

THE STRATEGY TO TACKLE ECONOMIC AND SOCIAL IMPACTS OF THE COVID-19 CRISIS IN INDONESIA

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- At the time when most of the countries managed to control the COVID-19 pandemic, there has yet been any convincing sign to mark the decline of the virus spread in Indonesia. On the contrary, the COVID-19 case has achieved beyond one million number of cases on January 26, 2021, as the number of active cases has increased sharply since December 19, 2020 and the number of deaths has consistently go up. The decision-makers need to show firmness and consistency in managing the pandemic based on scientific approach and accurate data, effective organisation and command system, as well as all recovery steps to strengthen the foundation of the nation's resilience.
- The impacts of the COVID-19 are highly determined by the success in controlling the plague of the COVID-19. Thus, the outline and timeline to tackle the crisis

are dependent on how effective the government can control this plague. The first wave has yet to pass, while the transitional Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar/PSBB*) has not followed the best practices as recommended by the WHO, and thus the plague will be more difficult to control. As consequence, the plague has become evidently more severe in the transition period, which drove the Provincial Government of DKI Jakarta to tighten the PSBB starting from September 14, 2020. Until the end of January 2021, DKI Jakarta was still the plague epicentre with the highest number of cases (more than 250.000). The change of naming from PSBB to PPKM (*Pemberlakuan Pembatasan Kegiatan Masyarakat/ Enforcement of Restrictions on Community Activities*) seemed to not affect the condition betterment.

- The inconsistent and unfocused policies occur due to the conflict between controlling plague and maintaining economic activities. The government decided to choose “living alongside the COVID-19” by: providing opportunities to citizens to carry out economic activities upon compliance with the health protocol. While the virus transmission keeps spreading and increasing, this decision poses high risks both from health and economic sides, and in turn a longer period of economic recovery.
- The Government of Indonesia has been ranked the fourth-worst globally in terms of COVID-19 handling, thus needs to increase the trust of national and international publics by decreasing the number of COVID-19 infection cases through mass testing, tracking, tracing, isolation, physical distancing, hand-washing, and face mask usage programs that will enable faster containment of the plague. In this case, the economy can also be recovered faster. As results, the perception of national and international publics will improve, and more countries will offer travel bubbles or corona corridors with Indonesia.
- The COVID-19 crisis is a golden moment to formulate a new development strategy as well as to reform the social security and protection system. These will strengthen Indonesia’s economic and social resilience so that the country can recover from a big crisis and disaster rapidly in the future.

Introduction

The coronavirus (COVID-19) has become the worst global pandemic in the last century as it has spread to 219 countries and territories in all continents except the Antarctic. On January 26, 2021 the accumulated number of cases in the whole world has reached 100 million cases. In Indonesia, all provinces have been infected and only four out of 514 regencies/cities are free from the COVID-19. Although the number of confirmed and death cases are lower than the Spanish Flu occurring a century ago, the COVID-19 has affected more severely almost all aspects of life in a global scale due to hyper-globalization and neoliberalism practices (Rodrik, 2020).

The impact of the COVID-19 on the global economy has been extremely severe; worst after the Great Depression (1929-1939) that reached its peak in 1933. The global economic order was forced to find a new balance. All countries needed to revisit the relationship pattern between the community, the country, and the market.

An economic approach only is far from enough to tackle the health and economic crisis that have emerged simultaneously. The sophisticated weaponry and economic power could not control the COVID-19 plague, along with the economic contraction and unemployment explosion that followed it. All standard economic policies have been implemented by many countries, both fiscal (enlargement of the State Budget (*Anggaran Pendapatan*

dan Belanja Negara/APBN) deficit, the stimulus package, and the social safety net programs) and monetary (decrease of the interest rate, the quantitative easing, and the banking reserve requirement), as well as a set of standard regulations in tackling the crisis such as the trade policy, the credit restructuring, and the businesses recovery.

However, those are not enough. What differentiates the current crisis is the human life factor. There is a purer dimension: saving human life. Not trading off between economy and health—*saving lives is saving the economy*. Therefore, the multidimensional crisis management requires an interdisciplinary approach and multistakeholder engagement. It should not be based on intention and assumption, but scientific basis and data instead.

The high cost of the COVID-19 crisis must be paid through a fundamental change of national and state living, by presenting new norms and not the “new normal” in terms of recovery to the condition before the pandemic outbreak.

The COVID-19 Pandemic Handling in Indonesia and Some Countries

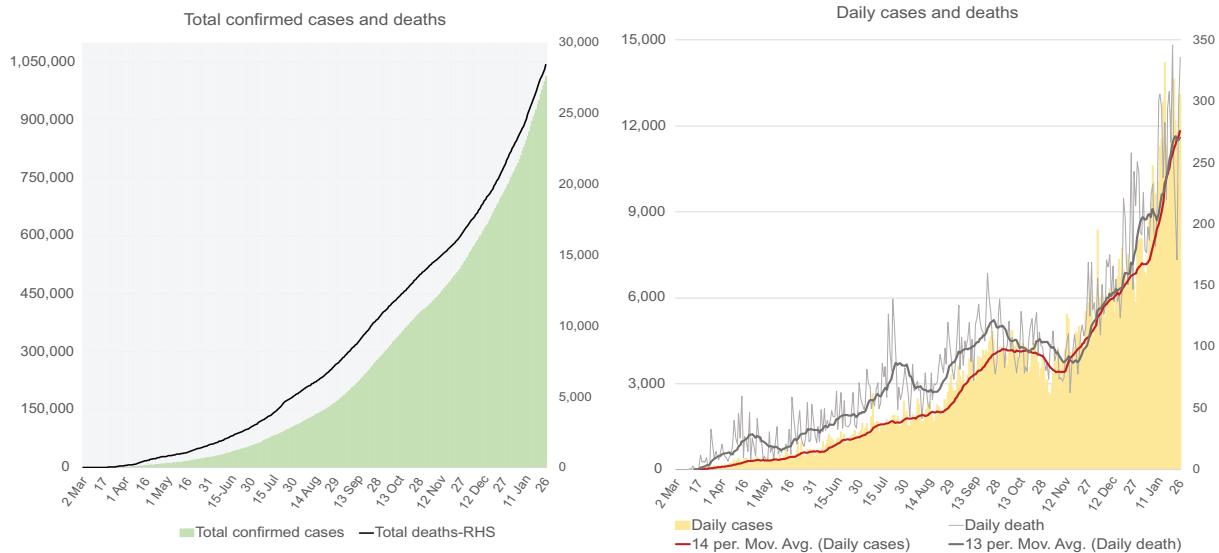
The first cases of two persons getting infected by the COVID-19 were announced by President Joko Widodo on March 2, 2020. At that time, around 50 countries had reported confirmed cases of COVID-19. The Expert Team from the Public Health Faculty of the University of Indonesia (*Fakultas Kesehatan Masyarakat Universitas Indonesia/FKM UI*) considered that case not the first one. They estimated that the COVID-19 had entered Indonesia since the third week of January 2020 (Detikcom, 2020). This assumption is quite reasonable as according to the Central Statistics Agency (*Biro Pusat Statistik/BPS*), the number of tourists from China entering Indonesia in January 2020 reached 181,300, the second-largest after Malaysia.¹

Until January 27, 2021, the number of daily confirmed cases and death kept increasing, and even resulted on new records for daily cases and death.

Although the number of healed patients has increased consistently, it is usually less than the increase of daily cases, as starting from the second week of November 2020, the number of active cases has increased unstopably. Since there has yet no sufficiently convincing signs that show the peak of the curve, the COVID-19 handling gets more difficult due to the limit of health facilities and devices as well as the loss of health workers due to COVID-19

¹ Although the Government of Indonesia had temporarily frozen all flights from Indonesia to China and vice versa, since February 5, 2020, as much as 11,800 and 4,300 tourists from China entered Indonesia in February and March 2020 respectively.

Confirmed cases and deaths

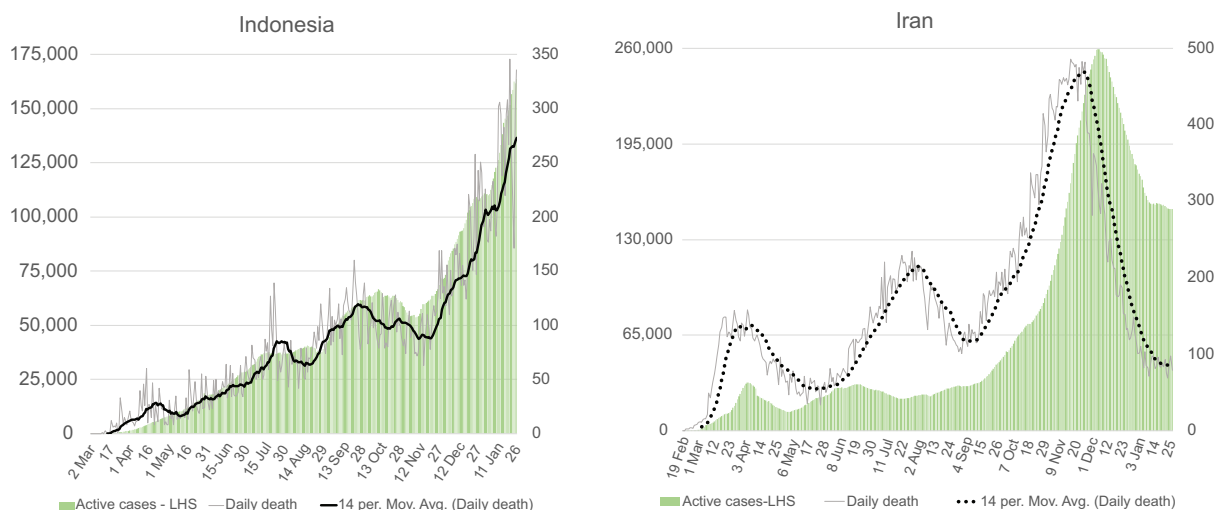


Source: covid19.go.id

Even if the number of active cases has decreased consistently in a quite long period, there is no guarantee that the COVID-19 has been contained successfully. The experience of Iran could present a valuable lesson. Iran had entered the second wave since May 4, 2020 due to a rushed relaxation, which was marked by a record-breaking burst of daily cases as much as 3,574 on June 4, 2020. The previous record within the first wave was lower at 3,186 cases on March 30, 2020. It took longer to re-contain the plague.

The containment efforts have yet to fully succeed as the number of active cases has increased again starting from August 11, 2020. The third wave took even longer time to reach the peak on December 6, 2020. After enforcing drastic act through lockdown in 100 cities, the plague seemed to be under control, as the number of active daily cases and deaths has decreased significantly. Meanwhile, Indonesia has yet to show signals of reaching the peak of the first wave, but the condition has gotten worse compared to Iran.

