

Digitalization: Making Indonesia's MSMEs "Dance" with Covid-19 for New Normal¹

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Bismillahirrahmanirrahim,

Assalammulaikum wrwb.

Excellency Ministers, Delegates, Ladies and Gentlemen,

Good Afternoon, and Good Evening to other part of the globe.

First of all, on behalf Indonesia delegation, please allow me to express my appreciation to the host of Economy Malaysia for the hospitality and excellent arrangement of this very important APEC meeting. I would also like to take this opportunity to send a very warm regards from our Minister of Cooperatives and SMEs, H.E. Mr. Teten Masduki, to the Minister of Entrepreneur Development and Cooperatives of Malaysia, H.E. Dato Sri Dr. Haji Wan Junaidi Bin Tuanku Jaafar.

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As for me, I am pleased and feel honored to be able to share with you, about some efforts of what and how Indonesian Government have been doing in combatting Covid-19 to save the economy and especially to bring our MSMEs back on track.

Excellencies, ladies and gentlemen

The COVID-19 pandemic has affected and threatened the lives of people around the globe and has given a hard hit to economic growth. Economy is projected to be in deep global recession in 2020 while the recovery is going to be slow and gradual. In June 2020, OECD projected that in a double-hit scenario, which are now happening in some European countries, the global GDP was projected to be declined to minus 7¾ percent in 2020, before rising by around 2¾ percent in 2021. Recently, as reported by Asia Wallstreet Journal, we all witness that Europe has already overtaken the U.S. in new case of Covid19.

For Indonesia, as of last night, the total cases have reached 377.541; recovered 301.006; and death 12.959. Some cities have already applied local lockdown policies which hampered the economy. Still, this numbers are likely to increase due to the lack of discipline, political reason such as local election etc. We do hope the curve will be flattened very soon. In terms of the economy, the second quarter has already recorded -5.32% contractions and more likely still has a moderate negative growth for the third quarter.

Ministers, Delegates, Ladies, and Gentlemen

Despite of affecting the economy and MSME in general, Covid-19 has also created challenges and new chances. Some of our local Cooperatives and MSMEs in agriculture products, in fact, recorded an increase in terms of demand and revenues. How come? ICT and Digitalization are the answers.

Fortunately, Indonesia has successfully liberalized Telecoms industries in early 1990s. Since then, the modernization in telecommunication sector combined with the provision of national infrastructure on satellite and mobile communication systems has developed a more competitive service to the people, including rural MSMEs. Last year, under the president Jokowi government, Indonesia has successfully united all archipelagos with Palapa Ring Project, connecting cities with fiber, thus broadband. Following Indonesia Road Map of **Making Indonesia 4.0** in 2018, many relevant ministries, companies, research centers, and people have improved their ICT and digitalization capacities.

With total population of 264 million (2019), the latest figures from The Ministry of Information and Communication (KOMINFO) show that in 2018 Indonesia has about 170 million internet users, 330 million mobile connections with more than 270 million smart phones in use. Then, in the policy and regulatory framework, as stated in the white book (2019) of “Indonesia Digital for Future Economy and Inclusive Urban Transformation”, the government of Indonesia has issued consecutively **Indonesia Broadband Plan (2014)** and **Road Map for E-Commerce (2017)**.

In addition, the market size of Indonesia e-commerce is predicted by IGD Asia to grow significantly from USD 8 billion (2015) to USD 40 billion (2019) and USD 133 billion (2025).

However, out of 64 million of our MSMEs, **only 13%** of them are now connected to the digital platform. It means that only 8 million of our MSMEs have maximizing technology for their business. Therefore, there are ample rooms for improving our MSMEs with digitalization. Today, our ministry is now focusing on 2 main issues. First is maximizing the role of Cooperative and MSMEs on food based industries (Agriculture, livestock, Forestry, and Fishery), and the second is on Digitalizing our MSMEs. This strategy is in line with the latest growth of economic sectors in Covid19 pandemic era. All of these sectors give positive growth, while others are contracting or in negative numbers.

The following are some of the programs in our digitalization process to improve the MSMEs. They are, among others:

- (1) Capacity building on our HRD consisting of EDUUKM, Webinar series, SPARC Campus, and Digital Hero;
- (2) Collaboration with Community and Solution consisting of Indonesia Creative Store, “Gotong Royong’ market;
- (3) On Boarding including Sister for MSMEs (Kakak Asuh UMKM) and e-Catalog; and
- (4) Supporting on Promotion and Marketing by making Billboard, QR Digital Catalog, product promotion by Center of Integrated Services (PLUT-UMKM), Product Review by Influencer, and MSME hub.

In additions to the digitalization, our office has already issued a pocket book as a guidance for the MSMEs in doing their business with standard protocol practices.

In additions to the various efforts in digitalization, the government has already allocated a huge fund in **National Economy Recovery Program (PEN)** to overcome the challenges of Covid 19. There are IDR 695 Trillion are available for various sector. Around one sixth of the fund or IDR 123.46 Trillion has been allocated to MSME sector consisting of: Interest subsidy; Placement of fund for restructuring; Guarantee Return; Stop Loss; Government Paid Final Income tax; and Investment Financing to Cooperatives. The programs in general work well and already absorbed about 69% from allocated funds. In additions, just recently in August, we launched another presidential aid program which grants Rp 2.4 million for micro enterprises and *unbankable* people.

Ministers, Ladies and Gentlemen,

Please bear in mind that there are 63.3 million of Micro Enterprises, 783 thousand Small Enterprises, 60.7 thousands Medium and 5.5 thousand Large Enterprises. In total, our MSMEs dominate 99% of populations, 97% employment, and around 60% of GDP and Investment in our whole economy. The figure speaks for themselves about the role of MSMEs in Indonesian economy.

Let me conclude my remarks by bringing us back to the year of 1990. For those of us at my age, born in 50s or early 60s, I do believe that you had a chance to watch an American epic western movie, starred and produced by Kevin Costner. This film is an adaptation from the novel with the same title written by Michael Blake. Yes, the title is **Dance with Wolves** which won 7 Academy Awards.

With the all potential and role of our MSME in economy, government supported program in the pandemic, our ICT policy, and coupled with programs towards digitalization, I am in optimistic mood to say that we can make our MSMEs dance with Covid19, as Mr. Costner made his way in that movie.

Finally, Indonesia is looking forward to cooperating and sharing with APEC member countries for a better economy.

Mr. Chairman,

Thank You.
