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# Why does Indonesia's Minister care about IO?

DR. FUTU FATURAY  
The 2020 IELab Conference  
Mount Victoria NSW, 3-5 February 2020



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# 28-29 August 2019

## Researchers' Day: the IndoLab launch



Australian Government



Australia  
Indonesia  
Institute



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Universitas Padjadjaran



THE UNIVERSITY OF  
SYDNEY

**Funding**

**Policy makers**

**Experts**



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## Prof. Manfred Lenzen

The University of Sydney, Australia

*“I cannot quite adequately describe what Futu, Ferry and their team have achieved – this was a flawless, beautifully orchestrated, high-level policy launch, with more than 180 participants, a powerful speech by the Minister (who understands IO inside-out!, and who wants many questions answered using the IndoLab), many parallel sessions, posters, a 3-minute thesis competition, prizes, everything filmed, lots of support staff looking after registration, tea breaks, transport etc etc, a great welcome reception with live band, an amazing surround-sound promotion video, and and and... . In short, we were all speechless.”*





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# Dr. Sri Mulyani Indrawati

Indonesia Minister of Finance



## Better policies

*“The pressure for us to formulate better policy is very very strong, very very obvious, very very eminent, very urgent. So we cannot delay.”*

## Better research

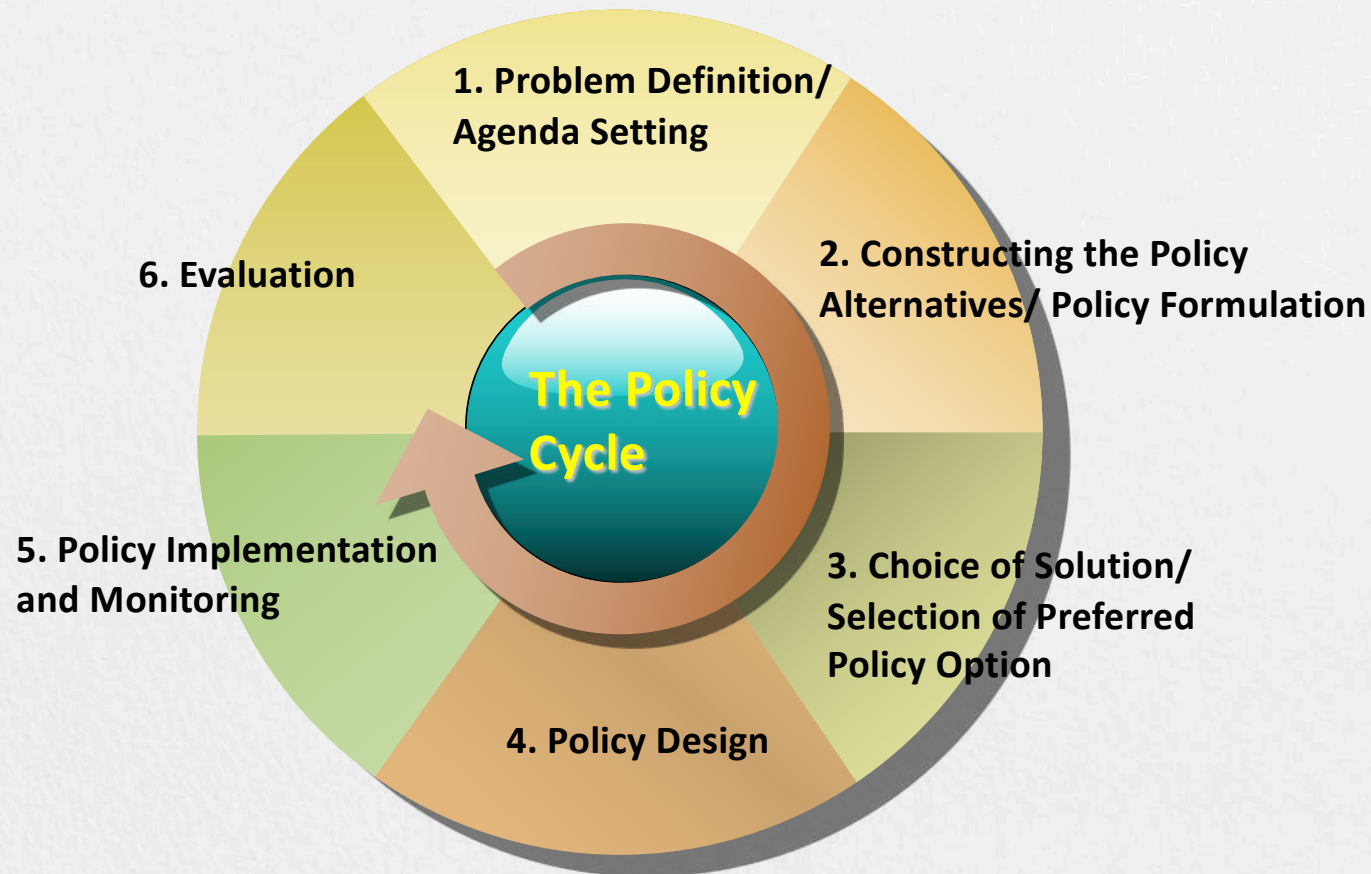
*“We are going to make sure that research can become an effective not only a feedback but also an input for a policy.”*

