Indonesia’s Challenges in Addressing Disasters

Why in news?

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Indonesia is facing various economic challenges, due to natural disasters like tsunami and earthquake.

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What are the natural disasters in 2018 across the globe?

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- After Irma, Maria, Harvey, hurricane Florence left a devastating landscape in the Caribbean.
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- Extreme temperatures across the Northern Hemisphere have caused devastating fires from Europe to the US.
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- Dozens have been killed in the Philippines after Typhoon Mangkhut triggered landslides.
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- Recent earthquakes and tsunami has affected few parts of Indonesia.
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What are the impacts of natural disaster to Indonesia?

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- Natural disasters tend to worsen economic inequality in already critical situations, such as that in Indonesia.
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- While many have been lifted out of poverty in Indonesia, the gap between the rich and the poor has grown faster than in any other South-East Asian country.
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What are Indonesia’s challenges in this regard?

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- Addressing this challenges requires revenue, but in the Asia-Pacific region the average tax collection is 17.6 per cent of GDP, which the lowest in the world.
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- With this level it is totally insufficient to achieve sustainable development goals.
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- While lower tax rates to MNC’s may attract higher levels of foreign investment, but it leads to less fiscal revenues means less money to construct vital public services and infrastructure, not to mention less money to prepare for the effects of natural disasters.
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- Developing economies like Indonesia rely heavily on corporate income tax bases and the revenue lost from tax evasion in developing countries is 1.3 times larger, as a share of GDP, than it is in advanced economies.
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What measures are needed to address the challenges?

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- Disaster risk planning must be made crucial proper disaster alert systems needs to be in place.
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- Proper finance mechanism needs to be established for the preparation and maintenance of disaster resistant buildings and infrastructure and warning systems.
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- To address the tax evasion it involves tackling power elites, overcoming deep institutional resistance, pursuing inclusive forms of growth, eliminating unacceptable levels of poverty and building quality health and education systems for all.
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- The global debate about the tax dodging behaviour of unscrupulous multinationals is beginning to pay dividends.
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- Civil society campaigning has led to the creation of a template for country-by-country reporting which could eventually expose the scale of tax

avoidance in the region.
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Source: Business Line

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