Active cases and daily deaths in Indonesia and Iran

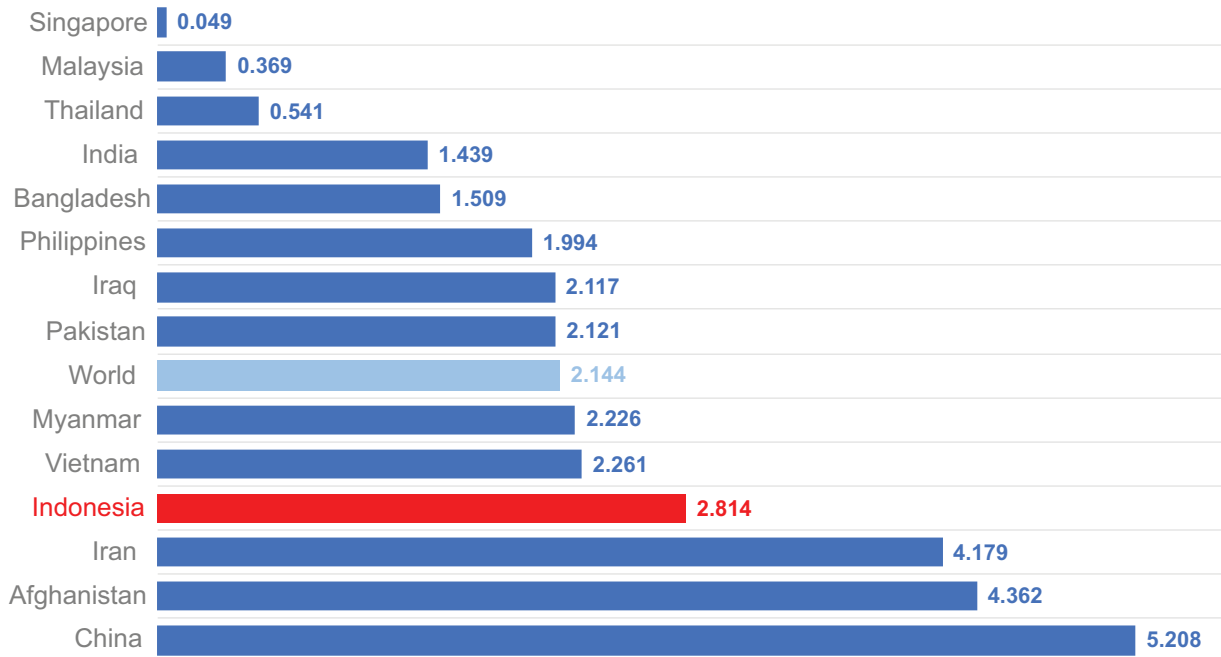


Source: covid19.go.id and ourworldindata.org

As of September 18, 2020, the case fatality rate (CFR) due to the COVID-19 in Indonesia reached 3.991 percent, higher than the average global rate of 3.168 percent. Compared to European countries such as the United Kingdom (UK), France,

and the Netherlands that reached dozens percent, the fatality rate in Indonesia is relatively lower, yet remains the highest among ASEAN countries and the fourth-highest in Asia.²

Case fatality rate (CFR), percent



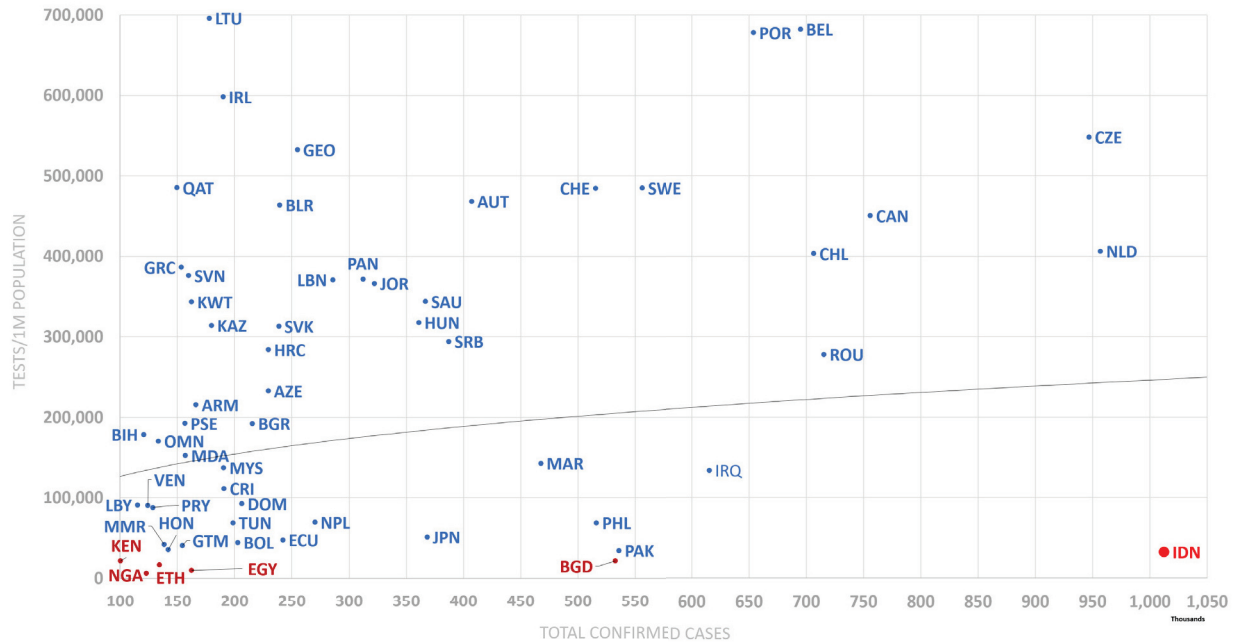
Source: Worldometer, downloaded on January 25, 2021, 05:50 AM

The number of cases correlates strongly with the amount of testing. Until May 2020, the number of cases in Indonesia was relatively low, even compared to Singapore. After the government targeted two-fold testing to 20,000 per day, the increasing number of daily cases often reached 1,000. Mass testing is very helpful in accelerating the COVID-19 handling. Even with the target of 30,000 specimens per day, the amount of testing per one

million population remains considerably low. Among countries with cases exceeding 100,000, the amount of testing per million in Indonesia was only higher than four African countries (Nigeria, Egypt, Ethiopia, and Kenya), as well as an Asian country (Bangladesh). To defeat the speed of the COVID-19 spread, the amount of testing must be increased significantly and followed by contact tracing in accordance with WHO standard.

² The fatality due to the COVID-19 in Indonesia only covers the death of positive cases based on the laboratory test result. Meanwhile, the Person Under Supervision (*Pasien Dalam Pengawasan/PDP*), the Person in Surveillance (*Orang Dalam Pemantauan/ODP*), and the person with undetected infection but showing clinical symptoms similar to coronavirus who passes away is not recorded as death due to COVID-19. According to this WHO definition, on July 3, 2020, the fatality rate accounted to more than 13,000 persons (Tempo, 2020) or four times of the number announced on that day by the government's spokesperson as much as 3,036 persons. Using this WHO definition, on July 3, 2020, the Indonesian CFR was 21.4 percent, which placed Indonesia at the second-highest after Yemen.

Testing is very crucial to control COVID-19



Notes: 1) Covers only countries with more than 100,000 cases. Countries with cases over 1.1 million and tests over 700K are not listed on the display but included in calculations. **2)** Tests for Algeria, Sudan, Democratic Republic of Congo, Tajikistan, and Syria are not available, so they are not included in the calculation.

Source: Worldometer, downloaded on January 27, 2021, 02:51 AM.

It remains very tough to predict when the COVID-19 plague in Indonesia will end. President Joko Widodo has announced the target of infection peak to definitely take place in May 2020 (Permana, 2020). However, until now the numbers of infection and death cases, as well as active cases, have been showing an increasing trend.

After the Islamic Holiday Idul Fitri, the challenge had become tougher as the spread of the COVID-19 entered the second phase (not the second wave since the number of cases has yet to reach the curve peak), where additional cases have been reported shifting from urban areas to villages. This shift is depicted by all provinces and 99.2 percent of regencies/cities that are affected by the COVID-19 infection. The limited healthcare facility in villages entails a number of newly confirmed and death cases due to the COVID-19 not being

tracked. In some villages, the number of new cases can be controlled due to the high level of villagers' awareness or local wisdom by tightly screening visitors from outside of the village (micro-lockdown).

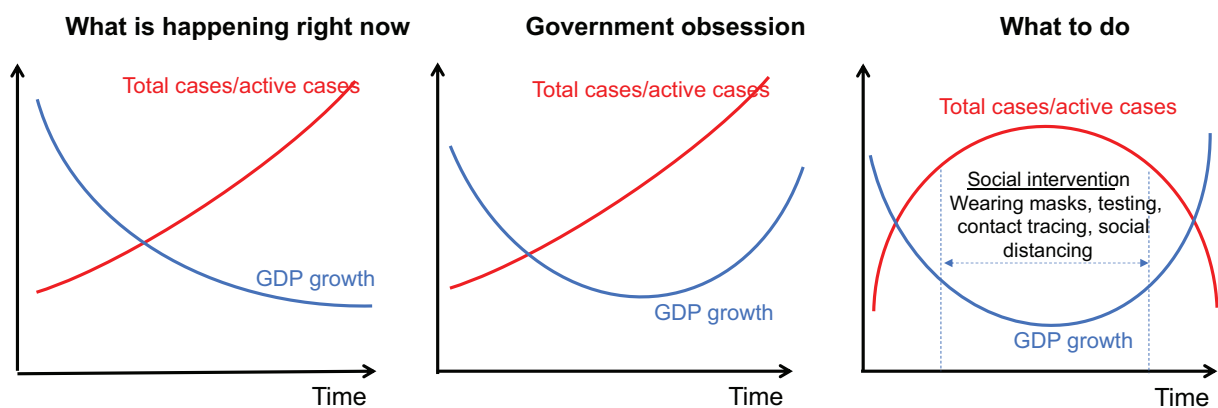
To tackle the COVID-19 crisis, the government has encountered a conflict between health policy (saving lives) and economic policy (saving livelihood to maintain economic activities and ensure people's income). That difficult choice has also been faced by people from poor households and the working-class level, who do not have the privilege to work from home (WFH). They tend not to comply with the restriction regulation for the sake of survival. The government's policy should be aimed to focus on ending the plague to enable a faster economic recovery, while helping the more affected and vulnerable groups.

The increasing number of new cases in early of the second week of June was the result of the exodus (locally known as “*mudik*”) wave and the temporary restriction to use transportation means starting from April 24, 2020, but a new sanction was enforced only two weeks afterwards. Almost at the same time, there was a push-and-pull about controlling the exodus. Eventually, the exodus restriction was announced on April 23, 2020 and started to take effect on April 24, 2020, only two weeks before the Islamic Holiday Idul Fitri. In early July 2020, the increasing number of new cases has recurred due to the PSBB relaxation since June 4, 2020. The ongoing relaxation, added with the long holiday in mid-August 2020, triggered the acceleration of increasing number of cases up to over 3,000 per day starting from end of August 2020. The subsequent wave

happened as the effect of concurrent local elections, collective leave day, as well as Christmas and New Year holidays.

The government faced a dilemma between human cost and economic cost. The high number of fatality was the government-chosen policy and not merely the impact of the COVID-19. The policy choice has narrowed down between how many death cases the government can suppress and how fast the government can recover the economy. A half-hearted policy between controlling the pandemic and restarting economic activities rashly—and without ensuring work security—will cause a higher number of fatality and infected victims. The policy to restart community’s activities rashly has evidently worsened the plague spread.

“You don’t make the timeline, the virus makes the timeline” (Anthony Fauci)



Source: Adapted from DR. Sulfikar Amir. [online] Available at: <https://www.youtube.com/watch?v=GzgZxRsnjft&feature=youtu.be>

The Wuhan case presents an example where implementing lockdown with high discipline could eliminate the plague effectively. However, several COVID-19 cases have recurred after the lockdown was terminated or relaxed. To prevent the second wave, the Government of China has made an effort of mass testing for

the whole 11 million citizens of Wuhan. However, the publics need to keep on alert towards the quality of information from China. According to the study conducted by the University of Harvard, the plague had started in August 2019 (Foreign Policy, 2020). Until now, China is unwilling to provide data of the virus to the WHO.

This closedness has entailed a very serious implication to the virus spreading out of the borders of China and to the cooperation with China to develop the COVID-19 vaccine. There is a concern that the to-be-developed vaccine will be less effective for Indonesians if it is based on the type of COVID-19 that broke out firstly in Wuhan. The Government of Indonesia needs to consider cooperating with countries which data are accessible by the WHO (The Guardian, 2020a).

The history shows that timeline and outline of the solution to come out from a crisis due to pandemic depends on how effective the plague can be driven out. In 1918, prior to the existence of vaccine like nowadays, various cities institutionalized social distancing steps; including school closure, public meeting restriction, and face mask usage. However, the policies were often made belatedly, and only a few cities in the United States of America (USA) implemented those policies for a long time. A study by the National Academy of Sciences in 2007 found that the success of cities in the USA in decreasing the fatality rate was often limited due to the belated intervention and early retraction (Frankel, 2020).

Moreover, the intervention in public health was not enforced as long as it was supposed to be. San Francisco decreased the fatality rate by at least 25 percent—the highest among the US cities. But, instead of strengthening commitment with an intervention, this success had driven the city to terminate the restrictions in November 1936, which caused a more deathly

second wave of infection in December 1936 and January 1937. Had San Francisco enforced the social restrictions longer, the National Academy of Sciences predicted that the city could decrease the fatality rate to 95 percent. The political leaders at that time had also terminated economic stimulus too early—the second mistake that could cause the recession shaping the W-letter, the form representing a recovered situation that sinks again before it even fully recovers. That termination of social restriction in 1936-1937 in the USA showed how the mistake in policymaking had caused greater impacts. However, the policymakers might be able to orchestrate a recovery into a U-form. In such scenario, certain economic segments would be reopened; employees would be physically distanced, and if possible divided into shifts temporarily. By doing so, the economy would not be crashing until the health crisis could be controlled and all economic sectors could restart production activities, which will enable the commencement of full economic recovery (Frankel, 2020).

