

Research papers

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When Information Feeds Social Transformation in Indonesia

Understanding and
Addressing Inequality
outside Java through
Diagnostic Dissemination



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Résumé

Bien que l'Indonésie ait enregistré des progrès dans la réduction des inégalités de revenu au cours de la dernière décennie, comme en témoigne la baisse du coefficient de Gini de 0,409 en 2012 à 0,384 en 2021, d'importantes disparités subsistent au niveau provincial.

Les conclusions de ce rapport rappellent que les inégalités en Indonésie vont au-delà de la répartition des revenus et englobent l'accès à l'éducation, aux soins de santé, aux infrastructures et aux opportunités économiques. Ces inégalités sont encore aggravées par l'isolement géographique, les difficultés de

gouvernance, l'exposition aux catastrophes et la diversité d'évolution des économies locales.

Bien qu'il s'agisse d'un des ODD adoptés et suivis à l'échelle mondiale, la « réduction des inégalités » est le résultat d'un processus interne au sein d'une société donnée, résultant simultanément de la dotation initiale, de l'histoire, des politiques économiques et sociales et du contrat social existant.

Le diagnostic d'inégalité donne des mesures statistiques de la situation et, lorsqu'il est diffusé, est également transformateur, car il pose la question de l'acceptabilité des résultats, et offre des options pour réduire les inégalités.

Le présent rapport d'activité offre un aperçu analytique de quatre provinces d'Indonésie "hors Java" — Sulawesi, Sumatra, Papouasie et Kalimantan — en tant qu'études de cas régionales qui reflètent diverses dynamiques d'inégalité. Chaque province a reçu le diagnostic différemment, selon sa situation géographique ou ses spécificités régionales. Et chaque province présente des défis spécifiques, nécessitant des interventions politiques adaptées et un engagement soutenu de la part du gouvernement et des partenaires au développement:

Le rapport présente des recommandations stratégiques pour les gouvernements centraux et locaux. Les partenaires de développement sont encouragés à explorer des mécanismes financiers mixtes (*blending*) pour mobiliser l'investissement du secteur privé dans les régions mal desservies. Les secteurs critiques sont l'énergie renouvelable, les infrastructures et l'éducation, afin de s'assurer que les initiatives de développement économique contribuent à réduire les inégalités. En outre, les partenaires au

développement devraient plaider et soutenir la mise en œuvre de mesures de protection environnementale et sociale dans le cadre de projets à grande échelle.

Le rapport de diagnostic sur les inégalités multidimensionnelle offre une base solide pour guider les décideurs, les parties prenantes et les partenaires du développement dans la conception d'interventions plus efficaces pour lutter contre l'inégalité en Indonésie. Les conclusions soulignent l'importance de politiques localisées et axées sur les données qui répondent aux défis uniques de chaque région. Une collaboration forte entre gouvernements nationaux et locaux, société civile, secteur privé et agences de développement est essentielle pour promouvoir un développement inclusif et équitable dans les diverses régions d'Indonésie.

Mots-clés

inégalités, inégalités multidimensionnelle, inégalités régionales, politiques régionales action publique.

Géographies

Indonésie, Indo-Pacifique, Asie

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Abstract

Although Indonesia has recorded progress in reducing national income inequality over the past decade—evident in the decline of the Gini coefficient from 0.409 in 2012 to 0.384 in 2021—substantial disparities remain at the provincial and district levels.

The findings of this report emphasize that inequality in Indonesia extends beyond income distribution, encompassing access to education, healthcare, infrastructure, and economic opportunities. These inequalities are further compounded by geographic isolation, governance challenges, exposure to natural disasters, and uneven economic transformation.

Although it is one of the SDGs internationally adopted and followed, “reducing inequality” is the result of an internal process within a given society, resulting simultaneously from initial dotation, history, economic and social policies and existing social contract.

The Inequality Diagnostic gives statistical measures of the situation and, when disseminated, is also transformative, because it asks the question of the acceptability of the results, and displays several directions which could be addressed in order to reduce inequality.

The present Activity report offers an analytical insight into four provinces out of Java —Central Sulawesi, Bengkulu, Papua, and East Kalimantan— as regional case studies that reflect diverse inequality dynamics. Each province received the diagnostic differently, according to its

geographical location or regional specificities. And each province presents specific challenges, requiring tailored policy interventions and sustained engagement from both government (central and local) and development partners:

The report outlines strategic policy recommendations for central and local governments. Development partners are also encouraged to explore blended finance mechanisms to mobilize private sector investment in underserved regions. Critical sectors are renewable energy, infrastructure, and education, ensuring that economic development initiatives contribute to reducing inequality. Furthermore, development partners should advocate for and support the implementation of environmental and social safeguards in large-scale projects.

This Inequality Diagnostic Report offers thus a robust foundation for guiding policymakers, stakeholders, and development partners in designing more effective interventions to address inequality in Indonesia. The findings emphasize the importance of localized, data-driven policies that are responsive to the unique challenges of each region. Sustained collaboration between national and local governments, civil society, the private sector, and international development agencies is essential to promoting inclusive and equitable development across Indonesia’s diverse regions.

Keywords

inequalities, multidimensional inequalities, regional inequalities, regional policies public action.

Areas

Indonesia, Indo-Pacific, Asia

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Abstrak

Meskipun Indonesia telah mencatat kemajuan dalam menurunkan ketimpangan pendapatan nasional selama satu dekade terakhir, yang terlihat dari penurunan koefisien Gini dari 0,409 pada tahun 2012 menjadi 0,384 pada tahun 2021, ketimpangan yang signifikan masih terjadi di tingkat provinsi dan kabupaten/kota.

Temuan dalam laporan ini menegaskan bahwa ketimpangan di Indonesia tidak hanya terbatas pada distribusi pendapatan, tetapi juga mencakup akses terhadap pendidikan, layanan kesehatan, infrastruktur, dan peluang ekonomi. Ketimpangan ini diperparah oleh isolasi geografis, tantangan tata kelola, paparan terhadap bencana alam, serta transformasi ekonomi yang tidak merata.

Meskipun "pengurangan ketimpangan" merupakan salah satu Tujuan Pembangunan Berkelanjutan (TPB) yang diadopsi secara global, pencapaiannya merupakan hasil dari proses internal dalam suatu masyarakat. Proses ini dipengaruhi oleh kondisi awal, sejarah, kebijakan ekonomi dan sosial, serta kontrak sosial yang berlaku.

Kajian Inequality Diagnostic ini menyajikan ukuran statistik mengenai situasi ketimpangan, dan pada saat diseminasi, memiliki dampak transformatif karena mempertanyakan sejauh mana kondisi tersebut dapat diterima, serta mengemukakan sejumlah arah kebijakan yang dapat ditempuh untuk mengurangi ketimpangan.

Laporan Kegiatan ini menyajikan analisis mendalam terhadap empat provinsi di luar Pulau Jawa—Sulawesi Tengah, Bengkulu, Papua, dan Kalimantan Timur, sebagai studi kasus regional yang mencerminkan dinamika

ketimpangan yang beragam. Setiap provinsi merespons kajian ini secara berbeda, tergantung pada lokasi geografis dan karakteristik regionalnya masing-masing. Setiap wilayah juga menghadapi tantangan spesifik yang membutuhkan intervensi kebijakan yang kontekstual serta keterlibatan berkelanjutan dari pemerintah, baik pusat maupun daerah, serta para mitra pembangunan.

Laporan ini merumuskan rekomendasi kebijakan strategis bagi pemerintah pusat dan daerah. Para mitra pembangunan juga didorong untuk mengeksplorasi mekanisme pembiayaan campuran (*blended finance*) guna mendorong investasi sektor swasta di wilayah-wilayah yang masih tertinggal. Sektor-sektor prioritas meliputi energi terbarukan, infrastruktur, dan pendidikan, guna memastikan bahwa inisiatif pembangunan ekonomi turut berkontribusi dalam mengurangi ketimpangan. Selain itu, mitra pembangunan perlu mendorong dan mendukung pelaksanaan prinsip-prinsip perlindungan lingkungan dan sosial dalam proyek-proyek berskala besar.

Dengan demikian, Laporan Inequality Diagnostic ini menyediakan landasan yang kuat bagi para pembuat kebijakan, pemangku kepentingan, dan mitra pembangunan untuk merancang intervensi yang lebih efektif dalam mengatasi ketimpangan di Indonesia. Temuan-temuan laporan ini menekankan pentingnya kebijakan yang berbasis data, bersifat lokal, dan responsif terhadap tantangan unik di masing-masing wilayah. Kolaborasi yang berkelanjutan antara pemerintah pusat dan daerah, masyarakat sipil, sektor swasta, dan lembaga pembangunan internasional menjadi kunci dalam mewujudkan pembangunan

yang inklusif dan berkeadilan di seluruh wilayah Indonesia.

Kata kunci

ketimpangan, ketimpangan multidimensional, ketimpangan regional, kebijakan regional, aksi publik.

Wilayah kajian

Indonesia, Indo-Pasifik, Asia.

Introduction

Before diving into the regional analyses, it is important to revisit the national diagnostic that serves as the foundation for this report. The national diagnostic presents Indonesia's inequality landscape from a multidimensional perspective—spanning labor market conditions, human capital disparities, spatial divides, and gender imbalances. This national overview provides both the empirical and conceptual basis for understanding regional variations. The regional findings must be situated within this broader national context, recognizing both common trends and location-specific challenges.

Framing Inequality in Indonesia

Reducing inequality is a critical component of the global agenda, as enshrined in Sustainable Development Goal 10 (SDG 10): "Reduce inequality within and among countries." SDG 10 advocates for a comprehensive and inclusive approach to prosperity-sharing, emphasizing not only the reduction of income inequality but also the promotion of social, economic, and political inclusion. It calls for ensuring equal opportunities for all and eliminating discriminatory practices that hinder individuals and communities from fully participating in social and economic life. The emphasis on inclusion is essential to foster sustainable and equitable development, as extreme inequality can erode social cohesion, increase the likelihood of social and political conflict, and ultimately undermine economic growth and stability.

Inequalities, like poverty, are inherently multidimensional. They reflect disparities not only in income and wealth but also in access to basic services, education, healthcare, physical infrastructure, and digital connectivity. These disparities can manifest across different regions, sectors, and demographic groups, further exacerbating existing divides in society. Addressing inequality, therefore, requires a broader lens—one that goes beyond income redistribution and tackles the structural barriers that prevent equitable access to opportunities and resources.

In Indonesia, inequality presents a complex challenge. Despite the country's progress in reducing poverty and improving economic growth, significant disparities remain across regions and population groups. Over the past decade, Indonesia's Gini coefficient—a common measure of income inequality—has shown a declining trend, from a peak of 0.41 in 2013 to 0.38 in 2020. Nevertheless, this level of inequality remains high compared to other countries in the region, such as Vietnam and Thailand. The uneven distribution of wealth is more pronounced between Java and non-Java regions, with urban areas experiencing higher inequality than rural areas. These patterns suggest the coexistence of highly skilled, high-income groups alongside low-income populations, particularly in urban settings.

Persistent inequality undermines the foundations of inclusive and sustainable development. Studies have shown that high levels of inequality can limit access to education and healthcare, reduce labor market opportunities, and hinder the accumulation of human capital. In Indonesia, vulnerable groups—particularly women, informal workers, and those in rural and remote areas—continue to face significant barriers to accessing quality education, healthcare services, and social protection. The lack of access to these essential services perpetuates cycles of poverty and exclusion, limiting the potential for upward mobility and economic participation.

Recognizing the multidimensional nature of inequality is critical for designing effective policy interventions. Inequality in Indonesia is not limited to differences in income and consumption but extends to disparities in physical asset ownership, access to education and healthcare, labor market outcomes, and the availability of infrastructure such as clean water, sanitation, electricity, and digital connectivity. Spatial inequalities are also evident, with eastern regions of Indonesia lagging behind in terms of infrastructure development and access to basic services. Gender disparities persist, as women have lower labor force participation rates, higher informal employment rates, and limited access to social protection mechanisms.

Tackling inequality in Indonesia requires a comprehensive approach that addresses both vertical (between individuals) and horizontal (between groups) disparities. Policies should focus on expanding access to quality education and healthcare, improving labor market conditions, formalizing the informal economy, and ensuring equitable distribution of public infrastructure and services. Social protection programs such as the Program Keluarga Harapan (PKH), Program Indonesia Pintar (PIP), and Jaminan Kesehatan Nasional (JKN) play a crucial role in providing a safety net for vulnerable populations. However, enhancing their effectiveness and expanding their coverage is necessary to ensure that no one is left behind.

Indonesia's efforts to reduce inequality align with its commitments under the Sustainable Development Goals, the National Medium-Term Development Plan (RPJMN), and the Long-Term Development Plan (RPJPN). These frameworks underscore the importance of reducing inequality to achieve inclusive and sustainable growth. As Indonesia approaches its demographic dividend, with a growing working-age population, addressing inequality becomes even more urgent to harness the full potential of its human capital and ensure broad-based economic prosperity.

Reducing inequality is not only a moral imperative but also a strategic necessity for Indonesia's sustainable development. Addressing the root causes of inequality and ensuring equitable access to opportunities and services will strengthen social cohesion, enhance economic resilience, and promote inclusive growth. As such, the findings of this Inequality Diagnostic Report serve as a critical resource for policymakers, development partners, and other stakeholders to design evidence-based interventions that advance the country's development agenda and its commitment to leaving no one behind.

The Inequality Diagnostic: a Collaborative Research Process with ACEIR and BPS

In response to the growing need for a comprehensive understanding of inequality in Indonesia, the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), in

collaboration with Statistics Indonesia (BPS), undertook an extensive diagnostic study on inequality. The research, known as the Inequality Diagnostic for Indonesia, was designed to provide an in-depth and multidimensional analysis of inequality dynamics in the country. This initiative was part of a broader effort supported by the Agence Française de Développement (AFD) through the European Union's Research Facility on Inequality. The study adheres to the methodological framework developed by the African Centre of Excellence for Inequality Research (ACEIR), which emphasizes the measurement and analysis of multidimensional inequality, including economic, social, spatial, and demographic dimensions.

Rather than focusing solely on income disparities, the diagnostic examines a range of indicators covering labor market dynamics, access to physical and social assets, education, health services, and infrastructure, including clean water, sanitation, electricity, and digital connectivity.

The diagnostic research was conducted in close cooperation with BPS, leveraging national datasets such as the National Socio-Economic Survey (SUSENAS), the National Labor Force Survey (SAKERNAS), and the Village Potential Statistics (PODES). These data sources allowed for a comprehensive analysis of inequality at both national and regional levels. The methodology adopted in this study is consistent with the ACEIR framework, ensuring alignment with international standards in inequality diagnostics. The use of consistent and internationally comparable methodologies strengthens the validity of the findings and allows for cross-country benchmarking.

Through AFD and the European Union's Research Facility on Inequality support, LPEM FEB UI was able to build analytical capacity, conduct advanced statistical analysis, and generate evidence-based insights that inform policy development. Moreover, technical assistance from ACEIR provided guidance on multidimensional inequality measurement and analysis, further enhancing the quality and rigor of the diagnostic.

