

**KEEPING  
INDONESIA SAFE  
FROM THE COVID-19  
PANDEMIC**

The **Ministry of Finance of the Republic of Indonesia (MoF RI)** is the ministry responsible for Indonesia's finance and state assets. MoF RI is strongly committed to adopt sustainable and disciplined fiscal policy with three major functions for the economy: Growth & Distribution, Allocation and Stabilization. Amidst the pandemic, the latter function, with the expansion of the Indonesia's Government Annual Budget Deficit for countercyclical purposes had proven to be effective to return the economy back to the positive growth in 2021 without overheating inflation.

The **ISEAS – Yusof Ishak Institute** (formerly Institute of Southeast Asian Studies) is an autonomous organization established in 1968. It is a regional centre dedicated to the study of socio-political, security, and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute's research programmes are grouped under Regional Economic Studies (RES), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS). The Institute is also home to the ASEAN Studies Centre (ASC), the Singapore APEC Study Centre and the Temasek History Research Centre (THRC).

**ISEAS Publishing**, an established academic press, has issued more than 2,000 books and journals. It is the largest scholarly publisher of research about Southeast Asia from within the region. ISEAS Publishing works with many other academic and trade publishers and distributors to disseminate important research and analyses from and about Southeast Asia to the rest of the world.

# **KEEPING INDONESIA SAFE FROM THE COVID-19 PANDEMIC**

Lessons Learnt from  
the National Economic  
Recovery Programme

Editors:

Sri Mulyani Indrawati

Suhasil Nazara

Titik Anas

Candra Fajri Ananda

Kiki Verico



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

**ISEAS** YUSOF ISHAK  
INSTITUTE

First published jointly in Singapore in 2022 by  
ISEAS Publishing  
30 Heng Mui Keng Terrace  
Singapore 119614  
*E-mail:* [publish@iseas.edu.sg](mailto:publish@iseas.edu.sg)  
*Website:* <http://bookshop.iseas.edu.sg>

and

Ministry of Finance of the Republic of Indonesia  
Pusat Kontak Layanan Kemenkeu PRIME 134  
Gedung Djuanda I  
Jl. Dr. Wahidin Raya No. 1  
Jakarta Pusat, DKI Jakarta 10710  
Indonesia

All rights reserved. No part of this publication may be reproduced, translated, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the ISEAS – Yusof Ishak Institute.

© 2022 Ministry of Finance of the Republic of Indonesia

*The responsibility for facts and opinions in this publication rests exclusively with the authors and their interpretations do not necessarily reflect the views or the policy of the publishers or their supporters.*

---

### **ISEAS Library Cataloguing-in-Publication Data**

Name(s): Indrawati, Sri Mulyani, 1962–, editor. | Nazara, Suahasil, editor. | Anas, Titik, editor. | Ananda, Candra Fajri, 1964–, editor. | Verico, Kiki, editor.

Title: Keeping Indonesia safe from the COVID-19 pandemic: lessons learnt from the National Economic Recovery Programme / editors, Sri Mulyani Indrawati, Suahasil Nazara, Titik Anas, Candra Fajri Ananda, Kiki Verico.

Description: Singapore : ISEAS-Yusof Ishak Institute, 2022. | Includes bibliographical references and index.

Identifiers: ISBN 9789815011609 (soft cover) | ISBN 9789815011623 (ebook PDF)

Subjects: LCSH: COVID-19 Pandemic, 2020—Government policy—Indonesia. | COVID-19 Pandemic, 2020—Economic aspects—Indonesia. | COVID-19 Pandemic, 2020—Social aspects—Indonesia.

Classification: LCC HC450 H43K26

---

Book cover designed by Ministry of Finance of the Republic of Indonesia—Putri Indra Permatahati and Aditya Wirananda

Typeset by Superskill Graphics Pte Ltd

Indexed by Raffaele Nahar

Printed in Singapore by Mainland Press Pte Ltd

# Contents

<i>List of Figures</i>	viii
<i>List of Tables</i>	xv
<i>List of Boxes, Annexes and Appendixes</i>	xvii
<i>Acknowledgements</i>	xviii
<i>Glossary</i>	xx
<i>The Contributors</i>	xxviii
<i>Foreword by the Minister of Finance Sri Mulyani Indrawati</i>	xxxvi
<b>PART I: HEALTH SHOCK</b>	
1. Keeping Indonesia Safe during the Pandemic 2020–21 <i>Sri Mulyani Indrawati, Suahasil Nazara, Titik Anas, Candra Fajri Ananda and Kiki Verico</i>	3
2. Ensuring Indonesians Are Safe from COVID-19 <i>Bondi Arifin, Titik Anas, Eko Wicaksono, Irsyan Maududy and Nugraheni Kusumaningsih</i>	27
<b>PART II: ECONOMIC SHOCK: THE FRAMEWORK</b>	
3. Maintaining Macroeconomic Stability during the Pandemic <i>Febrio Nathan Kacaribu and Masyita Crystallin</i>	67
4. Financial Sector and Monetary Policy during the Pandemic <i>Mirza Adityaswara, Andry Asmoro and Dian Ayu Yustina</i>	106
5. Financing to Save Indonesia <i>Luky Alfirman, Riko Amir and Deni Ridwan</i>	147

6. Turning Bottlenecks into Breakthroughs 185  
*Sumiyati and Yustinus Prastowo*

### **PART III: REVENUE SHOCK AND RESPONSE**

7. Balancing the Scale: Providing Tax Incentives and  
Collecting Revenue 213  
*Yon Arsenal, Arifin Rosid and Sukaryo*

### **PART IV: EXPENDITURE SIDE (HUMAN CAPITAL)**

8. Protecting the People 257  
*Wahyu Utomo, Sri Kusumastuti Rahayu, Irma Marlina and  
Sudarno Sumarto*

9. *Kartu Prakerja*: A Breakthrough for Boosting Labour Market  
Productivity and Social Assistance Inclusiveness 291  
*Denni Puspa Purbasari, Elan Satriawan and  
Romora Edward Sitorus*

10. Mental Health during the COVID-19 Pandemic: An Issue  
Less Visited 318  
*Chairina Hanum Siregar and Adiatma Y.M. Siregar*

11. COVID-19 and Education in Indonesia: When School  
Reopening Is Not Enough to Avert Losing a Generation 352  
*Ririn Salwa Purnamasari, Putut Hari Satyaka, Suharti,  
Matthew Wai-Poi and Rythia Afkar*

12. Towards an Inclusive Response to Combat COVID-19  
Impacts on Women and People with Disabilities:  
Lessons from Indonesia for Peer Countries 380  
*Bimbika Sijapati Basnett, Usha Adelina Riyanto,  
Aktiva Primananda Hadiarta and R. Wixwin Istanti*

### **PART V: EXPENDITURE SIDE (MSMEs AND CORPORATE SECTOR)**

13. Weathering and Recovering from the Pandemic:  
Lessons Learnt from MSMEs in Indonesia 423  
*Mohamad Dian Revindo, Jahan Fachrul Rezki, Devina Anindita  
and Calista Endrina Dewi*

---

14.	Financial Inclusion and Economic Recovery Programme: From Limiting Factor to Opportunity <i>Raden Muhamad Purnagunawan, Della Temenggung, Latif Adam and Florischa Ayu Tresnatri</i>	455
15.	Corporate Sector Performance during the COVID-19 Pandemic <i>Suminto Sastrosuwito, Abdurohman, Anton Gunawan and Yusuf A. M. Sujono</i>	495
<b>PART VI: REGIONAL DYNAMICS</b>		
16.	Regional Dynamics during the COVID-19 Pandemic in Indonesia <i>I Kadek D.S. Artha, Dewinta Illinia Sumartono and Yadi Hadian</i>	521
<b>PART VII: NEW WAYS OF WORKING</b>		
17.	New Ways of Working: Bureaucracy Reforms <i>Bobby A.A. Nazief and Prasetya Dwicahya</i>	551
	<i>Index</i>	581

