

## **PRESS RELEASE**

### **REGIONAL DEVELOPMENT FORUM (FPD) 2022**

#### **“Developing Micro-, Small-, and Medium-Scale Enterprises (MSMEs) and Quality Human Resources for Postpandemic Economic Recovery, and Poverty and Inequality Reduction in the Special Region of Yogyakarta (DIY)”**

Yogyakarta, 8 August 2022 — Poverty and inequality remain a challenge in developing DIY. In 2021, around 12.76% of the total population in DIY lived below the poverty line. This percentage was higher than the national percentage even though the number of poor people in DIY was smaller than the national average. With a Gini coefficient of 0.436 in the same year, DIY also became the province with the highest level of inequality in Indonesia. Both figures show that there are still some glaring issues regarding the policies to promote public welfare through the achievement of the development targets in the province, notably during the coronavirus disease 2019 (COVID-19) pandemic. Efforts to combat poverty and inequality in DIY require cohesive efforts and solid collaboration between various stakeholders.

The SMERU Research Institute (SMERU) and the DIY Provincial Government have collaborated in organizing the Regional Development Forum (FPD), with the objective of promoting efforts to combat poverty and inequality, especially through the development of MSMEs and the strengthening of human resources in DIY.

**FPD provides a medium for policy discussions between stakeholders in DIY with the objective of improving the quality of the regional government’s policies and strategies to combat poverty and inequality through the development of MSMEs and the strengthening of human resources.**

Previously, SMERU and Universitas Muhammadiyah Yogyakarta (UMY) formulated the MSME development strategy document based on the studies on MSMEs that both parties conducted. “We hope to continue this collaboration so that it can really help and promote the development of MSMEs as one of the strategies for reducing poverty and inequality in DIY, especially with the COVID-19 pandemic, which is now in its third year,” said Widjajanti Isdijoso (Director of SMERU).

Aside from MSMEs, the forum also discussed the social protection for and welfare of the elderly and challenges in developing quality human resources through innovations in the education sector. "We chose these two themes because of the challenges that DIY faces related to the aging population and the continuing need for ensuring equality in the quality of education even though the province's outcomes in the education sector are some of the highest in Indonesia," Widjajanti added.

**Regional governments play a major role in promoting the eradication of extreme poverty, especially in terms of data collection.**

Regional governments can contribute to the eradication of extreme poverty by ensuring that targets regarding the socioeconomic registry are successfully achieved, strengthening the human resource institution and capacity, committing to providing funding for data collection work, strengthening regulations and the political commitment of various parties, and creating inclusive environment by, among others, ensuring the availability of data of the vulnerable groups (people with disabilities and the elderly).

Regarding data collection, Pungky Sumadi as the Deputy Minister for Population and Employment of the Ministry of National Development Planning/National Development Planning Agency (Bappenas) said that coverage and accuracy need to be improved. "We know that the government continues to improve the accuracy of the Integrated Social Welfare Data (DTKS). However, since DTKS covers only the bottom 40% of the low-income population, whereas government programs continue to expand to include more participants and beneficiaries, we need a more comprehensive data," Pungky said.

That is why in 2022, the Ministry of National Development Planning/Bappenas focuses on improving DTKS and collecting data of the whole population. "The data is useful not only in the drive to combat poverty, but also for other programs. If the data is accurate and comprehensive, determining the rankings of the regions will be more accurate, so the government can carry out interregional extreme poverty eradication programs more effectively," Pungky added.

**The SiBakul application facilitates the strengthening of cooperatives and MSMEs, as well as providing a medium for assistance for cooperative practitioners and MSME owners in DIY.**

MSMEs are one of the providers of support for DIY's economy. When economic crises hit, the MSME sector was one of the sectors that survived. "More than 60% of DIY's economy is supported by MSMEs," DIY Governor stated.

The DIY Provincial Government has made efforts to strengthen the foundation for the digital economic ecosystem, one of which through the SiBakul Jogja channel, which marks the digitalization of the circular assistance model by the DIY Cooperative and SME Agency to help the province's cooperative

practitioners and MSME owners. “SiBakul can help MSMEs bridge the digital world and the brick-and-mortar business, free of the constraints of space and time. The digital platform is also used in SME data collection and clustering,” the DIY Governor explained. MSME owners already integrated with the application enjoy multiple facilities in terms of legality, connectivity, marketing, as well as business assistance and development.

