

Beyond Economic Recovery: Membangun Kesejahteraan Masyarakat Indonesia yang Berkelanjutan

*An Academic Narrative on Inclusive, Resilient, and Sustainable Prosperity in
Indonesia*

By

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BEYOND ECONOMIC RECOVERY

Building Sustainable Well-Being for the People of Indonesia

An integrated path toward inclusive growth, resilience, equity, and long-term prosperity.



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1 Inclusive Growth
broad-based growth
that benefits all.



2 Decent Jobs
productive employment
and better livelihoods.



3 Human Capital
education, health,
and lifelong skills.



4 MSMEs & Innovation
entrepreneurship,
productivity, and
digitalization.



5 Social Protection
resilience for
vulnerable
households.



**6 Green & Regional
Development**
sustainable, balanced
growth across
Indonesia.

STRATEGIC DIRECTION



Productivity



Equity



Resilience



Sustainability

“ Recovery is not the final destination;
sustainable well-being is the true
measure of progress. ”



*Toward a more just, resilient,
and sustainable Indonesia.*

Abstract

Indonesia's economic recovery has demonstrated resilience, but the deeper national challenge is to transform recovery into sustainable well-being. Economic growth is necessary, yet it is not sufficient when growth does not consistently translate into secure livelihoods, equitable access to quality education and health care, resilient communities, environmental integrity, and meaningful opportunities across regions and generations. This article develops a multidimensional framework for moving beyond a recovery-centred policy mindset toward a well-being-centred development strategy. It combines the capability approach, inclusive-growth thinking, social resilience, green transformation, digital inclusion, institutional quality, and intergenerational justice. The Indonesian context is particularly important because rapid structural transformation is occurring alongside persistent informality, regional disparities, demographic change, technological disruption, climate risks, and a continuing need to strengthen productivity. Recent official indicators show a relatively strong macroeconomic base: Indonesia's economy grew by 5.11 percent in 2025 and by 5.61 percent year-on-year in the first quarter of 2026; poverty fell to 8.25 percent in September 2025; the Gini ratio declined to 0.363; and the Human Development Index reached 75.90 in 2025. These gains create policy space, but they also raise the standard by which progress should be judged. The article argues that sustainable prosperity requires a transition from short-term stabilization to long-term capability building; from job quantity to job quality; from social assistance alone to social protection plus empowerment; from infrastructure expansion to spatial connectivity and productivity; from digital adoption to digital justice; and from extractive growth to a low-carbon, nature-positive economy. The central proposition is that Indonesia's future success should be measured not merely by how fast it grows after disruption, but by whether citizens gain durable capabilities, economic security, social dignity, ecological safety, and greater freedom to shape their own lives.

Keywords: economic recovery; sustainable well-being; inclusive growth; human development; social protection; productivity; green economy; digital inclusion; regional equality; Indonesia; resilience; Vision 2045

Contemporary Indonesian Context

Indicator	Latest figure used in this article
Real GDP growth, 2025	5.11%
Real GDP growth, Q1 2026 (year-on-year)	5.61%
Poverty rate, September 2025	8.25% (23.36 million people)
Gini ratio, September 2025	0.363
Open unemployment rate, August 2025	4.85%
Human Development Index, 2025	75.90

1. From Recovery to Sustainable Well-Being

Economic recovery is conventionally understood as the restoration of output, employment, investment, and confidence after a shock. That definition is useful, but incomplete. A country may recover statistically while households remain economically insecure, informal workers remain exposed to income volatility, young people struggle to convert education into productive careers, and poorer regions continue to lag behind national averages. A more demanding idea of recovery therefore asks what the economy is recovering for. The answer proposed in this article is sustainable well-being: a condition in which people can maintain decent living standards, develop their capabilities, withstand shocks, participate in economic and social life, and pass on a viable ecological and institutional inheritance to future generations.

Indonesia enters this discussion from a position of relative macroeconomic resilience. Statistics Indonesia reported real GDP growth of 5.11 percent in 2025, while the first quarter of 2026 recorded 5.61 percent year-on-year growth. These are important achievements in a world characterized by geopolitical fragmentation, uncertain trade conditions, technological disruption, and climate-related risks. Yet the fundamental development question is not whether Indonesia can maintain growth around a particular rate; it is whether growth can become more productive, more inclusive, more geographically balanced, and more environmentally durable.

The language of “beyond recovery” changes the policy horizon. Recovery policies often prioritize speed: restoring consumption, supporting liquidity, stabilizing employment, and reopening productive activity. Sustainable well-being requires a longer time horizon and a broader set of objectives. It asks whether workers can move from vulnerable employment into jobs with higher productivity and better protection; whether micro and small enterprises can graduate into stronger firms; whether villages can become nodes of value creation rather than reservoirs of low-productivity labour; and whether digital and green transitions create mobility instead of new forms of exclusion.

The concept also changes how national success is measured. GDP remains indispensable because without production, income, and fiscal capacity, social progress becomes difficult to finance. But GDP must be read alongside poverty, inequality, health, education, employment quality, housing, social trust, environmental quality, and regional opportunity. Indonesia’s falling poverty rate and Gini ratio are encouraging, but they should be interpreted as milestones rather than endpoints. A household slightly above the poverty line can remain one illness, job loss, crop failure, flood, or price shock away from serious hardship.

Sustainable well-being therefore requires economic institutions that convert growth into capabilities. It involves markets that reward innovation, public institutions that protect basic rights and expand opportunity, communities that generate social capital, and ecological systems that remain capable of supporting livelihoods. The central theme is transformation rather than temporary relief. A resilient economy does not merely return to its pre-shock trajectory; it uses disruption as an opportunity to build a better trajectory.

2. The Conceptual Foundation: Capabilities, Inclusion, and Sustainability

A useful intellectual starting point is the capability approach associated with Amartya Sen. Development, in this perspective, concerns the substantive freedoms people possess to live the kinds of lives they have reason to value. Income matters because it expands choices, but income alone is not the final objective. Two households with similar incomes may experience very different levels of well-being because of differences in health, disability, local infrastructure, education, gender relations, social norms,

environmental conditions, or access to public services. Sustainable prosperity must therefore widen effective opportunities, not merely raise average purchasing power.

Inclusive growth adds an important economic dimension. It asks whether growth is broad-based across sectors and social groups, whether lower- and middle-income households participate in the process of growth, and whether opportunities for productive employment expand. Anand, Mishra, and Peiris argue that inclusive growth should be assessed by considering both the pace of income growth and the distribution of its benefits. This is highly relevant for Indonesia, where national aggregates can conceal substantial differences among provinces, urban and rural areas, formal and informal workers, and people with different levels of education.

Sustainability introduces intergenerational responsibility. A development strategy cannot be considered successful if present prosperity is financed by irreversible ecological degradation, excessive resource depletion, unmanageable fiscal liabilities, or the erosion of institutional trust. Sustainable well-being requires that current gains do not systematically reduce the capabilities of future citizens. This principle is especially significant in Indonesia because forests, peatlands, coastal systems, marine resources, mineral wealth, and biodiversity have global as well as national value.

These perspectives can be integrated into a four-dimensional framework. The first dimension is productive prosperity: growth, productivity, innovation, enterprise development, and decent work. The second is human capability: health, education, skills, housing, digital literacy, and social mobility. The third is social and spatial inclusion: poverty reduction, social protection, gender equality, regional convergence, and participation. The fourth is ecological and institutional resilience: climate adaptation, decarbonization, environmental stewardship, fiscal sustainability, rule-based governance, and institutional learning.

