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## The Indonesian Ministry of Finance's 2021 National Economic Recovery Program Strategy

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### Abstract

#### **Abstract**

*The government has implemented the national economic recovery program in 2021. The Financial Ministry of Indonesia Republic has announced a press release based on the national economic recovery program. This program is essential because the COVID-19 pandemic has not been ended yet, although the vaccination program has been done. The economic recession still happens. This paper aims to describe the national economic recovery program in 2021. Methodology: a literature review. Literature was derived from Google Scholar and Science Direct. The result showed that the National Economic Recovery Program coordinates and synergy among the Government, Bank Indonesia, Finance Service Authority, Saving Guarantee Institution, and banks. The national economic recovery program protects the consumption and purchasing power of the poor and vulnerable, funding for small and medium enterprises, tax incentives for businesses, the establishment of labour-intensive projects to absorb labour, and credit restructuring.*

### A. Introduction

The COVID-19 pandemic has been more than one year. Although the vaccination is already implemented, the economic recovery program must be careful. The COVID-19 pandemic affected almost all aspects of health, economics, politics, and humanity. If the economic recovery runs well, human lives will be better. The government, individuals, health



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organizations, and entrepreneurs must do the recovery program.<sup>1</sup> The COVID-19 pandemic can have consequences on fiscal. Job losses and bad economic conditions can affect tax income for the government. The fiscal modelling describes public health investments. This model translates the morbidity and mortality outcomes.<sup>2</sup> The COVID-19 pandemic causes job losses and bankruptcy in many countries. About 170 countries had negative economic growth. Stock markets had negative growth. The jobless in Indonesia reached more than 1.4 million people.<sup>3</sup>

The recovery must be made in the economy, health, infrastructure, and education. When this effort is made continuously, the recovery time will be faster. Research and development in all aspects, cooperation in own country and abroad will make our country ready for the next challenge in the future.<sup>4</sup> Increasing job vacancies and capital gain will show the economic recovery. When the people's capital gain increases, the loan will be less, and the savings will increase. The productivity is increased. The investor will be interested in funding.<sup>5</sup> The superpower country usually will have a faster recovery time than developing countries. The developing countries have less capital gain, and they depend on technology. They will face difficulties if they don't get any help from other countries. Information technology is essential to enhance education, e-commerce, health facilities, and artificial intelligence.<sup>6</sup> Middle to the lower class must get extra attention. They are prone to job losses at any time during the COVID-19 pandemic.<sup>7</sup> The government must use particular strategies to stabilize the economic flow.<sup>8</sup> Tax income is predicted to increase after the COVID-19 pandemic.<sup>9</sup>

Economic recovery is also suitable for mental health. Virtual training in many aspects such as language, online marketing, or other skills must be done routinely.<sup>10</sup> Giving funds and the guarantee of food availability, home, and medicine for lower-income people must be done early by the government.<sup>11</sup> This paper aims to describe the national economic recovery program in 2021, especially announced by the Minister of Finance of the Republic of Indonesia using the methods of narrative literature review. Literature was derived from Google Scholar and Science Direct. Inclusion criteria were review and research. Exclusion criteria were short notes. After screening by the title, abstract, and full text, there were 16 journals. The selected articles were read twice to reduce bias. Finally, the articles were summarized and presented in a descriptive narrative literature review.

<sup>1</sup> Muhammad Saiful Aziz and Moddie Alvianto Wicaksono, "Komunikasi Krisis Pemerintah Indonesia Dalam Penanganan COVID-19," *Masyarakat Indonesia* 46, no. 2 (2020): 194–207.

<sup>2</sup> Mark P Connolly and Nikolaos Kotsopoulos, "Estimating the Fiscal Consequences of National Immunization Programs Using a 'Government Perspective' Public Economic Framework," *Vaccines* 8, no. 495 (2020): 1–11.

<sup>3</sup> Aziz and Wicaksono, "Komunikasi Krisis Pemerintah Indonesia Dalam Penanganan COVID-19."

