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Analyzing the Economic Impact of the Free Nutritious Meal Program

Executive Summary

Recent incidents of mass food poisoning linked to the Free Nutritious Meal (MBG) program have shaken public confidence. Hundreds of students across various regions in Indonesia were rushed to healthcare facilities after consuming meals provided under the MBG initiative at schools. Beyond the issue of food safety, this crisis exposes deeper flaws in the governance, economic structure, and political motivations underpinning this large-scale populist program. A critical question emerges: who truly benefits, and who is marginalized by such a program? The government markets the MBG as a pro-people policy aimed at improving child nutrition and social welfare. However, this analysis reveals sharp contradictions behind its "pro-people" facade, from adverse economic side effects to risks to fiscal sustainability, which may create an illusion of prosperity rather than a genuine solution. Adopting a formal, analytical, and politically neutral approach, this article critically examines the MBG: Is it truly an effective remedy for malnutrition and poverty, or merely a temporary painkiller masking deeper structural issues?

Populist Narrative vs. Reality

The MBG program was born from a powerful populist narrative. To the public, the idea of providing free nutritious meals daily to millions of students and pregnant women sounds

noble and enticing. Politically, the policy resonates strongly, portraying the government as a caring parent feeding the nation's children. Food becomes a symbol of the state's compassion, a tool to win the hearts of the masses. Unsurprisingly, the MBG gained rapid popularity by promising an instant solution: full stomachs and happy hearts.

However, this appealing narrative often glosses over the long-term consequences. Discussions about fiscal sustainability and the economic impact of the MBG are overshadowed by political euphoria. President Prabowo's campaign promise, which championed the MBG as a flagship initiative, largely sidestepped questions about funding sources or long-term viability. The lack of public debate on budgetary trade-offs creates the impression that the state's resources are limitless, capable of funding free meals indefinitely. Yet, similar programs worldwide highlight the need for meticulous planning. The World Bank has cautioned that Indonesia must safeguard its fiscal health and carefully prepare the MBG to avoid burdening the state budget. In the populist narrative, such warnings are often drowned out, with the focus centered on the instant prosperity symbolized by smiling children receiving meal boxes from the state, rather than questioning how long the government can sustain free lunches or what broader economic impacts may follow.

On-the-ground realities are beginning to expose a gap between the narrative and reality. Reports have highlighted issues with quality control and oversight: nutritional and hygiene standards are often neglected in the rush to meet quantity targets. Meals touted as "nutritious" have, in some cases, fallen below standards, even causing food poisoning. The lack of early discussions about infrastructure readiness, supply chain logistics, and food safety standards suggests the MBG was launched hastily for political gain. This is the irony of the populist narrative versus reality: while the MBG is celebrated as a symbol of state care, without serious preparation and evaluation, it risks becoming a boomerang that harms the very people it aims to protect.

Local Impacts and Market Distortions

The MBG's impact extends to the microeconomic level, affecting the livelihoods of farmers, small stall owners, and local vendors. The program's massive demand for food supplies influences supply chains from rural farms to urban markets. The centralized procurement of ingredients, often channeled to a handful of large corporations, risks creating monopolies and crowding out small businesses. Consider this: each MBG kitchen (Nutrition Fulfillment Service Unit, or SPPG) must prepare 3,000–4,000 meal portions daily for nearby schools. This sudden, concentrated spike in demand for staple goods is beginning to drive up market prices, particularly when suppliers are limited. Local entrepreneurs in Tasikmalaya, for instance, have expressed concerns about food inflation, as large-scale MBG procurement is dominated by a few corporations. Funds intended to circulate within the local economy are instead flowing to a select group of large players.

Market distortions are already being felt at the grassroots level. Food commodity prices have risen significantly in some regions since the MBG's implementation, as local supplies struggle to meet sudden demand. In Tasikmalaya, high-quality vegetables are being absorbed by the MBG program, leaving mobile vegetable vendors with smaller, less fresh stocks. "Everything is taken by the MBG program," a vegetable seller lamented, noting that high-quality carrots are snapped up by MBG contractors, as reported by *Times Indonesia* on September 26, 2025. Consequently, the general public—those not benefiting from the

MBG—must now purchase food at higher prices or settle for lower-quality options, as the program disrupts the local supply-demand balance.

