

INDONESIA POVERTY ASSESSMENT

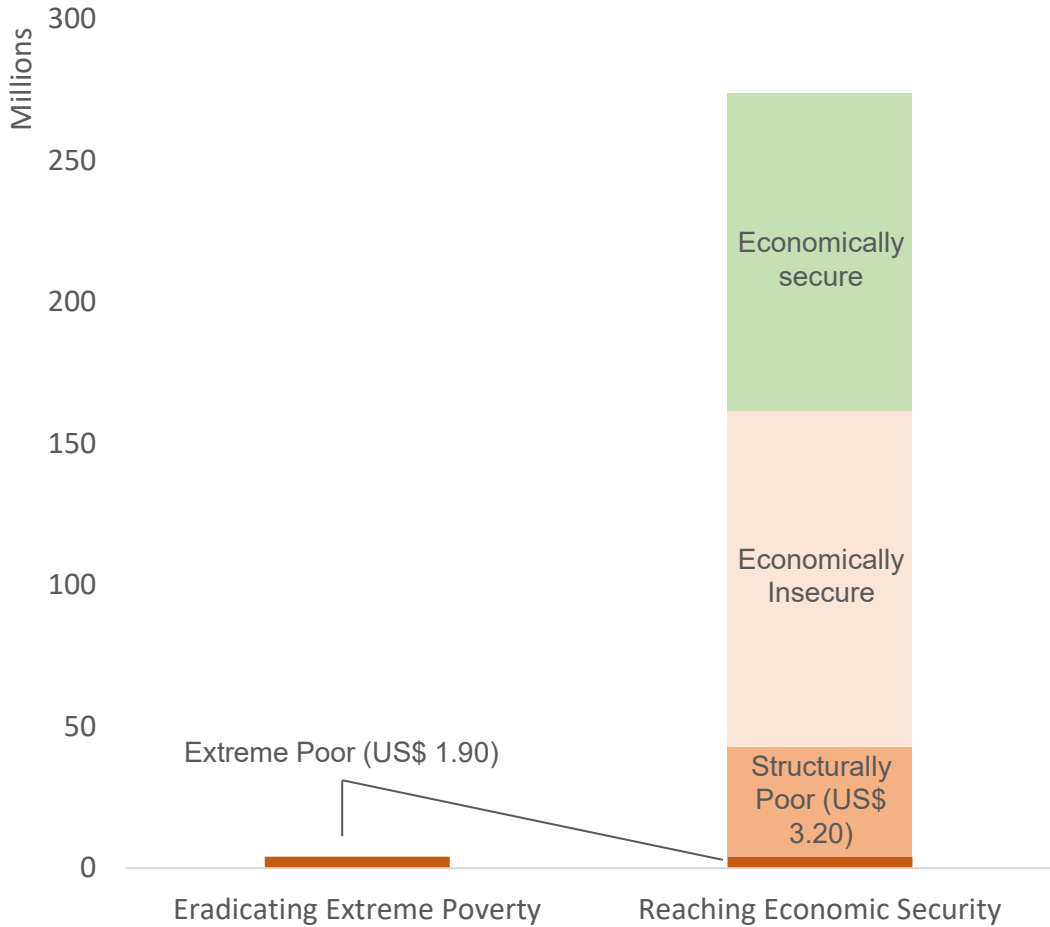
PATHWAYS TOWARDS ECONOMIC SECURITY

LOOKING FORWARD

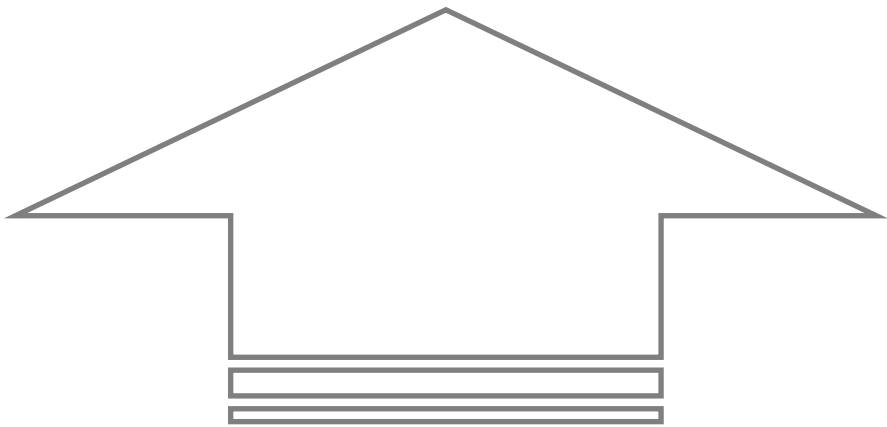