## Better tools

*“–A standard– IO model at some point maybe it’s going to be gone... The economy is moving into digital. So, we are no longer have 165 times 165 –sectors– , we may have millions and billions of data.”*



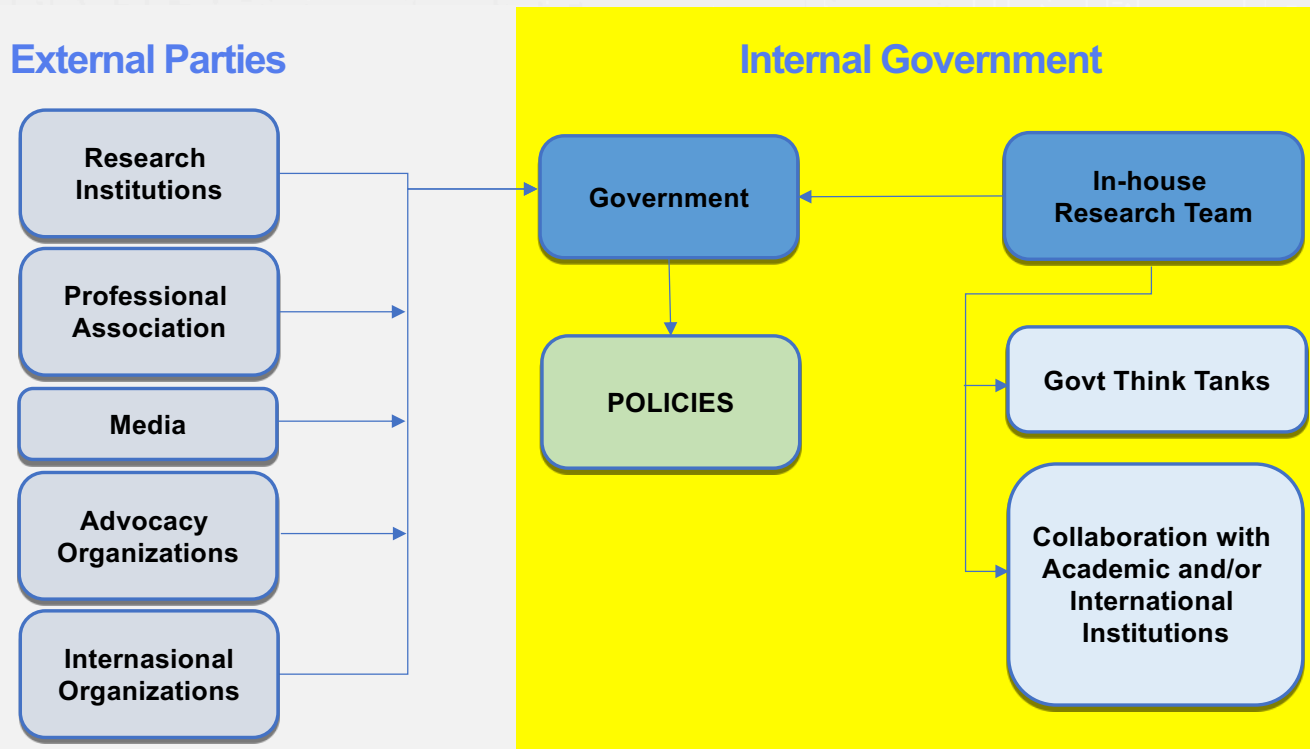
# Steps to Make Policies



Source: Young and Quinn (2002)



