

Press Release

INCLUSIVE ECONOMIC GROWTH: REDUCING POVERTY AND INEQUALITY IN INDONESIA

Kuta – In the last few years, Indonesia’s economy has grown steadily on 5-6 percent rate and managed to land fifth place on emerging market countries list. The condition has since been the main trigger factors to support increasing living standards for the Indonesian people, notably because steady economic growth is one of the driven factors in reducing poverty. Though poverty rate has been decreasing to one digit of 9,82 percent as per March 2018, yet the number of people experiencing absolute poverty is still large enough due to Indonesia’s position as the fourth country with the biggest number of people in the world. Besides that, those who are categorized as the vulnerable, which has income rate at just 1-1,5 times the poverty rate, is also still at large amount. Whenever they feel shockwaves in life such as sickness, loss of job, and natural disaster, they would vulnerably fall into deeper poverty. The poverty in Indonesia is mostly concentrated on the eastern part of the country, with challenges such as tougher geographical condition, greater natural disaster risk (landslide, earthquake, tsunami, etc.), limited access to basic services, also economic and financial access hurdles.

“To address those issues, the Government of Indonesia continue to pursue inclusive economic growth. Ministry of National Development Planning/Bappenas has started the initiative to standardize inclusive economy policy framework by developing *Inclusive Economic Growth Index*). Basically, the index serves as the comprehensive measurement on how to assess and value inclusivity rate of Indonesian economy development at today’s condition and the future, comprising national indicator levels and its disaggregation through regional level,” Minister of National Development Planning/Head of Bappenas Bambang Brodjonegoro said on “*Inclusive Economic Growth: Reducing Poverty and Inequality*” forum, one of the *parallel event* held by Ministry of National Development Planning/Bappenas, supported by Ford Foundation, IFAD, and ADB, during f the 2018 International Monetary Fund-World Bank Group, Wednesday (10/10) at the Anvaya Resort, Kuta, Bali. The meeting is intended as a search for the common ground forum on how to reach inclusive economic growth and how to provide solution in accelerating poverty and inequality reduction, one of the main issues of development in Indonesia.

The initiative is complementing the GoI significant efforts such as maintaining economic stability, price stability, productive job creation, investment climate, increasing agriculture production, to developing infrastructure on the eastern part of the country. To the benefit of the poor and the vulnerable, the government continues to perfect social aid program integration and subsidy, along with ensuring social security. To extend the people’s opportunity and ability to elevate their welfare, several programs are being elevated, such as capital funding, craftsmanship and vocational skill, entrepreneurship, and partnership, to enable the middle income group’s ability to thrive and strengthen their economy.

On the same forum, IFAD President IFAD Gilbert F. Hougbo mentioned that efforts of reducing poverty and inequality needs to be done thoroughly, from beginning to end, considering poverty and inequality extend much more, not only related to low income condition, but also comprises access and ability to maintain economic condition issues, in order to not fall back to poverty. “Inclusive economy is crucial, therefore, from nearly 40 years ago, IFAD and the GoI has invested US\$ 1 billion to help more than 300 rural households in the spirit of reaching inclusive economy. We certainly hope that the cooperation can help smallholder farmers and small-scale fisheries, for example, to be able to have competition leverage,” he said.

“Regarding the effort of reducing inequality and poverty, Indonesia also aim to maximize the high potential usage of sharia finance, macro economically speaking. Today, sharia finance in Indonesia has grown on banking, nonbanking, capital market and social funds sectors. As a country with the majority of Muslim people, Islamic alms funds such as zakat and *waqf*’s role could be potential in supporting inclusive economy in Indonesia. Zakat could reduce social gap through distribution of assets from those who are obliged to pay for it, called as the *muzzaki*, to those who are entitled as the receiver, known as *mustahik*. Zakat could also be the poverty reduction tools by using it to develop economic activity for the poor and the vulnerable,” Minister Bambang added.

Waqf in Indonesia has been proven as driven factor of the people’s empowerment efforts, scattered at 435,768 locations throughout Indonesia, reaching 4,4 billion meter square. Though collected zakat fund is just 2 percent from its whole potential, zakat has consistently growing year on year. In 2017, record shows zakat collection of IDR 6,060 billion, with the total of zakat distribution of 66 percent. Technology and innovation on zakat collection process has been used to accelerate the process. In the near future, zakat and *waqf* will be used to facilitate productive activities for the people, in order to reach inclusive economy, thus reducing inequality and poverty.

Kuta, October 10th 2018

Parulian Silalahi
Bureau Head for Public Relations & Executive Administration
Ministry of National Development Planning/
National Development Planning Agency

For further information:
Ministry of National Development Planning/
National Development Planning Agency
Jalan Taman Suropati No. 2 Jakarta 10310
Phone: (021) 31936207, Fax: (021) 31901154
e-mail: humas@bappenas.go.id



#INDONESIABANGGA
www.am2018bali.go.id