

UNCTAD Multi-year Expert Meeting on  
**TRADE, SERVICES AND DEVELOPMENT**  
Enhancing productive capacity through services  
Geneva, 1–2 May 2019

**Digital services and productive capacity enhancement**

by

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Indonesia



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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



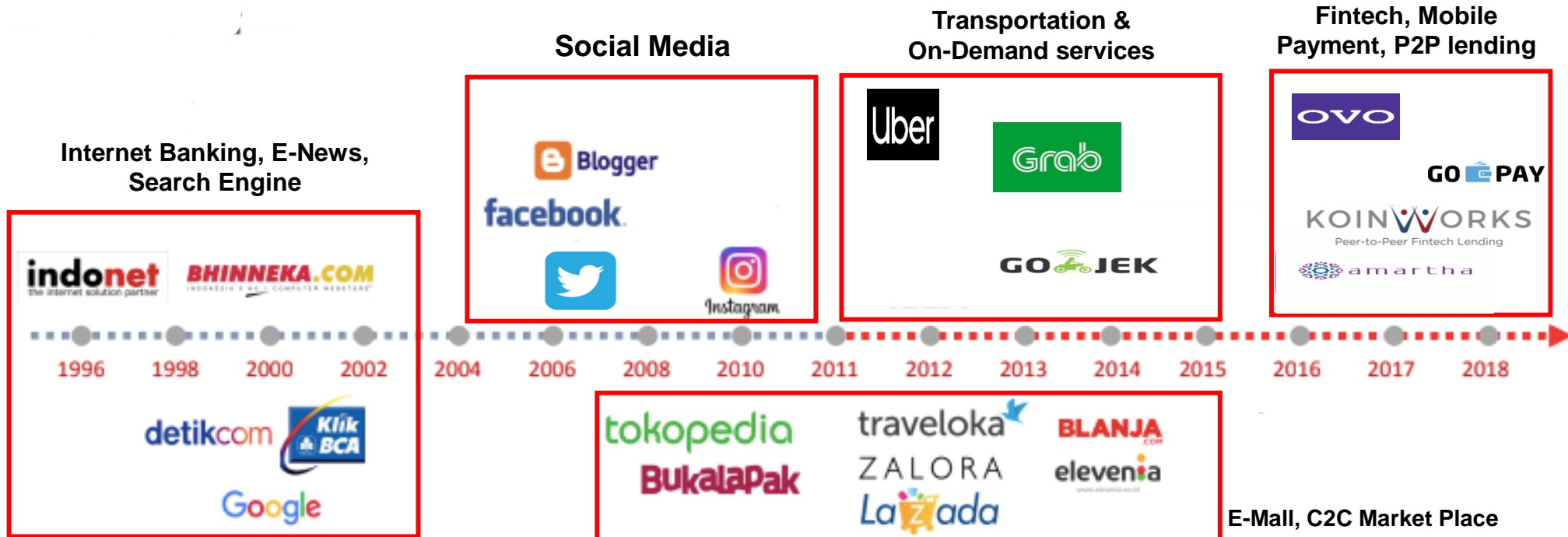
# Digital Services and Productive Capacity Enhancement

Geneva, 2 May 2019

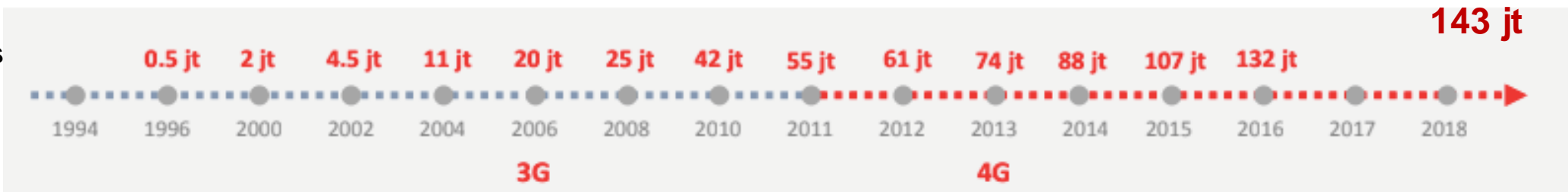
***Devi Ariyani***  
***Executive Director***  
***Indonesia Services Dialogue Council***