<sup>4</sup> Syed Sharfuddin, "The World after Covid-19," *The Round Table* 109, no. 3 (2020): 247–57, <https://doi.org/10.1080/00358533.2020.1760498>; Jeffrey Sommers et al., "A New Deal: The Coronavirus Pandemic and Rebuilding Higher Education," in *Albert Shanker Institute*, 2020, 1–8.

<sup>5</sup> Yulia Puspitasari Gobel, "Pemulihan Ekonomi Indonesia Pasca Pandemi COVID-19 Dengan Mengkombinasikan Model Filantropi Islam," *Jurnal Tabarru' : Islamic Banking and Finance* 3, no. November (2020): 209–23.

<sup>6</sup> Sharfuddin, "The World after Covid-19."

<sup>7</sup> Gobel, "Pemulihan Ekonomi Indonesia Pasca Pandemi COVID-19 Dengan Mengkombinasikan Model Filantropi Islam."

<sup>8</sup> Omer Acikqoz and Asli Gunay, "The Early Impact of the Covid-19 Pandemic on the Global and Turkish Economy," *Turkish Journal of Medical Sciences* 50, no. 3 (2020): 520–26, <https://doi.org/10.3906/sag-2004-6>.

<sup>9</sup> Gobel, "Pemulihan Ekonomi Indonesia Pasca Pandemi COVID-19 Dengan Mengkombinasikan Model Filantropi Islam."

<sup>10</sup> Debanjan Banerjee, Jagannatha Rao, and T S Sathyanarayana Rao, "'The Dual Pandemic' of Suicide and COVID-19: A Biopsychosocial Narrative of Risks and Prevention," *Psychiatry Research* 295, no. 113577 (2021): 1–8.

<sup>11</sup> Kaushal Shah et al., "Focus on Mental Health During the Coronavirus ( COVID-19 ) Pandemic : Applying Learnings from the Past Outbreaks Current Issues," *Cureus* 12, no. 3 (2020): 1–8, <https://doi.org/10.7759/cureus.7405>.

## B. Discussion

Sparrow et al., in their studies, stated that the response of the Indonesian government was less in the early phase of the COVID-19 pandemic. Although many countries in the world had implemented the lockdown measures, Indonesia did not implement any significant policies. In addition, incoming international travellers were still welcome at the first time. The government's policy started to be tight from early April 2020 until now.<sup>12</sup>

There was a Press Release from the Ministry of Finance of the Republic of Indonesia in Jakarta on 25 March 2021. It was said that the COVID-19 pandemic has significantly changed the direction of the global socio-economy. The health crisis is persistently spreading throughout the world. The cumulative cases are more than 123 million. The mortality reached 2.7 million as of 20 March 2021. Extraordinary policy and hard work may prevent a deeper economic contraction in 2020. Indonesia is still able to survive and show economic resilience despite a minus contraction in growth of -2.1%.<sup>13</sup>

In 2020, the Indonesian economy slowed down to -5.3 % in the second quarter of the year. After that, it reached -2.1% at the end of the year. Therefore, it needs extra efforts to pursue the national target in 2021. The national target of the Medium Term Development Plan was revised to overcome the COVID-19 pandemic. In June 2020, The Minister of Finance reallocated approximately 695 trillion for COVID-19. The budget was raised to IDR 1,035 trillion at the end of 2020.<sup>14</sup> Sustainable Development Goals has to be adjusted also based on the current situation. The approaches are win to win solutions and system approaches. Sustainability is achieved by balancing the tradeoff and economic system.<sup>15</sup>

### The Press Release from the Ministry of Finance of the Republic of Indonesia

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We also need to accelerate in 2021. We can provide job opportunities and restore people's welfare. Those were the speech contents of the Minister of Finance during a Stakeholder Meeting to Accelerate National Economic Recovery in Semarang. The meeting was also attended by the Governor of Bank Indonesia (BI), Chairman of the Board of Commissioners of the Financial Services Authority (OJK), Wimboh Santoso, and Chairman of Commission XI DPR RI.<sup>17</sup>

One of the immediate steps as an extraordinary response to the impact of the COVID-19 pandemic is the National Economic Recovery Program/*Program Pemulihan Ekonomi*

<sup>12</sup> Robert Sparrow et al., "Indonesia Under the New Normal: Challenges and the Way Ahead," *Bulletin of Indonesian Economic Studies* 56, no. 3 (2020): 269–99, <https://doi.org/10.1080/00074918.2020.1854079>.

