



SEKRETARIAT WAKIL PRESIDEN
REPUBLIK INDONESIA

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A Changing World, a Changing Climate: Reducing poverty and building climate resilience

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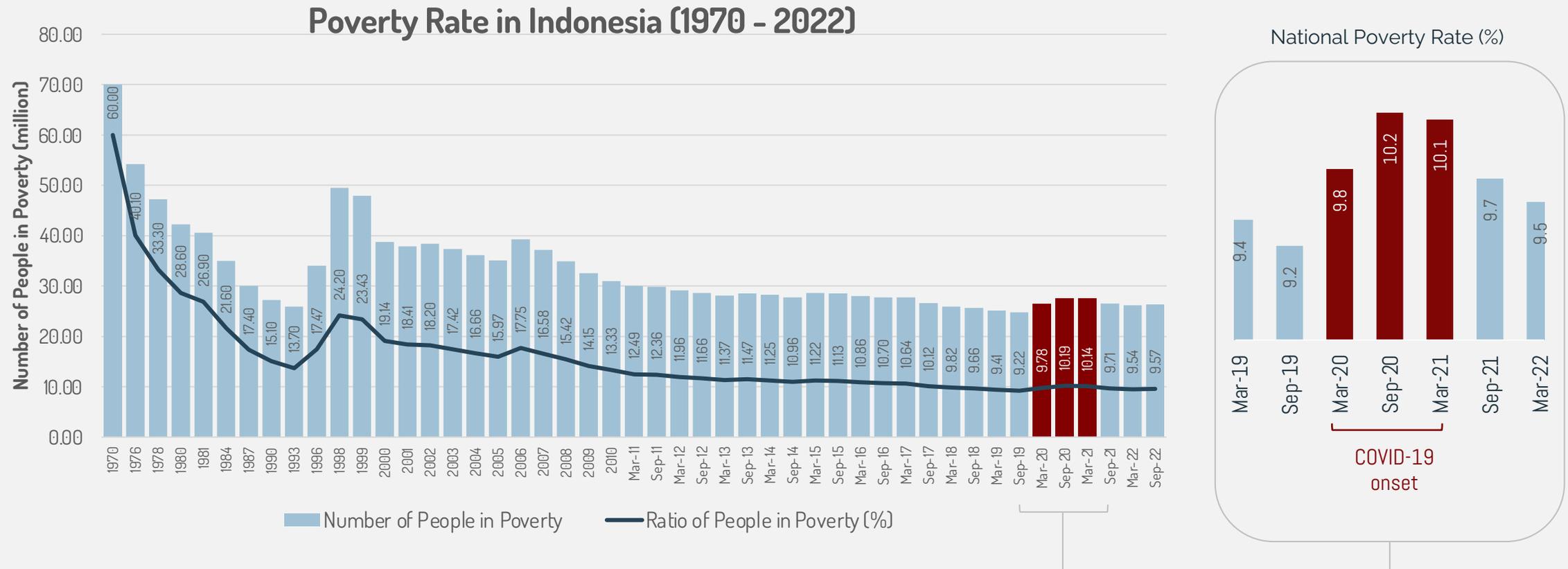
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Indonesia's Poverty Eradication Achievements

Up until the COVID-19 Pandemic, Indonesia's poverty rate reduction had been impressive and was mainly driven by **economic growth** and the expansion of **social protection programs**. However, progress has been flat after the COVID-19 Pandemic.



Source: STATISTICS INDONESIA, various years AND Poverty and Equity Brief, World Bank, 2022