The advantage of this integrated framework is that it avoids false choices. Economic growth and social inclusion are not inherently opposing goals; productivity growth can finance social investment while better health and education can raise productivity. Likewise, environmental protection and industrial development need not be treated as permanent adversaries. With appropriate technologies, incentives, standards, and transition support, green transformation can generate new industries and jobs. The central managerial task is to design complementarities, sequence reforms, and recognize trade-offs early enough to manage them intelligently.

3. Indonesia's Post-Recovery Economic Position

Indonesia's recent macroeconomic performance provides a credible platform for a more ambitious well-being agenda. In 2025, GDP at current market prices reached IDR 23,821.1 trillion, and GDP per capita reached approximately IDR 83.7 million according to Statistics Indonesia. Growth was 5.11 percent, slightly above the 5.03 percent recorded in 2024. In the first quarter of 2026, the economy grew 5.61 percent year-on-year. These figures indicate resilience, but they also highlight a long-standing structural question: how can Indonesia translate steady growth into faster productivity gains and stronger convergence toward high-income status?

The OECD has emphasized that Indonesia's economic convergence has slowed partly because labour productivity growth has weakened. This point is crucial. A country can expand employment and investment without achieving enough productivity growth to raise wages rapidly. If productivity remains modest, firms face limitations in competing internationally, workers experience slower income gains, and government

revenue grows less dynamically than it otherwise could. A sustainable well-being strategy must therefore treat productivity not as a narrow business issue but as a social policy concern.

Productivity improvement depends on complementary assets. Physical infrastructure matters, but so do logistics reliability, energy quality, digital connectivity, worker skills, managerial capability, competitive markets, research capacity, and predictable regulation. For many Indonesian firms, especially MSMEs, the productivity challenge is not one single technological gap; it is a system of constraints involving finance, standards, market access, digital capability, supply-chain integration, and management practices.

Another structural issue is the spatial concentration of economic activity. In the first quarter of 2026, Java accounted for 57.24 percent of Indonesia's economic structure. Agglomeration can raise efficiency because firms, workers, universities, suppliers, and services benefit from proximity. Yet excessive concentration can also increase congestion, housing costs, environmental pressure, and regional inequality. The goal should not be to weaken successful metropolitan economies, but to build additional growth centres through better connectivity, urban governance, industrial specialization, educational institutions, and local innovation ecosystems.

A mature post-recovery strategy must therefore combine macroeconomic stability with structural upgrading. Stability creates confidence, but productivity creates long-term income growth. Infrastructure reduces transaction costs, but institutions determine how effectively infrastructure is used. Investment expands capacity, but skills and competition influence its returns. Social spending protects people, but empowerment and productive inclusion determine whether protection becomes a bridge to mobility. Indonesia's challenge is not simply to grow; it is to make the architecture of growth increasingly capable of producing durable well-being.

4. Poverty Reduction and the Vulnerability Above the Poverty Line

Indonesia's reduction in poverty is a major development achievement. Statistics Indonesia reported that the national poverty rate fell to 8.25 percent in September 2025, representing 23.36 million people. Urban poverty was 6.60 percent and rural poverty 10.72 percent. These figures show continued progress, but they also reveal the importance of distinguishing chronic poverty, transient poverty, and economic vulnerability.

The poverty line identifies a critical minimum, but it does not capture the full distribution of insecurity. Many households above the official line still have limited savings, incomplete insurance coverage, irregular income, or high exposure to food-price movements. For them, a modest shock can reverse years of progress. A serious well-being strategy must therefore focus not only on moving households across a statistical threshold but on increasing their resilience after they cross it.

This requires a layered social-protection system. The poorest households need reliable and well-targeted assistance to protect nutrition, schooling, health access, and basic consumption. Near-poor and vulnerable households need mechanisms that prevent shocks from pushing them downward, including health insurance, employment protection, disaster-response systems, affordable credit, and opportunities for reskilling. Working households need pathways toward better wages and formalization. The policy objective should be a ladder: protection at the bottom, stabilization in the middle, and capability expansion throughout the income distribution.

The social-protection system is most powerful when connected to local economic development. Cash transfers can prevent immediate hardship, but they cannot alone create high-productivity livelihoods. Programs should increasingly connect eligible households to skills development, childcare, health services, agricultural extension, enterprise support, job-matching, and local infrastructure. Such linkages must be designed carefully; social assistance should not be made so conditional that vulnerable people lose protection because markets or services are absent. The state should expand capabilities before expecting behavioural transitions that require those capabilities.

Poverty policy must also recognize lifecycle risks. Children need nutrition and education; young adults need skills and first-job opportunities; parents need childcare, housing, and employment security; older people need income and health protection. Disability, illness, divorce, disaster, and caregiving can affect household economics at any stage. A sustainable system therefore follows people across the life course and makes it easier for citizens to move from dependence to agency without being abandoned during moments of vulnerability.

The ultimate test of poverty reduction is not only whether poverty falls in a favourable year, but whether families can remain above poverty during adversity and continue improving their life chances. That is the transition from statistical poverty reduction to durable economic security.

5. Inequality, Social Mobility, and the Distribution of Opportunity

Indonesia's Gini ratio declined to 0.363 in September 2025, from 0.375 in March 2025 and 0.381 in September 2024. The decline is encouraging because inequality can weaken social cohesion and reduce the extent to which growth translates into broad welfare gains. Yet inequality must be examined not only as an outcome but as a process. The key issue is whether people from different backgrounds have meaningful opportunities to improve their social and economic position.

Opportunity inequality can persist even when expenditure inequality declines. A child's place of birth may influence school quality, internet access, health services, exposure to pollution, transport options, and future employment networks. Families with assets can finance higher-quality education, absorb periods of unemployment, start businesses, or move to cities with better opportunities. Poorer households may be forced to make short-term choices that reduce long-term capability, such as withdrawing from education or accepting low-quality work.

Social mobility therefore depends on universal foundations and targeted support. Universal foundations include quality basic education, primary health care, safe water, sanitation, digital connectivity, civil registration, and basic legal protection. Targeted support is needed where barriers are deeper: remote communities, people with disabilities, women facing care burdens, informal workers, and households exposed to repeated disasters. Good social policy combines universalism in essential rights with targeting where constraints are unequal.

Taxation and public expenditure are also central to the distribution of opportunity. Revenue mobilization should be efficient, fair, and predictable, while spending should prioritize investments with high social returns. The question is not simply how much government spends, but how well it converts fiscal resources into learning, health, connectivity, security, and productivity. Poorly targeted subsidies can consume large fiscal resources without transforming capabilities; high-quality public services can have redistributive effects even when direct cash redistribution is limited.

Economic competition matters as well. When markets are contestable, new firms can enter, consumers gain choices, and innovative businesses can grow. When rents and privileges become entrenched, inequality of wealth can translate into inequality of opportunity. Competition policy, transparent procurement, regulatory simplification, and equal treatment of firms are therefore part of the well-being agenda.

A sustainable society does not require identical outcomes, but it does require credible pathways for advancement. Citizens should be able to believe that effort, learning, entrepreneurship, and public contribution can improve their lives. When mobility is real, growth gains legitimacy. When mobility is blocked, even strong aggregate growth may feel distant from everyday experience.