The technical phase of the research was completed in 2023, culminating in the production of the final report, offering some policy recommendations. The national dissemination event took place on November 14th, 2023, in Jakarta. This event marked the official launch of the final report and was attended by high-level representatives from the Government of Indonesia, international development partners, academics, and civil society organizations. During the event, key findings from the inequality diagnostic were presented, followed by panel discussions addressing policy responses and potential pathways to reducing inequality in Indonesia.

The findings are intended to contribute to evidence-based policymaking, aligning with Indonesia's development priorities under the National Medium-Term Development Plan (RPJMN) and the Sustainable Development Goals (SDGs), particularly SDG 10 on reducing inequality.

Focussing on regional disparity

Recognizing the importance of regional perspectives and local context in understanding inequality, LPEM FEB UI, in partnership with BPS and with the support of AFD and the EU, subsequently organized a series of regional dissemination workshops in mid-2024. These events were held in strategic locations representing different regions of Indonesia: Bengkulu (Sumatera), Balikpapan (Kalimantan), Palu (Sulawesi), and Jayapura (Papua/Eastern Indonesia). Each regional workshop brought together local government officials, non-governmental organizations, academics, and community representatives to discuss the findings of the diagnostic report and provide feedback on its relevance to regional challenges.

The regional dissemination events served multiple purposes. First, they validated the findings of the inequality diagnostic by incorporating local knowledge and perspectives. Second, they facilitated knowledge exchange among stakeholders, promoting dialogue on region-specific inequality issues and policy solutions. Third, they strengthened the capacity of local actors by introducing them to the tools and methodologies used in the diagnostic, thereby

supporting the broader agenda of evidence-based policymaking at sub-national levels.

The feedback gathered during the dissemination provided valuable insights into how inequality manifests differently across Indonesia's diverse regions. Participants highlighted challenges such as limited access to basic services in remote and rural areas, gender disparities in labor force participation, and gaps in social protection coverage for informal workers. In some regions, issues related to infrastructure development, such as electricity and clean water access, were raised as persistent barriers to reducing inequality.

These inputs are instrumental in refining the policy recommendations outlined in the final report. By engaging with regional stakeholders, LPEM FEB UI ensured that the diagnostic findings and proposed interventions are grounded in the realities faced by local communities. Furthermore, the dissemination process fostered a collaborative environment where national and local governments, civil society, and international partners can work together to address inequality in a coordinated and comprehensive manner.

By leveraging the expertise of LPEM FEB UI, the data and institutional support of BPS, and the technical and financial contributions of AFD and the EU, this initiative represents a significant step towards building a more inclusive and equitable society in Indonesia. The collaboration with ACEIR further ensures that the methodologies and findings contribute to the global body of knowledge on inequality, enabling Indonesia to share its experiences and learn from other countries facing similar challenges.

This paper will examine first the regional dimension one can find in the Nation-wide diagnostic, and then report about local discussion and perception following the dissemination. The central goal is to illustrate that diagnostics are not only informative, they pretend to be transformative.

1. Exploring Indonesia's Inequality through Diagnostic Approach and Regional Lens

One of the key findings of the Inequality Diagnostic for Indonesia is the overall decline in economic inequality over the last decade. The national Gini coefficient—a widely used measure of income inequality—has decreased from 0.409 in 2012 to 0.384 in 2021. This trend indicates modest but consistent progress towards more equitable income distribution at the national level. Complementary inequality indicators, such as Theil's Indices (GE(0) and GE(1)), Atkinson Indices (A(1) and A(2)), and the Palma Ratio, show a similar downward trend, reinforcing the conclusion that inequality in Indonesia has generally reduced across different dimensions of income distribution.

Table 1. Various Inequality Indicators 2012 - 2021

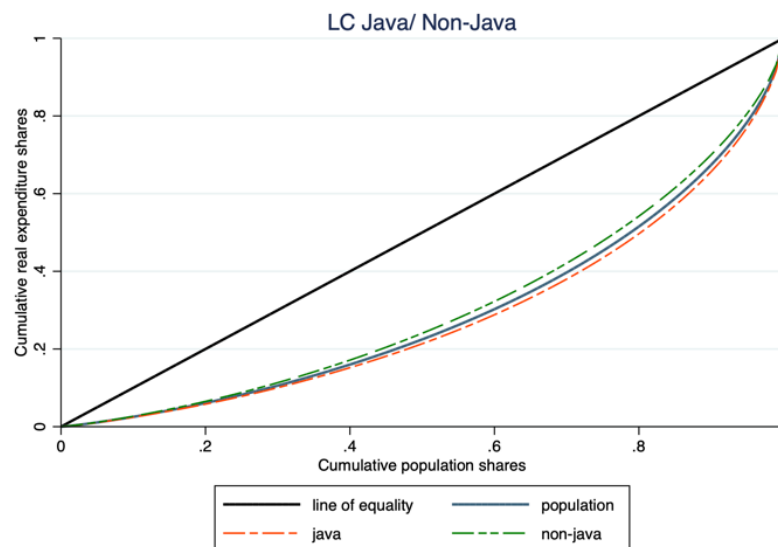
Variable	Sub-group	Year	Gini Coefficient	Theil's Indices		Atkinson Indices		Palma Ratio
				GE(0)	GE(1)	A(1)	A(2)	
Total Population		2012	0.409	0.273	0.339	0.239	0.371	1.953
		2015	0.408	0.272	0.333	0.238	0.372	1.948
		2018	0.389	0.249	0.280	0.220	0.362	1.755
		2021	0.384	0.242	0.279	0.215	0.350	1.720

Source: authors' calculation from Susenas data (2023)

Despite this improvement, inequality remains relatively high when compared to Indonesia's regional peers, such as Vietnam and Thailand. In addition, the reduction in inequality has been uneven. Java Island, the economic heartland of Indonesia, demonstrates both higher average income levels and a higher degree of income inequality. The wealth generated in Java is not evenly distributed among its population, reflecting structural challenges in achieving equitable growth.

Inequality is also markedly higher in urban areas compared to rural regions. Urban centers, while benefiting from higher economic activity and better infrastructure, exhibit significant income disparities between population groups. This highlights the need for redistributive policy interventions targeted at urban areas to address the widening income gaps and ensure that urban prosperity is more broadly shared.

Figure 1. Lorenz Curve 2021



Source: authors' calculation from Susenas data (2023)

1.1. Labor Market Vulnerabilities: Informal Employment and Vocational Graduate Unemployment

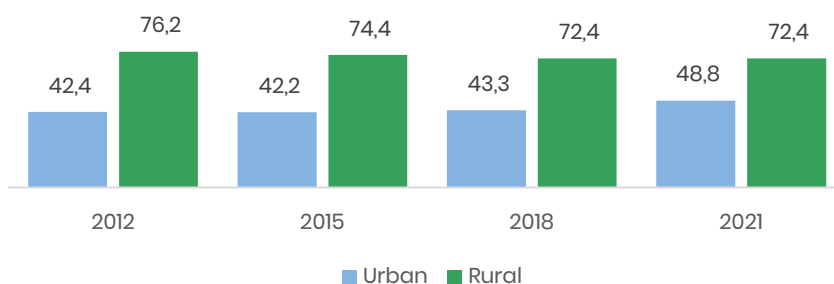
The Indonesian labor market continues to face two significant challenges that have direct implications for inequality. First, the prevalence of informal employment has risen, particularly in urban areas. In 2012, 42.4% of urban workers were engaged in informal sector employment; by 2021, this figure had increased to 48.8%. This shift suggests an increasing reliance on informal work arrangements due to the limited availability of formal sector opportunities, especially in rapidly urbanizing regions.

Informal employment typically lacks job security, access to social protections, and legal labor standards. Workers in informal sectors often experience low wages, poor working conditions, and are more exposed to economic shocks. The growing informality in urban labor markets underscores the need for labor market reforms that encourage formalization and expand access to social security systems for informal workers.

Second, the report highlights the persistent unemployment gap among vocational education graduates. Despite government initiatives aimed at promoting vocational education as a pathway to employment, vocational graduates had an unemployment rate of 11.1% in 2021, significantly higher than the 9.1% unemployment rate among general senior high school graduates. This discrepancy raises concerns about the relevance and quality of vocational training programs, as well as the efficiency of labor market matching mechanisms.

A comprehensive review of vocational education policy is necessary to ensure alignment between curriculum offerings and labor market needs. Strengthening partnerships between vocational schools and industries, enhancing the quality of practical training, and improving job placement services are critical steps toward addressing this mismatch.

Figure 2. Percentage of Informal Workers in Urban and Rural Area



Source: authors' calculation from Susenas data (2023)

1.2. Persistent Gender Gaps in Labor Force Participation and Informal Employment

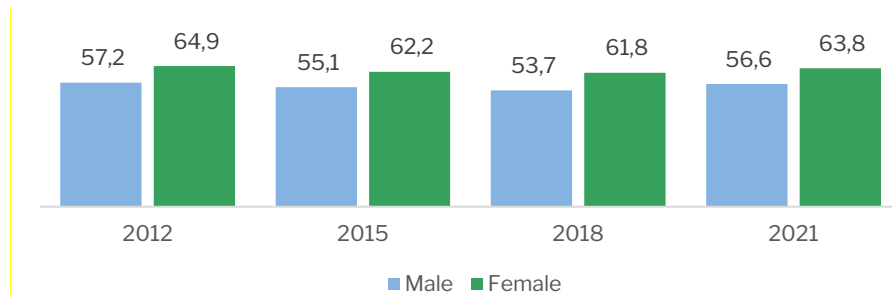
Gender inequality remains a pervasive issue in Indonesia's labor market. In 2021, the labor force participation rate (LFPR) for men was 82.3%, while for women it was only 53.3%. This significant gap is indicative of enduring barriers to women's participation in the labor market, including traditional gender roles, childcare responsibilities, and limited access to quality jobs.

Women who are engaged in the labor force are disproportionately represented in the informal sector, further compounding their vulnerability. In 2021, 63.8% of female workers were employed informally, compared to 56.6% of male workers. Informal employment offers fewer protections and benefits, exacerbating women's economic insecurity and reducing their resilience to financial shocks.

Efforts to close the gender gap should focus on expanding access to formal employment for women, promoting gender-sensitive labor policies, and providing support services such as affordable

childcare and parental leave. Additionally, addressing discriminatory practices in hiring and workplace environments is essential to fostering a more inclusive labor market.

Figure 3. Percentage of Informal workers by gender



Source: authors' calculation from Susenas data (2023)

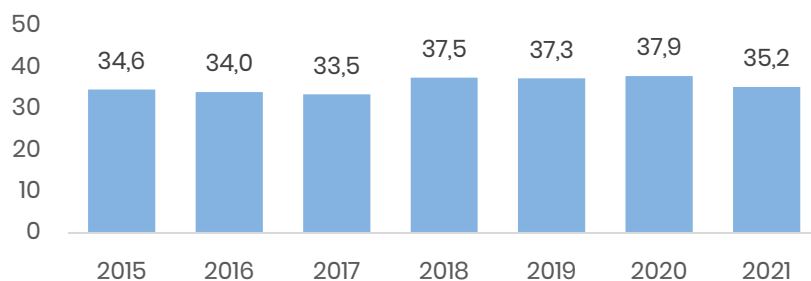
1.3. Educational Progress in Basic Education, but Declining Pre-Primary Enrollment Raises Concerns

Indonesia has made significant progress in improving access to basic education. By 2021, the national net enrollment rate for primary education reached 97.8%, reflecting successful government programs such as the 12-Year Compulsory Education Program, Program Indonesia Pintar (PIP), and the School Operational Assistance (BOS). These initiatives have removed financial barriers to schooling and improved access across the country.

However, a troubling trend has emerged in pre-primary education. Enrollment rates for early childhood education have declined over the past five years, falling from 37.5% in 2018 to 35.2% in 2021. Early childhood education plays a critical role in child development, and limited access can exacerbate long-term inequality by reducing school readiness and future learning outcomes.

Addressing this decline requires expanding the availability of affordable pre-primary education services, particularly in rural and disadvantaged areas. Investments in early childhood teacher training, infrastructure, and community outreach are also needed to improve enrollment and ensure that all children have a strong educational foundation.

Figure 4. Pre-primary enrollment rate 2015–2021 (%)



Source: Ministry of Education (2022)

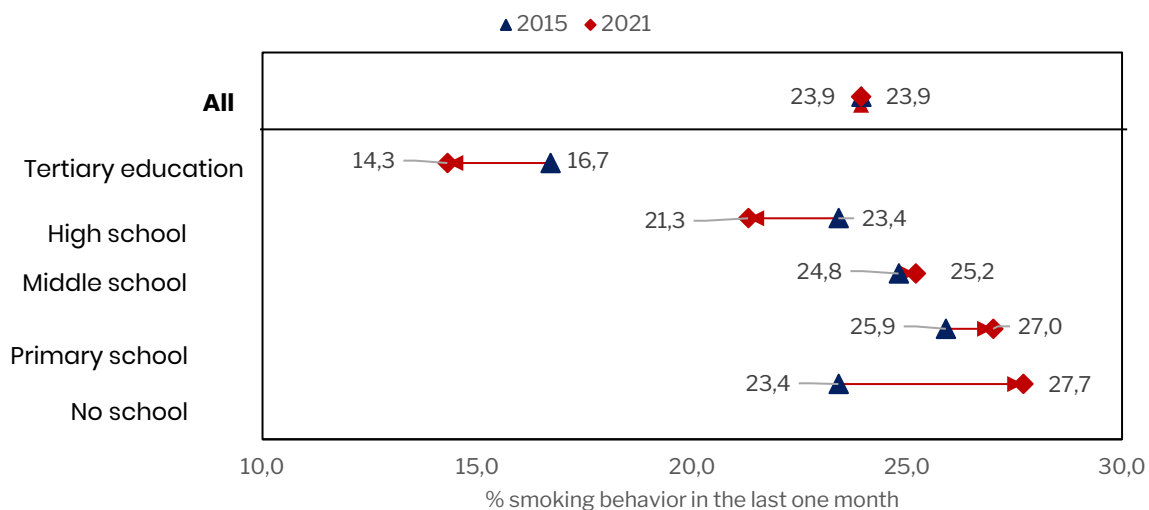
1.4. Universal Health Coverage Expands Access but Faces Sustainability Challenges Due to Health Behaviors

The implementation of Universal Health Coverage (UHC) through the Jaminan Kesehatan Nasional (JKN) program has significantly improved access to healthcare in Indonesia since its launch in 2014. The program mandates health insurance coverage for all citizens and provides government-subsidized premiums for the poor and vulnerable populations.

Despite these achievements, the UHC system faces sustainability challenges. Compliance with premium payments remains a concern, and many workers in the informal sector—the so-called “missing middle”—are not adequately covered. In addition, unhealthy behaviors, such as high smoking prevalence, place additional strain on the healthcare system.

The report highlights that individuals with lower levels of education have higher rates of smoking, contributing to the burden of non-communicable diseases and increasing healthcare costs. Strengthening public health campaigns, enforcing tobacco control policies, and improving health literacy are essential to support the long-term sustainability of UHC in Indonesia.

