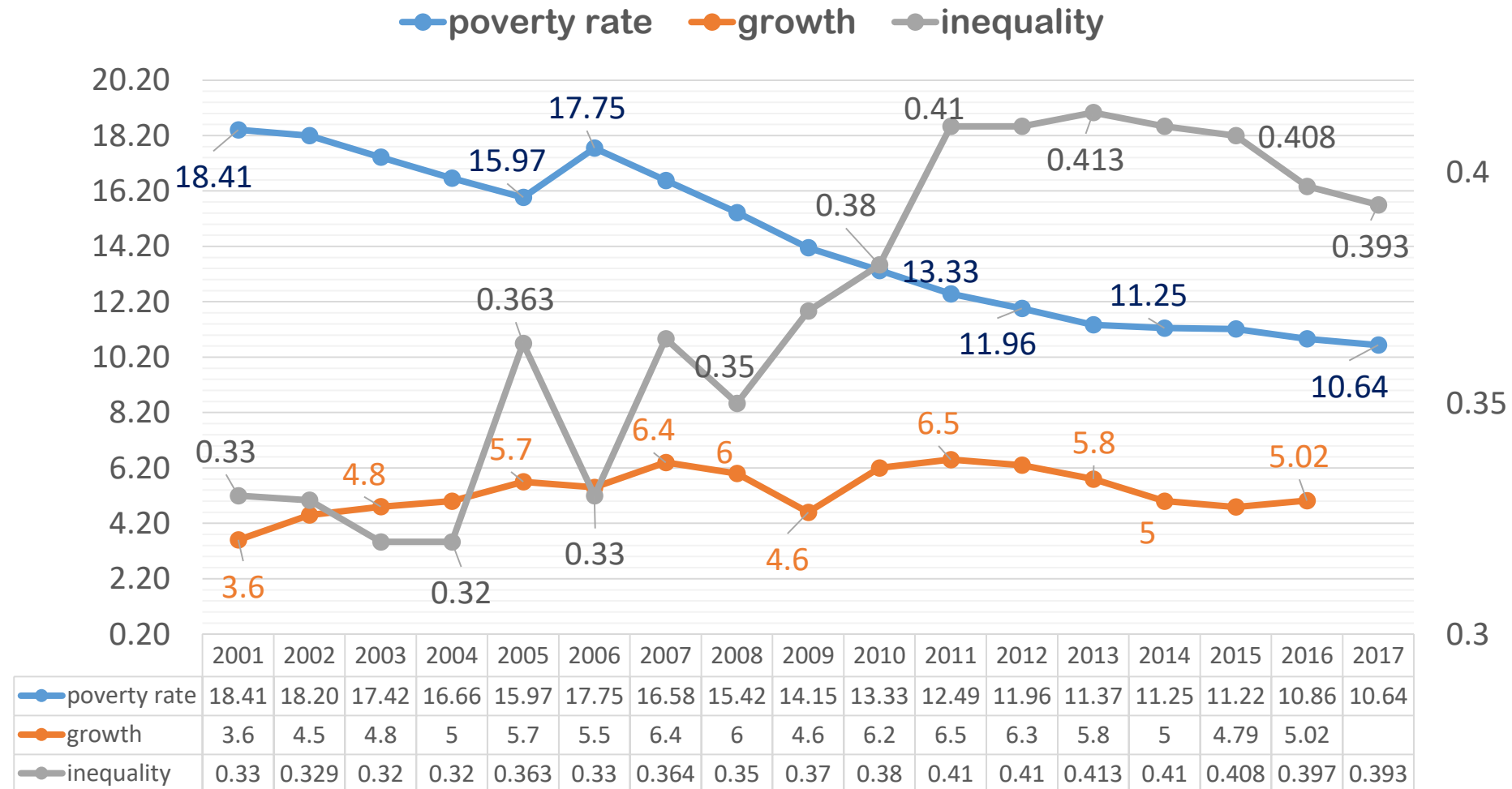


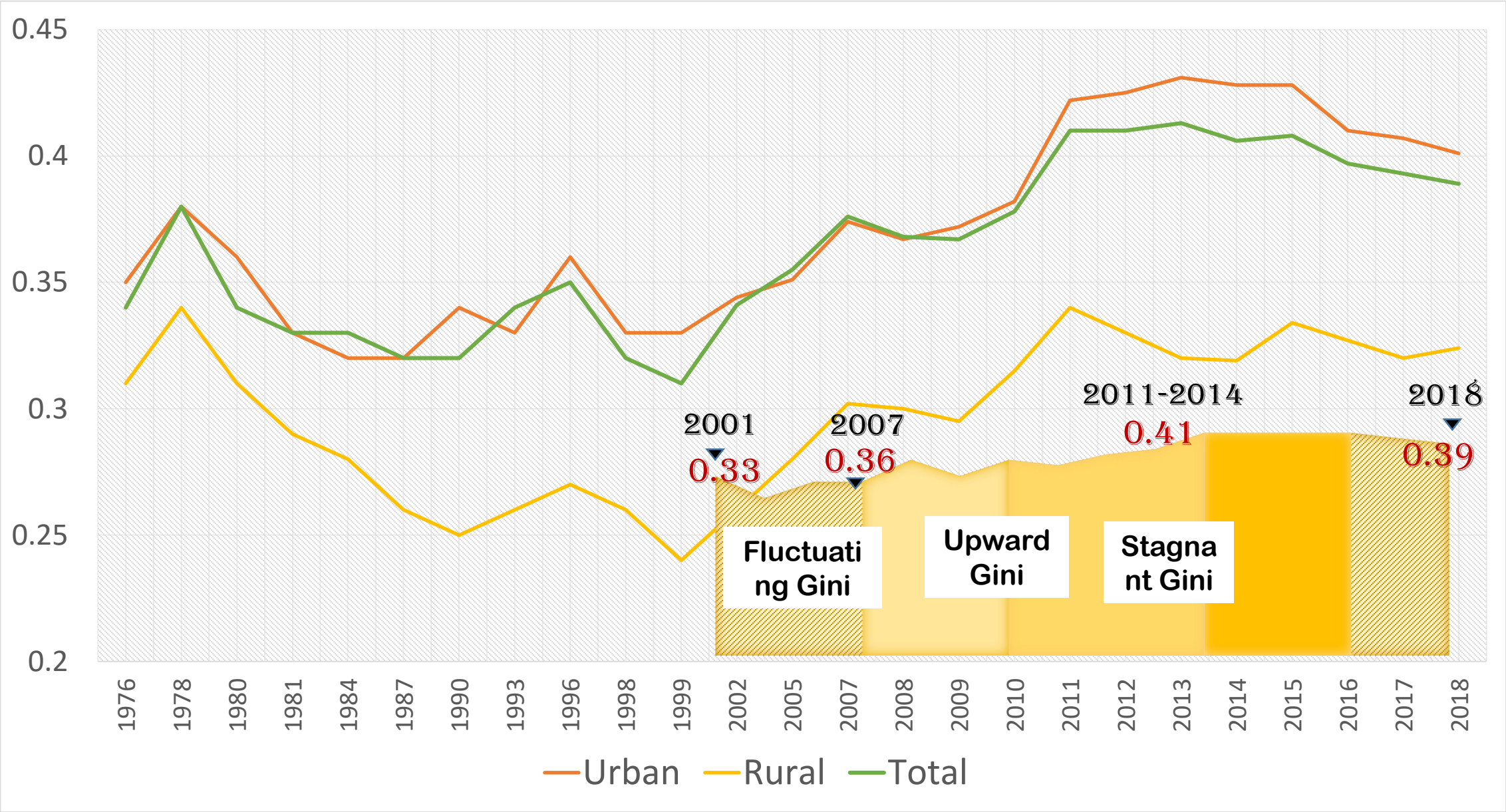
Policies to Reduce Inequalities in Indonesia: Opportunities and Challenges

Forum Kajian Pembangunan (FKP)
Seminar
8 October 2018

INDONESIA now: Economy is slightly growing, poverty reduction is slowing, and inequality is persistently high