# Research is Part of the Government Policies Setting Process



Research influences the policy process at any stage – both informing and correcting planning and implementation



## However research is not the only factor affecting policy

### Experience, Expertise and Judgement

Human and intellectual capital, tacit knowledge

### Resources

Policymaking and implementation occurs in the context of finite (usually declining) resources, indicating some kind of cost-benefit exercise

### Values

These include ideological and political beliefs. Values are strong driving forces behind policymaking

### Habit & Tradition

Important features which often defy rational explanation in the twenty-first century

### Pragmatics & Contingencies

think tanks, opinion leaders and the media, all of whom are major influencing powers

### Lobbyists, Pressure Groups & Consultants

political life, such as timetables, parliamentary terms, capacities of institutions and unanticipated contingencies



# Sinergy among Stakeholders



## Technocracy

### Challenges

- Analyze data and economic conditions
- Development Priorities
- Designing Revenue, expenditure, and financing



## Political

- Political promises
- Cabinet process
- DPR and DPD Process
- Regional Process



## Governance

### Challenges

- Promptness vs. governance
- Transparency & accountability
- Compliance vs. Pragmatic





# Indonesia is an archipelago nation with $\approx 17,000$ islands



More than 262 million people



10 percent below poverty line



128 million labor force



7 million unemployed



14 political parties



87 Line ministries



GDP : US\$1,015.3 Billion  
GDP per capita : US\$3,877.8



5,271 km from west to east



More than 360 ethnic groups



More than 75,000 villages

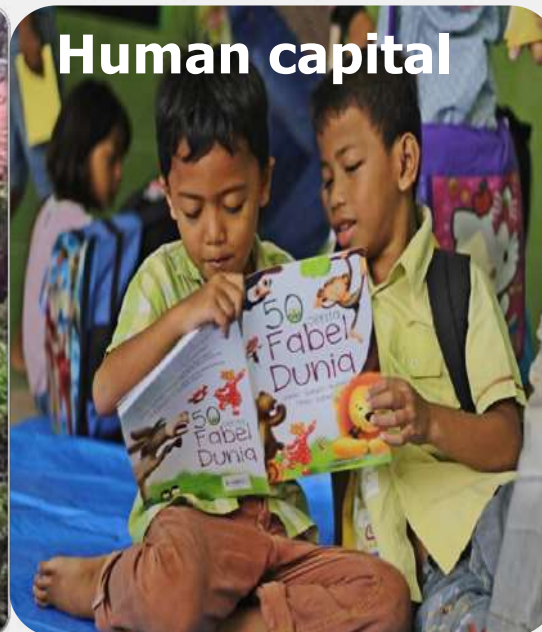


## We have to improve public policies



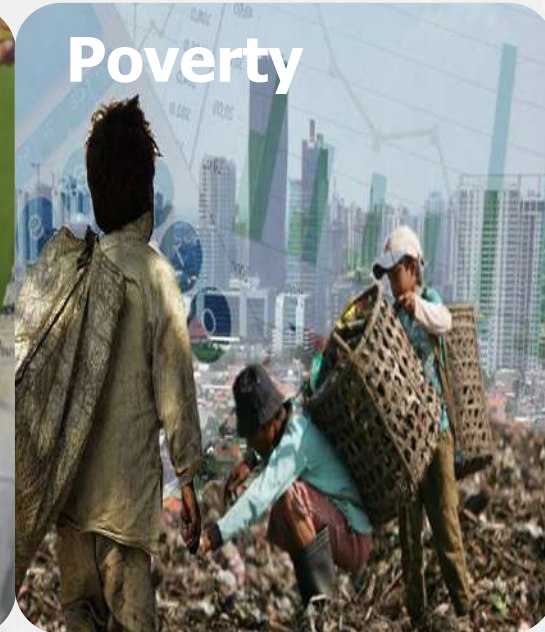
### Infrastructure

- Infrastructure lagging behind other countries
- Low absorption of local workers
- Less Integrated Infrastructure Projects