Environmental Challenges

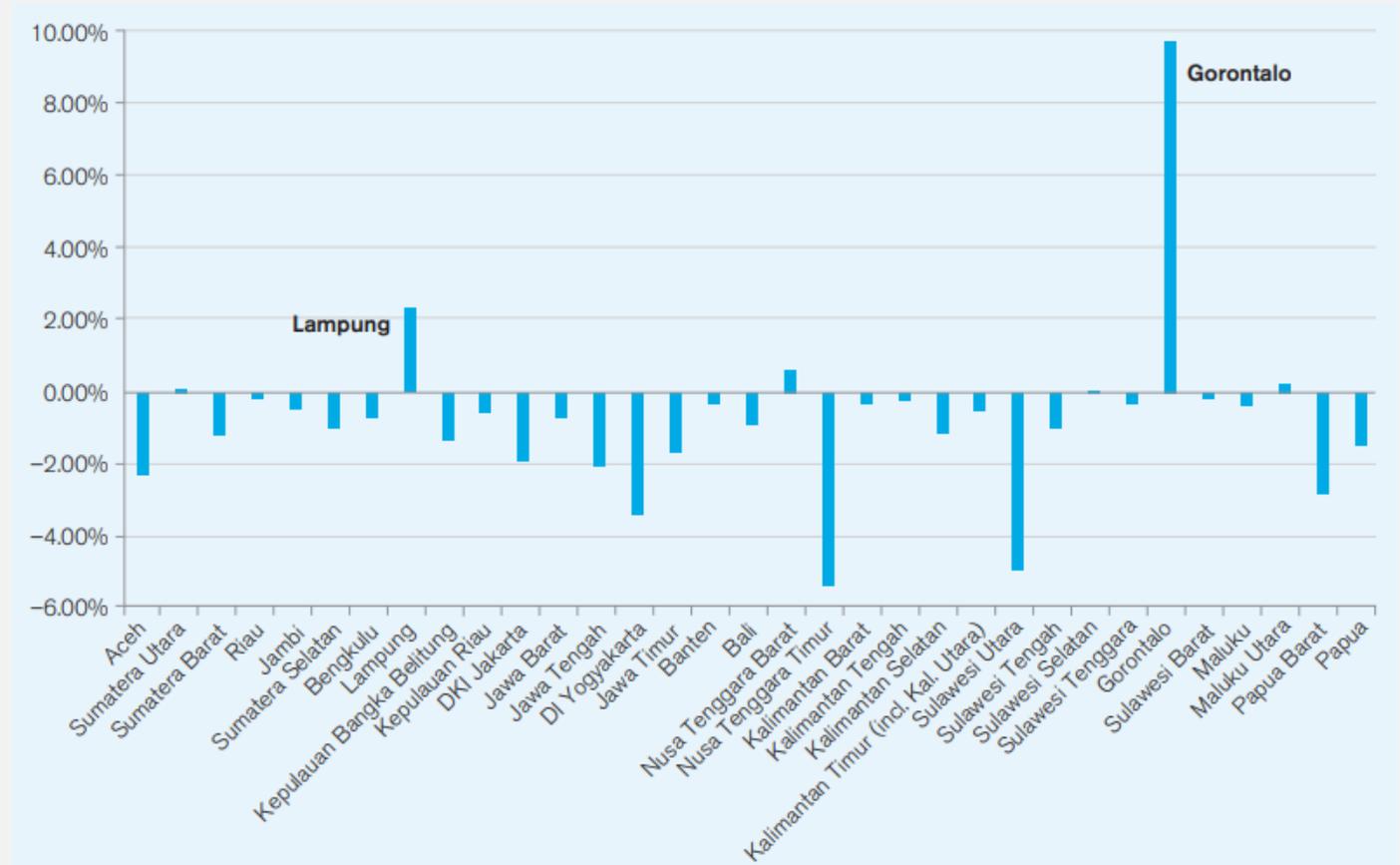
- While this achievement is remarkable, there is no reason to be complacent. Climate change poses a great challenge to Indonesia's social protection system. There are risks of:
 - Increased natural disaster frequency
 - Agricultural cycle disruption and failed crops, risking food price instability that are harmful for those in poverty and economic vulnerability
 - Displacement and forced migration, possibly leading to social tension
- Those in poverty often live in conditions that make it harder for them to cope with weather shocks and extreme temperatures:
 - They own few assets and have limited access to capital.
 - They also depend on sectors that are sensitive to climate change like agriculture and fisheries.
 - They live in areas more susceptible to climate change, such as the coastlines.



Climate Change Will Affect Income Per Capita

- The impacts of climate change falls more heavily on the poor than the rich.
(Skoufias, Rabassa, and Olivieri, 2011)
 - The impacts of the higher food prices associated with the global increase in temperatures are likely to have different effects on households who are food net producers compared to households who are food net consumers.
 - Increasing urbanization suggests that the number of food net consumers is likely to increase substantially. This suggests that the gradual global warming, as well as the increased incidence of extreme weather resulting from climate change, is likely to hurt urban wage labor much more than rural labor (self-employed in agriculture).
- It is expected that by 2050, the loss in income per capita due to climate change varies by 1%-5%.
- Loses in income are dominated by:
 - Climate change-related health impacts
 - Coastal province by sea level rises
 - Rural province by agricultural impacts

Projected Income Loss Due To Climate Change, 2050



Source: World Bank, 2021

A Way Forward

How should poverty reduction policies and programs we designed and delivered differently in the context of changing climate?

- The Indonesian social protection system needs to be able to weather this challenge. Ways forward include:
 - Ensuring that there is an updated information system for targeting purposes
 - Creating a dynamic data updating system to minimise exclusion error
 - Ensuring that programme design are inclusive (catering to diverse needs, especially marginalised groups like women, people with disability, and children) and complementary
 - Creating some flexibility in programme design to anticipate sudden shocks
 - Strengthening its social insurance schemes to cover those in the informal labour market, thus reducing vulnerability
- Such a SP system needs collaboration and coordination across the government and with non-governmental stakeholders.
- Equally important, other poverty reduction initiatives in different sectors need to be thought through in the context of a changing climate.
 - Economic growth needs to go hand in hand with a strong SP system in reducing poverty.
 - While an SP that builds toward climate resilience is the goal, there also needs to be larger policies that tackle climate change.



Thank You

