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Indonesia Development Forum 2017

**Fighting Inequality for Better Growth**

Jakarta, 9-10 August 2017





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# **BREAKING DOWN INEQUALITY THROUGH LOCAL ECONOMIC GOVERNANCE**



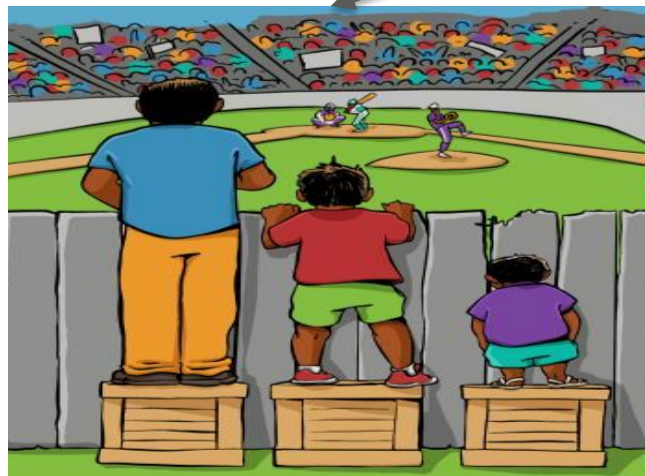


# BREAKING DOWN INEQUALITY THROUGH LOCAL ECONOMIC GOVERNANCE

# How to overcome economic inequality at local level?



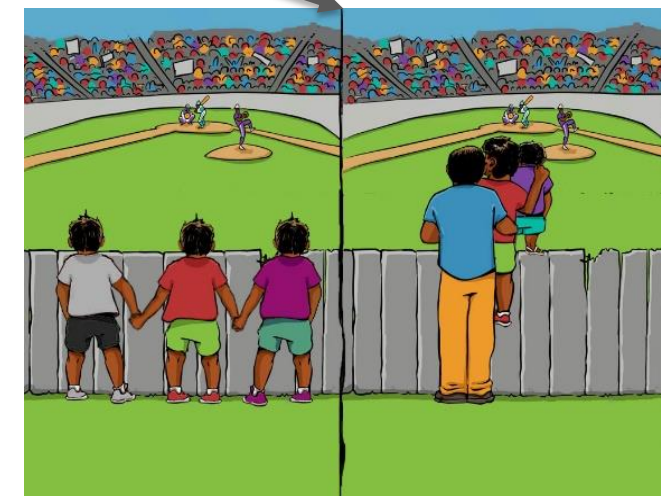
## Policy Options



Equal Access

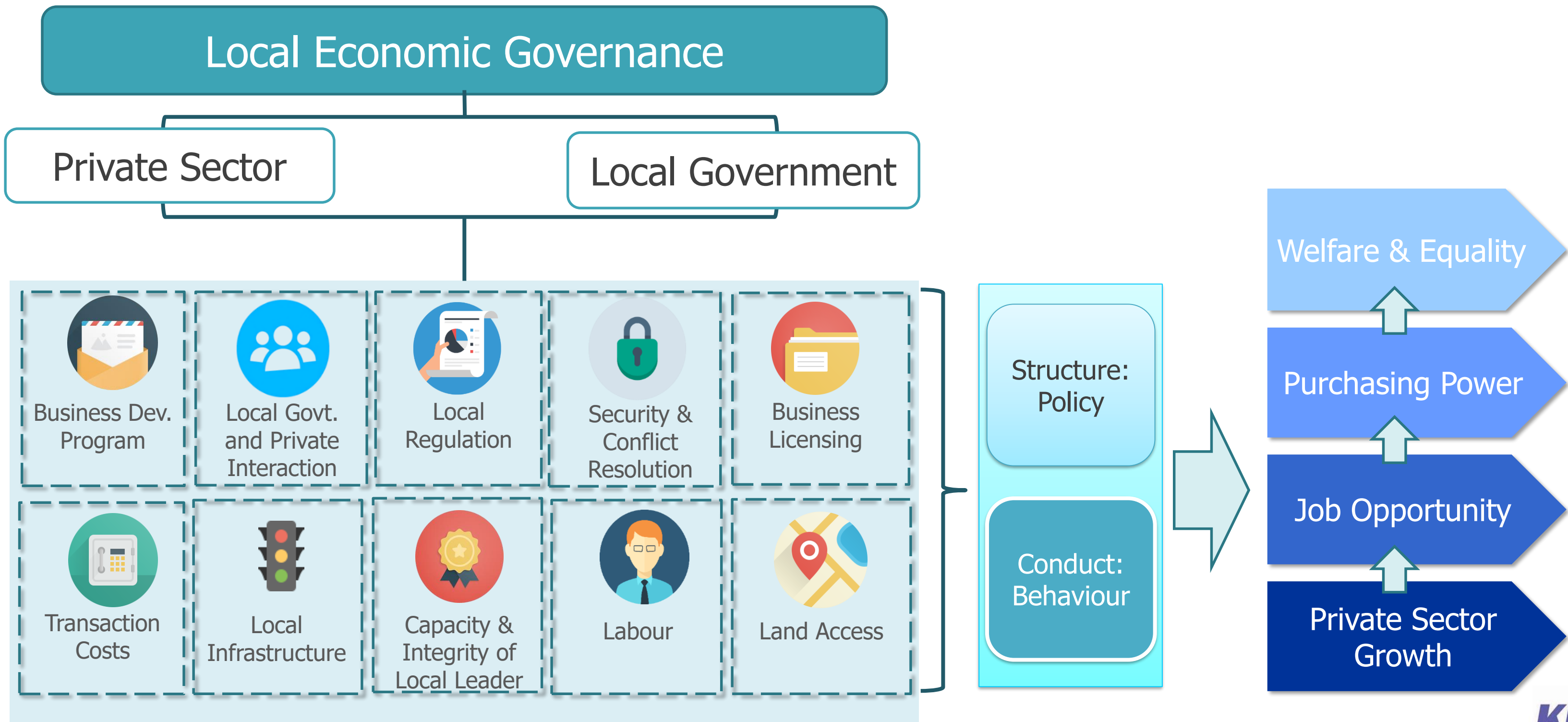


Equal Outcome



Inclusive

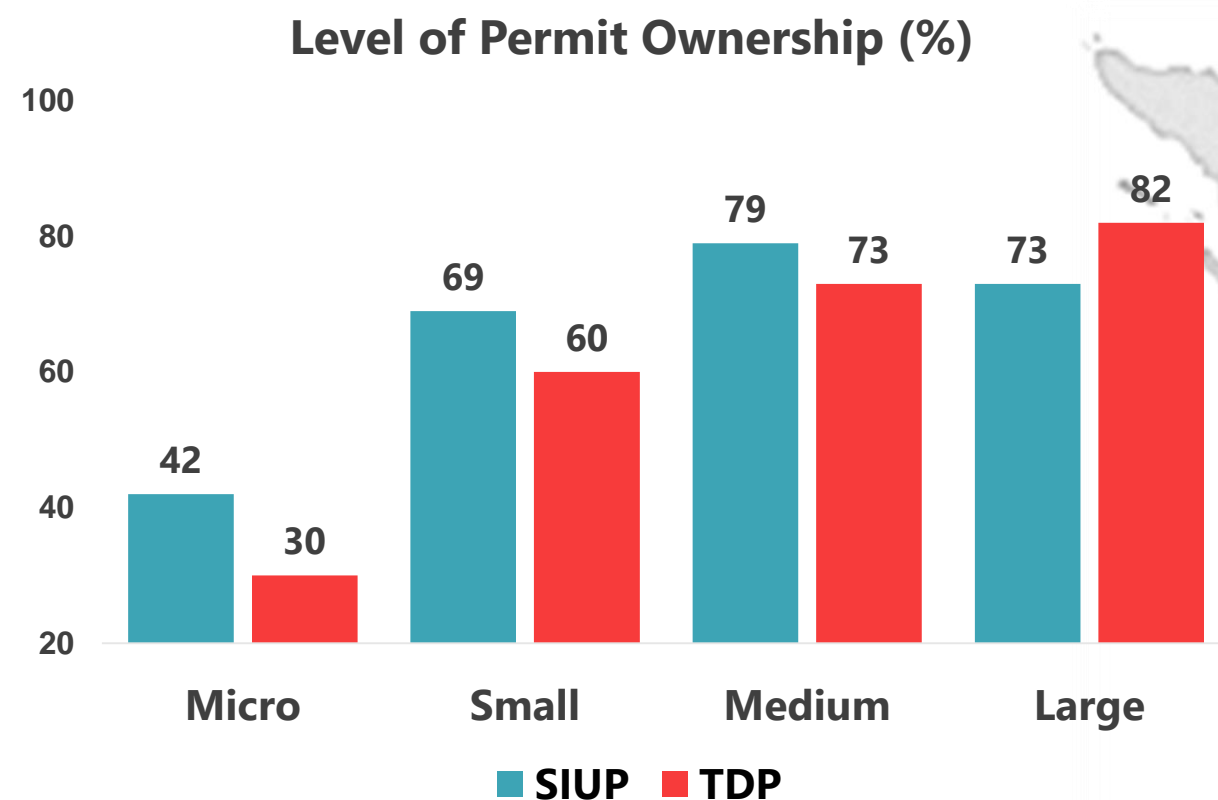
# How to overcome economic inequality at local level?



