government shall control the traffic and the trading of forestry products. This was supported by the Decree of the Minister of Forestry No. 126/KPTS-II/2003 on the Management of Forest

Products,⁷ which stated that permission from the Department of Forestry must be obtained for the utilization of forest products, and that a Reference Letter on the Legality of Forest Products (SKSHH) should accompany the transportation of forestry products.⁸

The SKSHH application from the NTT Provincial Forestry Office lists many prerequisites that business operators and traders of forestry products must fulfill before the permit is issued (Box 6). However, in practice business operators are not always required to fulfill every requirement and follow official procedure in order to obtain the permit. These conditions give rise to the emergence of collusion and informal charges.

Box 6. SKSHH Application Procedure

◆ **Timber Commodities:**

1. SKSHH Letter of Request
2. Letter of Intention from the applicant
3. Forest Product Measurement Data
4. Notice of Inspection and Measurement of Forest Products from the Subdistrict Forestry Office (KRPH) and the District/City Forestry Office
5. Timber Felling Notice from the village head acknowledged by KRPH and the District/City Forestry Office
6. Letter of Transportation of Forest Products from KRPH
7. Letter of Timber Ownership from the village head
8. List of Forest Products
9. SKSHH from the District/City Forestry Office
10. SPK Receipt from the District/City Forestry Office

◆ **Non-timber commodities (e.g. tamarind):**

1. SKSHH Application Form
2. Letter of Intention and Request
3. List of Forest Products for Non-Timber Forest Products
4. List of Weights from the District/City Forestry Office
5. Notice of Inspection from the District/City Forestry Office
6. Notice to Import Goods (PIB)
7. Continuation of Notice to Import Goods (PIB)
8. SPK Receipt from the District/City Forestry Office
9. Letter of Customs Payment, Import Tax (Tariffs, Port Worker Service, Import Value Added Tax, Income Tax (Article 22)).

⁷NTT Province has Local Regulation No. 17, 1993 on the Permit for the Use of Timber and Non-Timber Products in Privately Owned and other Forests; but in practice, the permit is issued only based on the Decree of the Minister for Forestry. Local Regulation No. 17, 1993 is not put in effect because the administration is not clearly detailed, and also does not regulated the delegation of authority to the subdistrict and village.

⁸SKSHH form is a legal document printed by the Indonesian Money Printing Enterprise (*Peruri*) for the Ministry of Forestry (MoF). MoF distributes the form to provincial forestry offices that will hand it to all districts/cities. A fee for forest resources (PSDH) at the amount of 6% of the predetermined product price shall be paid on the issuance of the SKSHH. An SKSHH document can only be used for one transport vehicle and for one trip, and is only valid for one or two days.

The fiercest complaint regarding the forestry product trading procedure is the uncertain availability of the SKSHH forms, which can delay the transport of products for an unknown period of time.⁹ Traders, particularly inter-island traders, may experience losses due to the delay in shipment and a failure to fulfill trading contracts with trading partners in Surabaya. Traders are also unwilling to transport the products without an SKSHH due to the likelihood of excessive penalties (informal charges) at inspection posts.

Transporters of forestry products are obliged to pay additional SPK charges when the SKSHH is issued. The actual amount of the contribution varies between districts/cities. In TTU, for example, Local Regulation No. 20/1998 on SPK is an agreement between the Forestry Office and four business representatives over the SPK amount signed in 2005. The regulation stipulates that the SPK charged depends on the type and volume of forest products. The Kabupaten Belu local government determined SPK with a similar agreement. The TTU local government currently has plans to increase SPK charges. In addition to SPK, some villages impose charges for various types of timber and non-timber products. The formal charges account for roughly 3.5–5.5% of the final price for timber, and 0–2.5% of the selling price of tamarind and candlenut in Surabaya.

The procedures for felling and transporting timber are more rigid and complicated due to the imposition of Presidential Instruction Number 4, 2005 on the Suppression of Illegal Timber. This is meant to eliminate illegal logging, but has not been fully applied as it is difficult to determine whether the timber being traded is illegal or originates from community owned land. As a result, the regulation and inspection of transported timber products also applies to timber felled from community owned land. The presidential instruction clarifies the involvement of security institutions or the police in the law enforcement of illegal timber. In the field, the police dominate the inspections on trucks transporting timber and other forest products.

A new stipulation on the exploitation and accumulation of timber and non-timber products has recently been released as a follow up to the Presidential Instruction No. 4/2005.¹⁰ This imposed that every business, individual, and cooperation active in the timber or non-timber forestry product sector should obtain a permit to use and accumulate forestry products from the government under the following conditions:¹¹

- (1) Business permits for the use of timber up to 50 cubic meters and non-timber up to 100 tonnes are to be issued by the head of the district/city forestry office upon recommendation by the *bupati/walikota*;

⁹At the time of the field study, the SKSHH forms were not available for more than two weeks, as they had not been supplied by the MoF. This caused SKSHH applications to pile up, particularly for transporting timber.

¹⁰Business operators or traders of timber and non-timber forest products in Kabupaten Belu received a notification letter from the forestry office on the second week of July 2006.

¹¹Currently the only business permits they require are general trading permits, for example an SITU and SIUP/TDP.

- (2) Business permits for the use of timber from 51–100 cubic meters and non-timber products from 101–200 tonnes to be issued by the head of the Provincial Forestry Office upon recommendation by the *bupati/walikota* and a technical review by the head of the district/city forestry office;
- (3) Business permits for the use of timber over 100 cubic meters and non-timber products over 200 tonnes are to be issued by the governor upon recommendation by the *bupati/walikota* and a technical review by the head of the district/city forestry office.

Business operators are concerned with this troublesome procedure and the amount of the charges to be paid.

Local regulations regarding the use of sandalwood are still in effect in TTS,¹² TTU and Belu. Sandalwood trees are almost exhausted, and it is widely believed that this commodity is extinct in West Timor. The regulations imposed in each district are similar, and require permits and recommendations for the exploitation of sandalwood. Recommendation from the relevant local government or forestry office must be obtained for sandalwood felling, transporting, selling and processing. An SKSHH is also required for the transport of sandalwood, and charges are imposed on the sale of sandalwood. The community is still reluctant to replant sandalwood even though it has a high economic value, as they are concerned that the local government will appropriate the trees when they are fully-grown. Most people are not aware of the changes in regulations regarding sandalwood ownership.

b. Livestock Commodities

The trade of large livestock (cattle, horse, and buffalo) has subject to various regulations and excessive charges from the village level up to the district level (see Table 7). This study also came across two regulations in NTT that seek to limit the trade of livestock commodities, especially beef cattle. These are:

- (1) The Governor Instruction No. 7, 1993 on the Implementation of the Prevention and Elimination of Brucellosis (a contagious disease causing still births), which supplements Governor Decree No. 13, 1993 on Directives for the Prevention and Elimination of Brucellosis in NTT Province. These instructions stipulate controls on the movement and shipment of cattle in order to prevent the spread of brucellosis disease. According to this regulation, cattle from TTU and Belu are not permitted to enter TTS and Kupang, and vice versa. Consequently, cattle from TTU and Belu should be shipped from Atapupu port in Belu, whilst the cattle from TTS and Kupang should be shipped from Tenau Port in Kupang. Although this regulation has not been removed, it is no longer forcefully imposed, so some cattle from TTS are shipped from Atapupu and some from TTU are shipped from Kupang. This regulation is also not effective in controlling the movement of calves and cattle for domestic consumption, as calves from TTU and Belu are sold in the cattle markets in Kupang.

¹²The Kabupaten TTS issued the Bupati Regulation No. 12, 2005 to regulate the exploitation of sandalwood on community owned land.

- (2) Governor Decree No. 5, 2006 on Export Allocations for Slaughtered Large Livestock (beef cattle, buffalo and horse) in 2006, aims to limit the total number of livestock exports to ensure the sustainability of the livestock industry (See Box 7). This decree regulates the maximum permitted quantity of exportable cattle from one group of islands to the outer islands, mostly to Jakarta via Surabaya. The provincial government also set minimum weight standards for large livestock: Bali cattle from Timor, 275 kg; Sumba Ongole cattle, 350 kg; buffalo, 350 kg; and horse 250 kg. However, in practice this regulation is difficult to enforce. Traders in all districts send as many head as they are able, and the total number of livestock shipped to outer islands, especially cattle, usually exceeds the provincial regulation allocation¹³ (Table 8).

Table 7. Charges on Cattle Trading in West Timor

Kabupaten Kupang	Kabupaten TTS	Kabupaten TTU	Kabupaten Belu
Village Certification Fee (<i>Leges</i>): Rp10,000 per head	Village Certification Fee (<i>Leges</i>) Rp5,000 – 25,000 per head	Village Certification Fee (<i>Leges</i>) Rp5,000 – 25,000 per head	Village Certification Fee (<i>Leges</i>) Rp10,000 – 25,000 per head
Subdistrict <i>retribusi</i> Rp2,500 per head (only in several subdistricts)	–	–	–
Slaughterhouse <i>retribusi</i> Rp23,500 per head	Slaughterhouse <i>retribusi</i> Rp25,000 per head	Slaughterhouse <i>retribusi</i> Rp25,000 per head	Slaughterhouse <i>retribusi</i> Rp35,000 per head
Cattle Market <i>retribusi</i> Rp12,000 per head	–	–	–
–	–	Holding Ground <i>retribusi</i> : Rp10,000 per head	Holding Ground <i>retribusi</i> : Rp10,000 per head
Fee for Health Examination: Rp5,000 per head	–	–	Fee for Health Examination: Rp10,000 per head
Permit for cattle delivery: Rp5,000 per head	Permit for cattle delivery: Rp20,000 per head	Permit for cattle delivery (SPK): Rp20,000 per head	Permit for cattle delivery (SPK): Rp20,000 per head
		Health Certificate: Rp10,000 per head	Health Certificate: Rp10,000 per head
Fee for Quarantine: Rp10,500 per head	–	Fee for Quarantine: Rp10,500 per head	Fee for Quarantine: Rp10,500 per head
Seaport handling: Rp33,500 per head (including dockworkers)	–	Seaport handling: Rp10,000 per head	Seaport handling: Rp10,000 per head

¹³The Animal Husbandry Office of Kabupaten Kupang does not fully agree with the livestock quota system, which is calculated based on the population. For Kabupaten Kupang, there needs to be consideration of the movement of livestock from other districts because of the increasing development of the cattle fattening business in the region, where some of the calves come from other districts. Hence, the export quota for livestock from Kabupaten Kupang must be higher than the quota stipulated by the provincial authority.

Table 8. Quota and Export Realization of Cattle from NTT Province, 2001–2005

Year	Quota	Real Export	
2001	35,000	55,680	159%
2002	36,000	42,410	118%
2003	39,000	35,061	90%
2004	42,200	61,211	145%
2005	39,070	48,619	124%

The NTT Perda No. 13/2003 on *Retribusi* for the Payment of Administration Cost concerns licensing procedures and the imposition of charges.¹⁴ The services covered by these charges involve: livestock product export quality certification, health certification, large livestock calf certificate, large livestock export/transport permit, and livestock export and import recommendation. The large livestock export/transport permit and large livestock calf certificate attract tariffs as high as Rp20,000/head,¹⁵ while other administration service fees attract fees between Rp10,000 and Rp50,000 per certificate or permit. The fees for the large livestock export permit and the health certificate (Table 7) are collected by the district/city and then divided, with 30% going to the province and 70% going to the district/city. In Kabupaten Kupang, *retribusi* tariffs and decisions regarding the sharing of funds are unclear, as there is no agreement between the district and the province. As outlined in Table 7, the Kabupaten Kupang Animal Husbandry Office only charges SPK of Rp5,000/head for large livestock inter-island trade. Almost all inter-island traders of large livestock consider *retribusi* for livestock export/transport permits as SPK.

The export and import of livestock in Kabupaten TTU and Belu also attract a holding ground fee. The livestock holding yard is provided by the district government, and is separated from the livestock quarantine. In Kabupaten Kupang and Belu there is also a charge for the health inspection.¹⁶ In Kabupaten Kupang, which has the only large livestock market in Timor Island, traders who buy livestock from the market pay *retribusi* calculated based on the type of livestock: adult cattle and buffalo attract a fee of Rp12,000 per head while cattle and buffalo calves attract a fee of Rp7,500 per head.¹⁷ The Kota Kupang local government enacted a permit to

¹⁴According to Inmendagri No. 10, 1998 both *perda* on *retribusi* and ‘*leges*’ should had been be revoked. The *retribusi* for the payment of administration cost is categorized as a general service *retribusi* and charged as a payment of a cost for service provision generally linked with specific sectors and services (motor vehicles, business permits, research, film/recordings, environment, agriculture, etc.). Administrative services provided by local government involve preparing and supplying/using of: forms, letters of permission/recommendation/reference/certificate, excerpts or copies of various documents, ratifying maps/ pictures/blueprints related to planning matters, legalizing letters, supplying government work service, and supplying labels and information service.

¹⁵In the case of TTS, Bupati Instruction No. 2 of 1998 removed *retribusi* for cattle export to other regions. But in 2002, Bupati Instruction No. 1, 2002 stated that the export of cattle, buffalo, and horse is charged with SPK of Rp15,000 per head. Then, in 2005, the Letter of the Head of Animal Husbandry Office determined the permit charge to export large livestock (cattle) at Rp20,000 per head.

¹⁶Charges for holding grounds and health inspection fees are regulated in Kabupaten Belu Local Regulation No. 1, 2003, on *Retribusi* for the Use of Local Resources. In Kabupaten Kupang, the imposition of health inspection fees refers to Local Regulation No. 7, 2000 on Animal Health Services *Retribusi*.

¹⁷In 2001, Kabupaten TTU enacted Local Regulation No. 57/2001 on Animal Market *Retribusi*, however it has not been effective as there are currently no animal market facilities.

raise livestock, which is intended to maintain hygiene standards, protect the environment, and protect other general interests, including sources of local revenue. Another regulation was enacted to give all district/city governments the authority to impose slaughterhouse charges and *retribusi*.

**Box 7. The Cattle Population in NTT Province
Is it Increasing or Decreasing?**

There are two different sources of information concerning the growth of the cattle population in NTT. One source reveals that cattle numbers have increased, and the other source states that numbers have decreased. Calculations by the NTT Province Animal Husbandry Office indicate that cattle numbers increase each year. The calculations show:

- A birth rate of 24% per year
- Mortality levels of 6% per year
- Slaughter rates of 6–7% per year
- An inter-island export rate of 10–11% per year (provincial quota)

Based on the above figures, the Animal Husbandry Office of the NTT Province estimated that the increase in cattle population could be maintained at a level of 1–2 % per year. The following table presents the data on the projection of the growth of cattle population in NTT using a growth trend of 2% per year.

Cattle Population Growth in NTT (number of head)

2000	2001	2002	2003	2004	2005
486,323	495,052	503,154	512,998	522,930	533,710

Source: The Animal Husbandry Office of the NTT Province

The Animal Husbandry offices in all districts in West Timor region also believe that the cattle population has increased. One official claims that the impression that the cattle population has decreased is a rumor created for the interest of business people. Below are several arguments SMERU came across that give the impression that the cattle population is declining.

- (1) One businessman in TTU stated that the number of cattle raised by the community is decreasing more and more because many bulls are exported to other regions, while many cows are slaughtered to provide the region's own meat supply.
- (2) A farmer, said that he once had 11 to 19 head of cattle but now there are only has four left as he sold some and others had died.
- (3) A teacher in Kecamatan, observed that many farmers in his village sell male calves to meet education expenses, and the cattle population, especially bulls, had decreased even more. At the same time, the demand for male calves to be fattened for slaughter has recently increased.

The immediate need for education funds forced some farmers to sell part of or even all of their livestock. Money from the sale of livestock is also used to build or repair houses, cover expenses related to traditional customs (*adat*), such as for the payment of the *belis* (bride price), and to fulfill the daily needs of the family. In addition to those cattle that meet the criteria for slaughter, sometimes cows of a productive age and their calves are also sold. Other factors that affect the present cattle population based on information gathered in the field are listed below:

- (1) The availability of fields for herding and grazing is decreasing as a consequence of the development of settlements and intensification of plantations and food crops.
- (2) Raising cattle is currently difficult due to the high incidence of cattle theft. Cattle have to be stalled and fed. This raises difficulties for farmers as they have to build stalls and look for cattle feed or grass.
- (3) There is a shortage of cattle feed in the dry season, usually between September-November. Many cases of cattle feed theft are reported during this period.
- (4) Because the community has developed their skills in agricultural cultivation, attention has shifted from raising cattle to growing crops. Cattle have been neglected as a consequence.

The quarantine and seaport regulation refers to the Government Regulation (PP) and Agriculture Minister Decree—both central government regulations. Central government officials based in the region render the services. The tariffs for quarantine services are determined in PP No. 7, 2004, on Changes to Tariffs on Non-Tax Government Revenue. The port arrangements are the task of shipping companies that are paid by inter-island livestock traders. In this way, the port head or harbormaster is the extension of the Department of Communications and Transport assigned to monitor freighter and passenger ship traffic (through docking permits) as well as the loading and unloading of goods.¹⁸

This study also shows the existence of charges (*retribusi*) to fund local government services in accordance with the regulations, even if the service is not provided. Several charges, like the ‘holding ground’ (livestock receiving yard) service fee in TTU and Belu, the health inspection fee, and quarantine fee in Atapupu, are charged although the local government or government do not provides any services.¹⁹

A large number of village/*keurahan* administrations in the West Timor region also enforce charges (*leges*) for the trade of large livestock, which vary between Rp5,000 and Rp25,000 per head. These village administration fees cover the cost of issuing ownership and origin certificates. These certificates are required by traders to prove that the livestock they are trading is legal and not stolen. Several villages—particularly in some subdistricts in Kabupaten Kupang—also impose a charge for small livestock (pigs and goats) and poultry owned by the community that will be sold in the market.

c. Fishery Commodities

In the fisheries sector, fishing vessels and fisheries businesses are subjected to various licensing requirements and regulations imposed by the central and provincial governments, as well as district/city administrations. The following regulations apply to fishing vessels:

- (1) All fishing boats should follow regulations concerning boat safety and navigation under the authority of the Ministry of Transportation, particularly the ministry appointed harbormasters. Vessel owners are required to arrange the following documents through the harbormaster: letter of vessel size or gross certificate, safety certificate, annual pass, and a shipping permit (SIB). For the purpose of shipping safety, every boat or ship, including fishing boats should obtain an SIB from the harbormaster each time they go to sea. Owners of large fishing boats (more than 2 gross tonnes) complain about the transparency of the cost to obtain the permit; owners cannot go direct to the harbormaster, but instead have to obtain the permit through specific agents, who charge almost ten times the formal charge. The official tariff for SIB is Rp15,000, however

¹⁸In Tenau Port shipping operators must be in contact with the harbor management, PT Pelabuhan Indonesia II.

¹⁹A large proportion of large livestock inter-island traders do not use the holding ground facilities owned by the local government because they have their own storage facilities, which they also use as a place to raise and fatten the livestock. However, if they do not use the local government facilities they are required to pay the service charge anyway. Moreover, most traders in TTU and Belu do not use the animal health inspection and quarantine services, but are required to pay the service fees regardless.

agents impose a tariff of Rp150,000. In addition, a recommendation from the Provincial Fisheries Office costing Rp100,000 is a prerequisite to obtain an SIB. Due to the high cost of arranging the SIB, many fishermen ship without it and risk being caught by the Navy or Water Police.

- (2) Boat owners also require a fishing permit to operate fishing vessels. The authority to issue fishing permits lies with the central, provincial or district/city level administration, depending on the size of the vessel. Fishing permits for boats under 10 gross tonnes (GT) can be obtained from the district/city Fishery and Marine Office; for boats of 10–35 GT from the provincial office; and more than 35 GT from the central government. The provincial and district/city administrations have local regulations pertaining to fisheries business licensing.²⁰ In connection with the sea border authorities between Kota and Kabupaten Kupang, business operators and vessel owners complain that they must have two permits for the same purpose.

Apart from regulating permits to catch fish, some local regulations require other permits for fisheries businesses to buy and harvest, transport, and process fisheries products. At the provincial level, the fee to obtain these permits, which was initially called '*retribusi*' has been changed to 'administration fee' as required by Local Regulation No. 13, 2003.

