



Policy Response to Covid-19 Pandemic in Indonesia

Iqbal Rafani and Tahlim Sudaryanto
Indonesian Center for Agriculture Socio Economic and Policy Studies
Ministry of Agriculture
Email: iqbalrafani@gmail.com

Received April 16, 2020; Accepted May 11, 2020

ABSTRACT

Coronavirus Disease (Covid-19) has been declared as a global pandemic with high number of cases and deaths in numerous countries. Indonesia has recorded a high case fatality rate (8.029%) which needs to be prevented through appropriate policy response, particularly the Presidential Regulation Number 21/2020 on Large-scale Social Restrictions. This policy is implemented since the Covid-19 has an impact on human life socially and economically including the agricultural sector. The government of Indonesia has issued some control measure policy responses including economic stimulus packages towards preventing the Covid-19. However, the effectiveness of policy depends upon the length of its implementation which should remain in place and the sustainability and consistency commitments of all stakeholders in the country. In the long-term, a strategy to develop a much more resilient economic and agricultural sector is called for.

Keywords: covid-19, policy response, social restrictions, economic prevention, agriculture

INTRODUCTION

The world is currently facing the Coronavirus Disease 2019 (Covid-19) pandemic that adversely threatens public health, including Indonesia. The spread of Covid-19 which is extraordinary by marking the number of cases and deaths has increased and spread across countries and has a direct or indirect consequences to political, economic, social, cultural, defense and security aspects, as well as community's welfare in Indonesia.

Covid-19 has also significantly disrupted economic activities and major implications for the economies of most countries around the world. The impact of this pandemic disease has resulted in certain circumstances which needs to be prevented. In the case of Indonesia, the government has issued some regulations namely Government Regulation Number 1/2020, Presidential Decree Number 11/2020, and Government Regulation Number 21/2020. Up to present, one of the noticeable policies of the Government of Indonesia (GoI) is the large-scale social restrictions on certain activities of residents in an area suspected or being infected in such a way as to prevent the possibility of much broader spreading of Covid-19. This policy is implemented based on epidemiological considerations, the extent of threats, effectiveness, resource support, technical operation, political, economic, social, cultural, defense, and security considerations.

This article discusses major policy responses to Covid-19 in Indonesia. It focuses on the socioeconomic policy aspects namely large-scale social restrictions as well as strengthening social protection and economic prevention toward the pandemic. In the last part, the article analyzes more specifically the impact of the disease on the agricultural sector in the country.

COVID-19 PANDEMIC INCIDENCE

Covid-19 is an infectious disease caused by a newly discovered coronavirus and straining health systems worldwide (WHO, 2020). The outbreak is first and foremost a human tragedy, affecting hundreds of thousands of people, and having a growing impact on the global economy. In January 2020, the World Health Organization (WHO, 2020) first declared Covid-19 as a world health emergency. As of 30 April 2020, the pandemic disease has affected 213 countries around the world, covered 3,090,445 cases and 217,769 deaths or with the Case Fatality Rate (CFR) of 7.04 % (Worldometers, 2020). The cases consist of active cases or currently infected patients (mid condition and serious/critical) and closed cases or cases which had an outcome (recovered/discharged and deaths).

The first case of Covid-19 in Indonesia was identified in early February 2020 in Depok City, a border close to Jakarta, and since then, has spread over to Jakarta and other provinces. Based on official data of 30 April 2020, total cases in Indonesia are 9,771 persons, with 784 (8.02%) persons died and 1,391 persons recovered. The pandemic has been spread over in 32 out of 34 provinces. Two provinces, namely East Nusa Tenggara and Gorontalo have not confirmed any cases yet. Jakarta, the capital city of Indonesia, is the most adversely affected which is accounted for 41.88% and 47.19% of the national cases and deaths respectively. Regionally, above 70% of Covid-19 cases and deaths are in Java as recorded (Table 1).

From the policy view point, it is important to know when the pandemic is likely to end. The most recent prediction from Driven Innovation Lab of Singapore mentioned that Covid-19 in Indonesia will be in three points of time, namely 97% cases will end in 7 June 2020, 99% in 29 June 2020, and 100% in 7 September 2020. Therefore the Government of Indonesia is expected to be kept alert about this pandemic, at least until September 2020. What is worrying many people is that approaching the Festival holiday in late May 2020 will encourage people travelling to their home towns which bear the risk of spreading the virus from the infected city to rural regions, particularly in Java. The government has already imposed the regulation to ban people from travelling to their home towns with quiet strict enforcement, but there are always ways to break this rule.

Table 1. Case of Covid-19 in Indonesia, 2020

Province	Case	Death	CFR	Recovered
Jakarta	4,175	371	8.89	486
West Java	1,012	83	8.20	143
East Java	958	96	10.02	157
Central Java	724	59	8.15	102
South Sulawesi	491	37	7.54	122
Banten	404	41	10.15	34
West Nusa Tenggara	230	4	1.74	31
Bali	222	4	1.80	113
Papua	205	6	2.93	47
South Kalimantan	170	9	5.29	20
Others	1,527	82	5.37	297
Indonesia	10,118	792	7.83	1,552

Source: Kompas.com, 2020

POLICY RESPONSES

Large-scale social restriction

The implementation of large-scale social restrictions under the Government Regulation Number 21/2020 is based on the Law Number 6/2018 on Health Quarantine as a protection of public health from diseases and/or public health risk factors potentially causing public health emergencies. It is carried out through disease observation activities and public health risk factors for transportation, people, goods, and/or the environment, as well as responses to public health emergencies in the form of health quarantine actions.