# Local Economic Governance in 32 Capital Provinces in Indonesia

## Inequality of permit ownership

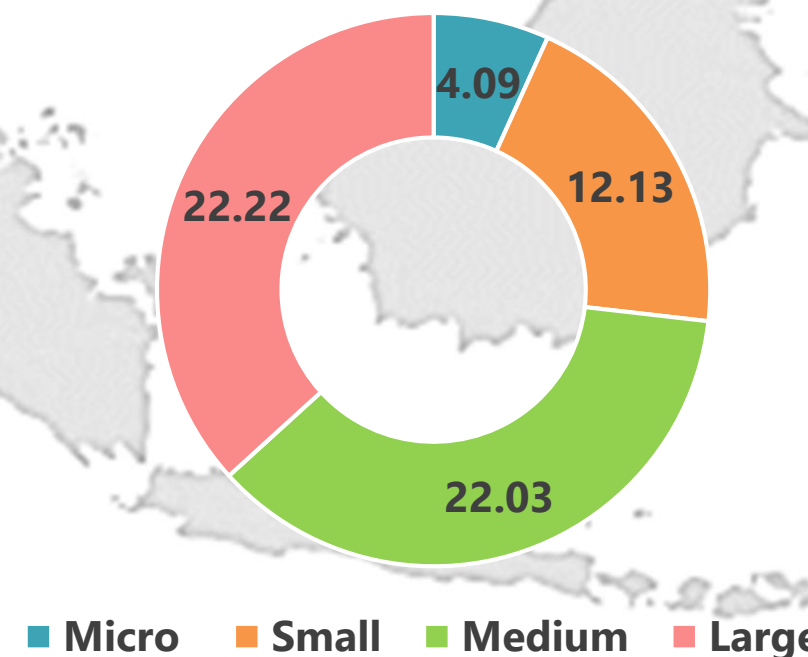
*The Level of permit ownership (certificate of company registration and trading business license) of smaller scale businesses is lower than the large businesses.*



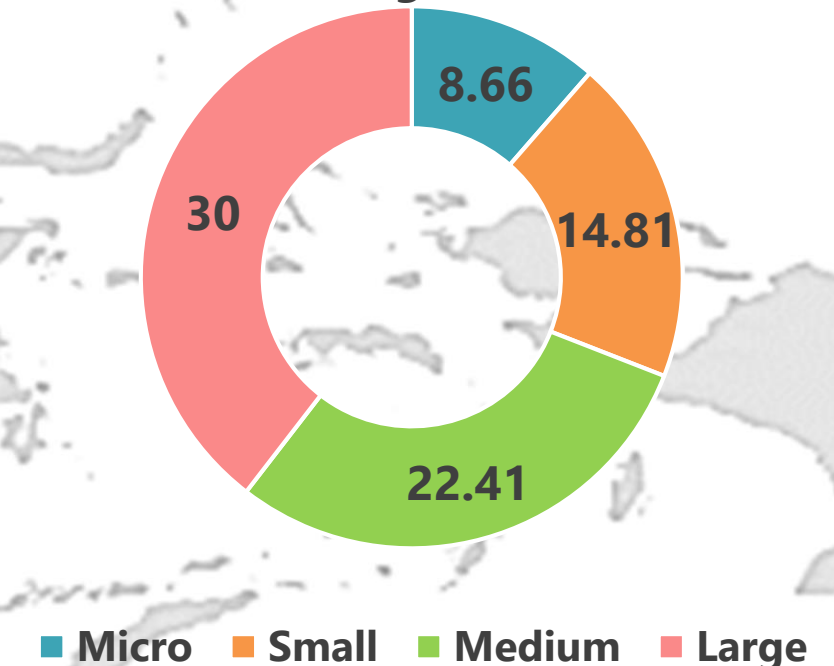
## Inequality of accessing Business Development Program (BDPs)

*The Level of participation of the small scale businesses is significantly low in several BDP programs. BDPs is provided by local governments.*

Level Participation of Business Matchmaking Training (%)



Level Participation of Promotion of Local Products Training (%)



# Innovative Policy: Evidence from Regions

## Inequality of capacity

**Padang & Kupang:** Giving development training for SMEs

**Pontianak:** providing policy (fiscal & non-fiscal) incentive for SMEs

## Inequality of IT and information access

**Padang:** Placement of assistant personnel in each sub-district and strengthening business incubator

## Inequality of access product diversification and market expansion

**Kupang:** regularly surveying halal products, and facilitate in the permission of household and industrial test from Indonesia

National Agency of Drug and Food Control (BPOM)

**Pontianak:** Imposing micro small business license

## Partnership and Collaboration

**Pontianak:** Partnership of Local Govt & Bank Indonesia in developing business incubator

## Inequality of funding access

**Padang:** Islamic Financial Services Cooperatives

**Kupang:** Community-based Economic Empowerment Fund

# Business Development Program



Access to information  
(asymmetric-information)  
through digital platform,  
social media, citizen forum

Business development fund,  
access to credit (BPD), fiscal  
incentives, etc.

Economic partnership:  
regional economic council,  
smes-private partnership,  
global value chains, etc.



# Business Licensing



Business efficiency through deregulation & bureaucracy reform (OSS)

Business-process integration and one-data: among local agencies as well as between local & central Government

National Standardization on licensing policy (time, cost, requirements) by using NSPK

# Local Regulations

Corrective and preventive action to local regulation

Mainstreaming Regulatory Impact Assessment (RIA) Tool

Initiate to review the regulations on regular basis (licensing & economic issues)

Best practice replication of fiscal incentives regulation to other regions





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