Other provincial regulations regarding fisheries are: (1) Local Regulation No. 11, 2001 on The Use of Regional Resources, which stipulates the fee for inter-island fisheries product quality inspection (the amount is stipulated in Governor Regulation No. 12, 2005); (2). Local Regulation No. 1, 2003 on Initial Changes to Local Regulation No. 12, 2001 on Port Services *Retribusi*; and (3) Local Regulation No. 13, 2001 on Fishing Vessel Inspections.

In some areas, small fishing boats that moor at the traditional port are not charged with *retribusi* because the formal fisheries auction site has not been operating. However, fishermen owning small fishing boats reveal that they are levied with *retribusi* of Rp60,000/year in TTU and Rp25,000/year in Belu by the local Fishery and Marine Office. In Belu, the head of the fishermen's group collects the *retribusi* payments, while in TTU, the payment is individually lodged by the fishermen.

The trading of fish for local consumption is not subject to any charge, but those sold for export to other islands or other countries are subject to SPK, a quarantine permit, and quality control certification. However, traders generally do not complain about the licensing and charges imposed by the fishery office because the procedure is considered to be quite simple and the total cost of charges are also reasonable.

The traders of seaweed, like the traders of any other fish products, have to obtain a permit from district/city fishery office to buy and collect fishery products. A letter from the quarantine office should accompany seaweed exports. In Kupang, up until

²⁰The local regulations which regulate fisheries licensing at the provincial level and in several districts/city are: (1) NTT Province Local Regulation No. 11, 2003 on Fisheries Business Permit *Retribusi*, (2) Kota Kupang Local Regulation No. 11, 2001 on *Retribusi* for the Licensing of Fisheries Businesses, (3) Local Regulation Kabupaten TTS No. 40, 2001 on Fisheries Business Permit *Retribusi*, and (4) Kabupaten TTU Local Regulation No. 41, 2001 on *Retribusi* for Permit to Catch Fish.

2004 traders had to pay the village administration Rp100/kilogram for dry seaweed purchases. This charge has now been removed.

d. Plantation and Food Crop Commodities

The plantation and food crop sector is the least regulated sector and should have been free from any charges since 1998. Nevertheless, in practice charges are still imposed on these commodities, for example:

- Kabupaten Kupang only removed *retribusi* for the control over agricultural products in early 2005. Although this *retribusi* has been abolished, several traders of plantation products, for example cashew traders, have asked for certificates from the subdistrict administration as they are scared they will be checked by officials or police during the journey.
- In Belu, these commodities are still charged with SPK based on *Bupati* Decree No. 142/HK/2004. Local government still requires a permit for the export of agricultural produce to outside the region in accordance with the effective stipulations regarding licensing, and payment of SPK is a prerequisite for obtaining the export permit. The Economics Division of Kabupaten Belu Local Government now handles licensing and SPK payments, instead of the relevant Food Crop and Plantations Office. However far less commodity types attract SPK now than before the 1997 deregulation.²¹
- In TTU, local regulations concerning permits for the export of food crops and plantation products to other regions are no longer in effect.²² However, in practice there are still business operators and traders who sell their products outside the region, who ask the office for a permit to protect them if there are road inspections. Agencies provide this service in accordance with the business operators' requests, and do not charge the relevant formal fee. However, the business operators and traders who ask for the permit usually voluntarily give the official money as recompense.
- These commodities only require a quarantine permit if they will be sent to the outer islands.

²¹Commodities still attracting charges are seaweed, cashew nut, copra, shallots, garlic, cocoa, peanuts, green beans, redbean, tubers, coffee, kapok seeds, castor oil seeds, coriander, kusambi seeds, bark and peel of agricultural and plantation commodities, corn, and honey.

²²Local Regulations regarding export permits for agricultural products enacted by the TTU Local Government are Local Regulation No. 55, 2001 on *Retribusi* for Forestry Product Harvesting Permit Amendment, and Local Regulation No. 56, 2001 on Agricultural and Plantation Product Export Permit *Retribusi*.

e. Agro-Industrial Products

Regulations for the agro-industrial product industry involve general business permits as covered in subchapter B.1. In almost all areas, however, small and micro agro-industrial enterprises and home industries are not required to have such permits.

In TTU, the production and trade of *sopi* (an alcoholic beverage made from palm sap) requires an alcoholic beverages vendor permit (Local Regulation No. 22, 1998).²³ The study findings show that the process to obtain this permit is flexible and does not consistently adhere to the local regulation. The procedure to obtain a permit differs between villages. In a production center of *sopi* in TTU, *sopi* producers and traders go to the village office and the village head collectively arranges the permit through the Kabupaten TTU Local Revenue Office. After the permission letters have been processed, an official from the Local Revenue Office goes to the village to dispense them and collect retribusi up to Rp60,000/year. In another village, the license is collectively given to six producers with a four-month validity period, yet it attracts the retribusi of Rp60,000.

²³The legality of the existence of the manufacturing of *sopi* is still debatable. On one side *sopi* is a traditional drink that is widely consume in traditional ceremonies and activities, and is also a source of community income. On the other hand, an effort to control it is needed considering there are often disturbances or criminal problems as a result of people being drunk on *sopi*. Because of this, Kabupaten Kupang and Kabupaten TTS have outlawed *sopi* production for commercial purposes.

IV. AGRICULTURAL PRODUCT MARKETING

A. Marketing Channels and the Role of the Market in Agricultural Product Marketing

Most agricultural and agro-industrial products that are traded to other regions go to Surabaya and to a lesser extent South Sulawesi and Bali. Table 9 presents a summary of marketing destinations for agricultural commodities and some processed products. Cattle, tamarind, candlenut, cashew nut, and seaweed are among the products sold to other islands in relatively large quantities. Horse, peanuts, mung bean, teak, honey and other non-timber forestry products are sold in lesser quantities. Tuna, shark fin, sea cucumber, and oranges are also exported to other regions. Most agro-industrial products, including coconut oil, brown sugar, various processed beef, salted/dried fish, and eucalyptus oil, as well as various food crops and fish are usually for local consumption. The marketing chains of various products are presented in Appendix 4.

Table 9. Commodity Marketing Destinations

Commodity		Marketing Destination	
Animal Husbandry			
	Cattle	Inter-island & local	Bekasi, Jakarta
	Horse	Inter-island	Makasar, Jenepono
	Pig, Chicken	Local	Daily & weekly markets
Plantation Crops			
	Cashew Nut	Inter-island	Alor
	Coconut	Local	Daily & weekly markets
	Betel Nut (<i>Pinang</i>)	Local & domestic	Daily & weekly markets
Food Crops			
	Corn	Local	Daily & weekly markets
	Peanut, Mungbean, Shallots	Local & domestic	Daily & weekly markets
	Vegetables, Sweet Potato	Local	Daily & weekly markets
Forestry Products			
	Timber, Candlenut, Honey	Local, domestic, inter-island	Java
	Tamarind	Inter-island & export	Via Surabaya, Pakistan
Fishery Products			
	Seaweed, Tuna	Inter-island & export	Via Surabaya & Denpasar
	Sea Cucumber & Shark Fin	Inter-island & export	Via Surabaya & Denpasar
	Other sea fish	Local & domestic	
Agro-industries			
	Brown Sugar	Local & domestic	Daily & weekly markets
	Coconut Oil	Local	Daily & weekly markets
	<i>Sopi</i> (Traditional Liquor)	Local & domestic	Daily & weekly markets
	Sandalwood Oil	Domestic & export	Daily & weekly markets
	Beef Products	Local, domestic, inter-island	Surabaya
	Salted/dried fish	Local & domestic	Daily & weekly markets

Note: The term 'domestic' refers to the West Timor Region.

Weekly markets in rural areas support the trading economy of this region. The relatively large weekly markets are mostly located in subdistrict capitals and can be accessed by communities from several villages/*kelurahan*, both those within or outside the respective subdistrict. Only one or two large markets in the district/city capitals are open every day. The total number of markets recorded by each district/city government are outlined in Table 10.

Table 10. Market Types in West Timor

District/ City	Market Types	No. of Markets	Notes
Kab. Kupang	1. Daily	1	Managed by <i>Dispenda</i> (Revenue Office)
	2. Weekly	10	
Kab. TTS	1. Daily	1	Managed by <i>Dispenda</i>
	2. Weekly	34	Managed by subdistrict/village under the supervision of <i>Dispenda</i>
Kab. TTU	1. Daily	1	Managed by <i>Dispenda</i>
	2. Weekly	22	
Kab. Belu	1. Daily	1	Managed by <i>Dispenda</i>
	2. Weekly	27	
	– Local Government	10	Non-active, security problem
	– Border/Local Government	3	
	– Traditional	14	
Kota Kupang	Daily	4	Including one fish market managed by <i>Dispenda</i>

All daily markets and some weekly markets managed by the district/city government provide open space and simple permanent stalls. However local traders do not use the stalls in some markets, as they prefer to sell in the open space or make their own simple stalls in locations they consider easier to reach by consumers. The district/city governments via the revenue office (*Dinas Pendapatan Daerah*) charge traders or farmers who sell in the market a market *retribusi* in most marketplaces. Some small community run village markets are exempt from this practice and usually have a voluntary contribution system.

Markets with potential as a source of local revenue are generally managed directly by the district/city government authority via the local revenue office and are not delegated to the subdistrict or village/*kelurahan* authority. Hence the subdistrict and village/*kelurahan* authorities are not authorized to monitor the market operations. In local government managed markets, officials from the local revenue office collect *retribusi* with the assistance of subdistrict staff. In Kabupaten Kupang, the subdistrict

receives a share of the revenue from market *retribusi*, while in Belu and TTU the subdistrict does not receive any *retribusi* revenue; only a subdistrict official (usually a non-permanent civil servant) directly involved in the collection receives a small fee. This kind of market management is ineffective and highlights the need for an improvement in market facility management practices, including a need for the involvement of the local community.

Rural markets have a limited role in the support and marketing of locally produced agricultural products. The type of goods sold indicates that the main role of the weekly market is to provide various necessities to the local community. Direct observation found that weekly markets and daily markets mainly sell groceries, clothes, kitchen utensils and electronics for local consumption. In general, outsiders supply almost 80% of the goods sold in the weekly market (Box 8). Local people from the respective subdistrict and neighboring subdistricts supply the rest of the goods. Local products are generally sold for local consumption, mostly vegetables, fruits, sweet potato, cassava, corn, rice, nuts, coconut oil, small livestock (pigs, goats, and chickens), and various home made food. Only very limited quantities of local produce are bought by traders, particularly bananas, vegetables, tubers, chicken, and pigs, for sale in other (usually larger) markets or in small kiosks lining the main road.

Box 8. Mobile Traders in the Weekly Market

The village and subdistrict market, better known as the *pasar mingguan* (weekly market) plays a significant role in West Timor community economies. This is primarily due to the large distances between the district market and the villages and subdistricts. In addition, the numbers of weekly markets is much higher than daily markets. In Kabupaten TTS, for example, there is only one daily market (district level market), whereas there are 34 weekly markets.

The weekly markets in the various subdistricts are open on different days, and traders move around in accordance with the market schedules. For example, a garment trader from Semarang has the following schedule:

Day:	Market:	Kecamatan:
Monday	Pasar Manila	Kec. Amanuban Timur
Tuesday	Pasar Oinlasi	Kec. Amanatun Selatan
Wednesday	Pasar Niki-niki	Kec. Oenino
Thursday	Pasar Kapan	Kec. Mollo Utara
Friday	Pasar Oesao	Kec. Kupang Timur
Saturday	Pasar Camplong	Kec. Fatuleu
Sunday	Day off	

At the weekly market, the garment trader sells her goods outside the market building. She sets up her own wooden stand, which costs about Rp40,000. The trader obtains the garments under a loan system from a shop in Kupang. Her daily turnover is around Rp400,000 with a gross profit of about Rp100,000 per day. The market *retribusi* is Rp2,000 per day, and this market are is usually open between 6.00am and 3.00pm.

In order to get to the markets, the garment trader rides a private truck together with 18 other traders, including kitchen utility traders, imitation jewelry traders, and garment traders. All of the traders are from Central Java, particularly Semarang and Demak. The truck fare is paid every week: garment traders pay Rp150,000 per week, kitchen utility traders pay Rp160,000 per week, and the imitation jewelry traders pay Rp100,000 per week. Together, these traders move from one market to the next. Sometimes they spend the night in one market and at 5 am the next day travel to the next market. While the traders are selling their goods, the truck is used to carry sand. Sometimes police stop the truck because it is overloaded with the traders and their goods. When this happens, each trader will contribute a certain amount of money to give a bribe to the police.

Almost all products exported to other islands are not traded in the markets, as inter-island traders usually go direct to the producers. Some farmers residing near the district/city capital take their produce directly to shops and large traders. During the peak harvest period (see Table 11) some farmers take their produce to the market to sell to the traders, but the transaction usually takes place outside the marketplace.

Table 11. Harvest Periods for Selected Agricultural Commodities

Commodity	Harvest Period
Cattle	All seasons, peak February-August
Horse	April-October
Coconut	All seasons, peak during wet season (June-September)
Corn	April and October
Peanut, Mungbean, Shallots	October
Garlic	August-September
Orange	April-May
Honey	July and October
Candlenut	February
Tamarind	August-December
Sea fish	June-October
Sopi (Traditional Liquor)	March-September

Table 12. Charges for Cross Border Trade from Belu to Timor Leste

No.		Location	Tariff (Rp/truck)	Remarks
Checkpoints:				
1.	Customs	Belu border gate	Minimum Rp100,000	Pay upon entry and exit
2.	Indonesian Army Post			Causing economic losses
3.	Police Post			
4.	Immigration			
Formal charge:				
1.	Quarantine	Belu border gate		Depends on commodity type
2.	Export Declaration	Belu	Rp250,000	
3.	Recommendation Letter of Vehicle Permit	Belu Government	Rp100,000	
4.	Visa	Timor Leste	US\$30	
5.	Loading Permit	Timor Leste	US\$30	

Kabupaten Belu is bordered by Timor Leste, and is a border crossing trading route. Since the security problem arose in the border area in 2003²⁴, there has been no cross border trade in the three markets of Motaain, Turiskain and Metamaut. The Kabupaten Belu government is still waiting for orders and policies from the central government to reactivate these markets. Before the shootings, traders from Indonesia usually took groceries to Timor Leste and brought back agricultural products,

²⁴This problem is rooted in the latent conflict between pro-Indonesia and pro-Timor Leste factions, which led to a shooting incident causing four fatalities (one Indonesian army commander and 3 civilians).

particularly coffee, tamarind, cacao, watermelon and cashew nut. However, the cross-border traders revealed the many charges that were imposed both in Indonesia and in Timor Leste (Table 12). Traders had to set aside as much as Rp1 million each crossing to pay the charges.

B. Market Structure and Price Determination

The marketing of various agricultural products in the West Timor region is characterized by the presence of many small producers with limited marketing power, and fewer numbers of intermediate traders at village, subdistrict, and district levels. This study found no government regulation that specifically restricts the marketing of agricultural products and directly creates monopoly or monopsony powers for certain traders or business operators.²⁵ However, there are only a few inter-island traders, with the exception of inter-island cattle traders. Only two dominant inter-island traders are based in Atambua, and a larger numbers are based in Kupang. These monopsony structures are naturally formed by the relatively isolated conditions, the limited quantity of produce, and established business connections with trading partners in Surabaya—the main export destination for almost all West Timor’s raw products.

There is a relatively new trend of increasing numbers of business operators going to Kupang from other regions such as Surabaya, Jakarta, and Denpasar—or even from other countries—to buy local produce. This has increased market competition in Kupang. The rise in the frequency of flights to and from Kupang has positively impacted the marketing of local products,²⁶ as more buyers and traders are coming to the regions and more goods are sent as aeroplane cargo. The presence of new buyers increased the price of several commodities, however most producers have not enjoyed these increases due to limited product and price information, poor road infrastructure in some regions, and excessive illegal levies. These all act as disincentives for farmers and small traders to take their commodities directly to Kupang.

Farmers are free to choose buyers and sometimes compare the prices offered by more than one buyer. However, in almost all cases traders dominate the product price determination. Farmers are forced to sell their produce immediately in order to fulfill their families’ daily needs, and this weakens their ability to determine their selling price. Long distances to the market and their relatively limited amount of produce also lower the farmers’ bargaining position (See Box 9). Intermediate traders usually offer similar prices for cattle and other export products bought direct from producers, as they use the price determined by inter-districts and inter-island traders as a reference. This in turn influences the price determined by buyers in the destination market, mostly Jakarta and Surabaya.

²⁵There is a regulation that prohibits the inter-islands trade of productive female cattle, but it does not create a monopoly or monopsony.

²⁶In the past, only Merpati Airlines serviced flights to and from Kupang. Currently four airlines operate from the Kupang Airport (Merpati, Batavia, Sriwijaya, and Trigana). Flights from Kupang to district capitals such as Maumere, Labuan Bajo, Ngada, Sabu and Atambua are now available more often.

Several transaction practices in West Timor cause losses to farmers and producers. These include:

- (1) *Ijon*, or a system of selling produce before the harvest period. This is evident particularly in the orange plantations in TTS. These producers sell their products before they are harvested, either intentionally because it is easier for the farmer or because of the higher bargaining power of traders. Prices for this practice are determined via a bargaining process that estimates the quantity of the harvest.
- (2) Some intermediate traders offer a relatively high price—almost the same as the price offered by the large and inter-island traders—but we suspect that they manipulate the weighting so that the price received by farmers is actually low. These practices cause great losses to farmers and producers and are fraudulent. These claims are backed up by some intermediate traders, who stated that they ‘must be clever’ by reducing the recorded weight of the produce so they do not suffer a loss.

Box 9. Why Don't Farmers Receive Fair Prices?

In the Misum Hamlet of Desa Retrain, there are four intermediate traders who usually buy the villagers' agricultural products, particularly banana and coconut. They also purchase the products from the other three hamlets in Desa Retrain and sell them in Oesao Market. These traders complain about the large price difference between the selling price in Oesao Market and Kupang Market.

Traders from Kupang purchase coconut and banana from the intermediate traders, and enjoy higher profits. The intermediate trader only receives a net profit of Rp50 per coconut, while the Kupang trader can profit by Rp400. A similar imbalance occurs in the banana trade. It is estimated that the intermediate traders receive a profit of Rp13,000/stalk; while the Kupang traders receive a profit of more than Rp20,000/stalk.

The table below shows that the prices of banana and coconut at the Kupang Market are two and three times higher respectively from the prices at Oesao Market. This results in low farmgate prices.

	Coconut	Banana
Farmgate price	Rp200/coconut	Rp10,000/stalk¹⁾
Transport cost from the hamlet to the Oesao Market	Rp100/coconut	Rp1,000/stalk
Retribusi		
- <i>Retribusi</i> at the Oekabiti Post	Rp2,000/vehicle	
- Market <i>retribusi</i>	Rp2,000-Rp2,500/trader	
Selling price in the Oesao Market	Rp350/coconut	Rp25,000/stalk
Transport cost from the Oesao Market to the Kupang Daily Market	Rp150/coconut	Rp1,500/stalk
Selling price in the Kupang Daily Market	Rp1,000/coconut	Rp5,000/bunch Rp50,000/stalk

¹⁾ 1 stalk = 10 bunches

According to the intermediate traders, the fact that traders from Kupang determine the prices causes the low selling prices at the Oesao Market. But they do not go directly to Kupang because they are afraid they may not be able to sell all of their goods. In addition, the trip to Kupang will consume a large amount of their time, leaving less time for additional transactions in the village. Consequently, the village intermediate traders prefer to sell their goods for a low price than risk taking unsold goods back to the village.

It takes approximately two hours to travel from the Misum Hamlet to the Oesao Market costing Rp10,000 per round trip, and one additional hour to go to the Kupang Daily Market from the Oesao Market, costing Rp5,000 per round trip.

The life of the farmers in this village has become harder since the prices they receive have declined, and the cost of daily needs have increased. The price of rice in the village, for example, is Rp4,500/kilogram, while in the Oesao Market, it is Rp4,000/kilogram. Villagers rely on kerosene for their lighting requirements. The price of kerosene in the village is Rp3,500/liter, while in Kupang, it is Rp2,500 per liter.

There are two types of intermediate traders: those who own their own capital or those who use capital from large (inter-island and district level) traders. In many cases, the intermediate traders use capital from large traders and only act as an intermediary between the seller and the large trader. In this case, they receive a wage, commission, or share of the profits. These intermediate traders primarily purchase agricultural commodities such as large livestock, timber, tamarind, and candlenut. There are intermediate traders at the village and subdistrict levels. Generally, village intermediate traders deal directly with large traders at the district level, however, some transactions do occur between village and subdistrict intermediate traders. In almost all cases, inter-island traders usually determine prices based on the information from or contract with their trading partners. Thus, the trading partners determine the price of exported products.