# Trend and Development of Digital Services (Indonesia)



Internet Users



# Indonesia Digital Economy Snapshot



**143 million** Internet Users  
(55% population, grow 8% pa)



**448 petabyte** Data flow per month  
(petabyte=1mil gigabytes, grow 60% pa)



**71 million** Mobile Internet users  
(28% population, grow 20% pa)



**\$9 Billion** E-commerce sales value

**44% users** Access internet via **MOBILE ONLY**



**925 million** E-money transaction value  
(in USD 2017, grow 3.7 times)



**60% Users** Young population  
(age <60 years old)



**130 million** Active Facebook users per month  
(grow 23% pa)

- Indonesia e-commerce experience investment of at least US\$2.5 billion in the last three years.
- In 2018, there were 28 million online shoppers in Indonesia, growing at +13% year on year.
- Year-on-year growth of Indonesia's e-commerce is at 60-70% since 2014, but the market size is relatively small (US\$9 billion) with 77% are digitally traded consumer goods.
- Indonesia's e-commerce sales is at 1.6% of total retail sales annually, while China at 13%.
- This shows that Indonesia's e-commerce is largely untapped and with rooms to grow.



Digital Services :  
Enhancing Productivity, Growth  
and Efficiency

ISD

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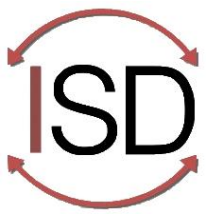
ISD

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ISD

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# Case 1: Go-Jek On-Demand Services

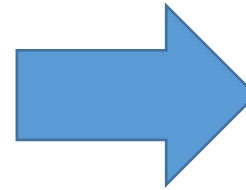


GO-RIDE GO-CAR GO-BLUEBIRD GO-FOOD GO-SHOP GO-SEND GO-BOX

GO-PULSA GO-CLEAN GO-TIX GO-MASSAGE GO-GLAM GO-AUTO GO-MED

GO PAY GO FIX GO POINTS

GO BILLS GO DAILY GO DEALS



**+125M**  
App Downloads

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**+400k**  
Merchants

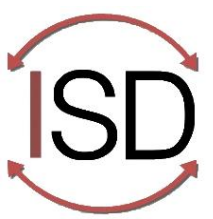
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**+2M**  
Driver Partners

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**+60k**  
Service Providers

# Digital services generate growth, productivity and efficiency



GROWTH



PRODUCTIVITY



## CASE 1: GO-JEK (transportation)<sup>1</sup>

- **80,000 drivers** are connected to the internet for the first time
- **250,000 drivers** have bank accounts
- **90% drivers** feel more prosperous
- The income of the **drivers** has been **increased by 44%** after joining Go-Jek, while the expenses also increased by 31%
- 70% of MSMEs (merchant partners) go online
- 82% of MSMEs (merchant partners) have increased transaction volume (56% out of it having 10% increase)



## CASE 2: Agribusiness marketplace



AGRIBUSINESS



- Direct connection between the farmers/fishermen and their consumers
- Improved farmers' wealth (**increased prices about 2-3 times higher**)
- Connection to the internet
- Ownership of bank accounts (more chances of access to credit/loan for farmers, namely micro credit (KUR) from Bank)