This scenario forces the country to ensure free testing on a large scale. Technically, it is feasible at least for high-income countries, although the mismanagement occurring in many countries like the UK and the USA has hampered the implementation (OECD, 2020). If the test can be effective for the development of antibody and the connection between antibody and immunity against the COVID-19 is confirmed, the restarting of economic activities is more likely to be achieved.

Contact tracing that has helped control the virus spread in some Asian countries like Singapore and South Korea also needs to be considered. If testing is not carried out on a large scale, the economic recovery will potentially shape a W-letter. Meanwhile, it is even worse if there is no connection between the antibody and immunity against the COVID-19, which will cause the economic recovery to shape a L-letter.

China's ambition to achieve the economic recovery in the form of V-letter by enforcing the lockdown of one city only (Wuhan) and letting other cities not to ban Chinese tourists to travel abroad have been followed by a tremendous spread of the virus infection. Within China, there is another area that followed the Wuhan lockdown like Shulan. According to the local government's WeChat account, on May 2, 2020, the Shulan health authority reported that in the last three weeks of April 2020, 308 Shulan citizens had returned from Russia via Suifenhe and Manzhouli Ports. Eight persons were quarantined in the Jilin Hospital for infectious diseases and 300 others were isolated in Shulan City (The Guardian, 2020). The media of Government of China, CGTN, reported that the authority had ordered a temporary closure for all public places in Shulan including sports facility, cinema, and library, as well as the citizens to stay at home except under "abnormal circumstances". The final year students of junior high and high school will return to online studying. No taxi is allowed to leave the city and the operations of all public transportation are suspended (The Guardian, 2020).

The local media reported that the source of infection chain in Shulan had remained a mystery. The health commission of Jilin Province claimed that the virus spread was originated from a 45 years old woman who had no history of living or travelling beyond the provincial border and no history of contact with people returning from abroad or the main provinces. With this condition, the pattern of Chinese economic recovery may potentially transform from the form of V-letter to U or W.

The COVID-19 cannot disappear by itself and as long as the vaccine or an effective prophylaxis medicine is nonexistent, the main factor that affects the magnitude of the second wave of infection is the current pandemic control. The current number of active cases of infected persons or the so-called human reservoirs will determine the size and speed of the second wave of infection. Limiting the current number of infection will decrease the number of infection in the following wave. The latter will also depend on the possibility of discovering a suitable vaccine as well as people's attitude in limiting the virus spread.

A lockdown is the second-best instrument after the vaccine, but it is still highly effective. The plague can end and people can carry out normal activities safely only if the following five crucial practices are carried out: (1) mass testing, (2) infected person isolation, (3) contact tracing, (4) such contact quarantine, as well as (5) national and simultaneous enforcement of those four practices. These

five practices depend on a big investment of financial and human resources. Increasing the number of mass testing for the highest priority group and other interventions will potentially cost billions of dollars since implementing a thorough contact testing system requires the deployment and training of 100,000 people (Cherukupalli and Frieden, 2020). Unfortunately, the Government of Indonesia ignored such capital intensive activities. Contact tracing is costly, time-consuming, and labour intensive because it requires speedy work and trust-building to keep privacy yet maintain the main intention of virus spread control. Many governments of the low-income countries carried out routine contact tracing much better than Indonesia such as Vietnam. Indonesia has tested 0.39 per thousand citizens while Vietnam 2.68 per thousand (The Jakarta Post, 2020).

The national strategy to tackle the COVID-19 plague can be classified into three categories: elimination (New Zealand), natural immunity (Sweden), and eradication (the USA and Europe except Sweden) until the vaccine or cure is discovered (Johnson and Boone, 2020). **Elimination** is proven to be the most difficult to achieve. New Zealand had claimed to successfully implement that strategy (BBC, 2020) and Australia expected to follow suit. This strategy will most likely succeed if it is implemented in relatively rural areas with a low level of interaction with other areas, such as North Canada that has reported zero number of cases (Johnson and Boone, 2020).

By relying on “**natural immunity**”, more people will get infected. Most of them will survive and become immune so that the infection spread can be decreased. Sweden implemented this strategy to tackle the COVID-19. It appeared that the fatality rate of Swedish population due to the COVID-19 was higher than the average of Scandinavian countries (France24, 2020). Japan combined natural immunity with limited lockdown. In the end, Japan implemented a large-scale lockdown because in several cases the contact tracing was difficult to be conducted. In Brazil, the combination of natural immunity and limited lockdown strategies is regarded as “vertical isolation”. India, most countries in Africa, Asia, the Middle East, and Latin America appeared to implement a similar strategy. If the number of basic reproduction level R_0 is 2.5, then 60 percent of the population in those countries needs to get infected and survive to achieve natural immunity.

The third strategy is **suppressing the plague** as long as possible. This strategy was implemented by the USA, most of Canada, and Europe (except for Sweden). In several of those countries, by enforcing random lockdown, the number of new cases could be decreased. South Korea and China showed that through social cooperation and strict monitoring, new cases could be identified and contact tracing could be done quickly; as well as through quarantine of the infected persons (Johnson and Boone, 2020).

Without the vaccine, the government faces a dilemma. The

economic and social costs of lockdown are extremely high. According to the OECD, each month the economy of developed countries will sink as much as 2 percent due to restrictions related to the pandemic. The economy of France, Germany, Italy, Spain, the UK, and the USA has sunk more than 25 percent in a year. The unemployment rate soared to the highest level that had never happened since 1933. It triggered a serious political reaction and potentially deepened social disintegration. Therefore, the lockdown needs to be carried out effectively to avoid the potential emergence of the next wave of infection post-lockdown. Conducting a partial lockdown caused the second wave of infection in other areas, as what happened in China. The lockdown should be carried out at a national scale and simultaneously so that R_0 , as well as the economic loss, could be suppressed effectively. Terminating the lockdown too early will also trigger the second wave as what occurred in California in 1936-1937, which was followed by a much bigger economic loss compared to other areas that carried out a highly-disciplined lockdown with no recurring infection spread.

In mid-May 2020, several new cases reappeared in Wuhan. Six new cases were reported for the first time in 35 days in a row. None of those cases was imported from abroad, which triggered the concern that infection could still spread within the city of the first virus outbreak. A partial lockdown with low-quality test pack

caused the virus to reappear in Wuhan. To tackle this plague, the Wuhan authorities carried out nucleic acid testing throughout the city within 0 days for its 11 million population.

The temptation for Indonesia to terminate the PSBB became even stronger when more countries had started to reopen people's and business activities in mid-May 2020. If Indonesia did it too early before the infection rate among the society had declined substantially and consistently, the transmission rate could potentially become higher within the first wave and the second wave could potentially emerge. The COVID-19 plague has threatened Indonesia's achievements to maintain the one-digit poverty level that was achieved last year. Only within two months, the number of confirmed COVID-19 cases has increased to more than 12,000 persons (even bigger if massive testing was conducted). Both formal and informal sectors were affected by the COVID-19 crisis, especially those that could not adapt to the social distancing policy. To tackle the impacts of the pandemic, the government has issued a fiscal stimulus package by expanding the social aid despite its highly doubted effectiveness, moreover, if the pandemic continues until the end of the year.

When the public attention and energy are focused on a clear common enemy, it is relatively easy to convince the government to invest more on public health as it will decrease the fatality rate and speed up the recovery. A bigger challenge ahead is to convince the government for financing

the program that increases the readiness of the government and citizens toward future pandemic. The government needs to invest through policies to decrease the infection, such as paid leave³ and one that helps maintain or obtain access to healthcare. The government also needs to invest in policies that dampen economic shocks, such as unemployment insurance, wage increase⁴, and program that enables companies to continue employing workers (Cherukupalli and Frieden, 2020). In the context of Indonesia, the government has increased benefits for doctors and nurses despite the relatively low realization due to bureaucratic hindrances.

The Government Regulation (*Peraturan Pemerintah/PP*) No. 23/2020⁵ aims to protect, maintain, and increase the people's entrepreneurship to survive through the tough times and avoid the termination of employment (*Pemutusan Hubungan Kerja/PHK*). The government has issued several aid packages: first, the national capital participation (*Penyertaan Modal Negara/PMN*) to State-Owned Enterprises/SOEs (*Badan Usaha Milik Negara/BUMN*) that were appointed to enhance companies' capacity or to carry out particular assignments from the government. Second, the government has injected funds to support the liquidity of 15 healthy banks with the greatest assets to conduct credit restructuring or provide additional working capital loans. Third, the government has provided investment and guarantee through the business entities

that are appointed based on regulating laws. But ironically, the SOE that had received bailout according to PP No. 23/2020 like PT Garuda Indonesia (Tbk) carried out the termination of employment (PHK). This indicates that PP No. 23/2020 has failed to achieve its objectives.

Economic and Social Impacts

The disease plague caused by the COVID-19 will bring out massive impacts on the economy. Baldwin & di Mauro (2020) classified the impacts of COVID-19 on the economy into three channels. First, medical shocks: the decreasing production caused by people not working due to illness or taking care of the ill family members. Second, the decreasing economic activities due to policy implementation to reduce the disease spread: factory or office closure, quarantine, travel ban, and others. Third, expectation shocks: economic actors tend to suspend expenditures and wait until the situation returns to normal (wait-and-see mode).

Who is affected the most?

The COVID-19 plague can cause an economic shock on the households of infected persons in form of income loss due to illness, care of ill family members, or death. When the economy slows down,

3 Currently, the coverage for paid leave or salary protection due to COVID-19 is regulated in the Circular of Minister of Manpower of the Republic of Indonesia Number M/3/HK.04/III/2020 concerning protection of workers/laborers and business continuity in the context of preventing and overcoming COVID-19.

4 Canada plans to increase the wage for frontline workers in some sectors including food and health.

5 Regarding implementation of the National Economic Recovery program in support of the state financial policy for handling the 2019 coronavirus disease (COVID-19) pandemic and/or facing threats that endanger the national economy and/or financial system stability as well as rescue of the national economy.

the impact of decreasing income will not remain only on the households of the infected persons but it will spread out.

The direct impact of the COVID-19 plague is suffered by the households which family members are infected. To lighten the burden, the government has implemented several policies that include waiving of healthcare costs, consumption aid for the quarantined family members, and donation for the deceased patients to reduce economic shocks on the households suffering from the loss of productive family members.

It is not easy to identify the households and business entities that are indirectly affected by this plague. The declining economic activities have occurred not only in the areas that carry out the PSBB, but it might be the case where certain households or business entities outside of the PSBB area have been more affected than the ones within.

On the other hand, the COVID-19 plague has become a blessing for several businesses such as producers of sanitizer raw materials and items, masks, medical equipment especially the Personal Protective Equipment/PPE (*Alat Pelindung Diri/APD*), gloves, and others. But generally, this plague has negatively affected the economic lives of almost everyone on a different level. It is believed that the government policies to reduce the plague spread will significantly affect the businesses in industry and service sectors (especially transportation, trade, and nonessential services). The COVID-19 pandemic had caused declining prices of

the commodity in the global market, which burdened the growth of the agricultural and mining sectors.

Besides those undergoing the termination of employment (PHK), in the short term, workers in any formal sector are safer than those in the informal sector. The latter (family or non-permanent, self-employed, and professional workers) are the most vulnerable ones in this era of crisis. If the plague goes on for a long time, there is a possibility that the number of employments being terminated increases so that the majority of workers including those in the formal sector become more susceptible. Woman, young (especially those seeking employment), and old-aged (senior) workers belong to the demographic groups that suffer from a greater pressure because of this crisis. The targets of the social security system should be directed at those segments of worker and demographic groups.

Impact measurement

In the first quarter of 2020, Indonesia's economy had only grown by 3 percent, much lower than the growth in the first quarter of 2019 (5.1 percent). The declining growth happened on all components of domestic demand: household consumption, government's spending, and investment (formation of gross domestic capital). The national economic growth that had been supported by household consumption all this time lost its power in the first quarter of 2020. The growth of household consumption had fallen

sharply so that its role as the source of growth became lower. The contraction of spending on clothes or footwear became the main reason for the declining growth of household consumption. The spending on clothes for the Islamic Holiday Idul Fitri 2020 was much less compared with that of last year. The contraction also occurred in spending on transportation and communication. The PSBB implementation by local governments has triggered real impacts on the decline of household consumption, especially on clothes and transportation. Meanwhile, the spending on food and beverages consumption has remained growing, including the ones for dining out.