The benefit received by farmers and producers and their bargaining position can be measured by comparing the farm gate price to the final selling price of their respective commodities. A rough estimate based on information provided by farmers and traders in West Timor shows that the proportion of the final selling price received by farmers varies between commodities and trading modalities (see Appendix 5). In the case of cattle, farmers who sell calves and receive payment for fattening²⁷ only command around 40% of the selling price in Jakarta, which is much lower than the 70% received by farmers who sell large cattle ready for slaughter (see Box 10). In the cases of processed sea cucumber and shark fin, fishermen receive around 50% of the Kupang selling-price. This is due to the informal contract fishermen usually have with traders, to whom they owe ship operational costs. Seaweed farmers receive more than 85% of the Surabaya selling-price. The presence of a foreign company (for the Shanghai seaweed processing industry) has increased product prices. The company offers relatively high prices, however demands higher quality seaweed. Tamarind farmers receive around 60% of the Surabaya price or around 80% of the Kupang price and around 75% of the Atambua price. Candlenut farmers receive around 75% of the Surabaya price or around 85% of Kupang and Atambua prices. The Atambua price is slightly lower than the Kupang price for both tamarind and candlenut, as the Kupang market is more competitive.

²⁷This practice is becoming increasingly popular and is widely carried out in many areas. As farmers need cash, they sell their calves to other farmers or cattle traders but the buyer does not take calf with him, instead it is left with the former owner of the calf, who is given money to feed the calf until it reaches the slaughtering size.

Box 10. The Cooperation System for Beef Cattle Fattening

The local beef cattle fattening has been well received by almost all communities in the West Timor region. In the fattening system, the cattle owner (government, business operators or the wealthy) usually gives the cattle to the local people to raise until they reach a certain weight.

There are two systems of cooperation for beef cattle fattening: one is a profit-sharing system and the other is a wage system. Below are several forms of compensation given by cattle owners to the local farmers:

- (1) Profit-sharing system. The farmer gets 70% of the cattle's final selling price, after costs for the male calf, medicine and rope are deducted. PUSKUD is the company that supplies the male calves and implements this system. The local animal husbandry office implements an identical system.
- (2) Wage payments for the local farmers based on the following standards:
 - (a) The increase of the animal's weight: the difference between the initial weight of the animal and the final weight multiplied by Rp3,000/kg. For example, if the calf weighed 190 kilograms when given to the local farmer and was sold weighing 312 kilograms, there was an increase of 122 kilograms. Therefore the local farmer would receive $122 \times \text{Rp}3000 = \text{Rp}366,000$.
 - (b) Rp1000/kg of the weight of the cattle when sold. For example, if the cattle weighed 300 kilograms when sold, the farmer will receive a payment of Rp300,000.
 - (c) A wage agreement between the owner and the local farmer, usually between Rp300,000/head and Rp400,000/head until each animal reaches the minimum weight of 250 kilograms. In addition to that payment, farmers who are able to raise cattle to the weight of 300kilograms will get a bonus of Rp25,000/head. If the weight exceeds 300kilograms, the farmer will receive a bonus of Rp50,000/head.
 - (d) The local farmer is given an agreed upon annual wage of Rp250,000 per year.

The profit-sharing system is more advantageous to farmers than the wage system. Farmers' earnings can reach up to 50% of the final selling price with the profit-sharing system, while the wage system only offers approximately 10–15%. Nevertheless, many farmers consider that the people who rent out their cattle to the community even with little compensation are helping the community. Some farmers even ask for an advance for the fattening of the cattle in order to meet their daily needs, so even low levels of compensation can allow farmers to meet their daily needs?

V. THE IMPACT OF CHARGES ON LOCAL REVENUE AND THE BUSINESS CLIMATE

A. Impacts on Local Government Revenue

One of the main motivations for the local government to enforce charges for the trade of agricultural products is to raise local revenue (PAD), one source of the regional contribution to the regional budget (APBD). The value of the APBD is constantly increasing at both the provincial and district/city levels. For the 2004/2005 fiscal year in particular, the NTT Province's APBD increased by around 6.5%. The same applies at the district/city level where Kota Kupang experienced the highest increase in the APBD at about 8.7%, while Kabupaten TTU experienced the lowest increase, at 3.5% (Table 13). The increase in the planned 2006 APBD of the province and four district is expected to be higher than the previous year.

Table 13. Summary of Revenue Sources for the NTT Provincial and West Timor District/City Budgets

No.	Description	NTT Province				Kabupaten Kupang				Kabupaten TTS			
		2004	2005	2006	Increase	2004	2005	2006	Increase	2004	2005	2006	Increase
I.	Local Revenue (PAD)	123.7	140.6	151.2	13.7%	23.0	14.6	12.8	-36.4%	19.6	23.1	15.6	17.8%
	% of APBD	26.5%	28.2%	22.7%		8.7%	5.30%	3.5%		7.5%	8.3%	3.9%	
II.	Balancing Funds	333.9	349.9	513.6	4.8%	225.6	247.5	n.a	9.7%	229.3	245.9	388.1	7.3%
	% of APBD	71.4%	70.2%	77.3%		86.2%	89.9%	n.a		87.8%	88.4%	96.1%	
A.	Share of Tax and Non-Tax Revenue	28.5	44.5	34.2	56.3%	13.4	15.3	n.a	14.4%	12.9	16.2	16.4	25.2%
B.	General Allocations Fund (DAU)	305.5	305.5	479.4	0.00%	203.0	213.5	n.a	5.2%	204.9	211.7	325.4	3.3%
	% of APBD	65.3%	61.3%	72.1%		77.6%	77.5%	n.a		78.5%	76.1%	80.6%	
C.	Special Allocations Fund (DAK)	0	0	0	0.0%	9.2	18.7	n.a	102%	8.2	14.3	41.8	75.0%
	% of APBD	0	0	0		3.5%	6.8%	n.a		3.1%	5.1%	10.4%	
III.	Other Income	10.0	7.6	0.0	-23.6%	12.9	13.3	n.a	2.2%	12.2	9.2	0.0	-24%
	% of APBD	2.1%	1.5%	0.0%		4.9%	4.8%	n.a		4.7%	3.3%	0.0%	
	Total APBD	467.6	498.2	664.8	6.5%	261.6	275.5	370.6	5.2%	261.1	278.3	403.7	6.6%

No.	Description	Kabupaten TTU				Kabupaten Belu				Kota Kupang		
		2004	2005	2006	Increase	2004	2005	2006	Increase	2004	2005	Increase
I.	Local Revenue (PAD)	8.9	8.6	13.6	-3.7	9.8	10.9	12.6	11.2%	11.7	15.7	34.5%
	% of APBD	4.5%	4.2%	4.5%		4.2%	4.5%	3.5%		6.2%	7.7%	
II.	Balancing Funds	181.4	189.4	288.1	4.4%	211.1	223.6	344.1	5.9%	169.6	181.5	7.0%
	% of APBD	91.5%	92.2%	95.5%		89.8%	91.8%	96.5%		90.3%	88.8%	
A.	Share of Tax and Non-Tax Revenue	3.5	2.8	13.3	-20.4%	14.6	13.4	12.3	-8.2%	12.8	9.8	-23.3%
B.	General Allocations Fund (DAU)	157.2	158.1	239.6	0.6%	186.7	194.6	303.4	4.2%	149.7	159.3	6.4%
	% of APBD	79.2%	76.9%	79.4%		79.4%	79.9%	85.1%		79.7%	78.0%	
C.	Special Allocations Fund (DAK)	8.2	13.9	29.2	68.8%	9.8	13.9	28.4	42.3%	7.0	9.0	28.6%
	% of APBD	4.2%	6.7%	9.7%		4.2%	5.7%	7.9%		3.7%	4.4%	
III.	Other Income	7.9	7.4	0.0	-7.4%	14.2	8.9	n.a	-36.8%	6.6	7.1	7.4%
	% of APBD	4.0%	3.6%	0.0%		6.0%	3.7%	n.a		3.5%	3.5%	
	Total APBD	198.3	205.4	301.7	3.5%	235.1	243.5	356.7	3.6%	187.9	204.3	8.7%

Note: Figures in billions of rupiah

Increase = Percentage increase from 2004 to 2005.

Data for 2004 and 2005 is budget realization, except for Kab. Belu and

Kupang, data for 2005 is a revised budget.; 2006 data is planned budget.

The contribution of PAD to provincial APBD exceeds 20%. Between 2004 and 2005, provincial PAD increased in nominal and percentage terms to APBD. In 2006, however, the percentage of PAD to APBD is expected to decline in line with a predicted increase in equalization funds received by the province, although in absolute terms, the value of PAD will still rise. DAU (General Allocation Funds) are the main source of revenue for the NTT Province, contributing more than 60% of provincial APBD. In 2006, the contribution of equalization funds to the provincial APBD is predicted to reach 72.1% with a revenue target of Rp513.6 billion (Rp470.4 billion from DAU), or an increase of 47% compared to the preceding year. Local taxes are the main source of provincial PAD and contribute more than 60%, while local fees and charges only contribute around 14% (Table 14).

At the provincial level, equalization funds from DAU are the main source of district/city regional finance. The contribution of DAU to APBD during the period of 2004–2006 was always above 75%. Equalization funds contribute more than 86% of the total APBD revenue. In Kabupaten TTU and Belu, the contribution always exceeds 90% of total APBD revenue. In 2006, all local governments predict that the central government will raise the proportion of equalization funds, especially DAU. Therefore, the dependency of local governments—both provincial and district/city—on the central government remains high.

The contribution of PAD to APBD in the last three years in all district/city in West Timor are far below the provincial rate or less than 10%. In fact for Kabupaten TTU and Belu, PAD always contributes less than 5% of APBD. The PAD of Kabupaten Kupang and Kabupaten TTU between 2004 and 2005 decreased both in an absolute value and in percentage terms. In contrast, the other two districts (TTS and Belu) as well as Kota Kupang experienced an increase. In 2005, PAD Kabupaten TTS was higher than the other four districts.

The types of revenue dominating the structure of PAD vary between the districts/city in the West Timor region. Kota Kupang is the center of the provincial administration and is also the capital of Kabupaten Kupang and Kota Kupang. Many kinds of business facilities and services, such as trading and shopping facilities, hotels and restaurants, as well as transportation—all subjected to local taxes and *retribusi*—are concentrated there. As a result, revenues from local taxes and *retribusi* dominate Kota Kupang's sources of PAD, in fairly equal proportions. In 2004, revenue from local taxes and *retribusi* for Kota Kupang contributed about 82% to PAD, but for 2005 it declined to around 71%.

PAD for Kabupaten Kupang in the 2005 fiscal year fell 36.4% compared to fiscal year 2004. The largest decrease came from 'other PAD' in the budget item, which includes SPK. SPK represents the largest source of PAD revenue, contributing more than 70%. The contributions of local taxes and *retribusi* in the 2004 and 2005 PAD are less than 9% in each year; while for 2006, the contribution of both charges is predicted to increase by more than 13%. For the planned 2006 APBD, a decline in PAD revenues of up to 12% is expected.

As is the case in Kabupaten Kupang, 'other PAD' also dominates the PAD of Kabupaten TTS and TTU. In 2004 and 2005, in Kabupaten TTS 'other PAD' contributed 66% and 71% respectively to PAD; but its contribution for 2006 is expected to fall to

approximately 23%. The contribution of local *retribusi* to PAD exceeds the local taxes in Kabupaten TTS. Revenues from local taxes and *retribusi*, as well as from profits from local government enterprises in 2006 are expected to rise sharply in order to compensate for the decline in 'other PAD'. In Kabupaten TTU, 'other PAD' contributes about 70% of PAD, followed by revenue from local *retribusi* contributing more than 17%. The value and percentage of SPK contributions to PAD have continued to rise, up from Rp466.5 million (5.2%) in 2004 to around Rp1.4 billion (10.2%) in 2006. The government of Kabupaten TTU has also budgeted for a sharp increase in *retribusi* revenue.

Table 14. Summary of Local Revenue Sources in NTT Province and West Timor

		Province of NTT			Kabupaten Kupang			Kabupaten TTS		
		2004	2005	2006	2004	2005	2006	2004	2005	2006
PAD*	Billion Rp	123.69	140.63	151.16	22.94	14.63	12.83	19.58	23.06	15.57
PAD/APBD**		26.5%	28.2%	22.7%	8.7%	5.3%	3.5%	7.5%	8.3%	3.9%
Local Taxes	Billion Rp	76.77	85.55	96.10	1.69	1.20	2.01	2.05	2.30	2.29
Taxes/PAD		62.0%	60.8%	63.6%	7.4%	8.5%	15.7%	10.5%	10.1%	14.8%
Retribusi	Billion Rp	16.68	19.96	22.3	1.89	1.73	1.71	3.93	3.60	4.46
Retribusi/PAD		13.5%	14.2%	14.7%	8.3%	8.6%	13.3%	20.1%	15.7%	28.7%
Profit from Local Gov. Enterprise (GE)	Million Rp	8,894	13,433	13,000	637	787	n.a	553	646	5,187
Profit from GE/PAD		7.2%	9.5%	8.6%	2.8%	5.4%	n.a	2.8%	2.8%	33.3%
Other PAD	Billion Rp	21.3	21.7	19.8	18.8	10.9	9.1	13	16.4	3.6
Other PAD/PAD		17.2%	15.4%	13.1%	81.7%	74.7	71%	66.3%	71.3%	23.1%
SPK***	Billion Rp	0.69	0.52	0.52	0.17	0.15	0.14	n.a	n.a	n.a
SPK/PAD		0.6%	0.4%	0.3%	0.7%	0.7%	1.1%	n.a	n.a	n.a
Agriculture sectors/PAD****		1.3%	1.6%	1.8%	4.1%	4.6%	5.9%	n.a	5.4%	8.2%
Agriculture sector/APBD**		0.3%	0.5%	0.4%	0.4%	0.2%	0.2%	n.a	0.4%	0.7%
		Kabupaten TTU			Kabupaten Belu			Kota Kupang		
		2004	2005	2006	2004	2005	2006	2004	2005	2006
PAD*	Billion Rp	8.95	8.62	13.60	9.75	10.88	12.57	11.70	15.74	n.a
PAD/APBD**		4.5%	4.2%	4.5%	4.2%	4.5%	3.5%	6.2%	7.7%	n.a
Local Taxes	Billion Rp	530.30	680.98	897.50	1.27	1.96	2.22	5.18	5.42	n.a
Taxes/PAD		5.9%	7.7%	6.6%	13.0%	18.0%	17.7%	44.3%	34.5%	n.a
Retribusi (Retribusi)	Billion Rp	1.82	1.78	2.34	4.07	5.01	5.89	4.41	5.77	n.a
Retribusi/PAD		20.6%	21.4%	17.3%	41.8%	46.0%	46.9%	37.7%	36.7%	n.a
Profit from Local Gov. Enterprise (GE)	Million Rp	393	819	1,000	665	547	557	302	50	n.a
Profit from GE/PAD		4.4%	9.5%	7.4%	6.8%	5%	4.4%	2.6%	3.2%	n.a
Other PAD	Billion Rp	6.2	6.2	9.4	3.7	3.4	3.9	1.8	4.5	n.a
Other PAD/PAD		69.7%	72.1%	69.1%	37.8%	31.1%	31%	15.4%	28.7%	n.a
SPK***	Billion Rp	0.47	0.57	1.38	0.84	0.63	1.24	n.a	n.a	n.a
SPK/PAD		5.2%	6.6%	10.2%	8.6%	5.7%	10.0%	n.a	n.a	n.a
Agriculture sectors/PAD****		3.4%	1.9%	2.4%	2.4%	4.1%	4.0%	n.a	n.a	n.a
Agriculture sector/APBD**		0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.3%	n.a	n.a

Note: *) PAD - Local revenue

**) APBD - Revenue side

***) SPK - Third party contributions;

****) Retribusi collected by offices in the agriculture sector (food crops, plantation, animal husbandry, marine & fisheries, forestry).

In Kabupaten Belu during the period 2004–2006, *retribusi* was the largest source of PAD and contributed more than 40%, followed by ‘other PAD’, which contributed more than 30%. Kabupaten Belu targeted an increase in SPK revenue for 2006 of around Rp1.24 billion (10% of PAD) or an almost twofold increase from the preceding year.

As mentioned in chapter III, the trade of some major commodities in the West Timor region is subject to local charges, some of which are packaged as, or have been changed into SPK or administration fees. SPK are recorded in the ‘other PAD’ category. The contribution of SPK to the provincial and district/city PAD varies. At the provincial level, SPK contribute less than 1% of PAD. Similarly, the contribution of SPK in Kabupaten Kupang was only 0.7% in 2004–2005 and is targeted for an increase to around 1.1% in 2006. Meanwhile in Kabupaten TTU and Belu, the contribution of SPK to PAD has reached more than 5% and in 2006 is expected to be 10%. The contribution of levies or *retribusi* collected by agencies in the agricultural sector (including food crops, plantation, forestry, fisheries and animal husbandry) to PAD is generally less than 5%, with the exception of Kabupaten TTS which, in 2006, is targeting around 8% of PAD. Charges from the agricultural sector generally contribute less than 0.5% of APBD.

The planned APBDs for fiscal year 2006 in all regions of West Timor indicate that local governments will impose new levies and increase tariffs for existing *retribusi* in order to increase PAD. In contrast, local government’s continuing efforts to increase PAD from the trade of agricultural products by imposing SPK or changing to administration fees, is compelling (as detailed in chapter III). Nevertheless, the contribution of regional income to APBD from various charges on agricultural product trade is quite small, and all efforts to intensify it will not make any significant increase.

B. Impacts on the Business Climate

Regulations—both those that do and do not attract charges—have a direct and indirect impact on market structure and the prices received by farmers and producers, traders’ profits, and the business climate in general. As outlined in Chapters III and IV, this study did not come across any regulations that directly created a monopoly or special preferences, or that were inclined to distort the market. However, indirectly, trade and transportation licenses and charges for several agricultural products affect the prices received by producers (farmers, fishermen, home industries).

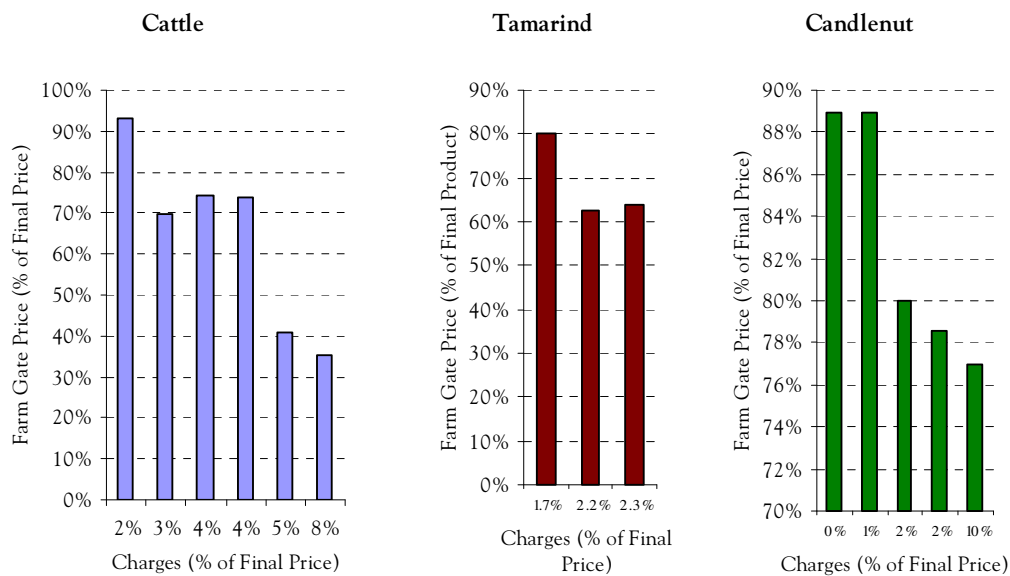
Formal and informal charges paid in the trade of agricultural products vary between commodities and their origin and destination market. Parallel with the various regulations and charges detailed in Chapter III, the investigation into charges attracted by the trade of various agricultural commodities (Appendix 8) revealed that livestock (cattle), timber and non-timber forest products, and other commodities for inter-island trade are the products attracting high charges. Generally, the total cost of charges are relatively small—less than 10% of the final selling price to the consumer, or inter-island/large trader. Most of the charges range between 0–6%,²⁸ consisting of formal charges (0–6%)²⁹ and informal charges (0–1.4%).