### Human capital

PISA rankings are still low (62 out of 72 countries in 2015)



### Poverty

Poverty (10,12 % as of September 2017)



## IndoLab features



IndoLab

accelerating work for better policy

- offers flexibility in the choice of MRIO years, as well as sectoral and regional classifications to suit the users' research questions
  - 495 regions
  - 1,148 sectors
  - 1990 – 2018
- allows integration big data sets into a harmonised framework and automatic system, including non-monetary satellite data
  - energy
  - employment
  - carbon emissions

For more information about the IndoLab visit: <https://www.indolab.info>

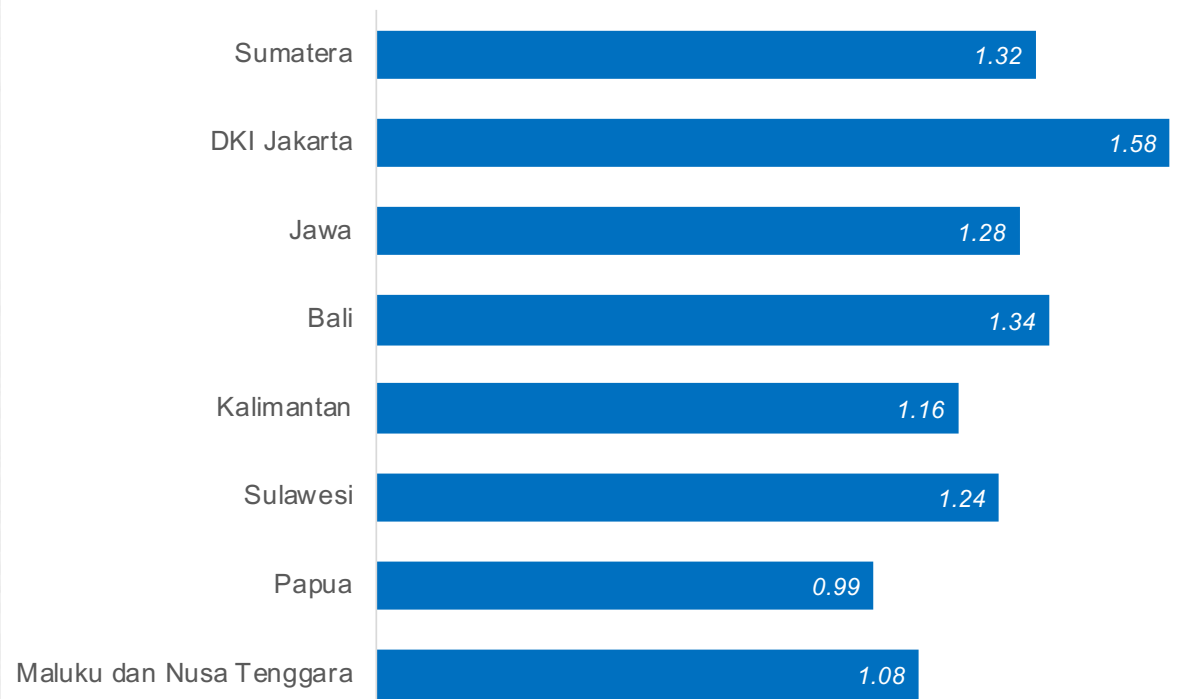


# Case 1: Elimination of LPG Subsidy

*...toward energy reform*



Regional Inflation Impact (%)