# List of Figures

1.1	COVID-19 Pandemic, 2020–21	5
1.2	Indonesia’s Economic Recovery Pattern (Total Real Growth, Inflation Rate and Real Manufacturing Growth)	11
2.1	Indonesia COVID-19 Policy Timeline	31
2.2	Indonesia and World Workplace Mobility	33
2.3	PSBB and Workplace Mobility in DKI Jakarta (Synthetic Control)	35
2.4	Social Distancing Measures and COVID-19 Growth	36
2.5	Predicted Cases under No Measures vs. Observed Cases	38
2.6	Indonesia Medical Supplies Demand Estimates for the Year 2020	40
2.7	The Swiss Cheese Model	42
2.8	COVID-19 Test Kit Procurement and Distribution, 2020	43
2.9	Relationship Between Daily Cases and Daily PCR Test in Indonesia	45
2.10	COVID-19 Test and Positivity Rate, 2020–21	46
2.11	Health Worker Incentive Recipients	50
2.12	COVID-19 Vaccination in Indonesia	53
2.13	Proportion of Population with SARS Cov-2 Antibodies	54
3.1	Indonesia’s Economic Recovery Programme, 2020–22	74
3.2	Indonesia’s Economic Growth, 2019–21	77
3.3	Mobility Index and PMI Manufacture	79
3.4	Deposit and Credit Growth	82
3.5	Credit Growth by Type	82
3.6	Loan to Deposit Ratio	83



---

3.7	Interest Rate	83
3.8	Government Bonds Bid to Cover Ratio	87
3.9	SARS-Cov-2 Transmission Dynamic in Indonesia (Sept 2020–March 2022)	90
3.10	Cross-Countries Cumulative COVID-19	92
3.11	Asia Supply Chain Indices	94
3.12	Cross-Countries Rebound Stage	96
3.13	Indonesia’s RGDP Pre and Post-Pandemic	97
3.14	Growth Outlook	98
3.15	Keywords Cloud during Pandemic Policymaking	100
3.16	Indonesia’s Series of Pandemic Reliefs and Progress of Reforms	102
4.1	Credit and Deposit Growth	108
4.2	NIM Comparison in Asia	110
4.3	Cost-to-Income Ratio Comparison in Asia	111
4.4	Comparison of the Impacts of Several Crises in Indonesia	115
4.5	Sectoral Growth	116
4.6	Stages of Recovery	117
4.7	Impact of COVID-19 Crisis on Indonesian Banks	119
4.8	Summary of Impact of Pandemic Crisis on Indonesian Non-banking Financial Institutions	120
4.9	NPL and Special Mention Loan (SML)	122
4.10	Deposit Growth Based on Nominal Tiering	124
4.11	Restructured Loans	127
4.12	Loan at Risk	128
4.13	BI Rate and Inflation	130
4.14	Government Regulation UU No. 2/2020, Previously Perppu No. 1/2020	132
4.15	Net Capital Flows	134
4.16	Currency and Bond Yield	135
4.17	Loan Growth by Segments	143
4.18	NPL Ratio by Segments	144
5.1	The Trend of Debt Portion	152
5.2	Risk Indicators in Financing Strategy and Portfolio	153
5.3	Incoming and Awarded Bids in 2020–21	156
5.4	Indonesia’s Government Debt Proportion	160

5.5	The Trend in Fiscal Deficit and SBN Proportion, 2010–21	161
5.6	The Trend of Retail GS Issuances	166
6.1	Governance with Relaxation for the PC-PEN Programme	197
6.2	Framework for the 2021 PC-PEN Supervision and Scrutiny	199
6.3	Personnel Health Management System	206
7.1	Tax Policy Phase during the Pandemic	216
7.2	Tax Revenue and Government Spending	218
7.3	Paying Taxes Ranking	219
7.4	Comprehensive Tax Incentives during the Pandemic	226
7.5	Income Tax Revenue Structure in Indonesia	229
7.6	Payroll Tax as a Supplementary Income Support	230
7.7	COVID-19 Tax Incentives Timeline, 2020–21	232
7.8	Small Business Turnover Tax Revenue Receipt, 2018–21	240
7.9	Tax Revenue in 2020–21	246
8.1	Proportional Change in Real Per Capita Household Expenditure from September 2019 to September 2020, by Percentile	277
8.2	The Coverage of Indonesia’s Social Protection	279
9.1	Labour Productivity across ASEAN Member Countries	293
9.2	Share of Young People Who Are Not in Employment, Education, or Training (NEET) and Share of Workforce with Basic Education	294
9.3	<i>Kartu Prakerja</i> Ecosystem	299
9.4	User’s Journey of <i>Kartu Prakerja</i> Programme	302
9.5	Map of Distribution of <i>Kartu Prakerja</i> ’s Effective Beneficiaries, 2020–21	307
10.1	Global Comparison of Disability Adjusted Life Years (DALYs) of Various Diseases in 1990 and 2019	320
10.2	Global Comparison of Years Lived in Disability (YLD) of Various Diseases in 1990 and 2019	321
10.3	Comparison of Disability Adjusted Life Years (DALYs) of Various Diseases in Indonesia in 1990 and 2019	323
10.4	Comparison of Years Lived in Disability (YLD) of Various Diseases in 1990 and 2019 in Indonesia	324

---

11.1	Estimated Learning Loss Based on the Observed Period of School Closure, January 2020 – June 2021	358
11.2	Average Time Spent for Distance Learning Lower among Children in the Poorer Households	360
11.3	The Rate of Online/Mobile Learning Mode for Remote Learning Varied Widely across Regions and Socio-economic Status	361
11.4	The Share of Students Who Received Internet Quota Decreased	362
11.5	Allocation of <i>DAK Fisik</i> Transfer Is Only Weakly Related to Infrastructure Needs, Comparing Damage Classrooms in 2016 with <i>DAK Fisik</i> Allocation in 2017	367
11.6	Tax Revenues, East Asia and the Pacific	373
11.7	Tax Revenues by Income Category	373
12.1	Median Disability-Related Cost of Living, Compared with Yogyakarta Expenditure Percentile	383
12.2	Poverty Rate by Disability Status, Using Official and Adjusted Poverty Line (PL)	384
12.3	Labour Force Participation Rate among G20 Countries	385
12.4	Global Gender Gap Index: 19 G20 Member Countries (2020 and 2021)	386
12.5	Transmission Channel of Gendered Impacts of COVID-19	387
12.6	Year-to-Year GDP Growth in 2020, by Sector	388
12.7	Change in Sectoral Median Wages between February 2020 and February 2021 (Adjusted to Inflation), by Sector	388
12.8	Labour Force Participation Trend	389
12.9	Female Labour Force Participation Trend, by Age	390
12.10	Proportion of Formally Employed Workers, by Gender	391
12.11	Proportion of Workers Citing COVID-Related Reasons for Not Working, by Gender	391
12.12	Work Status of Female Homemakers and Reason for Not Continuing Work	392
12.13	Overall Insurance Coverage of Health and Social Workers	393
12.14	Insurance Coverage of Health and Social Workers, by Gender	393
12.15	Proportion of Workers Commuting Every Day, by Gender	393

