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Welcome to the LPEM Newsletter October 2022 Edition. The LPEM Newsletter is the fruit of thoughts and a summary of the activities of the LPEM FEB UI team. This edition is the third edition and will continue to be published every month. Since 1953, LPEM FEB UI has been actively conducting research, consulting, and training activities to solve development problems in Indonesia.

In this edition, the LPEM Newsletter will summarize the T20 TF9 side event entitled **"Sharia Funding as a Catalyst in Achieving SDGs"**. In addition, this edition also discusses several articles published in Harian Kontan with the titles **"Is it true that taxes are used for development?"**, **"Bisnis Lestari with Certification Incentives"**, **"Encouraging Demand for Quality Fuel"**, and **"Quality Standard Assistance to Boost SMEs' Export Contributions"**.

This newsletter is widely distributed among the government, academics, advocates and environmental activists, NGOs, the media, and the general public. We encourage your involvement in sharing this publication widely and making it a reference when needed.

Enjoy reading,

Alin Halimatussadiah

Head of Environmental Economics Study Group
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Sharia Funding as a Catalyst in Achieving SDGs

In the agenda of succeeding the Sustainable Development Goals (SDGs) in 2030 by involving sharia funding, the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) together with the Center for Islamic Economics & Business (PEBS) in a series of T20 Indonesia events held a webinar entitled '**Rethinking the Role of Islamic Social Finance in Achieving SDGs**' on Wednesday, 21 September 2022.



More details:

<https://youtu.be/bNrrhXT1gXw>

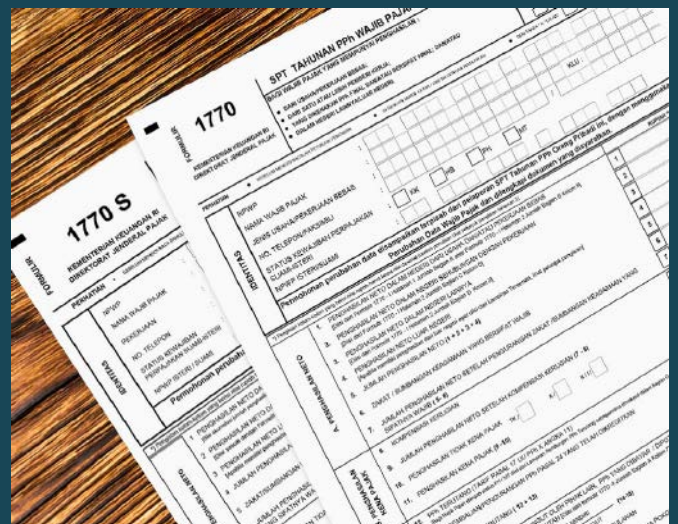
The webinar was attended by several speakers such as Prof. Bambang P. S. Brodjonegoro (Lead Co-Chair, Task Force 9, T20 Indonesia), Sami Al Suwailem (Director General, Islamic Development Bank Institute), Azmi Omar (President & CEO, International Center for Education in Islamic Finance), AlTayeb AlDajani (Economic Advisor, UN Economic and Social Commission for Western Asia), and Rahmatina Awaliah Kasri, (Director of PEBS and Lecturer, University of Indonesia), with Ronald Rulindo (Lecturer, Faculty of Economics and Business, University of Indonesia) as moderators.

In general, this webinar discusses the role of Islamic finance in supporting the SDGs by 2030.

Are taxes really used for development?

On July 23, 2022, an opinion article written by Eko Wisnu Warsitosunu, a research member of TERC FEB UI, was published, entitled "**Is it true that taxes are used for development?**" in Harian Kontan in commemoration of tax day on July 14, 2022. This editorial is generally written to discuss the importance of taxes for the progress of Indonesia.

