Public Policy for National Economic Recovery through the Coordinating Ministry for the Economy of the Republic of Indonesia

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Abstract
In the past two years, the resilience of the national economy has been tested by shocks from the unprecedented global crisis of the COVID-19 pandemic that began to spread in Indonesia in early 2020. By implementing various policies, the government reacted quickly to revive the economy. On the contrary, the Coordinating Ministry for Economic Affairs of the Republic of Indonesia realizes that global uncertainty and challenges are the factors in government decision-making regarding the formulation of an effective and efficient national economic recovery strategy. This national economic recovery also involves the defense sector in accelerating and implementing policies. Defense economy is closely related to the use of the defense budget during peacetime. During the COVID-19 pandemic, there was a lot of refocusing, one of which was the reallocation of the defense budget to support social safety nets in the form of direct cash assistance. This research aims to find out how far the Indonesian government has gone through the national economic recovery policy after the COVID-19 pandemic in various aspects. Descriptive qualitative research methods are used. In this study, national economic recovery contains decreasing public mobility in the context of controlling COVID-19, fiscal policy as a shock absorber, price stabilization, improving the quality of human resources through the Pre-Employment Card program, encouraging MSME development through the expansion of the MSME sector, and continuing structural reforms including components that must be met regarding government policies for economic recovery and price stability, according to the study findings.

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INTRODUCTION

Indonesia as a developing country is very aware of the importance of national development which covers many aspects. This development can also be seen from developments in the micro, macro, monetary, and fiscal sectors. On the other hand, these factors do not rule out the possibility of influencing resource allocation, income distribution, economic growth, and stabilization related to defense. The COVID-19 pandemic has had a quite strong impact on the economic sector. One of them is in the defense economic sector, where there is a reduction and diversion of budget used for handling COVID-19 as a priority scale. For this reason, the management of the defense budget must be determined by several variables that require attention, namely the state of the national economy by taking into account the state’s financial capacity. The implementation of national defense is very dependent on the size of the defense budget provided by the government and development priorities. An increase in the defense budget should not affect the efficiency of the state budget which could lead to an increase in the fiscal deficit (Avisha, Saputro, & Prakoso, 2023).

For this reason, after two years the Indonesian Government took steps to prevent an economic crisis in various aspects by issuing a national economic recovery policy. The government implements various combinations of policies to accelerate the national economic recovery. PEN (Pemulihan Ekonomi Nasional) or national economic recovery policy implemented by the government in response to the recession caused by COVID-19 has encouraged significant economic expansion in Indonesia amid the crisis. PEN has partly managed to save Indonesia from recession. The fact that Indonesia’s economy has continued to grow since the epidemic began is proof of this. However, forecasts for 2020 suggest that growth will not be too large according to almost all institutions.

Indonesia’s Central Statistics Agency in 2022 revealed the realization of Indonesia’s economic growth throughout 2020 at -2.07%. In particular, the fourth quarter of 2020 witnessed economic growth of -2.19% (Year on Year, hereinafter referred to as YoY). However, Indonesia experienced superior economic growth in 2020 compared to several other countries, including Singapore (-5.7%), the European Union (-6.4%), the Philippines (-9.5%), and the United States or the U.S. (-3.5%).

The decline in economic growth is in line with weak household consumption throughout 2020, which according to Indonesia’s Central Statistics Agency only increased by -2.63%. Retail revenue of 17.39% remained stagnant until the fourth quarter of 2020. Compared to the fourth quarter of 2019, retail sales increased by 1.39%. Food, beverages and tobacco, apparel, parts and accessories, motor vehicle fuels, information and telecommunications equipment, cultural and recreational products, and other merchandise all saw retail sales decline in 2020. Similarly, the wholesale sales segment is related to passengers. Vehicles and motorcycles are still mired in contraction. This shows that household consumption is still very low; therefore, we must increase demand.