Figure 5. Smoking Prevalence by Education Level



Source: Susenas (2021)

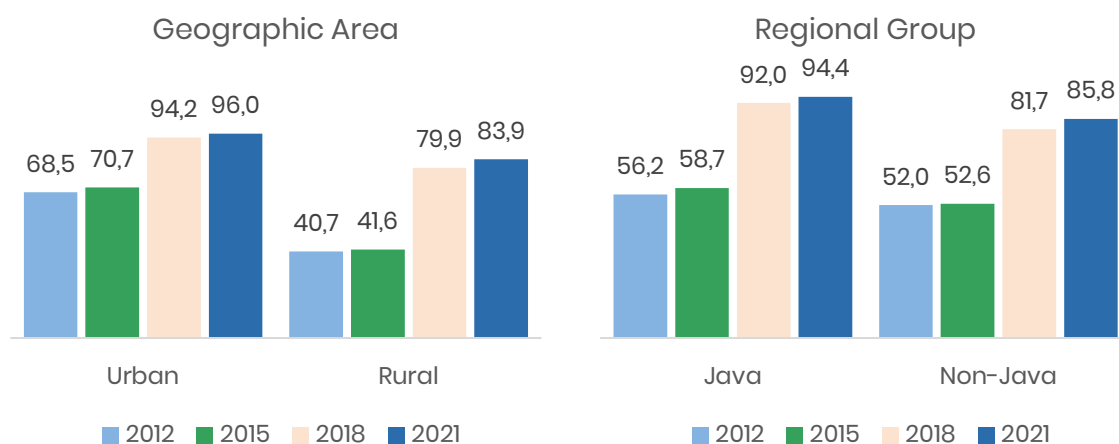
1.5. Geographical Disparities in Access to Basic Infrastructure and Services

Despite government efforts to expand infrastructure, significant disparities in access to basic services persist across Indonesia. Regions outside Java, particularly Eastern Indonesia and Kalimantan, continue to lag in access to clean water, sanitation, electricity, and internet connectivity.

For example, many cities in Eastern Indonesia report low household access to adequate sanitation facilities. Similarly, safe drinking water remains scarce in Kalimantan and Eastern Indonesia, where infrastructure development has not kept pace with national averages.

Bridging these regional disparities requires targeted public investment in infrastructure and service delivery. Policymakers must prioritize underserved regions to ensure equitable access to basic services, which is essential for reducing spatial inequality and promoting inclusive development.

**Figure 6. Household Access to Decent Drinking Water (%) by Geographic Area
Regional Group, 2012–2021**



Source: SUSENAS, author's calculation (2023)

Targeted regional development strategies are necessary to bridge these spatial divides. Public investment should prioritize infrastructure development in lagging regions, with a focus on improving access to basic services and connectivity. In parallel, fiscal transfer mechanisms such as Dana Alokasi Khusus (DAK) and Dana Desa should be enhanced to ensure equitable resource distribution and better alignment with regional development needs.

Decentralization policies must also be strengthened by improving the capacity of local governments to plan, implement, and monitor development programs effectively. Increased transparency and accountability in local governance are essential to ensure that public investments translate into improved service delivery and social outcomes.

2. Strengthening Inclusive and Equitable Economic Policies to Address Inequality

Over the past decade, Indonesia has made important strides in addressing inequality, driven by a series of significant policy reforms. However, the persistence of multidimensional inequality—manifested in disparities in income, access to education and healthcare, labor market outcomes, and infrastructure—demands a more comprehensive and inclusive policy approach moving forward.

The Inequality Diagnostic Report for Indonesia underscores the importance of adopting a multidimensional framework in designing policies aimed at reducing inequality. Below are the key policy recommendations derived from the diagnostic findings, outlining the way forward for Indonesia to achieve a more inclusive, equitable, and sustainable development pathway.

2.1. Recalibrating Social Protection and Public Spending Priorities

Indonesia's efforts to reduce inequality have historically relied on targeted social protection programs and public transfers aimed at supporting the poor and vulnerable. The early decision by the administration of President Joko Widodo to reduce energy subsidies in 2014 redirected significant fiscal resources towards infrastructure development and social assistance programs. This fiscal reallocation was associated with a decline in inequality during the early years of his presidency.

Going forward, there is a need to recalibrate public spending priorities to balance physical infrastructure investments with social infrastructure, particularly human capital development. While large-scale infrastructure projects have improved connectivity and regional economic integration, the benefits have not been evenly distributed across the population. Increasing investments in education, healthcare, and social protection—particularly in underserved and remote areas—will be critical to addressing persistent spatial inequalities.

Moreover, the government should enhance the progressivity of social protection programs such as Program Keluarga Harapan (PKH) and Program Indonesia Pintar (PIP), ensuring better targeting and expanding coverage to the near-poor and informal sector workers who are often excluded from formal safety nets.

2.2. Ensuring the Sustainability and Inclusivity of Universal Health Coverage (UHC)

Indonesia's Universal Health Coverage (UHC) system, through the Jaminan Kesehatan Nasional (JKN) program initiated in 2014, has significantly expanded access to healthcare. By subsidizing premiums for the poor and mandating enrollment for all citizens, the program has narrowed gaps in healthcare access and contributed to reducing health-related inequalities.

Nevertheless, the sustainability of UHC faces ongoing challenges. First, payment compliance among informal sector workers—the “missing middle”—remains a concern. This group often lacks employer-sponsored insurance and may not qualify for government subsidies, leaving gaps in coverage and undermining the financial sustainability of BPJS Kesehatan. To address this, policy reforms should focus on incentivizing participation from informal workers, potentially through income-based premium adjustments or subsidized premiums tied to progressive taxation mechanisms.

Second, health-related behaviors such as high smoking prevalence and rising consumption of sugary products among insured populations increase healthcare costs and pose risks to the long-term viability of UHC. Strengthening public health interventions aimed at reducing the consumption of tobacco and unhealthy foods is necessary. Policies may include higher excise taxes, stricter regulations on advertising, and expanded public education campaigns focused on healthy living.

Addressing these behavioral risks will reduce the burden of non-communicable diseases and contribute to a more sustainable healthcare system.

2.3. Addressing Labor Market Challenges: Informality and Skills Mismatch

Labor market conditions remain a key driver of inequality in Indonesia. The Inequality Diagnostic Report identifies two interconnected issues: the high prevalence of informal employment and the persistent mismatch between vocational graduates' skills and labor market demands.

Approximately half of Indonesia's workforce remains employed in the informal sector, with even higher informality rates among women and in rural areas. Informal workers lack job security, have limited access to social protection, and often receive lower and unstable wages. Tackling informality requires a multi-pronged approach, including simplifying business registration processes for micro, small, and medium enterprises (MSMEs), strengthening labor market regulations to incentivize formal hiring, and expanding access to social security programs for informal workers.

On the other hand, despite significant investment in vocational education and training programs, vocational graduates face higher unemployment rates compared to their general education counterparts. This mismatch reflects structural issues in the alignment between vocational training curricula and evolving labor market needs. The government should strengthen collaboration between vocational training providers and the private sector to ensure curricula are responsive to current and future job market demands. Additionally, promoting apprenticeships, internships, and work-based learning opportunities can enhance graduates' employability and ease school-to-work transitions.

2.4. Promoting Gender Equality in Labor Force Participation

The gender gap in labor force participation remains substantial, with women facing higher barriers to formal employment and concentrated in informal sectors. Policies aimed at closing this gap should focus on removing structural barriers to women's labor force participation, including expanding access to affordable childcare services, promoting flexible working arrangements, and enforcing anti-discrimination laws in hiring and employment practices.

Expanding women's access to formal employment opportunities and leadership roles can have a transformative effect on household welfare and broader economic development. Ensuring that labor market reforms and social protection programs are gender-sensitive is critical to achieving equitable labor outcomes.

2.5. Bridging Spatial Inequalities through Targeted Regional Development

Geographical disparities are a significant source of inequality in Indonesia, particularly between Java and the outer islands, including Eastern Indonesia and parts of Kalimantan and Sulawesi. Disparities in access to basic infrastructure—such as clean water, sanitation, electricity, and digital services—exacerbate regional inequalities and limit economic opportunities for residents in underserved areas.

2.6. Strengthening Data Systems and Evidence-Based Policymaking

The Inequality Diagnostic highlights the importance of reliable, high-quality data for understanding the nature and drivers of inequality. Strengthening Indonesia's data systems is crucial for designing and implementing effective, evidence-based policies. This includes improving the coverage and quality of household surveys, labor force data, and sectoral indicators, particularly at sub-national levels.

Efforts should be made to integrate data from different government agencies and improve public access to inequality-related data. Partnerships with academic institutions and international

organizations can further enhance Indonesia's capacity for data-driven policy analysis and evaluation. Ensuring that inequality data is disaggregated by gender, geography, and socioeconomic status is vital for identifying gaps and tailoring policy responses.

2.7. Advancing Multidimensional Approaches to Inequality Reduction

As emphasized in the diagnostic framework developed by the African Centre of Excellence for Inequality Research (ACEIR), addressing inequality requires a multidimensional perspective that goes beyond income redistribution. Policies must tackle disparities in education, health, employment, asset ownership, and access to basic services.

Indonesia should adopt an integrated inequality reduction strategy that cuts across sectors and policy areas, ensuring coherence between national development goals, the Sustainable Development Goals (SDGs), and sectoral priorities. Cross-sectoral coordination between ministries, local governments, and development partners will be critical in addressing the multiple dimensions of inequality.

2.8. Sketching a strategy to Reduce Inequalities and Improve Quality of Life in Indonesia

Moving forward, a dual approach that addresses both short-term and long-term priorities is critical to reduce inequality and promote inclusive, sustainable development. Immediate measures must focus on mitigating acute socio-economic disparities and protecting the most vulnerable populations. At the same time, structural reforms are necessary to address the root causes of inequality and lay the foundation for more equitable growth over the long term.

2.8.1. Short-Term Priorities: Strengthening Social Protection and Targeted Interventions

In the immediate term, Indonesia must strengthen its social protection systems to cushion the impacts of ongoing and future socio-economic shocks. The government's social safety net programs, including Program Keluarga Harapan (PKH), Program Indonesia Pintar (PIP), and food assistance programs such as Bantuan Pangan Non-Tunai (BPNT), have contributed to reducing poverty and inequality. However, the coverage and adequacy of these programs need to be improved to ensure they effectively reach marginalized and vulnerable populations.

2.8.2. Enhancing Targeted Cash Transfers and Social Safety Nets

Short-term policies should focus on expanding and improving the targeting of cash transfer programs. Precision targeting is essential to minimize exclusion and inclusion errors, especially for households in the near-poor segment who are often excluded from formal assistance yet remain highly vulnerable to economic shocks. The implementation of the Data Terpadu Kesejahteraan Sosial (DTKS) system has been a step forward in improving beneficiary identification, but continuous updating and data integration across government agencies are required to maintain its effectiveness.

Well-targeted cash transfers will also be critical in mitigating the regressive effects of upcoming fiscal policy reforms. Plans to increase the Value-Added Tax (VAT) rate and implement a carbon tax, while necessary for fiscal sustainability and environmental objectives, may disproportionately burden low-income households through higher living costs. To counteract these effects, Indonesia must scale up compensatory cash transfers and subsidies, ensuring that fiscal consolidation efforts do not exacerbate poverty or widen inequality.

2.8.3. Extending Access to Social Protection for Informal Workers

Given the high rate of informality in Indonesia's labor market—particularly in urban areas and among women—expanding social protection coverage to informal sector workers is a priority. Current programs such as BPJS Ketenagakerjaan (social security for workers) and BPJS Kesehatan (universal

health coverage) must be made more accessible to informal workers through simplified registration processes, flexible premium schemes, and incentives for enrollment.

2.8.4. Long-Term Priorities: Structural Reforms for Inclusive and Sustainable Growth

In the long term, Indonesia's ability to reduce inequality will depend on its success in addressing structural challenges. The Inequality Diagnostic Report identifies key areas that require sustained policy attention, including industrial revitalization, labor market transformation, education reform, and sustainable energy transition.

2.8.5. Revitalizing the Manufacturing Sector to Drive Inclusive Employment Growth

Indonesia has experienced significant deindustrialization over the past two decades, with the manufacturing sector's contribution to GDP and employment steadily declining. The contraction of this sector has reduced opportunities for productive, formal employment, particularly for low- and middle-skill workers. Revitalizing the manufacturing sector is essential for generating inclusive employment and fostering economic mobility.

A comprehensive industrial policy that promotes value-added manufacturing, innovation, and technology adoption is necessary to reinvigorate the sector. Policies should focus on attracting foreign and domestic investment, supporting small and medium enterprises (SMEs), and improving infrastructure and logistics to enhance competitiveness. In addition, fostering linkages between manufacturing and vocational education systems can ensure that the labor force is equipped with relevant skills to meet industrial demands.

2.8.6. Preparing for a Just and Inclusive Energy Transition

Indonesia's transition to renewable energy is both an environmental necessity and an opportunity to redefine the country's growth model. However, the transition poses significant labor market risks, particularly for workers in traditional energy sectors such as coal mining and fossil fuel industries. To ensure that the energy transition is equitable and socially inclusive, Indonesia must develop policies that anticipate and mitigate the potential social costs.

This includes retraining and upskilling programs for workers displaced by the energy transition, ensuring their integration into new green industries. Developing social protection mechanisms for affected communities, particularly in coal-producing regions, is critical to prevent localized economic shocks and inequality. Investment in renewable energy infrastructure must also prioritize job creation in rural and underdeveloped areas to foster spatially balanced economic growth.

2.8.7. Reforming the Education and Skills Development Systems

The Inequality Diagnostic Report underscores persistent disparities in educational access and outcomes, particularly in early childhood and vocational education. Improving the quality and accessibility of education at all levels is vital to reducing intergenerational inequality and equipping the workforce for future challenges.

Early childhood education enrollment rates have declined in recent years, a trend that needs to be reversed through expanded access to affordable pre-primary education services, particularly in underserved regions. At the same time, vocational education and training (VET) systems require reform to align curricula with labor market needs. Strengthening partnerships between educational institutions and industries, expanding apprenticeship programs, and improving the quality of instruction and facilities are key strategies to enhance the relevance and effectiveness of vocational training.

3. Mapping and understanding Regional Disparities and Inequality Challenges Across Provinces

Persistent inequality remains one of the most significant challenges facing Indonesia's development agenda. Despite measurable progress in reducing income inequality at the national level over the past decade, stark disparities persist at the subnational level. These disparities reflect deeper, multidimensional gaps that extend beyond income distribution to include unequal access to basic services, education, healthcare, infrastructure, and economic opportunities.

While Java Island concentrates nearly half of the country's total population and benefits from relatively advanced infrastructure and public services, many regions outside Java—particularly in Eastern Indonesia, Kalimantan, and parts of Sumatra—continue to face structural challenges in poverty reduction, human capital development, and access to basic services.

3.1. The design of a regional dissemination

To better understand the regional disparities, we chose to focus on four provinces selected for their geographic diversity, socio-economic context, and relevance to current policy debates on inequality:

1. Central Sulawesi, as a region recovering from a major natural disaster, highlights how disasters exacerbate social and economic inequality.
2. Bengkulu, as one of Indonesia's least industrialized provinces, underscores the challenges of structural economic transformation and labor market mismatches.
3. Papua, with its historical underdevelopment despite large fiscal transfers, exemplifies the complex interplay between governance, human capital deficits, and regional inequality.
4. East Kalimantan, in the context of the Nusantara (IKN) capital relocation project, provides insight into the risks and opportunities of place-based development strategies.