6. From Employment Quantity to Employment Quality

Employment is one of the most important mechanisms connecting economic growth to household well-being. In August 2025, Indonesia's open unemployment rate stood at 4.85 percent, with 146.54 million people employed. The average employee wage was IDR 3.33 million per month. The reduction in unemployment is positive, but a sustainable well-being strategy must look beyond whether people have work and ask what kind of work they have.

Job quality includes earnings, stability, social insurance, occupational safety, predictable hours, opportunities for learning, voice at work, and prospects for advancement. These dimensions are particularly important in an economy where informal employment remains widespread. Informality provides livelihoods and entrepreneurial flexibility, but it often comes with low productivity and weak protection. Formalization should therefore not be pursued mainly through enforcement; it should be made economically attractive by reducing administrative costs, improving access to finance and markets, simplifying compliance, and extending social protection.

The future of work adds another layer. Artificial intelligence, robotics, digital platforms, and process automation will change task structures across manufacturing, services, administration, logistics, finance, education, and health. The important policy question is not whether technology eliminates or creates jobs in the abstract. It is whether Indonesia can shape technological adoption so that workers complement new technologies, move into higher-value tasks, and share productivity gains.

That requires a lifelong-learning infrastructure. Traditional education systems front-load learning into the first two decades of life, but technological change makes that model increasingly inadequate. Workers will need modular credentials, employer-linked training, digital skills, technical skills, management skills, and transferable capabilities such as problem solving and communication. Training must be evaluated by labour-market outcomes, not only by enrolment.

Job quality also depends on the sectoral pattern of growth. High-productivity manufacturing, modern services, sustainable agriculture, tourism, creative industries, health services, care services, renewable energy, and the digital economy can all contribute, but they require different skills and institutions. Industrial policy should therefore be connected to workforce policy. When government supports a sector, it should simultaneously ask what supplier capabilities, vocational programs, research partnerships, and regional institutions are needed to make that sector a broad engine of learning.

The objective is a labour market in which economic change becomes a source of mobility rather than persistent insecurity. That means protecting workers without freezing the structure of employment,

supporting firms without insulating them from competition, and investing in people so they can move as technologies and markets evolve.

7. Human Capital as the Core Infrastructure of Prosperity

Roads, ports, power systems, and digital networks are visible forms of infrastructure, but human capital is the infrastructure that determines how effectively all other assets are used. Indonesia's Human Development Index reached 75.90 in 2025, with improvements in longevity, schooling indicators, and adjusted real per capita expenditure. This progress deserves recognition, yet the next stage requires a stronger focus on quality and capability rather than access alone.

Education is central because productivity increasingly depends on the ability to learn, adapt, collaborate, and use technology. The OECD has noted concerns about learning outcomes and skills alignment in Indonesia. The strategic response should begin in early childhood, where nutrition, language development, and socio-emotional foundations shape later learning. It should continue through primary and secondary education, where literacy, numeracy, science, digital competence, and critical thinking must become practical outcomes rather than curriculum aspirations.

Higher education and vocational education need closer interaction with economic transformation. Universities should not become narrow training centres for current jobs, because their role includes research, critical inquiry, citizenship, and long-term knowledge creation. However, they should have stronger mechanisms for engaging with industry, government, communities, and entrepreneurship ecosystems. Polytechnic and vocational pathways can be strengthened through apprenticeships, competency-based training, employer partnerships, and flexible re-entry for adult learners.

Health is equally fundamental. A productive workforce requires preventive care, maternal and child health, adequate nutrition, mental health support, occupational health, and protection from catastrophic medical costs. Health investments have both intrinsic value and economic returns. Healthy children learn better; healthy adults work more consistently; healthy older people can remain socially active longer.

Human capital policy must also address unequal conversion of education into opportunity. Graduates in remote regions may have qualifications but lack access to firms, networks, or digital infrastructure. Women may have strong educational attainment but face childcare constraints or discriminatory practices. People with disabilities may possess skills but encounter inaccessible workplaces. Therefore, capability-building must be connected to labour-market institutions, transport, housing, digital systems, and social norms.

The deeper principle is that human capital should not be treated as a cost centre in the national budget. It is a productive asset with long-duration returns. Countries that sustain prosperity typically combine physical investment with strong institutions for learning, health, and innovation. Indonesia's demographic scale makes this especially consequential: small improvements in capability across millions of people can generate large national effects.

8. MSMEs, Entrepreneurship, and the Path from Survival to Scale

Micro, small, and medium enterprises are central to Indonesia's economic and social landscape. They provide livelihoods, support local markets, absorb labour, preserve cultural industries, and create entry points for entrepreneurship. Yet the category "MSME" covers a wide range of businesses, from necessity-

driven household enterprises to innovative firms with potential to enter national and global value chains. Policy should therefore distinguish between survival, stabilization, growth, and scaling stages.

For subsistence enterprises, the most urgent needs may be income security, simple bookkeeping, market access, affordable working capital, and social protection. For growth-oriented firms, the constraints may involve product quality, certification, technology, management, logistics, intellectual property, digital marketing, or access to larger buyers. A one-size-fits-all program risks providing generic training without solving the firm's binding constraint.

Digitization creates important opportunities. E-commerce, digital payments, cloud services, AI-assisted marketing, and online procurement can reduce market-entry barriers. Yet digitalization does not automatically equal empowerment. Firms need digital literacy, cybersecurity awareness, reliable connectivity, and bargaining power on platforms. They also need the capacity to interpret data and integrate digital tools into actual business processes.

Finance remains important, but credit should be connected to productive capability. Easy credit without sound business models can increase vulnerability. Conversely, firms with strong market opportunities may fail to invest because they lack collateral or formal records. Alternative credit assessment, invoice financing, supply-chain finance, cooperative mechanisms, and improved financial reporting can help bridge this gap.

The strongest MSME strategy is ecosystem-based. Local governments, banks, universities, vocational institutions, logistics providers, large firms, digital platforms, and business associations can create regional support systems that help firms learn and connect. Public procurement can also be used strategically, provided standards and competition are maintained. When smaller firms become suppliers to larger organizations, they gain opportunities to upgrade quality and management.

The objective should not be to keep enterprises permanently small. Some firms will remain micro by choice and can still provide dignified livelihoods. Others should have a credible path to becoming small, medium, and eventually large firms. A dynamic economy allows successful enterprises to scale while unsuccessful experiments can exit without destroying household security. Entrepreneurship policy should therefore combine opportunity, learning, finance, competition, and social protection.

9. Rural Transformation, Agriculture, and Food-System Prosperity

Sustainable well-being in Indonesia cannot be achieved through metropolitan development alone. Rural areas remain essential to food security, ecosystem stewardship, cultural continuity, and the livelihoods of millions. The fact that rural poverty in September 2025 remained higher than urban poverty underscores the importance of rural productivity and diversification.

Agricultural development should move beyond the idea of increasing raw output. Farmers gain more durable prosperity when they participate in value chains that include storage, processing, branding, logistics, quality control, and market intelligence. Reducing post-harvest losses can be as important as raising yields. Digital price information, weather services, precision agriculture, and traceability can improve decision-making, but technologies must be adapted to farm size, local conditions, and farmer capability.

Land, water, and ecological management are critical. Agricultural productivity that depends on soil degradation, excessive chemical use, groundwater depletion, or ecosystem destruction is not sustainable productivity. Regenerative practices, integrated pest management, agroforestry, efficient irrigation, and

climate-resilient crops can help align farm income with environmental stewardship. Farmers should not be expected to bear the full cost of ecological services that benefit society; payment mechanisms and incentives can reward conservation outcomes where appropriate.