The year 2022 was marked by various uncertainties that put pressure on the global economic recovery and increased concerns about a potential recession. The International Monetary Fund reduced its forecasts for the global economy for 2022, including the U.S. and China, from 3.6% to 3.2% in July 2022. The global inflation prognosis was revised upwards due to supply-demand imbalances and rising food and energy costs. Policymakers around the world are concerned about stagflation and a potential recession.
Moving from the first quarter of 2022 which grew by 5.01% (YoY), Indonesia’s economic growth increased by 5.44% (YoY) in the second quarter of 2022, amidst increasing global uncertainty risks. Household expenditure increased considerably (5.51%), supported by the success of the export performance of 19.74% In terms of sector, the industries that experienced the greatest growth were transportation and warehousing (21.27%) and food and beverage accommodation (9.76%). In addition, effective handling of the pandemic has facilitated the recovery of public mobility.
especially the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. Therefore, it is interesting to investigate in this investigation. The aim of this research is to find out how far the Indonesian government has gone through the national economic recovery policy after the COVID-19 pandemic in various aspects.

METHODS

A research paradigm is a conceptual framework that explains the researcher’s point of view regarding the empirical aspects of society and their approach to scientific inquiry or theoretical development. The research paradigm describes the way scientists understand problems and establishes the criteria on which to base their responses to research questions (Guba, E. & Lincoln, 1988). Qualitative research methodology is comprehensive and consists of a variety of different research techniques. Methodical analysis of textual data collected through interviews, surveys, focus groups, and diary entries is often required for this procedure. Culturally specific information about the values, interests, behaviors, and opinions of social groups can be obtained through this method (Smith & Smith, 2018). In this research, the object studied is government policy regarding national economic recovery after the COVID-19 pandemic in various aspects. The main data sources are journals and policy notes issued by the Indonesian Ministry of Finance and the Indonesian Ministry of Defense. Qualitative research uses a variety of scientific methodologies to gain an understanding of phenomena as the life experiences of the general public. This is achieved by obtaining explanations in the form of words as well as language in a specific natural context (Moleong, 2007). The data acquisition method for this study is direct or indirect observation. Researchers try to find and reveal field data on natural environments. Therefore, researchers need to be careful and wise in applying data acquisition techniques in the field for individual procurement to obtain truly natural data. Every process carried out by a researcher is known to everyone and has been studied. But in the past, researchers did not openly or covertly observe to avoid this if the data they were seeking was still confidential. If it is like that, then the researcher is not allowed to make observations. Extrapolation, which is carried out gradually from case to case along the analytical induction procedure, facilitates the consolidation of conclusions; Further, theoretical statements are obtained from the analysis (Mundir, 2013). After data collection is complete, data triangulation techniques are used in the form of data sources originating from the Indonesian Ministry of Finance, Ministry of Defense and data from previous research so that valid analysis results can be obtained.

RESULTS AND DISCUSSION

The term "public policy" refers to any action or inaction determined by the government. Since public policy is a government action, any action taken is of course guided by goals and objectives. Deliberate government inaction on a particular issue including purposeful public policy (Dye, 2005). In formulating policies, the government can apply: Management Planning, Organization, Actuating, and Controlling (POAC) Management. Planning is the process of completing organizational goals to the reserve/alternative stage if the first planning cannot be applied to its activities (Siriyei & Wulandari, 2013). According to Borchers & Enke (2021), planning in a broad sense is a process of systematically preparing activities that will be carried out to achieve a certain goal. Organizing is a structure of management activities that aim to collect and manage resources or potentials owned by the organization and will be used efficiently to achieve organizational goals, organizing is to harmonize human resources, natural resources, physical resources, and also capital resources which certainly aims at the progress of the
organization. According to Luther Gullick (1938), organizing divides tasks to organizational mobilizers to carry out their respective work according to expertise. According to Terry (1999), actuating is to improve and encourage all members of the organization to want and try their best until the goals of the organization are achieved. After the organizing activities are completed, the next step is acting which will be implemented through organizing and planning. For economic recovery to run in an orderly manner, it is necessary to have an organization that regulates it. As well as the need for actions or policies taken, to solve problems in the field. According to Terry (1999), controlling is the implementation, assessing the implementation, and if necessary making improvements to the implementation by the plan that has been prepared.