The COVID-19 plague also caused a sharp decline in investment growth. Industry actors tended to suspend the expansion of business activities as the growth of demand had been predicted to be disturbed by the plague. The declining investment growth affected the increase of production capacity, which would later implicate the long-term economic growth. If the plague continues for a long time, the production capacity will decrease, which in turn will harden the economic recovery after the plague disappears.

As long as the plague continues, the declining economic growth is predicted to keep going and most probably the economy will undergo a contraction for a couple of upcoming quarters. Based on the government's projection when setting the 2020 budget adjustment, the national economic growth will undergo a sharp decline to 2.3 percent, with the

worst scenario of 0.4 percent contraction. It can almost be ascertained that this government's target will not be achieved. We predicted that this year the Indonesian economy will undergo around 2 percent contraction.

How deep and long the recession lasts depend on how long and wide the plague has infected and how the government has responded toward it. The declining economic activities decrease or may even eliminate households' incomes and slay businesses. The lay off and termination of employment (PHK) have befallen on formal workers, while the opportunities for informal businesses have become even more limited or nonexistent.

According to the estimation of the Ministry of Employment, until early May 2020, more than one million formal workers had been laid off and around 377,000 workers had undergone termination of employment. The number of workers affected by the COVID-19 crisis had reached three million, including candidates of migrant workers, internship returnees, and informal sector workers. That estimation might have as well been too low. According to the data of the Survey of National Workforce (*Survei Angkatan Kerja Nasional/Sakernas*) in August 2019, there were 24.7 million informal workers in the trade, transportation, as well as accommodation and food & beverages (F&B) sectors; from which 6.7 million reside in the urban areas. If half of those urban workers are affected by the PSBB implementation, only three sectors account to over 3 million.

Number of workers affected in the early phases of the COVID-19 outbreak

1.	Formal workers who were laid off	1.034.618
2.	Terminated formal worker	377.386
3.	Affected informal workers	316.501
4.	Affected formal and informal workers (1+2+3)	1.728.505
5.	Prospective Indonesian migrant workers	34.179
6.	Interns were sent home	465
7.	Affected workers	5.547
8.	Others	1.262.257
Total (4+5+6+7+8)		3.030.953

Source: Ministry of Manpower.

The COVID-19 crisis has not only brought negative impacts on workers in urban areas. The declining prices of commodities in the global market have affected the respective commodity-producing farmers. The amount of the affected population and the intensity of impacts on each business and household are hard to be estimated.

As an illustration, from 126.5 million workers, 24.6 million are informal workers of the most affected sectors (trade, transportation, as well as accommodation and food and beverages services). As a whole, informal workers reach 55.7 percent of the total number (70.5 million). Mitigating the affected ones requires a long time and complicated efforts, whereas the salvation is urgent. Thus, the safety net program to help those groups is quite costly.

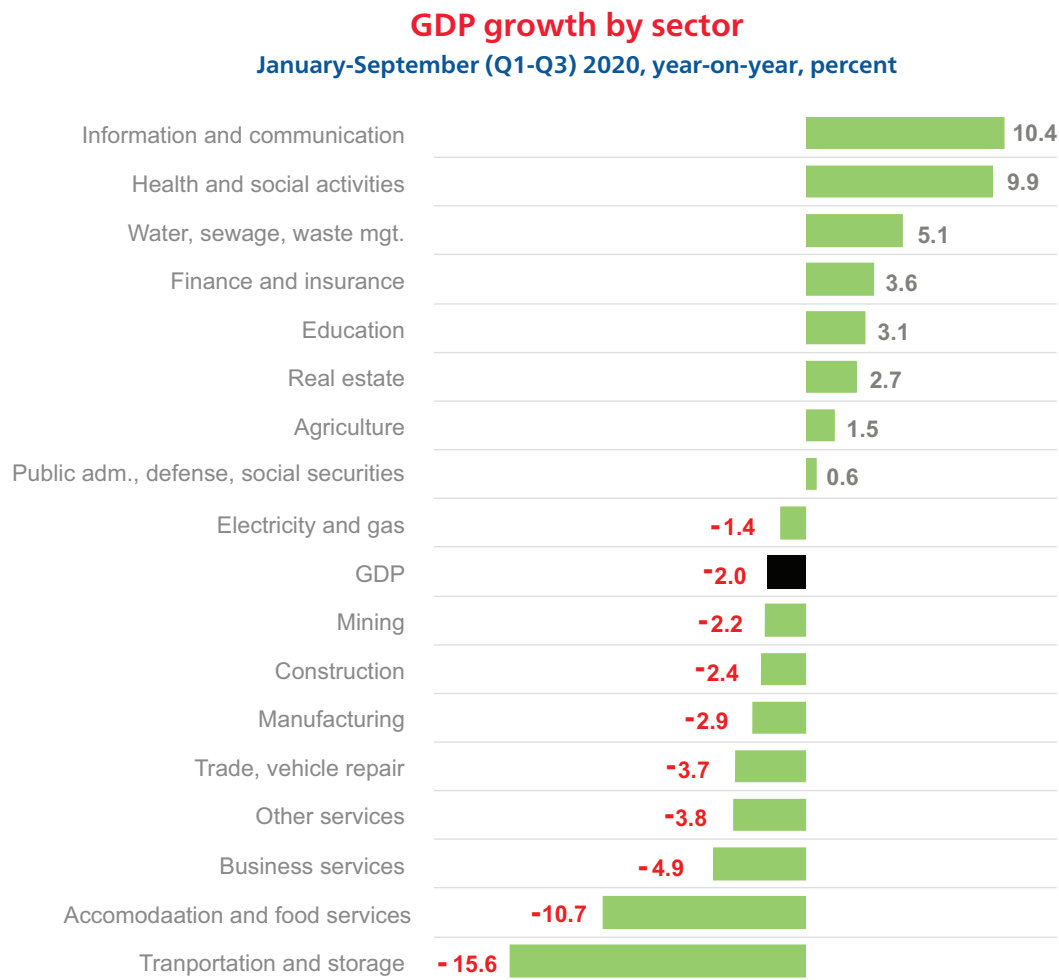
The COVID-19 crisis is predicted to cause a fairly sharp decline of economic activities; it might as well be the sharpest one

since the Great Depression. The plague is still ongoing and the measurement of impacts cannot be calculated with high precision in line with the unpredictable development of the COVID-19, yet the impacts have been sensed clearly. The medical shock due to the COVID-19 plague might have not impacted the economy too much. The great impact emerged mainly due to the implementation of policies on economic sectors to reduce that plague spreading. The closures of stores, factories, entertainment, and recreation centers, as well as the termination of transportation means operations, have caused lay offs and even termination of employment. Many business units in the most affected sectors like tourism and nonessential services encounter a great difficulty. The decline of short-term demand and the disturbance of the supply chain have caused a sharp drop in manufacture activities. In short, the efforts to contain the spread of COVID-19 have been followed by declining production on different level in majority of economic sectors.

In the first quarter of 2020, none of the sector suffered from a production downturn. All sectors enjoyed a positive growth; three of them even enjoyed an increased growth. The PSBB implementation in the early April directly hit almost all sectors in the second quarter of 2020. Ten sectors underwent a contraction or negative growth and six sectors run into a growth slowdown. Only one sector, the information and communication, enjoyed an increased growth that even reached two-digit compared to 2019. Two sectors suffered from the worst hit, namely the transportation and warehousing with the contraction of 30.84 percent, as well

as accommodation and F&B with the contraction of 22.02 percent. Similar outlook occurred in the first semester of 2020.

It can almost be ascertained that the economic contraction will continue in the second quarter of 2020, so the recession cannot be avoided.⁶ The GDP throughout 2020 is also predicted to suffer from a negative growth. What can still be done is to make the contraction as small as possible so that the recovery can be accelerated although the economy cannot immediately return to the level before the pandemic.



Source: BPS-Statistics Indonesia

⁶ Recession will occur when the level of output of economy (GDP) undergoes a downturn or negative growth for two quarters in a row.

Government's Policies Related to the COVID-19 Plague

In general, the government's policies related to the COVID-19 crisis consist of health policy and economic policy. The health policy is aimed to save lives by decreasing the disease spread and lower the fatality rate. Meanwhile, the economic policy is targeted to save livelihood, which is to prevent people suffering from poverty, hunger, and even death due to the declining economic activities as a consequence of the plague spread and the following containment policies.

Health policy

Intervention versus herd immunity.

In general, the plague can be eliminated through the following strategies: herd immunity and containment. The former contains the disease not to spread widely since most of the population is immune to it due to the previous infection or vaccine. The disease spread can also be contained through the government's intervention by isolating the infected persons to avoid further transmission to others.

Without the government's intervention, vulnerable individuals will act prudently to avoid getting infected. The herd immunity will be achieved once around 60 percent of the population becomes immune, either due to getting previously infected and recovered or

getting a vaccine. The vaccine for the COVID-19 is predicted to be available the soonest after one year so that the herd immunity will be achieved if most of the population is infected. Therefore, in the long term, the risk of getting infected will remain high, and this strategy will entail a sharp decline in economic activities as well as a slow recovery.

On the contrary, an optimum government's intervention can eliminate the disease plague faster. If infected persons can be identified, they can be isolated and quarantined; while a light restriction can be carried out on vulnerable persons like the senior citizens. The infected persons can be identified through mass testing. Afterwards, effective contact tracing and individual isolation must be conducted so that the disease transmission to other persons including their family members can be contained. By doing so, this plague can be ended faster and in turn, economic activities can also recover more rapidly.

There are two challenges in fighting the COVID-19 plague. First, only a small number of infected individuals show symptoms, but they potentially transmit the disease to other persons. The number of Person Without Symptoms (OTG) is estimated to reach 50 percent of the total number of infected persons. Second, the long incubation period of the COVID-19 (14 days) complicates the contact tracing. Those challenges are worsened by the fact that many governments worldwide face difficulty to increase the capacity of rapid testing. Nonetheless, this strategy is proven

to be applicable and quite successful like in Singapore. There is an opinion stating that this strategy can be applied more easily in small countries, but it has been applied quite successfully in a big country like China.

National Disaster. When the COVID-19 firstly had started to spread in Wuhan, the Government of Indonesia immediately stopped all flights from and to China, as well as repatriated Indonesian citizens from Wuhan and quarantined them before allowing them to return to their respective home. Indonesia belongs to the countries that issued a travel ban since the early stage to contain the COVID-19 transmission from China. The ban from and to China had been imposed since February 5, 2020. The COVID-19 transmission to Indonesia might have not been imported from China directly, but from other countries.

In the beginning, the government was quite confident that the COVID-19 would not spread in Indonesia. The confidence was implied by the statement of Minister of Health that Indonesia was immune to the virus. The government was also viewed as ignorant toward experts' warnings mentioning that the virus had entered Indonesia. The Minister of Health even regarded the research result stating that the virus had entered Indonesia as an "insult" (The Jakarta Post, 2020). In several occasions, the Government of Indonesia stated that the country was in high alert condition, but the healthcare infrastructure

especially related to the monitoring was not prepared sufficiently to face the worst case. Conversely, the government issued incentives to stimulate the slow tourism sector and gave flight ticket discounts. This policy was definitely irrelevant when the COVID-19 started to spread widely within the country.

On April 13, 2020, when the number of infection cases reached over 4,500, President Joko Widodo declared COVID-19 as a national disaster through the Presidential Decree (*Keputusan Presiden/Keppres*) No. 12/2020. Previously, the President also issued the decree to form a COVID-19 Handling Task Force that is spearheaded by the National Disaster Mitigation Agency (*Badan Nasional Penanggulangan Bencana/BNPB*).⁷ With the national disaster status, the government owns the authority to deploy all necessary resources, allocate and mobilize the State or Regional Budget (APBN/APBD), as well as funds obtained from the society to be used for the COVID-19 handling. In that framework, the central government had proposed a revision of the 2020 State Budget by allocating additional funds of Rp405.1 trillion for the COVID-19 impacts handling.⁸

Large Scale Social Restrictions (*Pembatasan Sosial Berskala Besar/PSBB*). To avoid a wide-spread transmission, on March 31, 2020, the government had unveiled a policy to provide an opportunity for the local governments to implement the PSBB. The PSBB implementation is

⁷ The Presidential Decree (Keppres) No. 7/2020 on the COVID-19 Response Acceleration Task Force, or simply addressed as the COVID-19 Task Force.

