

Focus Group Discussion on The Rising of A New World Order: Indonesia's Challenges and Response

Time: March 30, 2017 in Bandung.

a. Speakers:

- Syurkani Ishak Kasim (Fiscal Policy Office)
- Vivi Alatas (The World Bank);
- Yulius P. Hermawan (Faculty of International Relation, Parahyangan Catholic University);
- Kiki Verico, (Faculty of Economics, University of Indonesia);
- Yose Rizal Damuri (Centre for Strategic and International Studies);
- Taufikurrahman (The Indonesia Service Dialogue);
- Dalyono (Multilateral Policy, Fiscal Policy Agency);

b. Conclusions and important recommendations of FGD :

- **Inequality.** Indonesia faces several challenges such as inequality, and the gap between regions represented by the eastern region of Indonesia which is experiencing in low growth and high poverty rates compared with the western region of Indonesia. For this of the State Budget side, Gol need to be more credible and realistic budgeting composition while it can be an inclusive economic growth stimulus.
- **Global Power.** Several things that are currently out of the state control in the context of the global power scope are migration of educated and wealthy people, the media, political ideas, capital and money market, and trade rules.
- **Opportunities for Globalization.** The increasing of Global connectivity needs to be utilized as well as possible to improve the economy and welfare Indonesia. It can can get from the advantages of improving trade through market expansion both those who have become traditional partner and new trading partner, accessing more capital through cooperate with several parties including investors, opening the opportunity to access jobs and compete in global world and also getting the more and faster information.
- **Economic Diplomacy.** Strengthening economy diplomacy needs is critical especially in trade issues, and multilateral forum diplomacy for another issues. It should be strengthening Indonesia's position, supporting global condition to remain conducive, and supporting the more effective cooperation to guarantee the Indonesia certainty.
- **International trade.** In addition to maintaining exchange stability, Indonesia needs to encourage international trade by pursuing bilateral and multitrack pathways to

boost exports. Related to this, regional, sub-regional, bilateral and Asean + 3 forums are still in the effective way of multitrack forum that can be optimized.

- **Business Sector.** There are strong recommendation for developing small and medium sized businesses, creative economy and e-commerce, including the protection of intellectual property rights - to support the economy in the middle of uncertainty condition both political direction and global economy.
- **Fiscal policy.** From the perspective of the state budget, normatively the state budget needs to be credible, realistic and become a stimulus for economic growth as the Government is encouraged to continue fiscal reforms in the management of the state budget. From the spending side, It should be more productive as can be allocated in the education and infrastructure sector while from the financing side, the Government needs to conduct prudent financing management and lowering deficits and debt.
- **Labor Policy.** Forming the great skill workforce is the main policy recommendation to taking advantage from global changes. Beside to expanding the training access for the poor, Indonesia should optimize the employment skills that relevant with the current global needs by getting the up-to-date job training, and matching with the needs of job seekers, educational curriculum, and training based on an IT literacy.
- **Competitiveness.** In terms of competitiveness scale up, revitalization in manufacturing sector and infrastructure development and also clear regulation that support the ease of trade and investment is critical. By pressing the level of inflation to be lower than trading partners as well as identifying and supporting many sectors with a high growth potential should be as effective trigger. Meanwhile, the ease of trade and investment can be done by supporting the emergence of new businesses and entrepreneurs, facilitate the opening and management of business and also support the emergence of innovations in various forms of business.
- **Public Service.** Opening the widest access, especially for the poor by building the infrastructure to expand internet penetration and communication lines is a part of government services to the community. Moreover, the government also needs to improve the quality of services by utilizing the technology, integrating data management and services in e-government and increasing the active participation of the public in monitoring public services.

1. Seminar on Sustainable Growth and Shared Prosperity in Indonesia Seminar

Time: 18 May 2017 in Palembang.

a. Speakers:

- Parjiono (Center for Macroeconomics, Fiscal Policy Agency);
- Hans Anand Beck (Senior Economist World Bank).
- Prof. Bernadette Robiani (Regional Economist of Ministry of Finance;
- Prof. Muhammad Firdaus (Faculty of Economics and Management, Bogor Agricultural University);
- Rofyanto Kurniawan (Center for State Budget, Fiscal Policy Agency)

b. The seminar program is in the collaboration between VTI Team, with Forum of Economists Ministry of Finance and Sriwijaya University.

c. Some of the conclusions in this seminar generates into similar recommendations with Workshop in Yogyakarta and FGD in Bandung, related to infrastructure development priorities that have broad multiplier impact and improved quality of human resources with IT literacy.

d. In addition, there are specifically some notes as follows:

- Mostly, the key values that need to be strengthened in Indonesia region are “efficiency” and “innovation”. Related to this, one of the challenges faced by the regions is the Regional Device Work Unit (Satuan Kerja Perangkat Daerah/SKPD), so far still work with none/slight breakthrough innovation. In the future, besides of budget savings, local governments should also be able to plan programs that have a high multiplier impact.
- Benchmarking approach with other countries can be utilized in the process of reducing inequality. In this case, Indonesia can consider China "go to west" program as a reference where it aims to overcome the imbalance between western and eastern regions.
- Under the recommendations of the World Bank, ongoing reforms to mitigate risks both domestically and abroad and promote inclusive economic growth, need to be considered through:
 - 1) Increasing private investment to support the fulfillment of infrastructure budget deficits;
 - 2) Decreasing of logistic and inventory cost, considering Indonesia is a quite higher compared to other ASEAN countries such as Thailand and Malaysia;
 - 3) Reducing trade barriers and increase labor market competition with other countries by reducing labor cost units through education and training to improve the workforce.