²⁸This range is the percentage (the mean minus the standard deviation) and (mean plus standard deviation).

²⁹Formal charges here are charges considered to be formal by business operators. As several business operators were not certain of the amount of the formal charges based on the current regulations, there is the possibility that the total formal charges are smaller than this total, and the balance is a result of informal charges.

Charges are one of the trading transaction costs components. Theoretically, rational traders will make an effort to maintain their profits, and compensate for additional transaction costs by raising their prices at the consumer level or lowering their buying prices. In the case of inter-island trade and export of agricultural products from West Timor, inter-island traders have a monopsony market structure and have the power to determine any profit level they wish. As inter-island traders generally do not have the power to determine the selling price of commodities in the national and international markets, they will strive to maintain their profits by burdening producers and farmers with additional charges, which reduces the prices received by the farmers. This graph provides evidence of this in the trade of cattle, tamarind, and candlenut in West Timor (Figure 5).

Figure 5. Relationship between Charges and the Prices Received by Farmers



Although the analysis of trading charges from the interviews shows that the total amount of informal charges are relatively smaller than formal charges, the impact of informal charges are more problematic for business operators as the charges are unpredictable. Types of informal charges include: an extra amount of formal charge being paid because the amount of formal tariff is unknown or it is voluntarily paid; payment of formal charges that have been eliminated; and bribery intended to smooth the transportation of the goods. Bribes paid at roadside checkpoints account for the highest proportion of informal charges that traders object to. There are 20 checkpoints between Atapupu and Tenau and one more checkpoint from Kefamenanu to the port of Wini (Table 15).

The commodities facing excessive controls are timber, cattle, tamarind and candlenut, and to a lesser extent other commodities to be transported to other islands through the seaports. The trader pays an informal charge (*'uang rokok'*) to each checkpoint as they pass it and gets a stamp and signature on the letter permit. In normal situations the charge is relatively small, however if the controller (usually a

policeman) finds a mistake or discrepancy in the papers accompanying the commodities, the charges can be very high.

Table 15. List of Checkpoints from Atapupu Port (Belu) to Tenau Port (Kupang) and Wini Port (Timor Tengah Utara)

No.	District	Checkpoint Name	Check Point Status
1.	Kab. Belu	Atapupu	Port security
2.	Kab. Belu	Ainiba	Police
3.	Kab. Belu	Nenuk	Police
4.	Kab. Belu	Nurobo	Police
5.	Kab. TTU	Oenopu	Integrated post
6.	Kab. TTU	Kefamenanu	Police
7.	Kab. TTU	Oeperigi/Neomuti	Integrated post
8.	Kab. TTS	Soe	Police
9.	Kab. TTS	Batu Putih	Integrated post
10.	Kab. Kupang	Takari	Police
11.	Kab. Kupang	Takari	Subdistrict post
12.	Kab. Kupang	Fatuleu/Camplong	Police
13.	Kab. Kupang	Oesao	Police
14.	Kab. Kupang	Noelbaki	Police
15.	Kab. Kupang	Tarus	Subdistrict post
16.	Kota Kupang	Babau	Police
17.	Kota Kupang	Oelmasi	Police
18.	Kota Kupang	Oesapa	Police
19.	Kota Kupang	Nun Bau Dela	Police
From Kefamenanu/TTU to Wini Port			
1.	Kab. TTU	Wini- Timor Leste Border	Army

These excessive controls affect not only the cost of transportation but also the time needed to transport the goods. As seen in Table 15, Kabupaten Kupang has the highest number of checkpoints, which have created great uncertainty. The checkpoints act as a disincentive to farmers and small traders to transport their own commodities to Kupang. A trader of tamarind and candlenut in TTU, for example, sold his produce to Atambua even though he knew that the selling price in Kupang is higher. He did this because of the informal charges he would experience during the trip and the uncertainty involved in transporting goods to Kupang, which would eat into any price difference. The uncertainty caused by excessive checkpoints in Kupang also discourages farmers and village traders in TTS to sell their products directly to Kupang, as they too are afraid of unexpected charges they may encounter along the road. Instead they ask inter-island traders to purchase the commodities from the village at a lower price.

VI. CONCLUSION AND RECOMMENDATIONS

This study finds that farmers in West Timor generally have weak bargaining powers. Although there is no government regulation that restricts the entry of new traders, the limited access to the region has generated a natural monopsony for agricultural commodities trading. The small numbers of large inter-islands traders dominate price formations, while the relatively large numbers of intermediate traders have little influence over commodity prices. The recent increase in the number of traders and exporters coming to Kupang, however, has not fully benefited farmers. This is due to the limited accessible information on product locations, the poor condition of the roads infrastructure in each region, and an excessive number of inspection points that result in an increase of informal charges as well as uncertainty regarding fees and transportation times.

The existing traditional markets do not support the marketing of agricultural commodities for inter-islands trade, which are the major source of farmers' cash income. Most products sold at the weekly market in rural areas are imported from other regions, and local commodities sold in markets are mostly for local consumption, including food crops, vegetables and home industry products for daily consumption.

Despite the low bargaining power of farmers, local governments still impose various charges for the trading of some agricultural products, particularly commodities for inter-island trade. The district/city efforts to increase or maintain PAD have not changed from the pre-regional autonomy era, so most *retribusi* that should have been eliminated have been renamed as SPK or administration fees, with no emphasis on service provision. The total cost of the charges is relatively small compared to the unit value of the commodities, however, there are indications that any increase in charges will cause a reduction in the price received by farmers. The licensing requirements and regulations have encouraged excessive inspections and the imposition of informal charges that distort the marketing of agricultural products, particularly exportable ones.

Generally, the types of charges imposed by district/city governments on food crops and plantation products have decreased. But the charges on forestry products, cattle, and fisheries have not experienced much change. Farmers and traders are generally not aware of the decreases in the number of *retribusi* and other charges, as this information has not been disseminated to the public. In addition, there is almost no publicly accessible information regarding licensing procedures and the actual cost of the charges.

The study results also show that improvements in the regional business climate are closely connected to central government policies and regulations, as several local regulations follow the regulations issued by the central government. Thus, the central government still has an important role in the creation of a good business climate in the region.

The contribution of SPK and other charges related to the agricultural sector to PAD is very small, and efforts to increase it have resulted in no significant additional contributions for the regional budget. However, such efforts have had a negative impact on trade in agricultural commodities and the prices received by the farmers and producers, who are predominantly poor. Local governments should carefully review their policies regarding the imposition of charges. Following decentralization and autonomy, local governments also need to move away from their current emphasis on revenue raising and focus their attention on expenditure. As local budgets will continue to depend heavily on the balancing funds from the central government, local government should concentrate on developing the local economy, by creating more new jobs, and increasing people's income in general—rather than thinking only of ways to increase local revenue. In this context, several suggestions for efforts to be made by local governments follow:

- a. There is a need to review existing licensing requirements and regulations, to assess whether they really serve the intended objective. A reduction of informal charges should follow, and all charges should be linked to the provision of services. Although the total cost of formal charges only accounts for a small fraction of the product price, minimizing charges, licensing requirements, and regulations will reduce the opportunity for the excessive controls that induce the imposition of informal charges.
- b. The removal of licensing requirements, regulations and charges should be implemented and widely disseminated to all stakeholders and the public. Licensing procedures and all charges involved should be transparent, and information regarding the changes should be made publicly available, for example by placing posters in public areas, subdistrict and village offices, and via local radio and television announcements.
- c. Special effort should also be devoted to minimizing inspections and eliminating uncertainty due to informal charges. If inspections are considered necessary for security reasons, it will be better to minimize the number of checkpoints by placing integrated (multi-sector) checkpoints only in strategic locations. Particular officials should be clearly assigned to be in charge of surveillance and to guard against the involvement of any other officials. The control procedures, the official in charge, and the penalties for violation of the regulations should also be disseminated to the public.
- d. There is a need to increase the knowledge of local governments and the regional legislature on the differences between *retribusi*, administration fees, and third party contributions. There is also a need to improve documentation of regulations and make it easily accessible to the public.
- e. To maximize the benefits to farmers and producers, attempts should also be made to increase market competition by attracting more traders and businesspersons. This could be done by improving access to roads, increasing the role of markets in local products marketing by involving the local community and creating a commodity market (possibly seasonal), and publicizing local products to attract buyers from other regions and overseas.

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APPENDICES

APPENDIX 1.

GRDP by Industrial Origin in NTT Province and West Timor, in the 1993 Constant Price (millions of rupiah)

1. NTT Province

Industrial origin	Year					Growth
	1999	2000	2001	2002	2003	
1. Agriculture, Livestock, Forestry & Fishery	1,085,397	1,110,938	1,139,041	1,173,354	1,210,234	2.8%
	38.3%	37.6%	36.7%	35.7%	34.8%	-2.4%
2. Mining & Quarrying	36,839	37,213	37,635	38,576	39,513	1.8%
	1.3%	1.3%	1.2%	1.2%	1.1%	-3.3%
3. Manufacturing Industry	68,451	70,855	73,610	77,145	80,742	4.2%
	2.4%	2.4%	2.4%	2.3%	2.3%	-1.0%
4. Electricity, Gas & Water Supply	29,031	29,821	30,712	32,088	33,484	3.6%
	1.0%	1.0%	1.0%	1.0%	1.0%	-1.6%
5. Construction	190,678	191,584	192,607	196,460	200,276	1.2%
	6.7%	6.5%	6.2%	6.0%	5.8%	-3.8%
6. Trade, Hotel & Restaurant	402,340	419,138	438,088	466,553	496,308	5.4%
	14.2%	14.2%	14.1%	14.2%	14.3%	0.1%
7. Transport & Communication	304,295	317,346	332,068	354,500	378,810	5.6%
	10.7%	10.7%	10.7%	10.8%	10.9%	0.3%
8. Financial & Business Services	122,708	125,630	128,926	132,793	136,663	2.7%
	4.3%	4.3%	4.2%	4.0%	3.9%	-2.4%
9. Other Services	594,473	649,848	730,372	816,457	904,873	11.1%
	21.0%	22.0%	23.5%	24.8%	26.0%	5.5%
GRDP	2,834,212	2,952,372	3,103,059	3,287,925	3,480,903	5.3%
	100%	100%	100%	100%	100%	

2. Kabupaten Kupang

Industrial origin	Year						Growth
	1999	2000	2001	2002	2003	2004	
1. Agriculture, Livestock, Forestry & Fishery	n.a.	124,181	131,606	138,520	144,403	150,904	5.0%
		43.1%	43.3%	43.0%	42.9%	42.7%	-0.2%
2. Mining & Quarrying	n.a.	1,553	1,693	1,860	1,987	2,128	8.2%
		0.5%	0.6%	0.6%	0.6%	0.6%	2.8%
3. Manufacturing Industry	n.a.	5,008	5,279	5,479	5,667	5,873	4.1%
		1.7%	1.7%	1.7%	1.7%	1.7%	-1.1%
4. Electricity, Gas & Water Supply	n.a.	1,285	1,462	1,559	1,665	1,778	8.5%
		0.4%	0.5%	0.5%	0.5%	0.5%	3.1%
5. Construction	n.a.	25,493	27,580	29,552	31,329	33,229	6.9%
		8.9%	9.1%	9.2%	9.3%	9.4%	1.5%
6. Trade, Hotel & Restaurant	n.a.	42,379	43,760	45,462	46,710	48,158	3.2%
		14.7%	14.4%	14.1%	13.9%	13.6%	-1.9%
7. Transport & Communication	n.a.	21,714	22,487	24,094	25,312	26,629	5.2%
		7.5%	7.4%	7.5%	7.5%	7.5%	0.0%
8. Financial & Business Services	n.a.	4,915	5,031	5,205	5,327	5,469	2.7%
		1.7%	1.7%	1.6%	1.6%	1.5%	-2.4%
9. Other Services	n.a.	61,521	65,223	70,328	74,571	79,111	6.5%
		21.4%	21.4%	21.8%	22.1%	22.4%	1.2%
GRDP	n.a.	288,049	304,122	322,059	336,973	353,280	5.2%
		100%	100%	100%	100%	100%	

3. Kabupaten TTS

Industrial origin	Year				Growth
	1999	2000	2001	2002	
1. Agriculture, Livestock, Forestry & Fishery	119,510	120,936	122,320	124,575	1.4%
	54.8%	53.0%	50.8%	48.5%	-4.0%
2. Mining & Quarrying	1,954	1,974	1,993	2,006	0.9%
	0.9%	0.9%	0.8%	0.8%	-4.4%
3. Manufacturing Industry	2,439	2,523	2,623	2,740	3.9%
	1.1%	1.1%	1.1%	1.1%	-1.5%
4. Electricity, Gas & Water Supply	1,076	1,093	1,123	1,139	1.9%
	0.5%	0.5%	0.5%	0.4%	-3.5%
5. Construction	10,996	12,076	12,155	12,542	4.6%
	5.0%	5.3%	5.0%	4.9%	-0.9%
6. Trade, Hotel & Restaurant	16,649	16,771	17,531	18,823	4.2%
	7.6%	7.4%	7.3%	7.3%	-1.3%
7. Transport & Communication	11,438	11,609	11,765	12,735	3.7%
	5.2%	5.1%	4.9%	5.0%	-1.8%
8. Financial & Business Services	5,769	5,920	6,067	6,183	2.3%
	2.6%	2.6%	2.5%	2.4%	-3.1%
9. Other Services	48,379	55,210	65,167	75,968	16.2%
	22.2%	24.2%	27.1%	29.6%	10.1%
GRDP	218,210	228,113	240,745	256,710	5.6%
	100%	100%	100%	100%	

4. Kabupaten TTU

Industrial origin	Year					Growth
	1999	2000	2001	2002	2003	
1. Agriculture, Livestock, Forestry & Fishery	64,802	65,274	60,926	63,099	62,164	-1.0%
	51.5%	49.9%	45.1%	43.8%	40.9%	-5.6%
2. Mining & Quarrying	1,704	1,722	2,025	2,026	2,280	7.8%
	1.4%	1.3%	1.5%	1.4%	1.5%	2.9%
3. Manufacturing Industry	2,511	2,528	2,580	2,761	2,934	4.0%
	2.0%	1.9%	1.9%	1.9%	1.9%	-0.8%
4. Electricity, Gas & Water Supply	712	749	847	1,165	1,374	18.4%
	0.6%	0.6%	0.6%	0.8%	0.9%	12.8%
5. Construction	7,555	8,298	8,581	8,748	9,568	6.1%
	6.0%	6.3%	6.3%	6.1%	6.3%	1.2%
6. Trade, Hotel & Restaurant	7,575	7,843	8,547	9,126	9,675	6.3%
	6.0%	6.0%	6.3%	6.3%	6.4%	1.4%
7. Transport & Communication	13,119	13,211	14,740	15,143	16,285	5.6%
	10.4%	10.1%	10.9%	10.5%	10.7%	0.8%
8. Financial & Business Services	4,255	4,500	4,986	5,727	6,056	9.3%
	3.4%	3.4%	3.7%	4.0%	4.0%	4.2%
9. Other Services	23,475	26,744	31,917	36,251	41,682	15.5%
	18.7%	20.4%	23.6%	25.2%	27.4%	10.1%
GRDP	125,708	130,868	135,148	144,047	152,018	4.9%
	100%	100%	100%	100%	100%	

5. Kabupaten Belu

Industrial origin	Year					Growth
	1999	2000	2001	2002	2003	
1. Agriculture, Livestock, Forestry & Fishery	68,719	68,638	70,037	71,667	73,455	1.7%
	41.5%	40.2%	39.3%	37.9%	36.2%	-3.3%
2. Mining & Quarrying	1,833	1,852	1,745	1,755	1,787	-0.6%
	1.1%	1.1%	1.0%	0.9%	0.9%	-5.5%
3. Manufacturing Industry	2,772	2,754	2,866	2,996	3,152	3.3%
	1.7%	1.6%	1.6%	1.6%	1.6%	-1.8%
4. Electricity, Gas & Water Supply	1,185	1,204	1,202	1,197	1,199	0.3%
	0.7%	0.7%	0.7%	0.6%	0.6%	-4.6%
5. Construction	8,177	8,981	8,434	8,535	8,730	1.8%
	4.9%	5.3%	4.7%	4.5%	4.3%	-3.2%
6. Trade, Hotel & Restaurant	26,691	26,749	26,902	28,475	30,067	3.1%
	16.1%	15.7%	15.1%	15.0%	14.8%	-2.0%
7. Transport & Communication	20,531	20,959	21,378	23,541	25,881	6.0%
	12.4%	12.3%	12.0%	12.4%	12.8%	0.8%
8. Financial & Business Services	8,035	8,323	9,476	10,248	11,153	8.6%
	4.8%	4.9%	5.3%	5.4%	5.5%	3.3%
9. Other Services	27,841	31,149	36,004	40,843	47,420	14.3%
	16.8%	18.3%	20.2%	21.6%	23.4%	8.6%
GRDP	165,784	170,609	178,044	189,257	202,844	5.2%
	100%	100%	100%	100%	100%	

6. Kota Kupang

Industrial origin	Year				Growth
	1999	2000	2001	2002	
1. Agriculture, Livestock, Forestry & Fishery	20,315	20,783	21,535	22,368	3.3%
	4.2%	4.2%	4.1%	3.9%	-3.2%
2. Mining & Quarrying	9,260	9,354	9,448	9,509	0.9%
	1.9%	1.9%	1.8%	1.6%	-5.4%
3. Manufacturing Industry	25,698	26,244	26,908	27,678	2.5%
	5.4%	5.2%	5.1%	4.8%	-3.9%
4. Electricity, Gas & Water Supply	12,316	12,512	12,849	13,062	2.0%
	2.6%	2.5%	2.4%	2.3%	-4.4%
5. Construction	28,953	31,800	32,010	33,044	4.6%
	6.1%	6.4%	6.0%	5.7%	-1.9%
6. Trade, Hotel & Restaurant	127,851	129,923	134,920	143,707	4.0%
	26.7%	26.0%	25.4%	24.8%	-2.5%
7. Transport & Communication	92,933	98,981	104,927	123,801	10.2%
	19.4%	19.8%	19.8%	21.3%	3.2%
8. Financial & Business Services	30,687	31,585	32,548	33,233	2.7%
	6.4%	6.3%	6.1%	5.7%	-3.7%
9. Other Services	130,277	139,167	155,812	173,971	10.1%
	27.2%	27.8%	29.3%	30.0%	3.3%
GRDP	478,291	500,350	530,956	580,375	6.7%
	100%	100%	100%	100%	

APPENDIX 2.