12.16	Proportion of Workers Commuting by Public Transport, by Gender	394
12.17	Registered Teachers in Indonesia, by Gender	396
12.18	Gender Distribution of Early Childhood Education and Care Teachers in Indonesia	397
12.19	Main Carer Supporting Children with Remote Learning	398
12.20	Proportion of Households with Unhappiness/Depression, by Gender of Household Head	399
12.21	Labour Force Participation Trend by Disability Status	402
12.22	Labour Force Participation of People with Disabilities by Age	403
12.23	Participation Status in Labour Force of People with Disabilities	403
12.24	Use of BPUM Benefits, Disaggregated by Gender of Beneficiaries	409
12.25	Profile of COVID-19 Policy Measures in Indonesia and 18 G20 Countries	410
13.1	Beginning of MSMEs' Revenue Decline	431
13.2	Lowest MSMEs' Revenue Period	433
13.3	Timeline of MSMEs revenue Decline and PEN Disbursement	445
14.1	Financial Inclusion and Literacy Indexes	460
14.2	Access to Financial Services Indicators per 100,000 Indonesian Adults	461
14.3	Accounts at Financial Institutions (Age 15+ Years)	463
14.4	Financial Services Usage Indicators per 100,000 Indonesian Adults	464
14.5	Percentage of Non-Agriculture Firms Having Access to Commercial Loan	466
14.6	Achievements in the Indonesia Financial Services Quality Indicators	467
14.7	Financial Literacy Score in the 26 OECD Participated Countries Survey	467
14.8	Number of MSMEs Credit Accounts	478
14.9	MSMEs Credit Growth	478
14.10	Annual Target and Realization of KUR	479

---

14.11	Percentage of Population Owning a Bank Account by Decile	480
14.12	Impact of <i>Prakerja</i> on Financial Inclusion	483
14.13	E-Wallet Utilization	484
14.14	Share of Population (Self-Employed) with Access to Loan by Decile	485
14.15	Loan to MSMEs by Type of Bank	485
14.16	Ratio of the New and Recurring KUR Debtors	486
14.17	Impact of BPUM on Financial Inclusion	487
14.18	Reasons for Unsuccessful Accounts Activation by Beneficiaries	488
15.1	GDP Growth and Performance of Various Industries during the Pandemic	499
15.2	Quarterly Movement of Vulnerable Corporates and Debt at Risk from December 2019 to December 2021	505
15.3	Movement of New Registration of (a) Bankruptcy and (b) Debt Suspension Cases from March 2015 to December 2021	510
16.1	A Correlation between Economic Growth in 2020 and Share of Tourism Sector of Each Province	524
16.2	Region Specialization (Herfindahl Index) and Economic Growth Performance	526
16.3	Unemployment Rate (TPT) 2020 by Province	528
16.4	Poverty Rate in Rural and Urban Areas, 2015–21 (in percentage)	528
16.5	Framework of Regional Dynamic during the COVID-19 Pandemic	529
16.6	Budget Revenue at Provincial and District/City Level 2019–21	532
16.7	The Growth of Provincial Government Taxes Revenue in 2020	534
16.8	Regional Mapping of COVID-19 Pandemic Impact at District/City Level	539
16.9	Proportion of the Provincial and District/City Government Revenue, 2019–21	540
16.10	A Correlation between Economic Growth in 2021 and Share of Tourism Sector in Each Province	544

---

16.11	Provincial Recovery Rate in Indonesia (GRDP 2021 vs GRDP 2019)	544
16.12	Revenue and Expenditure Growth at District/City Level	546
17.1	Trend in Using NADINE during the COVID-19 Pandemic	560
17.2	Co-Working Space in One of the MoF Offices	561
17.3	Satellite Office in KPPN Bogor	562
17.4	WFH Acceptance	568
17.5	WFH Effectiveness	569
17.6	Required Infrastructure	570
17.7	WFH Working Hours and Workload	571

# List of Tables

2.1	Frontline Health Workers' Incentives	48
2.2	Vaccination Target and Wave in Indonesia	51
3.1	Social Protection Expansion	75
3.2	Indonesia's Expenditure Growth by Components, 2020	78
3.3	Government Bond Purchase Agreement Scheme	88
3.4	SARS-Cov-2 Variants Grouping	89
4.1	Capital Adequacy Ratio, 2016–November 2019	107
5.1	The State Budget Figures	150
5.2	The Pandemic-Based Programme Loans	158
5.3	Indonesia Global Bond Issuance in 2020	162
5.4	Indonesia Global Bond Issuance in 2021	164
5.5	Retail SBN Issuance during 2020–21	167
5.6	The Government Guarantee Programme	176
5.7	International Awards	179
5.8	Development of Indonesia's Ratings during the Pandemic	180
7.1	Policy Considerations during Design and Planning	223
7.2	Possible Discretionary Tax Rulings through MoF Regulation	228
7.3	Changes for Initial COVID-19 Tax Incentives	236
7.4	Sectoral Growth Cluster Analysis in Early 2021	237
7.5	Disbursed Tax Incentives, 2020–21	238
8.1	Indonesian Social Protection Programmes in 2019	260
8.2	PKH and PIP Benefit Level in 2019	264

8.3	Indonesian Social Protection Programmes in 2020	269
8.4	Indonesian Social Protection Programmes in 2021	274
9.1	<i>Kartu Prakerja's</i> Training Categories	308
10.1	The Number of NHI Members Living with Any Mental Illness and the Number of Costs/Claims of All Type of Mental Illness Based on BPJS Health Sample Data in 2017 and 2018 in Hospitals by Province	326
10.2	The Total Cost/Claim of Mental Illness Treatment Based on BPJS Health Sample Data in Hospitals, 2017–18	328
10.3	A Survey of Mental Health State among Different Groups of Population at the Beginning of the COVID-19 Pandemic	332
12.1	Indonesia's Global Gender Gap Index and Subindices	385
13.1	Various Challenges for MSMEs Business Scaling-up	426
13.2	National Economic Recovery Design in 2020	435
13.3	PEN Programmes for MSMEs in 2020	436
13.4	MSMEs Awareness of the PEN Programme	438
13.5	MSMEs' Application of the PEN Programme	440
13.6	MSMEs' Main Source of Information Regarding the PEN Programme	441
13.7	Approval Rate and Helpfulness of PEN Programme Application	443
14.1	Overview of PEN Programmes and Delivery Methods	469
14.2	Characteristics of Financially Included People due to the PKH and <i>Program Sembako</i> /BPNT Expansions	482
15.1	Percentage of Corporates That Have Received Government Support	508
15.2	Restructured Loan/Financing for 2020 and 2021	511
16.1	The Central Government, Provincial and District/City Revenue, 2019–20	531
16.2	Taxes Revenue at Provincial Level	533
16.3	Expenditure at Various Government Levels, 2019–20	536
16.4	The Growth of Provincial and District/City Expenditure, 2019–21	537



# List of Boxes, Annexes and Appendixes

Appendix 7.1	Summary of COVID-19 Tax Incentives	248
Box 11.1	The High-Frequency Monitoring of COVID-19 Impacts on Households in Indonesia	359
Box 12.1	Framework to Examine the Pandemic's Gender-Differentiated Effects	387
Box 12.2	Women at Risk of COVID-19 Infection Due to Clustering in the Health Sector and Commuting Patterns	392
Box 12.3	Pandemic Impacts on Women in the Public Sector and Employer Response: A Case Study from the Ministry of Finance (MoF)	400
Box 12.4	Gender-Responsive Capital Grant and Wrap-Around Business Support for Women	408
Box 12.5	Significant Improvement in Coverage of People Living with Disabilities during the Pandemic	411
Annexe 15.1	Case Study of Luxury Goods VAT to Stimulate Recovery in the Automotive Sector	514
Annexe 15.2	Case Study of Government-Borne VAT to Stimulate Recovery in the Real Estate Sector	516
Box 17.1	Office Automation and Learning Management System	555
Box 17.2	Revenue Systems	556
Box 17.3	Budget and Treasury Systems	557

# Acknowledgements

This book documents how Indonesia managed the economy during the COVID-19 pandemic. The book is written by policymakers and analysts involved in policy formulation during the pandemic, in collaboration with reputable non-government experts who closely follow the pandemic and its impacts. We would like to extend our highest appreciation to the contributors.

