



ACI LAUNCHES

# Sub-National Competitiveness Webinar Series on Indonesia



# ACI launches Sub-National Competitiveness Webinar Series on Indonesia

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As part of the institute's annual competitiveness study, Asia Competitiveness Institute (ACI) has launched a series of webinars that feature tripartite dialogues on the economic development of Indonesia's 34 provinces. The webinar series is the first of its kind since ACI embarked on the annual sub-national competitiveness study in 2013.

In previous years, ACI staff would travel to each province in Indonesia to conduct three individual meetings with stakeholders representing government, business, and academia, and present the survey results to them. This year, in addition to the usual surveys and results presentation, the Sub-National Competitiveness Webinar complements the yearly findings by gathering these three stakeholders onto one virtual platform to engage in tripartite dialogues. Each webinar brings together the provincial government representative, DPP APINDO, and local academia, to discuss the most pressing issues facing development in the region.

The Sub-National Competitiveness Webinar Series has an overarching aim to strengthen intra-provincial synergies amongst local stakeholders and enhance provincial competitiveness and economic development. ACI has conducted four webinars thus far in August 2020, featuring the provinces of Riau, East Kalimantan, Central Java, and West Java. There has been a turnout of 267 participants over the course of the four sessions. With the current pandemic, the key theme of discussion is the resiliency of each province's socio-economic development infrastructure.

## **1. Adverse Impact of Covid-19 on the Regional Economy**

The implementation of Indonesia's 'Large-Scale Social Restriction' (*Pembatasan Sosial Berskala Besar*) approach has triggered a general decline

on both the consumption and production ends. As a result, **restaurants, hotels, and Micro, Small and Medium Enterprises (MSMEs) have been bearing the brunt** of the reduced economic activity. Dr Ir Setiawan Wangsaatmaja, the Regional Secretary of West Java, explained that his region has recently witnessed the **closing of over 1,000 hotels and 400 tourism destinations, which has resulted in the loss of 17,000 jobs**. Also in West Java, 77% of the MSMEs with bank credit have requested for a credit restructure. Additionally, Bank Indonesia's survey has also shown a **90% slump in the monthly sales of MSMEs in East Kalimantan** in April 2020. As such, East Kalimantan's economy is expecting a contraction, attributed to a reduction in investment rates and public consumption.

## **2. Unequal Development Exacerbated**

The pandemic has tested the regional economy's **emphasis on achieving economic competitiveness, while potentially overlooking the idea of economic resilience**. As pointed out by Dr Firmansyah from the Diponegoro University, efforts at economic recovery have revealed the unequal development within provinces and highlighted their underlying weaknesses. For example, Central Java, which has one of the highest poverty populations in the country, has seen a sharp **rise in its poverty rate from 10.80% to 11.41%** as of March 2020. Whereas for Riau, Mr Andi Ista Tutih, representing the government (Balitbangda Riau), stated that Covid-19 is expected to induce an **increase in poverty rates from 7.1% to 7.5% (predicted) and unemployment from 6.2% to 6.4% (predicted)**.

## **3. Economic Transformation Plans Deferred**

The detrimental effects of COVID-19 have also brought about **delays in several economic restructuring projects**. For example, East Kalimantan, which has concerns surrounding sustained economic growth due to its **over-dependency**

**on coal mining**, will need to delay its economic transformation plan by two years, as the government's **resources are diverted towards the pandemic**.

#### **4. Government Policies as a Pathway towards Economic Recovery**

Recovery strategies employed by the provincial governments can be categorised into three key areas: **improving healthcare facilities, providing social safety nets, and supporting local businesses**. The Riau government is focusing on healthcare facilities by increasing the **testing capacity of the biomolecular laboratory from 500 to 1,000 COVID-19 tests per day**. The government has also budgeted **Rp180 billion (or USD12.3 million) for Direct Cash Transfers policy**, in which affected households can receive **Rp300,000 per household per month** for a period of three months. They have further allocated a sum of **Rp 25 billion (or USD 1.7 billion) to assist real sector economies**.

Moreover, the provincial governments of Central and West Java have highlighted **several initiatives to support local businesses**. Dr Prasetyo Aribowo, representing the local government in Central Java, illustrated a comprehensive research-based blueprint for COVID-19 recovery. The plan for economic recovery includes **subsidies for MSMEs to obtain raw materials** for local production, **relaxation of credit loans** for local businesses, **coordination of financial assistance agencies to increase basic needs access** such as healthcare and electricity amongst unemployed and poverty populations, "sustainable livelihood" programs to **upskill local workers and cultivate a conducive environment for start-ups**, and strengthening **disaster management infrastructure**.

Similarly, West Java has introduced new recovery policies. Some of the initiatives to support local MSMEs and village economies include **micro financing (Kredit Mesra)** for religious community groups, **One Pesantren One Product (OVOP)** to provide loans to village communities, and **One Village One Company (OVOC)** to reduce the need for migration and subsequently mitigate rural-urban disparities.