Regional Taxes and *Retribusi*, According to Law 18, 1997 and Law 34, 2000

Regional Taxes/ <i>Retribusi</i>	Law 18, 1997	Law 34, 2000
Provincial Tax	<ol style="list-style-type: none"> 1. Tax on motorized vehicle (max 5%) 2. Change of ownership of motorized vehicle (max. 10%) 3. Tax on Fuel for Motorized vehicle (max. 5%) <p>The tariff of these taxes shall be made the same all over the country and regulated by PP.</p> <p>The revenue from the tax on fuel for motorized vehicle shall be shared with district/city after 10% deduction for the respective provincial government, and it shall be regulated by PP</p>	<ol style="list-style-type: none"> 1. Tax on motorized vehicles and vehicles on the water (max. 5%) 2. Change of ownership of motorized vehicles and vehicles on the water (max. 10%) 3. Tax on Fuel for motorized vehicle (max. 5%) 4. Tax on the extraction and utilization of underground and surface water (max. 20%) <p>The revenue from these taxes shall be shared with district/city at the minimum proportion of: (1) and (2) – 30%; (3) – 70%; (4) – 70%</p> <p>The allocation for each district/city is determined in Provincial Local Regulation (<i>Perda Provinsi</i>) after taking into consideration the potential and equality across district/city</p>
District/City Taxes	<ol style="list-style-type: none"> 1. Tax on hotels and restaurants (max 10%) 2. Tax on entertainment (max. 35%) 3. Tax on advertisement (max. 25%) 4. Tax for road electricity (max. 10%) 5. Tax on the exploration and processing of C type quarrying (max. 20%) 6. Tax on the use of underground and surface water (max. 20%) <p>Tariff of these taxes is set by Local Regulation (<i>Peraturan Daerah – Perda</i>)</p>	<ol style="list-style-type: none"> 1. Tax on hotels (max. 10%) 2. Tax on restaurants (max. 10%) 3. Tax on entertainment (max. 35%) 4. Tax on advertisement (max. 25%) 5. Tax for road electricity (max. 10%) 6. Tax on the exploration of type C quarrying (max. 20%) 7. Tax on parking (max. 20%) <p>Tariff of these taxes is set by PP</p> <p>A minimum of 10% of the revenue from these taxes shall be shared with all villages in the respective district/city</p>
	<p>The object, subject and basis for provincial and district/city taxes shall be regulated by Government Regulation (<i>Peraturan Pemerintah – PP</i>)</p> <p>Other taxes can be imposed by PP if they meet the following criteria:</p> <ol style="list-style-type: none"> 1. Has tax characteristics and not <i>retribusi</i> 2. The object and tax base do not conflict with the public interest 3. Has enough potential 4. Does not negatively impact the economy 5. Takes into account the fairness and the capacity of the community 6. Protecting environmental sustainability 	<p>The object, subject and basis for provincial and district/city taxes shall be regulated by Government Regulation (<i>Peraturan Pemerintah – PP</i>)</p> <p>Other than the district/city taxes listed above, district/city can add new taxes by <i>Perda</i> as long as the tax follows the criteria below:</p> <ol style="list-style-type: none"> 1. Has tax characteristics and not <i>retribusi</i> 2. Tax object is located in the district/city area and having limited mobility as well as only providing service for the community of the respective district/city 3. The object and tax base do not conflicting with public interest 4. Tax object is not the tax object of the provincial and/or the central government 5. Having enough potential 6. Does not negatively impact the economy 7. Takes into account the fairness and the capacity of the community 8. Protecting environmental sustainability

Regional Taxes/ <i>Retribusi</i>	Law 18, 1997	Law 34, 2000
<i>Retribusi</i>	<p><i>Retribusi</i> is distinguished into three categories:</p> <ol style="list-style-type: none"> 1. <i>Retribusi</i> on general services – target and basis are determined by regional policy after taking into consideration the cost of providing the services, community capacity and fairness aspect 2. <i>Retribusi</i> on business services – target and basis are determined to obtain fair level of profit 3. <i>Retribusi</i> on certain types of licensing – target and basis are determined for the purpose of cover part or equal to the cost of providing the license <p>Types of <i>retribusi</i> belonging to each category are determined by PP The ways to calculate the amount of <i>retribusi</i>, target and principles of tariff determination are regulated in PP</p>	<p>Follows the same categories, but adds new criteria for each category, which are:</p> <ol style="list-style-type: none"> 1. <i>Retribusi</i> on general service: not a tax and does not belong to <i>retribusi</i> on business services and certain licensing; the service is the authority of the region in the decentralization context; the service provides specific benefit to the company or individual being charged – in addition to public service; the service is appropriate to be charged for; not violating national policy; can be effectively and efficiently collected—and considered as potential source of revenue; and the imposition of <i>retribusi</i> will allow for the good quality of service provision. 2. <i>Retribusi</i> on business service: not a tax and does not belong to <i>retribusi</i> on general service and certain licensing; and the service has the characteristic of commercial matters that is better provided by a private company (but it is not yet feasible), or there is an available government asset that has not been used optimally. 3. <i>Retribusi</i> on certain type of licensing requirement: the licensing belongs to government authority that has been devolved to the region in the decentralization context; the licensing is really needed for public interest; and the cost of providing the license and the cost to cover the negative impact of its absence is very high so it is feasible to be charged as licensing <i>retribusi</i>. <p>New type of <i>retribusi</i> can be imposed by local regulation as long as it meets the above criteria.</p>

APPENDIX 3.

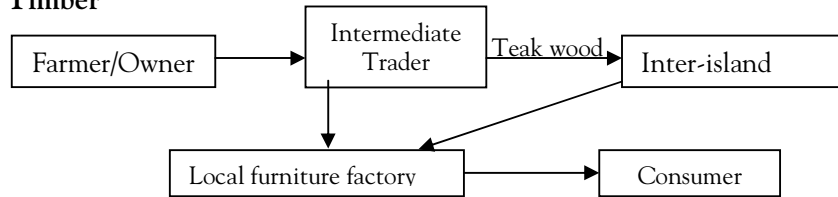
Summary of Regional Autonomy Watch (KPPOD) Yearly Reports (2002–2004) on the Institutional Factors of the Districts and City in West Timor

Institutional Factor	City of Kupang			District of Belu			District of TTS			District of TTU		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Apparatus & services variable												
Bureaucracy of Services	0.0126 Good	0.0062 Moderate	0.0016 V. Bad		0.0126 Good	0.0126 Good	0.0062 Moderate	0.0062 Moderate	0.0062 Moderate	0.0126 Good	0.0126 Good	0.0126 Good
Abuse of Authority	0.0061 Low	0.0061 Low	0.0061 Low		0.0120 V. Low	0.0120 V. Low	0.0015 High	0.0120 V. Low	0.0030 Moderate	0.0061 Low	0.0120 V. Low	0.0120 V. Low
Local regulation variable												
Tax & levies regulation	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted		0.0046 Distorted	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted	0.0147 Accepted
Regional Finance Variable												
Retribusi/Taxes	0.0083 Low	0.0083 Low	0.0083 Low		0.0083 Low	0.0083 Low	0.0031 High	0.0031 High	0.0020 High	0.0031 High	0.0031 High	0.0020 High
Development Budget on APBD	0.0014 Low	0.0009 Low	0.0009 V. Low		0.0023 Moderate	0.0023 Moderate	0.0023 Moderate	0.0037 High	0.0037 High	0.0023 Moderate	0.0037 High	0.0037 High
Legal Certainty variable												
Consistency of Regulations	0.0095 Good	0.0054 Enough	0.0165 V. Good		0.0095 Good	0.0165 V. Good	0.0054 Enough	0.0095 Good	0.0054 Enough	0.0095 Good	0.0165 Good	0.0095 Good
Law Enforcement	0.0070 Enough	0.0070 Enough	0.0151 Good		0.0251 Good	0.0151 Good	0.0151 Good	0.0251 Good	0.0070 Enough	0.0070 Enough	0.0251 Good	0.0151 Good
Non-bureaucratic illegal levies	0.0051 Low	0.0025 Moderate	0.0025 <i>Moderate</i>		0.0051 Low	0.0051 Low	0.0051 Low	0.0099 Low	0.0025 Moderate	0.0051 Low	0.0025 Moderate	0.0099 VLow
Executive-Legislative Relationship	0.0043 Good	0.0030 Enough	0.0030 Enough		0.0030 Enough	0.0030 Enough	0.0043 Good	0.0030 Enough	0.0030 Enough	0.0043 Good	0.0030 Enough	0.0030 Enough
Indicator Intensity Score												
Very Good	Very High		Very Supportive									
Good	High		Supportive									
Moderate	Enough		Accepted									
Bad	Low		Distorted									
Very Bad	Very Low		Very Distorted									

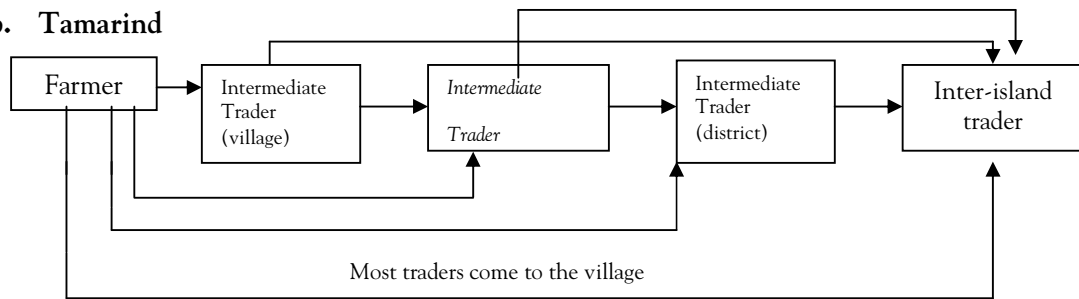
APPENDIX 4.
Summary of Several Agricultural and Agro-industrial Products Marketing Channels in West Timor

1. Forestry Products:

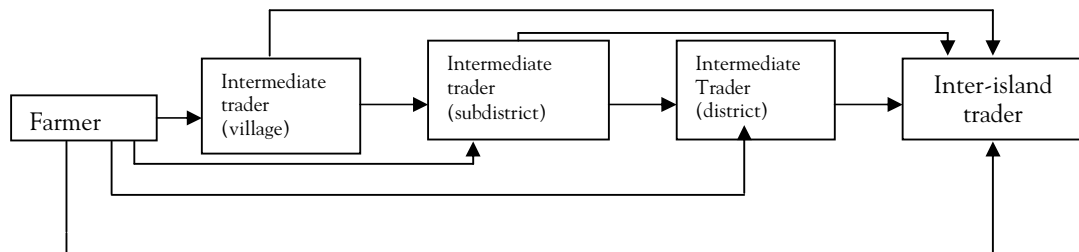
a. Timber



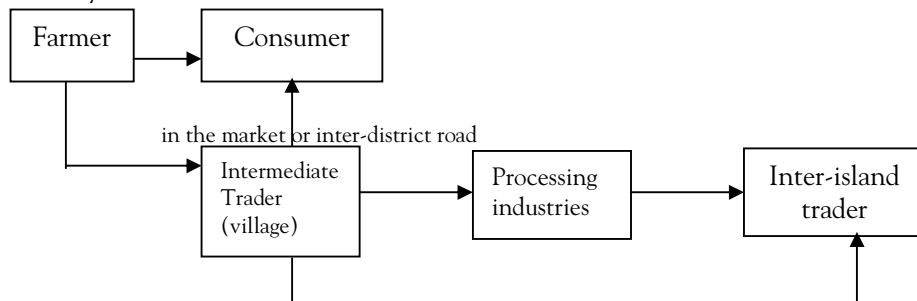
b. Tamarind



c. Candlenut

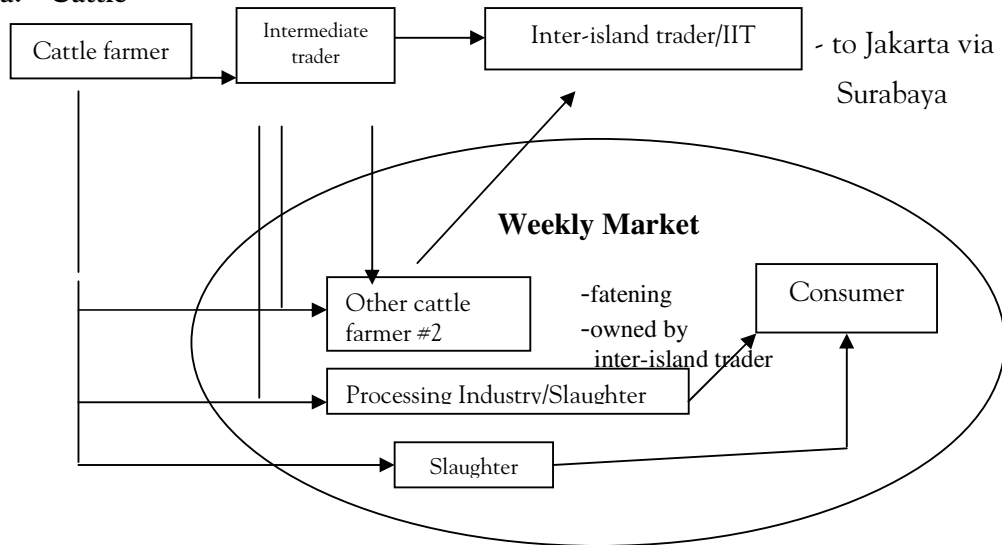


d. Honey

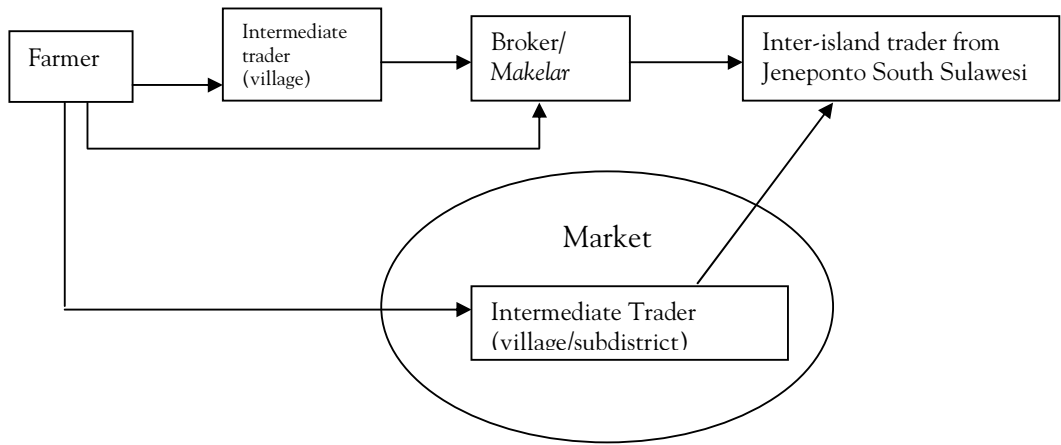


2. Animal Husbandry:

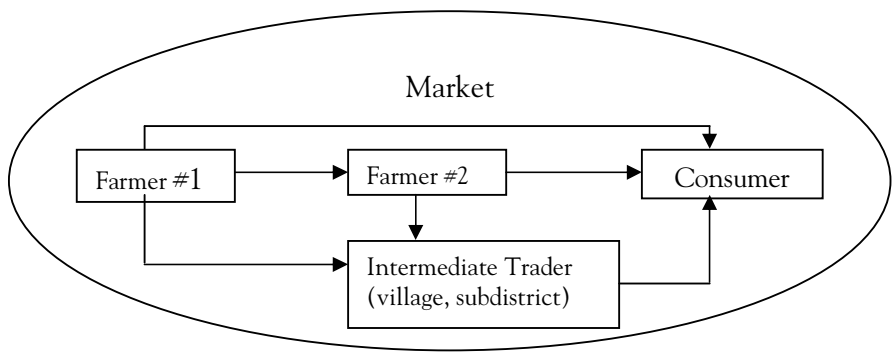
a. **Cattle**



b. **Horse**

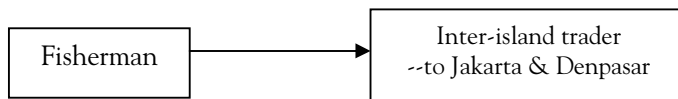


c. **Pig and Chicken**

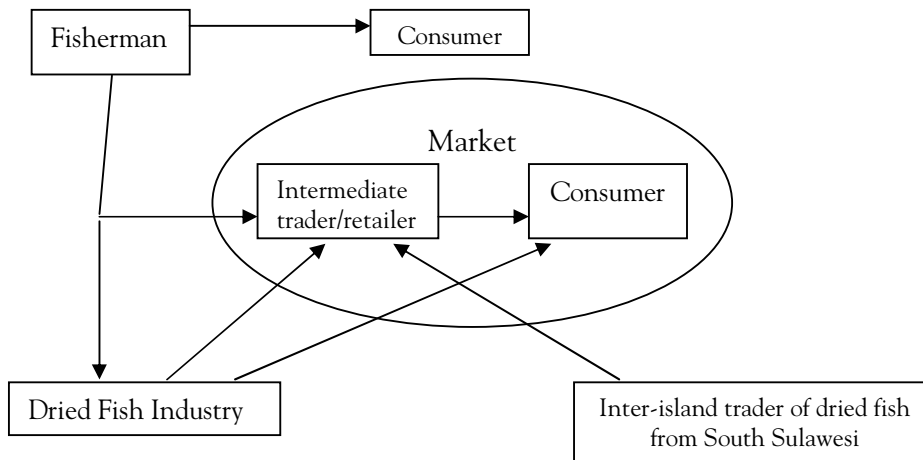


3. Fisheries Products:

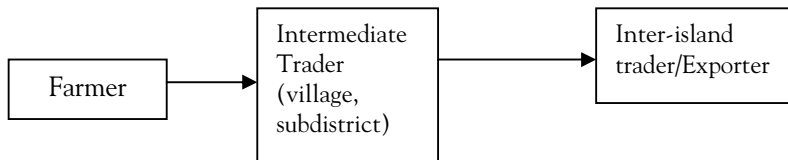
a. Shark fin, sea-cucumber, lobster, and tuna.



b. Other sea fish

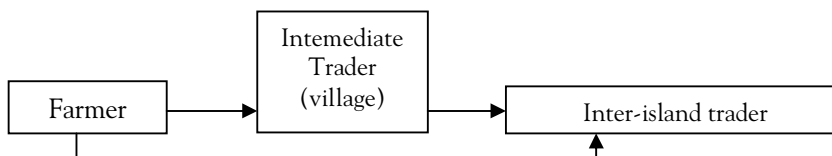


c. Seaweed

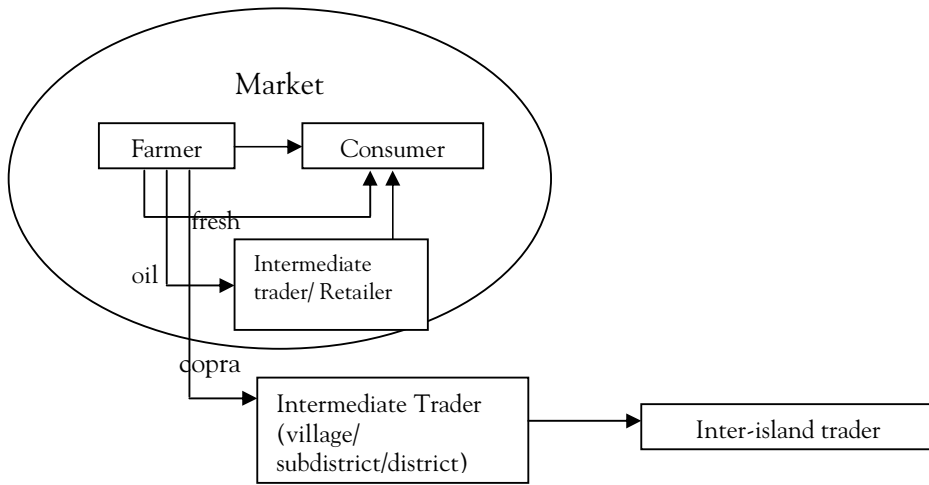


4. Plantation Crops:

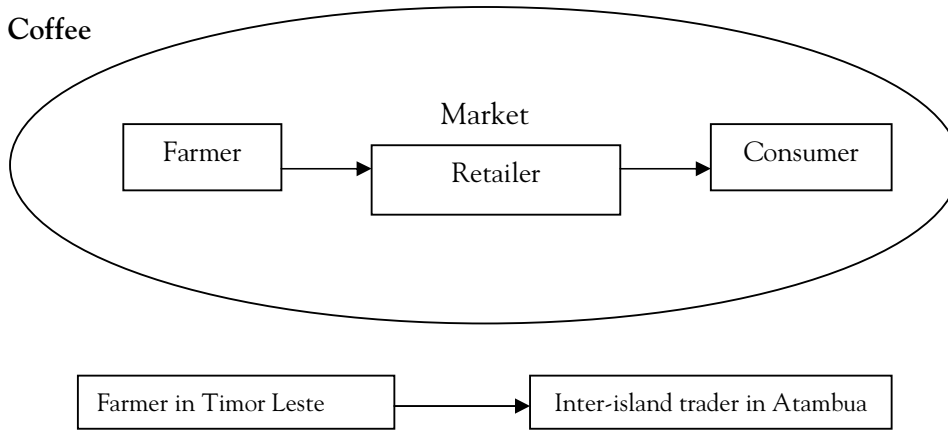
a. Cashew nut



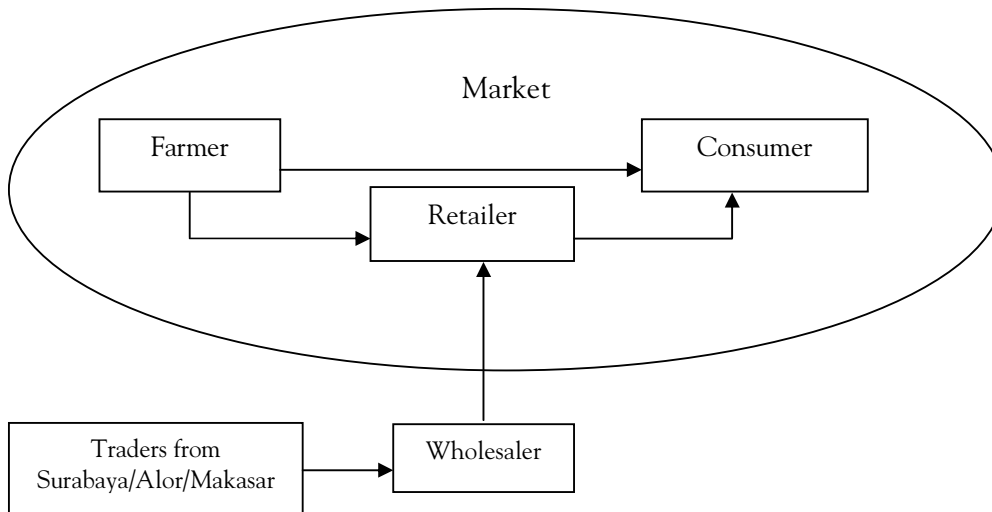
b. Coconut (fresh, oil and copra)



c. Coffee

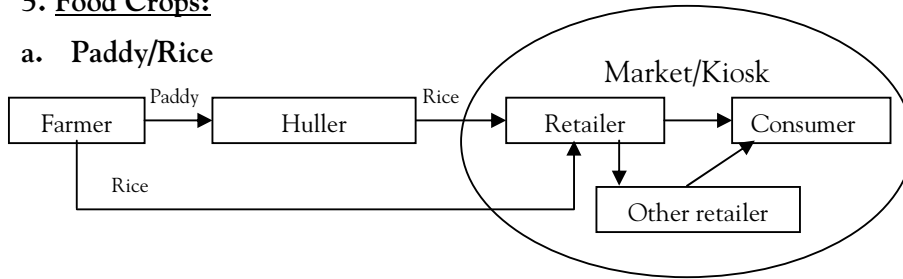


d. Pinang (Betel Nut)