Rural transformation also requires non-farm opportunities. Agro-processing, tourism, renewable energy, repair services, digital work, logistics, and local manufacturing can diversify income and reduce vulnerability to agricultural shocks. Secondary towns can play an important role by connecting villages to hospitals, schools, markets, financial services, and larger transport networks.

Young people are particularly important. If agriculture is associated only with low income and manual labour, rural youth will understandably seek alternatives. Modern agriculture should therefore become more knowledge-intensive, entrepreneurial, technology-enabled, and connected to downstream industries. Agricultural education can combine agronomy with business management, digital tools, climate science, and supply-chain skills.

Food policy must also balance producer and consumer interests. High food prices may benefit some producers but harm poor consumers; artificially low prices can protect consumers while weakening incentives for farmers. The long-term solution is productivity, logistics efficiency, market competition, and targeted social protection rather than persistent distortion. A well-functioning food system contributes simultaneously to nutrition, rural prosperity, price stability, and national resilience.

10. Regional Equality and a Polycentric Indonesia

Indonesia's geography creates both extraordinary diversity and formidable development challenges. An archipelagic state cannot rely on a single spatial model. Differences in population density, distance, infrastructure, resource endowments, institutional capacity, and market size mean that development policy must be place-sensitive.

A polycentric strategy aims to create multiple centres of economic dynamism rather than concentrating advanced services and high-productivity opportunities in a small number of metropolitan areas. This does not mean every region should specialize in the same industries. On the contrary, effective regional policy builds on distinctive assets: fisheries and marine industries in some areas, agro-processing in others, tourism, mining-related downstream industries, renewable energy, education hubs, digital services, or specialized manufacturing.

Connectivity is essential, but connectivity should be measured by economic function, not only kilometres of infrastructure. A road has greater developmental value when it reliably connects producers to markets, children to schools, patients to health facilities, and firms to ports. Digital connectivity similarly creates value when people possess devices, skills, relevant services, and trust. Infrastructure planning should therefore be integrated with land use, local enterprise development, public services, and regional industrial strategy.

Decentralization creates opportunities for innovation because local governments understand local conditions. It also creates variation in administrative capacity. Strengthening local government management, procurement, data systems, fiscal planning, and public-service design is therefore central to regional equality. Capacity-building should be treated as an institutional investment rather than a series of short training events.

Intergovernmental transfers can reduce disparities, but fiscal equalization should be linked to incentives for service quality and local revenue capability without penalizing poorer regions. Transparent performance information can help citizens and national agencies identify where resources translate effectively into outcomes.

Regional development also has a social dimension. Migration to cities is a normal feature of structural transformation and should not be discouraged by making people immobile. The goal is to make migration a choice rather than a necessity caused by the absence of basic opportunity. People should be able to remain in their home regions and prosper, or move and integrate successfully elsewhere. A more balanced Indonesia is therefore not a country without migration, but a country with more genuine geographic choices.

11. Digital Transformation: From Access to Digital Justice

Digital transformation can lower transaction costs, expand market access, improve public services, and democratize information. Indonesia's digital economy has grown rapidly, but the benefits of digitalization are unevenly distributed. Research on regional digital development has found significant spatial differences, with stronger digital outcomes concentrated in major metropolitan areas and weaker outcomes in remote and peripheral regions.

The first layer of digital inclusion is infrastructure: connectivity, electricity, devices, and affordability. The second is capability: literacy, skills, language, accessibility, and confidence. The third is institutional quality: privacy, cybersecurity, consumer protection, interoperability, and fair competition. The fourth is economic agency: the ability of citizens and firms to use digital systems to create value rather than merely consume services.

This distinction matters because inclusion can occur on unfavourable terms. A small merchant may join a digital platform but become dependent on opaque algorithms and fees. A gig worker may gain flexible access to work but bear greater income risk. A citizen may gain convenient digital public services but face exclusion if identity systems, interfaces, or connectivity fail. Digital justice therefore asks who controls data, who captures value, who carries risk, and who can challenge automated decisions.

Artificial intelligence intensifies these issues. AI can improve diagnostics, education, logistics, agricultural advice, public administration, financial services, and enterprise productivity. But AI also creates concerns about bias, surveillance, labour displacement, misinformation, intellectual property, and concentration of computational power. Indonesia should approach AI as an infrastructure of capability rather than a prestige technology. The priority should be high-value applications that solve real problems while protecting rights.

Digital public infrastructure can play an enabling role when built around interoperability, security, inclusion, and public accountability. Open standards can lower entry barriers for innovators. Strong privacy governance can build trust. Accessible design can prevent exclusion of older people and persons with disabilities. Local-language technologies can widen participation.

The policy objective is not maximum digitalization for its own sake. Some services should remain available through human and offline channels. The aim is to create a digital environment in which technology expands choices, improves productivity, and reduces geographic barriers without creating new forms of dependency. Digital transformation becomes a well-being strategy when people gain more agency from technology than technology gains from their data.

12. The Green Transition as a Development Strategy

Climate change and ecological degradation make it impossible to separate long-term prosperity from environmental sustainability. Indonesia faces risks from sea-level rise, floods, droughts, heat, changing rainfall, forest and peat fires, biodiversity loss, and coastal degradation. At the same time, the global shift toward low-carbon technologies creates industrial and investment opportunities.

The green transition should therefore be treated as an economic transformation agenda rather than only an environmental compliance agenda. Renewable energy, grid modernization, energy efficiency, electric mobility, sustainable materials, circular production, ecosystem restoration, climate-smart agriculture, and green buildings can generate demand for new skills and businesses. Indonesia's mineral resources also create opportunities in clean-technology value chains, but downstream development should meet high environmental and social standards if it is to be genuinely sustainable.

A just transition is essential. Regions and workers dependent on carbon-intensive sectors may face adjustment costs. Policies should identify vulnerable communities early, diversify local economies, provide retraining, support small suppliers, and invest in new infrastructure. Transition support is more effective when offered before large-scale displacement occurs.

Nature must also be treated as productive capital. Forests regulate water, store carbon, support biodiversity, and sustain livelihoods. Mangroves protect coastlines and fisheries. Healthy watersheds reduce disaster risks. Conventional accounting often undervalues these functions because many ecosystem services are not priced. Better natural-capital accounting can improve decisions by making ecological costs and benefits more visible.

Inclusive green growth requires distributional awareness. Environmental taxes and energy-price reforms can improve incentives, but they may affect poorer households disproportionately if introduced without compensation. Green infrastructure projects can create jobs, but local communities should participate in planning and benefit sharing. Conservation measures can protect national assets, but indigenous and local rights must be respected.

The green transition can become a source of national competitiveness if policy is consistent. Firms invest when standards, incentives, infrastructure, and future direction are credible. Universities and vocational institutions can prepare green skills. Public procurement can create demand for lower-carbon products. Finance can incorporate environmental risk. In this way, sustainability moves from being a constraint on development to becoming a framework for higher-quality development.

13. Social Protection as a Platform for Agency

Social protection is sometimes described as consumption support, but its role is broader. Properly designed, it protects human capital, stabilizes demand during shocks, prevents distress asset sales, and allows people to take productive risks. A household with reliable health coverage and basic income security may be more willing to move for a job, invest in training, or start a business because failure is less catastrophic.