During 2009-2019, tax revenue showed an increasing trend with the average growth before the pandemic reaching 10% per year. The highest tax revenue was achieved in 2019 with a value of Rp1,546 trillion. However, the pandemic caused tax revenues in 2020 to decline to Rp1,285 trillion. Although the trend is increasing, the level of dependence of state revenues on taxes is relatively maintained at an average of 77%. This shows that the government has succeeded in accompanying the increase in tax revenues with an increase in non-tax state revenues.



More details:

bit.ly/KontanEpaper

Bisnis Lestari with Certification Incentives

On October 1, 2022, an opinion article written by Dewi Sukma Anggriyani, Head of Collaboration ukmindonesia.id - LPEM FEB UI was published in Harian Kontan. This article discusses the importance of implementing sustainable business principles for environmental sustainability.

As we know, the world is currently facing the threat of global warming which can be seen from the increase in average temperature. This threat will get worse if it continues, therefore prevention efforts are needed. Prevention can be started by building awareness of all economic agents, both consumers and producers by applying Bisnis Lestari (Sustainable Business) principles. Sustainable business is a business that is circular (using business waste so that it does not pollute the environment), inclusive (providing opportunities to anyone regardless of anything but capability) and resilient (can survive in conditions full of risk).

The Government of Indonesia has also realized the importance of sustainable business principles by issuing related regulations such as OJK Regulation No. 51/2017 which requires public companies to prepare business



sustainability reports in accordance with sustainable business principles. Head of LKPP Circular No. 16 of 2020 concerning the determination of green products or green industry products, government spending is encouraged to prioritize suppliers who implement sustainable business. Identification that a business is a sustainable business is carried out with ecolabel types 1, 2 and 3. However, to obtain these ecolabels requires additional costs for a business.

More details:

bit.ly/KontanEpaper

Encouraging Demand for Quality Fuel



On September 17, 2022, an opinion article was published written by Mohamad Dian Revindo, Head of Business Climate and Global Value Chain Studies at LPEM FEB UI, and Yoshua Caesar Justinus, researcher at LPEM FEB UI, entitled "**Encouraging Demand for Quality Fuel**" in Harian Kontan. This opinion article outlines four

important factors in driving demand for quality fuel. According to Mohamad and Yoshua, the four factors include: first, not all consumers are informed that low-octane fuel has a negative impact on vehicle engines; second, fuel with high octane produces better fuel efficiency, or more economical; third, high-octane fuel has a smaller negative impact on environmental sustainability; and fourth, high emissions into the air can pose health risks.

These four factors can be used by the government to increase public literacy about the benefits of quality fuel. For this, the government needs to make wider and systematic socialization and education efforts. The government also needs to involve various parties who have the same competence and concern, including health experts, environmental experts, mechanics, automotive repair associations and consumer protection agencies. Car manufacturers and dealers also need to emphasize the importance of consumers reading vehicle manuals, especially regarding the minimum octane requirements for fuel.

More details:

bit.ly/KontanEpaper

Quality Standard Assistance to Boost MSME Export Contribution



More details:

<https://bit.ly/UCO-LPEM-2021>

On August 27, 2022, an opinion article written by Dewi Meisari, Chief of Editor of ukmindonesia.id, and Annisa Anasatya, Head of Editorial, ukmindonesia.id, was published, entitled "**Assisting Quality Standards to Increase MSME Export Contributions**" in *Harian Kontan*. This opinion section generally discusses the contribution of MSMEs to export achievement, MSME obstacles in exporting, the urgency of support for quality standard assistance, to the need for collaboration in assistance for MSMEs.

The contribution of MSMEs to Indonesia's export achievements is still considered low, where only around 13,000 MSMEs have exported, or about 0.02% of the total 64 million MSMEs. According to Dewi and Annisa, several reasons why our MSME participation in global supply chains through exports is still low are as follows: (1) The majority of MSME players do not yet have comprehensive knowledge about exports, especially related to market opportunities, legality, and product quality standards; (2) The fact that around 99.6% of MSMEs in Indonesia are Micro Enterprises with an annual turnover of IDR 2 billion and below (PP No. 7/2021) and the majority are managed by individuals, of course, limits the scale of production that can be produced; (3) The quality of the products has not been proven to meet the quality standards expected by global buyers.

