



Center for
Sustainable
Development
Goals Studies



UNIVERSITAS
PADJADJARAN

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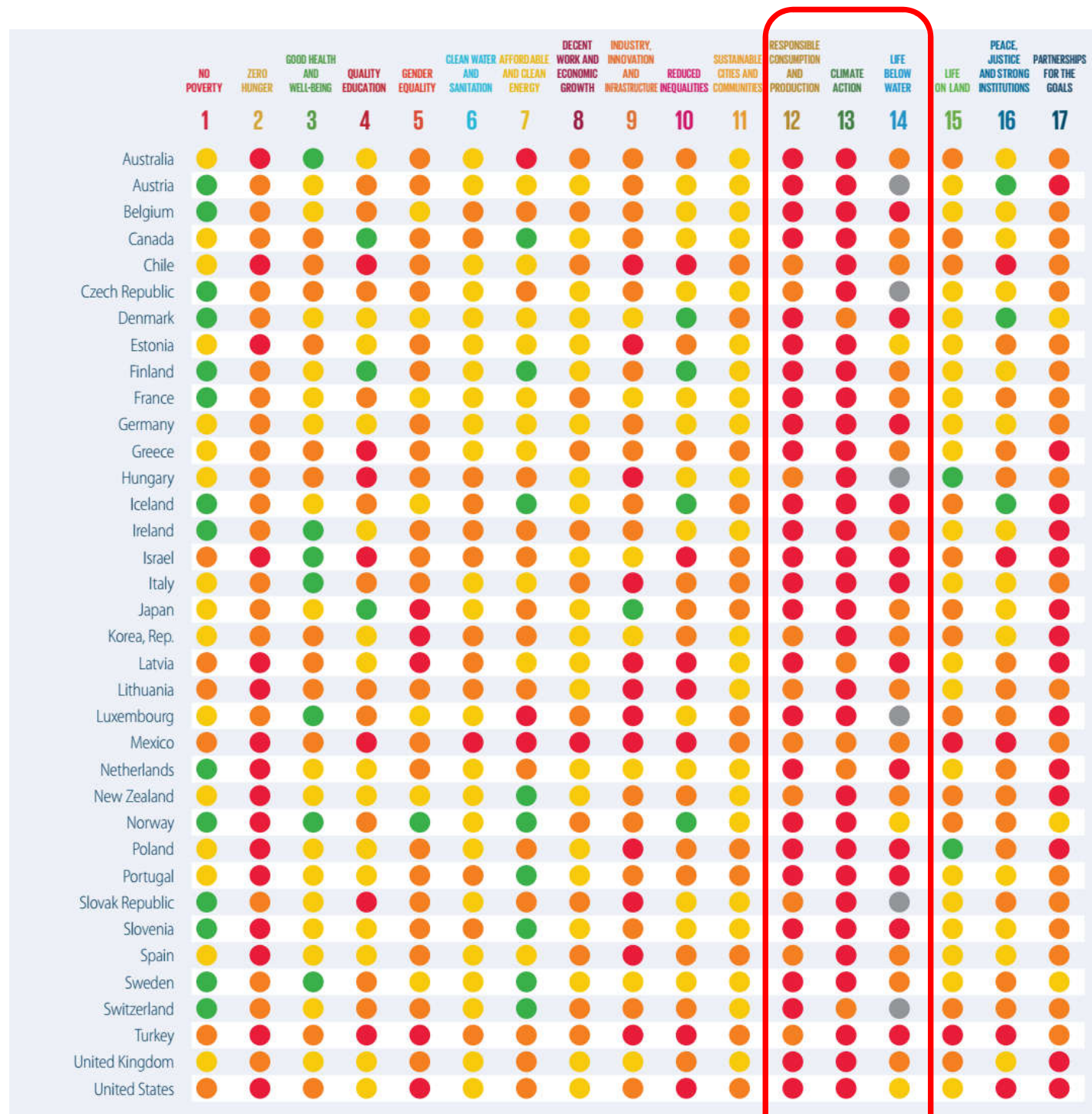
Comments on ESCAP's Economic and Social Survey of Asia and the Pacific 2020