The Indonesian system should continue moving toward integrated lifecycle protection. This means coordinating assistance for poverty, health insurance, employment injury, unemployment, old age,

disability, maternity, children, and disasters. Fragmentation creates administrative complexity and can leave people falling between programs as their employment status changes.

Digital systems can improve targeting and delivery, but they must be governed carefully. Administrative data are never perfect. Households move, incomes fluctuate, families change, and informal livelihoods are difficult to measure precisely. Effective systems need grievance mechanisms, human review, data correction, and the ability to respond rapidly during emergencies. Inclusion errors matter, but exclusion errors can be socially devastating.

A platform-for-agency approach connects protection to opportunity without turning social assistance into punishment. Beneficiaries should have access to job information, childcare, skills training, health services, entrepreneurship programs, and financial inclusion. But participation requirements should reflect local labour-market realities. It is unfair to demand job placement where jobs are scarce or to require digital processes where connectivity is unreliable.

Portability is increasingly important. Workers may move between formal employment, gig work, self-employment, and family enterprises. Social protection should follow the person rather than remain tied rigidly to one employment relationship. This is particularly relevant in a future labour market shaped by platforms and flexible work.

Fiscal sustainability must also be considered. Expanding protection requires clear priorities, efficient administration, appropriate contributions where feasible, and continued revenue reform. The argument for social protection is not that government can eliminate all risk. Rather, society can pool risks that individuals cannot efficiently bear alone and can prevent temporary misfortune from becoming permanent loss of capability.

When well designed, social protection is not the opposite of self-reliance. It is part of the institutional foundation that makes self-reliance more realistic.

14. Housing, Cities, and the Everyday Geography of Well-Being

Economic well-being is experienced in places. Housing quality, commuting time, access to schools and clinics, neighbourhood safety, air quality, water supply, sanitation, green space, and exposure to disasters shape daily life as much as income does. Rapid urbanization therefore makes housing and urban management central to sustainable prosperity.

Affordable housing should be understood as part of a system rather than as a stand-alone construction target. A cheap house far from employment can impose high transport costs and long commuting times. Dense housing without public space or drainage can create health and flood risks. Formal housing that excludes informal workers from financing can reproduce inequality. Good housing policy coordinates land, transport, finance, infrastructure, and local economic geography.

Transit-oriented development can increase access to opportunity while reducing congestion and emissions. Mixed-use neighbourhoods can support small businesses and shorten daily trips. Upgrading informal settlements can improve living conditions without displacing communities from employment networks. Secure tenure can encourage household investment, but tenure reform must avoid speculative exclusion.

Cities also need climate resilience. Heat, flooding, sea-level rise, and extreme rainfall affect poorer households disproportionately because they often live in more exposed locations and have fewer resources for adaptation. Urban resilience therefore requires drainage, early-warning systems, nature-based solutions, building standards, emergency services, and social protection.

Secondary cities deserve particular attention. If they become well-managed centres of education, health, logistics, digital services, and enterprise, they can reduce pressure on megacities and support surrounding rural economies. Their development can strengthen a polycentric national structure.

The World Bank's recent Indonesia Economic Prospects has emphasized housing as a pathway from homes to jobs and prosperity. This framing is valuable because it recognizes housing as productive infrastructure. Construction itself creates employment, but the deeper effect comes from how housing shapes access to labour markets, education, health, and community.

A well-being-oriented city is not simply a larger city or a more technologically sophisticated city. It is a city that reduces the time and money citizens must spend overcoming spatial barriers. Urban productivity and human dignity are deeply connected.

15. Fiscal Policy, Public Investment, and the Quality of the State

Sustainable well-being requires a capable state, not necessarily a state that performs every economic function directly. Government must provide public goods, regulate externalities, protect rights, pool risks, invest in capabilities, and create predictable rules within which private initiative can flourish.

Fiscal policy is the mechanism through which many of these responsibilities are financed. The quality of spending is as important as its quantity. Public investment should be assessed by lifecycle benefits, maintenance requirements, distributional effects, and complementarities with other assets. A road without maintenance deteriorates; a school without capable teachers underperforms; a digital platform without cybersecurity creates risk.

Revenue mobilization is therefore part of the development agenda. A broad, fair, and administratively efficient tax system creates room for human capital, social protection, infrastructure, and climate investment. Tax reform should seek to reduce unnecessary complexity while improving compliance and legitimacy. Citizens are more willing to support taxation when they can see credible public value.

Fiscal policy must also manage intergenerational trade-offs. Borrowing can be appropriate when used for productive investment that benefits future taxpayers, particularly during downturns. But persistent liabilities without corresponding assets can constrain future policy. Sustainable debt management therefore complements sustainable development.

Decentralized finance matters in Indonesia because many public services are delivered locally. Transfers should reflect differences in fiscal capacity and service costs, while local governments should be encouraged to improve planning, procurement, and revenue where economically appropriate. Transparency and performance monitoring can strengthen accountability without imposing excessive administrative burdens.

Public institutions also need adaptive capability. Complex policy problems rarely respond perfectly to fixed plans. Governments should use pilots, evaluation, feedback, and iterative improvement. Data can support

this process, but indicators should not become substitutes for judgement. Good governance combines evidence with institutional knowledge and public participation.

The state's role in sustainable well-being is ultimately about credibility. Citizens and firms make long-term decisions when they trust that rules will be applied reasonably, contracts will be respected, infrastructure will function, and policy will not shift arbitrarily. Institutional quality is therefore an economic asset as well as a democratic value.

16. Productivity, Innovation, and Indonesia's Long-Term Income Convergence

Indonesia's aspiration to become a high-income economy by 2045 depends fundamentally on productivity. Population growth and capital accumulation can support expansion, but long-run increases in living standards require producing more value from each unit of labour, capital, energy, and natural resource.

Productivity is often misunderstood as simply working harder. At the national level, it is better understood as working smarter through technology, skills, management, infrastructure, organizational design, research, and efficient allocation of resources. A worker with better equipment, clearer processes, reliable electricity, good logistics, and stronger training can create more value without working longer hours.

Innovation policy should therefore be broad. Frontier research matters, but so does diffusion of existing technologies to ordinary firms. Many productivity gains come from adopting established practices: quality management, inventory systems, digital accounting, energy efficiency, preventive maintenance, improved seeds, logistics software, or modern machinery. Extension services for firms can be as important as high-profile innovation centres.

Universities have an important role in this ecosystem. Research partnerships, technology transfer, incubators, executive education, and applied problem-solving can connect knowledge institutions with industry and communities. However, universities should preserve academic independence and fundamental research; innovation ecosystems become stronger when they contain both mission-oriented and curiosity-driven knowledge.

Competition encourages productivity by rewarding firms that improve. Yet competition must be fair. Excessive regulatory barriers can protect incumbents; poorly designed subsidies can freeze inefficient structures. Industrial policy should therefore be disciplined by measurable objectives, transparent criteria, sunset mechanisms, and performance review.

Foreign direct investment and global value chains can accelerate learning when domestic firms and workers develop linkages. The aim is not simply to attract capital but to deepen technological, supplier, and skill spillovers. Local content rules can sometimes support learning, but if they are rigid or permanent they may also raise costs. Policy should focus on capability-building rather than numerical localization for its own sake.

Productivity is the bridge between national ambition and household prosperity. When productivity rises sustainably, firms can pay better wages, governments collect more revenue, and society can finance higher-quality public services. Without it, redistribution becomes more difficult and middle-income convergence slows.