⁸ The complete timeline of COVID-19 handling can be seen on EKONID's (2020).

regulated in the Government Regulation (*Peraturan Pemerintah/PP*) No. 21/2020. The technical regulations covering requirements of PSBB implementation by the local government is stipulated in the Ministry of Health Regulation.⁹ PSBB was implemented for the areas with an increasing rate of cases or fatality due to the disease spreading significantly and quickly to several areas, or where epidemiological linkage with similar incidents in other areas or countries exists. As the name suggests, PSBB restricts citizens' activities in a particular area, in such a way that the spread of COVID-19 can be contained. The restrictions include the closure of school and working spaces, limitation of religious activities, as well as those in public facilities. Exceptions are given to healthcare services and facilities, as well as markets, shops, and supermarkets.

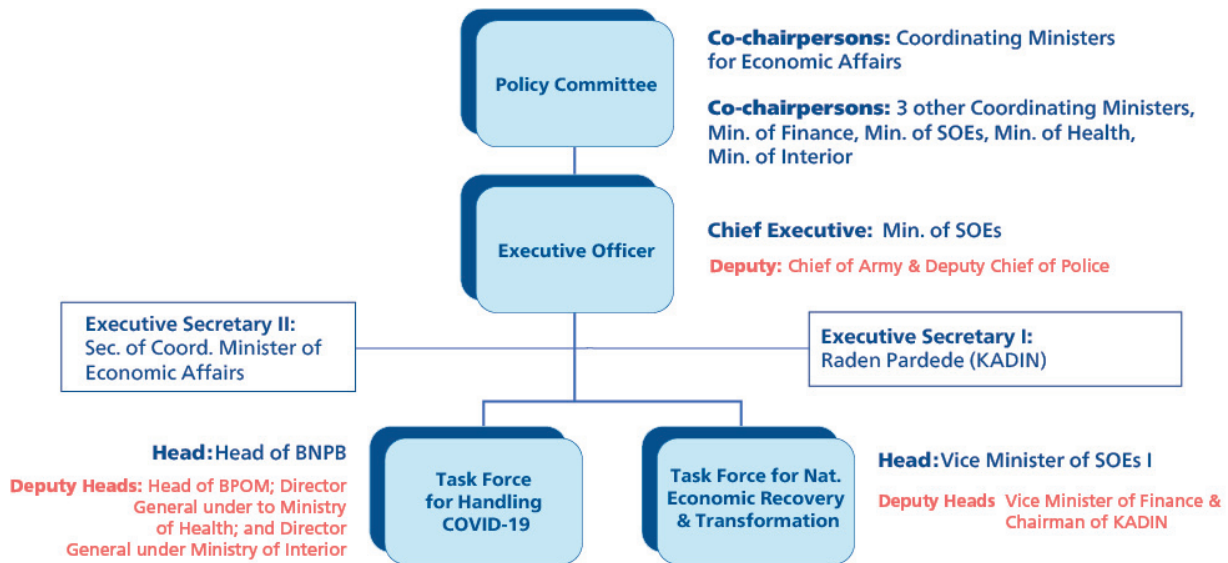
PSBB belongs to the local government's policy, while the central government only endorses it. At the central level, the effort to contain COVID-19 spread is conducted through restricting movements between regions, including the exodus due to Islamic Holiday Idul Fitri. The restrictions of movements between regions and countries are carried out by terminating and limiting the operations of public transportation facilities and means.

The Committee for Handling COVID-19 and National Economic Recovery. The ambition to accelerate economic recovery in the middle of plague spreading that has not reached its peak is reflected from the Presidential Regulation (Perpres) No. 82/2020 issued on July 20, 2020. Through this regulation, the Task Force that used to report to the President directly became the subordinate of the Chief Executive that also serves as the Vice Chairman of the Policy Committee. This structure is dominated by officials from economic sector and management of the Indonesian Chamber of Commerce (*Kamar Dagang Indonesia/Kadin*).

Until now, there has been no comprehensive strategy to tackle the pandemic, not even a testing and contact tracing strategy. What often uttered by this committee were the vaccine development project and various efforts for economic recovery.

⁹ The Ministry of Health Regulation No. 9/2020 on Guideline of the Large Scale Social Restrictions (PSBB) in the context of Accelerating of the Handling of Corona Virus Disease 2019 (COVID-19).

Committee on Handling COVID-19 and National Economic Recovery (PEN) - Presidential Decree No.82/2020



Budget/Fiscal policy

The budget policy during the occurrence of disease plague is aimed for three targets: to reduce the disease transmission (infection fighting), to assist households and businesses avoiding poverty and bankruptcy (disaster relief), and to push the economy for production approaching its potential level (support of aggregate demand). Besides for the economic policy, the budget allocation also includes health policy.

To tackle the COVID-19 crisis, the Government of Indonesia has added the spending and financing of the 2020 State Budget in the amount of Rp405.1 trillion with detail as follows: Rp75 trillion for health sector spending, Rp110 trillion for social protection, Rp70.1 trillion for tax incentives and People's Business Loans (*Kredit Usaha Rakyat/KUR*) stimulus, as well

as Rp150 trillion for economic recovery (credit restructuring, business guarantee and financing especially for Micro, Small, and Medium Enterprises/MSMEs).

The budget allocation for the COVID-19 handling in Indonesia reached 2.32 percent of GDP. The amount of budget support for the COVID-19 handling varies between countries. Malaysia, for example, allocated RM6 billion (0.4 percent of GDP), while Singapore S\$4.4 billion (10.9 percent of GDP). The important matter of the budget allocation is its usage. Even though its percentage of the total allocated budget is not too significant, the allocation for infection fighting should become the main priority. The second priority should be safety net to rescue households and businesses (especially MSMEs) that are affected by the implemented policies to contain the COVID-19 transmission.

Health Budget. The government's efforts to fight the COVID-19 virus infection are portrayed among others through the health budget allocated to eliminate the plague. In the 2020 State Budget, the Government of Indonesia has allocated Rp75 trillion for health budget (0.43 percent of GDP). That budget allocation includes Rp3 trillion for the addition of contribution subsidy for the Social Insurance Administration Organization (*Badan Penyelenggara Jaminan Sosial/BPJS*), Rp5.9 trillion for medical staffs incentives, and Rp300 billion for the subsidy for deceased medical staffs. Meanwhile, the budget allocated for health management reaches Rp65.8 trillion that includes the provision of health equipment (PPE, test kit, reagent, and others), the provision of health facilities and means, as well as human resource support. If divided by the number of population, only as much as Rp250,000 per person of the government's budget is available for the COVID-19 health management.

With more than 260 million population, a massive amount of budget is needed to contain the spread of the COVID-19 plague. Thus, that amount of population requires at least 400,000 tests per day with urgency for the highest-priority groups. The contract tracing calls for at least 300,000 trained staffs. All of those entail high costs. Unfortunately, the testing carried out by Indonesia is relatively small. Whereas many administrations in other low-income countries conduct routine contact tracing better than Indonesia, such as Bangladesh and Vietnam.

To contain the plague spreading is not an easy matter. The government must make efforts to keep the percentage of infected persons as low as possible. Beside the quarantine or lockdown policy, the government needs to allocate sufficient budget for the provision of ventilators, PPE (APD), and other medical equipment, as well as testing for even more people. Moreover, an amount of budget needs to be allocated for adding medical staffs and training them, as well as additional incentives for them. The success in this area influences the impact of plague on households and the economy, as well as the budget necessary for the social safety net and economic recovery programs.

Social safety net. The government's policies to contain the plague spread including the PSBB implementation have brought about many households and business units suffer from declining income or even a complete loss of income. Some of them have no saving or sufficient reserve to survive. It is mandatory to help the affected households to fulfil their primary needs. And it is also vital to assist businesses, especially the MSMEs, to somehow survive. The safety net program should be directed not only at the households, but also the business units.

Many approaches can assist the affected households and businesses, among others: suspending or waiving tax payment, increasing the unemployment support, providing cash direct assistance (*Bantuan Langsung Tunai/BLT*), distributing credit, and others. The problem lies in the

difficulty to determine the affected ones. Often we heard the news about disorderly distribution of BLT and other aids. Either implementation approach taken, it is

better to allocate bigger rather than smaller budget. The budget needed for this program will be even bigger than the one for the health program.

Social protection is part of National Economic Recovery Programs (PEN)

To protect the poor and the vulnerable as the most impacted group during pandemic
(IDR234.33 trillions):

- Conditional Cash Transfer Program
- Non Cash Food Assistance
- Social Assistance
- PreWorking (unemployment benefit)
- Electricity Discount
- Cash Transfer through Village Fund
- Internet Subsidy



“Without emergency social assistance, COVID-19 could push millions into poverty.”
A more detailed explanation of social assistance can be found in World Bank publication “Indonesia Economic Prospects: The Long Road to Recovery,”

July 2020, [online] Available at:
<https://openknowledge.worldbank.org/handle/10986/34123>

Source: Bank Indonesia

To reduce the impacts of COVID-19 crisis, the government has provided an additional budget allocation for safety net program in the amount of Rp110 trillion; including Rp25 trillion as reserves for fulfilling basic needs and market operations, as well as Rp20 trillion as education budget adjustment. The total budget distributed to households only reached Rp34.2 trillion. The assistances are provided in form of cash for the Family Hope Program (*Program Keluarga Harapan/PKH*),¹⁰ aids for nine kinds of basic needs (*sembilan bahan pokok/sembako*), electricity cost discount and waive, aids for housing, and aids for employment seeker. The details are as follows:

- The subsidy for contribution and BPJS tariff adjustment to 30 million population consisting of 14 million workers as non-wage recipient workers (*bukan penerima upah/BPU*) and shift of 16 million to the non-wage recipient workers group.
- The additional distribution of PKH to 10 million households as beneficiaries. The distribution frequency has been amended from once every three months to every month, so that from April to June 2020 each beneficiary receives this aid two times.
- The non-cash Sembako program has been expanded by 4.8 million

¹⁰ The target of Family Hope Program has been added by 1.8 million families, totalling to 10 million families.

beneficiaries (from 15.2 million to 20 million beneficiaries). For nine months, the monthly cash aid has been increased by Rp50,000 to Rp200,000 per month.

- Additional pre-employment card. The pre-employment program has been expanded by 5.6 million informal workers/MSMEs practitioner. The aids are given in the form of training fee support in amount of Rp1,000,000, and a post-training incentive for 4 months in amount of Rp600,000 per month.
- Free electricity or 50 percent of electricity tariff for three months for low-income households.
- Food for 1.9 million affected households in Jakarta and urban areas, which targets microenterprises, seasonal creative workers, and other informal workers that do not benefit from the PKH or Sembako programs.

The safety net program has mainly been targeted to households and yet to reach MSMEs that suffer from pressures. In terms of industrial aids, the government has allocated an additional budget of Rp64 trillion, which includes tax incentives consisting of Rp52 trillion for expansion of the government-borne income tax facilities (income tax article 21 and Value Added Tax/VAT incentives) and Rp12 trillion for an expansion of import tariff exemption (borne by the government), as well as Rp6.1 trillion as the stimulus for People's Business Loans (KUR) (suspension

of payment for the main loan and interest of all KUR schemes that are affected by the COVID-19 in 6 months). The industrial support program could only be enjoyed by MSMEs that got the KUR.

The effectiveness of government's aids for the affected households and business units depends on the total budget and the aids distribution policy. Even within the PSBB area, the aids have not been provided to all households. Selecting the households to become beneficiaries is a crucial matter. Without an accurate basis of data, it is unsurprising that the aids distribution to households has got many complaints.

Economic Recovery Program. In the 2020 State Budget, the government has allocated Rp150 trillion to finance the National Economic Recovery (PEN) Program. It targets ultramicro enterprises but there has been no clarity regarding the distribution scheme of that financial aid.

During the plague occurrence, fighting the infection and distributing disaster relief should become the main priorities. A recovery program is required if the situation has returned to normal. Whether efforts to push the aggregate demand are needed or not can be decided once the plague has subsided or the situation has returned to normal.

In a normal situation, a fiscal incentive is the most appropriate way to save the economy from recession. While the plague is still ongoing and people still has concerns towards the disease, the output level will remain lower than its actual potential.

