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MGG  
Managing Global Governance

# Managing Global Governance (MGG) Alumni Conference Indonesia 2018

A Digital Agenda for Sustainable Development -  
Perspectives from Indonesia  
Report



# Managing Global Governance (MGG) Alumni Conference Indonesia 2018

## “A Digital Agenda for Sustainable Development – Perspectives from Indonesia”

27 November 2018

Centre for Strategic and International Studies, Pakarti Centre Building, 3rd Floor, Jl. Tanah Abang III No. 23-27, Jakarta 10160

Report by Muhammad Habib Abiyan Dzakwan, Beltsazar Krisetya and Elisaveta Gouretskaia

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### Introduction

The digital transformation belongs to the greatest information and communication revolutions in human history. It is changing the personal, societal and economic life across the globe. Although not a Sustainable Development Goal (SDG) in itself, digitalisation has great potential to accelerate progress towards achieving the SDGs, by creating new opportunities through technological innovation. Some of the beneficial impacts of digitalisation include an easier access to information, more efficient distribution chains, and increased government transparency. At the same time, technological advances bear risks and can cause effects contrary to the goals of the 2030 agenda, such as an increase in social inequalities. The Managing Global Governance (MGG) conference ‘A Digital Agenda for Sustainable Development – Perspectives from Indonesia’ explored these issues from an Indonesian perspective, and allowed MGG alumni from Mexico and India to share experiences from their countries.

In recent years, Indonesia has gradually progressed on its digitalisation pathway towards sustainable development across different sectors. Early in 2018, the Indonesian Ministry of Industry decided to present a strategic blueprint named ‘Making Indonesia 4.0’. Other domestic initiatives include a Road Map on Internet-of-Things Development, as well as providing digital marketing platforms for SMEs, harnessing digital instruments for underdeveloped regions through cooperation with the private sector, developing e-commerce platforms based on specific potencies in each region, and revising school curricula. At the same time, the protection of low skill workers, who do not possess the necessary skills to keep up with the changing labour market, is one of the major challenges related to digitalisation in Indonesia. The multifaceted digital divide constitutes another challenge that requires adequate response measures to ensure that the benefits of digitalisation are distributed equally.

The conference aimed to deliver a general perspective from Indonesia on ongoing digital transformation processes. It included one session on the convergence of digitalisation and sustainable development, and another one dedicated to the social implications of digitalisation. Experts from the Indonesian government, U.S.-ASEAN Business Council, Indonesian Institute of Sciences, Sandya Institute for Peace and Human Rights, Centre for Strategic and International Studies (CSIS) and Perkumpulan Prakarsa contributed their perspectives on the topic.

### Session 1: The Convergence of Digitalisation and Sustainable Development

In the session opening, moderator Dr Shafiah F. Muhibat from the Centre for Strategic and International Studies (CSIS) highlighted the importance of digitalisation and sustainable development for global markets. She raised two triggering questions to the speakers, namely: What exactly is the convergence between digitalisation and sustainable development, and what are the remaining challenges in this context?

The first speaker, Ms. Desi Indrimayutri from the U.S. ASEAN Business Council, presented the current digitalisation trend in Indonesia, highlighting the growing shared economies and e-commerce such as Go-Jek, Bukalapak, Tokopedia, and Traveloka. She also mentioned the rising interest in financial technology (Fin-Tech), that provides necessary responses to the rigidness of current financial institutions. Ms. Indrimayutri also talked about connections with the Sustainable Development Goals (SDGs), which include the creation of job opportunities and access to technology. Nevertheless, Ms. Indrimayutri also pointed out several remaining challenges. First, network infrastructures in Indonesia are dominantly concentrated in Java. This uneven distribution clearly hampers the realisation of SDGs through digital instruments. Second, the creation of new jobs in the context of a rising e-commerce requires certain social relations to be re-defined. For example, the motorcycle drivers who work for Go-Jek are not necessarily employed by Go-Jek. The last challenge mentioned by Ms. Indrimayutri relates to the shift from MDGs to SDGs, which has broadened the range of problems to be addressed, but does not provide enough suggestions on how to achieve the resulting goals, for example through harnessing digitalisation.