WORLD BANK GROUP
Poverty & Equity

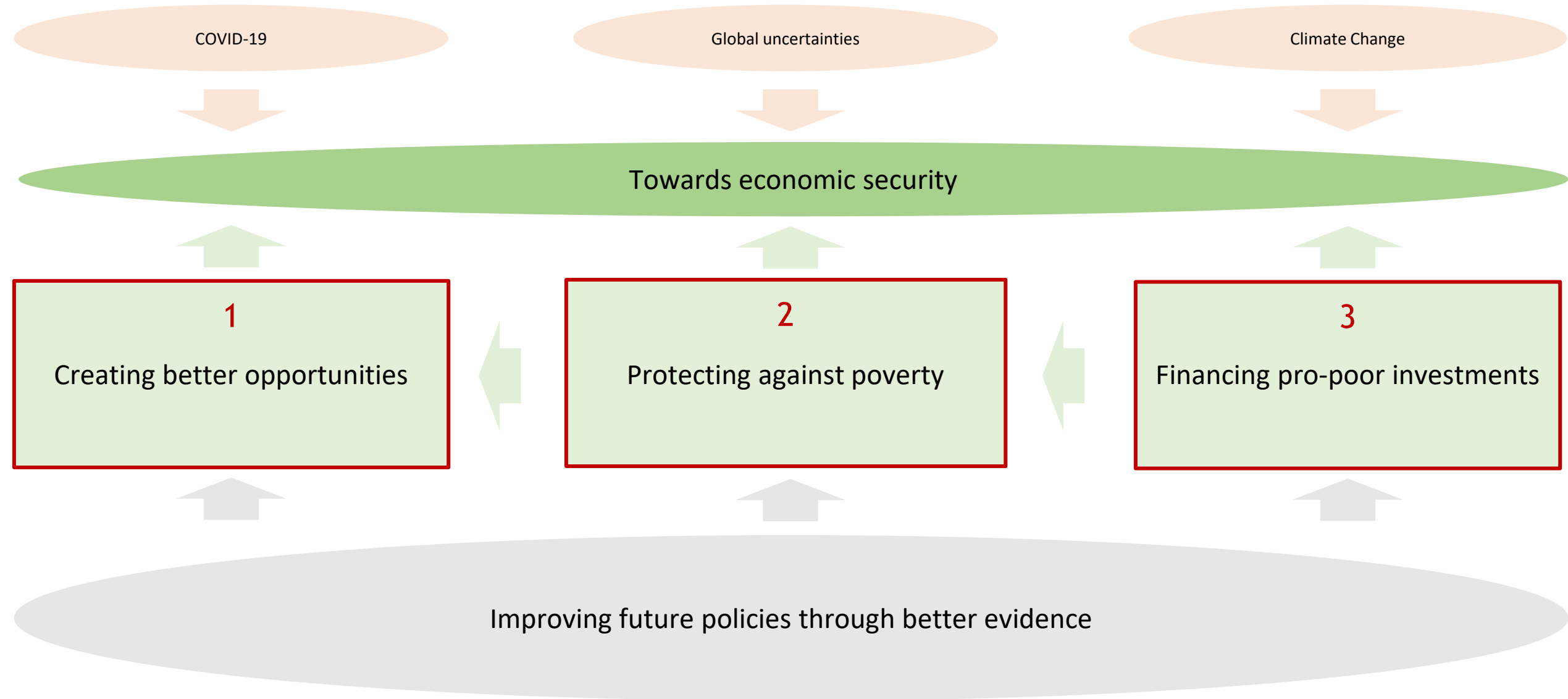
A more ambitious poverty reduction strategy to reach high-income status