My two comments:

- General comments related to SDGs and the Covid-19 pandemics
- Lessons learned from Indonesian fuel subsidy reforms



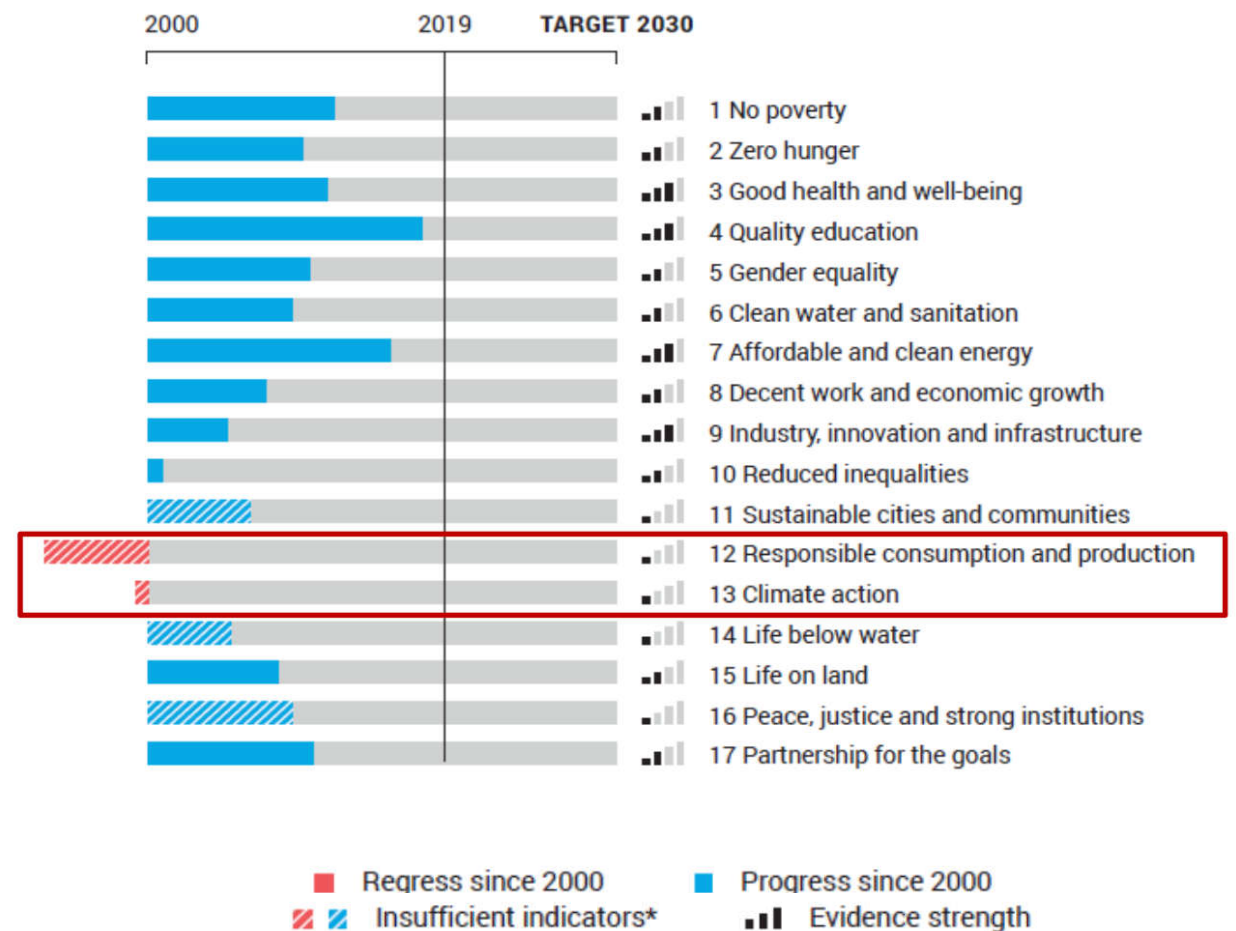


Source: SD Reports