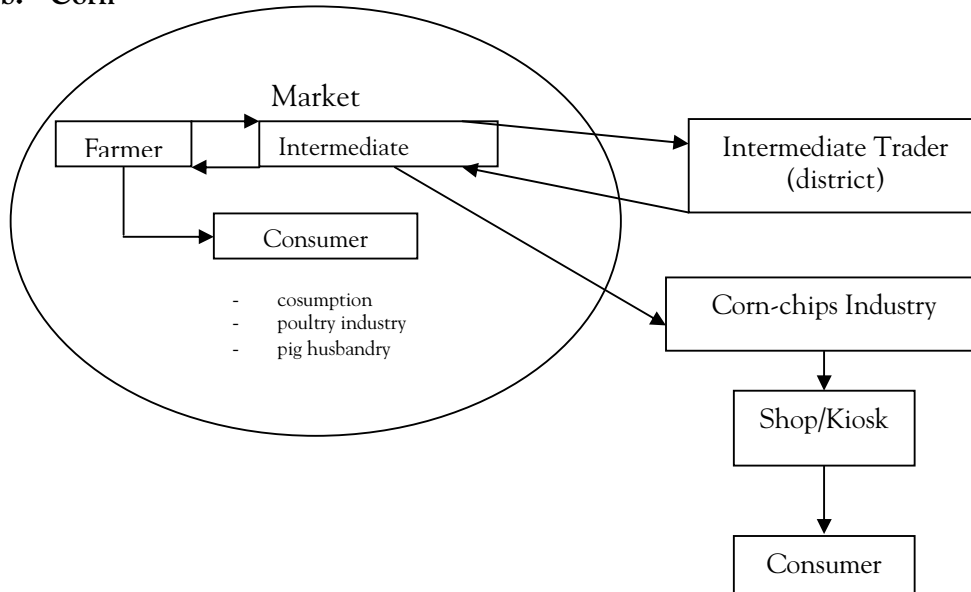


5. Food Crops:

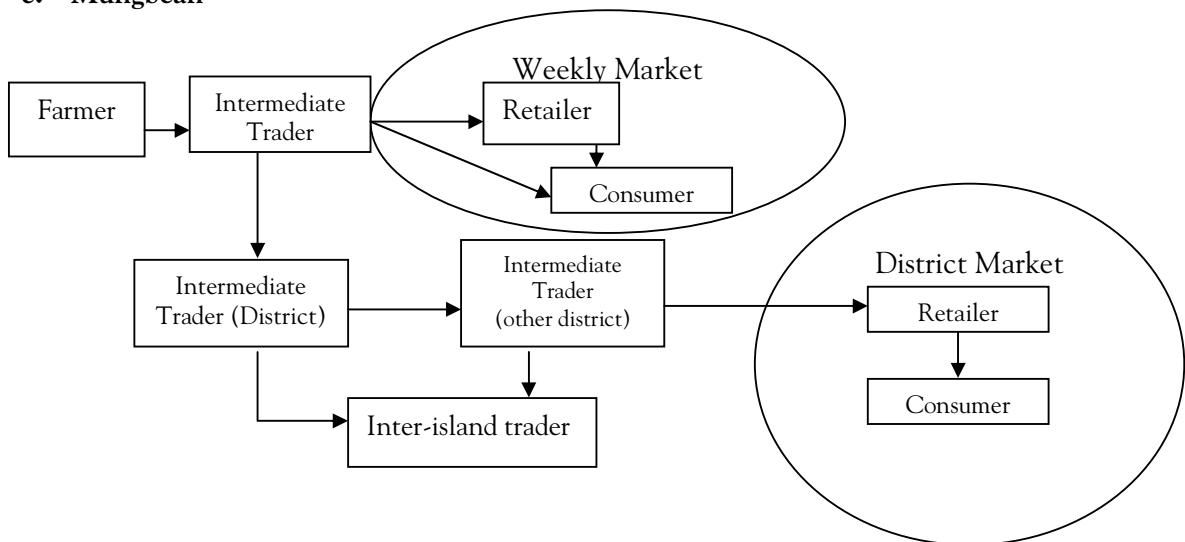
a. Paddy/Rice



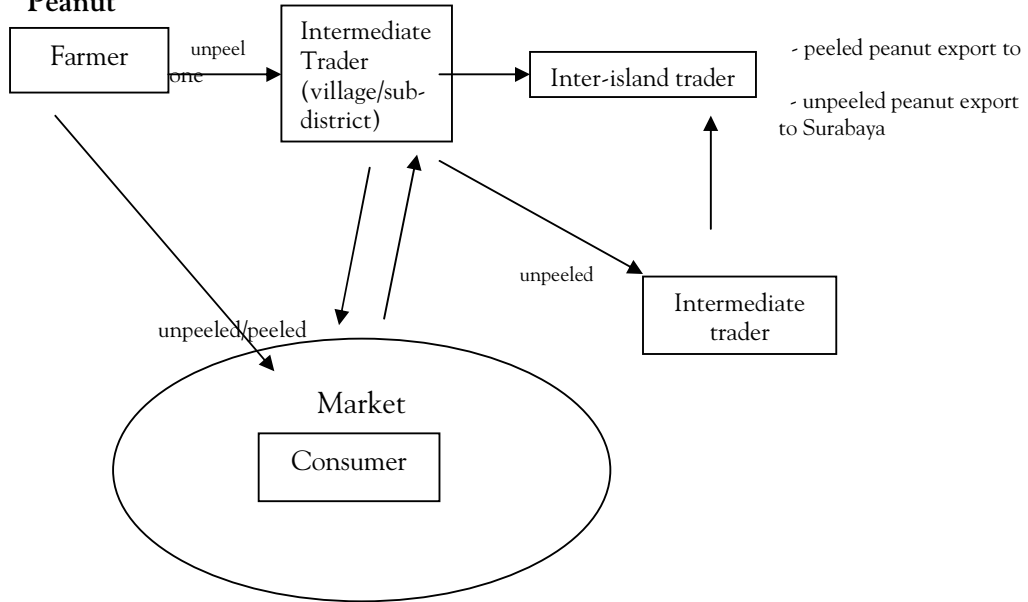
b. Corn



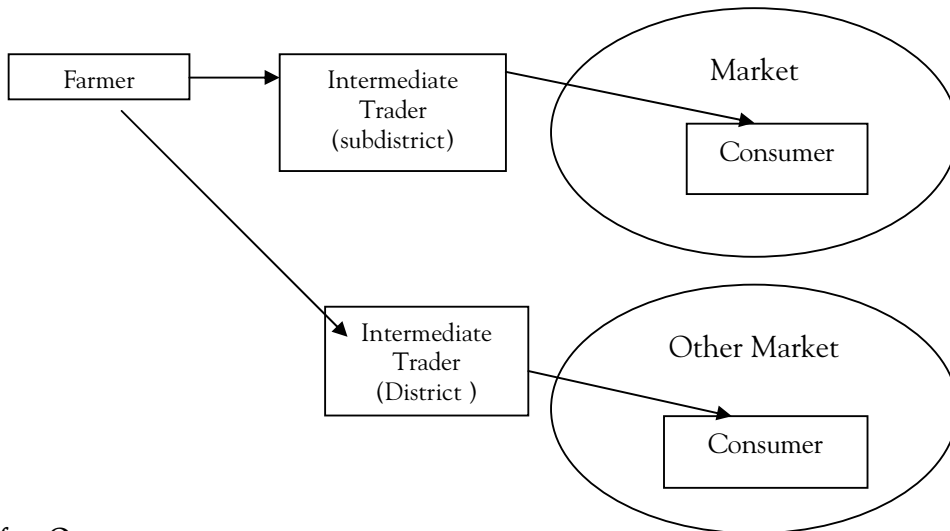
c. Mungbean



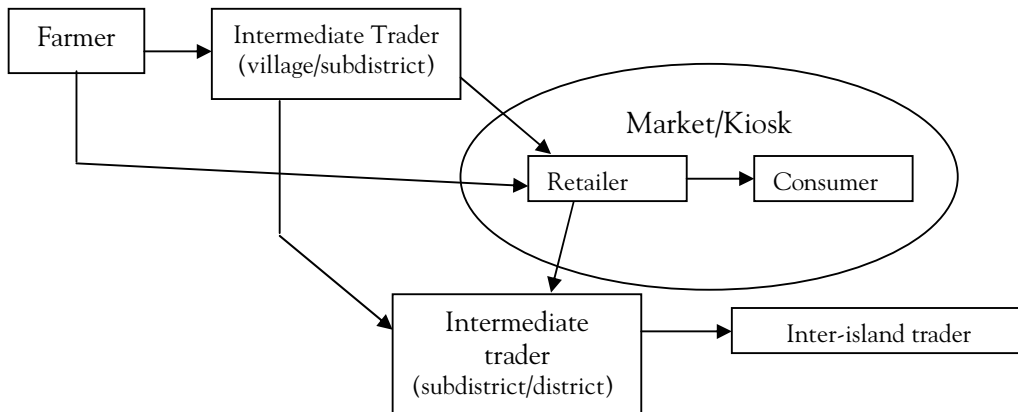
d. Peanut



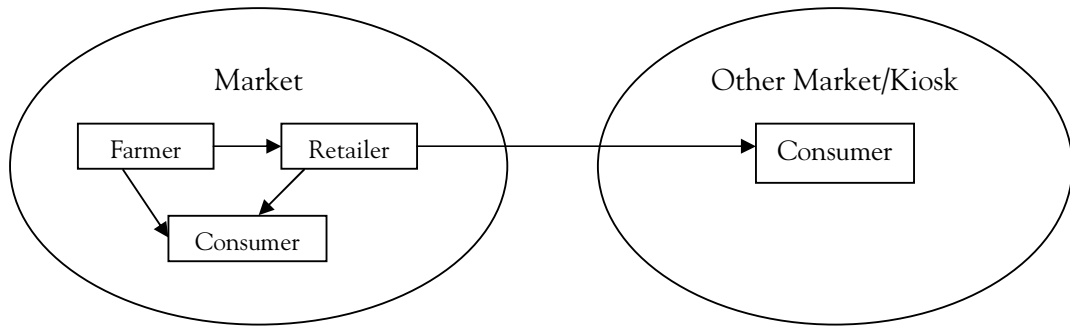
e. Kidney bean



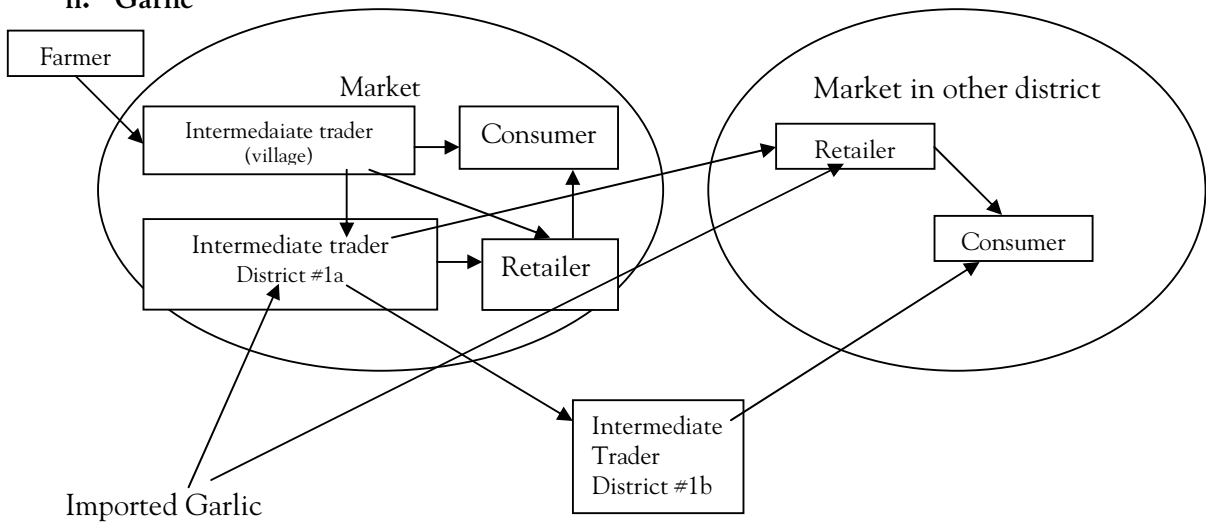
f. Orange



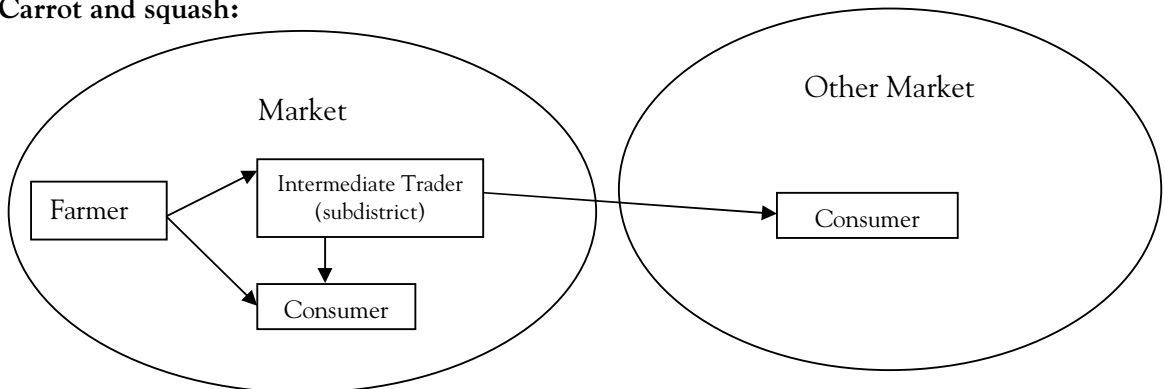
g. Banana and Vegetables



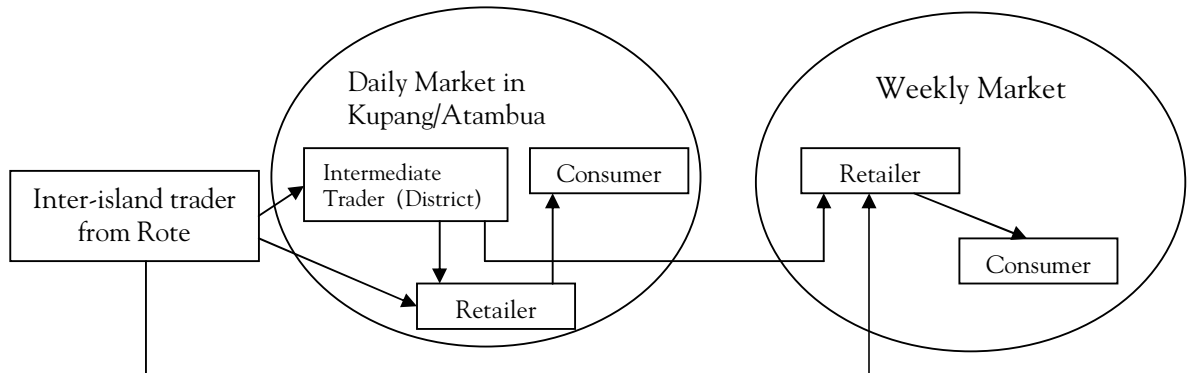
h. Garlic



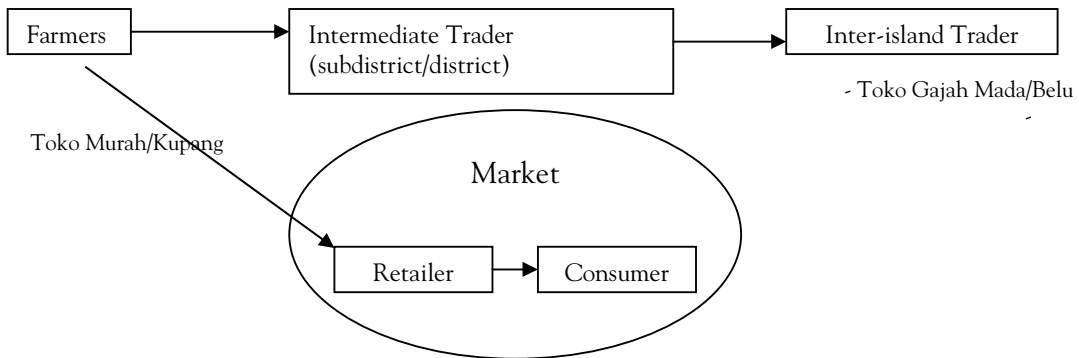
Carrot and squash:



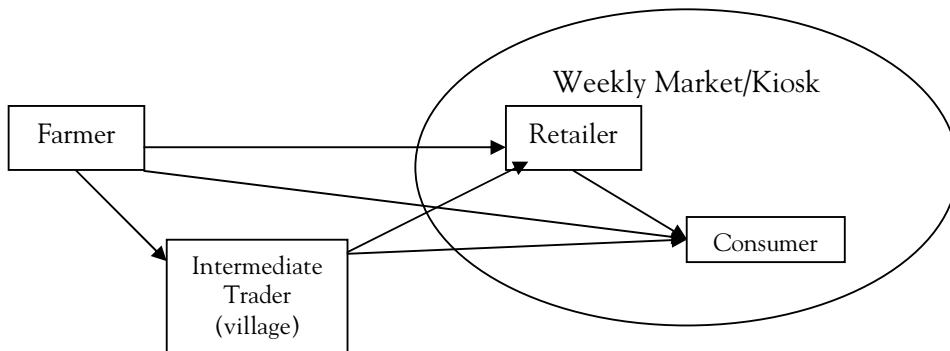
i. Imported Shallots



j. Turmeric and other spices

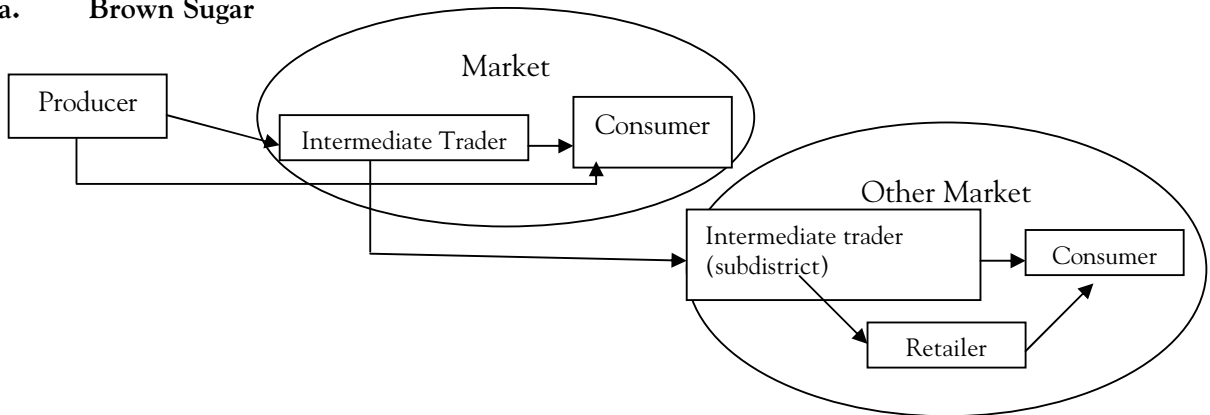


k. Sweet Potatoes and Cassava

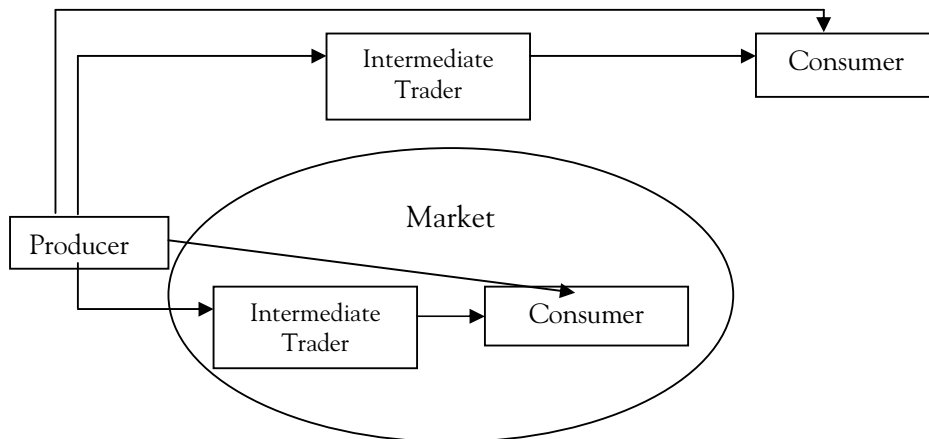


6. Agro-industries:

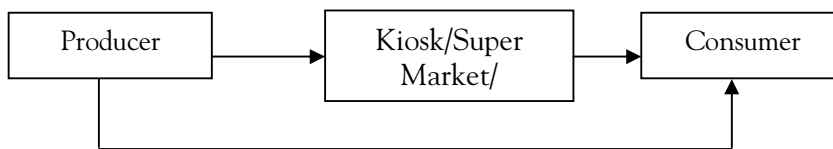
a. **Brown Sugar**



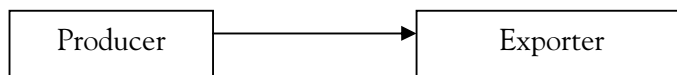
b. **Sopi (traditional liquor) and Coconut Oil**



c. **Beef products**



d. **Sandalwood Oil**



APPENDIX 5.