Source: Go-Jek, LD FE UI



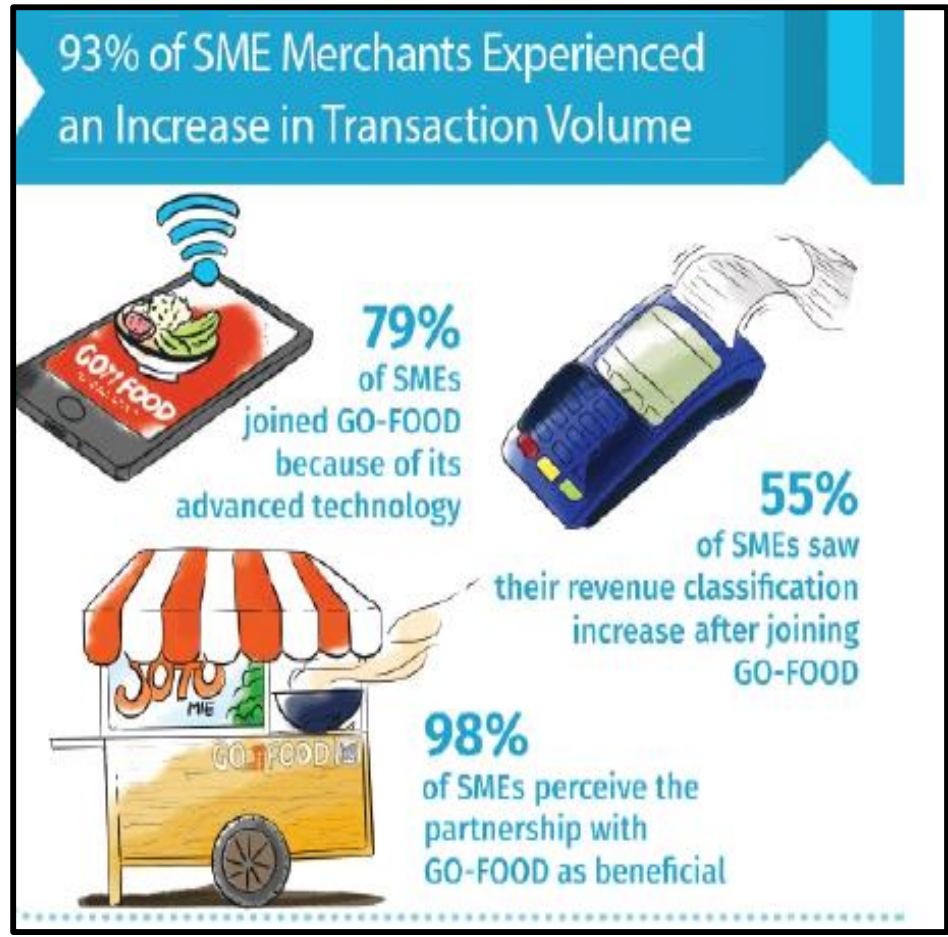
# Digital services opens up market access for SME and Women, creating network effect



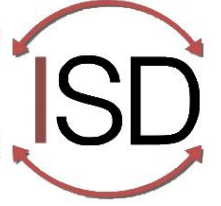
Kompas.com - 23/02/2018, 19:41 WIB



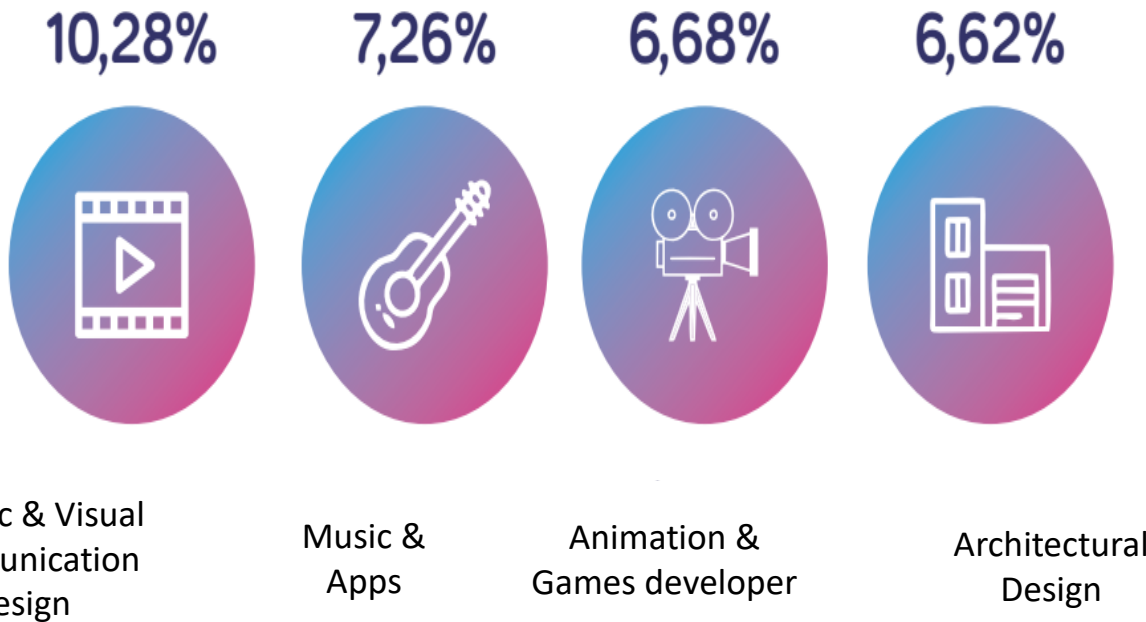
- Now owns 11 Outlet
- Hires > 80 employees
- 350.000 – 400.000 pieces of fried banana sold each month