17. Gender Equality, Care, and the Economics of Participation

A sustainable well-being strategy must recognize that economic participation is shaped by the organization of care. Women often carry a disproportionate share of unpaid childcare, elder care, and household work. Even when educational attainment is strong, care responsibilities can reduce labour-force participation, limit working hours, or push women toward informal and flexible jobs with lower security.

Childcare is therefore economic infrastructure. Affordable, safe, high-quality childcare can improve child development while allowing parents to work or study. Maternity protection and parental leave can reduce the penalty associated with having children. Flexible work can be useful, but it should not become a substitute for rights or create expectations that women must combine full-time care and paid work simultaneously.

Workplace practices also matter. Recruitment, promotion, pay systems, harassment prevention, and leadership pathways influence whether women can convert skills into economic opportunity. Entrepreneurship programs should consider constraints such as collateral, networks, time, mobility, and digital access.

Gender equality contributes to growth by making fuller use of national talent, but its justification is not only instrumental. Equal capability and dignity are development goals in themselves. Men also benefit from social norms that permit greater participation in caregiving and family life.

The care economy will become more important as Indonesia ages. Demand for elder care, health support, rehabilitation, and community services will grow. Professionalizing care work can create employment while improving quality, but wages, training, and standards will be important. Care should not be treated as low-value work merely because much of it has historically been unpaid.

Gender-sensitive budgeting can help governments assess whether programs distribute benefits and burdens fairly. Data should be disaggregated where possible to reveal differences in access and outcomes. Yet policy should avoid treating women as a single homogeneous group; rural women, urban professionals, informal workers, entrepreneurs, and women with disabilities face different constraints.

A society that organizes care fairly increases both economic participation and human well-being. This is a strong example of why “social” policy and “economic” policy should not be separated too rigidly.

18. Resilience to Shocks: Climate, Health, Food, and Global Fragmentation

The experience of recent years has demonstrated that resilience is not an optional feature of development. Pandemics, geopolitical tensions, commodity shocks, natural disasters, cyber incidents, and climate extremes can rapidly disrupt livelihoods and public finance. The appropriate objective is not to eliminate uncertainty, which is impossible, but to improve the capacity of households, firms, communities, and institutions to absorb shocks, adapt, and recover without permanent damage.

Household resilience depends on savings, insurance, diversified income, social protection, health access, and community networks. Firm resilience depends on liquidity, supply-chain diversity, digital capability, cybersecurity, and adaptive management. National resilience depends on food and energy systems, fiscal buffers, credible institutions, strategic infrastructure, and international cooperation.

Food security illustrates the need for systems thinking. Self-sufficiency in every commodity may be expensive and inefficient, while complete dependence on imports can create exposure. A resilient system uses diversified domestic production, efficient storage and logistics, strategic reserves where justified, trade relationships, market information, and targeted assistance for vulnerable consumers.

Energy resilience similarly involves diversification. Domestic renewable resources can reduce exposure to fossil-fuel price shocks while supporting decarbonization. Grid flexibility, storage, efficiency, and interconnection can strengthen reliability.

Climate adaptation must be integrated into mainstream investment. Roads, ports, schools, hospitals, housing, and irrigation systems built today will face future climate conditions. Designing them using historical averages alone can create stranded or vulnerable assets. Risk-adjusted planning may cost more initially but reduce lifecycle losses.

Social resilience also includes trust. During crises, people need confidence in public information and institutions. Transparency, consistent communication, and local participation can improve compliance and reduce misinformation.

Resilience should not become an excuse for permanent redundancy or protectionism. Some redundancy is valuable, but excessive insulation can raise costs and slow innovation. The strategic task is to identify critical vulnerabilities and create options: alternative suppliers, contingency plans, emergency finance, interoperable systems, and adaptive capacity. Resilience is best understood as the value of having choices when normal assumptions fail.

19. Measuring What Matters: A Sustainable Well-Being Dashboard

A well-being-centred development strategy requires a measurement system that complements GDP. The purpose is not to replace national accounts but to avoid mistaking economic activity for the entirety of social progress. A practical dashboard for Indonesia could organize indicators around six domains.

The first domain is productive prosperity: GDP per capita, labour productivity, real wages, formal employment, enterprise survival and scaling, export sophistication, and investment quality. The second is household security: poverty, vulnerability, income volatility, catastrophic health expenditure, housing affordability, food security, and social-protection coverage. The third is human capability: learning outcomes, health indicators, digital literacy, skills, and access to quality services.

The fourth domain is inclusion and mobility: Gini measures, bottom-40 income or expenditure growth, gender participation gaps, disability inclusion, intergenerational mobility, and regional convergence. The fifth is environmental sustainability: emissions intensity, renewable energy, air quality, forest and mangrove condition, waste recovery, water stress, and disaster exposure. The sixth is institutional and social resilience: trust, service quality, corruption control, regulatory predictability, disaster readiness, and fiscal sustainability.

Dashboards should avoid two common errors. The first is collecting too many indicators without a decision framework. The second is compressing everything into one composite index that hides trade-offs. A good dashboard allows decision-makers to see both overall direction and specific weaknesses.

Distribution should be visible. National averages can improve while particular provinces or social groups fall behind. Data should therefore be disaggregated by geography, gender, age, disability, urban-rural status, and relevant socioeconomic categories where privacy and statistical reliability permit.

Measurement should also be connected to policy learning. Ministries and local governments can establish outcome chains that link resources to outputs, outcomes, and longer-term impacts. Independent evaluation can identify what works, for whom, under what conditions, and at what cost. Programs that fail should be redesigned or ended, while successful models can be adapted and scaled.

The deeper purpose of measurement is accountability to citizens. Indicators should help answer a simple question: is development making people more capable, secure, healthy, connected, and free while preserving the natural and institutional foundations of future prosperity? If the answer cannot be inferred from the national scorecard, the scorecard is incomplete.

20. A Policy Architecture for 2026–2045

Moving beyond economic recovery requires sequencing. Indonesia does not need a single grand program; it needs a coherent policy architecture in which reforms reinforce one another over time.

The first layer is macroeconomic and institutional stability. Inflation control, financial stability, sustainable public finances, predictable regulation, and credible institutions create the environment for long-term decisions. This layer is foundational but not sufficient.

The second layer is universal capability infrastructure: health, basic education, nutrition, water, sanitation, electricity, connectivity, civil identity, and social protection. These services reduce inequality of starting conditions and improve the productivity of private investment.

The third layer is productivity transformation. It includes skills, competition, logistics, digital adoption, management upgrading, research, industrial ecosystems, trade integration, and support for firm scaling. This layer is where Indonesia converts demographic and investment potential into higher wages.

The fourth layer is spatial transformation. Secondary cities, rural value chains, regional universities, ports, logistics corridors, renewable-energy zones, and place-based industrial strategies can broaden the geography of opportunity. National connectivity should enable regions to specialize and exchange rather than reproduce identical development models.

The fifth layer is green and digital transition governance. Carbon reduction, biodiversity protection, circularity, AI governance, cybersecurity, data protection, and digital competition require frameworks that align innovation with public values.

The sixth layer is adaptive government. Policy should be monitored with transparent indicators, evaluated rigorously, and revised when evidence changes. Complex transitions cannot be managed through rigid plans alone. Government must learn as implementation proceeds.