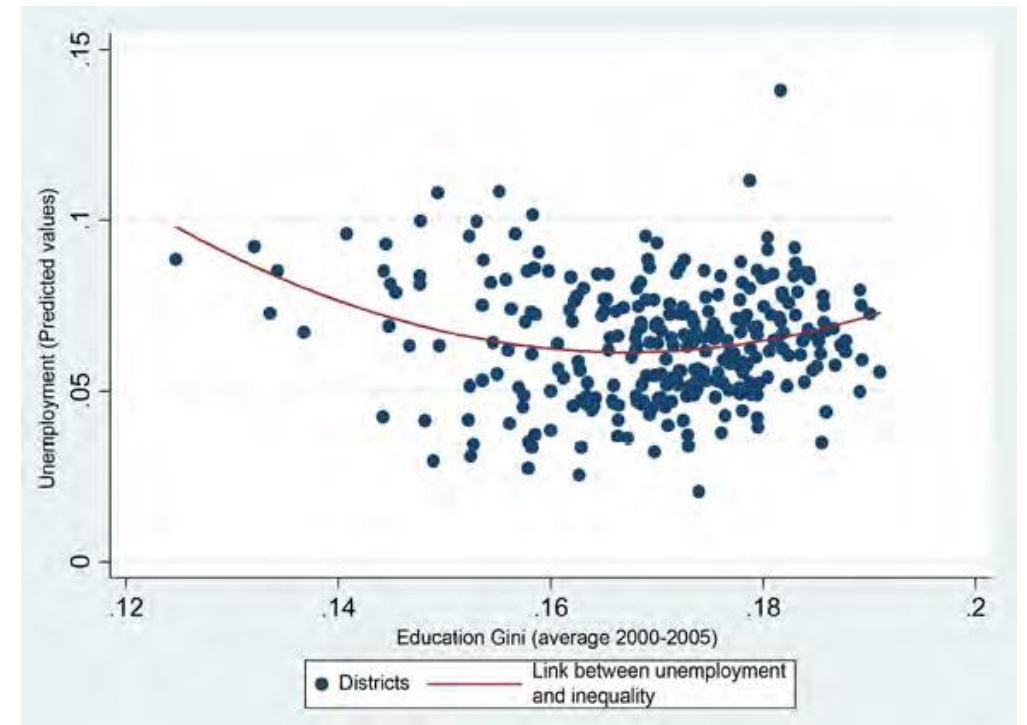
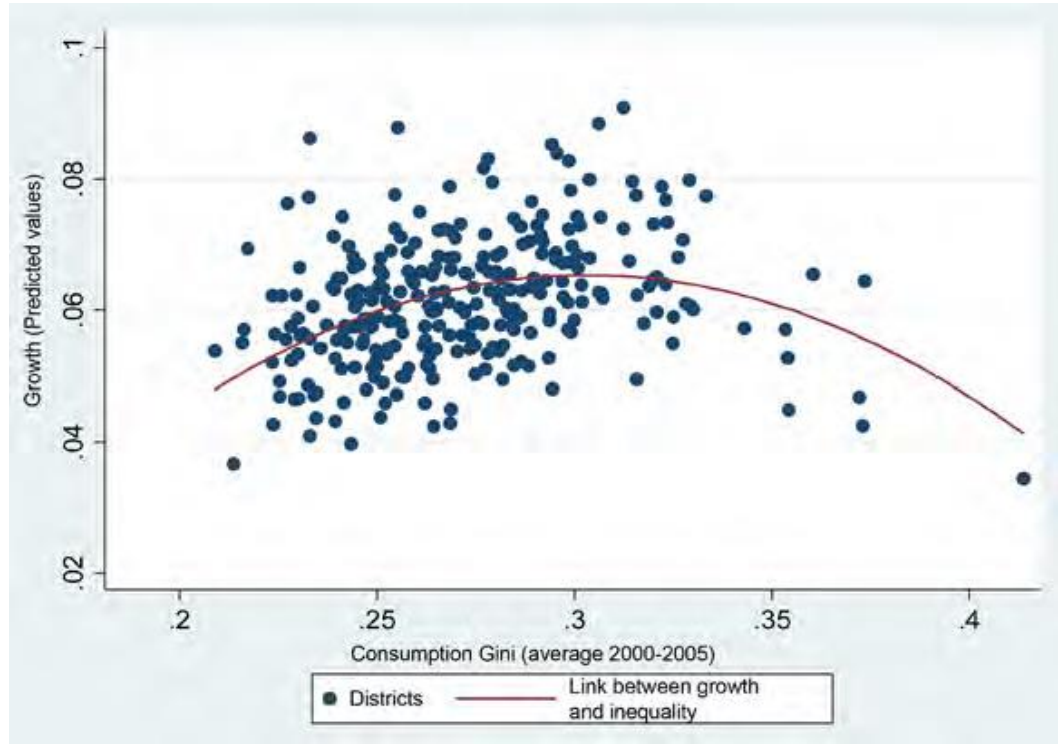