Overview of LPEM FEB UI Publications and Activities

Economic Brief

Macroeconomic Analysis Series: Inflation Analysis, September 2022

Year-on-year inflation (YoY) in August 2022 was reported at 4.69% or decreased by 0.25% compared to annual inflation in July 2022. Month-on-month deflation (MtM) in July 2022 was recorded at 0.21% which is a decrease in inflation 0.84% compared to MtM inflation in July 2022. BPS reported that inflation of and prices regulated by the government contributed to inflation of 0.24% and 0.06%, respectively, while the volatile price inflation component contributed to deflation of 0.51%.

More details:

<https://www.lpem.org/id/macroeconomic-analysis-series-monthly-inflation-september-2022/>

Macroeconomic Analysis Series: BI Board of Governors Meeting, September 2022

Although inflation eased in August 2022, it is still well above BI's target range and expected to accelerate in the remaining months of 2022 following the fuel price hike. From external side, the Fed's aggressive move on interest rate hikes, combined with external pressures, will continue to have an adverse impact on emerging markets, including Indonesia, in terms of capital outflows. As a result, Rupiah depreciated to a level of around IDR15,000 per USD in the last few days.

More details:

<https://www.lpem.org/id/bank-indonesia-inflation-rate/>

Economic Analysis Series: Trade and Industry Brief, September 2022

The government's policy of diverting part of the fuel subsidy to a program to strengthen social protection as of 3 September has drawn various responses from the public. On the one hand, the government explains that the fuel subsidy has been misdirected, shackles the state budget, and is prone to swelling if world oil prices fluctuate again. On the other hand, many critics have highlighted the potential impact in the form of a decrease in people's purchasing power, an increase in the number of poor people, and the delay in economic recovery after the Covid-19 pandemic.

More details:

<https://www.lpem.org/id/economic-analysis-series-trade-and-industry-brief-september-2022/>

Labor Market Brief, September 2022

The increase in fuel prices in early September 2022 caused considerable turmoil in the community because it affected spending and triggered an increase in the prices of other goods and services. This decision was taken by the government in connection with the increase in world oil prices and in order to reduce the burden on the state budget for fuel subsidies.

More details:

<https://www.lpem.org/id/labor-market-brief-volume-3-number-9-september-2022/>

Working Paper:
No. 72, September 2022
**The Potential
Distributional and
Economic Wide
Impact of the New
Indonesia's VAT Law
Implementation**

This article summarises the distributional and economic-wide impact of several policy scenarios of recent tax policy changes in Indonesia. Some of the scenario's designs are directly drawn from the changes in the new Indonesian tax law or UU HPP (Law on Harmonization of Tax Regulations) concerning broadening the value-added tax (VAT) base. We use a Computable General Equilibrium (CGE) and Microsimulation approach to calculate the impact of these scenarios on economic growth, inflation, government revenue, poverty and inequality. All the scenarios intended to make the tax system simpler and more efficient, with less distortion, and broaden the tax base resulting in low to moderate effects on both macro and distributional indicators accompanied by a significant increase in the government revenue. Our results provide an ex-ante impact evaluation of the current VAT Law Implementation.

Education and Training LPEM FEB UI 2022



Econometrics
(24—28 October 2022)



Public Policy Analysis
(7—11 November 2022)



Policy Report Writing
(7—11 November 2022)



**Regulatory Impact
Assessment/RIA**
(22-24 November 2022)



**Computable General
Equilibrium/CGE**
(6—8 Desember 2022)



Monitoring and Evaluation
(6—8 Desember 2022)

More information about the education and training:

Website: www.diklat.lpem.org
Registration: <https://linktr.ee/DiklatLPEMFEBUI>
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Whatsapp: <https://wa.me/6281196103130>

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