

## Subsidy Reduction Policy is Global Trend

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In the past few years, the government of Indonesia has issued policy that reduced certain subsidies, which prompted reactions from society. This policy, however, became a trend among world countries.

“Many countries have reduced subsidies and replace them with aid that is targeted for poor families,” said Benjamin Olken, researcher from Massachusetts Institute of Technology during the *Mubyarto Public Policy Forum* running on Wednesday (21/8) at Faculty of Economics and Business UGM.

He said as many as 40 countries had reformed the energy subsidies since 2014. The aid mentioned as ‘targeted transfers’ has actually flourished in developing countries. He said the social aid in Indonesia followed this trend and it actually created a series of new policy challenges.

“The challenge is new and different in emerging economies. We know experiences from developed countries cannot always be applied there,” he said.



The challenge consists of who deserves the aid and how to identify them, type of aid, how to ensure the aid is received by the right target, and impact on poverty and welfare. Therefore, research collaboration is needed between academicians and policy makers to deal with the challenge.

Executive Secretary of the Poverty Alleviation National Team, Bambang Widiyanto, shared the view, saying that evidence based approach was needed in the policy drafting.

“Our challenge is how to draft research based policy, so understanding of the problem is important,” he said.

*Mubyarto Public Policy Forum 2019* is part of a series of events of the 64th anniversary of the Faculty. The third time to be held, it is a collaboration with Australia National University. The Forum specifically discussed an article by Benjamin Olken entitled *Designing Anti-Poverty Programs in Emerging Economies in the 21st Century: Lessons from Indonesia for the World*.

“Poverty is a serious problem to address. Although the poverty rate in Indonesia has reduced, but there are still 25 million people living under the poverty threshold,” said Vice-Dean of the faculty, Amirullah Setya Hardi, Cand.Oecon., Ph.D.

Other speakers in the Forum were UGM lecturers, Dr. Elan Satriawan, Mulyadi Sumarto, and Dr. Firman Witoelar Kartaadipoetra, ANU Indonesia Project representative.

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