PLANET

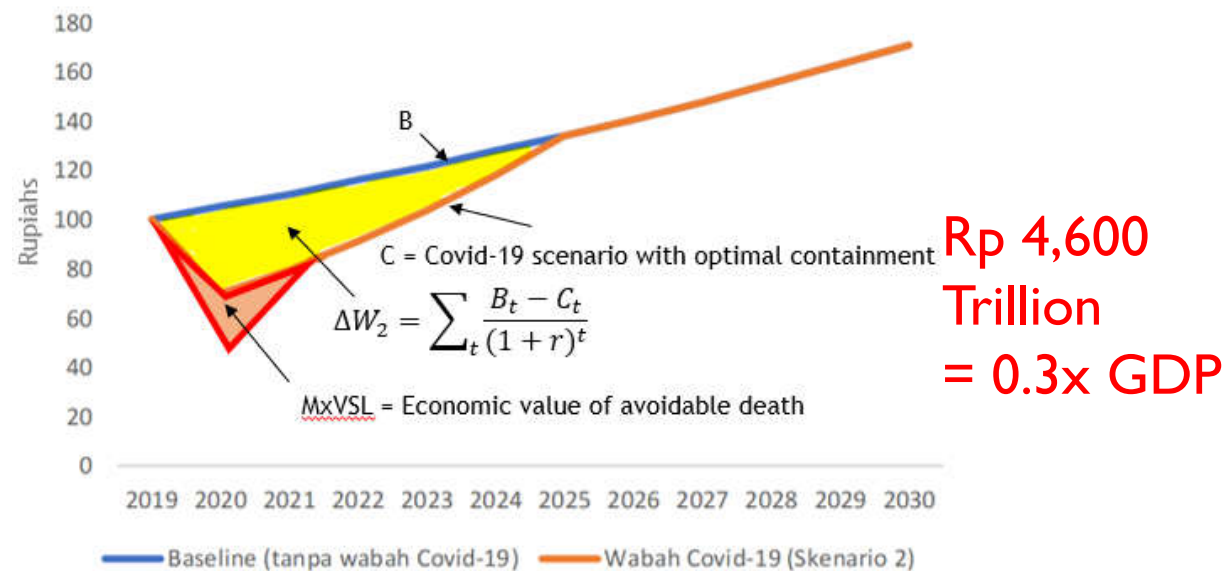
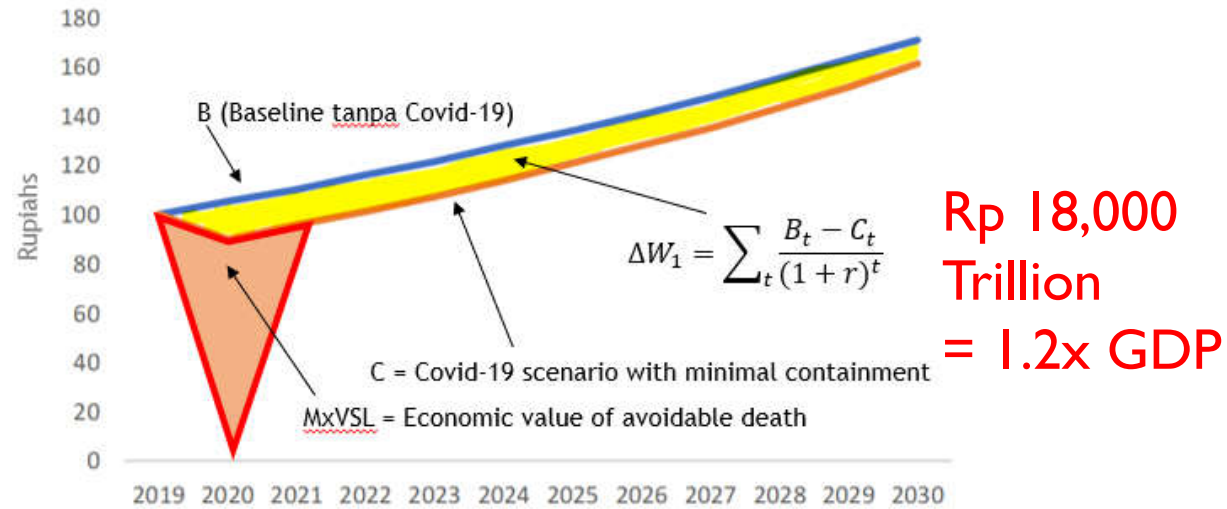
Ideal \Rightarrow Prosperity \sim People \sim Planet
 Reality \Rightarrow Prosperity $>$ People $>$ Planet