Following this digital outlook for Indonesia, the moderator gave the opportunity to Ms. Fabiola Soto Narvaez from the Mexican Agency for International Development Cooperation (AMEXCID) to share what has been done by her country in the field of digitalisation. Ms. Soto Narvaez emphasized that the Mexican delegation had previously pushed for an international resolution to address how technologies actually affect the SDGs. She also mentioned that Mexico engaged like-minded countries in bilateral, regional, and international dialogues on the topic, and tried to incorporate the dimension of technological impacts into the SDGs, including by making analyses of opportunities, risks, and challenges. In addition to that, Ms. Soto Narvaez also highlighted the importance of avoiding positions that could only benefit few countries or companies in this digital era, and encouraged middle income countries to mutually share economic opportunities provided by digitalisation in each respective country.

The third speaker, Dr Maxensius Tri Sambodo from the Indonesian Institute of Sciences focused on the remaining challenges faced by Indonesia. He started with missing elements in the digitalisation trend in Indonesia, such as the absence of ways to optimise digital technology by developing local talents. He related this challenge to the educational system in Indonesia, which still lacks skills-development programmes and does not prepare students to be entrepreneurs, but to be government employees. Another challenge he mentioned was bringing technology into the framework of fairness, trust, and transparency, including with regard to the competition between 'manual' and 'digital' jobs.

The last speaker of the session Mr. Rudraneel Chattopadhyay from the Quality Council of India (QCI) started his presentation by comparing the similarities and differences between digital identity cards (E-KTP) in Indonesia and the Aadhaar card in India, which both require citizens to record their retinas and finger prints in order to obtain a unique identification number and get access to public services. Another similarity is that both systems aim to identify all, or at least most citizens. Meanwhile, a difference is that while the card is optional in India, it is obligatory in Indonesia. The issue that arised from this comparison was how to provide proper access to the internet, particularly to grass-root communities. He stressed that digitalisation needs to be inclusive and not dependent on top-down decisions. Mr. Chattopadhyay also noted that the convergence of digitalisation and sustainable development could be seen in the prevention of corruption and bribery. A paperless chain of investigation could strengthen the transparency and the institution of the government as such.

## **Session 2: The Social Implications of Digitalisation**

In the second session, participants were invited to further discuss the social implications of digitalisation in Indonesia. Moderated by Dr Ariel Hernandez from the German Development Institute, this session started with the Indonesian government's perspective, as delivered by Dr. Oktorialdi from the National Development Planning Agency (BAPPENAS). To effectively harness the digital potential, the government currently pursues three digital agendas: reducing digital gaps, enhancing human resource capabilities, and adapting and formulating appropriate regulations and incentives.

The second speaker, Mr. Diovio Alfath, Founder and Executive Director of Sandya Institute for Peace and Human Rights Sandya Institute, argued that the prominent issues of discrimination and persecution against minority groups are more likely to continue growing in Indonesia in the context of digitalisation. Additionally, the internet might be a new medium for radicalisation with the dissemination of provocative messages and encrypted chat groups. Nonetheless, he concluded that digitalisation also enables NGOs to create bigger engagement and have a stronger impact.

The third speaker, Ms. Cut Nurul Aidha from the organisation Perkumpulan Prakarsa (Welfare Initiative for Better Societies), highlighted how Go-Jek, a national unicorn ride-hailing service, has exemplified Indonesia's digital economy power in contributing to national economy and employment. However, she also noted that the available regulations have yet to be adapted in order to provide Go-Jek's drivers with adequate protection under labour law due to their legal status as partners. The speaker then invited participants to ponder on the possible policy tools that can be used to incentivise industry towards digital initiatives that deliver value to the society.