<sup>13</sup> Rahayu Puspasari, Erwin Haryono, and Anto Prabowo, "APBN 2021 : Percepatan Pemulihan Ekonomi Dan Penguatan Reformasi," *Siaran Pers Bersama, Kementerian Keuangan Republik Indonesia*, no. September 2020 (2021): 2–5.

<sup>14</sup> Muhyiddin and Hanan Nugroho, "Indonesia Development Update A Year of Covid-19 : A Long Road to Recovery and Acceleration of Indonesia ' s Development," *Jurnal Perencanaan Pembangunan V*, no. 1 (2021): 1–19, <https://doi.org/10.36574/jpp.v5i1>.

<sup>15</sup> Edward B Barbier and Joanne C Burgess, "The Sustainable Development Goals and the Systems Approach to Sustainability," *Economics E-Journal* 11, no. October (2017): 1–22, <https://doi.org/10.5018/economics-ejournal.ja.2017-28>.

<sup>16</sup> Puspasari, Haryono, and Prabowo, "APBN 2021 : Percepatan Pemulihan Ekonomi Dan Penguatan Reformasi."

<sup>17</sup> Puspasari, Haryono, and Prabowo.

*Nasional* (PEN). Until the end of 2020, the realization of the PEN program reached 579.8 trillion rupiahs. Furthermore, the APBN's flexibility has been increased by allowing for a deficit widening of more than 3% till 2022. It is critical to support the need for funding to deal with the impact of the COVID-19 pandemic. The PEN program is carefully structured with continuous improvement efforts to overcome the health crisis. It is used to fund the various programs in six priority clusters. The clusters are Health, Social Protection, Medium-Sized and Small Business, Business Incentives, K/L sectoral, Local government, and Corporate Financing. Strong Synergies are also built by various parties such as Bank Indonesia, OJK, and Deposit Insurance Corporation (*Lembaga Penjamin Simpanan/LPS*).<sup>18</sup>

An integrated policy to increase business financing has been prepared to spur economic recovery, particularly from potential and strategic sectors. Apart from the PEN program, BI has lowered the BI 7-Day reverse Repo Rate (BI7DRR) by 150 bps since 2020 to the level of 3.5%. In addition, BI has pursued quite significant liquidity easing, reaching IDR 726.57 trillion in 2020 and IDR 50.29 trillion on 16 March 2021. Various vital programs have been launched. Those programs ease down payments for vehicle purchase, property financing, extending credit restructuring, and Relaxation for Weighted Assets by Ratio (RWA) for motor vehicle and residential loans. Those are the strategies for policy synergies in supporting the national economic recovery. This activity shows optimism for economic recovery.<sup>19</sup>

Through the hard work of PEN supported by the state budget and synergy between institutions and all elements of the nation, Indonesia was able to face the pandemic in 2020. It began to show signs of economic recovery. Special incentives for health workers, various forms of social assistance to protect the poor and vulnerable's consumption and purchasing power, funding for small and medium businesses, tax incentives for businesses, and the establishment of labour-intensive projects to absorb labour have all benefited from the PEN programs. This improvement provides optimism to face 2021. Vigilance must be maintained because the COVID-19 pandemic has not been ended yet.<sup>20</sup>