The provincial focus allows for a deeper understanding of the spatial dimensions of inequality. Through this combined lens, the report highlights both common and region-specific factors shaping inequality in Indonesia.

A series of dissemination events held in 2024 in Palu, Bengkulu, Jayapura, and Samarinda provided a platform for local stakeholders to engage with the findings, validate data interpretations, and offer policy recommendations from a regional perspective. These engagements have enriched the analysis and ensured that the recommendations are grounded in local realities.

3.2. From national datas to regional realities

These events were designed to present the key findings of the Inequality Diagnostic Report to a broad range of participants, including representatives from local government agencies, academia, non-governmental organizations (NGOs), and civil society. In each province, the LPEM FEB UI team delivered a comprehensive presentation of the report's findings, followed by expert panel discussions and feedback sessions involving regional stakeholders.

Discussions during these events revealed not only region-specific challenges in addressing inequality but also highlighted innovative local initiatives and strategies that could inform national policy formulation.

The following sections provide an overview of the dissemination activities, summarizing audience engagement, contrasting perspectives on inequality across the provinces, and key challenges identified in implementing programs to reduce disparities. It also compiles policy recommendations articulated by stakeholders to address gaps in improving inequality indicators and promoting more inclusive development at both provincial and district levels.

In the following chapters, we examine for each of the four regions, what seems at stake from the National diagnostic, how this findings have been received by the different stake holder and the main outcomes and takeaways to be considered when designing future public policy aiming at bridging regional inequalities in Indonesia.

As the event took place in University campuses, a brief description of each institution is provided, to further anchor the chapter in its local background.

Map 1. Cities chosen for the dissemination of the Diagnostic out of Java



4. Palu City (Sulawesi): when natural disasters fuel inequalities...

4.1. Preliminary Regional outlook

Central Sulawesi Province, with its capital in Palu City, represents a complex landscape of socio-economic development shaped by both structural challenges and natural disasters. As one of Indonesia's eastern provinces, Central Sulawesi faces enduring developmental disparities relative to the western regions of the country. Issues such as limited access to basic infrastructure, lower educational attainment, and high levels of informal employment have long characterized the province's inequality profile. These challenges were dramatically exacerbated by the catastrophic seismic events of 2018.

4.1.1. The 2018 Earthquake and Tsunami: Widening Socio-Economic Disparities

On September 28, 2018, a 7.4 magnitude earthquake followed by a tsunami and soil liquefaction devastated Central Sulawesi, particularly affecting Palu City and the regencies of Donggala and Sigi. According to the AHA Centre (2018), the disaster resulted in over 4,300 casualties and displaced nearly 200,000 people. The destruction of critical infrastructure—including roads, bridges, water supply systems, schools, and healthcare facilities—severely hampered the delivery of essential services and deepened pre-existing inequalities in access to basic needs.

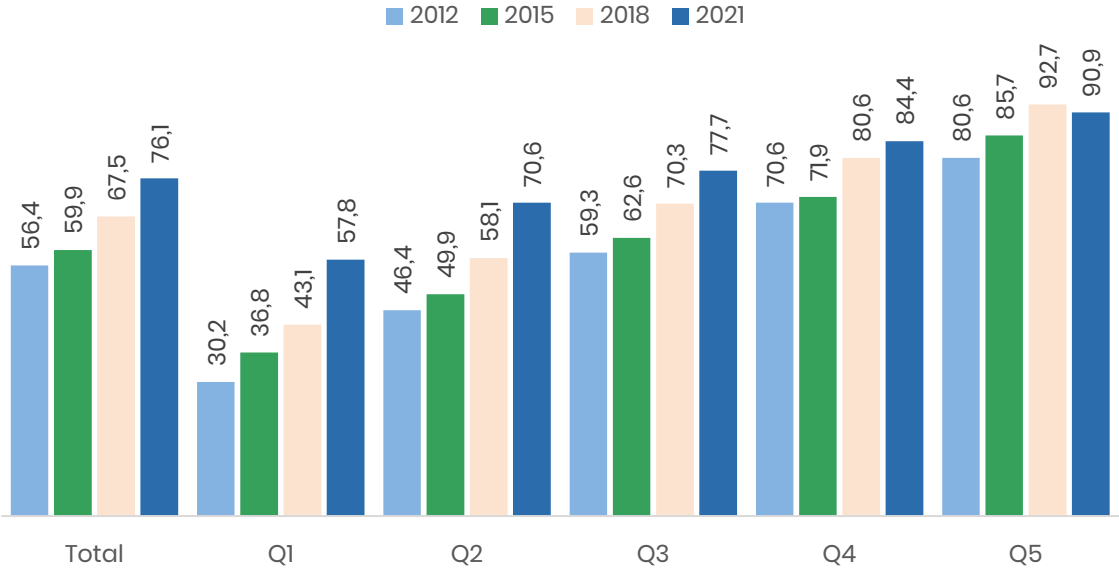
Economic activity in the affected regions was significantly disrupted. As highlighted by Prasad et al. (2015), disasters of this magnitude tend to reduce labor availability, deplete consumer demand, and disorganize local markets and supply chains. In the case of Central Sulawesi, the disaster led to a sharp decline in local business operations, especially among small and medium enterprises (SMEs), many of which were unable to resume activities due to lack of capital and infrastructure damage. These economic disruptions disproportionately impacted informal sector workers, who constitute a substantial portion of Palu's workforce and are generally excluded from formal social safety nets.

4.1.2. Post-Disaster Recovery and Persistent Inequality

Although significant efforts have been made in post-disaster reconstruction, recovery has been uneven. According to the Inequality Diagnostic Report for Central Sulawesi (LPEM FEB UI, 2024), while Palu City has demonstrated faster recovery rates in terms of infrastructure rehabilitation and economic activity, surrounding areas such as Donggala and Sigi continue to lag behind. Disparities in access to healthcare, education, clean water, and sanitation services remain pronounced between urban centers and rural peripheries.

In particular, rural communities affected by the disaster report persistent difficulties in accessing public services. For example, access to safe drinking water and decent sanitation remains below national averages in these areas, despite government interventions. The distribution of social assistance programs and public infrastructure development is often concentrated in Palu City, reinforcing spatial inequality.

Figure 7. Percentage of Population with Access to Improved Sanitation by Expenditure Quintile in Central Sulawesi



Source: SUSENAS, author's calculation (2023)

4.1.3. Labor Market Challenges and Vulnerability

The labor market in Central Sulawesi reflects national trends of high informality, but these challenges are more acute due to the disaster's impacts. The diagnostic data shows that the proportion of informal sector workers in urban Palu increased significantly post-disaster, as formal employment opportunities diminished. Informal workers, particularly in the trade and services sectors, faced heightened vulnerability due to the lack of job security and access to social protection programs.

Moreover, vocational graduates in Palu and surrounding areas exhibit higher unemployment rates compared to other regions. Despite government efforts to promote vocational education as a means of improving employability, there remains a mismatch between the skills provided by vocational training institutions and the demands of the local labor market. The lack of adequate job placement services and limited industrial diversification exacerbate these issues (LPEM FEB UI, 2024).

4.1.4. Asset Ownership and Physical Capital

The destruction of physical assets—homes, vehicles, equipment—during the 2018 disaster disproportionately affected lower-income households, many of whom lost their only productive assets. According to data from the Inequality Diagnostic Report, the asset index in Central Sulawesi shows greater disparities post-disaster, with rural households in Donggala and Sigi scoring significantly lower than their urban counterparts in Palu. Recovery of asset ownership has been slow and uneven, contributing to the widening of economic inequality within the province.

4.1.5. Gender Disparities

The inequality diagnostic also highlights persistent gender disparities in labor force participation and employment quality in Central Sulawesi. Women's labor force participation remains substantially lower than men's, with a high concentration in informal and low-wage sectors. The post-disaster context further marginalized women workers, many of whom faced increased caregiving responsibilities and reduced economic opportunities. Female-headed households, in particular, were identified as being at heightened risk of poverty and exclusion from recovery programs (LPEM FEB UI, 2024).

4.2. Insights from stakeholders on Regional Inequality in Sulawesi

In Central Sulawesi, government officials provided updates on the status of post-disaster reconstruction programs. They outlined infrastructure projects that have focused on restoring roads, bridges, schools, and healthcare facilities damaged by the 2018 earthquake and tsunami. However, officials also acknowledged that recovery efforts have disproportionately benefited urban areas, particularly Palu City, while rural communities in Donggala and Sigi have lagged behind in terms of infrastructure rehabilitation and service provision.

Officials expressed concern that physical reconstruction alone will not resolve deeper socio-economic disparities in the province. They emphasized the need for complementary policies that address human capital development and social protection for communities that remain economically vulnerable in the aftermath of the disaster. During the dissemination, several government representatives requested support from research institutions to evaluate the long-term socio-economic impacts of disaster recovery programs. They also expressed interest in understanding how reconstruction investments can be leveraged to promote inclusive growth, particularly through job creation in the construction and services sectors.

Box 1. Universitas Tadulako

Universitas Tadulako (Untad) is the largest and leading public university in Central Sulawesi Province, Indonesia. Established initially as a private institution in 1963, it was later converted into a public university in 1981 through Presidential Decree No. 36 of 1981. Since then, Untad has grown to become an essential center for higher education and research in Eastern Indonesia. Its main campus is located in Palu, the provincial capital, and it serves students from across the region, particularly those from Central Sulawesi, Gorontalo, and parts of Eastern Indonesia. As of recent data, Universitas Tadulako hosts over 40,000 students across various faculties, offering undergraduate, graduate, and postgraduate programs.

Universitas Tadulako is recognized for its commitment to regional development, with a particular focus on education accessibility in remote areas. The university has played a critical role in post-disaster recovery efforts following the 2018 earthquake and tsunami, contributing to community development, disaster resilience, and public policy research that addresses regional inequalities.

The Faculty of Economics and Business (FEB) at Universitas Tadulako has been a vital academic and research institution supporting regional economic development. Established to meet the growing demand for economic professionals and policymakers in the province, FEB Untad offers a range of programs, including undergraduate degrees in economics, management, and accounting, as well as master's programs in development economics and management sciences.

FEB Untad emphasizes applied research with a regional focus, addressing issues such as poverty alleviation, regional inequality, and sustainable development in Central Sulawesi. The faculty is also known for its collaboration with local governments, NGOs, and development agencies to design and implement evidence-based policies. Through its Center for Economic Development Studies, FEB Untad has contributed significantly to local policy formulation, particularly in areas related to regional economic planning, disaster economics, and inclusive growth strategies.

In Palu city, the academic discussion was framed by the province's post-disaster reconstruction context. Academicians acknowledged the substantial infrastructure investments made following the 2018 earthquake and tsunami but expressed concern that these investments have not translated into inclusive economic recovery. They pointed out that reconstruction efforts have been concentrated in urban areas, particularly Palu, while rural districts such as Donggala and Sigi continue to lag behind.

From an economic perspective, the province has struggled to move beyond a reliance on agriculture and informal services. Academicians argued that without targeted policies to stimulate private sector development and diversify the economic base, inequality between urban and rural areas is likely to persist.

Education was also identified as a critical factor in Central Sulawesi. Academicians observed that while school enrollment rates have rebounded since the disaster, many students in affected areas still face barriers to completing their education. Damage to school infrastructure, combined with the displacement of families and loss of household income, has negatively impacted attendance and learning outcomes. The lack of vocational training opportunities tailored to the local economy further limits the ability of young people to transition into stable employment.

In Central Sulawesi, students demonstrated a strong normative commitment to equity in post-disaster recovery. Their questions extended beyond the physical reconstruction of infrastructure to focus on social justice issues, including the fair distribution of aid and the inclusion of marginalized communities in recovery planning. Many of the students expressed frustration that, despite significant investments, rural districts remained underserved. Their contributions often framed inequality as a moral failing of public policy rather than merely a developmental challenge. This perspective translated into calls for greater transparency, accountability, and community participation in government programs aimed at addressing inequality.

4.3. Main outcomes from the dissemination

The session took place at the local planning office (Bappeda) and the LPEM team presented the report directly to their representatives, facilitating a meaningful discussion and gathering valuable feedback.

During a discussion session, a question was raised about social inequality related to tangible assets. This issue is particularly significant in Central Sulawesi, where the earthquake and tsunami destroyed numerous homes and other physical assets, deepening the disparity in asset ownership across the region. The earthquake in September 2018, with its epicenter between Sigi and Donggala, affected the entire Central Sulawesi area, resulting in an economic loss of US\$911 million, 4,340 fatalities, 4,438 severe injuries, 667 missing persons, 206,494 displaced individuals, and the destruction of 68,451 buildings (Mason et al., 2021). Moreover, the discussion also encompassed the Gini Index graph spanning from 2012 to 2021, which indicated a notable decline in 2018. Putting the three-year measurement cycle aside, the direct effects of the disaster may necessitate clearer visibility in the period from 2018 to 2021.

Another inquiry raised during the discussion pertained to the correlation between infrastructure and inequality. The condition of road damage, access to clean water, sanitation, and electricity reveals significant disparities in post-disaster recovery across these areas. Before the 2018 disaster, there was a decreasing trend in road damage in Central Sulawesi. However, after the disaster, road damage surged to 8,352 kilometers, reflecting the severe impact on infrastructure. Although there was slight improvement in 2019 and 2020, road damage remained above pre-disaster levels, indicating that recovery efforts were not fully effective.

Various organizations played a crucial role in providing essential needs such as food and clean water during the recovery phase. From 2018 to 2021, there were significant disparities in infrastructure recovery among Palu, Donggala, and Sigi. Palu, as the provincial capital, recovered more quickly and steadily, with access to clean water rising from 95.5% in 2018 to 99.2% in 2020, while other areas experienced greater fluctuations. Sanitation access followed a similar pattern, with Palu reaching 99.3% in 2020, significantly ahead of Donggala and Sigi. Sigi improved from 60.4% in 2018 to 78.3% in 2021 but still lagged behind Palu. Donggala showed stable progress but remained at a lower level of access. In terms of electricity, Palu maintained 100% access from 2019 to 2021. Donggala and Sigi also saw significant improvements post-disaster, though Donggala experienced a slight decline in 2021, from 98.4% in 2020 to 96.7%. Sigi nearly achieved 100% electricity access by 2021, reflecting stronger recovery efforts in this area.

The recovery process following the 2018 earthquake and tsunami in Central Sulawesi highlighted significant disparities in infrastructure rehabilitation and resource allocation across different regions, particularly between urban areas like Palu and more rural areas such as Donggala and Sigi. While Palu experienced a relatively swift recovery, with significant improvements in access to clean water, sanitation, and electricity, the recovery in Donggala and Sigi could have been faster and more consistent, exacerbating existing social and economic inequalities.

This uneven recovery trajectory underscores the need for more equitable and inclusive disaster response strategies in terms of infrastructure and the livelihoods of affected populations. Drawing from lessons learned from previous disasters, such as the Aceh tsunami in 2004, it is clear that livelihood stabilization programs, including cash transfers and material aid, play a critical role in the early recovery phases. However, these programs often fall short in restoring long-term economic stability, as many survivors are left without productive assets and are forced to use aid to meet immediate needs rather than rebuild their livelihoods (Daly et al., 2020).