The book also benefits from extensive reviews provided by a distinguished panel of experts: Professor Budy P. Resosudarmo and Dr Arianto Patunru from the Australian National University; His Excellency Dr M. Chatib Basri, former Minister of Finance of Indonesia; Professor Arief Anshory Yusuf from Padjadjaran University; Dr David Nellor, Dr Rubino Sugana, Ms Roksana Khan and Dr Rullan Rinaldi from PROSPERA; Dr Reza Siregar, Senior Executive Vice President of the IFG Progress; Dr Daniel Suryadarma, Research Fellow at the Asian Development Bank Institute; Mr I Gede Putra Arsana, Senior Financial Sector Specialist of the World Bank; Dr Vivi Alatas, CEO of Asakreativita; Dr Yanuar Nugroho, Senior Adviser at the Center for Innovation Policy Governance; Dr Ariane Utomo from the University of Melbourne; Dr Pandu Riono from the University of Indonesia; Dr Risky Kusuma Hartono from STIKES Indonesia Maju; Mr Helmi Arman, Chief Economist of Citibank; Mr Astera Primanto Bhakti, Director General for Fiscal Balance of the Ministry of Finance; and Dr Andin Hadiyanto, Head of Financial Education and Training of the Ministry of Finance.

The book is edited and obtained direct supervision by Her Excellency Sri Mulyani Indrawati, PhD, Minister of Finance, and Professor Suahasil Nazara, Vice Minister of Finance, and received full administrative support from Mr Heru Pambudi, Secretary General of the Ministry of Finance.

We also would like to extend our gratitude to PROSPERA (Australia Indonesia Partnership for Economic Development) for its support.

Last but not least, we also would like to extend our appreciation to the technical support team: Mr Sugeng Wardoyo, Mr Abdul Aziz, Mr Anton Nugraha Sudarto, Mr Rangga Satya Negara, Mr Adry Dharmawan, Ms Bunga and Ms Nadia Febriana Muhidin.

# Glossary

ABW	Activity-Based Workplace
ADB	Asian Development Bank
AFC	Asian Financial Crisis
AIDRAN	Australia-Indonesia Disability Research and Advocacy Network
ALZI	Alzheimer Indonesia
AMMS	Acceptability of Mental Health Mobile App Survey
APBD	Anggaran Pendapatan dan Belanja Daerah (Regional Budget)
APBN	Anggaran Pendapatan dan Belanja Negara (State Budget)
ARG	Anggaran Responsif Gender (Gender-Responsive Budget)
ASPD	Asistensi Sosial Penyandang Disabilitas (Social Assistance for People with Disability)
BAPPENAS	Badan Perencanaan dan Pembangunan Nasional (National Development Planning Agency)
BCP	Business Continuity Plan
BI	Bank Indonesia (Indonesia's Central Bank)
BLT Desa	Bantuan Langsung Tunai Dana Desa (Village Fund Direct Cash Assistance)
BNPb	Badan Nasional Penanggulangan Bencana (National Disaster Management Authority)
BOK	Bantuan Operasional Kesehatan (Health Operational Assistance)
BP	Bukan Pekerja (Non-Wage Worker)

---

BPJS Kesehatan	Badan Penyelenggara Jaminan Sosial Kesehatan (Social Security Agency for Health)
BPJS Ketenagakerjaan/ BPJAMSOSTEK	Badan Penyelenggara Jaminan Sosial Ketenagakerjaan (Social Security Agency for Employment)
BPK	Badan Pemeriksa Keuangan (Audit Board of Indonesia)
BPKP	Badan Pengawasan Keuangan dan Pembangunan (Indonesia's National Government Internal Auditor)
BPNT	Bantuan Pangan Non Tunai (Non-Cash Food Assistance)
BPS	Badan Pusat Statistik (Statistics Indonesia)
BPTKLW	Bantuan Tunai untuk Pedagang Kaki Lima dan Warung (Cash Assistance for Street Vendors and Stall Owners)
BPUM	Bantuan Produktif Usaha Mikro (Productive Presidential Assistance for Micro Businesses)
BST	Bantuan Sosial Tunai (Cash Social Assistance)
BUKU	Bank Umum Kegiatan Usaha (Commercial Banks Classification Based on Business Activities)
C&E	Customs & Excise
CAD	Current Account Deficit
CBT	Climate Change Budget Tagging
CEISA	Customs and Excise Information System and Automation
CIO	Chief Information Officer
CIT	Corporate Income Tax
COVID-19	Coronavirus 2019
DAK	Dana Alokasi Khusus (Specific Allocation Fund)
DALY	Disability Adjusted Life Years
DAU	Dana Alokasi Umum (General Allocation Fund)
DBH	Dana Bagi Hasil (Revenue Sharing Fund)
DID	Dana Insentif Daerah (Regional Incentives Fund)
Dit P2MKJN	Direktorat Pencegahan dan Pengendalian Masalah Kesehatan Jiwa dan Napza (Directorate of Mental Health and Drugs Problem Prevention and Control)

---

DJBC	Direktorat Jenderal Bea & Cukai (Directorate General Customs & Excise)
DJP	Direktorat Jenderal Pajak (Directorate General of Taxes)
DPD	Dewan Perwakilan Daerah (The Regional Representative Council)
DPR	Dewan Perwakilan Rakyat (The People's Representative Council/Parliament)
DRM	Domestic Resources Mobilization
EA	Enterprise Architecture
ECEC	Pendidikan dan Pengasuhan Anak Usia Dini (Early Childhood Education and Care)
EoDB	Ease of Doing Business
EU	European Union
EUA	Emergency Use of Authorization
FAS	Free Alongside Ship
FGD	Focus Group Discussion
FWA	Flexible Working Arrangement
FWH	Flexible Working Hour
FWS	Flexible Working Space
G20	Group of Twenty
G2B	Government to Business
G2C	Government to Citizen
G2E	Government to Employee
G2G	Government to Government
GBD	Global Burden Disease
GDP	Gross Domestic Product
GDS	Government Debt Securities
GFC	Global Financial Crisis
GGGI	Indeks Kesenjangan Gender Global (Global Gender Gap Index)
GOI	Government of Indonesia
GRDP	Gross Regional Domestic Product
GS	Government Securities
GSO	Green Shoe Option
HCW	Health Care Worker
HI	Herfindahl Index
HIMPSI	Himpunan Psikologi Indonesia (The Association of Indonesian Psychology)

---

HKPD	Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah (Intergovernmental Fiscal Relation)
HPP	Harmonisasi Peraturan Perpajakan (Harmonized Tax Regulation)
HPV	Human Papilloma Virus
HSBC	Hongkong and Shanghai Banking Corporation
ICD	International Statistical Classification of Diseases and Related Health Problems
ICMA	The International Capital Market Association
ICT	Information and Communication Technology
IDR	Indonesia Rupiah
IIGF	Indonesia Infrastructure Guarantee Fund
IJP	Imbal Jasa Penjaminan (Guarantee Fee)
ILO	International Labor Organisation
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities
IT	Information Technology
JKN	Jaminan Kesehatan Nasional (National Health Insurance; NHI)
J-PAL	The Abdul Latif Jameel Poverty Action Lab
JPY	Japanese Yen
KITE	Kemudahan Impor Tujuan Ekspor (Ease of Import for Export)
KLC2	Kemenkeu Learning Centre 2
Komnas Perempuan	Komisi Nasional Anti Kekerasan Terhadap Perempuan (National Commission on Violence Against Women)
KPPN	Kantor Pelayanan Perbendaharaan Negara (State Treasury Payment Office)
KPR	Kredit Kepemilikan Rumah (House Ownership Loan)
KPSI	Komunitas Peduli Skizofrenia Indonesia (Indonesian Schizophrenia Care Community)
KSSK	Komite Stabilitas Sistem Keuangan (Financial System Stability Committee)
KUR	Kredit Usaha Rakyat (People's Business Credit; The Low Interest Rate Credit Programme)