More alarmingly, a January 13, 2025, report by *Detik.com* highlighted that school canteens and local food stalls are losing customers. Before the MBG, students frequently bought snacks or meals from nearby vendors, providing a vital income source for canteen operators and small traders. With free lunches provided, canteen revenues have plummeted. Indah (45), a canteen operator at a Tangerang elementary school, reported a 50% drop in income since the MBG's implementation. "We used to sell chicken noodles, but now we've had to close," she said, describing the drastic decline in sales. Another vendor, Yanti, earned just Rp40,000 daily after the program's rollout—far too little to cover costs and living expenses. These small-scale entrepreneurs face shrinking incomes while still grappling with canteen rental fees and household expenses. In a cruel irony, a program meant to help students is undermining the livelihoods of the very communities it claims to support.

Across various regions, complaints from small-scale food businesses are mounting. Canteen operators have called for solutions, such as involving them as snack providers or program contributors to sustain their livelihoods. The government has promised to evaluate the MBG's structure to include school canteens, but implementation remains unclear. If left unaddressed, the MBG risks "killing" small vendors and fostering dependency on a handful of large suppliers. This reveals an internal contradiction: a program touted as empowering the local economy is, in practice, marginalizing small-scale traders through its non-inclusive framework.

Microeconomic solutions are available. Economists suggest decentralizing supply chains and empowering local farmers to supply the MBG. If each MBG kitchen partners with local farmer cooperatives and small-scale suppliers, the multiplier effect could be significant: farmers would gain a stable market, prices would stabilize, and quality control would improve. In the long term, such integration could prevent market distortions while distributing economic benefits more equitably. Transparent contract distribution is also critical to ensure that large, well-capitalized companies do not monopolize the program. Without these corrections, at the micro level, the MBG risks becoming an economic boomerang: intended to help, it inadvertently undermines the livelihoods of small-scale entrepreneurs.

Budgetary Burden and Deficit Risks

From a macroeconomic perspective, the MBG program is akin to an elephant in the room of the national budget. The program's immense cost creates trade-offs with other critical expenditure areas. In 2025, the government allocated Rp71 trillion for the initial phase of the MBG, with plans to expand to 82.9 million beneficiaries—covering all schoolchildren and vulnerable groups—by the end of the year, requiring an additional Rp100 trillion in the state budget. For 2026, the government plans to allocate a staggering Rp335 trillion for the MBG, equivalent to nearly 10% of the total 2026 state budget or approximately 2% of GDP annually, according to estimates by the Fitch ratings agency. This significant allocation raises concerns among fiscal analysts: does such a massive budget commitment come at the expense of other critical sectors?

The Institute for Development of Economics and Finance (INDEF) notes that in the 2026 proposed state budget, the MBG will account for 44.2% of the total education budget. This means nearly half of the funds intended for education—such as school renovations, teacher

welfare, and scholarships—are being redirected to fund free meals. INDEF’s Head of Studies, Izzudin Farras, warns that the dominance of the MBG budget could crowd out other crucial programs: teacher welfare remains inadequate, many schools are in disrepair, and healthcare facilities require funding. In other words, the opportunity cost of funding the MBG is substantial. The tens of trillions spent on free meal boxes could potentially yield greater impact if partially redirected to teacher training, school construction, or healthcare improvements. “Such a massive budget should be more evenly distributed to address urgent education and health challenges,” INDEF critiques.

More concerning is the MBG’s overlap across sectoral budgets. As it targets both schoolchildren (education domain) and pregnant women/toddlers (health domain), the program draws funds from multiple sources. In 2025, the Rp71 trillion MBG budget was sourced from education allocations. For 2026, of the Rp335 trillion planned, approximately Rp223.6 trillion will come from the education budget and Rp24.7 trillion from the health budget. Without clear legal backing, the government is dipping into other sectors’ budgets to fund the MBG. Transparency International Indonesia has highlighted the absence of a specific Presidential Regulation governing the MBG’s cross-ministry funding, suggesting the program bypasses standard procedures for political ambition. “This indicates the primary goal is to gain popularity,” a Transparency International researcher stated, as quoted in a *Tempo* report on September 24, 2025.

This situation raises the risk of widening deficits and increasing debt. If the MBG’s massive expenditure is sustained, the government may be tempted to take on new debt or reallocate funds from other areas (such as infrastructure projects or subsidies) to stay within the 3% GDP deficit limit. Economic policy analysts warn that the MBG could justify new borrowing or deficit expansion. Early signs are evident: in early 2025, MBG absorption was low (~0.7% of target), yet the government insists on increasing the budget by 471%. Such significant additional spending amid low absorption suggests imprudent planning.