### **There is still room for optimizing SiBakul to help develop MSMEs.**

As a means for achieving economic recovery, and poverty and inequality reduction, SiBakul plays a strategic role and needs to be optimized as an inclusive MSME digital business ecosystem with focus on developing MSMEs that belong to the micro and ultramicro categories. The UMY and SMERU research teams have formulated a policy brief which includes recommendations in the form of four priority steps for SiBakul improvement in the short term.

“The four steps are ensuring that SiBakul is an inclusive platform to all MSME categories, directing the main function of SiBakul toward collecting up-to-date and comprehensive MSME data, positioning SiBakul as the most complete MSME product catalog in DIY with a user-friendly navigation system, and promoting SiBakul more extensively and effectively to MSMEs and consumers,” explained Prof. Rizal Yaya (Chair of DIY Province MSME Working Group and Dean of the Faculty of Economics and Business of UMY).

For the next step, the DIY Provincial Government needs to write a road map for developing an inclusive SiBakul ecosystem. This should be accompanied by the strengthening of the regulations and policies, and the support of good internet infrastructure. Moreover, various stakeholders need to be involved in these efforts, creating a synergy between five parties—academia, businesses, communities, the government, and the media—or what is often referred to as the “*pentahelix*”.

### **Indonesia and DIY need to prepare for the aging population.**

The 2019 data reveals that the proportion of the elderly in DIY’s population was around 14.5%—higher than the national average of 9.6%. Moreover, seen from the rate of poverty by age group, the highest belongs to the elderly group. In DIY, in 2019, the poverty rate of the elderly was very high, namely 17.4%, higher than the poverty rate of the elderly at the national level.

### **Why is social protection for the elderly necessary?**

The elderly face three risks in their life cycle. The first one is increasing incidents of disability/function deterioration. The more advanced the age, the bigger the possibility of disability/function deterioration, and the severe the effect will be. Next is their deteriorating health. Half of the elderly have health issues and a quarter suffer from one or more illnesses. The third risk is diminishing income

or even lacking any income. As a result, half of the elderly population in Indonesia are forced to remain working; in fact, in DIY, almost 60% of the elderly population still work.

Moreover, even though around 86.4% of the elderly have subscribed to the National Health Insurance (JKN), only around 18.4% of the elderly in DIY have pension security (JP)/veterans' allowance and 12.2% of the elderly are beneficiaries of the old-age security (JHT).

"Realizing the issues related to the elderly, the DIY Provincial Government initiated regional social protection programs. They come in the forms of social assistance to help the elderly group, especially the poor elderly. The coverage of the program beneficiaries, however, is still very limited and there is also an issue of sustainability. We are working to get these improved. To add, people in the productive age group, including MSME owners and their workers, need to be encouraged to have savings and/or pension plan for their old age," explained Sri Kusumastuti Rahayu (Social protection policy team advisor for the National Team for the Acceleration of Poverty Reduction or TNP2K).

### **What impacts does the zoning policy have in DIY students' learning outcomes?**

The zoning-based new student admission policy came into effect simultaneously based on the Regulation of Minister for Education and Culture No.17 of 2017, a regulation whose objective is to reduce—and eradicate, if possible—the disparities in the quality of education in Indonesia.

DIY is a region which has high quality education, as shown in its having the highest learning outcomes in Indonesia. DIY ranked as the best of 2019 in the top national-level rankings of the Computer-Based National Examination (UNBK) scores for students of junior high schools (SMP)/*tsanawiah* madrasas (junior high-level Islamic school). The Program for International Student Assessment (PISA) scores of SMP students in DIY were also higher than the national average. Nevertheless, DIY still faces several challenges in its bid to achieve equality in the quality of education, such as the disparities between public schools and private schools, both in the learning outcomes and in the distribution of public schools, which is still uneven throughout the province.

Then what happened when the zoning policy was enacted in DIY? "Even though the zoning policy increased the access of students from poor households to public or state-run junior high schools, the policy negatively affected the learning outcomes of certain groups of students, especially those who still had access to a public junior high school even though the government enacted the zoning policy and those who lost access to a public junior high school because of the policy. Another thing is that the zoning policy does not show a significant impact on the learning outcomes of students who gained access to a public junior high school after the policy was enacted. That is why we need to continue to monitor the policy so that its intended objective is met. This is where research plays an important role as the basis for decision-making," said Sirojuddin Arief (Senior Researcher of The SMERU Research Institute).

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Speakers' presentation slides can be downloaded on <https://smeru.or.id/en/event/regional-development-forum-2022>

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