Inequality in Indonesia: a Historical Snapshot



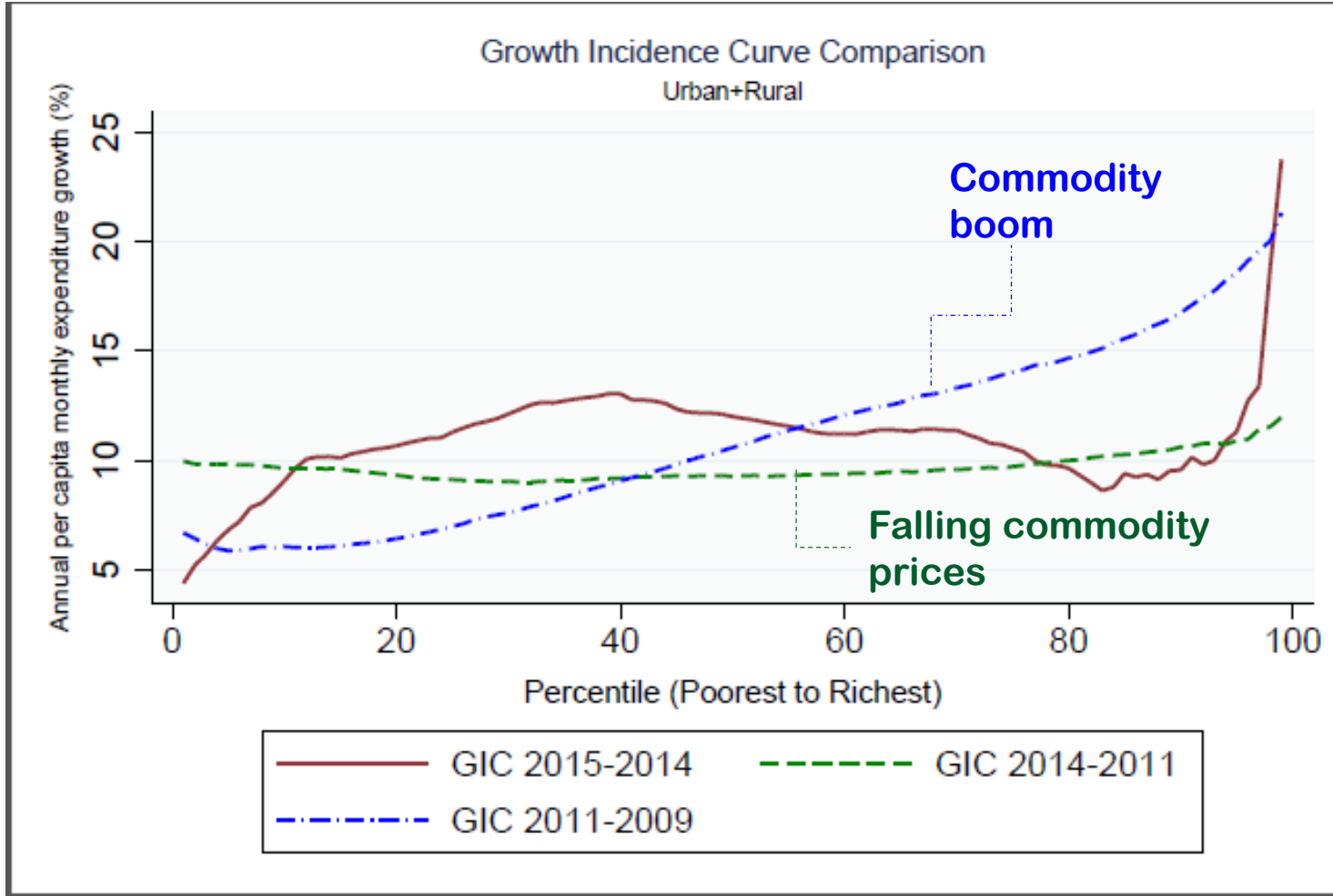
Source: Statistics Indonesia

Increasing inequality: why should we bother?



Source: Yumna et al. (2015)

A closer look to growth rate of annual per capita monthly expenditure by percentiles: who is benefited the most by economic growth in Indonesia?