In microeconomics (preference relation)
 \sim indifferent, $>$ strictly preferred



Source: ESCAP

Covid-19 Pandemic may reveal the sad truth about the non-ideal, 'reality,' preferences relation



Indonesia records highest one-day increase of COVID-19 cases amid easing policy

Alya Nurbaiti

The Jakarta Post

Jakarta / Tue, June 9, 2020 / 05:47 pm



<https://tinyurl.com/covidtruecost>

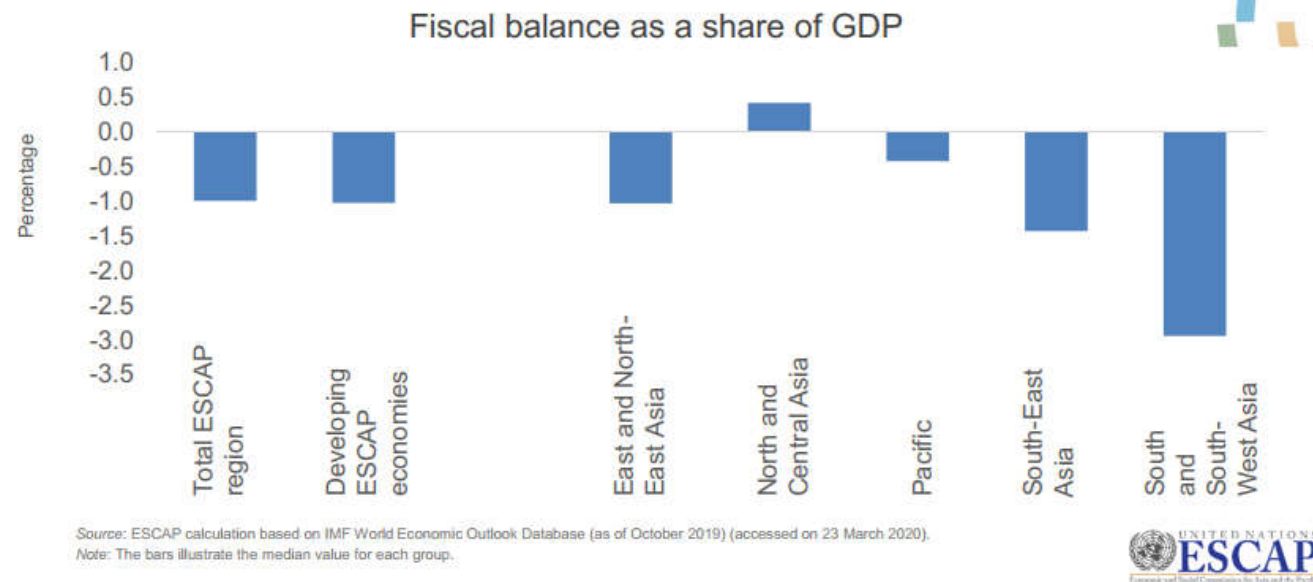


SDGs is our commitment to Prosperity, People and Planet.