Next, the best approach governments can adopt is to find the right ways to address risks in the post-COVID-19 economy. Quadruple Helix collaboration between stakeholders, public controllers, academics, industry, and users/communities is expected to produce the best solutions in post-COVID-19 economic recovery efforts. The Quadruple Helix innovation model is an innovation model that emphasizes cooperation between four elements, namely public authority, industry, university/education system, and community or user communities that work dynamically and form overlapping helixes towards development and progress (Widjajani, Fajarwati, & Hidayat, 2016). The Quadruple Helix concept is a development of the Triple Helix. The Triple Helix model is a dynamic collaboration between universities, industry, and government so that it experiences development and progress through optimizing the potential of these three elements. In the Quadruple Helix concept in addition to the fourth helix, namely users or society (social society), the fourth helix is the party involved by connecting between parties in the Triple Helix. The Quadruple Helix innovation collaboration model after COVID-19 can be applied through innovation cooperation and an integrated and sustainable innovation environment in economic recovery efforts in Indonesia today, to be able to carry out economic recovery efforts that lead to strengthening competitiveness, innovation is needed where collaboration and partnerships that run together are sustainable, the government acts as a public controller through its various policies (Tjenreng, 2020).

**Easing Public Mobility in Line With Covid-19 Control**

To support further mobilization, the implementation of the third vaccination (booster) nationally is continuing and the Government continues to accelerate vaccine distribution to all regions of Indonesia in Indonesia. The government has also accelerated booster vaccination for the elderly and adolescents. Easing the implementation of restrictions on community activities (Pemberlakuan Pembatasan Kegiatan Masyarakat or PPKM) rate and encouraging increased public mobility are expected to increase consumption. In addition to encouraging consumption, increasing public mobility will also encourage the opening of economic sectors so that there is a potential to increase job availability and increase people’s income by 2022. In addition, the implementation of various government policies, both related to restrictions and restrictions on public mobility, needs to be continuously evaluated to have a significant impact on maximum good to mitigate the spread of COVID-19 and encourage economic activity (Juliana & Prakoso, 2022).

**Fiscal Policy as a Shock Absorber**

This mechanism usually stipulates that a certain percentage of any increase or decrease in the economy must be balanced with payments to the central fund (Dullien &;
Fichtner, 2013; Enderlein, Guttenberg, & Spiess, 2013). With a shock absorber (partial) that compensates for a certain percentage of shocks (Enderlein et al., 2013), the welfare impact of all shocks is lower, as indicated by the red line. An alternative to shock absorbers is to introduce deductibles but to fully compensate for all shocks above that threshold. The resulting loss of well-being as a function of shock is shown by the green line (where the threshold is set in Figure 1). The State Budget (APBN) serves as a tool to achieve national goals however, in achieving those goals, it may face obstacles that complicate matters. To achieve national goals, the State Budget has at least 6 (six) functions, namely authorization function, planning, supervision, allocation, distribution and stabilization. As implied in the state budget’s role as an instrument of stabilization, the government budget serves to maintain and maintain the fundamental balance of the economy. The state budget functions as a shock absorber in responding to various events that hurt the national economy. This includes important instruments for obtaining assistance in crisis management, economic recovery, and structural reforms. The ongoing Russia-Ukraine conflict has shocked the international community again amid the ongoing COVID-19 pandemic. Indonesia experienced several impacts due to the war: depreciation of the domestic capital market and rupiah exchange rate, loss of revenue due to declining exports, the state budget negatively affected by rising oil prices, and increasing oil imports and wheat commodities, with Ukraine as the main importer of Indonesian wheat. Seeing these conditions, the State Budget must continue to carry out its role as a shock absorber to maintain domestic economic balance, safeguard the community, and facilitate economic recovery, as well as ensure fiscal sustainability. Due to its limitations in functioning as a tool to achieve national goals, the State Budget must be maintained not only as its health and sustainability but also as an effective shock absorber (Prihantoro, Prakoso, Suhirwan, & Kusmiati, 2021). Maintaining people’s purchasing power, encouraging economic recovery, and maintaining the health of the State Budget include balanced goals in its maintenance. Macroeconomic stability, which is an important foundation for economic survival in the long run, will be stabilized by strong fiscal policy. Therefore, to maintain the credibility and sustainability of the State Budget, fiscal reform efforts are needed (Suhirwan, 2021).