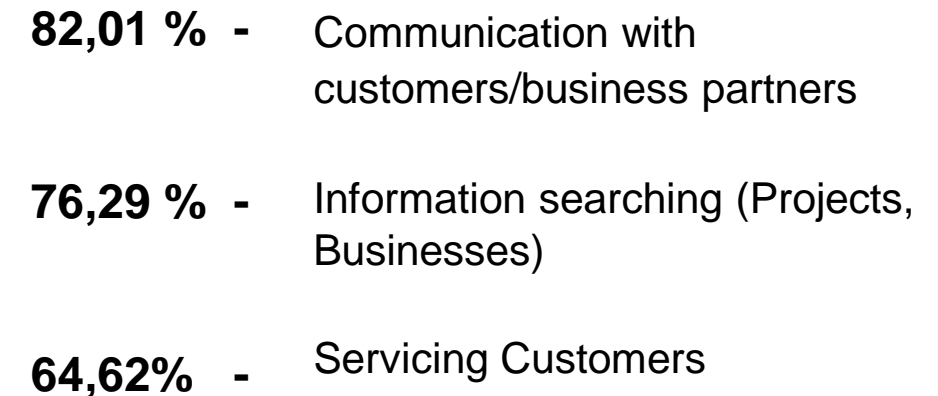
# Digital Technology also boosts growth and opens up Market Access in Creative Services especially for Start-Ups



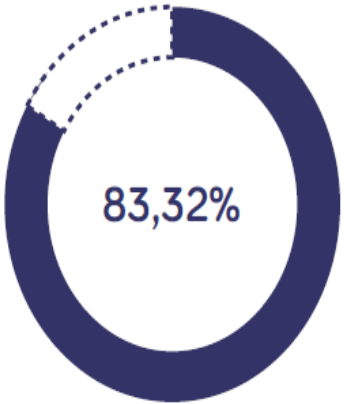
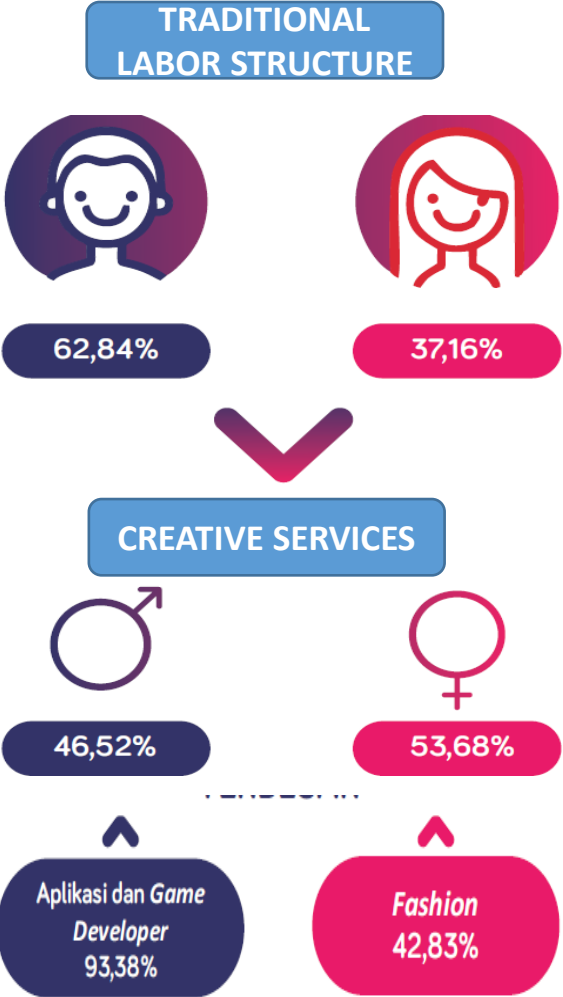
## DIGITAL CREATIVE SERVICES WITH THE HIGHEST GROWTH



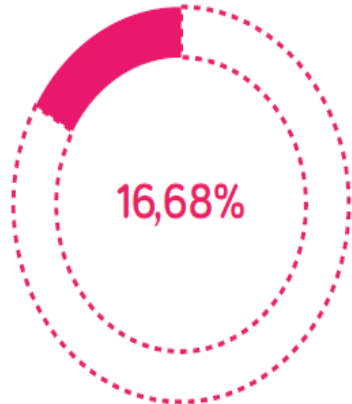
## HOW CREATIVE SERVICES UTILISE DIGITAL TECHNOLOGY?