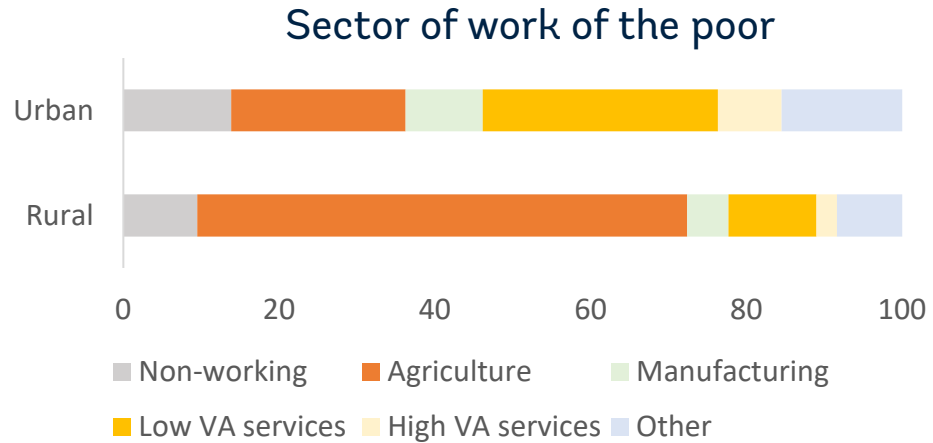
Extreme poverty is basically eliminated.
Policies can now focus on the poor more broadly defined and the economically insecure.



Pathways towards Economic Security

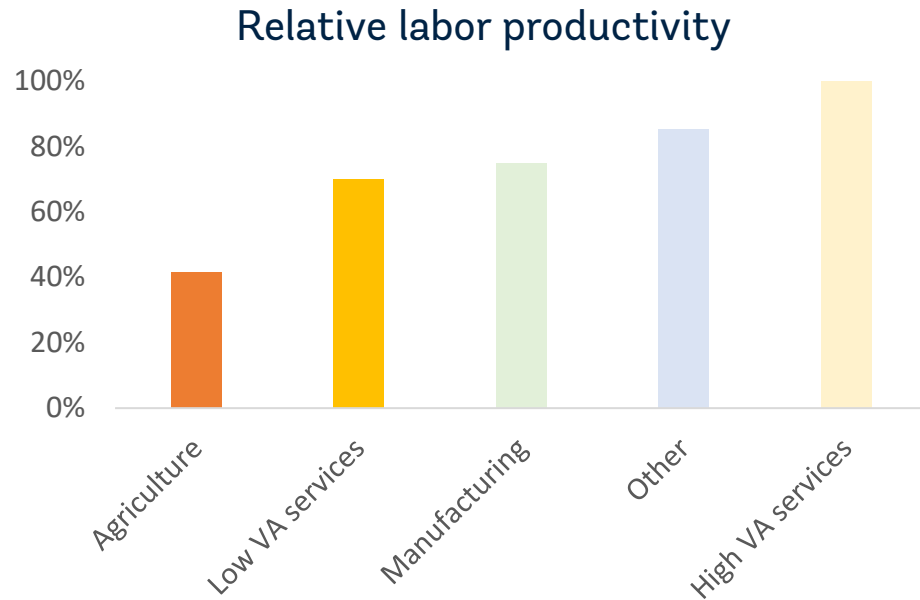


Work is often not enough to escape poverty and reach economic security.



Almost 90 percent of the poor are working.

Often in low-value-add-services (urban) and agriculture (rural).



Both sectors have low productivity, limiting incomes.

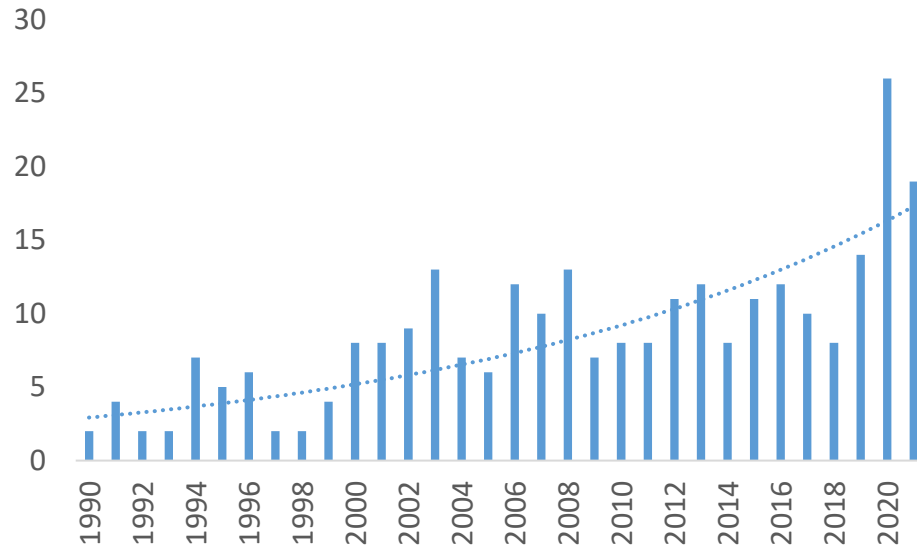
A third of poor households have one single male earner.