Source: authors' calculation

STYLIZED FACTS

1

Everyone across the distribution enjoys positive growth in their expenditure

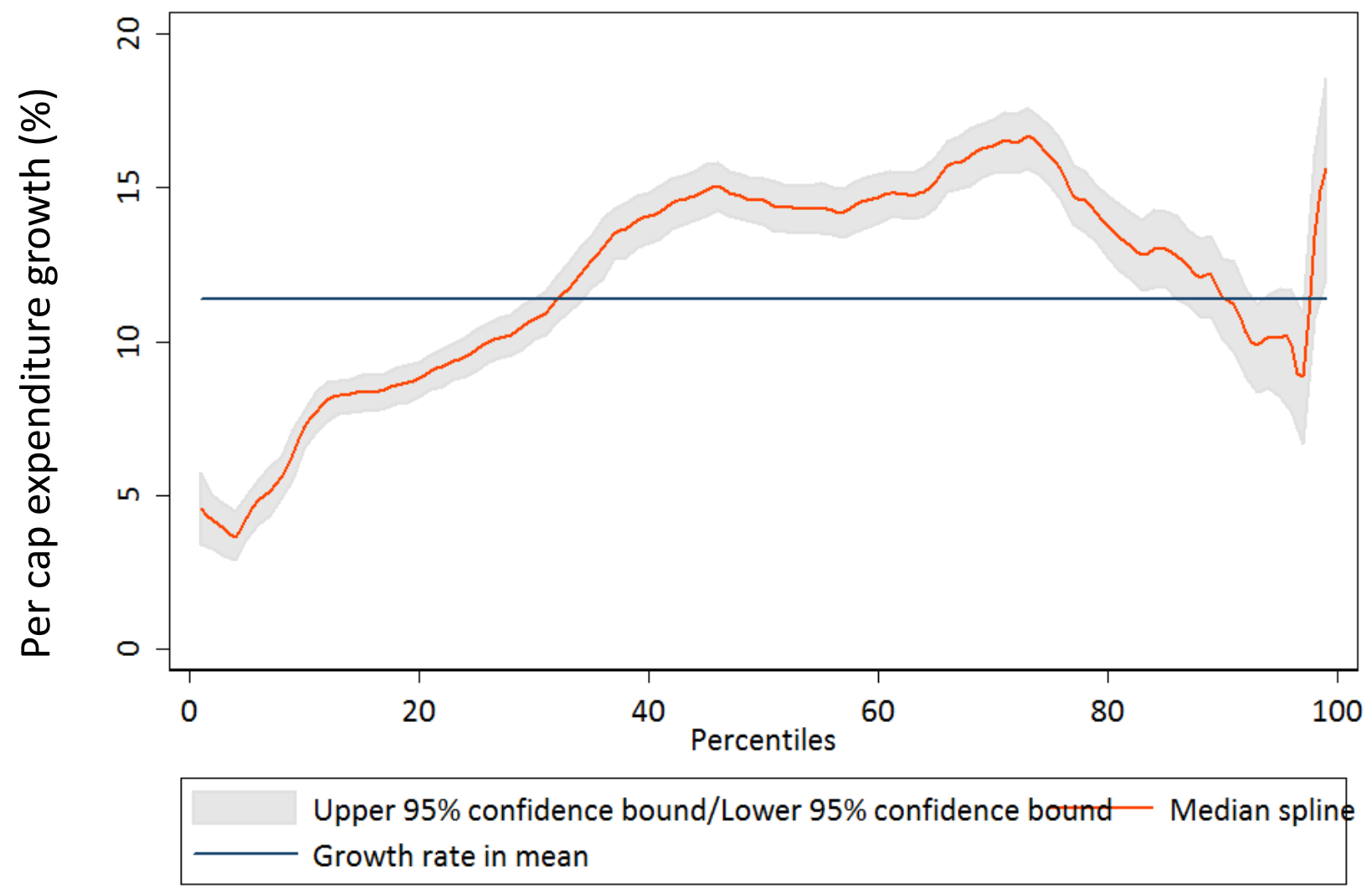
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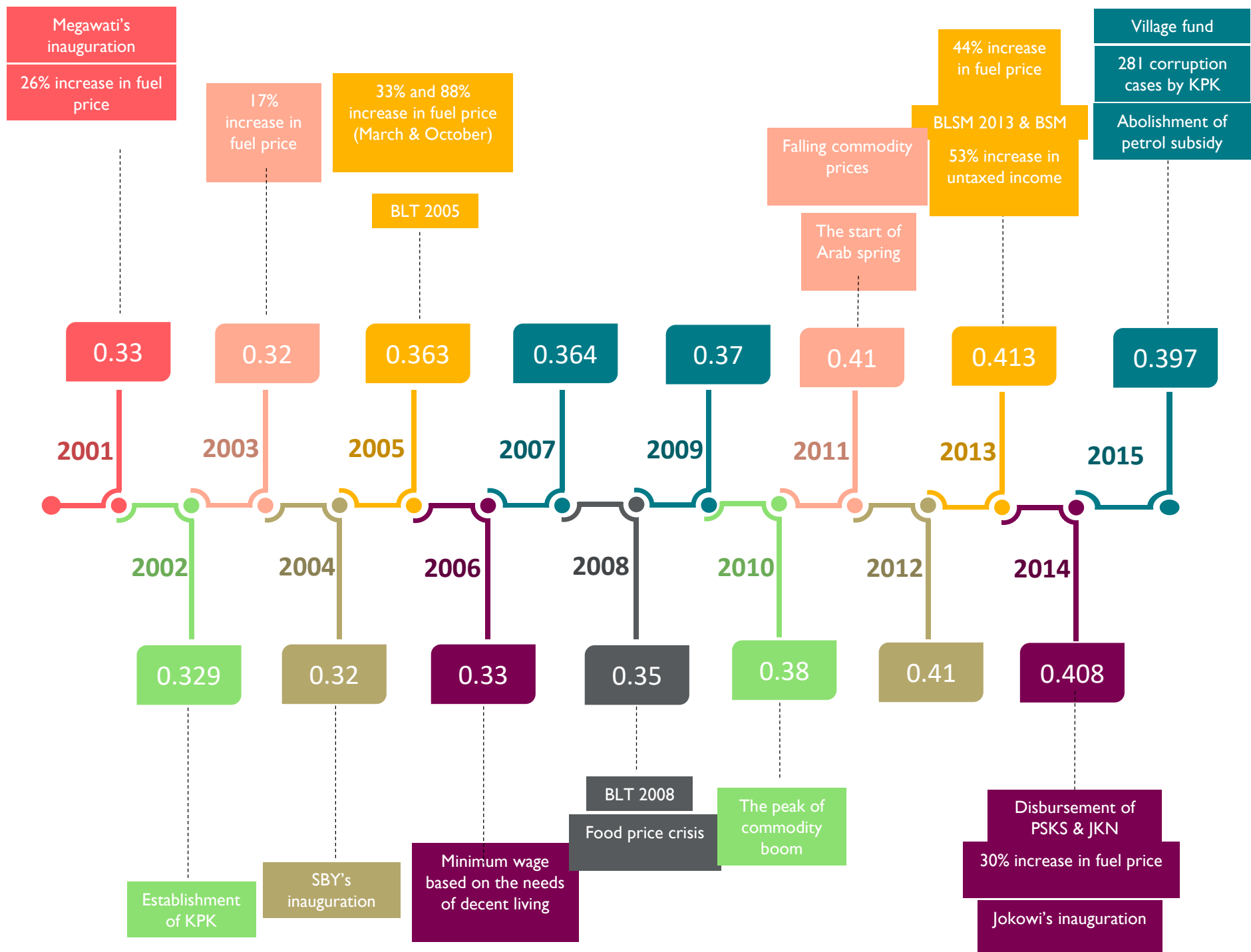
However, the fastest growth belongs to the richest

