COUNTRY PERSPECTIVE
INDONESIA

ESCAP’s Economic and Social Survey of Asia Pacific 2021:
Towards Post COVID-19 Resilient Economies

5 May 2021

Diandra Pratami
Development Coordination Officer, Economist
Office of the Resident Coordinator
OUTLINE

1. COVID-19 Situation Update from Indonesia
2. COVID-19 impact on SDG progress in Indonesia
3. Reflections of the Survey Report Findings and Policy Options - Indonesia
As of 26 April 2021:
• 11.8 million people have received the first dose,
• 7 million people have been fully vaccinated.

Source: WHO Situation Report, 28 April 2021
COVID-19 IMPACT ON SDG PROGRESS IN INDONESIA
COVID-19 Impact on SDG Progress in Indonesia

- National poverty rate rose from 9.22% in 2019 to 10.19% in 2020, representing a 3-year setback.
  - BPS, 2020

- The proportion of households facing moderate or severe food insecurity have doubled
  - UNICEF, UNDP, DFAT-PROSPERA, 2021

- In 84% of the reporting health facilities, immunization services are significantly disrupted.
  - Ministry of Health and UNICEF, 2020

- Higher income shocks in Indonesia are expected to precipitate higher dropout rates.
  - World Bank, 2020

- Studies found economic distress resulted from the pandemic and its restriction policy is a potential reason for increased level of Gender Based Violence
  - UN Indonesia, 2021

- 24 million people have worked shorter hours, 1.7 million people have been furloughed, while 2.56 million have lost their jobs.
  - BPS, 2020

- Gini Ratio rose from 0.38 to 0.385 in 2020, representing a backslide on the progress made before
  - BPS, 2020

- Economic growth contracted from 5.02% in 2019 to a negative growth of 2.07% in 2020
  - BPS, 2020

- The proportion of households facing moderate or severe food insecurity have doubled
REFLECTION OF THE SURVEY REPORT
CHAPTER 2: MACROECONOMIC OUTLOOK

2021 Indonesia’s Economic Growth Forecasts by Different Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Real GDP Growth 2021 (in%) (f)</th>
<th>Publication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance, March 2021</td>
<td>4.4-5.3</td>
<td>APBN Press Release</td>
</tr>
<tr>
<td>ESCAP, March 2021</td>
<td>5.0</td>
<td>Economic and Social Survey of Asia and the Pacific 2021</td>
</tr>
<tr>
<td>OECD, March 2021</td>
<td>4.9</td>
<td>Economic Surveys Indonesia</td>
</tr>
<tr>
<td>IMF, March 2021</td>
<td>4.8</td>
<td>World Economic Outlook</td>
</tr>
<tr>
<td>World Bank, April 2021</td>
<td>4.4</td>
<td>East Asia and Pacific Economic Update</td>
</tr>
<tr>
<td>The Economist Intelligence Unit, March 2021</td>
<td>3.3</td>
<td>Forecast Summary - Indonesia</td>
</tr>
</tbody>
</table>

Sources: Central Agency on Statistics (BPS)
CHAPTER 3: UNDERSTANDING RESILIENCE

High economic informality

ESCAP Survey mentioned that countries with more formal workers are more resilient to epidemic shocks.

Before COVID-19, Indonesia 49% of the workers are employed in the informal sector. The COVID-19 pandemic has made the proportion of workers in the informal sector increased to 60% in 2020, or an increase of 11% from 2019.

(Source: Central Statistics Office)

Measures taken during COVID-19

Cash transfers, food aid, electricity subsidies, loan deferral and subsidies for MSME.
LEAVING NO ONE BEHIND (LNOB) PERSPECTIVE

- More than a third of households in the bottom 40% had not received any cash assistance in October-November 2020 (UNICEF-UNDP-DFAT Prospera, 2021)

- The total population of migrant workers out-migrated in 2020 decreased by 60% from 2019 (BP2MI), representing high vulnerability of migrant workers to the pandemic.

- 60% of PLHIV have experienced income reduction and changes in their HIV care (UNAIDS and JIP, 2020)

- Children have been additionally suffering the consequences of their parent’s stress (Komnas Perempuan and LBH APIK, 2020)

- Refugees no longer receive financial support from their family and friends abroad and the local communities while financial allowance from international organizations have not fully reached them (UNHCR, 2020)
In addition to the pandemic, Indonesia experienced 2,951 natural disaster events in 2021.

Flood in Jakarta, February 2021 Source: ANTARA FOTO/Aprillio Akbar

While earthquakes and volcanos are causing high severity, the climate-change related disasters are far more frequent.
CHAPTER 4: BUILDING FORWARD BETTER PACKAGE

The Indonesia’s National Economic Recovery Program

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Sector: IDR63.51 Trillion</td>
<td>Health Sector: IDR176.3 Trillion</td>
</tr>
<tr>
<td>Social Protection: IDR220.39 Trillion</td>
<td>Social Protection: IDR157.4 Trillion</td>
</tr>
<tr>
<td>MSMEs and Corporate Financing: IDR173.17 Trillion</td>
<td>MSMEs and Corporate Financing: IDR186.8 Trillion</td>
</tr>
<tr>
<td>Business Incentives: IDR56.12 Trillion</td>
<td>Business and Tax Incentives: IDR53.9 Trillion</td>
</tr>
<tr>
<td>Sectoral Ministries and Institutions as well as Regional Governments: IDR66.59 Trillion</td>
<td>Priority Programs (tourism, food security, industry and other sectors): IDR125.1 Trillion</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance

Indonesia has tripled the budget deficit to respond to the COVID-19 pandemic. With ESCAP’s macroeconomic model, worth clarifying how aggressive the country has been? And for how long?
CHAPTER 4: BUILDING FORWARD BETTER PACKAGE

How to get buy in from the Government?

- Repeatedly promote the package with the Government
  - Leverage UN Country Team
  - Engage Development Banks and Donor Governments
  - Dialogue with academia/think tanks and NGOs

- It is important to note the cost of non-aggressive (too little, too late) action in the COVID-19 response per country.

- While it is easier to promote additional spending for social services and digital access, it might be challenging to promote actions on green economy

- Consider the political economy: increasing debt to GDP ratio cap required a legal basis.
CHAPTER 5: FISCAL AND FINANCING POLICIES

Why Budget reallocations are not advised for high severity shocks
What Indonesia has done to meet the pressing fiscal need?

- Budget Reallocations
- Budget Deficit Adjustment (a legal basis for an increase in budget deficit cap)
- Bond and Loan Issuance
- Central Bank buying long-term SBN (local-currency bonds)
- Sovereign Wealth Funds
THANK YOU

For more details:
Diandra Pratami
diandra.pratami@un.org
Office of the Resident Coordinator
Jakarta, Indonesia

Photo: IOM Indonesia

UNITED NATIONS INDONESIA