(1) Better opportunities



More frequent and severe shocks will threaten poverty reduction.

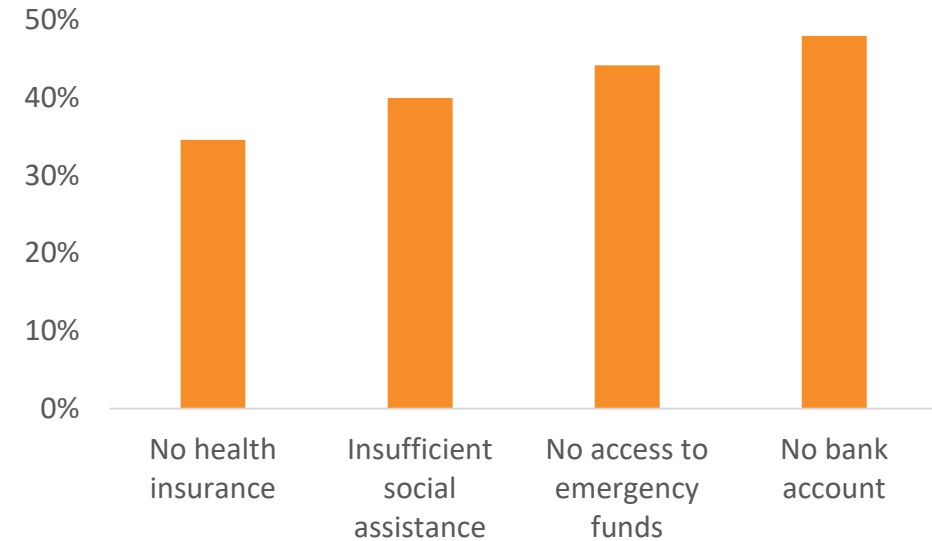
Number of natural disasters



The number of natural disasters is increasing.

The current global uncertainties can create additional shocks.

Lack of protection



Many households lack instruments to mitigate the impact of shocks.

(2) Better protection against poverty

Improve social protection

- Scale-up social assistance
- Expand coverage of social insurance

Improve (digital) financial inclusion

- Roll-out digital IDs
- Make digital payment systems fully interoperable

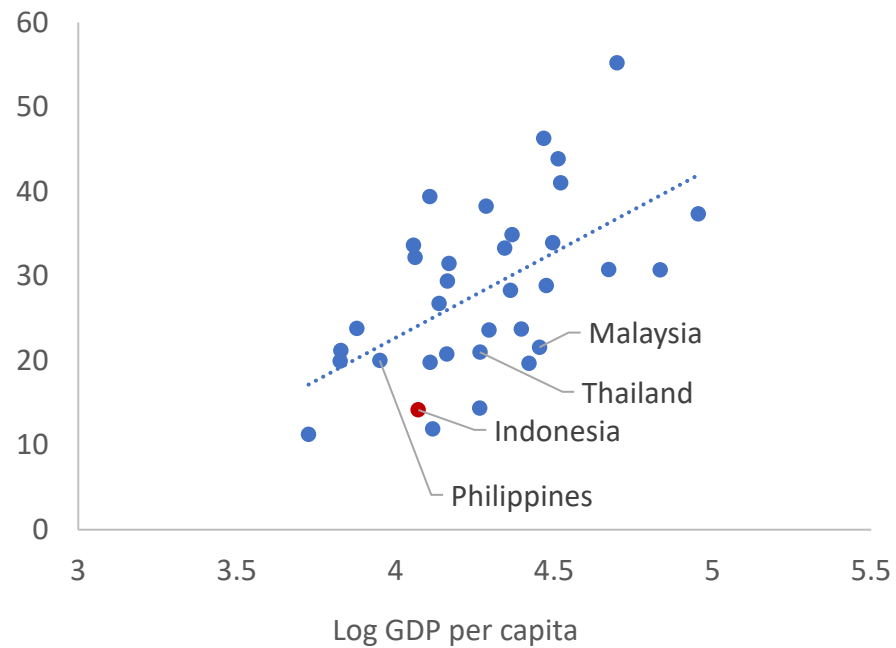
Invest in shock-resilient infrastructure