The Central Sulawesi case illustrates the importance of not only restoring infrastructure but also revitalizing local economic activities to sustain livelihoods in the aftermath of a disaster. As seen in other disaster-affected regions, resilience should be prioritized over mere restoration, focusing on adapting to new circumstances and leveraging local resources (Handmer & Choong, 2006). To enhance future disaster readiness and recovery efforts, adopting a more integrated approach that addresses the physical and economic needs of affected communities is essential, ensuring that recovery efforts are more just and inclusive.

4.4. Recommendations for Central Sulawesi: Enhancing Disaster Resilience and Equitable Recovery

Central Sulawesi's experience with the 2018 earthquake and tsunami demonstrated the critical link between disaster vulnerability and inequality. The post-disaster recovery has been uneven, with urban centers like Palu recovering faster than rural areas such as Donggala and Sigi. Addressing these disparities requires both improved disaster preparedness and more inclusive recovery frameworks.

1. **Establish a Provincial Disaster Resilience and Recovery Fund**
Develop a dedicated fund, supported by multi-stakeholder contributions, to ensure rapid and equitable deployment of resources for post-disaster recovery, focusing on marginalized and rural communities.
2. **Strengthen Community-Based Reconstruction and Livelihood Restoration**
Promote participatory reconstruction programs that empower communities to engage in rebuilding efforts. Complement this with livelihood restoration initiatives, including conditional cash transfers and small grants to support micro and small enterprises.
3. **Enhance Disaster Risk Management Systems**
Invest in comprehensive early warning systems and risk mapping at the district level. Strengthen community capacity for disaster preparedness through regular simulations and education programs.
4. **Rebuild Social Infrastructure to Reduce Service Gaps**
Prioritize the reconstruction of schools, healthcare facilities, and clean water systems in rural and peri-urban areas. Ensure service provision is equitable and aligned with long-term human capital development strategies.
5. **Promote Inclusive Spatial Planning in Post-Disaster Reconstruction**
Integrate disaster risk reduction (DRR) principles into spatial and urban planning to prevent future inequalities in service distribution and infrastructure development.

5. Bengkulu City (Sumatera): seeking for economic diversification

5.1. Preliminary Regional outlook

Bengkulu Province, located on the southwest coast of Sumatera Island, represents one of Indonesia's most economically marginalized regions. Despite its strategic position along the Indian Ocean, Bengkulu faces persistent challenges in achieving inclusive and sustainable economic growth. According to BPS (2023), Bengkulu remains one of the smallest provincial economies in Indonesia, contributing minimally to the national GDP and ranking among the provinces with the highest poverty rates.

The province's economy is predominantly reliant on the primary sector, particularly agriculture, fisheries, and mining. These sectors, while critical for employment—particularly in rural areas—exhibit low productivity and limited value addition. Agricultural activities are mostly smallholder-based and are vulnerable to price fluctuations and climate risks. This dependence on low-productivity sectors constrains economic diversification and limits the potential for inclusive growth.

Geographical isolation exacerbates Bengkulu's development challenges. The province lacks adequate infrastructure connectivity, particularly with Palembang, one of Sumatera's major economic centers. Limited transport networks—both in terms of road quality and logistics services—hamper the movement of goods and people, increasing costs and reducing competitiveness. Intra-provincial connectivity is also weak, restricting access to basic services in remote districts.

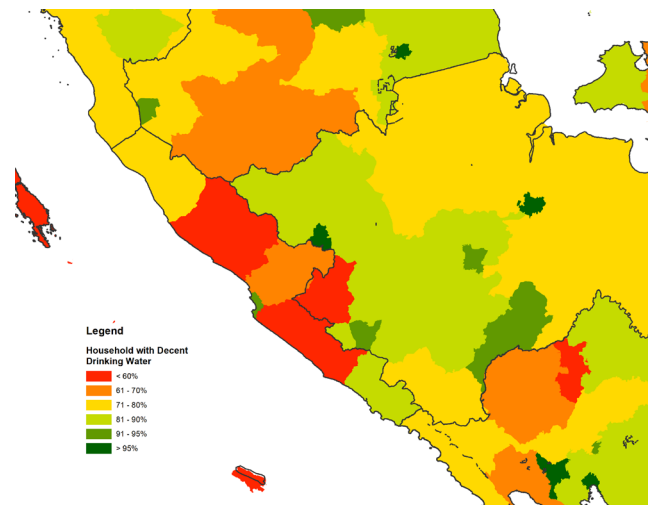
The Inequality Diagnostic Report for Bengkulu (LPEM FEB UI, 2024) highlights the province's multidimensional inequality. Although the Gini coefficient shows a slight decline in recent years, this trend primarily reflects decreased consumption among higher-income households rather than meaningful improvements for the poorest segments. Inequality in Bengkulu is shaped by both spatial and sectoral factors, with rural areas and agricultural workers experiencing the highest levels of deprivation.

5.1.1. Access to Basic Services

Access to improved sanitation and clean drinking water in Bengkulu Province remains highly unequal when disaggregated by household expenditure quintiles. Diagnostic findings indicate that households in the lowest income quintiles—particularly those in rural and remote areas—experience significantly lower access to these essential services compared to their wealthier counterparts. The disparity is especially stark in improved sanitation coverage, where the bottom 40% of households have access rates that fall substantially below both the provincial and national averages. This lack of equitable access to basic sanitation infrastructure increases exposure to waterborne diseases, contributing to persistent public health challenges among the poorest populations. Poor sanitation conditions also lead to higher rates of childhood stunting and other health-related deprivations, which further limit the development of human capital in affected communities.

Moreover, the inequality in access to clean drinking water compounds existing vulnerabilities. Many households in the lower expenditure quintiles rely on unimproved water sources, such as rivers and unprotected wells, which are prone to contamination. These conditions are exacerbated by inadequate infrastructure investment in rural districts like Mukomuko, Seluma, and North Bengkulu, where the cost of expanding piped water systems is high due to geographical and logistical constraints. Limited access to safe drinking water not only increases the burden of disease but also places additional time and labor demands on women and children, who are often responsible for fetching water over long distances. Addressing these disparities is critical for improving health outcomes, enhancing productivity, and promoting inclusive development across Bengkulu Province.

Figure 8. Percentage of Population With Access to Improved Drinking Water in Bengkulu



Source: SUSENAS, author's calculation (2023)

5.1.2. Education and Labor Market Outcomes

The educational attainment in Bengkulu is generally lower than the national average, particularly in rural districts. Despite government programs such as Program Indonesia Pintar (PIP), disparities in school enrollment and completion rates persist. Vocational education graduates in Bengkulu face disproportionately high unemployment rates compared to general high school graduates, reflecting a mismatch between vocational training and labor market needs.

The labor market is characterized by high levels of informality, particularly in the agricultural and services sectors. Informal employment provides limited job security and social protection, exposing workers to greater vulnerability. Women are disproportionately represented in informal employment, further exacerbating gender inequalities in income and social protection coverage.

5.1.3. Spatial Disparities and Regional Development Issues

Spatial inequality remains a defining feature of Bengkulu's socio-economic landscape. The provincial capital, Kota Bengkulu, enjoys better infrastructure and public service provision compared to peripheral districts such as North Bengkulu, Mukomuko, and Seluma. The distribution of public investment has historically been concentrated in urban centers, leaving rural areas underserved.

Limited infrastructure has hindered regional integration and economic development. The absence of efficient transportation links with economic hubs such as Palembang and Lampung restricts market access for Bengkulu's agricultural and fishery products, undermining local producers' ability to scale up and diversify production. Furthermore, natural hazards such as floods and landslides frequently disrupt infrastructure and economic activity, compounding the region's vulnerability.

5.1.4. Social Assistance and Local Initiatives

The government has implemented various social protection programs to alleviate poverty and reduce inequality in Bengkulu. Programs such as PKH (Program Keluarga Harapan), BPNT (Bantuan Pangan Non-Tunai), and JKN (Jaminan Kesehatan Nasional) have helped cushion vulnerable households from economic shocks. However, coverage and adequacy remain issues, particularly for informal workers and populations in remote areas.

Local initiatives aimed at stimulating economic development include the One Village, One Product (OVOP) and One Company, One Person (OCOP) programs. These initiatives encourage entrepreneurship and support micro, small, and medium enterprises (MSMEs). Despite their potential,

these programs face implementation barriers, including limited access to finance, capacity-building gaps, and weak market linkages.

5.1.5. Gender Dimensions of Inequality

Gender inequality in Bengkulu remains a significant barrier to achieving inclusive development. Women's labor force participation rate in the province is consistently lower than that of men, a gap that reflects structural and socio-cultural barriers to women's economic engagement. When women do participate in the labor market, they are predominantly concentrated in low-wage, informal employment, particularly in agriculture, trade, and domestic services. These jobs typically lack social security coverage, job stability, and opportunities for career advancement. As a result, women in Bengkulu are disproportionately exposed to economic vulnerabilities, especially in times of economic downturn or household income shocks. Traditional gender roles and limited access to affordable childcare services further constrain women's ability to engage in full-time, formal employment.

Female-headed households in Bengkulu are particularly at risk of poverty. These households often face compounded disadvantages, including limited access to productive assets such as land, credit, and technology. Moreover, female heads of households frequently encounter challenges in accessing social protection programs, either due to administrative barriers or social stigma. Existing initiatives aimed at promoting women's economic empowerment—such as vocational training programs, entrepreneurship support, and microfinance schemes—remain limited in coverage and effectiveness. These programs often fail to address the specific needs of women in rural areas or those working in highly informalized sectors. To close the gender gap, there is an urgent need to expand these programs, improve their quality, and ensure they are responsive to the unique constraints faced by women in Bengkulu.

5.2. Insights from stakeholders on Regional Inequality in Sumatera

In Bengkulu, provincial government representatives emphasized their commitment to addressing employment challenges, particularly among young people and vocational education graduates. The provincial government has implemented programs such as One Company, One Person (OCOP) and One Village, One Product (OVOP), aimed at fostering entrepreneurship and creating job opportunities at the village level. OCOP focuses on expanding internship and apprenticeship opportunities within local companies, while OVOP seeks to strengthen village-based enterprises by promoting locally produced goods. However, officials acknowledged that the outcomes of these programs have been limited. Vocational unemployment remains high, and there has been little measurable impact on reducing income disparities. According to government officials, one of the primary barriers is the lack of coordination between vocational training institutions and local industries, resulting in a persistent mismatch between the skills of job seekers and the needs of employers.

Several officials also pointed to the limited fiscal capacity of district governments in Bengkulu to support broader industrial development initiatives. Although programs like OVOP aim to leverage village potential, they often suffer from insufficient technical assistance, limited access to markets, and inadequate infrastructure to support scaling. As a result, while there has been a proliferation of small enterprises, their contribution to regional economic diversification and employment creation remains marginal. During the discussion, officials expressed a need for stronger collaboration with research institutions to evaluate the effectiveness of these initiatives and to explore alternative strategies for fostering inclusive employment growth.

Box 2. Universitas Bengkulu

Universitas Bengkulu (UNIB) is the most prominent public university in Bengkulu Province. It was officially established in 1982 under Presidential Decree No. 17 of 1982, though its academic activities began earlier under the coordination of Sriwijaya University. Located in Bengkulu City, UNIB has become a key institution for higher education in western Sumatra, serving students from Bengkulu and neighboring provinces. Universitas Bengkulu is committed to advancing regional development, community empowerment, and promoting research and innovation that address local needs.

With more than 20,000 students enrolled in various programs, UNIB comprises eight faculties, covering disciplines from agriculture to social sciences and engineering. The university's mission emphasizes producing graduates who are innovative, competitive, and responsive to regional and national development challenges. Universitas Bengkulu has also been actively involved in community service programs, focusing on rural development, poverty reduction, and capacity building in Bengkulu Province.

The Faculty of Economics and Business (FEB) at Universitas Bengkulu plays a central role in promoting economic research and education in the province. FEB UNIB offers comprehensive programs in economics, management, and accounting at the undergraduate and postgraduate levels. It has developed a reputation for its research on regional economic issues, including agricultural economics, rural development, and microfinance.

FEB UNIB is particularly known for its applied research on local economic empowerment and its active role in promoting entrepreneurship in rural communities. Its programs often emphasize the development of Small and Medium Enterprises (SMEs) and the facilitation of One Village One Product (OVOP) initiatives in collaboration with local governments. The faculty's partnerships with government agencies and development partners have further strengthened its capacity to contribute to regional policy dialogues on poverty reduction and inclusive economic growth.

The local academic discourse focused heavily on the absence of structural economic transformation. Despite improvements in poverty rates over the past decade, many academicians argued that Bengkulu remains in a state of economic stagnation. The province's continued reliance on the primary sector, particularly agriculture, has limited opportunities for productive employment outside of subsistence activities. Academicians pointed to the low rates of formal employment and the dominance of informal labor as indicators of a stagnant labor market. This situation, they argued, is compounded by a mismatch between the outputs of vocational education and the demand for labor in higher value-added sectors. Several participants emphasized the need for policies that encourage industrial development and diversification into the manufacturing and services sectors, supported by investments in infrastructure that can facilitate market access and supply chain integration.

The issue of education was also prominent in Bengkulu. Academicians noted that while enrollment rates at the primary and secondary levels have improved, the quality of education remains a concern. There is a significant gap in learning outcomes between urban and rural schools, with rural areas experiencing shortages of qualified teachers and inadequate school facilities. These disparities in education quality, they argued, contribute directly to inequality in employment opportunities and incomes. Without addressing these systemic weaknesses, vocational training programs are unlikely to have a meaningful impact on labor market outcomes.

Several local students raised concerns about the persistent lack of economic opportunities for young people in the province, particularly for vocational school graduates. They framed these challenges not only as labor market inefficiencies but as a failure of the system to fulfill the social contract of providing meaningful work for its citizens. Their interventions reflected a strong belief in the potential of local economic development if only given the right policy support and leadership. Many advocated for a more inclusive approach to regional development, where young people would be empowered to participate as active agents of change rather than passive beneficiaries of government programs.

5.3. Main outcomes and takeaways from Sumatera

Our discussions with local stakeholders in Bengkulu have identified a major issue surrounding the general growth of the economy and employment in Bengkulu Province: structural transformation.

Bengkulu's economy is dominated by the primary sector, especially agriculture. It contributes approximately 28-32% of Bengkulu's economy, with outputs such as palm oil, coffee, and rubber. Typically, structural transformation in a large developing economy follows a transition from agriculture to the manufacturing sector, aiming to increase productivity and build demand for manufacturing workers to reduce unemployment. This is not the case for Bengkulu, where a decrease in the agricultural sector has been followed by a shrinking manufacturing sector. This situation exacerbates the mismatch in the labor market, causing a lack of job opportunities for vocational graduates, which leads to higher unemployment.

Structural transformation can significantly reduce the high unemployment rates among vocational graduates in Bengkulu. As the industrial sector expands, it creates demand for a wide range of skills, particularly those aligned with vocational training. This shift provides a pathway for vocational graduates, who often face limited employment opportunities in a predominantly agricultural economy. Structural transformation not only increases job opportunities in the manufacturing sector but also helps increase productivity in the existing agriculture sector (Erumban & de Vries, 2024).

