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Welcome to the LPEM Newsletter October 2021 Edition. The LPEM Newsletter is the fruit of thoughts and a summary of the activities of the LPEM FEB UI team. This edition is the eighth edition and will continue to be published every month. Since 1953, LPEM FEB UI has been actively conducting research, consulting, and training activities aimed at solving development problems in Indonesia. The activities carried out focused on various issues related to institutions, regional economy, international trade, finance and banking, fiscal and monetary economy, agriculture, industry, tourism, rural development, environment, demography, employment, poverty, and MSMEs.

In this edition, the LPEM Newsletter will summarize the infographic released last September, namely **"Financing Disaster-Resilient Infrastructure in Indonesia."** In addition, this edition will also discuss two opinion articles that have been published in Kontan Daily with the theme **"Indonesian Presidency in the 2022 G20 Forum."** This edition also contains a summary of the presentation sessions delivered by our researchers at **Forum Kajian Pembangunan**. Finally, this edition will review the latest **Policy Brief** released by the LPEM FEB UI Business Climate and Global Value Chain Research Group.

Enjoy reading,

Alin Halimatussadiah

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Finding Financing Alternatives for Disaster-Resilient Infrastructure in Indonesia



Indonesia is faced with various threats, ranging from climate change to geological conditions that make Indonesia more vulnerable to natural disasters. Although the development of disaster-resistant infrastructure is very much needed, unfortunately, the sources of financing for disaster-resistant infrastructure in Indonesia are still relatively limited. Given the need to improve aspects of infrastructure resilience, Indonesia needs broader financing potential.

LPEM FEB UI (09/24) has released an infographic entitled “**Financing Disaster-Resistant Infrastructure in Indonesia.**” Teuku Riefky, Researcher at LPEM FEB UI, said that the need for alternative financing for disaster-resistant infrastructure in Indonesia arises from several factors. “First, with the increasing risk of climate change and Indonesia’s geological position, which is prone to disasters, the need for disaster-resistant infrastructure becomes very urgent. Second, Indonesia has limited fiscal space so that the government budget is insufficient to fund the overall financing needs of disaster-resistant infrastructure,” said Riefky.

According to Riefky, existing instruments still have the potential to be optimized to contribute more to the financing of disaster-resistant infrastructure. “Some of these instruments include the Sovereign Wealth Fund, the Viability Gap Fund, and Green Bonds,” Riefky explained. In addition, Riefky also added that several instruments are already available but have not specifically funded disaster-resistant infrastructures, such as pension funds and Venture Capital.

More on:
<https://bit.ly/Infografis210924>

Embracing Disability in the Employment Agenda of G20

The meeting of representatives of various countries in multilateral forums is a common phenomenon encountered every year. The meeting can take the form of policy discussions such as ASEAN high-level meetings, the United Nations (UN), to sports competitions such as the 2020 Tokyo Olympics. In 2022, Indonesia will officially host a series of G20 meeting activities. This multilateral meeting is expected to impact the workforce, increase domestic consumption and ultimately increase Indonesia’s GDP, wrote **Muhammad Hanri, S.E., M.Sc., Ph.D.**, Head of Social and Employment Studies at LPEM FEB UI Kontan Daily, last September 30.

The implementation of international forums in Indonesia has previously been proven to increase labor absorption in the short term. For example, the LPEM FEB UI study found an increasing need for labor in the MSME sector in the 2018 Asian Games competition area in Jakarta and Palembang. However, the economic and employment impacts may be dimmed if the COVID-19 conditions are not conducive again.

The G20 Forum is expected to promote the host’s agenda, including in the employment sector. The Indonesian government carries an agenda entitled “**Improving the Employment Condition to Recover Together.**” Through this agenda, the Indonesian government will propose four main focuses, one of which is “**Inclusive labor market and work quotas for persons with disabilities**”.

In his writing, Hanri also mentioned that the disabled group experienced a higher decline in income during the pandemic. One of the factors that make this possible is the work participation of workers with disabilities, most of whom are in the informal sector. Only about 30% of workers with disabilities work in the formal sector. Therefore, the G20 presidency is expected to be a good momentum and generate a commitment to bilateral cooperation with member countries to increase welfare capital for groups of people with disabilities, of course, along with other focuses on employment.