The fiscal dilemma is clear: if the MBG continues at full scale, the state budget will face a permanent, substantial burden. Hundreds of trillions must be allocated annually, while other productive spending needs (education, health, infrastructure) remain high. If state revenues (taxes, natural resources) do not rise proportionately, the result is either a larger deficit or the crowding out of vital expenditures. The program’s sustainability is questionable: can the state afford to fund it indefinitely without burdening future generations with debt? Experiences in some Latin American countries show that populist welfare programs often lead to crises when state coffers run dry. Thus, the MBG’s fiscal sustainability is doubtful unless significant adjustments are made, such as improving efficiency, targeting only those in need, or exploring alternative funding synergies. Without these, the MBG risks becoming a “white elephant” policy: politically grand but built on a fragile budgetary foundation.

Social and Psychological Impacts: Populist Welfare and Dependency

Beyond economics, the mass free meal program carries social and psychological consequences that warrant caution. In the theory of populist welfare, grandiose direct assistance often fosters social dependency and patron-client relationships rather than empowering communities. The MBG risks making millions of citizens—particularly beneficiary families—feel reliant on the state for basic needs like daily meals. This could cultivate a culture of patronage, with the government as the patron providing food and citizens as clients owing gratitude. Such dynamics could be politically exploited, for instance,

to build electoral loyalty. The seeds of covert clientelism may emerge, with beneficiaries feeling indebted to specific figures or regimes behind the program.

The psychological impact of dependency is significant. Children and families may lose motivation to achieve self-reliance if accustomed to being “fed” by the state. When children receive free meals daily at school, parents from low-income households may feel temporarily relieved of nutritional responsibilities—a short-term benefit. However, what happens if the program is discontinued? There is a risk of fostering a passive, welfare-recipient mentality. Populist capitalism theory critiques approaches that only provide “fish” without teaching people to “fish”; society risks becoming passive consumers of artificial welfare rather than producers of solutions for improving their own living standards.

Additionally, subtle stigmatization of beneficiaries may occur. If MBG meals are frequently criticized (e.g., due to poisoning incidents or substandard quality), a cynical perception may arise that “government free food” is cheap or unsafe. Children from wealthier families might opt for homemade lunches, creating a divide at schools between “free meal eaters” and “lunchbox bringers.” The former group could be seen as less fortunate or labeled as welfare recipients, fostering subtle social stigma. Although the MBG is universal in public schools, such attitudes could emerge, especially if negative incidents persist. A civil society coalition has raised concerns about MBG menus containing ultra-processed foods (e.g., nuggets, sausages) deemed unhealthy, fueling fears that beneficiaries are receiving second-class food, perpetuating an illusion of welfare (satiation without true nutrition).

At the community level, patronage dynamics may also hinder critical participation. If citizens become overly reliant on the program, they may hesitate to criticize its implementation despite flaws. Excessive gratitude could suppress social accountability; for example, parents might refrain from complaining about poor meal quality because “it’s free, so why demand more?” Yet, accountability is essential to keep the program on track. Conversely, when incidents occur (e.g., mass poisoning), reactions can swing to extreme anger and loss of trust. A 2013 case in India illustrates this: after dozens of children died from contaminated free meals, villagers staged massive protests, blocking roads out of anger and disappointment. Thus, failed populist promises can erode public trust in institutions.

The “illusion of welfare” deserves emphasis. The government appears to provide free “fish” daily, but does this ensure long-term prosperity? This illusion may lull the public into believing that malnutrition and poverty are being addressed through a single meal-distribution program, while root causes—structural poverty, unemployment, and access to nutritious food at home—are obscured by the program’s populist appeal. Populist welfare often neglects empowerment: citizens receive temporary comfort but lack tools for self-reliance. Chronic dependency may emerge if the MBG continues for years without an exit strategy, raising a generation accustomed to state-provided meals without sustainable alternatives (e.g., increased household income to afford nutritious food).

From a social perspective, horizontal conflict is another concern. If budget constraints force the MBG to be scaled back (e.g., reduced portions or targeted only to the poor), jealousy or protests may arise. Those excluded from benefits may feel disadvantaged, while those still included could face stigma as a prioritized group. In short, the MBG creates mass expectations that, if mismanaged, could spark social unrest when unmet.

In conclusion, in the social-psychological realm, the MBG highlights the difference between a painkiller and a cure. Free meals act as a temporary painkiller for hunger, making citizens

feel cared for. However, without addressing family economic conditions and long-term nutritional education, it does not cure the underlying issues. The risks of dependency, political patronage, and stigma are the “side effects” of prolonged use of this populist painkiller. Society must be empowered to thrive without such painkillers, not conditioned to rely on them as the sole remedy for survival.