While structural transformation may improve inequality in the long term (Morsy, Shimeles, & Nabassaga, 2023), it typically worsens inequality levels in the short term (Roy & Roy, 2017; Vengadeshvaran, Saumik, & Guanghua, 2017). Therefore, for structural transformation to effectively reduce inequality, it must be complemented by improvements in social protection coverage for Bengkulu's population. Social protection serves as a critical buffer, providing income support and facilitating labor market transitions, thereby preventing vulnerable populations from falling into poverty during periods of economic restructuring. An integrated policy approach not only has the potential to drive inclusive growth but also promotes a more equitable distribution of the benefits of economic transformation, ensuring that no group is left behind in the development process.

5.4. Recommendations for Bengkulu: Advancing Structural Transformation and Human Capital Development

Bengkulu's limited structural transformation and reliance on the primary sector have restricted its economic diversification. The province faces a labor market mismatch, particularly for vocational graduates, and persistent rural poverty due to low agricultural productivity.

1. **Develop Industrial Clusters in Agro-Processing and Green Manufacturing**
Focus on developing agro-processing industries around key commodities such as palm oil, coffee, and rubber. Explore opportunities in environmentally sustainable manufacturing to attract green investment.
2. **Enhance Vocational Training and Employment Linkages**
Establish stronger partnerships between vocational training institutions, local industries, and employment services. Develop apprenticeship programs and job placement schemes targeting youth and vocational graduates.
3. **Promote Agricultural Modernization and Climate-Smart Farming**
Scale up the adoption of climate-smart agriculture techniques, improve irrigation systems, and expand access to agricultural financing. Prioritize capacity building for smallholder farmers.

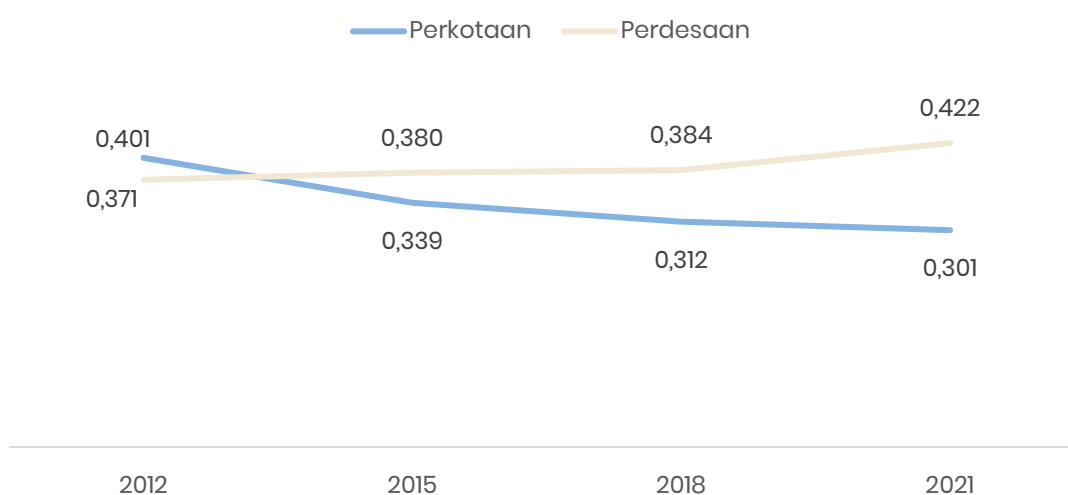
4. **Expand Rural Connectivity and Digital Infrastructure**
Improve transport and digital connectivity in rural areas to facilitate market access for agricultural producers and SMEs. Support the development of digital literacy programs to enable rural populations to benefit from the digital economy.
5. **Strengthen Social Protection Mechanisms for Rural Households**
Expand coverage and targeting of social assistance programs, including health insurance and conditional cash transfers, to reduce vulnerability among rural poor households, particularly during periods of economic transition.

6. Jayapura City (Papua): developing human capital

6.1. Preliminary Regional outlook

Papua Province, situated on the western half of New Guinea Island, remains one of the most economically and socially marginalized regions in Indonesia. Despite extensive national and provincial efforts to address development gaps—including through the enactment of Law No. 21 of 2001 on Special Autonomy for Papua—the province continues to exhibit the highest poverty rates and the lowest Human Development Index (HDI) in the country. According to BPS (2023), poverty in Papua stands at over twice the national average, and HDI indicators lag significantly behind those of other provinces, reflecting persistent disparities in education, health, and standard of living.

Figure 9. Gini Coefficient in Papua Province



Source: SUSENAS, author's calculation (2023)

6.1.1. Special Autonomy and Village Funds: Limited Impact on Reducing Poverty and Inequality

In an attempt to accelerate development and reduce inequality, the government has allocated substantial financial resources to Papua through Special Autonomy Funds and Village Funds. The Ministry of Finance (2024) reports that these funds have generally increased over the past six years, aimed at supporting rural development and addressing long-standing disparities in access to public services. However, evidence presented during the regional dissemination events in Jayapura suggests that the effectiveness of these funds in achieving their objectives has been limited.

A study conducted by Mesak (2024), a local academic who participated in the dissemination, found that the elasticity of Village Funds in reducing poverty in Papua is only -0.1078 , while the elasticity of Special Autonomy Funds is even lower at -0.0259 . This means that for every 1% increase in these funds, poverty is reduced by less than 0.1%, reflecting an inefficient use of financial resources. Furthermore, the elasticity of these funds in improving the Human Development Index is also low: 0.0688 for Village Funds and just 0.0088 for Special Autonomy Funds. These figures highlight systemic inefficiencies in how these funds are managed and utilized, and suggest that financial allocations alone are insufficient to address Papua's deep-rooted development challenges.

The growing inequality in rural areas of Papua, as reflected in the increasing Gini ratio, underscores the potential ineffectiveness of these fiscal interventions. Despite the influx of public funding, basic disparities in infrastructure access, education, healthcare, and economic opportunities persist, especially in remote regions like Papua Pegunungan.

6.1.2. Labor Market Structure and Human Capital Challenges

One of the most persistent issues in Papua is the cycle of limited economic opportunities intertwined with low-quality human capital. While the province has made some progress in increasing school enrollment rates, years of schooling remain among the lowest in Indonesia. Many children, particularly in remote and mountainous areas, drop out of school early due to economic pressures, often to support their families through agricultural work.

The labor market in Papua exhibits a paradoxical pattern. Despite the government's efforts to expand vocational education, the unemployment rate among high school and vocational school graduates is high. In contrast, labor demand is concentrated in sectors that require minimal formal education, particularly traditional agriculture. The agricultural sector in Papua remains labor-intensive and low-tech, with limited adoption of modern practices or mechanization. This reliance on unskilled labor limits economic diversification and constrains the development of higher-value industries.

Further complicating the situation is the quality of education in Papua. Many students who do progress to higher levels of education continue to struggle with basic literacy and numeracy skills, pointing to systemic weaknesses in the education system. A shortage of qualified teachers, inadequate school infrastructure, and the geographical isolation of many communities exacerbate these challenges. Schools in regions such as Papua Pegunungan frequently lack essential teaching materials and facilities, making it difficult to deliver quality education and reduce learning gaps.

6.1.3. Structural Constraints and Spatial Disparities

Spatial inequality remains a defining characteristic of Papua's development profile. Access to basic services such as healthcare, education, clean water, and sanitation is significantly lower in rural and remote areas compared to urban centers like Jayapura. The diagnostic data highlights that the proportion of households in rural Papua with access to improved sanitation and clean drinking water is among the lowest in the country. Infrastructure development, including road connectivity and communication networks, has been slow and uneven, further marginalizing remote communities.

Despite the large inflows of public funds, these structural constraints have prevented the equitable distribution of development benefits. Implementation challenges, including limited capacity at the local government level, weak monitoring and evaluation systems, and governance issues, have hampered the effective delivery of programs financed by Village Funds and Special Autonomy Funds. Corruption and inefficiencies in fund management have also been cited as contributing factors to the poor outcomes observed in poverty reduction and HDI improvement (LPEM FEB UI, 2024).

6.2. Insights from stakeholders on Regional Inequality in Papua

In Papua, government officials highlighted the continued reliance on Village Funds and Special Autonomy Funds as key instruments for development financing. While these transfers represent a significant portion of sub-national budgets, officials admitted that they have not yet translated into substantial improvements in poverty reduction or human development outcomes. Several officials noted that administrative and logistical challenges in remote districts impede the effective delivery of services funded by these transfers. Moreover, they raised concerns about the absorptive capacity of local governments, citing difficulties in program planning, monitoring, and accountability as ongoing constraints.

A key point raised by officials was the need to improve the alignment between local development programs and community needs. In particular, they emphasized the importance of addressing the education and employment linkages that have constrained human capital development in the province. Echoing concerns from the academic community, they recognized that vocational training programs often fail to produce graduates with skills relevant to the local economy. As such, officials advocated for a more integrated approach, combining education sector reforms with labor market policies aimed at generating sustainable employment opportunities, particularly in the agriculture and fisheries sectors where much of Papua's workforce is concentrated.

Box 3. Universitas Cenderawasih

Universitas Cenderawasih (Uncen) is the oldest and most prestigious public university in Papua Province. Established in 1962, Uncen is located in Jayapura and serves as a major center for higher education in Papua and surrounding regions. As one of the key institutions in Eastern Indonesia, Uncen has a critical role in providing access to education in a region characterized by geographic remoteness and socio-economic challenges.

Universitas Cenderawasih has over 15,000 students and offers programs across a wide range of disciplines. The university is known for its commitment to addressing issues specific to Papua, including indigenous rights, local governance, and sustainable development. Uncen has been actively engaged in community development programs, focusing on improving human capital, promoting health and education services, and empowering indigenous communities.

The Faculty of Economics and Business at Universitas Cenderawasih is a key player in advancing economic research and education in Papua. FEB Uncen provides undergraduate and graduate programs in economics, management, and accounting. Its academic and research agenda is centered on addressing the unique economic challenges facing Papua, such as limited economic diversification, high unemployment rates among educated youth, and the effective utilization of Special Autonomy Funds.

FEB Uncen is also known for its focus on local economic development, particularly in promoting sustainable livelihoods among indigenous populations. The faculty has been actively involved in studies related to rural development, village fund management, and the socio-economic impacts of fiscal decentralization in Papua. Its partnerships with local governments and NGOs have enabled FEB Uncen to play a vital role in shaping policies aimed at reducing inequality and promoting inclusive development in the region.

The discussion with academicians centered on the limitations of human capital development efforts, despite significant public investment through Village Funds and Special Autonomy Funds. Academicians presented data showing that years of schooling in Papua remain well below the national average, particularly in remote areas. High dropout rates among children from low-income families were identified as a persistent problem, often driven by household economic pressures and limited access to schools. Participants stressed that improvements in education access must be matched by interventions to enhance the quality of teaching and learning. They also highlighted that many vocational school graduates in Papua are unable to find employment commensurate with their qualifications, indicating a severe skills mismatch. Several speakers called for a comprehensive review of vocational education curricula to ensure alignment with sectors that have growth potential in the Papuan economy, such as sustainable agriculture, fisheries, and eco-tourism.

In Papua, student discussions were deeply informed by their lived experiences of inequality in education. Students from Jayapura and Papua Pegunungan spoke candidly about the barriers that limit access to quality education, particularly in remote areas. Despite these challenges, there was a

clear sense of optimism and determination among the participants. Many articulated the view that education should be the primary vehicle for breaking the cycle of poverty and inequality in Papua. They expressed hope that reforms in education policy could create pathways for indigenous Papuan youth to engage in skilled professions and leadership roles. The idealism evident in these discussions was coupled with a willingness to engage with technical aspects of education policy, including debates over curriculum relevance and the allocation of Special Autonomy Funds.

6.3. Main outcomes and takeaways from Papua

In the case of Papua Province, the cycle of limited economic opportunities and low quality of human capital continues to perpetuate inequality. A notable issue is the high unemployment rate among high school and vocational school graduates, while the demand for labor is higher among those with only elementary education or none at all. This paradox is largely driven by the agricultural sector, which remains a major contributor to Papua Province's economy but continues to rely on traditional, low-tech techniques.

As a result, the workforce is predominantly composed of individuals with minimal formal education, limiting the region's potential for technological advancement. Furthermore, Papua Province's educational system faces obstacles that hinder the development of higher human capital. Despite some improvements over the last two decades, the average years of schooling remain low, especially among low-income families. Economic pressures force many students, particularly in remote areas such as Papua Pegunungan, to drop out of school to support their families in agriculture. This situation is exacerbated by inadequate infrastructure and a shortage of qualified teachers in the area, further hindering access to quality education. Even among those who manage to pursue higher education, there are still reports of students struggling with basic literacy and numeracy, highlighting the deep-rooted challenges in improving the overall quality of human capital in Papua Province.

The persistence of these challenges highlights the critical need for a reassessment of the strategies employed to accelerate development in Papua Island. Despite the allocation of significant financial resources through village funds and special autonomy funds, the expected outcomes in terms of poverty reduction and human capital improvement have not been satisfactory. The low elasticity of these funds suggests that simply increasing financial support without addressing underlying structural issues is insufficient.

To break the cycle of poverty and inequality, a more holistic approach is needed—one that not only increases funding but also improves the effectiveness of how these funds are utilized. This could involve more targeted interventions that focus on enhancing the quality of education, upgrading agricultural practices, and providing vocational training that aligns with the demands of the modern labor market. Additionally, improving educational infrastructure, particularly in remote areas, and ensuring better access to quality education are essential steps toward fostering sustainable and inclusive development in Papua Island. Without such comprehensive efforts, the region risks continuing to lag behind the rest of Indonesia, perpetuating the cycle of poverty and inequality for future generations.

The ongoing efforts to accelerate development in Papua Island through the implementation of village funds and special autonomy funds have not yielded the desired outcomes in reducing poverty or enhancing human development. The low elasticity of these funds indicates that merely increasing financial allocations is insufficient to address the deep-rooted issues that plague the region. The persistence of high poverty rates, low human development, and growing inequality underscores the need for a fundamental reassessment of current strategies. Addressing these challenges requires a more nuanced approach that goes beyond financial injections to tackle the underlying structural and systemic barriers that hinder progress.

6.4. Recommendations for Papua: Prioritizing Human Capital Development and Governance Reform

Papua continues to face entrenched inequalities due to weak human capital indicators and challenges in public service delivery. Despite the influx of special autonomy and village funds, the province has not achieved the expected outcomes in poverty reduction or human development.

- 1. Improve Access and Quality of Basic Education**
Invest in teacher recruitment, training, and retention, particularly in remote and highland areas. Expand access to early childhood education and address school dropout rates through conditional cash transfers and school feeding programs.
- 2. Reallocate Special Autonomy and Village Funds for Sustainable Development**
Establish transparent governance frameworks to ensure that village funds and special autonomy funds are directed toward long-term development projects, such as education, health infrastructure, and sustainable agriculture.
- 3. Develop Specialized Vocational and Technical Education Programs**
Tailor vocational training to local economic opportunities, such as fisheries, eco-tourism, and sustainable agriculture. Establish regional training centers with private sector partnerships.
- 4. Strengthen Healthcare Access and Nutrition Interventions**
Expand the coverage of primary healthcare services, maternal and child health programs, and nutrition interventions to address stunting and other health challenges.
- 5. Promote Participatory Governance and Community Involvement**
Institutionalize participatory planning processes at the village and district levels. Encourage civil society and indigenous community involvement in budget allocation and monitoring.
- 6. Expand Connectivity and Basic Infrastructure in Remote Areas**
Accelerate investments in transport, clean water, sanitation, and digital connectivity to improve access to services and markets for remote communities.