### **Strategies from *The National Domestic Economic Auto-Sustainability Model (NDEAS-Model)***

Some strategies are essential in accomplishing the goal of national development. There are some strategies in restoring the country's economy through the reconstruction model of post-19 coronavirus called "The National Domestic Auto-Sustainability Economic Model (NDEAS-Model)." The NDEAS-Model uses four proposed economic platforms, namely domestic technical education and training standardization platform (P1); domestic productive infrastructure and transportation platform (P2); a strategic trading platform, investment and selective protection (P3); and natural resources and environment management platform (P4). Implementing the domestic economy automatic sustainability model (NDEAS-Model) is the implementation and coordination of an economic platform, with social and economic impacts on different priorities, to implement a new socio-economic era. The aim is to create more vigorous domestic economic development under a deglobalization framework.<sup>21</sup> When the exchange of information through technology takes place quickly, the crisis or pandemic will be resolved more quickly.<sup>22</sup>

<sup>18</sup> Puspasari, Haryono, and Prabowo.

<sup>19</sup> Puspasari, Haryono, and Prabowo.

<sup>20</sup> Puspasari, Haryono, and Prabowo.

<sup>21</sup> Mario Arturo Ruiz Estrada, "A Post-COVID-19 Economic Recovery Model: The National Domestic Economic Auto-Sustainability Model (NDEAS-Model)," *AEI-Insights An International Journal of Asia Europe Relations* 7, no. 1 (2021): 37–46, <https://doi.org/10.37353/aei-insights.vol7.issue1.3>.

<sup>22</sup> Noah C Peeri et al., "The SARS, MERS and Novel Coronavirus (COVID-19) Epidemics, the Newest and Biggest Global Health Threats: What Lessons Have We Learned?," *International Journal of Epidemiology*, 2020, 1–10, <https://doi.org/10.1093/ije/dyaa033>.

Important organizations for bilateral and regional negotiations. The general objective of domestic infrastructure and transport programs is to obtain financial assistance from regional technical and financial organizations. The platform can be used as a guide to developing proposals for mega infrastructure projects and domestic transport. The loan from various regional financial organizations will be easier to obtain.<sup>23</sup>

Selective Trade, Investment and Tourism Protection (P3) Platform is critical in protecting strategic food security and the manufacturing sector in the event of war, pandemic, and national emergency. Efforts are being made to build a strong food security platform, including the classification of all types of staple foods and the manufacturing sector. The participation and support of a large number of small and medium producers, technically and financially, will make it easy for all staple foods to be identified and organized according to the national food priority list. Thus, enough food will be available in a national emergency such as a significant pandemic case anywhere and by anyone.<sup>24</sup> Online businesses for trade and shopping will still increase in the post-pandemic period. Consumers feel that online shopping is more accessible and comfortable. They don't need to feel embarrassed if they don't buy it. But sometimes there are doubts about whether the goods to be purchased are good quality.<sup>25</sup> Platforms often used for online applications are Amazon, Google, and Alibaba. In Indonesia, there are some market places such as Tokopedia, Shopee, Buka Lapak, Olx, etc. They ensure secure transactions and deliveries take place quickly. Some young people start their business by selling online during a pandemic, and it certainly will continue in the aftermath of a pandemic.<sup>26</sup>

### C. Conclusion

Bank Indonesia (BI) has lowered the BI 7-Day reverse Repo Rate (BI7DRR) by 150 bps since 2020 to the level of 3,5%. The APBN's flexibility was emphasized in the national economic recovery program, according to a press release from the Ministry of Finance of the Republic of Indonesia. Several essential programs were launched, including easing down payments for vehicle purchases, property financing, credit restructuring, RWA for motor vehicle and residential loans, funding for small and medium businesses, business tax incentives, and the establishment of labour-intensive projects. There are some supports for funding the businessmen, health sectors, and local government.

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<sup>23</sup> Estrada, "A Post-COVID-19 Economic Recovery Model: The National Domestic Economic Auto-Sustainability Model (NDEAS-Model)."

<sup>24</sup> Estrada.

<sup>25</sup> Naeem Akhtar et al., "COVID-19 Restrictions and Consumers' Psychological Reactance toward Offline Shopping Freedom Restoration," *The Service Industries Journal* 40, no. 13–14 (2020): 891–913, <https://doi.org/10.1080/02642069.2020.1790535>.

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