Lessons from India and Brazil

To understand the challenges and opportunities of free meal programs, it is instructive to examine the experiences of India and Brazil, two countries with extensive histories of implementing similar policies. Their successes and failures offer valuable lessons—both cautionary tales and models of success—relevant to Indonesia.

India’s *Mid-Day Meal Scheme*, one of the world’s largest free lunch programs, serves approximately 120 million children daily. It has proven effective in boosting school attendance and ensuring at least one nutritious meal per day for children from poor families. However, the program has faced significant challenges. In 2013, a tragedy struck when 23 elementary school children in Bihar died after consuming meals contaminated with pesticides. Investigations revealed that the cooking oil used was tainted with a deadly insecticide (monocrotophos). The incident sparked nationwide outrage, with teachers refusing to distribute meals and the public demanding accountability. In response, India tightened protocols: teachers were required to taste meals daily, kitchen hygiene standards were raised, and oversight was strengthened. Unfortunately, systemic issues like corruption and negligence persist. Waste and mismanagement are common, with high-quality ingredients often replaced with substandard ones for profit, and some contractors bribe officials to pass inspections. Poisoning incidents recurred in 2022 and 2023, and as recently as 2025, a case in Bihar involved snake remains found in meals, sickening hundreds of children. India’s lesson is clear: large-scale programs are prone to failure without robust oversight. Yet, India persists with the program, refining it over time, as the nutritional needs of children remain a priority. The program’s success lies in its positive impact on school enrollment and hunger reduction, but it underscores the need for constant vigilance in hygiene and governance.

Brazil, on the other hand, offers a globally recognized best practice. Its school feeding program, operational for over 70 years since 1954, was integrated into the ambitious *Fome Zero* (Zero Hunger) initiative under President Luiz Lula da Silva in 2003. Today, it serves over 40 million children across 160,000 schools daily. What are the keys to Brazil’s success? First, decentralization and local integration. The central government sets policies and budgets through the *Fundo Nacional de Desenvolvimento da Educação* (FNDE, akin to Indonesia’s Ministry of Education), but implementation is delegated to local governments and schools. Meals are freshly prepared on-site by school cooks, adhering to strict nutritional and hygiene standards based on HACCP guidelines. Menus must meet a minimum percentage of children’s daily caloric needs (20% for one meal, 30% for two, or 70% for full-day schools), prioritizing fresh fruits, vegetables, and proteins while banning soda and junk food. Second, Brazil employs approximately 8,000 nutritionists to design locally relevant menus, oversee cooking processes, and ensure children enjoy the meals. If children reject certain vegetables, nutritionists adapt recipes creatively to meet nutritional goals. Community participation is also key: Brazil established the *Conselho de Alimentação Escolar* (Consea), a council of civil society representatives that monitors program transparency and provides feedback. Regular evaluations and public oversight ensure accountability.

Third, and critical from a microeconomic perspective, Brazil mandates that at least 30% (now 50%) of program ingredients be sourced from local family farmers, with priority given to small-scale and women farmers. This policy is a game-changer, ensuring thousands of small farmers have a stable market and fair prices. By 2023, Brazil raised this quota to 50%, boosting local economies and reducing reliance on middlemen or large agribusinesses. State funds circulate in rural communities, mitigating food inflation risks by encouraging local production. This integrative approach sustains nutritional goals while supporting local economies.

Fourth, Brazil does not treat its feeding program as a standalone policy. It is embedded in a broader poverty alleviation strategy. Children receive school meals, while their families benefit from *Bolsa Família*, a conditional cash transfer program that prevents school dropouts and enhances household food purchasing power. This synergy has significantly reduced hunger and malnutrition rates in Brazil. The lesson from Brazil is a holistic approach: robust legal frameworks, high standards, expert and community involvement, local farmer empowerment, and integration with broader poverty reduction efforts. While Brazil faces challenges (corruption requires vigilant oversight, and decades of evaluation were needed to refine the program), its *Programa Nacional de Alimentação Escolar* (PNAE) is considered one of the world's most successful.

For Indonesia, India's experience serves as a warning about the dangers of poor implementation, while Brazil offers a blueprint for success. Indonesia also has local precedents for comparison: before the national MBG, regions like Kulonprogo ran effective local feeding programs using rice and produce from nearby farmers, improving nutrition and farmer incomes. Similarly, Jakarta's past *Pemberian Makanan Tambahan Anak Sekolah* (PMT-AS) program, though limited in scale, was discontinued due to budget continuity issues. These examples highlight the need for careful planning, drawing on both international best practices and local lessons.