The fourth speaker, Mr. Yose Rizal Damuri from the Centre for Strategic and International Studies (CSIS) presented the institute's research findings on over-the-top services (e.g. Facebook, Twitter, LINE, Skype, and WhatsApp), also known as Rich-Interactive-Applications (RIA). The findings suggest that RIAs have positive impacts on SMEs engagement, that they fertilise digital industries, increase engagement for health and education sector workers, and improve political inclusiveness. Finally, Mr. Damuri concluded that in order to stimulate further digital growth, Indonesia needs to improve its citizens' digital literacy and its telecommunication infrastructure, while also developing a conducive regulatory environment.

The last speaker, Mr. Diego Zubillaga Rodriguez from El Colegio del México pointed out that the obsession for economic growth has clouded the digitalisation agenda, which does not necessarily consider the environmental ramification of digitalisation. Go-Jek was named as an example, as the service has overlooked the environmental consequences of providing personal vehicles for hire, thereby discouraging the use of low-emission public transportation.

The session continued with an open discussion on three subtopics: digital consumer protection, an echo chamber in social media, and whether digitalisation dampens the rate of industrialisation. On Indonesian digital consumer protection, most panellists agreed that robust government regulations are needed to ensure consumers' trust and safety in conducting online transactions. It was also stressed that non-government actors are crucial to help maintain a secure online environment, although there has to be a balance between market-regulated and government-controlled cyberspace. Regarding the echo chamber, it was suggested that the polarisation in Indonesian cyberspace has been used by conservative politicians to attract populist voters, leading to a further marginalisation of minorities. Another statement was that social media polarisation happens because the cyberspace attempts to self-regulate through algorithms. Suggestions made to diminish such polarisation included the attempt to create a "community code of conduct" by the private sector. Finally, participants suggested that the industry may benefit from the digitalisation wave, especially from the services sector, which is deemed as the future of the industry due to its flexibility. The service sector can use digital technology to expand its outreach and engage with broader range consumers. Additionally, it was noted that while digitalisation may increase consumption, overconsumption might have detrimental environmental consequences.

## Brief of Opportunities and Challenges of Digitalisation in Indonesia

### Opportunities

A promising aspect about digitalisation in Indonesia is the commitment and excitement of the government on this matter. The government has initiated several programmes including: finishing the Palapa-ring project to provide fast internet access to all regions in Indonesia, building Base Transceiver Stations (BTS) in blank spot spaces, launching a satellite to cover internet access in remote regions, and preparing an act on the protection of personal data to ensure the safety of those data during digital transactions.<sup>1</sup> Also, the Ministry of Finance has recently revised the regulation concerning tax holidays for large investments (above 500 billion rupiah), to include the digital economy into the list.<sup>2</sup>

The Indonesian government also cooperates with the international community on the digital economy. For example, during the 2018 Annual World Bank-IMF Meeting in Bali, Indonesia proposed the Bali Fin-Tech Agenda to incorporate financial technology as one of the fostering elements of growth and welfare.<sup>3</sup> At the 25th Asia-Pacific Economic Community (APEC) Summit, President Joko Widodo also raised the importance of the digital economy for benefitting the people and enhancing inclusiveness.<sup>4</sup> During the G20 Summit in Buenos Aires, Argentina, Vice President Jusuf Kalla entertained the notion of innovative business models—including the digital economy for enhancing economic distribution, creating job opportunities, and expanding financial inclusion.

The progressing digitalisation in Indonesia manifests itself through an increase in the use of the internet. As noted by the Association of Indonesian Internet Providers, there were 143,26 million people or more than half of the total population who have used internet either from computers, mobile and other gadgets in 2017.<sup>5</sup> This number reflects a positive increase from 2016, when only 132,7 million people used the internet. In line with this achievement, Indonesia is also recorded as the world's fourth largest country in terms of the number of technological-based startups, with a total

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<sup>1</sup> "Pemerintah serius bangun ekosistem ekonomi digital," *Antaraneews.com*, 15 November 2018, accessed on 5 December 2018, through <https://www.antaraneews.com/berita/768775/pemerintah-serius-bangun-ekosistem-ekonomi-digital>