Across all six layers, the principle of inclusion should be operational rather than rhetorical. Every major reform should assess who gains, who pays, who is exposed to transition risk, and what complementary measures are needed. For example, energy reform may require household compensation; automation incentives may require worker training; conservation may require livelihood alternatives; urban redevelopment may require anti-displacement measures.

Vision 2045 provides a long horizon, but citizens experience policy annually. Long-term strategy must therefore be translated into visible improvements in schools, clinics, transport, jobs, housing, public administration, and environmental quality. Sustainable well-being becomes credible when national ambition is reflected in everyday life.

21. Illustrative Pathways: How Integrated Policy Works in Practice

Consider a rural district whose economy depends on low-value agricultural commodities. A narrow recovery approach might provide temporary credit and input subsidies after a shock. An integrated well-being strategy would begin by mapping the local value chain, identifying logistics and storage constraints, improving extension services, connecting cooperatives to processors, introducing climate-resilient practices, strengthening rural roads and internet access, and linking vocational programs to agro-processing and equipment maintenance. Social protection would protect vulnerable households during transition. The result sought is not simply restored output but a more diversified and productive local economy.

Consider a secondary city facing youth unemployment. The policy response could combine an employer-led skills compact, digital infrastructure, apprenticeship programs, affordable rental housing near employment zones, business-incubation services, and improved public transport. Universities could provide applied research and entrepreneurship support. Local procurement might give qualified small firms opportunities to enter formal supply chains. Over time, the city could become a regional services and manufacturing hub rather than a source of out-migration.

Consider an industrial region affected by decarbonization. If firms face stricter environmental standards, a poorly managed transition could cause job losses and political resistance. A just-transition approach would establish timelines, identify affected workers and suppliers, finance cleaner equipment, provide retraining, attract renewable-energy and circular-economy investment, and strengthen environmental remediation. Workers would receive both protection and pathways to new employment.

Consider digital public services. Simply moving forms online may reduce administrative costs but exclude citizens with low digital skills. A well-being approach would use interoperable systems, accessible design, assisted-service channels, local help desks, privacy safeguards, and clear grievance mechanisms. Technology would simplify interaction without making rights conditional on digital fluency.

These examples illustrate a general principle: complex development problems are rarely solved by one ministry or one instrument. Sustainable well-being requires coordination around outcomes. The unit of policy design should increasingly be the problem—such as youth transition, rural productivity, urban mobility, or industrial decarbonization—rather than the administrative boundaries of individual agencies.

Integrated approaches are harder to manage, but they generate complementarities. Skills are more valuable when jobs exist; transport is more valuable when it connects to productive centres; credit is more valuable when firms have markets; social protection is more transformative when linked to capabilities; green standards are more acceptable when transition support is credible.

22. Leadership, Governance, and the Management of Transformation

The transition from recovery to sustainable well-being is ultimately a management challenge. Indonesia already possesses many policies, institutions, and programs relevant to the agenda. The difficulty is often

alignment: ensuring that objectives, budgets, incentives, data, and organizational responsibilities reinforce rather than contradict one another.

Strategic leadership must clarify outcomes. If the goal is “inclusive growth,” agencies need operational definitions: Which indicators will improve? Over what horizon? Which groups and regions require special attention? What trade-offs are acceptable? Without such clarity, broad concepts can become slogans that are difficult to manage.

Cross-sector coordination is essential because causes and consequences overlap. Stunting involves nutrition, sanitation, health care, education, income, and local governance. Urban congestion involves land use, housing, transport, employment geography, and finance. Digital inclusion involves telecommunications, education, consumer protection, data governance, and competition. Coordination mechanisms should have authority, data, and accountability rather than functioning only as meeting forums.

Implementation capacity deserves as much attention as policy design. Frontline workers, local administrators, school leaders, health managers, and extension officers translate national policy into citizen experience. Their incentives, workload, training, discretion, and digital tools matter. Continuous improvement should therefore reach operational levels.

Public participation strengthens legitimacy and information quality. Communities often understand local risks that central planners cannot see. Business associations can identify regulatory bottlenecks. Workers can reveal skill needs and transition concerns. Universities can provide independent analysis. Participation does not eliminate conflict, but it improves the quality of trade-offs.

Ethical governance is equally important. Development programs control resources and information, creating opportunities for misuse. Transparent procurement, auditability, conflict-of-interest rules, open data where appropriate, and strong oversight protect public value.

The leadership required for sustainable well-being is neither purely technocratic nor purely political. It must combine evidence, values, negotiation, institutional design, and the ability to sustain reforms across electoral and administrative cycles. Long-term national transformation succeeds when institutions are strong enough to continue learning beyond individual leaders.

23. Risks, Trade-Offs, and the Discipline of Realism

A sustainable well-being agenda should be ambitious, but ambition must be disciplined by realism. Every policy has opportunity costs. Resources devoted to one program cannot be spent elsewhere; environmental standards can raise short-term costs; formalization can impose compliance burdens; industrial support can be captured by incumbents; digital systems can create privacy risks; infrastructure can generate debt or ecological damage.

The first discipline is explicit trade-off analysis. Governments should identify not only expected benefits but who bears adjustment costs. Compensation should be targeted to genuine transition losses rather than used to preserve inefficient structures indefinitely.

The second discipline is sequencing. Some reforms require prerequisites. Advanced digital services require connectivity and identification systems. High-value manufacturing requires logistics, skills, and reliable

energy. Carbon pricing works better when alternatives and social compensation exist. Policy failure often results not from the idea itself but from poor sequencing.

The third discipline is institutional capacity. A sophisticated policy that cannot be implemented may be worse than a simpler policy that can. Capacity can be built, but complexity should match administrative reality.

The fourth discipline is evaluation. Programs should specify what success would look like and how it will be measured. Political commitment should not prevent learning. Ending or redesigning ineffective programs is a sign of institutional maturity.

The fifth discipline is fiscal realism. Sustainable well-being requires long-term public investment, but fiscal space is finite. Prioritization is unavoidable. Investments that strengthen human capital, productivity, resilience, and institutional capacity often have benefits across multiple objectives and should receive particular attention.

The sixth discipline is avoiding false precision. Forecasts and models are useful, but long horizons contain deep uncertainty. Strategy should therefore be robust across scenarios rather than optimized for one prediction. Options, diversification, and adaptive institutions have value precisely because the future cannot be known with certainty.

Realism does not weaken the moral case for sustainable prosperity. It makes that case implementable. The most credible vision is one that acknowledges constraints while continuously expanding what is possible.

24. Conclusion: Prosperity as Capability, Security, and Stewardship

Indonesia's economic recovery has created a foundation from which a more ambitious national objective can be pursued. The next question is not simply how to sustain growth, but how to convert growth into a durable expansion of human freedom and social resilience.

Sustainable well-being means that citizens have more than income. They have health, knowledge, security, opportunity, social recognition, and a functioning environment. They can recover from shocks without losing their future. They can participate in technological and economic change rather than merely being exposed to it. They can live in regions that are connected to national progress while retaining local identity and opportunity.

For policy, this implies a shift from isolated interventions toward systems. Poverty reduction must connect to resilience and mobility. Education must connect to jobs and lifelong learning. MSME support must connect to markets and productivity. Infrastructure must connect to place-based development. Digitalization must connect to rights and capability. Climate policy must connect to industrial strategy and just transition. Fiscal policy must connect to institutional quality and intergenerational responsibility.