## **5. Public-Private Partnerships to Drive Recovery**

Across Indonesia, there is an **increasing trend of collaborations between the public and private sectors** in order to harness economic resiliency. As mentioned by Mr Slamet Brotosiswoyo, the head of DPP APINDO of East Kalimantan, "it is a collective responsibility for the government and corporate firms, both public and private, to partake in the efforts **of improving the quality of the labour force for Indonesia's future.**" For example, Mr Peri Akri from DPP APINDO of Riau is optimistic at his province's economic recovery because of partnerships with large corporations. **Growth in Riau is primarily fuelled by large corporations** such as Chevron, Riau Andalan Pulp and Paper, and Indah Kiat.

On the other hand, those provinces such as Central Java, that have **economic growth largely propelled by MSMEs**, are finding it challenging to reap the benefits of public-private partnerships due to a **lack of means to transition smoothly into a work from home model.** Indeed, Ms Anne Sutanto who represented DPP APINDO of Central Java appealed to the government to refrain from a provincial lockdown during this period. She **cited social reasons of mass layoffs and rocketing unemployment rates.** The policy alternative suggested is that the government focus on a coordinated social distancing response instead.

Additionally, where the manufacturing industry in West Java contributed **close to 20% of the national GDP** in the first half of 2020, **government support in the manufacturing industries** will be vital in improving West Java's economy. Mr. Rudi Hartono from DPP APINDO of West Java underlined the **importance of manufacturing industries** with regards to public-private partnerships in West Java.

# The Inaugural Provincial Dialogue on the Economic and Development 2020 for Riau

3 August 2020

1000 - 1200 (GMT +7)

## Session 1: 2020 Annual Update of ACI's Competitiveness Ranking and Stimulation Studies of Riau

Speaker:        1. **Hilda Kurniawati**  
Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

## Session 2: The Success and Challenges of Riau: *Economic Study on Riau amid the COVID-19 Pandemic*

Speaker:        1. **Andi Ista Tutih, ST., M.Eng**  
Head  
Department of Planning, Management and Evaluation  
Regional Planning, Research and Development Board  
Riau

2. **Peri Akri, SE., MM., CRBD**  
Head of Advisory Council  
DPP APINDO Riau

3. **Dr. Deny Setiawan, SE., M.Ec**  
Deputy Dean III  
Faculty of Economics and Business  
University of Riau

# The Inaugural Provincial Dialogue on the Economic and Development 2020 for East Kalimantan

5 August 2020

1000 - 1200 (GMT +8)

## Session 1: 2020 Annual Update of ACI's Competitiveness Ranking and Stimulation Studies of East Kalimantan

Speaker:        1. **David Gunawan**  
Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

## Session 2: Economic Challenges of East Kalimantan: Structural Issues and Opportunities for Growth

Speaker:        1. **Saur Parsoaran T,S.Pi, MEMD**  
Head of Economic Unit  
Badan Perencanaan Pembangunan Daerah  
Regional Development Planning Agency of East Kalimantan

2. **M. Slamet Brotosiswoyo**  
Head  
DPP APINDO East Kalimantan

3. **Prof. Dr. Eny Rochaida, SE., M.Si.**  
Lecturer  
Faculty of Economics and Business  
Mulawarman University

Guest Speaker: 1. **Tutuk S H Cahyono**  
Head of Representative Office  
Bank Indonesia of East Kalimantan

# The Inaugural Provincial Dialogue on the Economic and Development 2020 for Central Java

11 August 2020

1000 - 1200 (GMT +7)

## Session 1: 2020 Annual Update of ACI's Competitiveness Ranking and Stimulation Studies of Central Java

Speaker:        1. **Clarice Handoko**  
Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

## Session 2: The Economy of Central Java 2020: Challenges in Economic Recovery amid the COVID-19 Pandemic

Speaker:        1. **Dr. Prasetyo Aribowo S.H., M.Soc.Sci**  
Head  
Regional Development Planning Agency  
Central Java

2. **Anne P. Sutanto**  
Vice CEO, PT Pan Brothers TBK- Special Member  
DPP APINDO Central Java

3. **Dr. Firmansyah**  
Vice Dean of Academics and Students Affairs  
Faculty of Economics and Business  
Diponegoro University



# The Inaugural Provincial Dialogue on the Economic and Development 2020 for West Java

18 August 2020

1000 - 1200 (GMT +7)

## Session 1: 2020 Annual Update of ACI's Competitiveness Ranking and Stimulation Studies of West Java

Speaker: **1. Arief Rizky Bakhtiar**  
Asia Competitiveness Institute  
Lee Kuan Yew School of Public Policy  
National University of Singapore

## Session 2: Overcoming Unequal Economic Development within West Java

Speaker: **1. Dr. Ir. Setiawan Wangsaatmaja Dipl. SE., M.Eng**  
Regional Secretary  
West Java

**2. Rudi Martono**  
Executive Secretary  
DPP APINDO West Java

**3. Dr. Rudi Kurniawan**  
Head of Development Economics Study Program  
Padjajaran University