# Digital technology brings Equality & Inclusiveness, creating new start-ups and women entrepreneurs



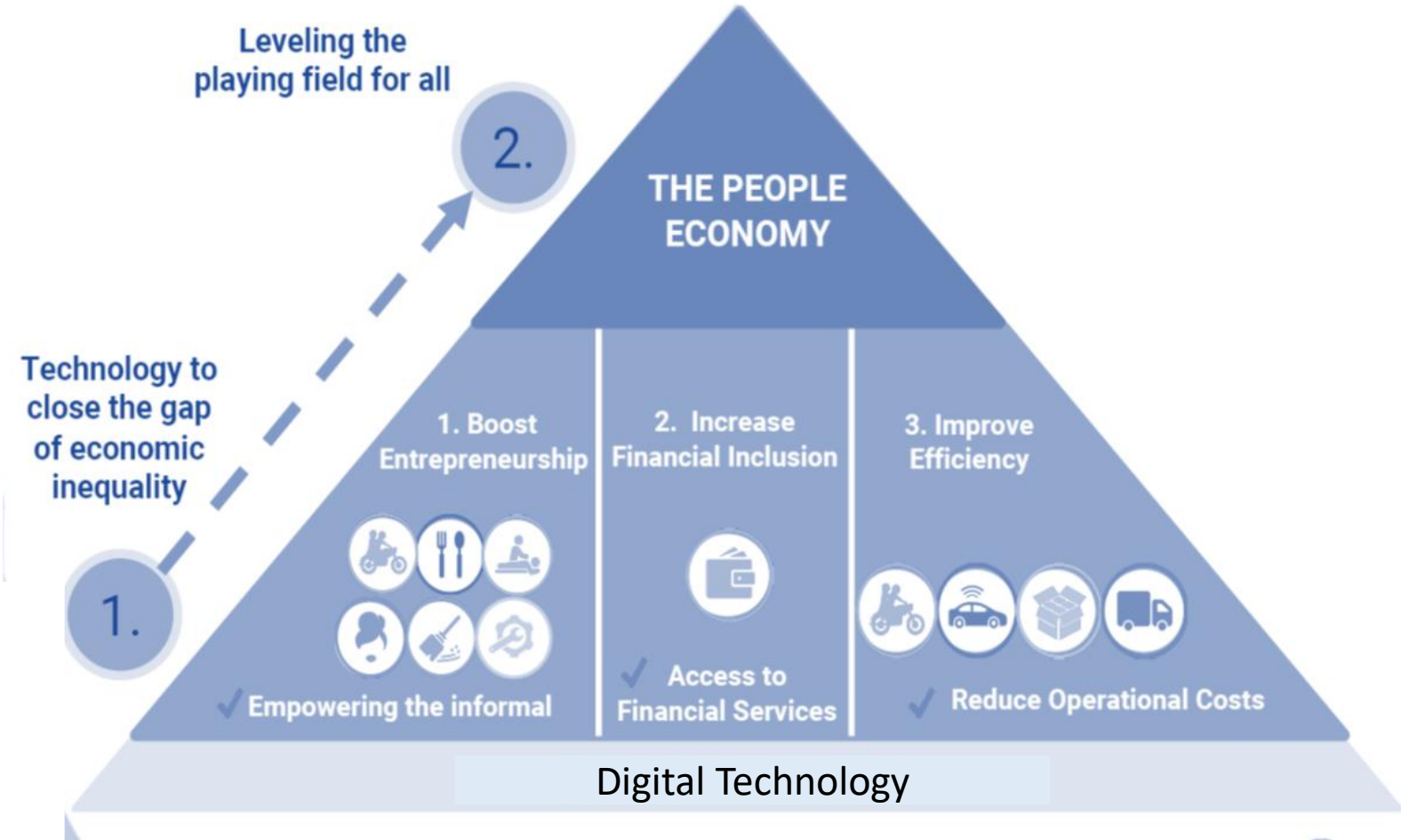
Without Legal Set-up



With Business Legal Set-up

Source: BPS dan Bekraf

# Digital technology is leveling the playing field for the Informal, Closing the gap of inequality



Source:: Gojek research with LD UI

The strategic and widespread use of digital services, including social media and ecommerce, has contributed to a significant social economic impact to domestic economy including:

- Creating additional jobs, new entrepreneurs and start-ups (Indonesia has approx. 1000 digital start-ups or ratio of 8 digital start-ups per 1 million people, higher than of Japan's ratio)
- Opening up market access for start-ups and SMEs
- Adding 2% per annum in GDP growth
- Generating up to 80% higher growth in revenue for SMEs
- Leveling-up market players : Equality and Inclusiveness (Women, small entrepreneurs, start-ups, as well as informal workers)
- Formalizing Informal sectors
- Financial inclusion – Reaching the unbanked population thru digital payments