<sup>2</sup> "Aturan Baru Tax Holiday Berlaku, Tarik Investasi Jumbo Ekonomi Digital," *Kata Data*, 29 November 2018, accessed on 5 December 2018, through <https://katadata.co.id/berita/2018/11/29/aturan-baru-tax-holiday-berlaku-tarik-investasi-jumbo-sektor-digital>

<sup>3</sup> "Di KTT G20, Jusuf Kalla Suarakan Pentingnya Ekonomi Digital," *Tempo.co*, 2 December 2018, accessed 5 December 2018, through <https://bisnis.tempo.co/read/1151489/di-ktt-g20-jusuf-kalla-suarakan-pentingnya-ekonomi-digital>

<sup>4</sup> "Presiden Jokowi angkat ekonomi digital di APEC," *Antaraneews.com*, 11 November 2018, accessed on 5 December 2018, through <https://www.antaraneews.com/berita/664201/presiden-jokowi-angkat-ekonomi-digital-di-apec>

<sup>5</sup> "Survei APJII: Penetrasi Internet di Indonesia Capai Angka 54 persen di tahun 2017," *Tech in Asia*, 21 February 2018, accessed on 5 December 2018 through <https://id.techinasia.com/penetrasi-internet-di-indonesia-2017>

of 1,720 startups in March 2018.<sup>6</sup> President Joko Widodo even delivered his optimism that in 2018, the contribution of the digital economy, including those startups, to national GDP would reach 8,5%.<sup>7</sup>

## Challenges

Despite the impressive growth in Indonesia's digital economy and ICT-enabled governance, two fundamental challenges remain. First, a multifaceted digital divide prevents the benefits of digitalisation from being distributed evenly across the country and its population. A recent survey by the Indonesia Internet Service Provide Association shows that the population with access to internet in the eastern part of Indonesia (Sulawesi, Nusa Tenggara, Maluku, Papua) is below national average (54.68%), and only contributes to less than 15% of national internet users.<sup>8</sup> On average, populations in urban areas also enjoy much larger internet penetration compared to rural and rural-urban areas—a gap of 23.54%. The digital divide is also gendered, with the percentage of Indonesian women having internet access being as low as 20%.<sup>9</sup> Indonesian women are also indicated to have a lower digital literacy as compared to the male population, which does not allow women to fully use the technology for empowerment and improved living quality.<sup>10</sup> The digital gap also exists by age, as the younger population (13-34 years old) enjoys an internet penetration rate of 74.86%, whereas the population aged 35 years and more only has 29.89% of internet penetration. The education level further widens the divide, with internet penetration going as high as 88.24% for postgraduates and only as high as 25.1% for elementary school graduates. The varying levels of internet penetration and digital literacy suggest that Indonesia's population is dichotomised into the "digitally included" and the "digitally excluded", which is closely related to social inclusion and exclusion. Finally, the multidimensional divide constitutes a challenge for Indonesia to "make sure that the internet does not lead to a more divided and unequal society"<sup>11</sup>. Overlooking the digital divide may risk for the digitalisation agenda to underpin social class or other distinctions, which may eventually widen the digital divide instead of closing it.

Second, cyberinsecurity has obstructed Indonesia to fully reap the benefits of the digital economy. Indonesia is estimated to have lost US\$34 billion from direct financial losses and long-term customers' trust decline from cyber incidents.<sup>12</sup> Uncertainties exist at the regulatory level, where Indonesia has yet to develop a comprehensive national cybersecurity strategy. The current Electronic Information and Transaction (ITE) law remains contentious and the data protection law has yet to be enacted by the house of representatives.<sup>13</sup> At the institutional level, while Indonesia has just recently formed the National Cyber and Encryption Agency (BSSN), the latter has yet to be fully consolidated and become fully operative.<sup>14</sup> The lack of an overarching national strategy and enforcement further deteriorates Indonesia's vulnerability to cyber threats, not to mention that Indonesia also becomes one of the largest sources of cyber-attacks worldwide. Eventually, the unresolved issue of cybersecurity may not only compromise customers' trust, but also discourage regional businesses and investors who seek to expand their market to Indonesia.