More on:
<https://bit.ly/TajukOpini210930>

Indonesia's Strategic Role as G20 Summit 2022 Host



LPEM FEB UI researchers, **Teuku Riefky, S.E., M.Sc.** and **Faradina Alifia Maizar, S.E., M.Sc.**, have released an editorial opinion entitled "**Indonesia's Strategic Role as Host of G20 2022**" in Kontan Daily on September 14, 2021.

In their writings, they provide opinions regarding Indonesia's role as the host of the Indonesian G20 Presidency in 2022. The Indonesian government itself carries the big theme "Recover Together, Recover Stronger." This theme was taken into account the current health crisis, which requires cooperation and coordination efforts at the international level more urgently than ever.

This theme itself is relevant to discuss because the recovery process that occurred after the pandemic needed to resolve several socioeconomic conditions that had been severely affected by the COVID-19 pandemic. They

expressed several conditions, such as increasing inequality, where developed countries have a much more flexible fiscal space than developing countries. This will encourage the developed countries to issue a much more significant amount of stimulus and faster recovery. "The implication of this condition is none other than the unequal economic recovery process at the global level," according to Riefky.

On the environmental aspect, the encouragement of sufficient fiscal capacity and the availability of qualified technology can create more disaster-resistant and climate change-resistant infrastructure in developed countries than in developing countries. "Unfortunately, until now, some of the issues facing many developing countries around the world have not been adequately discussed at the G20 forum held in Italy in 2021," added Faradina.

As the host of the G20 next year, apart from being in a strategic position to encourage discussion of pressing issues faced by developing countries in international forums, Indonesia also plays a unique and vital role in shaping and directing global leader discussions in a more relevant, sustainable, and inclusive direction.

More on:

<https://bit.ly/TajukOpini210914>

Economic Analysis Series: Trade and Industry Brief, September 2021



In the last decade, the video game industry has become one of the sub-sectors of the creative economy that is proliferating globally and nationally and is not too affected by the COVID-19 pandemic. The rapid development in the video game industry is proof that this industry deserves more serious attention from the government. The world community's interest in video game products as alternative entertainment amid social restrictions due to the COVID-19 pandemic, which has lasted more than a year, has increased

in recent years. Unfortunately, this development has not been enjoyed by many national video game developers and publishers.

The LPEM FEB UI Business Climate and Global Value Chain Research Group led by **Mohamad D. Revindo, Ph.D.** last September, published a **Trade and Industry Brief** that discussed the opportunities for the game industry to increase the contribution of the creative industry to the economy during and after the COVID-19 pandemic. The brief also saw the development of Indonesia's trade balance as of the end of August 2021, which again recorded a sizable surplus of USD4.74 billion or equivalent to Rp67.6 trillion, which is the 16th consecutive and largest surplus throughout 2021. The information used in this brief is obtained from the BPS Statistics Official Gazette, Bank Indonesia Economic and Financial Statistics, ITC Trademap, and various other sources.

More on:

<https://bit.ly/TradeandIndustryBriefSept2021>

Budget Management in the Local Regions is the Key to Handling the Pandemic



The ANU Indonesia Project of Forum Kajian Pembangunan, together with the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI), on Friday, September 3, 2021, held a Public Webinar entitled “**Local Budget Resilience in the Time of COVID-19: Evidence from Indonesia**”. In this webinar, **Nauli Desdiani** and **Syahda Sabrina**, researchers from LPEM FEB UI, explained the results of their research, which aims to take a deeper look at the components of local government budgets at the provincial level by comparing before the COVID-19 pandemic and current condition. This study also maps the fiscal capacity index and the regional fiscal matrix with several macroeconomic variables such as GRDP, unemployment rate, and poverty rate.

The results of this study show that COVID-19 has caused economic disruption in almost all regions in Indonesia. “Regions that rely on the tourism sector, such as Bali, are severely affected by social restrictions. Meanwhile, regions such as Central Sulawesi, North Maluku, and North Kalimantan, which rely more on natural resources than sectors that rely on social interaction, are not affected by

social restrictions. This can be seen from their economic growth, which shows positive numbers,” said Syahda.

The phenomenon of the COVID-19 pandemic has also forced many governments around the world to implement countercyclical fiscal policies (re: responding to the current economic cycle), including the Indonesian government. However, the government needs to pay attention to countercyclical policies that must be implemented in the short term. “Previous studies have proven that countercyclical fiscal policy can only be applied in the short term. The next government should think about how to maintain their fiscal policy after the COVID-19 pandemic is over, where the economy is back to normal and growing,” added Shahda.