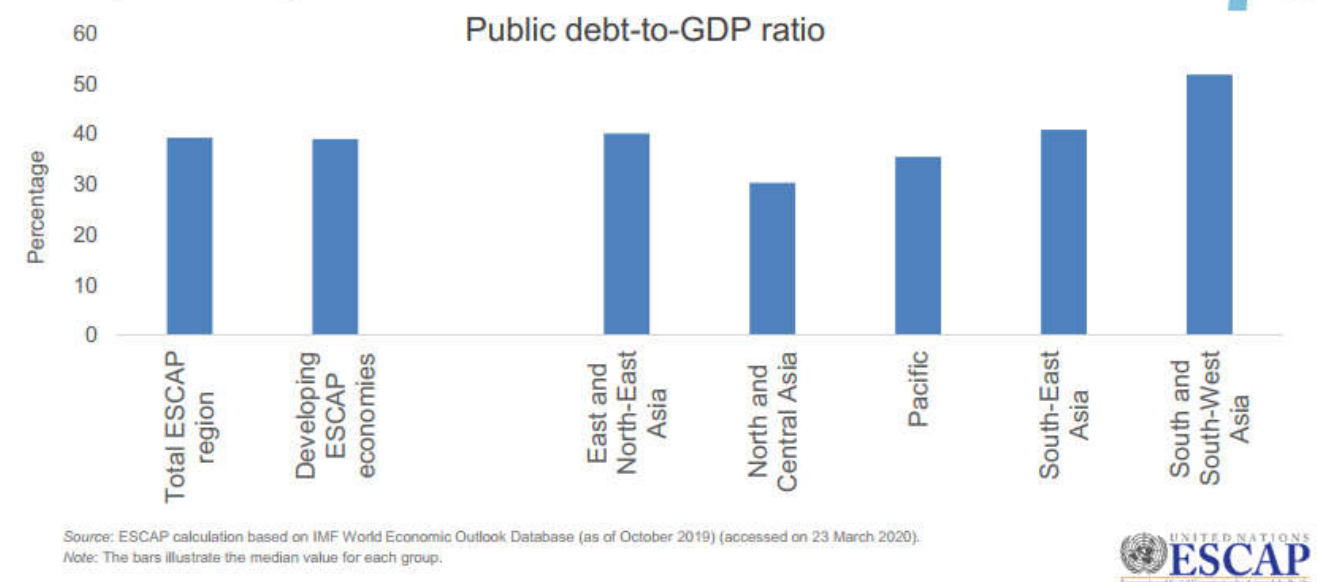
If we choose “economy” over people’s life,
how can we choose “environment” over “economy”?

Reality is not as simple as “sufficient fiscal space”

The region has fiscal space to mitigate the costs imposed by **COVID-19**



The region has fiscal space to mitigate the costs imposed by **COVID-19**



What about fiscal space in \$ per capita, or per number of poor people?

Lockdown affordability is different between rich and poor countries

For example, paying all Jakarta's workers for 2 months with minimum wage is half of the total provincial annual budget.

