One of the most important contributions of the SAM constructed in this paper, is the possibility of analyzing distributional impact of certain policies with compensation targeted to certain households, such as the poor. For example, one of the most policy-relevant issues, nowadays, in Indonesia is how to assess the impact of reducing subsidy for various energy but minimizing its distributional impact. Using the SAM with 200 households classified by centile of expenditure per capita, the poor can essentially be identified. Therefore, reducing subsidy can be accompanied by various schemes of compensation, and compare these scenarios to find which policies are the most equitable. Among the possible compensation schemes that can be considered are unconditional cash transfers to the poor, and conditional transfers, such as subsidising the poor’s certain expenditures such as education and health. The detailed labor types and sectoral classification also allow comparing some scenarios of indirect mitigation more conveniently. Subsidising industries which employ relatively more factors owned by the poor, such as informal unskilled rural labor, can be exercised.

5 Concluding remarks

This paper describes the construction of an Indonesian Social Accounting Matrix, putting more emphasis on distribution across households. It extends the official BPS SAM by having 181 detailed sectoral classifications, 16 labour classifications, and distinguishing 200 households classified by centile of expenditure per capita. This SAM constitutes the biggest and most disaggregated Indonesian SAM at the sectoral and household level ever constructed, hence contributing to the literature on SAM construction especially in developing countries. A SAM is also a basic and necessary element in CGE modelling, and its construction has provided a pathway for later studies to analyze relevant policy issues. In addition, since SAM construction is rarely well-documented, the transparency in the description of this SAM construction, hopefully provides greater replicability for SAM construction in future\textsuperscript{33}, as well as for other researchers.

Shortcomings in this SAM construction may include possible weak assumptions (or lack, availability and quality of the data used). The variety of different data sources, although collected by the same agency, may have been produced for different purposes and with different methods. Inconsistency among those data sources, are unavoidable. In these situations, definitions, with the assumptions contained, as well as judgments are an inevitable but common practice in the SAM construction. In many parts of the process, art is more dominant than science. This concern is actually one of the motivations for this paper, with the expectation that improvement will be made in the future.

\textsuperscript{33}For example, when data source is updated to more recent years.
References


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