This study also shows that the proportion of spending on the health sector is still low, less than 20% in all regions, with a national average of 9%. The health budget was declining, despite an increase in the overall budget in almost all provinces. “Although some provinces have increased their budgets, most local governments have reduced spending on the health sector. The budget can be used to build Puskesmas and other health facilities, which can help to control this pandemic,” said Nauli. The health budget ratio in 2020 was also decreased by 4% compared to the previous year. “This has led to conditions where many local governments, especially in eastern Indonesia, do not have adequate infrastructure to deal with the pandemic,” Nauli added.

More on:
<https://bit.ly/FKPLocalBudget>

Overview of LPEM FEB UI Publications and Activities

Macroeconomic Analysis Series: Inflation Analysis, September 2021

Inflation in August was recorded at 1.59 percent year-on-year, strengthened compared to the previous month with inflation of 1.52 percent. Inflation during this period was driven by strengthening inflation in the government-regulated price component and volatile goods prices, although core inflation weakened slightly.

More details:

<https://www.lpem.org/seri-analisis-makroekonomi-inflasi-bulanan-september-2021/>

Economic Brief

Macroeconomic Analysis Series: BI Board of Governors Meeting, September 2021

Lower trend of Covid-19 daily cases has brought some positive signals to the macroeconomic and financial indicators. This was marked by the mild improvement in Manufacturing Purchasing Managers' Index (PMI). On the external side, support from the IMF also eases the instability in the near future.

More details:

<https://www.lpem.org/macroeconomic-analysis-series-bi-board-of-governor-meeting-september-2021/>

**Economic Analysis Series:
Trade and Industry Brief, September 2021**

One of the creative economy sub-sectors that has grown rapidly both globally and nationally in the last decade and has been less affected by the COVID-19 pandemic is the video game industry. The world community's interest in video game products as alternative entertainment amid social restrictions due to the pandemic that has lasted more than a year is increasing.

More details:

<https://www.lpem.org/seri- analisis-ekonomi-trade-and-industry-brief-september-2021/>

**Labor Market Brief,
September 2021**

In 2022, Indonesia will be chosen to host the G20 Presidency, a forum for countries representing the world's major economies. One of the discussions raised in one of the working groups in the upcoming G20 is the issue of job opportunities for groups of people with disabilities.

More details:

<https://www.lpem.org/labor-market-brief-edisi-15-%e2%80%93-september-2021/>

**Policy Brief, September 2021
Acceleration of Modern
Public Transportation
Networks as an Effort to
Increase Productivity and
Economy of Urban
Communities: A Case
Study of MRT Jakarta**

DKI Jakarta is the center of economic activity in the Greater Jakarta area, with a high level of mobility both from the surrounding area and within Jakarta itself. The high level of community mobility in the DKI Jakarta area and its surroundings has resulted in various challenges: the high dependence on private transportation.

More details:

<https://www.lpem.org/akselerasi-jaringan-transportasi-publik-modern-sebagai-upaya-peningkatan-produktivitas-dan-perekonomian-masyarakat-kota-studi-kasus-mrt-jakarta/>

Indonesia is in the middle of its long-term development challenge to escape the 'middle-income trap'. As often as developing countries face the same challenge, one common strategy to be implemented by the Government of Indonesia (GoI) is to develop a massive infrastructure plan across the country.

More details:

<https://www.lpem.org/resilient-infrastructure-in-indonesia-a-way-forward/>

**Working Paper:
No.64, September 2021**

**Resilient
Infrastructure in
Indonesia: A Way
Forward**

Webinar and Press Conference



**Tax Research Sharing Session:
Lesson Learned from the Indonesian Tax Amnesty
Program, 8 September 2021, LPEM FEB UI**

More on: <https://www.youtube.com/watch?v=IKFgzCVmnKI>



LPEM FEB UI Education and Training: October—December 2021



Planning and Budgeting
(4—8 October 2021)



Macroeconomics
(11—13 October 2021)



Econometrics
(25—29 October 2021)



Public Policy Analysis
(8—12 November 2021)



Policy Paper
(15—17 November 2021)



Regulatory Impact Assessment
(22—24 November 2021)



Computable General Equilibrium
(6—8 December 2021)



Monitoring and Evaluation
(6—8 December 2021)

Education and Training:

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