Analysis on the Proportion of Farmgate Prices to Final Selling Prices

No.	Commodity	Origin	Unit	Farmgate Price (Rp)	Selling Price		Farmgate Price (% of Selling Price)
					(Rp)	Price Position	
1.	Cattle	TTU	Kg	12,200	16,450	Intermediate traders, Jakarta	74.2%
		TTU	Kg	11,000	11,800	Intermediate traders, Atambua	93.2%
		Belu	Kg	12,000	16,250	Intermediate traders, Jakarta	73.8%
		TTU	Head	1,725,000	4,212,000	Intermediate traders, Jakarta *)	41.0%
		Kupang	Head	1,600,000	3,935,500	Intermediate traders, Jakarta *)	40.7%
		Kupang	Head	3,000,000	4,250,000	Intermediate traders, Jakarta	70.6%
		Kupang	Head	2,000,000	4,250,000	Intermediate traders, Jakarta	47.1%
		TTS	Head	1,150,000	1,650,000	Lili Market-Kab. Kupang	69.7%
2.	Horse	TTU	Head	1,050,000	2,500,000	Fob Makasar	42.0%
3.	Pigs	TTU	Head	100,000	120,000	Consumers, market	83.3%
4.	Chicken	TTU	Head	35,000	40,000	Consumers, market	87.5%
5.	Timber (teak)	TTU	M3	519,480	1,325,000	Fob Atapupu	39.2%
6.	Timber	Kupang	M3	125,000	500,000	Intermediate traders, Kupang	25.0%
7.	Tamarind (unseed)	TTU	Kg	1,200	1,500	Fob Kupang	80.0%
		Belu	Kg	1,000	1,600	Fob Surabaya	62.5%
		TTS	Kg	1,325	1,700	Fob Kupang/Atambua	77.9%
8.	Tamarind (with seed)		Kg	750	1,000	Intermediate traders, Atambua	75.0%
		TTU	Kg	800	1,250	Fob Surabaya	64.0%
		TTS	Kg	1,000	1,250	Intermediate traders, Kupang	80.0%
9.	Candlenut	Belu	Kg	5,500	7,000	Fob Surabaya	78.6%
		TTS	Kg	4,500	5,625	Fob Kupang/Atambua	80.0%
		TTU	Kg	4,000	4,500	Intermediate traders, Kupang/Atambua	88.9%
		Belu	Kg	5,000	6,500	Fob Surabaya	76.9%
10.	Sea fish (sarden)	Belu	Bucket	150,000	300,000	Consumers, market	50.0%
		Kupang	Kg	5,000	12,000	Intermediate traders, TTU & Belu	41.7%
11.	Shark fin	Kupang	Kg	900,000	1,600,000	Fob Kupang	56.3%
12.	Sea Cucumber	Kupang	Kg	150,000	280,000	Fob Kupang	53.6%
13.	Salty fish	TTU	Kg	17500	20,000	Consumers, market	87.5%
14.	Seaweed	Kupang	Kg	4,500	5,075	Fob Surabaya	88.7%
15.	Cashew Nuts	Belu	Kg	5,000	7,500	Intermediate traders, Atambua	66.7%
16.	Coconut	Kupang	Each	200	1,000	Consumers, market	20.0%
17.	Copra	Belu	Kg	1,000	1,750	Fob Surabaya	57.1%
18.	Coffee	Belu	Kg	10,000	12,500	Fob Surabaya	80.0%
19.	Betel leaf	TTU	Bunch	7,500	8,500	Consumers, market	88.2%
20.	Betel nut	TTU	Kg	25,000	35,000	Consumers, market	71.4%
21.	Tobacco	TTU	Kg	25,000	50,000	Consumers, market	50.0%
22.	Mungbean	Belu	Kg	3,000	3,000	Consumers, market	100.0%
		Belu	Kg	3,000	4,000	Fob Surabaya	75.0%
		Average	Kg	3,000	6,316	Consumers in East Java **)	47.5%
23.	Peanut	Belu	Kg	4,500	6,000	Fob Kupang	75.0%
		Kupang	Kg	5,000	6,000	Fob Kupang	83.3%
		Average	Kg	4,750	8,939	Consumers in East Java **)	33.6%
24.	Orange	TTU	Dos	100,000	210,000	Consumers, market	47.6%
		TTS	Kg	10,000	15,000	Consumers, market	66.7%

No.	Commodity	Origin	Unit	Farmgate Price (Rp)	Selling Price		Farmgate Price (% of Selling Price)
					(Rp)	Price Position	
25.	Banana	Belu	Bunch	500	1,000	Consumers, market	50.0%
		Amarasi	Bunch	100	5,000	Consumers, market	2.0%
26.	<i>Kangkung</i>	TTU	Bunch	375	750	Consumers, market	50.0%
27.	Cabbage	TTU	Head	1,000	1,250	Consumers, market	80.0%
28.	Tomato	TTU	Bucket	20,000	30,000	Consumers, market	66.7%
		TTS	Bucket	15,000	20,000	Consumers, market	75.0%
29.	Shallots	TTU	Kg	15,000	20,000	Consumers, market	75.0%
30.	Garlic	TTU	Kg	20,000	22,500	Consumers, market	88.9%
31.	Coconut oil	TTS	Bottle	3,500	5,000	Consumers, market	70.0%
32.	<i>Sopi</i>	TTS	Bottle	2,500	2,500	Consumers, market	100.0%
33.	Honey	TTS	Bottle	6,000	17,500	Consumers, road	34.3%
34.	Brown Sugar	Kupang	Piece	125	170	Intermediate traders, Kupang	73.5%

Source: **) BPS, Statistik Harga Konsumen, 2005.

Note: *) Cattle fattening system.

**) Average price from four cities in East

APPENDIX 6.
List of Regulations Concerning Charges for Agricultural and Agro-Industrial Products in West Timor

NTT Province

Regulation	Regulation Name	Details	Commodity
Local Regulation No. 12/2003	Regional Revenue from Third Party Contributions	The region can receive SPK, in the form of money or goods.	General
Local Regulation No. 13, 2003	<i>Retribusi</i> for Reimbursement of Administration Fees	Charges for administrative services	All sectors
Local Regulation No. 17, 1993	Permit for Exploitation of Timber and Non-Timber from Privately Owned and Other Forests	<ul style="list-style-type: none"> - Business operators must obtain a permit from the governor or appointed official - The amount of <i>retribusi</i> for timber and non-timber forestry products - Division of proceeds: 30% to the province and 70% to the district/city 	Timber and non-timber forestry products
Decree of the Forestry Office Head DR522/ 2005	Guidelines for determining the amount of PSDH per item for timber and non-timber forestry products ***	No documentation available	
Governatorial Decree No.05/KEP/HK/2006	2006 Export Allocations for Slaughtered Large Livestock	<ul style="list-style-type: none"> - Total allocation of large livestock per region - Prohibition of calves from outside the region - Only for 1 provincial destination - Livestock weight limits 	Large livestock: cattle, buffalo, horse, sent outside the province
Local Regulation No. 10, 2003	Certification of Calves and Large Livestock Export Permit	<ul style="list-style-type: none"> - Rearing and distribution of calves - Possession of an export permit for livestock 	Large livestock
Governor Decree No. 13, 1993	Guidelines for the Prevention and Elimination of Brucellosis in NTT Province	<ul style="list-style-type: none"> - Method: disease surveys, vaccinations, testing, legal butchering, livestock traffic regulation, and livestock identification - Meat traders - Quarantine measures for calves 	Large livestock (cattle & buffalo)
Governor Instruction No. 7, 1993	Implementation of the Prevention and Elimination of Brucellosis	Instructions for immediate vaccination, ceasing the movement of livestock and livestock carriers from TTU and Belu and only via Wini and Atapupu	Large livestock (cattle & buffalo)
Head of the Animal Husbandry Office Decree No. 524/2000	Stipulation of Third Party Contributions for Issuing Livestock Import and Export Permits	Per-head: <ul style="list-style-type: none"> - Large livestock: Rp5,000 - Ostrich: Rp5,000 - Small livestock/poultry/ young poultry: Rp500/250/15 	Large and small livestock, and poultry
Local Regulation No. 11, 2003	<i>Retribusi</i> for Fisheries Enterprise Permits	<ul style="list-style-type: none"> - Covering: fisheries enterprise permit, permission to catch fish, fish cultivation certificate, permit to buy and harvest fish, fishing vessel permit, buying permit, and capacity to process fish - The amount of <i>retribusi</i> for the respective permits 	Fisheries: all activities including cultivation, catching, collecting, processing and fishing vessels operation

Regulation	Regulation Name	Details	Commodity
Local Regulation No. 13, 2001	<i>Retribusi</i> for the Testing of Fisheries Vessels	<ul style="list-style-type: none"> - Testing: completeness of permits and certificates, inspection of equipment, hold construction - The amount of <i>retribusi</i> is based on weight (Gross Tonnes) 	Fishing vessels
Governor Decree No. 9, 2001	Testing of Fisheries Vessels	No documentation available	
Local Regulation No.1, 2003	<i>Retribusi</i> for Port Services	<i>Retribusi</i> tariffs for: anchorage services, port services, issue of vessel documents, and evaluating level of fitness to enter the port (crew and vessel)	Fishing vessels and other vessels
Governor Instruction No. 1, 1998		<ul style="list-style-type: none"> - Withdrawal of regional charges for inter-regional and inter-island export - Withdrawal of trade bans - Prohibition of policies regulating marketing procedures 	All inter-regional, inter-island, and export traded goods

Kota Kupang

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 14, 2003	<i>Retribusi</i> for the Issueance of Import and Export Permits for Forestry Products, Non-Timber Forestry Products, Plants, and Wild Fauna	<ul style="list-style-type: none"> - Requirement to arrange SKSHH - <i>Retribusi</i> tariff: sandalwood Rp500/kg; mixed forest products Rp7.500/m3; teak Rp15.000/m3; swallow nests Rp5000/kg (white) dan Rp3500/kg (black), and tamarind Rp10/kg. 	All forestry products including sandalwood
Local Regulation No. 10, 2003	Regulation, Control and Permits for Animal Husbandry	<p>To avoid unhygienic practices, ensure environmental security, and general important points</p> <ul style="list-style-type: none"> - Agreement with neighbors made by the household heads and acknowledged by the village head - Seek permission from the mayor - Valid for 1 year 	All species of livestock
Local Regulation No. 11, 2003	<i>Retribusi</i> for Animal Husbandry Business Permits	Stipulation on the cost of the above business permit, dependant on the species and amount of livestock tended	All species of livestock
Local Regulation No. 22, 1998	Slaughterhouses	<ul style="list-style-type: none"> - Equipping and maintaining slaughterhouse facilities - Stipulation of the cost of inspection, slaughtering, cleaning and insurance fees 	Large and small livestock
Local Regulation No. 32, 2001	Livestock Markets	No documentation available	
Local Regulation No. 16, 2002	<i>Retribusi</i> for Livestock Health Services Permit	<ul style="list-style-type: none"> - Business type: pharmacy/dispensary, meat depot/kiosk/butcher, mobile meat traders, slaughterhouses/abattoirs, labs and practicing veterinarians. - Stipulation of <i>retribusi</i> tariff 	Meat
Local Regulation No. 17, 2002	<i>Retribusi</i> for Livestock Health Services	Stipulation of tariff for using livestock health services: clinical inspection, treatment, and vaccinations. Determination based on the livestock species and service	All species of livestock

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 11, 2001	<i>Retribusi</i> for Issuing Fisheries Business Permits	<ul style="list-style-type: none"> - Range of fisheries operations: (1) catching fish, (2) filling in time after the rice harvest, (3) buying and collecting fish, (4) transporting fish, (5) notice of origin, dan (6) recommendations for the licensing process - Stipulation of tariffs for each permit, for tariffs according to the fishing equipment 	<ul style="list-style-type: none"> - fishing vessels - fishing equipment - all species of fish
Local Regulation No. 12, 2006	Market Services <i>Retribusi</i> (Previously regulated by Local Regulation No.10, 2002 on Market <i>Retribusi</i>)	<ul style="list-style-type: none"> - Service for using market facilities - Stipulation of market <i>retribusi</i> 	General
Local Regulation No. 4, 2001	License for Trade Business/SIUP	<ul style="list-style-type: none"> - Implementing body: Office for Industry and Trade - SIUP validity period 5 years, reregister each year - Commodities exempt from SIUP: small traders, mobile traders - Issued with TDP 3 months after obtaining SIUP - Fee for permit and registration = IUI fee 	General
Local Regulation No. 6, 2001	Industrial Business Permit and Industrial Registration	<ul style="list-style-type: none"> - Small industries not required to have an IUI, however they must have a TDP - IUI valid for 5 years, annual registration - Implemented by Office for Industry and Trade - Licensing fee: large enterprises (Rp200,000), medium (Rp150,000), small (Rp100,000) - Registration fee: large enterprises (Rp75,000), medium (Rp50,000), small (Rp25,000) 	General
Local Regulation No. 9, 2001	Warehouse Facilities and Monitoring and Management	<ul style="list-style-type: none"> - Warehouse Registration (TDG) valid for 5 years - Tariff dependant of the size of the warehouse 	General
Local Regulation No. 10, 2001	Business Registration Requirements	<ul style="list-style-type: none"> - Requirement to register businesses - Administration fee - TDP Validity: 5 years, reregister 3 months before expiry 	General

Kabupaten Kupang

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 41/1998	Regional Third Party Contribution Revenue	Regional Government is allowed to receive SPK, SPK is given on a voluntary basis. SPK is an individual or legal body both government or private owned	General
Local Regulation No. 14, 2001	<i>Retribusi</i> for Harvesting and Export of Forestry Products and Non-Timber Forestry Products [Amendment of Local Regulation No.31/1998, <i>Retribusi</i> for Non-Timber Forestry Product Harvesting Permit]	Stipulation of <i>retribusi</i> tariff	All forestry and non-timber forestry commodities

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 15, 2001	Livestock Market <i>Retribusi</i>	<i>Retribusi</i> for the preparation of market facilities, tariff according to the species of livestock	All species of livestock
Local Regulation No. 7, 2000	Livestock Health Services <i>Retribusi</i>	Inspection service, treatment, lodging, feeding, and administration. Tariff based on the species of livestock. Inspection of large livestock Rp5,000/head	All species of livestock
Local Regulation No. 12, 2001	<i>Retribusi</i> for Permits to Harvest and Export Ocean and Fisheries Products	<i>Retribusi</i> cost to business operators who store and export fisheries products and fish: fresh and dried	All species of ocean fish
Local Regulation No. 4, 2002	Port Services <i>Retribusi</i> [Amendment of Local Regulation No.38, 1998 Ship Docking Facilities]	<ul style="list-style-type: none"> - Provision of port facilities: mooring, docking, loading and unloading and storage, use of land, rooms, water; port entry and monitoring - Outside the authority of BUMN, BUMD and Private Enterprise 	General, water and fisheries transportation
Local Regulation No. 19, 1998	Grocery Market and Shopping Complex <i>Retribusi</i> <i>Bupati</i> Decree No.283/SKEP/HK/2000 Balancing Funds Distribution from Fisheries Products Market <i>Retribusi</i>	<ul style="list-style-type: none"> - Provision of market facilities, auction house, and shopping complex. Tariff is generally per kg of the product sold, except for shopping complexes. - Division of charges (5%): 2% for the collector, 1.5% for subdistrict/village, and 1.5% for Fisheries Office and Local Treasury Office 	Fish, livestock, agricultural products and various other goods
Bupati Decree No. 677/2005	Stipulation of Third Party Contributions for the Issue of Fish Catching Certificates, Harvesting Permits, and Recommendations for the Export of Marine and Fisheries Products	Changes to service charges previously stipulated in Bupati Decree No. 382/SKEP/HK/2005	All species of sea fish and fresh water fish
Local Regulation No. 15, 1998	Market <i>Retribusi</i> There must be a new local regulation	<i>Retribusi</i> for utilizing market facilities: kiosks, stalls, market grounds	General

Kabupaten TTS

Regulation Number	Regulation Name	Details	Commodity
Bupati Instruction No. 2, 1998	The Cessation of Regional Taxes and <i>Retribusi</i> not in accordance with Law No.18, 1997	Revoked 10 regional taxes and 22 regional <i>retribusi</i>	General
Local Regulation No. 25, 2001	Sandalwood	<ul style="list-style-type: none"> - A recommendation from the <i>bupati</i> is required to fell sandalwood - The proceeds from selling owned timber attracts a sandalwood product charge of 10% from the lowest price determined by the local government 	Sandalwood
<i>Bupati</i> Regulation No. 12, 2005	Charging Mechanisms for sandalwood products from privately owned land **	<ul style="list-style-type: none"> - It is compulsory to obtain a sandalwood product harvest permit from the Forestry Office - Report to village head to obtain a certificate of ownership - Felling permit is arranged upon recommendation from the <i>bupati</i> - A SKSHH is required to fell sandalwood 	Sandalwood

Regulation Number	Regulation Name	Details	Commodity
<i>Bupati</i> Instruction No. 1, 2002	Issuing Permits for the Export of Slaughtered Livestock from TTS Advice of the TTS Animal Husbandry Office Head No. 524.503/14/Upset/2005	<ul style="list-style-type: none"> - Minimum standard weights: bali cattle (300 kg), ongkole cattle (375 kg), buffalo (400 kg) and horse (250 kg) - SPK: Rp15,000/head. - Advice from the Animal Husbandry Office head with reference to Provincial Local Regulation No.13, 2003 that SPK has increased to Rp20,000/head. Also contains other charges. 	Cattle, buffalo, and horse
Local Regulation No. 6, 2002	Slaughterhouse <i>Retribusi</i>	<ul style="list-style-type: none"> - Tariff for livestock inspection, cattle, Rp15000/head - Development and exploitation RPH, cattle: Rp10.000/head 	Large and small livestock
Local Regulation No. 40, 2001	Fisheries Operator Permit	No documentation available	
Local Regulation No. 11, 2004	Market Services	No documentation available	
Local Regulation No. 15, 2002	Trader Certificate	<ul style="list-style-type: none"> - Requirements to obtain a SIUP - Validity period: 5 years, reregister every year - Those not required to have a SIUP: individual business branches, individual small businesses, mobile traders - Fee: small SIUP: Rp50,000, medium SIUP: Rp100,000, large SIUP: Rp200,000 	Trading businesses: PT, cooperations, individuals