7. Samarinda City (Kalimantan): improve assessment of the investments

7.1. Preliminary Regional outlook

East Kalimantan is often highlighted as one of Indonesia's wealthiest provinces due to its abundant natural resource endowments, particularly in coal, oil, and natural gas. Historically, the province has played a central role in the national economy through its contribution to the extractive industries, which, according to BPS (2023), accounted for over 50% of the province's Gross Regional Domestic Product (GRDP). Despite its relatively high per capita GRDP—often cited as one of the highest outside Java—this wealth has not translated into broad-based, inclusive prosperity. The reliance on capital-intensive extractive industries has resulted in limited employment opportunities for the local population, creating a dual economy where wealth generation is concentrated in a narrow sector while large portions of the population remain engaged in low-wage, informal activities.

The socio-economic disparities are particularly evident in the contrast between urban centers like Samarinda and Balikpapan and more remote districts such as Mahakam Ulu and Berau. Urban areas benefit from better infrastructure, access to services, and proximity to economic opportunities, while rural communities are characterized by inadequate public service provision and limited access to productive employment. According to the Inequality Diagnostic Report (LPEM FEB UI, 2024), rural areas in East Kalimantan report significantly lower access to improved sanitation and clean drinking water, with disparities most pronounced among the lowest-income quintiles. This spatial inequality is compounded by weak transportation infrastructure linking remote areas to economic hubs, perpetuating cycles of poverty and marginalization (World Bank, 2021).

7.1.1. The IKN Development and Its Implications for Inequality

The relocation of Indonesia's capital city to Nusantara (IKN), located in Penajam Paser Utara and Kutai Kartanegara regencies, has been framed by policymakers as a catalyst for balanced national development and economic diversification beyond Java (Presidential Regulation No. 63/2022). The project promises transformative impacts for East Kalimantan, including infrastructure upgrades, new investments, and job creation. However, there is growing recognition that these potential benefits are unevenly distributed and may exacerbate existing inequalities if left unchecked.

During the dissemination events in Samarinda (LPEM FEB UI, 2024), stakeholders raised concerns about the unequal spatial distribution of infrastructure investments and public services associated with the IKN project. While regions closest to the IKN core area have already begun to receive targeted investments, other areas—especially those further from the development axis—remain marginalized. This echoes patterns identified in previous infrastructure mega-projects in Indonesia, where peripheral regions fail to capture significant economic spillovers (Booth, 2016).

Moreover, the influx of new residents and workers to Samarinda and Balikpapan, driven by IKN-related opportunities, is putting additional pressure on housing, transportation, and public services. Rising land prices and housing costs have been documented by the Ministry of Public Works and Housing (2024), contributing to the displacement of low-income households and increasing the risk of informal settlements expanding without adequate planning. Land speculation is a growing concern, particularly around the IKN zone, which has already led to conflicts over land rights, including disputes involving indigenous communities (AMAN, 2023).

7.1.2. Labor Market Dynamics and the Entrenchment of Informality

East Kalimantan's labor market, heavily dependent on the extractive sector, has failed to provide broad-based employment opportunities. According to Sakernas (2023), the province's formal sector employment remains concentrated in high-skill positions linked to resource extraction and large infrastructure projects, while informal employment accounts for nearly 58% of total employment—one of the highest proportions among resource-rich provinces. Women and youth are disproportionately represented in the informal economy, engaging in small-scale trade, agriculture, and domestic work, often without access to social protections (BPS, 2023).

The construction of IKN has the potential to deepen labor market segmentation. Jobs created by the capital development project favor skilled professionals in construction, engineering, and services sectors, frequently attracting migrant labor from outside East Kalimantan. This dynamic risks marginalizing the local workforce, whose skill sets are often not aligned with IKN development demands. The Inequality Diagnostic Report highlights that vocational graduates in Samarinda continue to experience high unemployment rates due to this skills mismatch. A lack of targeted upskilling programs and limited industry participation in curriculum design further compound this issue (LPEM FEB UI, 2024).

Additionally, competition for low-skill jobs is intensifying, particularly in informal construction and services, which are already characterized by poor working conditions and low wages. Without intervention, the expansion of informal employment could worsen socio-economic inequality and undermine the potential for inclusive economic development.

7.1.3. Persistent Spatial Inequality in Access to Services

Despite its status as a high-income province, East Kalimantan's public service delivery is marked by stark regional disparities. The World Bank (2021) notes that health and education indicators in rural areas of East Kalimantan are similar to those in Indonesia's poorest provinces. Access to primary healthcare services in remote districts like Mahakam Ulu is limited, with many villages relying on Puskesmas without doctors and facing long travel times to reach hospitals (Ministry of Health, 2023).

Education outcomes mirror these disparities. Rural schools often lack qualified teachers and face high student-to-teacher ratios. Dropout rates remain elevated, especially at the senior secondary level, where students from low-income families are often required to enter the workforce early. These factors reinforce intergenerational cycles of poverty and limit social mobility, particularly in indigenous and remote communities.

7.1.4. Environmental and Social Risks of IKN Development

The environmental consequences of IKN development have been the subject of significant scrutiny. East Kalimantan is home to some of Indonesia's most biodiverse tropical rainforests, and large-scale land clearing associated with the IKN project threatens critical habitats and increases the risk of deforestation-driven climate impacts (WWF Indonesia, 2023). The environmental degradation disproportionately affects indigenous communities, whose livelihoods depend on forests, rivers, and agricultural lands.

Furthermore, reports by AMAN (2023) and Walhi (2023) highlight that the recognition of indigenous land rights has been weak in the context of IKN development. Instances of forced evictions and inadequate compensation have already been reported, contributing to tensions and potential conflict. Without stronger environmental governance and inclusive land management practices, the socio-economic divide between IKN beneficiaries and those adversely impacted by its development will widen.

7.2. Insights from stakeholders on Regional Inequality in Kalimantan

In East Kalimantan, discussions were largely framed by the development of Nusantara (IKN) and its anticipated socio-economic impacts on the province. Government officials outlined the provincial administration's efforts to prepare for increased investment and population growth resulting from the capital relocation. These efforts include the development of a Sanitation Roadmap, which aims to improve access to safe water and sanitation services in areas surrounding the IKN site. Officials emphasized the importance of these basic services in supporting sustainable urban development and mitigating the risks of informal settlement growth as new migrants arrive in the region.

Despite these proactive measures, several officials expressed concern about the uneven distribution of economic opportunities associated with the IKN project. They noted that while Penajam Paser Utara and Kutai Kartanegara have seen substantial investment inflows, other districts—particularly those further from the IKN core—remain largely excluded from the province's growth narrative. East Kalimantan officials also raised the issue of rising unemployment among the working-age population, particularly youth, as job creation has not kept pace with labor force growth in areas not directly tied to the IKN development.

The government stakeholders emphasized the need for additional research on the socio-economic impacts of IKN, particularly in relation to labor market dynamics, housing affordability, and environmental sustainability. Several participants proposed partnerships with universities and think tanks, including LPEM FEB UI, to conduct impact assessments and develop policy recommendations aimed at ensuring inclusive development outcomes. They also highlighted the importance of monitoring mechanisms to ensure that infrastructure investments are equitably distributed and that social services are expanded to meet the needs of growing populations in secondary urban centers such as Samarinda and Balikpapan.

Academic perspectives were dominated by concerns about the socio-economic implications of the National Capital Nusantara (IKN) development. Academicians acknowledged the potential for economic growth but highlighted the risk that such growth may be unevenly distributed. In particular, they pointed to early signs of rising inequality within the province, as areas adjacent to the IKN site benefit disproportionately from infrastructure and investment flows. They emphasized the need for regional economic policies that ensure inclusive benefits from capital relocation, including mechanisms to support small and medium enterprises (SMEs) in districts beyond Penajam Paser Utara and Kutai Kartanegara.

On the education front, academicians expressed concern that East Kalimantan's education system is not adequately preparing its population to participate in the opportunities created by IKN development. Despite having one of the higher per capita GRDPs in Indonesia, the province still faces challenges in improving the quality of its education services, particularly in rural districts. Academicians recommended that vocational and technical education programs be reoriented toward sectors that are expected to grow as a result of IKN, such as construction, digital services, and environmental management. They also stressed the importance of improving coordination between the education sector and private industry to ensure that training programs are aligned with labor market needs.

Box 4. Universitas Mulawarman

Universitas Mulawarman (Unmul) is the largest and most established public university in East Kalimantan Province. Founded in 1962, Unmul is located in Samarinda and serves as the primary higher education institution in Kalimantan. Its strategic location and academic breadth make it an important contributor to human resource development and regional research in one of Indonesia's resource-rich regions.

Unmul has more than 30,000 students enrolled in a diverse range of programs across its 14 faculties. As East Kalimantan prepares for its role as the host of Indonesia's new capital, Nusantara (IKN), Universitas Mulawarman has been at the forefront of research on sustainable urban development, environmental management, and regional economic transformation. The university's focus on sustainability and community empowerment reflects its commitment to ensuring that the benefits of economic growth are shared equitably across the province.

The Faculty of Economics and Business at Universitas Mulawarman plays a critical role in fostering economic expertise and policy research relevant to East Kalimantan's development trajectory. FEB Unmul offers programs in economics, management, and accounting, with a particular emphasis on resource economics, regional development, and public finance.

FEB Unmul has been instrumental in analyzing the socio-economic impacts of the IKN relocation project, including labor market dynamics, infrastructure development, and land governance issues. Its research has informed local government policies on workforce development and investment strategies, ensuring that local communities benefit from ongoing economic transformation. The faculty's collaboration with development partners and private sector stakeholders further enhances its capacity to contribute to policy discussions on reducing inequality and promoting inclusive growth in East Kalimantan.

In East Kalimantan, the discussions among students revolved around the potential and risks associated with the development of the new national capital, Nusantara (IKN). Students in Samarinda voiced concern that the influx of investment and population associated with the project might deepen existing inequalities unless managed carefully. Despite these concerns, they remained optimistic about the potential for IKN to serve as a catalyst for inclusive growth—provided that local communities, including youth, were given a meaningful role in decision-making processes. Their idealism was evident in proposals for youth-led initiatives focused on environmental sustainability, social entrepreneurship, and skills training tailored to the evolving labor market.

7.3. Main outcomes and takeaways from Kalimantan

The lack of substantial impact from the IKN project on regions like Paser Regency and its surrounding areas underscores the uneven nature of development in East Kalimantan. The focus of development remains concentrated around the IKN site, leaving peripheral areas without the necessary infrastructure advancements. Inequality continues to be a significant issue, exacerbated by the influx of workers from outside the province, particularly from regions such as Makassar and Java, who occupy most of the available jobs. This situation has led many local workers to seek employment outside East Kalimantan, where opportunities seem more promising. This calls for a strategic shift in government policy to ensure that large-scale projects like IKN also prioritize the development of local workforce capacity. Empowering local human resources should be a priority to enable the people of East Kalimantan to compete fairly with external workers and to ensure that the benefits of such development projects are distributed equitably across the province.

Road infrastructure is a critical component of economic growth due to its direct impact on the mobility of people and goods. Consequently, the development of road transport is a top priority in East Kalimantan Province (Wahidah et al., 2024). However, in the context of infrastructure—particularly road

networks—East Kalimantan faces significant challenges that affect equitable development and hinder efforts to reduce inequality.

Feedback from local communities about severe road conditions often has to pass through lengthy channels, such as local council members, which may not always be effective in addressing the issues. Despite substantial regional budget (APBD) allocations for road construction, particularly in Samarinda, the expansion of road networks has stagnated over the past two years. This stagnation can be attributed to the vast geographic area and the logistical challenges it presents, which means that even large budgets seem to have little significant impact on overall infrastructure improvement.

In addition to the challenges in road infrastructure, the establishment of Nusantara in East Kalimantan presents further considerations regarding regional inequality. Place-based policy—defined as government efforts to enhance the economic performance of a specific region, typically by creating more job opportunities and higher wages—requires careful evaluation in the context of IKN (Neumark & Simpson, 2015). While such policies can further boost the economic performance of already thriving areas, the literature warns of potential negative impacts that may arise in East Kalimantan (Lang et al., 2022). A deeper analysis is essential to assess whether the presence of IKN might exacerbate inequality in the province, considering that place-based policies often have complex side effects. This step is crucial for gaining a better understanding of how such policies might influence inequality and for formulating effective mitigation strategies.

During the implementation process, adjustments were made to the dissemination event schedule. Initially, the first event was planned for the third week of June. However, during the final event in Samarinda, the second session—originally scheduled to take place at a local university—was canceled due to scheduling conflicts with university officials. As an alternative, the team secured an external meeting room and successfully invited university students to attend the second session at an alternative location.

7.4. East Kalimantan: Leveraging the IKN Project for Inclusive Regional Development

The development of Indonesia's new capital city, Nusantara (IKN), has brought both opportunities and concerns regarding inequality in East Kalimantan. While the project promises economic growth, there are risks of exclusion for communities outside the development zones.

1. **Establish Local Hiring Mandates for IKN Development Projects**
Require developers and contractors involved in IKN projects to employ a minimum quota of local workers, ensuring benefits are shared with the existing population.
2. **Expand and Modernize Vocational Training (BLK) Facilities**
Build and upgrade Balai Latihan Kerja (BLK) facilities across the province, with curricula focused on construction, digital skills, environmental management, and renewable energy sectors relevant to IKN development.
3. **Improve Infrastructure and Service Access in Periphery Areas**
Prioritize infrastructure investment in road connectivity, clean water, sanitation, and electricity in districts beyond the IKN zone, especially in marginalized and indigenous communities.
4. **Promote Inclusive Spatial Planning and Land Governance**
Develop spatial planning frameworks that prevent displacement and land conflicts, particularly involving indigenous land rights. Strengthen land registration systems and conflict resolution mechanisms.

5. **Establish Environmental Safeguards and Sustainability Programs**
Implement strict environmental standards and monitoring for IKN construction. Promote reforestation, conservation, and community-based sustainable resource management programs.
6. **Support SMEs and Local Entrepreneurship**
Provide targeted financing and capacity building for SMEs, particularly in service sectors that can support IKN-related growth, including hospitality, retail, and logistics.

8. Challenges and Lessons Learned from Dissemination Activities: contrasting perspectives

8.1. Framing Inequality as a Social Narrative

The regional dissemination events provided an important platform for gathering a range of perspectives from different stakeholder groups on the issue of inequality in Indonesia. While there was broad agreement across government officials, academicians, and students on the relevance and urgency of addressing inequality, the discussions highlighted important differences in emphasis, interpretation, and proposed solutions. These contrasting perspectives offer valuable insights into how different actors understand and engage with the challenges of inequality reduction at the sub-national level.

Beyond presenting data and statistics, the regional dissemination events revealed how inequality is perceived, interpreted, and contested by local actors. Stakeholders did not merely receive the findings as a static diagnostic; instead, they reacted with reflections, critiques, and calls for action that reflect lived experiences of marginalization and uneven development. In several cities, particularly in Jayapura and Palu, discussions extended beyond policy prescriptions to broader questions of justice, representation, and voice.