---

LD UI	Lembaga Demografi (Demographic Institute), University of Indonesia
LEs	Large-sized Enterprises
LGST	Luxury Goods Sales Tax
LKPP	Laporan Keuangan Pemerintah Pusat (Central Government Financial Report)
LM	Liability Management
LPDB	Lembaga Pengelola Dana Bergulir (Revolving Fund Management Agency)
LPEM UI	Lembaga Penyelidikan Ekonomi dan Masyarakat, Universitas of Indonesia (Institute for Economic and Social Research–Faculty of Economics and Business, University of Indonesia)
LPS	Lembaga Penjamin Simpanan (Indonesia Deposit Insurance Corporation)
LS	Laporan Surveyor (Surveyor Reports)
MAHKOTA	Program Menuju Masyarakat Indonesia yang Kokoh dan Sejahtera (Towards a Strong and Prosperous Indonesian Society Programme)
MENA	Middle East and North Africa
MEs	Medium-sized Enterprises
MiEs	Micro-sized Enterprises
MoECRT	Ministry of Education and Culture, and Research and Technology
MoF	Ministry of Finance
MoH	Ministry of Health
MoM	Ministry of Manpower
MSMEs	Micro, Small and Medium-sized Enterprises
NIM	Net Interest Margin
NLE	National Logistics Ecosystems
NPL	Non-Performing Loan
NTT	Nusa Tenggara Timur (East Nusa Tenggara)
NWOW	New Ways of Working
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
P3B	Perjanjian Penghindaran Pajak Berganda (Tax Treaty)



---

PAD	Pendapatan Asli Daerah (Own Source Revenue)
PBPU	Pekerja Bukan Penerima Upah (Non-wage recipients)
PBS	Project-Based Sukuk
PCR	Polymerase Chain Reaction
PCV	Pneumococcal Conjugate Vaccine
PCPEN	Penanganan COVID-19 dan Pemulihan Ekonomi Nasional (COVID-19 Responses and National Economic Recovery Programme)
PEN	Pemulihan Ekonomi Nasional (National Economic Recovery Programme)
PERPPU	Peraturan Pemerintah Pengganti Undang-Undang (Government Regulation in lieu of Law)
PFM	Public Financial Management
PIT	Personal Income Tax
PKH	Program Keluarga Harapan (Family Hope Programme)
PKL	Pedagang Kaki Lima (Street Vendors)
PLM	Penyangga Likuiditas Makroprudensial (Macroprudential Liquidity Buffer)
PLN	Perusahaan Listrik Negara (State Electricity Company)
PMK	Peraturan Menteri Keuangan (Ministry of Finance Regulation)
PMN	Penyertaan Modal Negara (State Equity Participation)
PNM Mekaar	Program Permodalan Nasional Madani Membina Ekonomi Keluarga Sejahtera (Fostering a Prosperous Family Economy Programme)
PP	Peraturan Pemerintah (Government Regulation)
PPE	Personal Protective Equipment
PPh	Pajak Penghasilan (Income Tax)
PPKM	Pemberlakuan Pembatasan Kegiatan Masyarakat (Community Activities Restriction Enforcement)
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
PROSPERA	Program Kemitraan Indonesia Australia untuk

---

	Perekonomian (Australia Indonesia Partnership for Economic Development)
PSBB	Pembatasan Sosial Berskala Besar (Large Scale Sosial Restrictions)
PSLD	Pusat Studi Layanan Disabilitas Universitas Brawijaya (Centre for Studies on Disability Services)
Puskesmas	Pusat Kesehatan Masyarakat (Public Healthcare)
QE	Quantitative Easing
RBTK	Reformasi Birokrasi & Transformasi Kelembagaan (Bureaucracy Reform and Institutional Transformation)
RT/RW	Rukun Tetangga/Rukun Warga (Community Group)
SAKTI	Sistem Aplikasi Keuangan Tingkat Instansi (Financial Application System for Agency)
SARS	Severe Acute Respiratory Syndrome
SAS	Special Access Scheme
SBN	Surat Berharga Negara (Government Securities)
SBSN	Surat Berharga Syariah Negara (Sharia Government Securities)
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SEJIWA	Kesehatan Jiwa (Mental Health)
SEs	Small-sized Enterprises
SID	Single Investor Identification
SKB	Surat Keputusan Bersama (Joint Decree)
SMEs	Small and Medium-sized Enterprises
SOEs	State-owned Enterprises
SOP	Standard Operating Procedures
SPAN	Sistem Perbendaharaan & Anggaran Negara (State Budget & Treasury System)
SPBE	Sistem Pemerintahan Berbasis Elektronik (e-Government)
SSA	Sovereign, Supranational and Agency
SUN	Surat Utang Negara (Government Debt Securities)
SWR	Sukuk Waqaf Retail (Sukuk Waqf Retail)
TKDD	Transfer ke Daerah dan Dana Desa (Intergovernmental Transfer)

---

TNP2K	TNP2K(Tim Nasional Percepatan Penanggulangan Kemiskinan / National Team for Acceleration of Poverty Reduction)
Umi	Pembiayaan Ultra Mikro (Ultra-Micro Financing Program)
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNICEF	United Nations International Children's Emergency Fund
UU	Undang-Undang (Law)
UU HPP	Undang-Undang Harmonisasi Peraturan Perpajakan (Harmonized Tax Law)
VAT	Value Added Tax
WFH	Working From Home
YLD	Years Lived in Disability
YoY	Year on year

# The Contributors

## *Editors*

**Sri Mulyani Indrawati**, Minister of Finance of the Republic of Indonesia. She was awarded Finance Minister of the Year for East Asia Pacific from *Global Markets* magazine in recognition of her efforts in handling the COVID-19 pandemic in Indonesia. She earned a PhD in Economics, University of Illinois at Urbana-Champaign, USA, in 1992.

**Suhasil Nazara**, Vice Minister of Finance of the Republic Indonesia. He earned a Doctor of Philosophy (PhD) from the University of Illinois at Urbana-Champaign, USA. Professor Nazara has also been given a mandate by the President as Chair of the National Economic Recovery Task Force since March 2021 and is also trusted to be Deputy Chairperson of the Job Creation Law Task Force since May 2021.

**Titik Anas**, Special Adviser to the Minister of Finance of the Republic of Indonesia and Lecturer at Padjajaran University, Indonesia. Dr Anas holds a Doctoral degree from the Australian National University, Canberra.

**Candra Fajri Ananda**, Special Adviser to the Minister of Finance of the Republic of Indonesia in the field of Regional Fiscal Policy Formulation. He obtained a Doctoral degree from the Institute of Rural Development University of Göttingen, Germany.

**Kiki Verico**, Advisor for International Trade and Industry for the Finance Minister of the Republic of Indonesia, Senior Lecturer of International Economics in the Faculty of Economics and Business, University of Indonesia (FEB UI). He received a PhD in International Studies (International Economics) from Waseda University, Tokyo.

### *Chapter Contributors*

**Abdurohman**, Head of Center for Macroeconomic Policy, Fiscal Policy Agency. He received the Australian Leadership Award (ALA) scholarship from the Government of Australia for his Doctoral degree and successfully completed his PhD degree from the Arndt-Corden Department of Economics, Australian National University, Canberra in 2013.

**Latif Adam**, Researcher at the Research Center for Macroeconomics and Finance, National Research and Innovation Agency (BRIN). He earned his PhD in Economics from the University of Queensland, Australia in 2007.

**Mirza Adityaswara** was an Expert of the Minister of Finance in the Financial Services Sector from January 2020 to May 2022. He earned a Bachelor of Economics from the University of Indonesia and Master of Applied Finance from Macquarie University, Sydney, Australia.

**Rythia Afkar**, Education Economist of the East Asia Pacific, World Bank, since 2016. She previously worked on research on poverty and social assistance with the Poverty Team in Indonesia. Rythia holds a Doctoral degree in Economics from the University of Bonn, Germany.