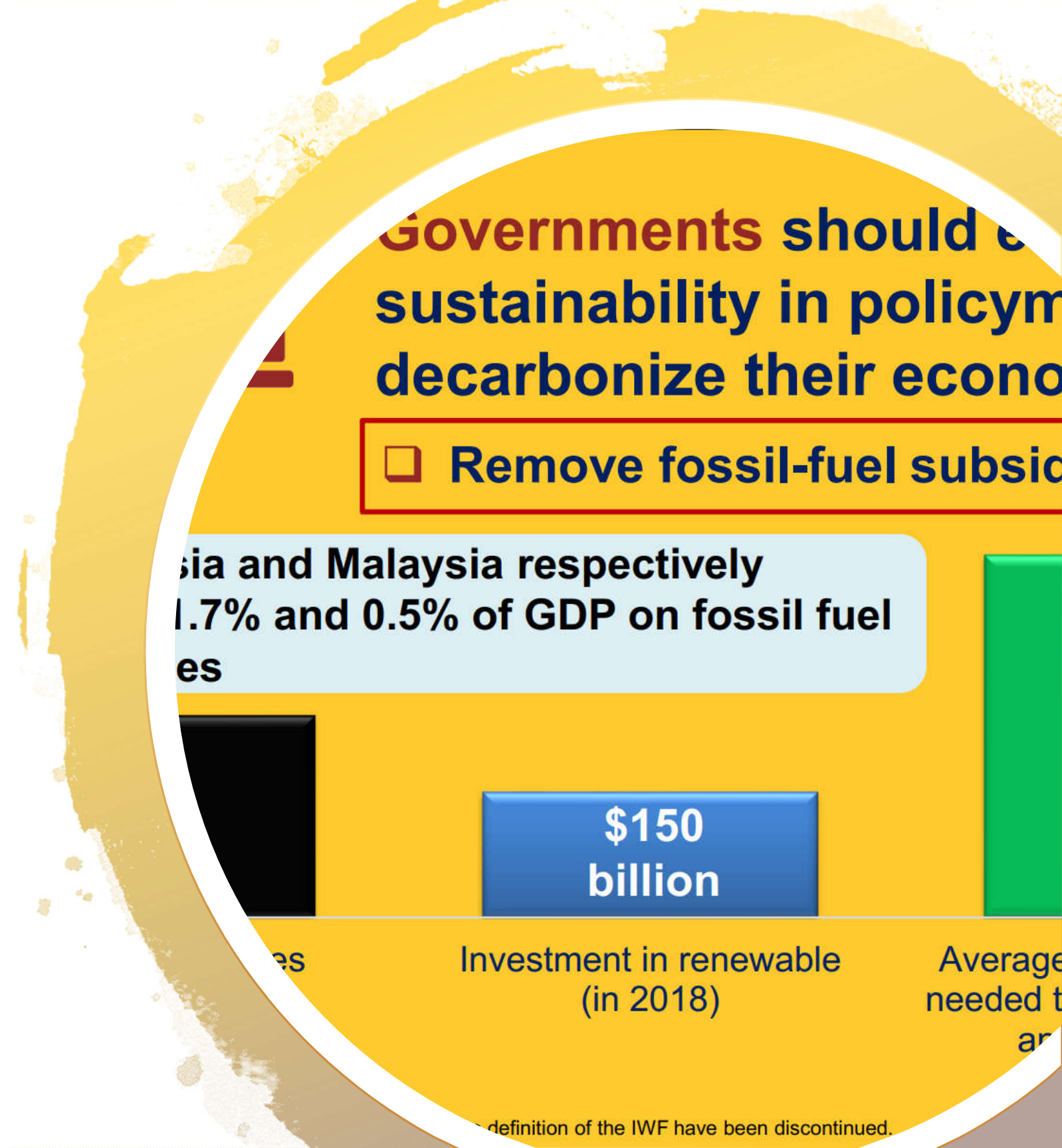
Others Covid-19 “Comorbidity” that may increase the *perceived* opportunity cost of strong containment

- Poverty
- Vulnerability
- Inequality
- Informality
- Poor health system
- Poor institution
- Poor governance
- Low transparency
- Oligarchy