The monetary policy currently being taken aims to accelerate the digitalization of Indonesia’s payment system to support post-pandemic economic recovery efforts. Meanwhile, fiscal policy focuses on strengthening the health sector as the key to economic recovery, support for the business world, momentum for structural reform, and comprehensive fiscal reform. Good economic development does not rule out the possibility of a crisis again because the issue of the pandemic has not been completely resolved. So the state defense system must always be ready at any moment (Avisha, Saputro, & Prakoso., 2023).

**Price Stabilization**

The government implements the following policies to support people’s purchasing power and national economic recovery by ensuring food security and maintaining price stability:

1. Strengthen the identification of sources of regional inflationary pressure by utilizing detailed data as well as macro and micro indicators. Therefore, there needs to be a description of the dimensions of business actors, and in this study, the dimensions of business actors that need to be considered are micro, small, and medium enterprises (MSMEs), which are integrated into the 6th helix (hexa helix). The MSME sector in macro real terms can provide an average contribution to the Gross Domestic Product.
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(GDP) reaching 57.32% (2015-2019 period, before COVID-19), thus the number of MSMEs dominates other types of businesses in Indonesia, including their contribution in absorbing a very large workforce that can absorb an average of 96.90 percent of labor each year (Wahdiniwaty, R., Firmansyah, D., Dede, D., Suryana, A., & Rifa’i, 2022), so that resilience and the revival of MSME actors have the potential to accelerate economic recovery, strengthen competitiveness and national economic performance after COVID-19. Therefore, the 6th helix focuses more on MSME actors as an important element to support them in the context of their contribution to the national economy.

2. By increasing cooperation between regions, price and supply disparities between regions can be reduced. Regional and central inflation control teams from the Ministry of Trade should identify regions experiencing inflation surpluses and deficits and act as facilitators to encourage cooperation between regions in inflation control. For the scheme of providing social assistance to poor and vulnerable MSME sector business actors, the government ensures that these MSME actors are included in the recipients of Social Assistance (Bantuan Sosial), be it the Family Hope Program (Program Keluarga Harapan or PKH), Basic Food Packages, Cash Social Assistance, Village Direct Cash Transfer (Bantuan Langsung Tunai or BLT), as well as reductions in electricity tariffs and Pre-Employment Cards. The Tax Incentive Scheme for MSMEs applies to those whose turnover is below IDR 4.8 billion per year. The government lowered the final income tax rate for six months. For relief and changes in MSME credit policy, the government provides installment delays and interest subsidies for recipients of People’s Business Loans (Kredit Usaha Rakyat or KUR), Madani National Capital Fostering Prosperous Families (Permodalan Nasional Madani Membina Ekonomi Keluarga Sejahtera or PNM Mekaar), Revolving Fund Management Institutions (Lembaga Pengelola Dana Bergulir or LPDB), to recipients of capital assistance from several ministries. Then the next scheme is the expansion of MSME working capital financing in the form of working capital assistance stimulus. The financing is carried out by financing institutions from financial institutions and the banking system.

3. Utilizing the facilitation of interregional trade distribution to reduce transportation costs and increase the number of aircraft to reduce airline ticket prices. Changes to the Budget Mechanism in the state budget, for example, are needed to help ensure cash flow in the business world to accelerate the movement of goods and the national economy. Currently, almost all B2G (Business to Government) contracts apply a term scheme that requires prefinancing for contract execution. During the pandemic, where cash flow is very difficult, this practice makes it difficult for the industry to carry it out. If it is forced to carry out refinancing funding from outside the government, the burden of financial costs will trap the industry in an increasingly difficult position.