3

The slowest growth is experienced by the poorest

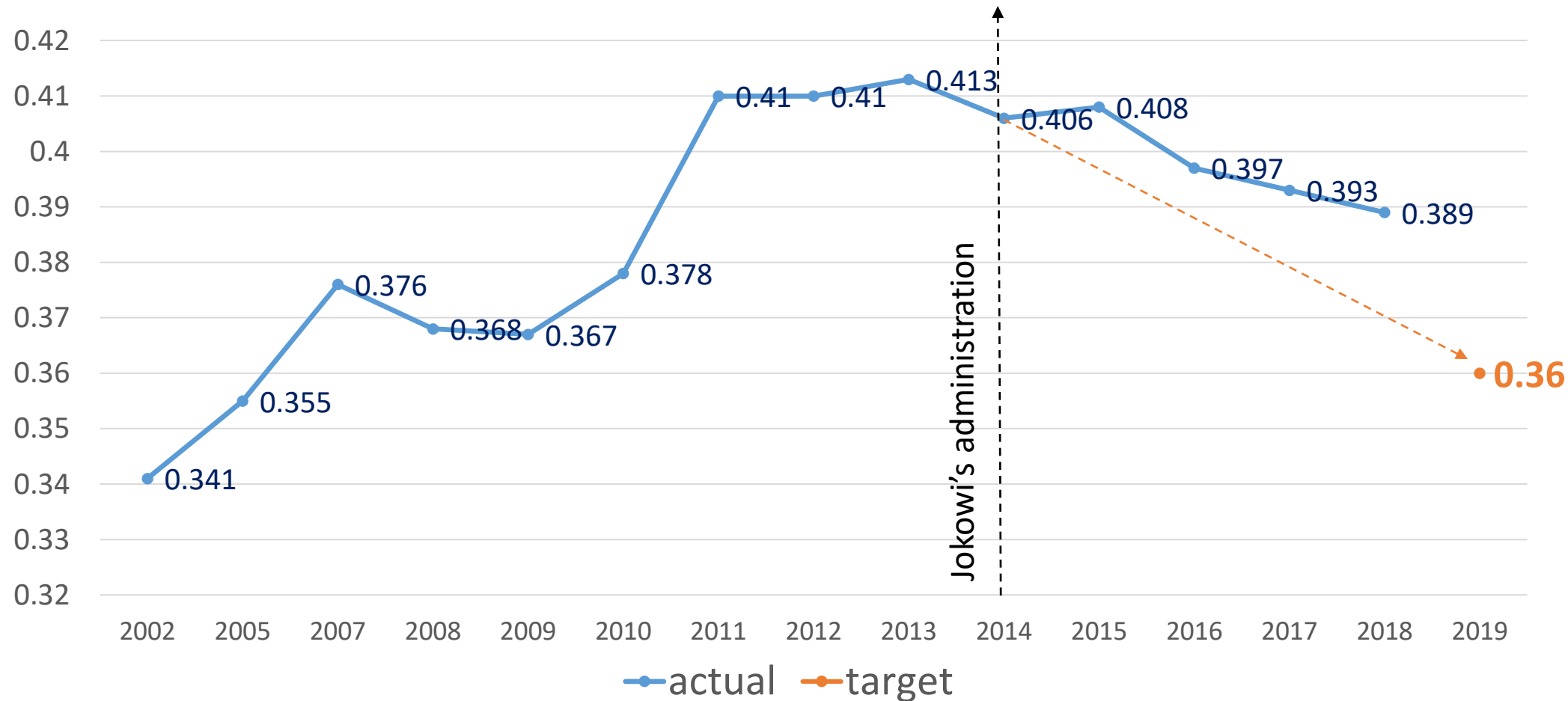
GIC 2014-2016: in this period, the middle (percentile 40-80) grew fastest.