# Key Challenges



1

## DIGITAL INFRASTRUCTURE



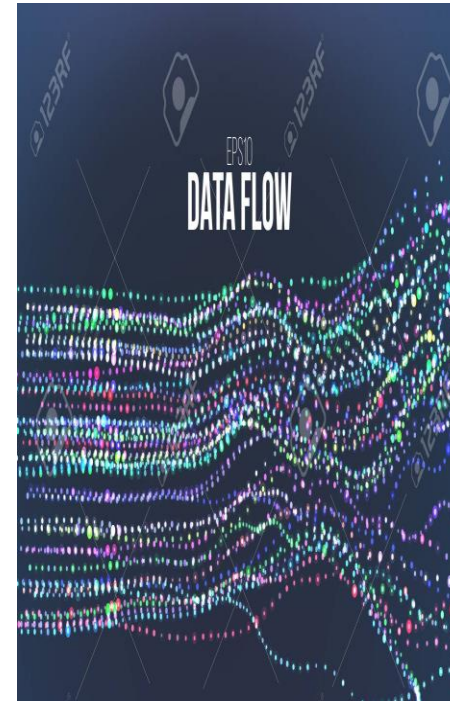
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## DIGITAL SECURITY & CONSUMER PROTECTION



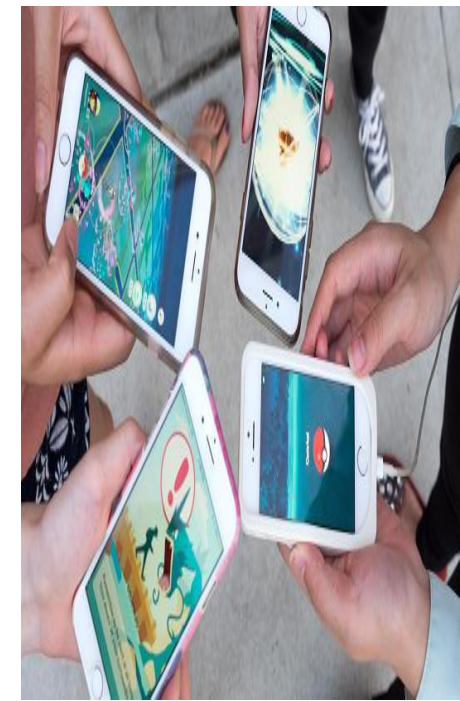
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## DATA FLOWS & DATA LOCALISATION



4

## DIGITAL GOODS





# Policy Framework : Recommendation

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## Challenges

### 1. Digital Infrastructure

- Network infrastructure : Low internet penetration rates due to regulatory and geographical constraint.
- Transport infrastructure that are not interconnected
- Digital Payment infrastructure for Fintech

### 2. Digital Security & Customer Protection

Fraud in digital trade and digital security remain key concerns. Lack of consumer protection.

### 3. Data Localisation

Data residency requirements would significantly impact data flows that is vital in digital ecosystem and would hamper the growth of businesses especially SME and Start-ups

### 4. Duties on Imported Digital Goods

Import tariff on digital goods would become barriers if applied, impacting data flows and hamper digital trade market opportunity



## Policy Recommendation

### 1. Digital infrastructure

- Expand network infrastructure. Open up for network sharing.
- Promote interconnected sea/land/air transport infrastructure for an efficient digital ecosystem.
- Strengthen digital payment services of Fintech for better financial inclusion. Force-fitting payment gateway of the bank system may not work for Fintech as Non Bank and may curb Fintech innovation.

### 2. Enhancing Digital Security and Fostering consumer trust

- Harmonize cybersecurity, data protection, and privacy laws across the region. Safeguard privacy thru interoperable enforcement

### 3. Cross Border Data flows

- Ensure open data flows and interoperability across region. Applying Data classifications instead of data localization. Removing the requirement of data center residency as this would mostly impact SMEs, distort investment climate, hurt country's competitiveness

### 4. Digital Goods

- While tax on digital goods consumption is acknowledged, custom duty and tariff on digital goods shall not be applied as this would restrict global digital market opportunity, risks the country's digital export and prevent access to digital innovation



The logo consists of the letters 'ISD' in a bold, black, sans-serif font, centered within a white circle. This circle is superimposed on a red background that features a white, intricate batik-like pattern.

*Promoting Growth and Greater Efficiency of  
Indonesia Services Sector*

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**Thank You**

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