



KEYNOTE SPEECH VICE MINISTER OF FINANCE
ASIAN THINK TANK FORUM 2024
JAKARTA, OCTOBER 02nd 2024

The honorable,

- Centre for Strategic and International Studies founders: **Bapak Harry Tjan Silalahi, Bapak Jusuf Wanandi, and Ibu Clara Joewono;**
- Executive Director, Centre for Strategic and International Studies, **Mr Yose Damuri;**
- Country Director, Asian Development Bank Indonesia Resident Mission, **Mr Jiro Tominaga;**
- Director Regional Cooperation and Integration Center, Asian Development Bank, **Mr Jong Woo Kang;**
- Presenters, discussants, moderators;
- Distinguished guests, ladies and gentlemen.

[Opening]

1. A very good morning to you all.
2. It is an honor for me to meet and address all of you today at this Asian Think Tank forum for 2024. **I find the topic of digitalization very much aligned with our current challenges, not only in Indonesia but also in the Asia-Pacific region, as it relates to our shared aim of inclusive growth.**

3. An event like this is important as it allows policymakers, academics, and other stakeholders to exchange insights on current issues and potential solutions that will help create better policies for our common future.
4. Before we delve into today's discussion, I would first like to extend my appreciation to the **Asian Development Bank, the United Nations Economic Commission for Asia and the Pacific, and the Centre for Strategic and International Studies** for this opportunity to share Indonesia's journey in the challenging landscape of the digital era.
5. Your combined efforts have created a platform for vital conversations like the ones we will have today and lay the groundwork for a more prosperous, inclusive, and resilient future.
6. I will start my remarks by highlighting recent global developments. I will share some views on the benefits digitalization brings and its subsequent challenges. I will share some steps that the Indonesian government has taken in harnessing the potential of digitalization. I will conclude with what I hope can be used as a tone setting for the following discussion over the next two days.

[Current Global Economic]

Ladies and gentlemen.

7. As we all know, **global economic conditions remain challenging.** Uncertainty remains due to geopolitical tensions, inflationary pressures, and shifting supply chains. The global economic growth outlook remains relatively low.
8. Alongside geopolitical and trade tensions, the global economy is also grappling with a range of issues, including three key challenges: **The rapid pace of digitalization, the urgent need to address climate change, and the growing impact of ageing populations.** These challenges increase the pressure for governments and businesses to adapt swiftly to an ever-evolving landscape.
9. As the topic of this event suggests, I would like to touch more on digitalization specifically.

[Challenges and Opportunities Related to Digitalization]

10. **Digital technology touches a vast area.** This may include trade, social protection, Small and Medium Enterprises, and perhaps most significantly, women's empowerment. Digitalization essentially provides opportunities for many to improve their skills and capacity.

11. **In terms of trade, e-commerce has become a crucial aspect of global economies. With over five billion internet users worldwide, the number of online shoppers continues to increase.** It is projected that by 2024, retail e-commerce sales will surpass US\$4.1 trillion globally.
12. Digitalization is critical, as it not only helps people access new markets but also reduces costs and expands opportunities. This allows an economy to maximize its workforce potential and drive productivity gains, thus creating value for any society as a whole.
13. The rise of a more tech-savvy generation also brings new perspective and new professions that can spur growth such as content creation, video editing, scriptwriting, and other creative sector jobs.
14. **However, while digitalization brings significant benefits, it also presents considerable challenges.** The rapid shift to digital platforms increases the risks of information security breaches, privacy violations, and the potential for fraud and deception.
15. **Digitalization can also exacerbate the so-called “digital divide”, particularly for poorer and disadvantaged populations, leading to negative externalities that deepen existing inequalities.** Therefore, addressing this issue requires a multi-sectoral approach.

16. **The development of digitalization needs to be paired with equality of access and supportive digital infrastructure.** We must continue to foster policy-relevant research that identifies the gaps in these areas. This is to provide actionable solutions in bridging the digital divide, ensuring that we will be better positioned to face the challenges of tomorrow.