Improving the Quality of Human Resources through the Pre-Employment Card Program

The Pre-Employment Card Program is believed to have the potential to increase purchasing power and improve the quality of human resources amid the COVID-19 pandemic. With a budget of IDR 20 trillion, this is reflected in the first year of implementing the Pre-Employment Card Program in 2020 which has reached 5.5 million recipients. During the first quarter of 2021, there were an additional 2.77 million participants who received benefits from the Pre-Employment Card Program. The cumulative number of people who obtained Pre-Employment Cards batch 1-40 was 413.9 million people.
Research that received funding from Bank Indonesia under the Bank Indonesia Research Grant (RGBI) scheme said that the pre-employment card program succeeded in increasing the wages of program recipients, although not significantly (BI Institute, 2022). Rising wages have a rolling effect on improving household economic welfare. That after participating in the Pre-Employment Card Program there was an increase of 13% in the number of entrepreneurial groups. The current increase in the number of entrepreneurs is in line with the goals of the Pre-Employment Card Program. The more the number of entrepreneurs and the number of businesses that grow, there will be absorption of labor. The policies implemented by the government are expected to have a maximum good impact on the community. Alumni of the Pre-Employment Card Program also have the opportunity to get the benefits of the People's Business Credit which the Government is currently striving for a maximum of up to only 3% interest. Take advantage of this opportunity. Develop your business to have a maximum impact on the wheels of the national economy (BI Institute, 2022).

Encouraging MSME Development: Increasing MSMEs

The government remains dedicated to driving the growth of digital skills and facilitating the transition of Micro, Small, and Medium Enterprises (MSMEs) to digital infrastructure. Various initiatives are implemented so that MSMEs can immediately advance through the digitization process and follow developments. The Pre-Employment Card, National Digital Literacy Movement, Digital Leadership Academy, and Digital Talent Scholarship include government-sponsored initiatives for each technical and professional level, as well as leadership-level practitioners in the public and private sectors currently, Indonesia is one of the countries with the largest digital economy in ASEAN, controlling a market share of 40% or a valuation of US$ 70 billion. By 2025, this value is expected to increase to US$146 billion. A new sector that reflects the digital economy landscape in Indonesia is edutech, which is already experiencing huge growth in the number of active users and is projected to reach 200% by 2020. The increase in users also occurred in the health technology sector (healthtech). In addition, new technological developments, including but not limited to 5G networks, the Internet of Things, blockchain, artificial intelligence, and cloud computing, are poised to stimulate the expansion of the digital economy in Indonesia (Prakoso, 2021). Indonesia currently has MSMEs reaching around 64.2 million businesses, so they can contribute 60.51 percent to GDP or worth IDR 9,580 trillion. MSMEs also contribute to the absorption of 97% of the total workforce and can collect up to 60.4% of the total investment. In practice, MSMEs in Indonesia still experience various challenges, such as in terms of innovation and technology that needs to be improved, financing, human resources, branding and marketing, legality, as well as standardization and certification (Pramono et al., 2022). Amid this pandemic, SMEs are faced with the increasing difficulty of adjusting to technological advances. Therefore, the application of electronic technology is needed to revolutionize MSMEs. MSMEs are anticipated to develop into a "Super Smart Society" in the digital era by balancing services with technology that can integrate cyberspace and physical space. Given that digital disruption has not yet peaked and will continue to occur, this is important. Agri-tech and food-tech (digital farm vs local farm), health technology (digital consulting), edu-tech (e-learning), games and interactive experiences (digital entertainment media, data collection), and digital banking and fintech (peer-to-peer lending, equity crowdfunding) are currently supported by the second wave of disruption (Pramono et al., 2022). Especially for those affected by the pandemic, the government has issued several policies that help MSMEs. The allocation of IDR 95.13 trillion in 2021
follows the use of the National Economic Recovery budget for MSMEs in 2020 of IDR 121.20 trillion. The estimated 2022 people’s business credit distribution target is 373.17 T.K. Providing 4.4 million debtors, the realization of KUR from January 31 to July 31, 2022, is 209.1 Trillion (56.02% of the target).