Opportunities & Challenges

Policies to Reduce Inequality: the government have set an objective to reduce inequality in the mid-term national development plan (*RPJMN*) 2015-2019



Inequality issues and policies incorporated at the planning documents

■ Inequality between income groups

- intervening household groups at the bottom 40 percent poorest (farmers, half-employed workers, micro business with family workers, the poor without assets)
- **Strengthening fiscal policies: redistribution (tax and transfer), pre-distribution (basic services provision, widening access and opportunities)**

■ Regional inequality

- encouraging the transformation and acceleration of development in Eastern Indonesia, maintaining the growth momentum of the Java-Bali and Sumatra regions, and improving the performance of regional growth centers in Kalimantan, Sulawesi, Nusa Tenggara, Maluku and Papua.
- Infrastructure and connectivity

■ Land inequality

- Land redistribution program to the poor

Inequality is included in the SDGs

- Global Metadata Global: 10 targets (8 main targets, 2 target Mol), 11 indicators
- National Metadata: 16 national indicators, 9 global indicators that will be developed
- **Multidimensionality of inequality**
 - **Economy, non-economy (include gender, voices, participation), inequality of opportunities (education, health, employment, etc.)**
 - **Vertical inequality (between individual), horizontal inequality (between group), spatial inequality (between region)**

The national target: Is it enough?

Inequality is not merely the national issue, increasing inequality is also the issue for most of districts and provinces in Indonesia.

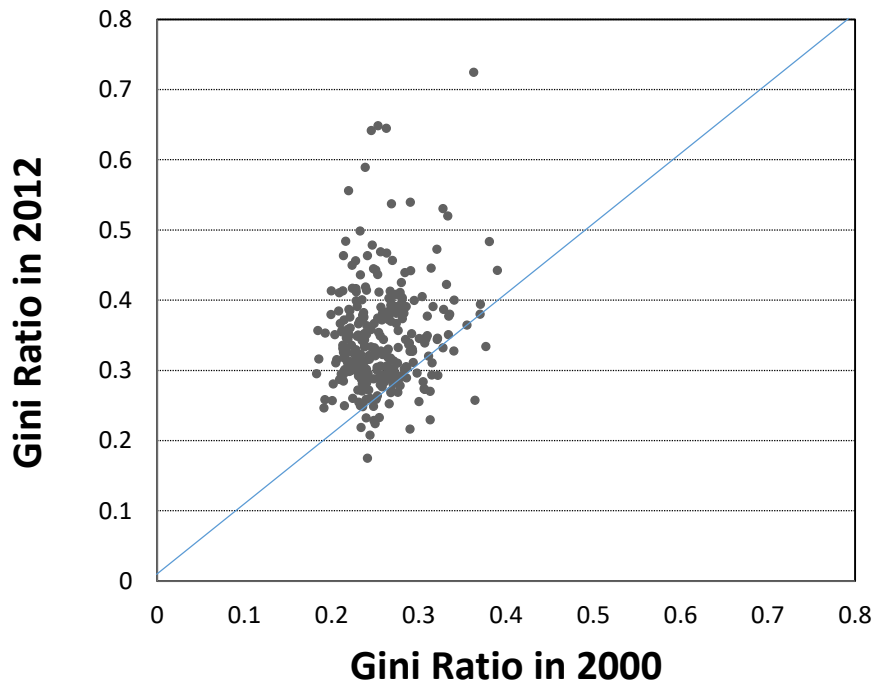


Figure 2: District Level Gini Ratio in 2000 and 2012
Source: SMERU (2017)

Gini Ratio annual change, 2003-2012 (%)