The incentives to push the aggregate demand will only raise inflation. As long as the output potential remains stagnant, it is unfitting to increase the aggregate demand beyond the needs of disaster relief.

Reorganizing Efforts towards a New Era

The health and economic crisis that is highly costly should be compensated by correcting errors in the past and reformulating the strategy and direction of development toward a more inclusive one.

Social security for workers and social protection reform

The informal sector businesses and workers are extremely vulnerable to a crisis. These two groups need safety net programs to avoid being crushed easily by the crisis. Particularly for workers, a decent social security system will not only protect them but also present a high potential to become the backbone of the development financing through collected contributions.

The social security for workers has existed through four schemes: Working Accident Protection (*Jaminan Kecelakaan Kerja/JKK*), Death Protection (*Jaminan Kematian/JKM*), Old-age Protection (*Jaminan Hari Tua/JHT*), and Healthcare Protection (*Jaminan Kesehatan*). The first three schemes are managed by the Social Security BPJS (*BPJS Ketenagakerjaan*), while

the last one by the Healthcare BPJS (*BPJS Kesehatan*). Starting from July 1, 2015, another program of Pension Protection (*Jaminan Pensiun*) has been mandated to the Social Security BPJS.

The COVID-19 crisis has become the moment to strengthen the social security system for workers in order to create a tougher economy. The key is to raise the contribution with the spirit of mutual aid (popularly known as "*gotong royong*"). Post-COVID-19, the total contribution should be raised at least from the range of 9.24-10.75 percent to around 15 percent. If the Community Housing Savings (*Tabungan Perumahan Rakyat/Tapera*) is included, the total contribution will be 18 percent. The Tapera for private-sector workers should be integrated under the management of Social Security BPJS.

Small contribution of social security (BPJS Ketenagakerjaan)

	Employee	Employer	Total
Jaminan hari tua (Old day security)	2%	3,7%	5,7%
Jaminan kecelakaan kerja (Work accident security)	-	0,24% - 1,74%	0,24% - 1,74%
Jaminan kematian (Death Security)	-	0,3%	0,3%
Pemulangan pensiun (Pension Security)	1%	2%	3%
Total	3%	6,24% - 7,74%	9,24% - 10,75%
Total post COVID-19 (suggestion)	5%	10%	15%

The adjustment will be implemented gradually until at the latest in 2022. Starting from this year until next year, the income tax tariff for taxpayers will be reduced from 25 to 22 percent; and starting from 2020 to 20 percent. A part of the private sector's profit should be diverted to the workers. The contribution by workers should also be raised by imposing a smaller proportion and by implementing it gradually aligned with the salary increase.

The collected additional funds should be significant to serve as the financial source for development through the acquisition of government bonds so that the dependence on foreign funds can be reduced, which in turn will reduce the macroeconomic shock.

Experiences from the 1998 crisis, the 2008 global financial crisis, and the most current crisis have proven that the social protection package is still patchy and undergoes ups-and-downs. Each crisis

has unveiled more packages managed by horizontal or vertical institutions. To integrate these packages, the existence of a single identity number needs to be accelerated. By doing so, data updating can be conducted automatically and overlapping beneficiaries can be avoided.

An economic crisis, as well as natural and non-natural disasters such as the health disaster that we currently experience, will continue recurring in the future. There should be an institutional reinforcement to handle crises and disasters, especially for the most vulnerable groups of the society, which will eventually help reduce economic and social losses and speed up their recovery.

The role of local government and society

The experience from the COVID-19 crisis handling has taught us about the importance of roles of local government and society as the front-liners. Indonesia is

not a homogenous entity. Each region has its own social and cultural characteristics. The local society knows their region's issues best. Moreover, there are diverse geographic, infrastructure, and natural resources conditions to be considered. With these varying backgrounds, a single national policy will be ineffective. Thus, the central government is responsible for increasing regional capacity and capability to solve its own issues.

Unfortunately, the spirit to develop regional capacity and capability could barely be seen in the COVID-19 handling. The budget allocation for transferring funds to regions was cut. The support for local government amounted to only Rp15.1 trillion, much smaller than the National Capital Participation (*Penyertaan Modal Negara/PMN*) for SOEs in the amount of Rp25.27 trillion. Compare it with the budget of Ministry of Defense that had only been cut by Rp9 trillion, making the total remaining budget of Rp122 trillion. With this, the Ministry of Defense is the only ministry with the budget exceeding Rp100 trillion.

Strengthening the regions is the mandate of reform. Unfortunately, within the last couple of years, some regional autonomies have been cut and withdrawn to the central government. The draft of the Omnibus Law on Job Creation that is under deliberation in the House of Parliament (*Dewan Perwakilan Rakyat/DPR*) presents one of vivid cases. Anything that is considered hindering investment including the regional autonomy was cut.

By strengthening the regions, it is expected that the development will be more evenly distributed. However, the pendulum that tends to move towards the central area has made Java becoming even more dominant. The contributions of Sumatra and Kalimantan in the national pie (GDP) creation decline, while Papua and Moluccas, as well as Nusa Tenggara, remain stagnant. Beyond Java-Bali, only Sulawesi presents a rising contribution. Provinces and/or islands outside of Java that possess vast natural resource undergo a net resource outflow.

Indonesia is an archipelagic country consisting of over 17,000 islands with its sea stretching around three-fifth of the total area, while the rest is relatively enormous land. The population density of Indonesia is much higher than most ASEAN countries including Malaysia, but still lower compared to the Philippines, Thailand, and Singapore. However, the population is distributed extremely unevenly. More than half of Indonesian citizens (56.2 percent) reside in Java Island, which land area covers only 6.8 percent of Indonesia's total area. This makes population density in Java Island reaches 1,177.8 per km². In Jakarta City only, the population density is as high as 16,031.4 per km², two-fold of the total population density level of the country of Singapore. Related to the COVID-19, Java Island is the epicenter of the pandemic.

**The target of equitable regional development based on
Medium-Term Development Plan (RPJM) 2015-2019 RPJM 19**

	Starting point 2013	Target 2019	Realization 2019
Sumatera	23.8	24.6	21.3
Jawa	58.0	55.1	59.0
Bali & Nusa Tenggara	2.5	2.6	3.1
Kalimantan	8.7	9.6	8.1
Sulawesi	4.8	5.2	6.3
Maluku and Papua	2.2	2.9	2.2

Source: RPJM 2015-2019 and BPS Statistics Indonesia

Strengthening the role of the state

The most obvious challenge of the COVID-19 crisis might have been about how to build the state capacity to protect and serve its people more effectively, and to ensure resource allocation as much as possible for people's welfare and justice. As Mariana Mazzucato, a respected economist that supports a new idea and approach in economic policy, once stated, the country must utilize the power in its grasp to direct all efforts for handling a great challenge in our horizon, and not only for a short-term recovery (Wittenberg-Cox, 2020).

The government must formulate a new economic strategy by placing the productive sector to spearhead the employment creation. In other words, Indonesia must conduct a total conceptual change regarding what to produce, how to produce, and who will benefit from that policy.

The workforce market policy is designed to increase workers' skills and their employment absorption through partnerships with companies, as well as to explicitly target the growth of quality and decent work. The industrial and regional policies that currently focus on tax incentives and investment subsidies must be immediately replaced with the revised service policies and business facilities aiming to facilitate a maximum employment creation. In other words, the economic policy (including fiscal) must begin to be oriented towards a maximum employment creation (Rodrik and Stancheva, 2020).

The readiness in countering the pandemic is an investment to face future risks. Often it is difficult for us to spend money for future needs. The pandemic will keep recurring, and the expenditures to improve the readiness to counter it become a valuable investment. Besides

strengthening the basic healthcare system to become part of an early warning system and preparing the healthcare resource's ability for an immediate mobilization in time of pandemic, the readiness also includes social safety net system to save the groups affected by the plague.

The COVID-19 crisis should drive the government to improve the system and implementation of the social safety net program. Besides the one funded by the State Budget, the government also needs to develop a social safety net system based on insurance for workers and small entrepreneurs including farmers. Strengthening the social safety net system can enlighten the state's burden in times of plague or disaster.

Aids will be optimally beneficial if they are distributed to the right targets and in an appropriate form.¹¹ The availability of an accurate database on citizens and business units is very crucial to ensure the aids distribution to the proper targets. These targets/beneficiaries of the program must be determined structurally (following a set of particular criteria) by an independent institution. The distribution must also be conducted by an independent institution, because the distribution through various institutions can cause "overlapping" targets.

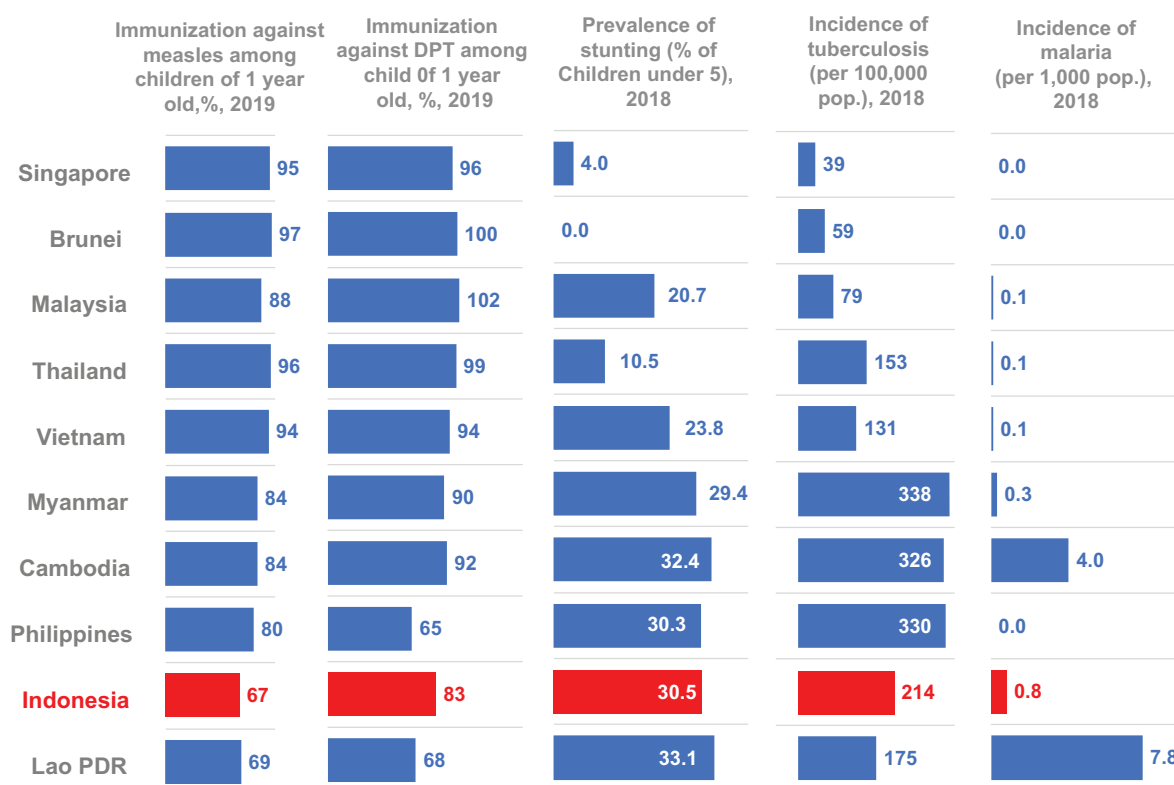
A Universal Health System

One of the greatest challenges for Indonesia to avoid the middle-income trap is the improvement of human resource quality. This health crisis has revealed the importance of accelerating health development. To create superior and productive individuals, investment must be conducted from an early age since one is in the womb to toddlers.

The coverage of immunization against measles as well as diphtheria, pertussis/whooping cough, and tetanus/lockjaw (DPT) for one-year-old children in Indonesia ranks the lowest among ASEAN countries. Added with the highest-number of prevailing stunting among the ASEAN-6, it has awoken us to take immediate steps to create superior individuals, as stipulated in the vision of Jokowi-Ma'ruf administration so that it becomes the main capital of raising workers' productivity in particular and national productivity in general.

¹¹ A labour-intensive program, for instance, is effective to overcome the issue of increasing unemployment due to a decline in economic activities. As an example, a supplementary food program at school is needed to reduce malnutrition.