**Luky Alfirman**, Director General of Budget Financing and Risk Management. He earned a Doctor of Philosophy (PhD) in Economics from the University of Colorado, Boulder, USA, in 2004.

**Riko Amir**, Director of Strategy and Financing Portfolio, Ministry of Finance. He holds a Double Master's degree in 2005 at Bandung Institute of Technology (ITB) for the Urban and Regional Planning Programme and at Rijksuniversiteit Groningen, The Netherlands for the Environmental and Infrastructure Planning Programme.

**Devina Anindita**, Research Assistant at LPEM FEB UI. She completed her Bachelor's degree majoring in Economics with two concentrations: Public Sector Economics and Human Resource Economics at the Faculty of Economics, University of Indonesia.

**Bondi Arifin**, Policy Analyst at the Fiscal Policy Agency of the Ministry of Finance. He obtained a Master of Science (MSc) from Gadjah Mada

University and a Master of Arts (MA) and Doctor of Philosophy (PhD) in Economics from Georgia State University, Atlanta, USA.

**Yon Aarsal**, Assistant to the Minister of Finance for Tax Compliance Affairs. He completed his PhD in Economics at Kobe University, Japan in 2007.

**I Kadek Dian Sutrisna Artha**, Chief Economist at PT Sarana Multi Infrastruktur (SMI). He received his PhD in Economics from Groningen University and wrote a dissertation on “Financial Crises: Impact on Central Bank Independence, Output, and Inflation”.

**Andry Asmoro**, Chief Economist of Bank Mandiri since March 2019. Andry holds a Master’s degree in Economics from Georgia State University, Atlanta, USA.

**Bimbika Sijapati Basnett**, Senior Adviser – Gender and Social Inclusion at PROSPERA (Australia Indonesia Partnership for Economic Development). She holds a PhD in Development Studies from the London School of Economics and Political Science, UK.

**Masyita Crystallin**, Special Adviser to the Minister of Finance for Fiscal Policy Formulation and Macroeconomics, with various experiences prior to joining the Ministry of Finance. Masyita earned a Doctorate in Economics from Claremont Graduate University, USA, with a specialization in International Monetary and Finance in 2015.

**Calista Endrina Dewi**, Researcher at LPEM FEB UI. She obtained a Bachelor’s degree in Economics at the Department of Economics, Faculty of Economics and Business, Universitas Indonesia (FEB UI) in 2020.

**Prasetya Dwicahya** is working at GovTech Edu, where he led the launching of *Rapor Pendidikan* (education outcome monitoring platform) and SDS (*Sumber Daya Sekolah*, school financial management platform). He is also currently assuming COO role at Think Policy, a social enterprise that aims to nurture public leaders who champion evidence-based and empathy-driven policymaking.

**Anton Gunawan**, Lead Adviser on Economics, Finance, and Inclusion division at PROSPERA (Australia Indonesia Partnership for Economic

Development). He was also appointed a member of the Taxation Oversight Committee by the Minister of Finance of the Republic of Indonesia in December 2019.

**Yadi Hadian**, Head of Section of Disbursement and Reporting Village Fund Policy Formulation at the Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indonesia. He earned a PhD in Social Sciences from Flinders University, Australia in 2019.

**Aktiva Primananda Hadiarta**, Head of Instructional Activity Improvement and Development Unit, STAN Polytechnic of State Finance, Ministry of Finance. She earned a Master's degree in Economic Science at the Postgraduate Programme in Economics, University of Indonesia, in 2013.

**R. Wiwin Istanti**, Head of the Planning and Finance Bureau at the Secretariat General of the Ministry of Finance of the Republic of Indonesia. She earned a Master of Laws degree from Kyushu University, Japan in 2008.

**Febrio Nathan Kacaribu**, Head of the Fiscal Policy Agency. In 2014, he obtained a PhD from the University of Kansas, USA. His areas of expertise include Business Economics and Projection, Economic Models, Financial Economics, Monetary Economics, and Public Policy Analysis.

**Nugraheni Kusumaningsih**, Policy Analyst at National Budget Policy Center, Fiscal Policy Agency. She obtained a Master of Science and Master of Arts in Economics from Gadjah Mada University and the Andrew Young School of Policy Studies, Georgia State University, USA in 2013.

**Irma Marlina**, Policy Analyst at the Center for Budget Policy, Fiscal Policy Agency of the Ministry of Finance. She earned a Master of Science in Applied Mathematics (concentration in Actuarial Science) from University of Illinois at Urbana-Champaign, USA.

**Irsyan Maududy**, Analyst at the Centre for Budget Policy, Fiscal Policy Agency, Indonesia's Ministry of Finance. He holds a Bachelor in Economics from the University of Indonesia with a focus in Public Economics. During the COVID-19 pandemic, he joined the task force for COVID-19 Handling and National Economic Recovery in the Ministry of Finance.

**Bobby A.A. Nazief**, Special Adviser to the Minister at the Ministry of Finance of the Republic of Indonesia. He is also active as Senior Lecturer and Researcher at the Faculty of Computer Science, University of Indonesia. He holds a Doctoral degree in computer science from the University of Illinois at Urbana-Champaign, USA.

**Yustinus Prastowo**, Special Adviser to the Minister of Finance for Strategic Communication. Previously he was active as Executive Director of the Center for Indonesia Taxation Analysis (CITA), an independent tax study institution dedicated to mainstreaming issues related to tax policy.

**Denni Puspa Purbasari**, Executive Director at PMO Pra-Kerja. She earned her Bachelor's degree from Gadjah Mada University in 1997, Master's degree at the University of Illinois Urbana, USA in 2000, and PhD at the University of Colorado, Boulder, USA in 2006.

**Raden Muhamad Purnagunawan**, Lecturer in the Department of Economics, Padjadjaran University in West Java, Indonesia, and Researcher at the Center for Economics and Development Studies (CEDS), Padjadjaran University. He is also the Economic Capacity Improvement Policy Team Leader in the Secretariat of the National Team for the Acceleration of Poverty Reduction.

**Ririn Salwa Purnamasari**, Senior Economist with the World Bank's East Asia and Pacific Poverty and Equity Global Practice. She also serves as a Diversity, Equity, and Inclusion representative for the World Bank Indonesia Country Office. She holds a PhD in Economics from University of Melbourne, Australia.

**Sri Kusumastuti Rahayu**, Chief of the Social Protection Policy Team, Secretariat of Indonesia National Team for Acceleration of Poverty Reduction. She obtained her Master's degree in economics from North Carolina State University (NCSU), Raleigh, USA in 1993.

**Mohamad Dian Revindo**, Senior Research Associate at the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) and Lecturer at the Graduate School of Strategic and Global Studies, University of Indonesia. He earned his PhD from Lincoln University, New Zealand.



**Jahen Fachrul Rezki**, Head of Macroeconomics and Political Economy Research Group at the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) and Lecturer at the Faculty of Economics and Business, Universitas Indonesia. He received his PhD in Economics from the University of York, UK in 2019.

**Deni Ridwan**, Director of Government Debt Securities at the Directorate General of Financing and Risk Management, Ministry of Finance. He earned a Doctor of Philosophy (PhD) from Victoria University, Australia in 2014.

**Usha Adelina Riyanto**, Research Analyst for Gender and Social Inclusion at PROSPERA (Australia Indonesia Partnership for Economic Development). She holds a Master's degree in Development Economics and Policy from the University of Manchester, UK.

**Arifin Rosid**, Section Chief of Tax Policy Impact at the Directorate of Tax Potential, Compliance, and Revenue, Directorate General of Taxes. He is also Lecturer at the Faculty of Economics and Business, University of Indonesia. He completed his PhD in Taxation from School of Taxation and Business Law at the University of New South Wales, Sydney, Australia in 2017.