Apart from handling the COVID-19 pandemic, the Ministry of Defense and TNI budget for 2022, the Directorate General of Defense and Defense Ministry of Defense will also carry out control, monitoring, and evaluation of the implementation of the National Economic Recovery (PEN) program, which is carried out by work units and work sub-units in the ranks of the Ministry of Defense and TNI, such as expenditure on goods, capital, and services, as well as allocating the planned budget for the distribution of Bantuan Tunai Pedagang Kaki Lima, Warung dan Nelayan (BTPKLWN) (Public Relations Bureau of the Secretariat General of the Ministry of Defense, 2022).

Continuing Structural Reforms

Prolonged economic expansion is essential to improve employment prospects and people’s welfare, as well as to achieve an increase in middle-class emancipation. Structural reform is essential to achieve sustainable economic transformation. To stimulate investment and facilitate job creation, the government has expanded the investment domain (Saputro & Duha, 2022). With the support of fiscal and non-fiscal incentives, a total of 246 priority companies will be accessible for investment. Priority is given to high-tech and export-oriented sectors to position them as drivers of the country’s economy in the future. Foreign investment commitments have been fulfilled by Indonesia with extraordinary success. For example, US$44.6 billion worth of investment and business commitments resulted from collaboration between Indonesia and the United Arab Emirates. In addition, Indonesia received an investment of US$9.29 billion to complement sustainable development from the COP26 summit held the previous year.

Indonesia has pledged to accelerate the transition to an environmentally friendly economy. As a legal basis for the implementation of the greenhouse gas economic study mechanism, the Government has also issued Presidential Regulation No. 98 of 2021 Concerning the Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control of Greenhouse Gas Emissions in National Development. Furthermore, to encourage economic actors to engage in low-carbon efforts, the government intends to impose a carbon tax. Indonesia is also expected to become the G20 president in 2022 Economically, socially progressively, and politically, Indonesia will benefit from at least three benefits from this leadership. One of the goals, from an economic point of view, is to increase domestic consumption (Duha & Saputro, 2022).

CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

To implement government policies related to economic recovery and price stability, public mobility is facilitated by COVID-19 control. The government has also accelerated booster vaccination for the elderly and adolescents. Easing the PPKM rate and encouraging increased public mobility are expected to increase consumption. Community mobility will encourage the expansion of economic sectors that can increase the availability of jobs and people’s income in 2022, and encourage consumption. Acting as a shock absorber, the State Budget Fiscal Policy functions as a shock absorber in responding to various events that hurt the national economy. It is an important instrument that assists in crisis management, economic recovery, and structural reforms.
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Price stabilization. By maintaining price stability and improving food security, people’s purchasing power will increase and the national economy will recover. Promotion of MSME Development and Improvement of Human Resource Quality through Pre-Employment Card Program: MSME Improvement. Progress with structural reforms. The government remains dedicated to driving the growth of digital skills and facilitating the transition of MSMEs to digital infrastructure. Various initiatives are implemented so that MSMEs can immediately advance through the digitization process and follow developments. The Pre-Employment Card, the National Digital Literacy Movement, the Digital Leadership Academy, and the Digital Talent Scholarship include government-sponsored initiatives that cater to technical and professional levels, respectively, as well as leadership-level practitioners (from both the public and the private sector), respectively.

The role of the defense sector and views on the defense economy in efforts to restore the national economy is one of the efforts made by the central government so that it can be an accelerated step in this policy. Structural reform is essential to achieve sustainable economic transformation. To encourage greater investment, the government has expanded the scope of investment to include the development of new jobs. A total of 246 priority companies will be accessible to investment through the provision of fiscal and non-fiscal incentives. Setting priorities in export-oriented and high-tech sectors ensures their potential to be a catalyst for future national economic expansion.

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