ASEAN: Some basic health indicators

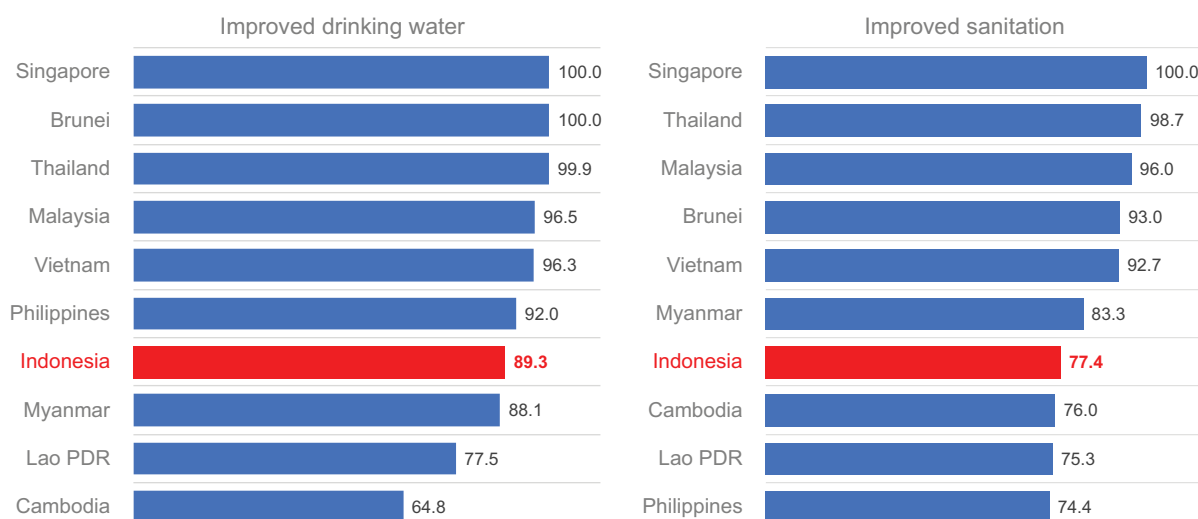


Source: ASEAN Secretariat, Asean Statistical Yearbook 2019, pp. 20-21, except for the prevalence of stunting from the World Bank.

The improvement of health sector aligned with environmental repair in a greater sense is expected to suppress the number of people suffering from TBC disease, and eradicate malaria, dengue hemorrhagic fever, as well as non-

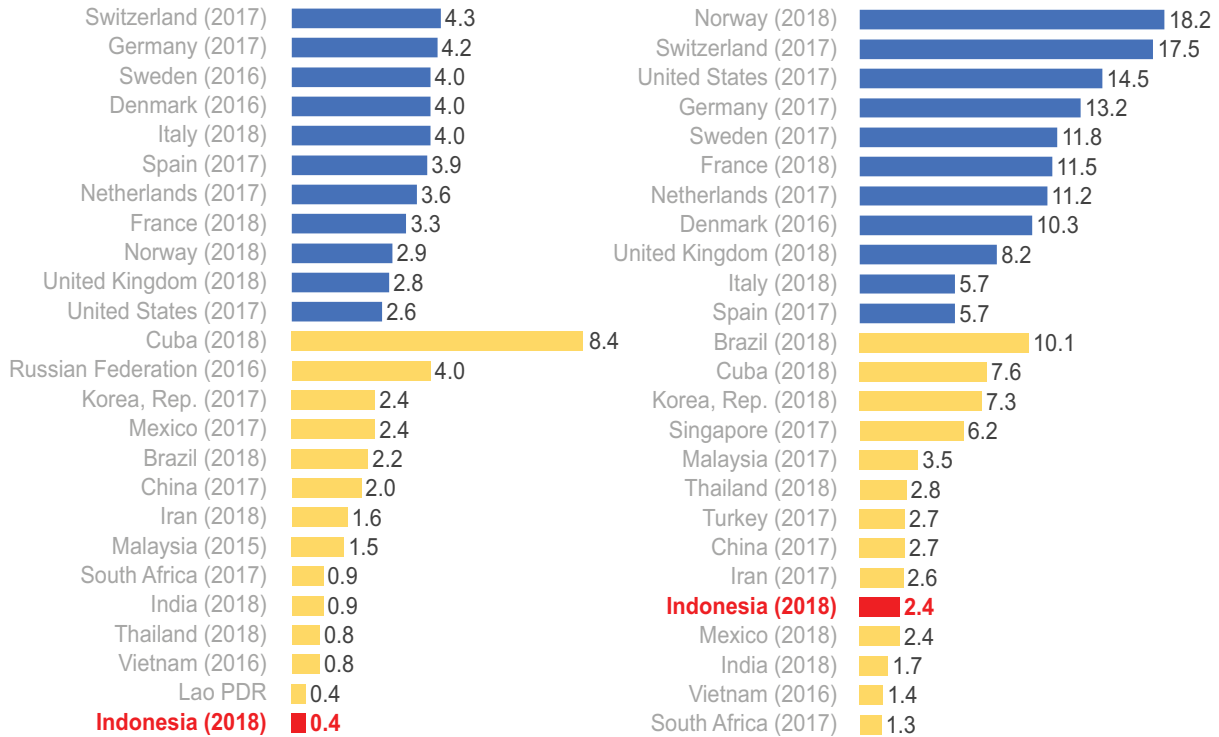
transmitted diseases. The infrastructure development targeting the provision of clean water, environmental improvement, and sanitation must be carried out more intensively all over Indonesia..

ASEAN: Proportion of population with access to improved drinking water and sanitation, 2019



Source: ASEAN Secretariat, Asean Statistical Yearbook 2019, pp. 23.

Lack of health workers



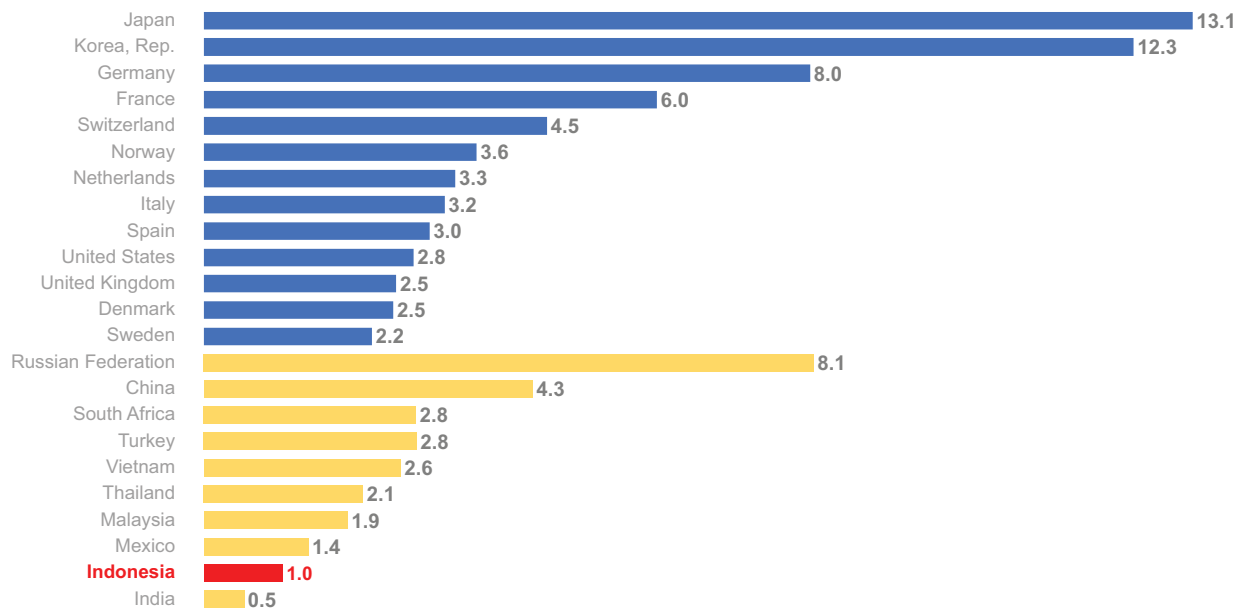
Source: World Bank

Not less important is the improvement of the supply side. So far, the number of healthcare facilities and equipment, as well as medical workers in

Indonesia is very limited and left behind compared to other ASEAN countries, especially among the ASEAN-6.¹²

The number of hospital beds is also limited

Number of beds per 1,000 population



Source: World Bank

12 Meliputi Indonesia, Filipina, Malaysia, Singapura, Thailand, dan Vietnam.

Besides the limited amount, those medical workers, as well as medical facilities and equipment, are unevenly distributed. The number in DKI Jakarta is far beyond the average number nationally, with the largest gap found in the number of doctors. The number of doctors per thousand citizens in DKI Jakarta is eight times higher than the number in the lowest province (East Nusa Tenggara). The comparison between the highest and lowest number in terms of nurses is 3.5 times and 3.3 times for hospital beds. Despite being the most superior among 33 other provinces, the condition in DKI Jakarta is not better than the Emerging Market (EM) countries like Malaysia, Iran, Mexico, and Brazil. The gap also happens between urban areas and villages. Therefore, the target of equal distribution must reach the district level.

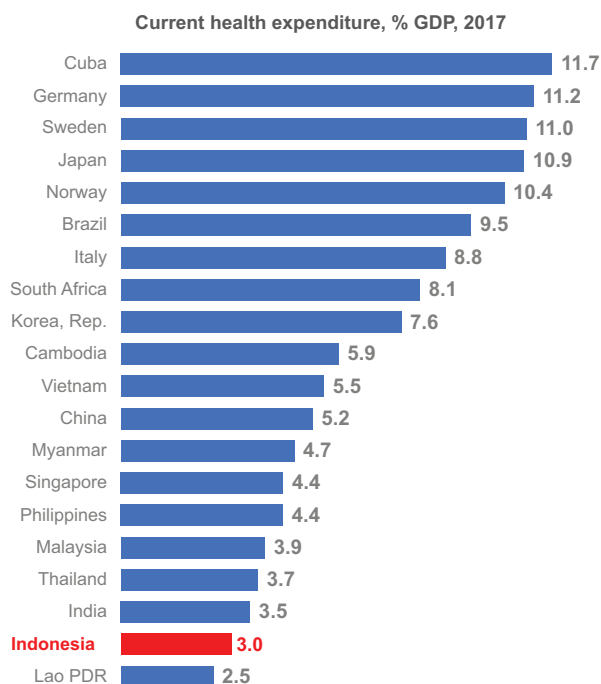
To do so, there is no other choice than increasing the budget allocation for

health. Indonesia's spending on health is considered very low. Among ASEAN countries, Indonesia only ranks higher than Laos. Whereas among EM countries, Indonesia sits in the last place.

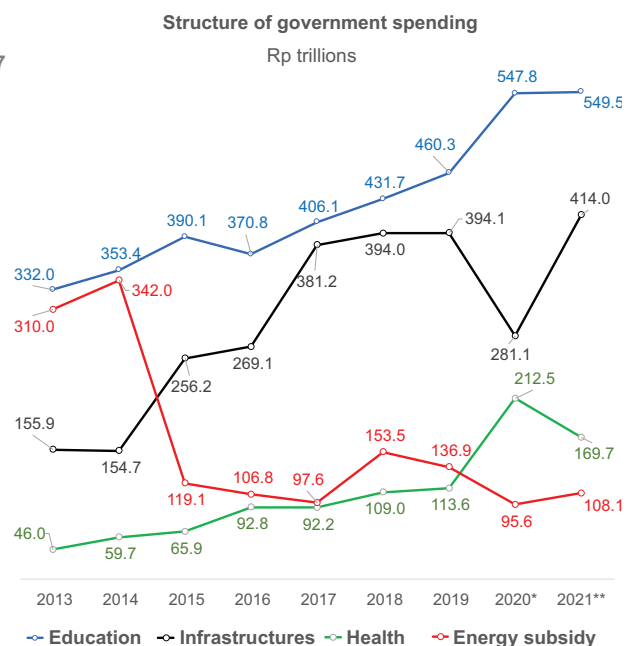
The State Budget allocated for health has been increasing from time to time, yet it is still lower than that for education, physical infrastructure, and defense. In fact, education and health are supposedly like two sides of a coin. And even more ironic, the budget for health has always been lower than the energy subsidy.

The budget for health either in form of capital expenditure or current expenditure has urged a rise so that people can access the decent universal healthcare services. The increased allocation of State Budget for health will be largely helpful to lessen people's burden of spending on health.

