Gearing Structural Transformation for Inclusive Development - Pathway of Indonesia

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Can you share your views on the recommendations from the Survey Report relevant to your institution?

What are some inclusive policies adopted, or initiatives being implemented or planned by your institution?
Some Views on the Relevant Recommendations

1. In general, the report confirms the adverse subsequent effect of COVID-19 on inequality and structural changes degradation.

2. The pandemic has pushed down the lower consumption group’s quality of life (and socioeconomic condition) even worse than the higher consumption groups. It’s validating the K-shaped recovery. This urges more inclusive policies to promote sustainable economic recovery speed.

3. The report should highlight the business cycle context (both as risk and opportunity). Indonesia, for instance, will prepare for the next election, which make the government executives tend to deliver more social assistance.

4. Specifically on the report’s recommendations that relevant to our institution, totally agree with the general policy recommendations. In Indonesia context, the bottom line is to improve the existing policy compliance and enforcement, prudence when dealing with instrument that involving prices. And improve the existing policy effectiveness.

5. The report recommends the most important aspects in addressing K-Shaped Recovery:
   • Deploy forward-looking policies to guide structural towards a job-rich path;
   • Play a more proactive role in shaping the pre-distribution outcomes of transformation—through empowering labour in the job market;
   • Managing the socioeconomic disruptions during rapid social transformation by adopting an efficient social security.
Along the period of 1970 to 2018, the trend of total factor productivity has decreased, and compared to the other countries Indonesia remains slowing down in this data. Knowing this fact, we should redesign our economic transformation to be more inclusive and sustainable in achieving the economic growth more than the average (5.7% to 6.0% until 2045).

Through this initiative, Indonesia will push the demand and supply side to recover the utility and get back the potential growth like before the pandemic outbreak.

Economic recovery and structural reformation will be a cornerstone to push the process of economic transformation in 2023.
Inclusive and Sustainable Economic Transformation in Government Work Plan (GWP)

Development Theme of GWP 2022

Economic Recovery and Structural Reform

<table>
<thead>
<tr>
<th>ECONOMIC RECOVERY</th>
<th>Economic Diversification</th>
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</thead>
<tbody>
<tr>
<td>Health crisis management</td>
<td>Increase Value Added</td>
</tr>
<tr>
<td>Assistance for business recovery</td>
<td>Food Resilience</td>
</tr>
<tr>
<td>Strengthening Household Purchasing Power</td>
<td>Low carbon development</td>
</tr>
<tr>
<td>Accelerate labor intensive Infrastructure</td>
<td>Improve infrastructure distribution and quality of digital services</td>
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<table>
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<tr>
<th>STRUCTURAL REFORM</th>
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<tbody>
<tr>
<td>Investment Climate Reform</td>
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<tr>
<td>Institutional Reform and Governance</td>
</tr>
<tr>
<td>Human Resources Quality Reform</td>
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<tr>
<td>Adaptive Social Protection</td>
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Development Theme of GWP 2023

Productivity Improvement Towards The Inclusive and Sustainable Economic Transformation

Productivity + Inclusive = Economic Transformation

- Industry revitalization and strengthen applied research
- Promote economic recovery in the business world
- Development of new capital city and digital connectivity infrastructure
- Accelerate the extreme poverty alleviation
- Improving the quality of human resources
- Overcoming unemployment by increasing decent jobs
- Accelerating the development of basic infrastructure: clean water and sanitation
- Competitive HR
- Productivity of the economic sector
- Green economy
- Digital transformation
- Domestic economic integration
- New Capital City

Sustainability: Low carbon development and economic transition (response to the climate crisis)
Three Pillars of Inclusive Economic Transformation

The development theme should be a primary consideration for all levels in government and agencies together promoting the productivity improvement to support the inclusive and sustainable economic transformation.

Policy Direction

- Accelerating extreme poor alleviation
- Quality improvement of HR: Health and Education
- Overcoming unemployment & improvement in decent job
- Recovering the business activities
- Strengthening the national health system
- Improving the quality of education
- Expanding employment opportunities
- Accelerating basic infrastructure development
- Energy transition (respond to climate change)
- Accelerating industrial downstream revitalization
- Strengthening research and innovation in the development
- Encourage low-carbon economic activity
- Acceleration of energy transition
- Improvement of clean water supply
- Accelerate the distribution of digital infrastructure
- Acceleration of equitable distribution of connectivity infrastructure
- Accelerate the provision of basic facilities at IKN

Economic Growth and Development

- Income Equity Distribution and Poverty Alleviation
- Expanding the Access and Opportunity

- Strengthening the social security system
- Acceleration of agricultural modernization
- Increased equity of development
- Strengthening the national health system
- Improving the quality of education
- Expansion of employment opportunities
- Accelerate tourism revitalization
- Strengthening the role of MSMEs in the national economy