Indonesia's scale and diversity mean that no single model will fit every province, city, district, or community. National strategy should provide clear principles and platforms while allowing local adaptation. Experimentation should be encouraged, but outcomes should be measured. Successful local innovations should be shared and adapted elsewhere.

The deepest measure of development is whether people gain greater control over the conditions of their lives. Economic growth is indispensable because it generates resources and opportunities, but it earns its

social legitimacy when those gains become widely accessible and environmentally durable. The purpose of national development is not growth for its own sake; it is the creation of a society in which prosperity is productive, inclusive, resilient, and worthy of being inherited.

Beyond economic recovery lies a larger project: building an Indonesia in which progress is experienced not only in national statistics, but in the security of households, the competence of institutions, the vitality of communities, the dignity of work, the health of ecosystems, and the confidence of future generations.

25. Integrated Strategic Agenda: Ten Priorities for Sustainable Indonesian Well-Being

1. Raise productivity while protecting inclusion

Indonesia should treat productivity growth as the central economic engine of long-term well-being. The policy mix should support technology diffusion, better management, stronger logistics, competitive markets, reliable energy, and workforce skills. However, productivity policy must include transition mechanisms so that workers and smaller firms can adapt. Automation subsidies without training can concentrate gains; training without firm demand can produce credentials without mobility. The two sides must be designed together.

2. Build universal capability floors

Every citizen should have a credible minimum platform of health, nutrition, learning, connectivity, identity, sanitation, and social protection. Universal capability floors reduce the effect of family background on life chances. They also increase the return on private effort because people can take advantage of opportunities when basic constraints are removed. The quality of these services, not merely nominal coverage, must be monitored.

3. Make decent work the principal transmission mechanism

Growth becomes socially meaningful when it generates jobs with rising productivity, fair remuneration, protection, and opportunities for learning. Policies should encourage formalization by reducing the cost of compliance and extending portable social insurance. Labour-market institutions should balance flexibility for firms with security and voice for workers. Job-quality indicators should become a standard part of economic monitoring.

4. Turn social protection into resilience infrastructure

Indonesia should continue integrating social assistance, social insurance, disaster response, and employment services. Dynamic registries and digital delivery can improve speed, but human review and grievance channels are essential. Protection should be portable across employment forms. During shocks, systems should scale quickly; during normal periods, they should connect people to capability-building services without coercive conditions that ignore local opportunity constraints.

5. Create regional growth systems, not isolated projects

Regional development should connect infrastructure, local universities, vocational institutions, industrial clusters, housing, logistics, and digital networks. A port or industrial estate alone does not create a regional

ecosystem. Place-based strategy should identify a region's comparative strengths and institutional gaps, then coordinate investments. Secondary cities can become anchors that link rural areas to national and global markets.

6. Use digital transformation to expand agency

Digital policy should move from access toward agency, rights, and value creation. Connectivity programs need affordability and skills components. Public digital systems need interoperability, privacy, security, and assisted access. AI adoption should prioritize high-value public and productive uses while establishing governance for bias, accountability, and data protection. Small firms should be helped to use digital tools as producers, not only as platform-dependent sellers.

7. Make the green transition socially productive

Climate and environmental policy should be integrated with industrial development and employment. Renewable energy, efficiency, circular production, ecosystem restoration, and climate-resilient infrastructure can generate investment and skills demand. Communities dependent on carbon-intensive or extractive activities need early transition planning. Natural capital should be reflected more clearly in economic decision-making so that ecological loss is not mistaken for income.

8. Strengthen fiscal and institutional capacity

Ambitious social and productive investment requires revenue, competent administration, and public trust. Tax policy should broaden the base fairly, simplify compliance, and reduce avoidable leakage. Spending should be assessed for outcomes and lifecycle costs. Procurement, monitoring, and evaluation should reward quality. Local governments need long-term capability-building in planning, budgeting, data, and service design.

9. Institutionalize policy learning

Indonesia's diversity makes experimentation valuable. National programs should allow controlled variation, pilot alternative delivery models, and use independent evaluation to compare results. Data should be timely and disaggregated, but evaluation should also use qualitative evidence to understand implementation. Policy learning requires a culture in which revision is not interpreted as failure but as responsible adaptation.

10. Anchor development in intergenerational stewardship

Decisions about debt, land use, energy systems, education, ecosystems, and infrastructure shape the opportunities available to future citizens. A sustainable well-being strategy should therefore use long-term tests: Does this investment expand future capabilities? Does it create liabilities without assets? Does it preserve ecological functions? Does it increase institutional trust? Intergenerational stewardship turns sustainability from an environmental slogan into a general principle of national management.

Glossary

Term	Definition
Adaptive governance	A mode of governance that uses feedback, learning, experimentation, and institutional

	adjustment to respond to complex and changing conditions.
Capability approach	A development framework that evaluates well-being in terms of people's substantive freedoms and opportunities to achieve valued ways of living.
Circular economy	An economic model that seeks to reduce waste and resource extraction by extending product life, reusing materials, repairing, remanufacturing, and recycling.
Decent work	Productive employment that provides fair income, security, rights, social protection, and opportunities for personal development.
Digital inclusion	The condition in which people can access, afford, understand, and effectively use digital technologies and services.
Digital justice	A broader concept than access, emphasizing rights, power, fairness, data governance, and the distribution of value and risk in digital systems.
Economic resilience	The capacity of households, firms, communities, and institutions to absorb shocks, adapt, and recover without persistent loss of productive capability.
Formalization	The movement of firms or workers into legally recognized and administratively registered economic arrangements with clearer rights and obligations.
Green growth	Economic growth that aims to increase prosperity while reducing environmental pressure and preserving natural assets.
Human capital	The stock of health, knowledge, skills, competencies, and capabilities embodied in people.
Inclusive growth	Growth that expands productive opportunities broadly and distributes the gains from economic progress across social groups.
Intergenerational justice	The principle that current decisions should not unfairly reduce the opportunities, resources, or

	environmental quality available to future generations.
Just transition	Policies that manage the social and employment effects of environmental and technological transitions so that affected workers and communities are supported.
Labour productivity	Output or value added generated per unit of labour input, commonly measured per worker or per hour worked.
MSMEs	Micro, small, and medium enterprises, a diverse group ranging from household livelihood businesses to growth-oriented firms.
Natural capital	Stocks of natural assets such as forests, water, soil, biodiversity, and ecosystems that provide economic and social benefits.
Polycentric development	A spatial strategy that supports multiple interconnected centres of economic activity instead of excessive concentration in one core region.
Portable social protection	Social insurance and benefits that remain attached to individuals as they move between employers, self-employment, gig work, or other employment statuses.
Productivity diffusion	The spread and adoption of technologies, management practices, and organizational methods from more advanced firms or sectors to the wider economy.
Social mobility	The ability of individuals or households to improve their socioeconomic position across a lifetime or across generations.
Social protection	Public and contributory systems that protect people against poverty, income loss, illness, unemployment, disability, old age, and other risks.
Sustainable well-being	A multidimensional condition in which present prosperity, security, capability, and dignity are achieved without undermining ecological and institutional foundations for future generations.

Vulnerability	Exposure to a significant risk of falling into poverty or hardship because of shocks, unstable income, weak assets, or insufficient protection.
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Author's note. The statistical indicators cited in the text reflect the latest official releases reviewed for this article as of August 2026. Because macroeconomic and social indicators are periodically revised, readers should consult the newest BPS and relevant institutional releases when using the figures for policy decisions.