[Long-Term Economic Growth Potential & Role of Government]

17. When we talk about future growth potential and inclusivity, we don't talk about merely five or ten years of change. Policy needs to be sustained for generations to come.
18. **Indonesia, home to over 270 million people, is the fourth most populous nation in the world.** What makes our demographic landscape particularly compelling is the youthful and digitally savvy nature of our population. **More than 66% of the Indonesian population are internet users, and mobile connections are highly prevalent.**
19. **Therefore, the Government of Indonesia is keen to find the best strategy for improving growth potential, especially through digitalization.**

20. Indonesia understands that it needs to prepare massive developments in digitalization and embrace it as a new engine of economic growth. **Currently, The Information and Communication sector in Indonesia is already growing faster than the national GDP.**
21. One area with great potential in Indonesia is Digital Finance which could not only create growth but also enhances inclusion by providing access to financial services anytime, anywhere.
22. Seizing the potential of the digital economy to support Indonesia's economic transformation is crucial. Google, Temasek, and Bain estimate **Indonesia's digital economy to reach around US\$200 billion by 2030.** Digital finance also holds huge potential. For instance, **Indonesia's digital payments are estimated to reach US\$760 billion by 2030.** Today, digital finance supports economic growth by enabling transformation and attracting investments. **In 2022, fintech investment in Indonesia reached US\$1.4 billion.**
23. The Indonesian government itself uses digital finance to improve public services, such as the distribution of social assistance and tax administration. Government bonds are also being sold through digital platforms to broaden access for investors.

24. **Through the Financial Sector Omnibus Law (Law Number 4 Year 2023), the Indonesian Government is keen to support the further deepening of digital finance.**
25. The law strengthens the legal foundation for digital finance, including digital currencies, digital banks, financial technologies, and digital financial assets like crypto assets. It also enhances financial consumer protection, improves financial literacy, and strengthens the regulation and supervision for digital financial assets, ensuring a robust regulatory framework.
26. It is common for policymakers to have narrow sectoral perspective. **But as the world becomes more connected through digitalization, activities become borderless and more horizontal.**
27. A policy taken by one country could very much influence another. Therefore, policy developments need to be more cooperative and holistic. Not focusing on just one side of an issue.
28. Events such as today play a pivotal role in creating strong messages to achieve a common goal. **Through this event, I urge all of us to talk not only about generalities but also find specific ways to use digitalization to overcome social problems, alleviate poverty, and create sustainable and inclusive development.**

29. I am optimistic that the **Asian Think Tank Forum can play an important role** in generating ideas to support policy formulation and address the challenges I mentioned.
30. For the Indonesian Government, one general **key initiative in this digital transformation is the implementation of a more Electronic-Based Government System (SPBE)**. By leveraging SPBE, the government can further promote interagency collaboration, streamline processes, and ensure greater accountability in public administration. This is exactly what we do in the Ministry of Finance.
31. **At the Ministry of Finance, we are fully committed to maximizing the potential of digitalization.** Over the last decade, the Ministry of Finance has initiated reforms in digital transformation of state finances and the bureaucracy.
32. Information and communication technology is used to provide services to the public and to foster good governance, which eventually supports economic development in Indonesia.
33. These transformations include adopting technology to improve financial management's efficiency, transparency, and accountability. **This has led to better public service delivery, specifically through more targetted expenditures. Quality spending through digitalization promotes economic growth.**

[Closing]

34. In today's rapidly evolving world, digitalization holds tremendous promise. However, as we embrace the future, **we must also be vigilant about addressing the digital divide and ensuring that the benefits of technology reach all corners of our society.** This include those in rural or urban, young or old, regardless of gender, socioeconomic background, or geographical location.
35. We have experts from many fields and institutions participating in this great event. **This is important since, at the policy development level, we need to established strong relationships across institutions and areas of expertise.**
36. In a fragmented world with so many uncertainties, I believe more cooperation is better. I urge all of you here today **to engage in discussions within a spirit of collaboration and a shared vision for a common future.**
37. **Together, we can build the digital skills, infrastructure, and supportive regulatory framework to drive each of our economies forward and ensure sustainable and equitable growth for all.**

Thank you!

Thomas A. M. Djiwandono
Vice Minister of Finance