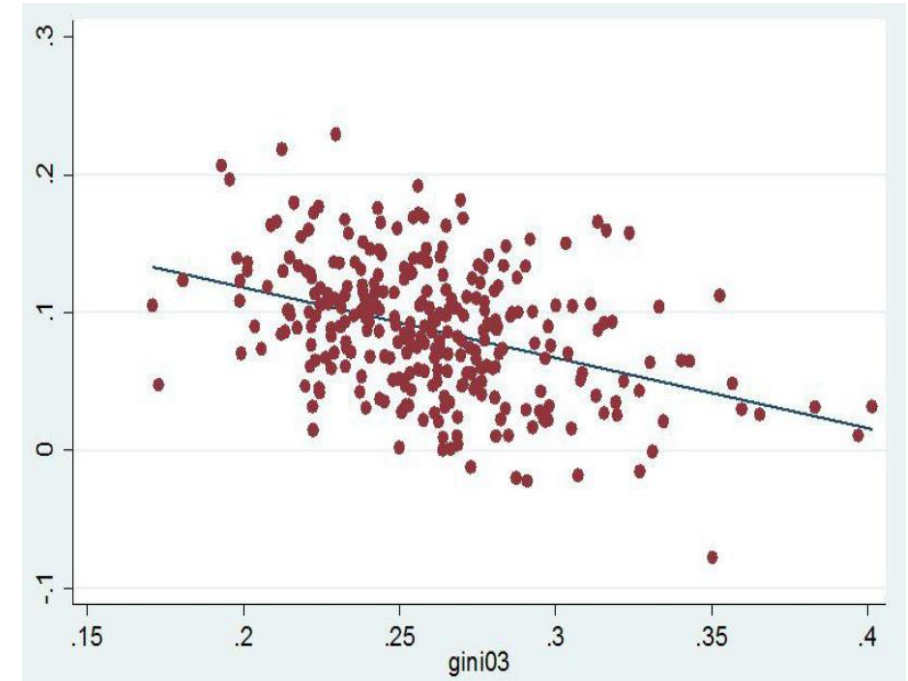
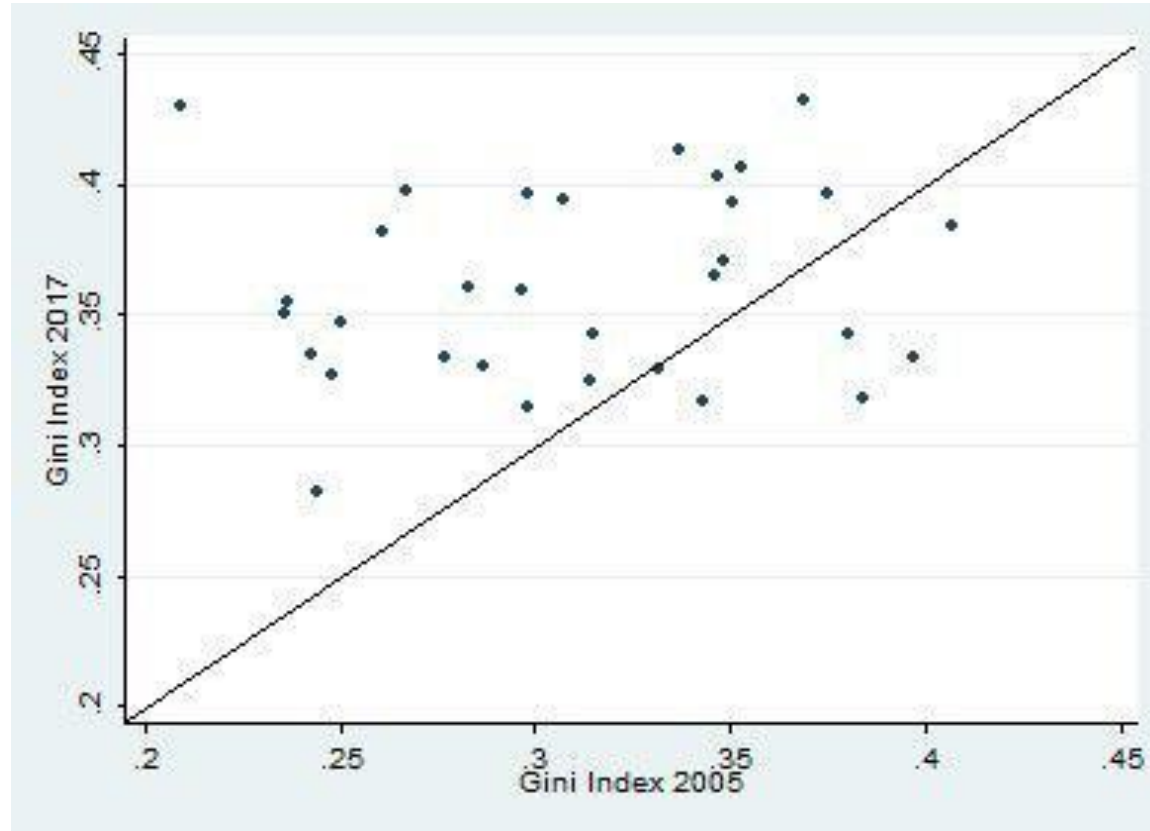


Figure 3: Inequality convergence across districts toward high inequality
Source: SMERU (2017)

The national target: Is it enough?



Province Level Gini Ratio in 2005 and 2017

Policies to Reduce Inequality: Gaps on the ground

- When the issue of increasing inequality is discussed intensively at the national level, we do not know how the dynamics of the discourse in the region.

Our study reveals:

- **Understandings of stakeholders about the issue of inequality are limited or partial.** They tend to associate the issue of inequality with regional inequality within districts

In addition, policy stakeholders associate or identify the inequality problem as similar to the issue of poverty. As a consequence, they also associate policy to address inequality similar to poverty alleviation policy

- **Local governments, especially the district governments, do not have a clear measurement of inequality.**

What's Next?

- To reduce inequality in Indonesia, tremendous challenges remain both at the national and sub-national levels
- The gap of understanding as well as technical measurement of inequality between national dan sub-national stakeholders could potentially impede a further effort to tackle increasing inequality in Indonesia, in particular in implementing the programs in the decentralized setting
- Two strategic recommendations:
 - A clear inequality measure is urgently needed at the sub-national levels → publish official Gini up to district levels
 - Synchronization of the national agenda and target into the provinces' and districts' → mainstreaming inequality into sub-national development plan and programs, followed by technical assistance to enhance knowledge and understanding of policy stakeholders at the sub-national levels, and incorporating the official inequality indicators as the target of their plans and programs.



THANK YOU

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