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6 "Indonesia: Negara 4 Besar Startup Dunia," Indonesiabaik.id, accessed on 5 December 2018, through <http://indonesiabaik.id/infografis/indonesia-negara-4-besar-startup-dunia>

7 "Jokowi: Kontribusi Ekonomi Digital ke PDB Bisa 8,5 Persen," CNN Indonesia, 7 December 2018, accessed on 10 December 2018, through <https://www.cnnindonesia.com/ekonomi/20181207111127-532-351835/jokowi-kontribusi-ekonomi-digital-ke-pdb-bisa-85-persen>

8 APJII and Teknopreneur, "Infografis Penetrasi & Perilaku Pengguna Internet Indonesia," Indonesia Internet Service Provide Association (Jakarta, 2017).

9 World Wide Web Foundation, "Women's Rights Online: Indonesia Report Card" (Geneva, 2017).

10 Fiona Suwana and Lily, "Empowering Indonesian Women through Building Digital Media Literacy," *Kasetsart Journal of Social Sciences* 38, no. 3 (September 1, 2017): 212–17, <https://doi.org/10.1016/J.KJSS.2016.10.004>.

11 Edwin Jurriëns and Ross Tapsell, "Challenges and Opportunities of the Digital 'revolution' in Indonesia," *Digital Indonesia. Connectivity and Divergence*, 2017, 1–20.

12 Microsoft and Frost & Sullivan, "Understanding the Cybersecurity Threat Landscape in Asia Pacific: Securing the Modern Enterprise in a Digital World" (Singapore, 2018).

13 AT Kearney, "Cybersecurity in ASEAN: An Urgent Call to Action" (Singapore, 2018), <http://www.southeast-asia.atkearney.com/documents/766402/15958324/Cybersecurity+in+ASEAN—An+Urgent+Call+to+Action.pdf/ffd3e1ef-d44a-ac3a-9729-22afbec39364>.

14 International Cyber Policy, "Cyber Maturity in the Asia-Pacific Region 2017" (Barton, 2017), <http://www.albayan.ae>.

## ANNEX 1

### “A Digital Agenda for Sustainable Development – Perspectives from Indonesia ” Managing Global Governance (MGG) Conference 27 November 2018 – Jakarta

Programme  
27 November 2018

Tuesday, 27 November 2018

09.00 – 09.30

**Registration**

9.30 – 10.15

**Welcome and Opening**

- Dr. Medelina Hendytio, Deputy Executive Director, Centre for Strategic and International Studies,
- Dr. Wulf Reiners, Head of MGG Programme, German Development Institute
- Mr. Rafael Teck, German Embassy Jakarta

10.15 – 11.30

**The Convergence of Digitalisation and Sustainable Development**

- Ms. Desi Indrimayutri, Indonesia’s Chief representative at the US-ASEAN Business Council
- Dr. Maxensius Tri Sambodo, Indonesian Institute of Sciences
- Ms. Fabiola Soto Narvaez, Mexican Agency for International Development Cooperation (AMEXCID), MGG Alumna Mexico
- Mr. Rudraneel Chattopadhyay, Quality Council of India, MGG Alumnus India

Moderator

- Dr. Shafiah F. Muhibat, Head of Department of International Relations, Centre for Strategic and International Studies (CSIS), MGG Alumna Indonesia

11.30 – 11.45

**Coffee Break**

11.45 – 13.15

**The Social Implications of Digitalisation**

- Drs. Oktorialdi, MA, Ph.D., National Development Planning Agency (BAPPENAS), Expert Staff for Equity and Regional Development
- Mr. Diovio Alfath, S.H., Founder and Executive Director of Sandya Institute for Peace and Human Rights
- Ms. Cut Nurul Aidha, Perkumpulan Prakarsa
- Dr. Yose Rizal Damuri, Head of the Department of Economics, Centre for Strategic and International Studies
- Mr. Diego Zubillaga Rodriguez, El Colegio del México, MGG Alumnus Mexico

Moderator

- Dr. Ariel Hernandez, Researcher, German Development Institute