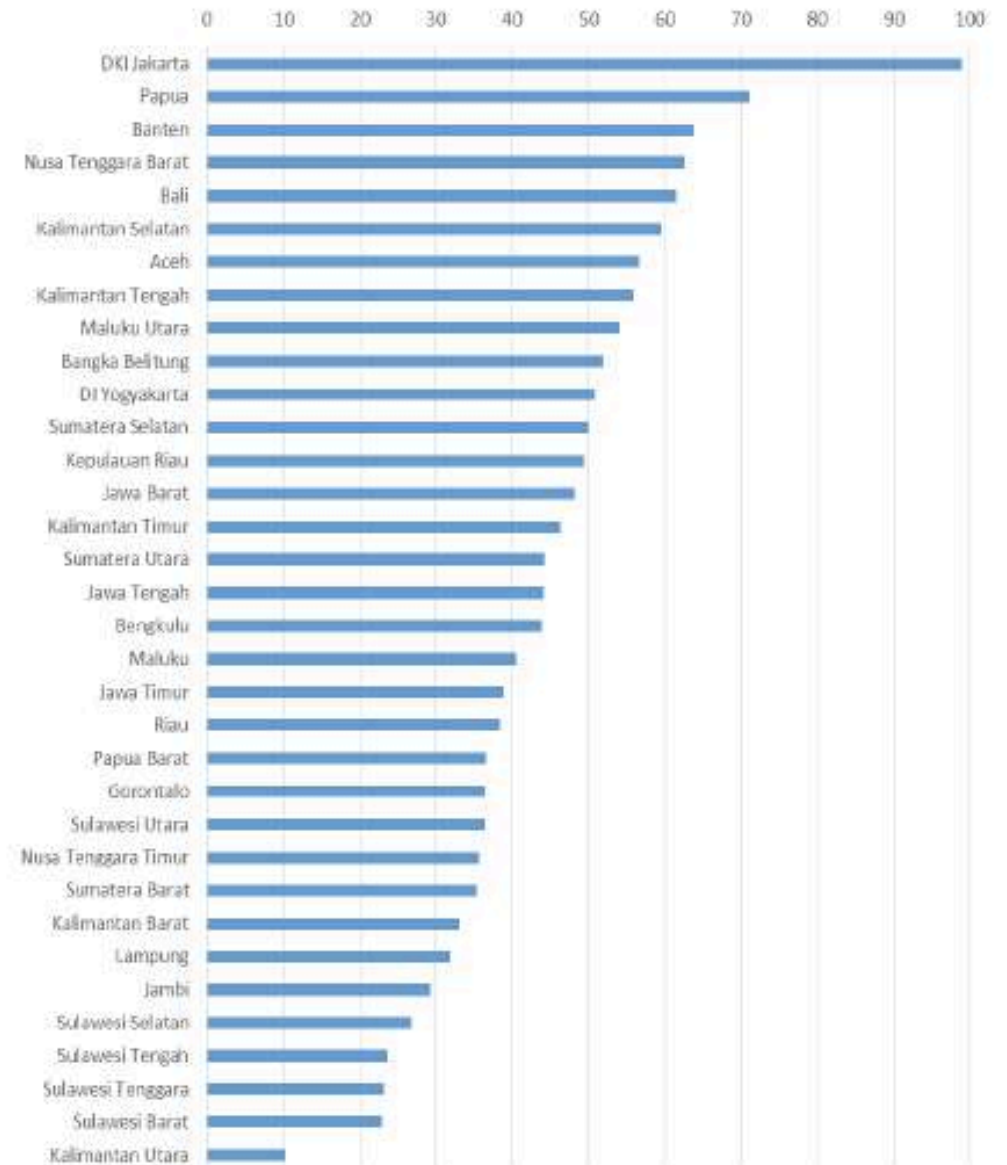




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## Case 2: Tax collection gap

...toward tax reform





## Conclusions



### **Policies are directed**

to achieve the national goals, such as creating community welfare and jobs, and reducing poverty and inequality



### **Credibility of policies is maintained**

to boost the economy, and gain public and market confidence in global competition



### **Research support is a must**

to improve the quality of government policies, with IO as one of prominent modelling tools.



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# THANK YOU

**Dr. Futu Faturay**

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