Keynote Speech:
TACKLING REGIONAL DISPARITY THROUGH LOCAL INITIATIVES

Minister of National Development Planning/
Head of National Development Planning Agency

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Outline

1. Theory of Regional Inequality
2. Examples of Success Stories
3. Other Initiatives and Best Practices
4. A New Thought of Measuring Regional Disparity
Theories of Regional Economics for Dealing with Disparities

Neoclassical Theory

- Assumptions: constant return to scale and perfect competition

- Implications:
  - The role of government is very limited
  - The government may have little influence to reduce inequality by lowering the mobility of factors

New Economic Geography Model

- Assumptions: increasing returns to scale, imperfect competition, trade costs, endogenous firm location, endogenous location of demand

- Implications:
  - The main role of government is to increase infrastructure investment that increase the mobility of goods, labor, and capital.
  - The role of government is also to affect the market through its policies, such as subsidy, taxes, social programs that influences the regional disparity
The success of local economic development is often linked to a local capacity to build and sustain political and civic support for development agendas, to integrate those affected into the decision-making process, and to ensure the integrity and agility of its programme for competitiveness over one or more cycles (Rich and Stoker, 2014).

Therefore, it needs....

Creative Leaderships

Leaderships with Innovation
Example of A Success Story: Sulawesi

Sulawesi economy has been growing above the national average in 2011-2017:
- Sulawesi 7.8%
- Kalimantan 3.9%
- Sumatera 4.8%
- Jawa 5.9%
- Nasional 5.4%

The largest growth of manufacturing industry is in Central Sulawesi and West Sulawesi → based on natural resources ...

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<th>REGION</th>
<th>2017**</th>
<th>2011-2017</th>
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Central Sulawesi: driven by the smelter industry

West Sulawesi: driven by food and beverage industry → CPO and cacao
Example of A Success Story: Kulon Progo...(1/2)

1. Building local brand for mineral water
2. Supporting local farmers
3. Strengthening home industries

Innovative programs

1. **Produk Air Mineral Daerah Oleh PDAM**
   - penyesuaian air minum kemasan untuk kebutuhan lokal, PDAM Tirta Binangun telah meluncurkan produk industri air mineral kemasan, “Air Ku”
   - lolos sertifikasi SNI: 01-3553-2006
   - standar mutu ISO 9001:2008
   - kapasitas produksi 2.400 gelas perjam

2. **Gerakan Pro Beras**
   (Untuk Kelompok Tani & Pengusaha Kecil)
   - PNS membeli beras petani lokal
   - Raskin diganti Beras Daerah (RASDA)
   - Mengembangkan varietas baru untuk produksi beras premium Kulonprogo
   - Produksi beras Premium Organik

3. **Industri Rumah Tangga: Batik Sendiri**
   - Batik GEBLEG RENTENG
Example of A Success Story: Kulon Progo...(2/2)

**Innovative programs**

1. Collective actions to build a house
2. Developing local brands: Tomira (mini market), tea, and coffee

Program of *Bedah Rumah dengan Gotong Royong* *(no government budget)*

Toko Milik Rakyat (TOMIRA)

Development of Local Coffee

Development of Local Tea with Groups of Tea Farmers
Other Local Initiatives and Best Practices

Regional Growth Center
Tourism development through revitalizing traditional village: Dukuh Penaban, Bali

Narrowing the Gaps at the Periphery
Developing and Marketing local handicraft of Papua Crafts, Walibu

Delivering Basic Services to Reduce Regional Disparity
Improving access to education through community movement Heka Leka in Maluku

Innovations in Local Governance and Development
A better governance in Lombok Utara

Selling through online platform

Sabre DO
(SApu BErSih Drop Out)

Sabre Gembuk
(SApu BErSih Entaskan Gizi Kurang Gizi Buruk)

JARING PEKAT
(Penjaringan Akta Kelahiran melalui Jalur Pendidikan, Kesehatan dan Masyarakat)
Pelayanan Akta Kelahiran gratis langsung di tempat bersalin

PATEN
(Pelimpahan Sebagian Kewenangan Bupati kepada Camat)
Current use of Williamson Index:
To measure regional disparity using GRDP per capita

\[ \text{IW} = \frac{1}{\bar{y}} \sqrt{\sum_{i=1}^{n} (y_i - \bar{y})^2 \frac{P_i}{P}} \]

Problems:

• It only takes into account the GRDP per capita

• In reality, local initiatives are tackling broader development aspects, which is not captured by GRDP

Source: Bappenas’ calculation
A New Thought of Measuring Regional Disparity (2/2)

Potentially Future Use of Williamson Index:

To measure regional disparity using:
- Human Development Index
- Inclusive Economic Development Index

3 pillars of development

3 dimensions

Source: Bappenas