One point of convergence was a shared recognition that inequality in Indonesia is a multidimensional issue, extending beyond income disparities to include unequal access to education, healthcare, infrastructure, and employment opportunities. However, stakeholder groups differed in their assessment of the root causes of these inequalities and the appropriate policy responses.

This suggests that inequality diagnostics must be understood as both analytical and political tools—frameworks that not only describe disparities but also invite societies to debate what levels of inequality are acceptable, and what must be done to change them. As such, the diagnostic has the potential to trigger new policy dialogues and community engagement at both national and regional levels.

8.2. Government Officials: Policy-Oriented and Pragmatic

Government officials participating in the dissemination events tended to approach the inequality discussion from a policy implementation perspective. They demonstrated a clear interest in exploring how findings from the Inequality Diagnostic Report could inform and improve existing policy frameworks. In Bengkulu and East Kalimantan, for example, officials highlighted ongoing initiatives such as the One Village, One Product (OVOP) and One Company, One Person (OCOP) programs, as well as infrastructure development plans like the Sanitation Roadmap. While they were optimistic about the potential of these programs, they also acknowledged significant implementation challenges, including limited institutional capacity, coordination difficulties, and fiscal constraints at the local level.

Many government officials viewed inequality through the lens of regional development and fiscal decentralization. They expressed concern that current fiscal transfers, while substantial, have not always translated into equitable development outcomes. This was particularly evident in discussions around Papua and East Kalimantan, where officials raised questions about the efficiency and targeting of Village Funds and Special Autonomy Funds. Despite acknowledging the persistence of poverty and inequality in these regions, they tended to emphasize pragmatic considerations—how to make existing programs more effective rather than proposing entirely new approaches.

In particular, they identified three key areas for future research support:

- 1. Evaluating the socio-economic impacts of infrastructure development, especially in post-disaster and emerging growth regions.**
- 2. Assessing the effectiveness of vocational education and training programs in addressing unemployment and skills mismatches.**
- 3. Understanding the implications of fiscal decentralization for local service delivery and inequality reduction.**

Additionally, government officials consistently highlighted the need to strengthen data systems and improve the quality of monitoring and evaluation frameworks at the provincial and district levels. They emphasized that without accurate data and analytical capacity, designing and implementing effective inequality reduction strategies remains a significant challenge.

8.3. Academicians: Structural and Analytical

In contrast, academicians consistently framed inequality as a structural problem requiring long-term, systemic solutions. They placed strong emphasis on the role of human capital development and economic diversification in reducing inequality. Academicians were often critical of place-based policies that prioritize physical infrastructure without parallel investments in social services and human resource development. In East Kalimantan, for instance, they raised concerns that the focus on the development of Nusantara (IKN) risks deepening spatial inequality if complementary policies are not implemented to ensure benefits are distributed beyond the immediate capital region.

Academicians also stressed the importance of addressing labor market segmentation, particularly the mismatch between vocational education and local labor demand. This issue was raised across all provinces, where vocational graduates frequently experience higher unemployment rates than their peers with general education backgrounds. Several academic participants recommended a comprehensive review of vocational training curricula to ensure alignment with emerging economic sectors, along with stronger collaboration between educational institutions and industry.

Furthermore, academics often advocated for evidence-based policymaking grounded in rigorous data analysis. They highlighted the need for improved data collection and monitoring systems at the sub-national level to enable more accurate measurement of inequality and program outcomes.

8.4. Students: Normative and Idealistic

Students brought a different energy and perspective to the discussions. Their engagement was shaped by a normative commitment to social justice and a belief in the possibility of transformative change. Students frequently cited personal experiences and observations to illustrate the real-world implications of inequality, particularly in access to education and employment. In Papua and Central Sulawesi, many students described firsthand the barriers faced by their communities in accessing basic services, and they expressed frustration with what they perceived as insufficient government response.

Despite their idealism, many students also demonstrated a growing interest in technical aspects of inequality analysis. They posed informed questions about data sources, indicator methodologies, and the interpretation of diagnostic findings. Students in several provinces expressed interest in conducting their own research on inequality for academic purposes, signaling an emerging generation of scholars and policy advocates.

8.5. Cross-Cutting Themes: Labor and Infrastructure

Across all groups, two central themes consistently emerged in the discussions: labor market challenges and infrastructure development. Labor issues, particularly vocational unemployment, were a focal point of concern. Stakeholders noted that many provinces are experiencing high rates of unemployment among vocational school graduates, despite significant investments in vocational education. This disconnect between skills training and labor market demand was highlighted as a key contributor to inequality, as young people—especially those from lower-income backgrounds—struggle to find stable, formal employment.

Physical infrastructure development was the second major theme. While stakeholders generally recognized the importance of infrastructure investment in supporting economic growth and connectivity, there were divergent views on its impact on inequality. Government officials often cited infrastructure as a cornerstone of regional development strategy, pointing to projects such as toll roads, ports, airports, and the IKN as drivers of economic opportunity. Academicians and students, however, cautioned that infrastructure-led growth can exacerbate spatial inequalities if not paired with inclusive planning and targeted social programs.

In East Kalimantan, for example, concerns were raised that infrastructure projects related to IKN are primarily benefiting areas close to the capital core, while rural and remote areas remain underdeveloped. Similar observations were made in Central Sulawesi, where post-disaster reconstruction has disproportionately focused on urban centers like Palu, leaving rural districts with slower recovery progress.

9. Conclusions and Key Takeaways

The Inequality Diagnostic Report for Indonesia offers a detailed analysis of the persistent and complex nature of inequality in the country. Despite aggregate improvements in income inequality at the national level, disparities across provinces remain pronounced, reflecting deep-rooted structural and contextual differences. This divergence is particularly evident in the four provinces selected for regional dissemination—Central Sulawesi, Bengkulu, Papua, and East Kalimantan—each of which faces unique developmental challenges. The report highlights how factors such as exposure to natural disasters, uneven infrastructure development, weak human capital, and ineffective allocation of fiscal resources have contributed to regional inequality.

9.1. Bridging Regional Disparities through Targeted Development

Geographical inequality remains a major concern in Indonesia, with significant disparities in access to infrastructure and basic services between Java and outer islands. Long-term strategies should focus on targeted regional development that prioritizes infrastructure investment in lagging regions, particularly Eastern Indonesia, Kalimantan, and Sulawesi.

Fiscal transfer mechanisms, such as the Dana Alokasi Umum (DAU) and Dana Alokasi Khusus (DAK), must be optimized to ensure equitable distribution of development funds. Strengthening the capacity of local governments to manage these resources effectively and transparently is crucial for reducing spatial inequality and promoting inclusive regional growth.

The report's findings underscore the need for more tailored, multi-dimensional strategies that account for local specificities. Reducing inequality in these provinces will require policy responses that go beyond income redistribution, addressing structural drivers and integrating cross-sectoral collaboration. Below are the key strategic directions, expanded for each province, based on the diagnostic findings and stakeholder inputs.

The recommendations outlined for each visited place above emphasize the importance of collaboration between national and local governments, the private sector, and civil society organizations. Effective inequality reduction strategies must go beyond short-term assistance and focus on building inclusive systems that promote resilience, participation, and sustainable development.

Moving forward, the lessons learned from this diagnostic can serve as a basis for more targeted research, improved policy formulation, and stronger coordination among stakeholders. By addressing inequality at its roots, Indonesia can foster a more inclusive development trajectory, ensuring that no region or population group is left behind.

9.2. Strategic Recommendations for Development Partners: Maximizing Future Impact

The Inequality Diagnostic Report for Indonesia highlights the persistent and multidimensional nature of inequality across regions, with notable disparities in Central Sulawesi, Bengkulu, Papua, and East Kalimantan. While national indicators reflect some improvement in income inequality, regional inequalities—driven by structural economic challenges, exposure to natural disasters, uneven infrastructure development, and inefficiencies in fiscal resource allocation—remain significant. Addressing these complex and localized issues requires collaborative action, where development partners can play a pivotal role in advancing Indonesia's efforts to reduce inequality.

Development agencies are well-positioned to contribute through technical assistance, capacity building, policy advocacy, and strategic financing. Lessons from the regional dissemination events, alongside the findings of the diagnostic report, point to several critical areas where development

partners can enhance their impact and support Indonesia in designing and implementing effective, inclusive development strategies.

One immediate opportunity for engagement lies in strengthening technical cooperation with local institutions. During dissemination events, several logistical and administrative challenges were identified—particularly in mobilizing participants and managing events in remote areas. Collaborating with local universities and research centers is an effective way to address these challenges. Local institutions often possess deeper contextual knowledge and administrative networks that can ensure more inclusive and efficient engagement processes. Development partners could facilitate and fund technical cooperation agreements between national institutions such as LPEM FEB UI and universities in provinces where future dissemination activities are planned. These partnerships could also enable the co-production of regionally specific research, adding valuable insights that complement national-level diagnostics.

Another priority area is supporting the update and expansion of the Inequality Diagnostic Report, using the most recent datasets available, including those from 2023. Stakeholders expressed a clear demand for up-to-date analysis that reflects emerging challenges and opportunities. Development agencies can provide both financial and technical support to update the report, ensuring that it remains a relevant and authoritative tool for policymakers. Beyond data updates, there is a critical need to expand the scope of the diagnostic to include additional thematic areas. Based on stakeholder feedback and dissemination event discussions, several key dimensions should be integrated into future diagnostic efforts:

1. Energy Inequality, including disparities in household access to conventional fuels and renewable energy technologies, particularly in remote and underserved regions.
2. Digital Access and Usage, extending beyond simple connectivity indicators to include measures of digital literacy, internet usage, and affordability.
3. Labor Inequality within the Green Transition, focusing on access to green jobs and vocational training in renewable energy and sustainable industries.
4. Impact Assessment of Key Policies, particularly the Village Fund (Dana Desa), to evaluate its effectiveness in reducing inequality and fostering inclusive local development.
5. Disparities in the Quality of Local Training Centers (Balai Latihan Kerja/BLK), with attention to differences in service quality and outcomes across regions.
6. Inequality in Transportation Infrastructure Access, assessing regional disparities in connectivity and access to economic opportunities through roads, ports, and public transport.

These proposed expansions align with Sustainable Development Goal 10 (SDG 10), which calls for reducing inequality within and among countries. Supporting more comprehensive diagnostics and evidence-based policy design directly contributes to SDG 10 targets, including enhancing income growth for the bottom 40 percent, promoting social and economic inclusion, and ensuring equal opportunity through inclusive policies.

In addition to research and diagnostics, development partners can play a central role in fostering multi-sectoral collaboration and capacity building at the subnational level. The diagnostic findings revealed considerable challenges in coordinating cross-sectoral policies at the provincial and district levels. Many local governments face capacity constraints in data management, policy design, and program implementation. Development agencies can provide targeted technical assistance and training programs to strengthen the capacity of local governments, particularly in data-driven policy making, participatory planning, monitoring and evaluation (M&E), and financial management. Enhanced capacity in these areas will enable local governments to design more effective policies to reduce inequality and ensure better outcomes from existing programs.

Development partners are also encouraged to support the scaling up of pilot projects and demonstration initiatives that offer context-specific solutions to regional inequality. Pilot initiatives can serve as laboratories for testing and refining approaches that address local drivers of inequality. For example, in Central Sulawesi, development partners could support livelihood restoration programs that combine cash-for-work with vocational training in post-disaster areas. In Bengkulu, they could fund agro-processing cluster development to foster structural transformation and rural employment creation. In Papua, community-led education programs, including mobile learning platforms for remote communities, could help bridge the human capital gap. In East Kalimantan, development partners could fund sustainable urban development initiatives linked to the relocation of the national capital, ensuring that benefits extend beyond urban centers to rural and indigenous communities.

Promoting inclusive and participatory governance is another essential area for development agencies to support. Reducing inequality requires governance systems that are inclusive, transparent, and accountable to citizens, particularly marginalized groups. Development partners can fund initiatives that enhance participatory planning processes at the provincial and district levels, enabling local communities, indigenous groups, and civil society organizations to have a meaningful voice in decision-making processes. They can also support social accountability mechanisms, such as participatory budgeting, citizen monitoring of public expenditures, and open data platforms to promote transparency in the allocation and use of public funds, including Special Autonomy and Village Funds.

An additional mechanism that development partners should consider is blended finance, which combines public and private capital to fund initiatives aimed at reducing inequality. Blended finance can de-risk investments in marginalized regions or sectors, encouraging private sector participation in projects that deliver social impact. For example, blended finance instruments could be used to support infrastructure development in underserved areas, such as rural road networks or renewable energy facilities, which may not attract purely commercial investment. Development agencies can play a catalytic role by providing guarantees, first-loss capital, or concessional financing to crowd in private capital. Blended finance initiatives should be designed with clear social impact targets, aligned with SDG 10, to ensure that they contribute to reducing inequality while promoting sustainable economic growth.

Finally, development agencies can contribute to ensuring that large-scale infrastructure projects, such as the Nusantara (IKN) relocation, are implemented with robust environmental and social safeguards. While such projects present opportunities for regional growth, they also risk exacerbating inequality if not carefully managed. Development partners should advocate for and fund environmental impact assessments (EIA), inclusive consultation processes, and frameworks for protecting the rights of indigenous and vulnerable populations. Support for land governance reforms, conflict resolution mechanisms, and sustainable resource management programs will be essential to ensure that economic development is equitable and environmentally sustainable.

The findings of the Inequality Diagnostic Report for Indonesia present clear pathways for development agencies to support Indonesia's efforts to reduce inequality. Aligning interventions with SDG 10 provides a unifying framework for development partners to guide strategy, monitor progress, and enhance accountability. Development agencies, by leveraging their comparative advantages in technical expertise, blended finance, and convening power, can help create a more enabling environment for inclusive and sustainable development.

Future development partner involvement should prioritize long-term engagement, adaptive programming, and the integration of innovative financing models such as blended finance. This approach will not only address immediate development gaps but also support systemic reforms needed to tackle the root causes of inequality in Indonesia's diverse regions.

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List of acronyms and abbreviations

ACEIR	African Centre of Excellence for Inequality Research
AFD	Agence française de développement
APBD	Local government budget
BKF	Ministry of Finances
BLK	Balai Latihan Kerja (Modernize Vocational Training)
BOS	School Operational Assistance
BPS	National Institute for Statistics
DAK	Dana Alokasi Khusus
Dana Desa	Village Fund
GRDP	Gross Regional Domestic Product
IKN	Indonesia Kapital Nusantara (future capital town for Indonesia)
JKN	Jaminan Kesehatan Nasional
LFPR	Labor force participation rate
LPEM FEB UI	Macroeconomics Lab of University of Indonesia (Jakarta)
MSMEs	micro, small, and medium enterprises
NGO	Non-governmental Organization
OCOP	One Company, One Person
OVOP	One Village, One Product
PKH	Keluarga Harapan
PIP	Program Indonesia Pintar
PODES	Village Potential Statistics
SUSENAS	National Socio-Economic Survey
SAKERNAS	National Labor Force Survey
RPJMN	National Medium-Term Development Plan
SMEs	Small and medium enterprises
UHC	Universal Health Coverage

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