Comparing these cases, the key to a successful free meal program lies in management, integration, and accountability. India's trial-and-error journey underscores pitfalls to avoid, while Brazil's local-fiscal-social integration offers a model to adapt to Indonesia's context. The common thread is clear: good governance is paramount. Without it, both India and Brazil could have failed. Indonesia has an opportunity to refine the MBG before it progresses too far, learning from these global giants.

Policy Brief

Based on the critical analysis above, the following policy recommendations aim to reform the MBG to achieve its noble goals without creating a mere illusion of welfare:

1. **Local Integration in Supply Chains:** The government must reform the MBG's procurement system to empower local suppliers. Following Brazil's model, mandate that 40-50% of raw material budgets be sourced from small-scale farmers, local cooperatives, and micro-businesses. Engage farmer groups, fishery cooperatives, local breeders, school canteens, and nearby food stalls as menu component suppliers. This ensures program funds circulate within village and community economies, boosting farmer incomes and preventing corporate monopolies. Local integration shortens supply chains, reducing price distortions and ensuring fresher, locally appropriate menus that minimize student rejection. Local governments should map regional commodities—e.g., egg-producing areas supply eggs,

vegetable hubs provide fresh produce—to nearby school kitchens, enhancing farmer welfare and menu quality.

2. **Program Diversification and Multisectoral Synergy:** The MBG must not operate in isolation. Diversify by integrating it with national strategies to combat stunting and poverty. For example, combine the MBG with family food aid or cash transfers for poor households (akin to Brazil's *Bolsa Família*), ensuring child nutrition at school and improved household food access. Incorporate nutritional education as a core component: use the MBG as a platform for food education, integrating light nutrition curricula in schools, teaching hygiene, and involving students in school gardens (as practiced in some Brazilian communities). An exit strategy is also critical: as economic conditions improve, redirect the program to target only those in need. Flexibility in design prevents the MBG from becoming a rigid, perpetual scheme, allowing adjustments like targeted nutritional interventions (e.g., iron supplements, protein boosts) for vulnerable groups instead of mass meals.
3. **Focus on Productivity and Empowerment:** To avoid merely providing “fish” daily, the MBG should catalyze productivity. Train and employ local talent, such as culinary or nutrition graduates, as kitchen coordinators and menu planners, creating jobs and ensuring professional meal standards. Train canteen operators or local catering businesses in sanitation and nutrition, contracting them to supply healthy snacks or menu components. This shifts the program from handouts to economic empowerment based on nutrition. Support agricultural productivity by guaranteeing MBG markets for local farmers, offering credit and technical assistance to meet quality and quantity demands (as Brazil does through banking support for farming cooperatives). This strengthens regional food security, fostering communities that can independently meet nutritional needs, reducing reliance on state aid. The program’s slogan could shift from “free meals” to “productive nutrition,” emphasizing investment in community empowerment.
4. **Participatory Oversight and Transparency:** Sustainability requires robust accountability. Establish participatory oversight mechanisms involving parents, teachers, community leaders, health NGOs, and local media. Form school-level committees, like Brazil’s *Conselho de Alimentação Escolar*, to regularly taste and inspect meals, monitor budgets and contracts, and address complaints. Independent involvement prevents moral hazards and corruption. Every incident (e.g., poisoning) must be openly evaluated with experts to identify and address root causes thoroughly, not dismissed with apologies. Transparency is crucial: provide public access to data on budget absorption, supplier identities, and menu nutritional composition. Publish periodic MBG implementation reports down to the district level, leveraging digital tools like online dashboards to display coverage, absorption, and inspection results. A public hotline for reporting issues like spoiled food or fraud, with swift follow-up, is essential. Strong participatory oversight builds trust and ensures quality while reducing political resistance by involving communities.
5. **Regular Evaluation and Policy Adjustment:** The MBG requires annual impact evaluations by independent teams, including academics and research institutes. Clear performance indicators are needed: Are anemia rates declining? Are student academic outcomes improving? Are children’s height and weight improving?

Economic indicators, such as impacts on food prices and farmer incomes, should also be assessed. If outcomes do not justify costs, policymakers must be open to redesigning the program. Alternatives like healthy food vouchers for families or targeted meals in impoverished areas, coupled with nutrition education in urban schools, may prove more effective. Flexibility prevents blind populism. The program's essence is to address hunger and malnutrition; if more sustainable methods emerge, the government must adapt. Regular evaluations address public critiques and keep the program on track, avoiding autopilot implementation driven by political prestige.

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