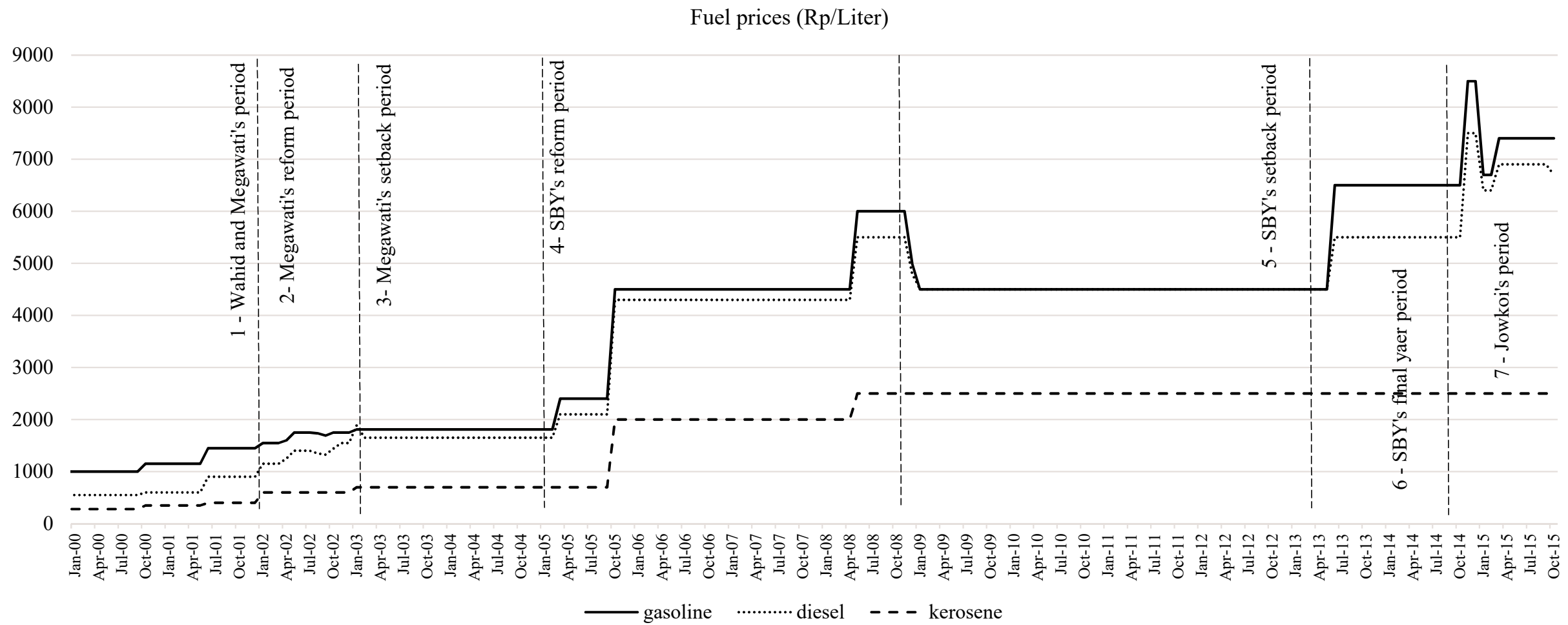


Fuel subsidy/carbon pricing

- Fuel subsidy (and carbon pricing) seems a good policy imperative (ESCAP).
- Yet, there are challenges in implementation.
- Lessons from Indonesia



In Indonesia, before Jokowi, reforms have been undertaken but never close to eliminate it



Characteristics of Indonesian fuel price reforms from 2000-today

1. The fluctuation in world oil prices has been the dominant reform-promoting factors
2. Reform inconsistency. The same government can reduce subsidy or introduce progressive reforms can also introduce setbacks to the reform by abolishing or reducing the strength of the reform.
3. Politics has been the key factor of this inconsistency as reform reversal normally occur during the time when incumbent government was about to go for re-election
4. Compensating the poor has always been a pre-condition in all episodes of important pricing reforms.
 - *Contributing to Indonesian investment in social assistance infrastructure*

How to work around the political economy challenge of fuel subsidy (or green) reform

1. Public and political support is important. Don't under-invest in PR. Touch people's emotion as well as rationality.
2. Decide the target (when) the subsidy will be fully abolished. It doesn't need to be hurry, but collective decision is necessary.
3. Do gradually, (2) and (3) should be legislated. This reduces political cycle bottleneck.
4. Participatory, elicit people's preference on how to reallocate the subsidy, adding public strong sense of belonging to the reform.
5. Monitor the whole process by an independent board/institution.

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**SUSTAINABLE
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THANK YOU