- Improve resilience of housing and transportation
- Adopt climate-smart agricultural approaches

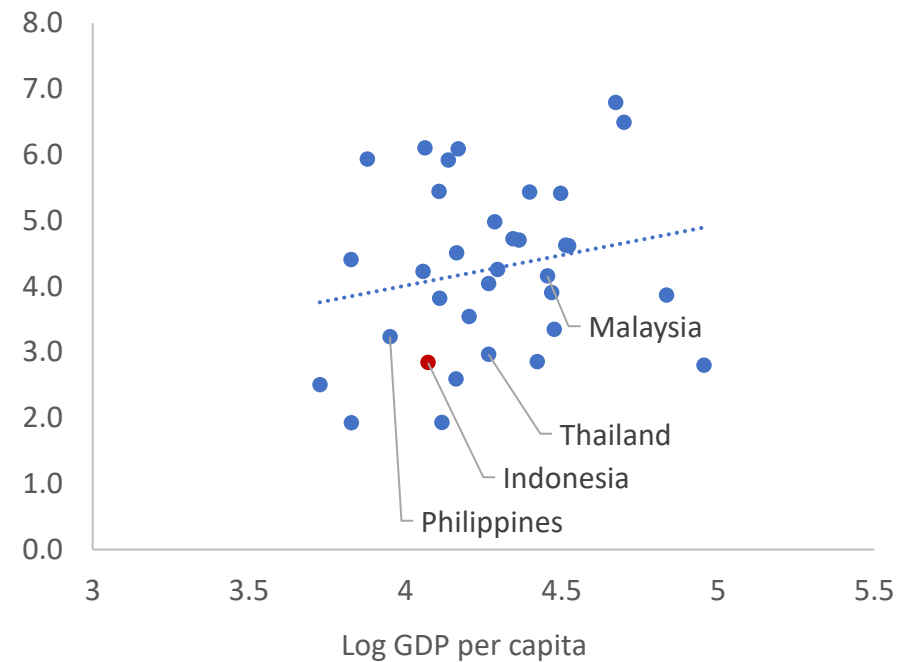
Better protection against poverty.

Government revenues are limited.