Development New Capital City (IKN)
### Structural Reforms in Priorities Sectors

<table>
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<tr>
<th>Modernization of Agriculture</th>
<th>Increased investment in the processing industry, digital sector and expansion of industry 4.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural e-commerce platforms or online supply chain</td>
<td>Sustainable development of 7 priority sectors (food and beverage, textile, chemical, automotive, electronics, pharmaceutical, medical equipment); green and sustainable industry programs</td>
</tr>
<tr>
<td>Digital and precision agriculture in upstream-downstream farming systems</td>
<td></td>
</tr>
<tr>
<td><strong>Improving Value Added of Agricultural Sectors</strong></td>
<td><strong>Industrialization through Down streaming Policies</strong></td>
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<th>Improving the quality of tourism, tourism destinations</th>
<th>Development of infrastructure for Special Economic Zones, Industrial Estates</th>
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<td>Tourism diversification, such as:</td>
<td>Completion the construction of basic service infrastructure</td>
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<tr>
<td>– medical tourism, religious tourism</td>
<td>Development of urban infrastructure with the development of mass public transport in the metropolitan area</td>
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<tr>
<td>– special interest tourism including agro-tourism and sports tourism</td>
<td>Development of energy and electricity towards a low-carbon energy system</td>
</tr>
<tr>
<td><strong>Improving Quality Tourism</strong></td>
<td><strong>Acceleration in Infrastructure Investment</strong></td>
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Source: Ministerial Regulation of Bappenas No 4/2022 about Annual Government Plan 2023
Green Economy as part of the Economic Transformation Strategy

Climate Change has an impact through two main channels:

**Physical Risks**
- **Chronic Danger**
  - Sea Level Rise
  - Increase in Earth's Temperature
  - Drought
- **Acute Danger**
  - Flood
  - Strong winds
  - Typhoon

**Transition Risks**
- Change Policy
- Technology Switch
- Reputation Threat
- Market and Consumer Risk

Green economy is a development model that synergizes economic growth and improving environmental quality. It provides tools needed to transform economic activities in a more sustainable path (SDGs pathway).

Integration of LCDI & CR in the 2020–2024 RPJMN

**Low Carbon Development Initiative**
- Waste Management & Economy Circular
- Green Industry Development
- Sustainable Energy Development
- Low Carbon Marine & Coastal
- Sustainable Land Restoration

**Climate Resilience Development**
- Marine & Coastal
- Water
- Agriculture
- Health

GHG Emissions Reduction in 2024: 27.3%
Emissions Intensity Target in 2024: 31.6%

Sumber: Climate Finance Advisors (2019)
### Example of LCDI Implementation

**Mangrove rehabilitation in post-tailing area, Bangka Belitung**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Economic Benefit</th>
<th>Environmental Benefit</th>
<th>Social Benefit</th>
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<tr>
<td>IDR 50–65 M</td>
<td>Additional income for local ecotourism group</td>
<td>Potential emission reduction from mangrove rehabilitation activity</td>
<td>164 individuals as direct beneficiaries ex-local mining workers turned into green job</td>
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<tr>
<td>IDR 22.2 B</td>
<td>Access to funding from IDR 2 Billion initial investment</td>
<td>Potential for reducing GHG Emissions from the use of organic fertilizer</td>
<td>Collaboration among line ministries, local government and university</td>
</tr>
<tr>
<td>IDR 1 M</td>
<td>Additional income Per family/month</td>
<td>Improving food and water security</td>
<td>Increasing farmers capacity in implementing smart farming</td>
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**System Rice of Intensification in East Nusa Tenggara**

| Benefit                          | Economic Benefit | Environmental Benefit | Social Benefit                                                                 |
|----------------------------------|------------------|-----------------------|**********************************************************************************|
| 200% Increase in rice productivity| Per family/month | Improving food and water security | Increasing the welfare of farmers and surrounding community |
| 50 ha                            | Potential for reducing GHG Emissions from the use of organic fertilizer | Increasing farmers capacity in implementing smart farming | Increasing farmers capacity in implementing smart farming |
| 164 individuals as direct beneficiaries ex-local mining workers turned into green job |

**Example of LCDI Implementation**

- **IDR 50–65 M** additional income for local ecotourism group
- **IDR 22.2 B** access to funding from IDR 2 Billion initial investment
- **IDR 1 M** additional income per family/month
- **200%** increase in rice productivity
- **50 ha** mangrove rehabilitation at post-mining area
- **164 individuals** as direct beneficiaries ex-local mining workers turned into green job
- **Increasing the welfare of farmers and surrounding community**
Can you share suggestions of potential regional cooperation initiatives that can promote inclusivity among colleagues in your respective field?
Potential Cooperation Initiatives

1. Initiating a regional forum to improve the trust in the Asia Pacific to collaborate towards the inclusive recovery. In addition, the business forum and philanthropy forum can also be established to coordinate the private and community resources to fund and support the inclusive recovery plan.

2. Cooperating in providing the evidence-based social adaptive policy, including planning and evaluation, that promotes the inclusive recovery.

3. Supporting the technological and labour exchange to improve the low-skilled labour as well as innovations in each country through experiencing the best practices.

4. Promoting the peer-reviewed sustainable economic transformation through collaboration among countries such as joint research and evaluation, bilateral or multilateral green campaign, green and healthy tourism, and economic cooperation for staple food productions.

5. Ensuring the commitment of the Asia Pacific member countries to maintain the stable supply chains by strengthening the regional security and compassion.

Thank You