**Elan Satriawan**, Associate Professor in the Department of Economics, Universitas Gadjah Mada at Yogyakarta, Indonesia. He is also Chief of Policy Team, a high-profile policy think-tank under the National Team for the Acceleration of Poverty Reduction. He obtained his PhD from Michigan State University, USA in 2009.

**Putut Hari Satyaka**, Director of Budget for Human Development and Culture, Directorate General of Budget, Ministry of Finance. Prior to this position, he was the Director for Specific Transfer Fund, Directorate General of Fiscal Balance, Ministry of Finance. He also serves at Supervisory Board of Government Investment Center (PIP). He holds a Master's degree in Public Policy from the Australia National University, Canberra.

**Chairina Hanum Siregar**, Researcher at the Institute for Economic and Community Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI). She earned a Bachelor's degree in Economics

from Parahyangan Catholic University Bandung in 2007 and a Master's degree from the University of Indonesia in 2010.

**Adiatma Y.M. Siregar**, Director of the Center for Economics and Development Studies (CEDS), Lecturer and Researcher at the Department of Economics, Faculty of Economics and Business, Universitas Padjadjaran. He obtained his PhD in Health Economics from Radboud University Nijmegen, The Netherlands in 2014.

**Romora Edward Sitorus**, Head of Evaluation and Research at Project Management Office (PMO) of Kartu Prakerja, the Indonesian Coordinating Ministry for Economic Affairs. He received his PhD in Finance from Michael F. Price College of Business, University of Oklahoma, USA.

**Suharti**, Secretary General of Ministry of Education, Culture, Research, and Technology. She earned her Doctoral degree majoring in Demographic and Social Research Institute from the Australian National University, Canberra in 2013.

**Yusuf A. M. Sujono**, Private Sector Development Advisor at PROSPERA (Australia Indonesia Partnership for Economic Development). He earned his Master of Business Administration from Kellogg-HKUST Executive MBA Programme in 2019.

**Sukaryo**, Policy Analyst at the Directorate General of Taxes, Ministry of Finance Indonesia. He completed his Master of Public Policy degree from the London School of Economics and Political Science in 2020.

**Sudarno Sumarto**, Policy Adviser at the National Team for the Acceleration of Poverty Reduction (TNP2K), Office of the Vice President of the Republic of Indonesia. He holds an MA and a PhD, both in economics, from Vanderbilt University, USA.

**Dewinta Illiana Sumartono**, Economist in the Economic Research Division at PT Sarana Multi Infrastruktur. She received her Master's degree in Health Economics at Erasmus University in Rotterdam.

**Suminto Sastrosuwito**, Assistant Finance Minister for Financial Sector Policy and acting as Secretary of Financial System Stability Committee. He holds a Master's degree in Development Finance from Hiroshima

University, and a PhD degree in Economic Development from Ritsumeikan Asia Pacific University, Japan.

**Sumiyati**, Commissioner at Indonesia Financial Group and former Inspector General of the Ministry of Finance of the Republic of Indonesia.

**Della Temenggung**, Deputy Director for Advisory and Policy at PROSPERA (Australia Indonesia Partnership for Economic Development). She holds a PhD in Economics from the Australian National University. Della has been working in the areas of economic policy, private sector development, and international and development economics.

**Florischa Ayu Tresnatri**, Research Analyst for the Budget Policy Team at PROSPERA (Australia Indonesia Partnership for Economic Development). She holds a Master's degree in International and Development Economics from the Australian National University, and a Bachelor's degree in Industrial Engineering from Bandung Institute of Technology.

**Wahyu Utomo**, Head of the Center for State Revenue and Expenditure Policy. He earned his Bachelor of Social Sciences and Master of Development Economics from Gadjah Mada University in 2005.

**Matthew Wai-Poi**, Lead Economist for the Poverty and Equity Global Practice of the World Bank, Global Lead for the Distributional Impacts of Fiscal and Social Policies and co-editor of a recent flagship report updating two decades of experience in targeting social assistance to the poor and vulnerable. He has a PhD in Economics from Columbia University and degrees in Law and Business.

**Eko Wicaksono**, Policy Analyst at the Center for Macroeconomic Policy, Fiscal Policy Agency. He holds Master of Arts in Economics from Georgia State University, USA and Master of Science in Economics from Gadjah Mada University.

**Dian Ayu Yustina**, Department Head of Macroeconomics and Financial Market Research in Bank Mandiri since August 2020. Dian Ayu's expertise are macroeconomics, currency and bond analysis, and policy formulation. She holds a postgraduate degree in Economics and Finance from University of Queensland, Australia.

# Foreword

## Keeping Indonesia Safe from the COVID-19 Pandemic Lessons Learnt from the National Economic Recovery Programme

Sri Mulyani Indrawati, PhD,  
*Minister of Finance of the Republic of Indonesia*

*“If the past is cut off, the future does not exist” (Alexander Lowen).  
This book shows us that past experiences were the best teacher to face  
the unprecedented global COVID-19 pandemic. We are trying to record  
every single step we took to absorb any economic impacts of the pandemic  
for the lessons learned to the next generations.*

### 1. BACKGROUND

The unprecedented COVID-19 virus became a global pandemic in 2020. Indonesia’s first case of COVID-19 was found on 2 March 2020. The pandemic dramatically changed human life as all public places such as airports, seaports, train stations, bus stations, malls, shopping centres, roads, railways, restaurants, hotels, and movie theatres were suddenly

closed. People work and pray from home, and students, teachers, and lecturers study from home. There were only essential activities that are exempted from mobility restrictions.

Changi Airport in Singapore, one of the busiest airports in the world, was suddenly empty. Jakarta, like other big cities in the world, suddenly changed from a high-density and traffic-jam metropolitan to an empty city with empty roads. The public crowd suddenly disappeared, and economic activities were just stopped and hibernated.

People have no memories of the global pandemic as the latest one was around one century ago, from 1918 to 1920, when the world faced a global pandemic of the H1N1 virus, well known as the Spanish flu, infecting around one-third of the world population. No prior reference can be used on how the COVID-19 pandemic will end. The only vivid figures that people can imagine about the end of the pandemic were taken from the movies that displayed the global pandemic, such as *Outbreak* (1995), *Quarantine* (2008), *Black Death* (2010), *Contagion* (2011), *Flu* (2013), and *Infection* (2019). At the very least, these movies gave optimism that the pandemic is bearable and can be cured.

The real game changer in the global COVID-19 pandemic is vaccine production that can be publicly available within one year. It is an extraordinary outcome as it usually takes more than five years to make the vaccine available for public use.

## 2. IMMEDIATE GOVERNMENT RESPONSE

The COVID-19 global pandemic that has changed human life dramatically made governments all around the world alter existing policies to combat the pandemic. Some governments decided on hard-core lockdown. Some others applied the so-called 3T of Tracing, Tracking, and Treatment, while others implemented conditional people mobility by region based on positivity rates. Indonesia adopted conditional people mobility complemented with 3T policies.

The impact of the COVID-19 global pandemic on the economy is similar to the impact of the Spanish flu one hundred years ago. The pandemic resulted in lower aggregate demand from consumption and investment. With the contraction in consumption and investment, the government must come to the rescue to compensate for the decline. However, the pandemic also hit the government revenue from taxes and non-tax as economic

activities slowed. With the government expenditure expected to increase to cushion the economy from the shock, given the decline in revenue, the government budget deficit is expected to soar.

Allowing the deficit beyond the mandated threshold can be dangerous for the economy. A prudent and accountable fiscal management needs to be established. Empirical evidence in this book showed that the increased budget deficit was effective as the fiscal discipline was already established for several years before the government budget deficit expanded above 3 per cent of the GDP. The fiscal discipline has generated positive outcomes on the output gap that economic growth is consistently higher than the inflation rate with a continuous decrease in the open unemployment rate, poverty rate, and income inequality.