Government revenue relative to GDP

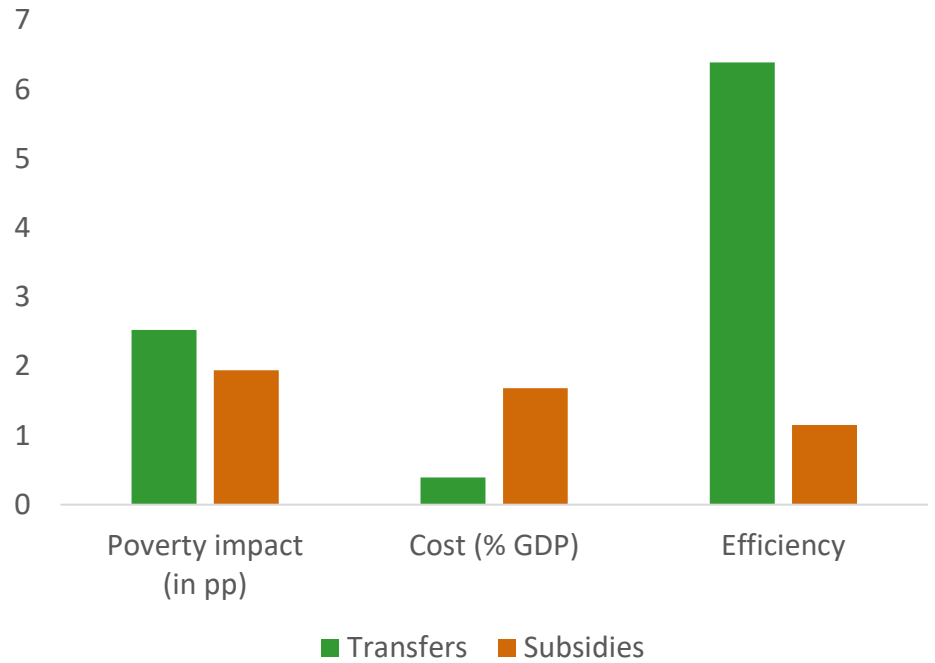


Education and health expenditure relative to GDP

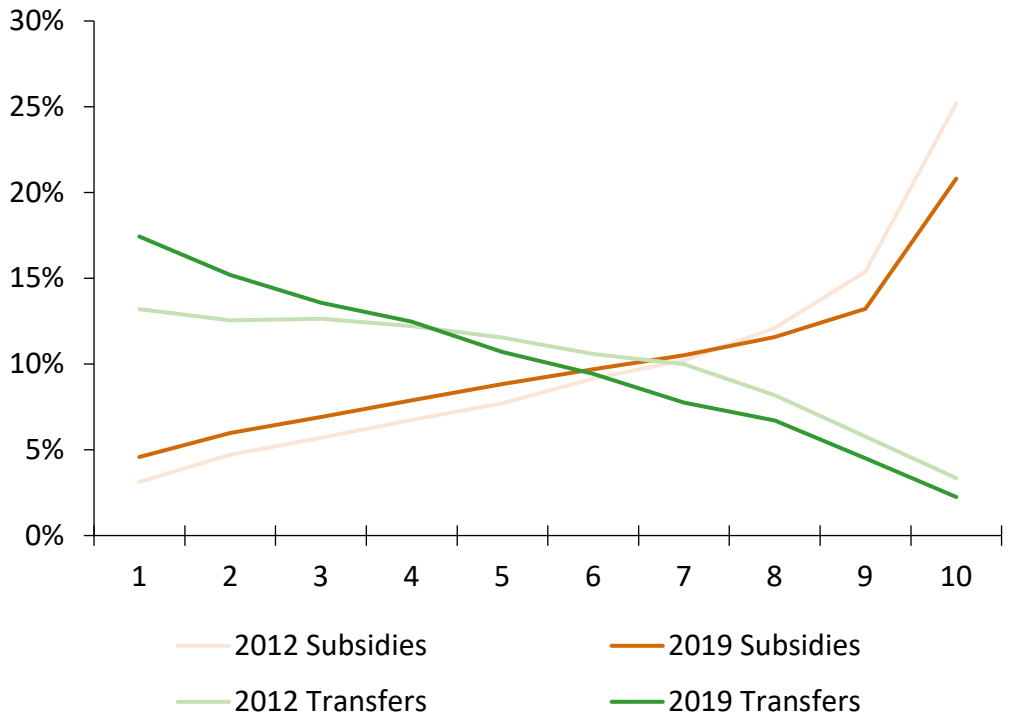


Transfers and subsidies reduce poverty, but subsidies cost four times more.

Efficiency of transfers and subsidies in reducing poverty



Concentration of spending across deciles



(3) More pro-poor investments

Increase Government revenues

- Remove VAT exemptions
- Increase taxes on alcohol and sugary beverages
- Increase taxes on carbon

Reduce inefficient subsidies

- Remove energy subsidies
- *Reduce agricultural subsidies*

Increase sub-national administrative capacity

- Better align sub-national resources with needs
- Improve technical and administrative capacity

More
financing for
pro-poor
investments.

Pathways Towards Economic Security

COVID-19

Global uncertainties

Climate Change

Towards economic security

Creating better opportunities

- Enable high-productivity and low-carbon sectors
- Make urban areas engines of growth
- Increase agricultural productivity
- Improve affordability and quality of childcare

Protecting against poverty

- Better and more agile social assistance
- Social insurance covering all workers
- Increase financial inclusion
- Infrastructure investments to create resilience

Financing pro-poor investments

- Re-examine the use of VAT exceptions
- Increase taxes on alcohol, tobacco, sugar and carbon
- Remove energy and agricultural subsidies
- Improve sub-national administrative capacity

Improving future policies

- Enable data use
- Improve availability and quality of (sub-national) statistics
- Better understand Indonesia's structural transformation and informality