The urgency to increase the budget for the health sector



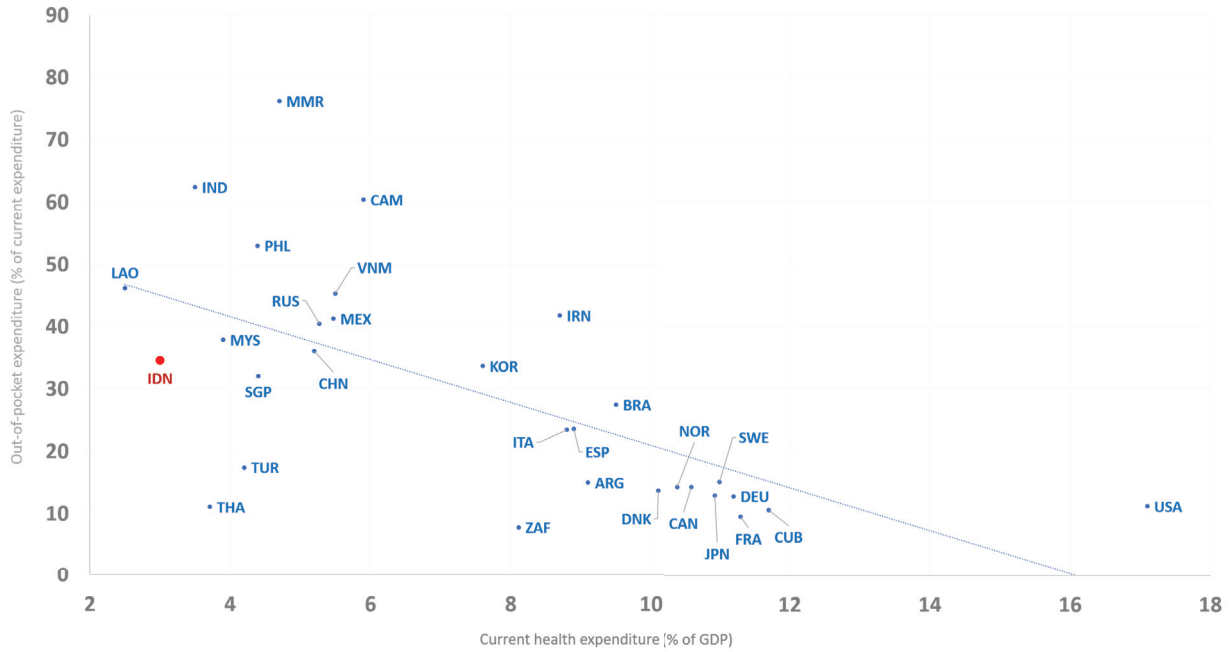
Source: World Bank, World Development Indicators



*Outlook. **APBN

Source: Ministry of Finance Republic of Indonesia.

The increased budget for health will lessen people's burden



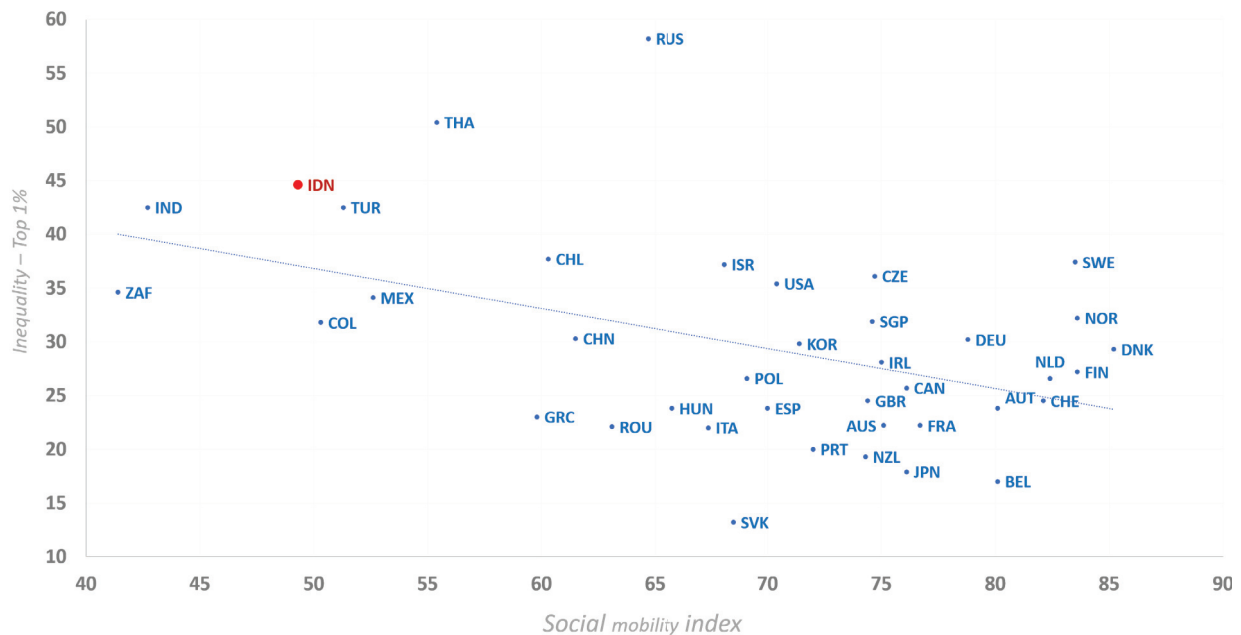
Source: World Bank, World Development Indicators

To optimize the spending on health, the government needs to consolidate the public health sector. The budget for health is scattered in various ministries and institutions. The Indonesian National Army (*Tentara Nasional Indonesia/TNI*) and Police (*Polisi Republik Indonesia/Polri*) own hundreds of hospitals. Moreover, the SOEs

and local governments manage thousands of hospitals.

The improvement of people's access to decent healthcare, education, and employment is believed to enhance social mobility, which in turn will quickly narrow down the income gap.

The increased budget for health will lessen people's burden



Source: World Economic Forum, and Credit Suisse, Global Wealth Databook.

The Support of Health System

The Government of Indonesia should start strengthening the supply side of the national health market. The import substitution and export promotion programs must be implemented simultaneously. Indonesia can no longer rely on the import of healthcare devices, which urges the immediate implementation of risk internalization. To do so, Indonesia needs to have a roadmap of the national health industry development. The government should apply the import substitution strategy and intensify domestic production so that the recurrence of medicine and healthcare equipment scarcity can be avoided.

A quota of export of healthcare devices and medicines must be set to ensure the availability within the country. Nonetheless, this step must be taken prudently so that export incentives will not decrease. Furthermore, the COVID-19 is predicted to alter the supply chain map of health industry including medicines, thus the efforts to limit export must not accelerate the supply chain of health industry internationally abroad.

In the context of manufacture industry, the COVID-19 crisis will trigger the industry to depart from China. The Government of Indonesia needs to utilize this golden opportunity to increase the added value and employment in the national manufacture industry. So far, Vietnam has accepted most of relocation from China due to its better infrastructure and wider market access compared to Indonesia.

Nevertheless, the production capacity of Vietnam will not be able to accommodate the whole manufacture relocation from China. Indonesia can regard Vietnam as the benchmark in terms of taking over the footloose industry departing from China. It is important to keep in mind that the neighbouring countries are also preparing themselves to welcome the relocation from China. The readiest country will definitely receive more relocation. The government needs to prepare mid and long-term development programs because the global economic growth post-COVID-19 is estimated to be lower than the previous periods. The low-level of global economic growth is confirmed to align with the low commodity temporary prices, while Indonesia's economy is highly dependent on the commodity sector.

The nontraditional monetary policy has become a general policy of almost all central banks. Until now, this policy has been effective in stabilizing the credit market, as illustrated by the ishare high yield IBOXX ETF during the COVID-19 that has been ongoing for a couple of weeks, compared to one during the 2008 global financial crisis that went on for a couple of months. Besides, this policy has yet to reveal signals of inflation threat as implied by the inflation swap 5Y5Y that keeps showing a declining trend. Another positive effect is that the exchange rate will remain relatively more stable.

The State Budget deficit is predicted to be bigger at least until the next two years. As the consequence, the government must start to prepare a strategy to decrease that

deficit. However, the government needs to consider that strategy with the level of Indonesian economic growth that is relatively lower than the previous periods. The alternatives for the government are to raise taxes, get more loans, and/or cut down government's spending. The latter appears to be the most rational choice. If the government does not cut this year's spending significantly, the government will surely have to make an even bigger cut next year.

The economic-political risk that also needs to be considered is the emergence of second and/or third wave of plague. The government must prepare policy alternatives if the second wave occurs. The social safety net and economic stimulus programs that have been unveiled during this time are predicted to be insufficient to overcome the impacts of the second wave of plague. Meanwhile, if economic stimulus, liquidity injection for SOEs, and social safety net programs will be continued, the government has to cut spending or reallocate the budget.

The Deep Knowledge Group has placed Indonesia at the 97th rank of the most unsafe among 100 observed countries. This approach measured the country's resilience in the COVID-19 handling crisis according to six dimensions, three from which cover the risk management of government's efficiency, healthcare readiness, and regional resilience.¹³

Recommendations

First. An effective social intervention by considering different characteristics of each region is significant to the success of countering the plague. This stage needs to be intensified rather than relaxed using the reason that the vaccine will be available soon. The existence of the vaccine is not a substitute of the social intervention.

Second. Since it is related to human lives, each step and measure taken must be based on scientific approach and accurate data. There is no shortcut. The main key of economic recovery is when the virus can be controlled. Businesses will restart their activities and plans even without command once they are convinced about the government's ability to contain the plague spreading. The people will also restart their consumption once they are sure of convincing signs of recovery process.

Third. The organization of the COVID-19 handling should involve more experts and full-time working professionals. The *ex-officio* can play role as advisor and debottlenecking parties.

Fourth. The COVID-19 pandemic has become the momentum to strengthen the foundation of a sustainable, environment-oriented, and people-centered development. Therefore, a thorough evaluation on the development targets and priorities is needed. The 2021 State Revenue and Expenditure Budget Draft (RAPBN) has not shown toward that direction: the budget for infrastruktur

13 <https://www.dkv.global/covid-safety-assessment-200-regions>

skyrockets and ironically the one for health fell sharply.

Fifth. The government needs to improve its public communication so that the intended messages obtain extensive support from the people.

Sixth. The government must strengthen the health and social safety net systems to improve their capability in case of similar crisis occurrence in the future.

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List of Abbreviation

APD	: Alat Pelindung Diri
APBN	: Anggaran Pendapatan dan Belanja Negara
ASEAN	: Association of Southeast Asian Nations
BLT	: Bantuan Langsung Tunai
BPJS	: Badan Penyelenggara Jaminan Sosial
BUMN:	: Badan Usaha Milik Negara
CGTN	: China Global Television Network
COVID-19	: Corona Virus Disease 2019
DKI Jakarta	: Daerah Khusus Ibukota Jakarta
DPR	: Dewan Perwakilan Rakyat
EM	: Emerging Markets
FKM UI	: Fakultas Kesehatan Masyarakat Universitas Indonesia
JHT	: Jaminan Hari Tua
JKK	: Jaminan Kecelakaan Kerja
JKM	: Jaminan Kematian

KPM	: Keluarga Penerima Manfaat
KUR	: Kredit Usaha Rakyat
OTG	: Orang Tanpa Gejala
OECD	: Organisation for Economic Co-operation and Development (Organisasi Kerja Sama dan Pembangunan Ekonomi)
OTG	: Orang Tanpa Gejala
PDB	: Produk Domestik Bruto
Perpres	: Peraturan Presiden
Perpu	: Peraturan Pemerintah Pengganti Undang-Undang
PHK	: Pemutusan Hubungan Kerja
PKH	: Program Keluarga Harapan
PMN	: Penanaman Modal Negara
POLRI	: Polisi Republik Indonesia
PP	: Peraturan Pemerintah
PSBB	: Pembatasan Sosial Berskala Besar
PT	: Perusahaan Terbatas
RAPBN	: Rancangan Anggaran Pendapatan dan Belanja Negara
Satgas	: Satuan Tugas
Tapera	: Tabungan Perumahan Rakyat
TBC	: Tuberkolosis
TNI	: Tentara Nasional Indonesia
UMKM	: Usaha Mikro Kecil Menengah
Vaksin DPT	: Vaksin Difteri, Pertusis (batuk rejan) dan Tetanus
WFH	: Work From Home
WHO	: World Health Organization

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