Kabupaten TTU

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 20, 1998	Regional Revenue from Third Party Contributions	The region can receive SPK: contributions, gifts, donations, religious donations, and grants, in the form of cash or goods	General
Local Regulation No. 55, 2001	Retribusi for Permits to Harvest Non-Timber Forestry Products	Stipulation of the <i>retribusi</i> tariffs based on types of non-timber forestry products	Resin, candlenut, canari nut, tamarind, betel, areca nut, eucalyptus oil, swallow nests, bamboo, cinnamon, <i>tikar</i> , honey, sugar, etc.
Local Regulation No. 2, 2004	Sandalwood	<ul style="list-style-type: none"> - All sandalwood exploitation activities must have the permission of local government or the Forestry Office - The sale of sandalwood on recommendation of the <i>bupati</i> must be accompanied by a SKSHH - 2% of sale price from sandalwood seeds and plants from privately owned land to be paid to local government 	Sandalwood

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 38, 2001	Livestock and Skins Export Permit <i>Retribusi</i>	Stipulation of <i>retribusi</i> tariffs Note: does not implement. Still use relevant provincial regulation	Large and small livestock
Local Regulation No. 51, 2002	Slaughterhouses	No documentation available	
Local Regulation No. 57, 2001	Livestock Market <i>Retribusi</i>	<ul style="list-style-type: none"> – Use of livestock trading spaces – <i>Retribusi</i> tariffs for all species of livestock, for example slaughtered cattle/buffalo Rp15,000/head Note: <ul style="list-style-type: none"> – This regulation does not apply to markets – Only ordinary/weekly markets 	All species of livestock
Local Regulation No. 40, 2001	Fish Cultivation Permit <i>Retribusi</i>	<ul style="list-style-type: none"> – Permit to conduct fish cultivation activities: freshwater, saltwater an ocean, valid for 1 year – Tariff depends on species of fish and area of land used 	Cultivated fish
Local Regulation No. 41, 2001	Fish Catching Permit <i>Retribusi</i>	<ul style="list-style-type: none"> – Permit to conduct fishing activities, valid for one year – Tariff depends on the total amount and type of fishing equipment and vessel 	Ocean fishing equipment
Local Regulation No. 56, 2001	Agricultural and Plantation Product Export Permit <i>Retribusi</i>	<ul style="list-style-type: none"> – Export of various food and plantation crops – Tariff stipulation Note: <ul style="list-style-type: none"> – Not implemented, except for breeders – In practice some traders still ask for this permit and it is issued without a fee 	Food crops and plantation crops
Local Regulation No. 4, 2006	Market Services <i>Retribusi</i>	<ul style="list-style-type: none"> – Maintenance of traditional market facilities: grounds, yards, stall, kiosks, etc. – Market services tariff 	All commodities

Kabupaten Belu

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 7, 1999	Regional Revenue from Third Party Contributions	The region is allowed to receive SPK Note: socialization and agreements on the amount of the contribution has been done, for example on 2 February 2002 the SPK amount for SITY was agreed on	General
<i>Bupati</i> Decree No. 142/HK/2004	Guidelines for Third Party Contribution Revenue and Payments for Permit Services and other Sources	Stipulation of SPK tariffs based on the agreement with third parties: traders/business operators, SPBU agents, timber traders. Note: Supplemented by an export permit for sending agricultural products outside the region	Agricultural Products, timber, SITU, SIUP, fuel, projects
Forestry Office Letter No. DK560/2006	Permit for the Exploitation of Timber and Non-Timber Permit	<ul style="list-style-type: none"> – Determination of permits for exploitation and accumulation of timber and non-timber products – Division of authority between the province and district/city for supply of this permit 	Timber and non-timber forestry products

Regulation Number	Regulation Name	Details	Commodity
Local Regulation No. 19, 2002	Sandalwood	<ul style="list-style-type: none"> - Sandalwood controlled by local government/Forestry Office - Sandalwood manufacturing determined by the <i>bupati</i> - Exploitation and sale of community owned sandalwood must have the permission of the local government or Forestry Office and have an SKSHH 	Sandalwood
Local Regulation No. 6, 2005	Slaughterhouse <i>Retribusi</i>	<p>Stipulation of tariffs for specific services (large and small livestock):</p> <ul style="list-style-type: none"> - Health inspection: Rp12,500/head - Use of stalls: Rp7,500 and Rp5,000/head - Slaughterhouse use: Rp12,500 and Rp5,000/head 	Cattle, buffalo, and pigs
Local Regulation No. 15, 2004	Market <i>Retribusi</i>	Stipulation of tariffs based on the market class (I and II) and building type (permanent kiosk, permanent stall, open air stall) range from Rp1,000- Rp7,500/m ² /month	All commodities and products
Local Regulation No. 1, 2003	<p><i>Retribusi</i> for the Use of Regional Facilities</p> <p>Note: Replaced with Local Regulation No.9, 2005</p>	<p><i>Retribusi</i> for the use of facilities owned by local government</p> <p>For livestock:</p> <ul style="list-style-type: none"> - Use of holding ground facilities: large livestock Rp10,000/head, small livestock Rp5,000/head - Livestock health inspection: large livestock Rp10,000/head, and small livestock Rp5000/head 	<ul style="list-style-type: none"> - General needs: buildings, vehicles, heavy machinery - Livestock

APPENDIX 7.
Contribution of Various Charges on the Budget of Kabupaten Kupang, TTS,
TTU, Belu, and Kota Kupang

Kabupaten Kupang	2004 (Realization)	2005 (Plan)	2006 (Plan)
Local-Generated Revenue (PAD)	22,939,303,108	22,357,541,560	12,839,045,360
TOTAL Retribusi	1,892,702,864	1,912,510,000	1,710,260,000
Directly Related to Agricultural Trade			
Levies on Traditional Market	90,504,800	100,000,000	100,000,000
Permits on Forest & Forest-related Products	85,391,093	225,000,000	200,000,000
Permit on Agriculture & Plantation Products	57,679,240	54,000,000	0
Slaughter House Levy	21,372,500	26,800,000	26,800,000
Levy on Animal Insemination Service	1,679,000	6,000,000	6,000,000
Levy on Animal Health Service	142,826,025	82,550,000	82,550,000
Animal Market Levy	483,183,500	340,000,000	400,000,000
Permits on Compiling Fish & Other Maritime Products	258,437,470	256,400,000	0
<i>Retribusi (Directly Related)</i>	1,141,073,628	1,090,750,000	815,350,000
<i>% from PAD</i>	5.0%	4.9%	6.4%
Indirectly Related to Agricultural Trade			
Levies on the Use of Local Government Assets	2,950,000	36,000,000	46,000,000
Disturbance Permit	15,552,188	12,000,000	16,500,000
Levies on Local Production Sales	400,000	13,500,000	13,500,000
Business Permit	3,015,000	6,000,000	6,000,000
Building Construction Levy	49,272,259	50,000,000	65,000,000
Parking at Public Road Levy	11,620,000	20,000,000	18,500,000
Motor Vehicle Inspection Levy	56,632,800	57,960,000	57,960,000
Terminal Levy	158,412,000	166,800,000	168,500,000
Special Parking Lot Levy	4,491,603	6,500,000	5,750,000
Seaport Services Levy	88,810,981	93,000,000	87,500,000
Transportation Route Levy	18,695,000	23,000,000	23,500,000
<i>Retribusi (Indirectly Related)</i>	409,851,831	484,760,000	508,710,000
<i>% from PAD</i>	1.8%	2.2%	4.0%
Not related to Agricultural Trade			
Permits to Sell Alcoholic Beverages	0	1,000,000	1,000,000
ID card and Civil Registration Document Levy	197,302,000	178,000,000	193,000,000
Class C Mining Business Permits	20,498,250	25,000,000	25,000,000
Fuel Stockpiling Permit	4,075,000	1,000,000	2,000,000
Health Service Levy	80,969,650	100,000,000	100,000,000
Recreation Venues Levy	38,932,505	32,000,000	65,200,000
<i>Retribusi (Not related)</i>	341,777,405	337,000,000	386,200,000
<i>% from PAD</i>	1%	2%	3%

Kabupaten TTS	2004 (Realization)*	2005 (Realization)**	2006 (Plan)
Local-Generated Revenue (PAD)	19,585,950,232	23,061,672,383	15,576,796,176
Total Retribusi	3,930,652,806	3,630,308,577	4,463,265,000
Directly Related to Agricultural Trade			
Levy on Traditional Market	281,048,700	301,197,650	n.a
Slaughter House Levy	35,025,000	38,115,000	30,100,00
Levy on Whole Sale Market/Stores Services	293,030,000	207,020,00	198,650,000
Total Retribusi (Directly related)	609,103,700	339,312,650	n.a
% from PAD	3.1%	1.5%	
Indirectly Related to Agricultural Trade			
Levies on the Use of Local Government Assets	413,003,385	271,743,819	863,475,000
Levies on Local Production Sales	902,602,612	1,140,307,642	987,225,000
Building Construction Levy	11,431,075	8,056,633	5,000,000
Parking at Public Road Levy	5,591,999	3,750,000	6,000,000
Motor Vehicle Inspection Levy	66,642,900	0	70,000,000
Terminal Levy	55,232,500	75,098,500	90,000,000
Transportation Route Levy	4,130,000	3,735,000	5,500,000
Disposal of Septic Waste Levy	6,406,000	5,089,383	5,000,000
Total Retribusi (Indirectly related)	1,465,040,471	1,507,780,977	2,032,200,000
% from PAD	7.5%	6.5%	13.0%
Not related to Agricultural Trade			
<i>Retribusi</i> on cost of printing (I.D, etc).	n.a	n.a	n.a

* Detailed data from Office of Fisheries and Maritime not available.

** Detailed data from Office of Local Revenue and Local Secretary not available, therefore the accumulation would not match with the total.

Kabupaten TTU	2004 (Realization)	2005 (Realization)	2006 (Plan)
Local-Generated Revenue (PAD)	8,957,348,838.94	8,624,466,765	13,601,259,512
TOTAL Retribusi	1,828,853,756	1,781,605,598	2,346,811,456
Directly Related to Agricultural Trade			
Levy on Traditional Market	172,868,700	207,322,000	225,456,900
Slaughter House Levy	142,478,000	71,477,500	85,000,000
Levy on Third-party Contributions Services	0	0	16,365,000
Total Retribusi (Directly related)	315,346,700	278,799,500	326,821,900
% from PAD	4%	3%	2%
Indirectly Related to Agricultural Trade			
Levies on the Use of Local Government Assets	119,339,530	119,894,132	354,804,826
Levies on Local Production Sales	161,508,000	110,695,675	212,436,250
Building Construction Levy	21,195,392	26,477,955	30,000,000
Parking at Public Road Levy	10,554,750	13,883,000	15,000,000
Motor Vehicle Inspection Levy	54,235,000	55,559,400	58,000,000
Terminal Levy	68,970,000	70,114,000	73,000,000
Transportation Route Levy	7,630,000	9,288,000	10,000,000
Disposal of Septic Waste Levy	15,078,400	16,166,000	20,000,000
Total Retribusi (Indirectly related)	458,511,072	422,078,162	773,241,076
% from PAD	5%	5%	6%
Not related to Agricultural Trade			
Permits to Sell Alcoholic Beverages	14,015,000	17,945,000	23,505,000
ID card and Civil Registration Document Levy	254,314,920	300,609,000	209,255,000
Health Service Levy	780,061,064	758,878,936	1,010,201,840
Recreation Venues Levy	0	0	0
Funeral/Body Ashes Levy	6,605,000	3,295,000	5,820,000
Total Retribusi (Not related)	1,054,995,984	1,080,727,936	1,248,781,840
% from PAD	12%	13%	9%

Kabupaten Belu	2004 (Realization)	2005 (Plan)*	2006(Plan)
Local-Generated Revenue (PAD)	9,754,549,585	10,888,989,951	12,574,469,135
Total Retribusi	4,079,317,977	5,010,237,203	5,937,839,543
Directly Related to Agricultural Trade			
Levy on Traditional Market	394,404,067	400,000,000	450,000,000
Slaughter House Levy	99,805,000	121,200,000	121,425,000
Total Retribusi (Directly related)	494,209,067	521,200,000	571,425,000
% from PAD	5.1%	4.8%	4.5%
Indirectly Related to Agricultural Trade			
Levies on the Use of Local Government Assets	181,433,150	275,000,000	694,417,643
Disturbance Permit	32,250,000	38,700,000	48,140,000
Levies on Local Production Sales	20,790,000	65,000,000	95,000,000
Building Construction Levy	16,918,800	0	40,000,000
Parking at Public Road Levy	9,174,000	0	99,125,000
Motor Vehicle Inspection Levy	180,715,600	0	189,215,000
Terminal Levy	144,654,000	0	432,550,000
Transportation Route Levy	25,520,300	0	23,345,000
Levy on Vehicle Permit from Timor leste	12,450,000	840,000	5,000,000
Disposal of Septic Waste Levy	38,896,500	46,236,000	55,218,000
Total Retribusi (Indirectly related)	662,802,350	425,776,000	1,682,010,643
% from PAD	6.8%	3.9%	13.4%
Not related to Agricultural Trade			
Permits to Sell Alcoholic Beverages	19,375,000	0	21,810,000
ID card and Civil Registration Document Levy	320,531,500	0	408,711,000
Health Service Levy	2,575,604,160	2,901,100,000	3,211,382,900
Recreation and Sport Venues Levy	6,795,400	0	27,500,000
Permit on Large-scale Buying	0	10,000,000	15,000,000
Total Retribusi (Not related)	2,922,306,060	2,911,100,000	3,684,403,900
% from PAD	30.0%	26.7%	29.3%

* Data from Office of Transportation and Communication; resettlement and infrastructure; tourism; Local Secretary (Economic Section) is incomplete; therefore, the accumulation would not match with the total.

Kota Kupang	2004 (Plan)*	2005 (Plan)**
Local-Generated Revenue	11,703,150,000	15,742,636,000
TOTAL Retribusi	4,412,900,000	5,774,876,000
Permits to Enter/Exit Forest Products	2,000,000	n.a
Levy on Administration Services	1,400,000	1,400,000
Slaughter House Levy	210,000,000	250,000,000
Levy on Agriculture Machinery Tools Services	1,500,000	5,000,000
Permit on Fisheries Business	n.a	12,500,000
Levy on Livestock Health Service	500,000	4,250,000
Total Retribusi (Directly Related)	n.a	n.a
Disposal of Septic Waste Levy	n.a	516,000,000
Parking at Public Road Levy	n.a	115,000,000
Motor Vehicle Inspection Levy	n.a	400,000,000
Terminal Levy	n.a	400,000,000
Transportation Route Levy	n.a	75,000,000
Levy on Special Parking Lot	n.a	75,000,000
Total Retribusi (Indirectly Related)	n.a	n.a
Total Retribusi (Not related)	n.a	n.a

*Detailed data from all offices not complete.

**Detailed data from all offices not complete.

APPENDIX 8.
Percentage of Formal and Informal Charges in the Trade of Various
Agricultural Commodities in West Timor

No.	Commodity	Origin	Selling Price		Proportion of Farmgate to Selling Price	Proportion of charges to Selling Price		
			(Rp.)	Price Position		Formal	Informal	Total
1	Cattle	TTU	11,800	Intermediate traders, Atambua	93.2%	2.1%	0.0%	2.1%
1	Cattle	TTS	1,650,000	Lili Market	69.7%	0.8%	1.8%	2.7%
1	Cattle	TTU	16,450	Intermediate traders, Jakarta	74.2%	3.9%	0.3%	4.1%
1	Cattle	Belu	16,250	Intermediate traders, Jakarta	73.8%	4.1%	0.2%	4.4%
1	Cattle	TTU	4,212,000	Intermediate traders, Jakarta	41.0%	4.6%	0.3%	4.9%
1	Cattle	TTS	4,537,500	Intermediate traders, Jakarta	35.3%	7.6%	0.1%	7.8%
2	Horse	TTU	2,500,000	Fob Makasar	42.0%	1.7%	0.7%	2.4%
3	Pigs	TTU	120,000	Consumers, market	83.3%	4.8%	0.0%	4.8%
4	Chicken	TTU	40,000	Consumers, market	87.5%	0.9%	0.0%	0.9%
5	Timber (teak)	TTU	1,325,000	Fob Atapupu	39.2%	3.7%	2.9%	6.6%
6	Timber	Kupang	500,000	Fob Kupang	25.0%	4.7%	0.0%	4.7%
7	Tamarind (with seed)	TTU	1,000	Intermediate traders, Atambua	75.0%	0.0%	0.0%	0.0%
7	Tamarind (unseed)	TTU	1,500	Fob Kupang	80.0%	1.2%	0.6%	1.7%
7	Tamarind (unseed)	Belu	1,600	Fob Surabaya	62.5%	2.2%	0.0%	2.2%
7	Tamarind (with seed)	Belu	1,250	Fob Surabaya	64.0%	2.3%	0.0%	2.3%
7	Tamarind (unseed)	TTS	1,700	Fob Kupang/Atambua	77.9%	1.3%	4.3%	5.6%
8	Candlenut	TTU	4,500	Intermediate traders, Atambua	88.9%	0.0%	0.0%	0.0%
8	Candlenut	TTU	4,500	Intermediate traders, Kupang	88.9%	1.1%	0.0%	1.1%
8	Candlenut	TTS	5,625	Fob Kupang/Atambua	80.0%	0.4%	1.3%	1.7%
8	Candlenut	Belu	7,000	Fob Surabaya	78.6%	2.3%	0.0%	2.3%
8	Candlenut	Belu	6,500	Fob Surabaya	76.9%	10.0%	0.0%	10.0%
9	Sea fish (<i>sarden</i>)	Belu	300,000	Consumers, market	50.0%	0.3%	0.0%	0.3%
10	Salty fish	TTU	20,000	Consumers, market	87.5%	0.0%	0.0%	0.0%
11	Seaweed	Kupang	5,075	Fob Surabaya	88.7%	0.5%	0.0%	0.5%
12	Coconut	Kupang	1,000	Consumers, market	20.0%	2.5%	0.0%	2.5%
13	Copra	Belu	1,750	Fob Surabaya	57.1%	7.7%	0.0%	7.7%
14	Coffee	Belu	12,500	Fob Surabaya	80.0%	8.2%	0.0%	8.2%
15	Betel leaf	TTU	8,500	Consumers, market	88.2%	1.2%	0.6%	1.8%
16	Betel nut	TTU	35,000	Consumers, market	71.4%	1.4%	0.7%	2.1%
17	Tobacco	TTU	50,000	Consumers, market	50.0%	5.0%	1.0%	6.0%
18	Mungbean	Belu	3,000	Consumers, market	100.0%	1.7%	0.0%	1.7%
19	Mungbean	Belu	4,000	Fob Surabaya	75.0%	8.1%	0.0%	8.1%
20	Peanut	Belu	6,000	Fob Surabaya	75.0%	7.9%	0.0%	7.9%
21	Orange	TTU	210,000	Consumers, market	47.6%	1.1%	0.0%	1.1%
22	Banana	Belu	1,000	Consumers, market	50.0%	0.0%	0.0%	0.0%
22	Banana	Amarasi	5,000	Consumers, market	2.0%	0.5%	0.0%	0.5%
23	<i>Kangkung</i>	TTU	750	Consumers, market	50.0%	1.3%	0.0%	1.3%
24	Cabbage	TTU	1,250	Consumers, market	80.0%	1.5%	0.0%	1.5%
25	Tomato	TTU	30,000	Consumers, market	66.7%	1.0%	0.0%	1.0%
26	Onion	TTU	20,000	Consumers, market	75.0%	1.5%	0.0%	1.5%
27	Garlic	TTU	22,500	Consumers, market	88.9%	0.0%	0.0%	0.0%