### **3. FUNDAMENTAL FISCAL POLICY RESPONSE: PRUDENT COUNTERCYCLICAL**

Indonesian fiscal policy follows the principle: *during positive economic growth, it is maintained to be not crowding out, while during negative economic growth, it must be countercyclical*. The latter is temporary and depends on the economic recovery cycle. Therefore, in the policy responses designed to handle the COVID-19 pandemic and its impact, as outlined in Law No. 2/2020, the Government of Indonesia adopted a countercyclical fiscal policy for a limited period only, designed for three years, from 2020 to 2022.

Political economic theory explains that whenever a government faces a crisis, it might have to make emergency and extraordinary policies that can swing between discretion and rule-based ones. When the global pandemic of COVID-19 finally hit Indonesia in March 2020, the Government of Indonesia had to make quick yet effective policy responses, which can be discretionary but also has to be rule-based at the same time.

The government, after evaluating the situation and the pandemic's possible impact, made a fundamental decision to expand the annual budget deficit above 3 per cent of GDP for three years before returning to below 3 per cent of GDP in 2023. This three-year time frame had been chosen based on at least three considerations: a lesson from the Spanish flu time frame, the trust in technological advancement to produce the vaccine or medicine within three years, and the political-economic outlook before the next presidential election in 2024. Allowing an annual budget deficit

above 3 per cent is discretionary in nature but framed under the rule of law—Law No. 2/2020.

The unprecedented COVID-19 pandemic had also changed Indonesia's established institutional, political and economic arrangement into a totally different one that can be labelled an "extraordinary" process, mostly against existing practice. The pandemic required changing political relations within government institutions, across government institutions, and with the parliament. As a democratic country, the process of enacting legislation is complex that the government has to obtain legal approval from the parliament, be supervised by the Audit Board of Indonesia (*Badan Pemeriksa Keuangan*), General Attorney (*Kejaksaan Agung*), and the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*). This book discusses the dynamics on the ground when the government seeks political and legal support for enlarging the annual budget deficit for countercyclical.

In handling the pandemic, Indonesia's government aimed to keep the COVID-19 pandemic contained so it did not become economic and financial problems. We consider the best panacea to cure the health and low-demand problems is activating the role of countercyclical fiscal policy. Unlike the shock in aggregate supply, indicated by negative economic growth and hyperinflation, the global pandemic also hit aggregate demand. It then created a significant distinctiveness of a low inflation rate with negative economic growth. The first involves a moral hazard that requires structural reform, while the latter is a kind of liquidity trap that needs a countercyclical government budget deficit.

This countercyclical fiscal requires a healthy fiscal condition because the budget must be enlarged and the budget deficit exceeding the 3 per cent cap. The budget deficit reached  $-6.34$  per cent in 2020,  $-5.7$  per cent in 2021 and  $-4.85$  per cent in 2022. The increasing budget deficit will need financing in the near future. The source of financing requires mixed macroeconomic policies, one of which comes from the central bank's support. From the regional perspective, the local government is also expected to be able to move quickly and act out of the box in the midst of a pandemic. For this reason, the central government encourages the reallocation and refocusing of the budget from Transfers to Regions and Village Funds (TKDD) as an effort to support healthcare, social safety nets, and economic recovery as well as for COVID-19 vaccinations and incentives for health workers from the budget perspective. In addition,

through the Special Mission Vehicle (SMV) of the Ministry of Finance, the Government prepared a loan scheme for local governments as part of the National Economic Recovery (PEN) Programme to anticipate regional government budget limitations.

#### **4. MIX MACROECONOMIC POLICIES: FISCAL AND MONETARY COLLABORATION**

When designing the macroeconomic policy mix to respond to the pandemic, the policymakers benefited from the playbooks that Indonesia had from the previous crises: the 1998 Asian Financial Crises (AFC) and the 2008 Global Financial Crisis (GFC). The first crisis left Playbook One as its footprint, and the second left Playbook Two as legacies. Playbook One gave significant reforms to the independence of the central bank (Bank Indonesia, BI) and the establishment of the Deposit Insurance Corporation (*Lembaga Penjamin Simpanan*, LPS).

Fast forward to designing the pandemic policy response, policymakers faced a dilemma of soaring financing needs to finance the budget deficit and the less favourable sovereign bonds market. To finance the deficit, the government asked for the central bank's support to share the burden of the financing cost. The framework was reflected in the SKB (*Surat Keputusan Bersama*) I on 16 April 2020, as the first joint decree between the Ministry of Finance and BI, in which BI acted as a "standby buyer" of the government bonds, SKB II and SKB III for the burden sharing.

Reflecting on Playbook Two from the 2008 GFC which gave birth to the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK), it is important to note that the policy responses during the pandemic were made possible by the existence of the authority. During the pandemic, OJK closely monitored the condition of financial institutions. Prudent, calculated measures and close collaboration between BI, OJK, and LPS under the Financial Sector Stability Committee (*Komite Stabilitas Sektor Keuangan*, KSSK) chaired by the Minister of Finance prevented LPS and OJK from utilizing their economic crisis protocol in 2020 and 2021. The government's ability to isolate the COVID-19 global pandemic as public health crisis with prudent countercyclical policy protected Indonesia's economy from stagflation and financial crises.

In turn, this global COVID-19 pandemic provided Indonesia with Playbook Three outlining policy responses to contain the pandemic



and guide the economy out of the crisis, which will be very important for Indonesia and other countries to face future pandemics. Amidst the global pandemic, in 2020 and 2021, Indonesia's economy successfully returned to the pre-pandemic level and entered positive economic growth with annual growth with a relatively low inflation rate. Both indicators generated a stable nominal exchange rate which is important for BI. These achievements would not be there without solid cooperation between the Ministry of Finance and BI and strong support from the OJK and LPS.

## 5. CONCLUSION

The global pandemic hit Indonesia in early 2020, decreasing its annual economic growth from 2.97 per cent in the first quarter to -5.3 per cent in the second quarter and increasing open unemployment from around 5 per cent to 7 per cent in the second quarter within only six months. The poverty rate increased to more than 10 per cent and the inequality increased as indicated by the increase in the Gini ratio, from 0.380 to 0.385.

Nevertheless, with relentless efforts and appropriate required policies, the Government of Indonesia's countercyclical fiscal policy, with support from the central bank, rode the wave and returned to positive economic growth with a stable annual inflation rate in 2021. The outcomes were back to the pre-pandemic level with a non-inflationary growth pattern. Indonesia had returned to the upper middle-income country status as of the pre-pandemic level of 2019.

The annual economic growth has recovered from -2.1 per cent (2020) to 3.7 per cent (2021), while the annual inflation rate (CPI) was stable, increased stable, and low from 1.7 per cent to 1.9 per cent. This magnificent achievement is consistent with other outcome indicators. The open unemployment rate decreased from 7.1 per cent in August 2020 to 6.5 per cent in August 2021. The Gini ratio in 2021 was 0.381, which returned very close to the 2019 level at 0.380. The 2021 poverty rate had returned to below 10 per cent of the population, that is, 9.7 per cent.

In addition to government efforts like aggregate supply side problems in the AFC 1998 and GFC 2008, at any time Indonesia's economy faced economic crises, including the aggregate demand challenges, Indonesia's Current Account somehow turned to a surplus and compensated for other macroeconomic variables. These experiences humbly reminded us of *Ora et*

---

*Labora* (Pray and Work). We indeed understand that economic equilibrium is arranged by the Invisible Hand and not over human efforts per se.

Finally, this book is about something worth reading—the effective policy known as the National Economic Recovery Programme (*Program Pemulihan Ekonomi Nasional*, or PEN), which the Government of Indonesia did something worth writing. This book records and provides readers with various lessons learnt on how Indonesia navigated the first two years of the global COVID-19 pandemic.