There are some reasons of implementing the regulation on large-scale social restriction. First, Covid-19 has been declared by the World Health Organization (WHO) as a pandemic disease. Second, Indonesia has also affirmed that Covid-19 as a non-natural disaster in the form of disease outbreaks which must be undertaken as an effort to prevent it from much broader spread. Third, the spread of Covid-19 is currently increasing and expanding in line with the number of cases and deaths in the country.

The large-scale social restrictions include the movement of people and/or goods for one particular province or regency/city to prevent the spread of Covid-19. It is implemented within the following criteria, namely: (1) Number of cases and deaths caused by significant rapid spreads of Covid-19 to several areas; and (2)

Epidemiological links with similar events in other countries. Moreover, at least it includes: (1) Closing school and work places (study and work from home); (2) Restricting religious activities; and (3) Hampering activities in public place/facility(ies). Restrictions on activities must take into account the educational needs, work productivity, and mode of worship of the population of which it is carried out by taking into account the fulfillment of the basic needs of the population including health care requirements, food needs, and other daily necessities of life.

Social protection and economic prevention

The case of Covid-19 is not only related to health problems but is also associated with economic crises. It is reasonable since the pandemic disease primarily has an effect on human activities. Therefore, handling and preventing the spread of Covid-19 becomes the highest priority. This is no longer a regional issue but an international problem calling for a global response.

The increasing spread of Covid-19 across countries has prompted many governments to introduce unprecedented measures to contain the pandemic. These are priority measures imposed by sanitary situations which leave little room for other options as health should remain the primary concern. Consequently, these measures have led to many businesses being shut down temporarily, widespread restrictions on travel and mobility, financial market turmoil, an erosion of confidence, and heightened uncertainty (OECD, 2020).

In the case of Indonesia, the GoI has implemented various extreme and unprecedented steps such as social and physical distancing, work and study from home, restriction of public activities, testing, tracing, etc. The main issue that needs to be concerned is the handling of public health towards the provisions of medical equipment, patient care, vaccine and medicine research, and the prevention of future outbreaks. Institutionally, the GoI establishes the Covid-19 Task Force. Nevertheless, the Covid-19 and its control measures have a consequence to the weakening of household spending, small and medium enterprises (SMEs) activities, corporate investments, and financial concerns.

Covid-19 pandemic has put pressure on the economy of the entire countries with an impact reaching 3-16% of the gross domestic product (GDP) growth. Based on outlook of the Indonesian Ministry of Finance (MoF, 2020), the impact of Covid-19 on Indonesia's macroeconomics would be very critical if there were no immediate mitigation measures implemented. The economic growth becomes at risk of going down to 2.3% in critical scenarios and continues to -0.4% in very critical scenarios (Table 2).

Table 2. Impact of Covid-19 to Indonesia's macroeconomics, 2020

Indicator	Before Covid-19	After Covid-19 Scenario	
		Critical	Very Critical
Economic growth (%)	5.3	2.3	-0.4
ICP price (US\$/barrel)	63	38	31
Exchange rate (Rp/US\$)	14,400	17,500	20,000
Inflation (%)	3.1	3.9	5.1
Nominal GDP (Rp trillion)	17,464.7	16,829.8	16,574.9

Source: MoF, 2020

In line with the above scenarios, the Indonesian MoF has set policy response includes stimulus package-1, stimulus package-2, refocusing programs and budget reallocation, additional expenditure and financing for state budget, and optimizing mixed monetary policy and financial sector (MoF, 2020). The policy includes the following points:

1. Stimulus package-1 to strengthen the domestic economy. It is implemented through: (a) Accelerating the expenditure to *Padat Karya* (cash for work) through capital disbursement, social assistance, regional transfer, and village funds; and (b) Consumer's purchasing stimulus includes expansion of basic food cards, increase housing interest subsidies, incentives for tourism sector, and provision of pre-employment cards.
2. Stimulus package-2 focuses on maintaining consumer's purchasing power and facilitating export-import through allocating the budget for:
 - a. Income taxes exemption in the form of salaries, wages, honoraria, allowances, and other payments for workers in processing industry sector;
 - b. Income tax exemption to business entities both from government and private companies that carry out export, import, and re-import trade activities in specific sectors;
 - c. Taxes paid in installments of 25% to specific sectors;

- d. Value added tax refunds acceleration to maintain business liquidity, and
 - e. Non-fiscal measures: (i) Restricting export on 749 HS codes; (ii) Simplifying or reduction on number of import restrictions on certain commodities including manufacturing, food, and health/medical support; and (iii) Improving and accelerating export-import services through the National Logistic Ecosystem (NLE).
3. Refocusing programs and budget reallocation to handle Covid-19 through:
 - a. Funding sources: (i) Stimulus package-1; (ii) Stimulus package-2; (iii) State budget/APBN (refocusing activities, budget reallocation, and reserve funds); (iv) Regional/local budget/APBD (locally generated income/PAD and budget revision, unexpected expenditure, as well as utilization of regional/local cash funds – central and intergovernmental transfer funds); and (v) other legal and non-binding sources.
 - b. Implementation mechanisms: (i) Prioritizing the use of existing budget allocations for activities that accelerate the handling of Covid-19; (ii) Accelerating the refocusing of activities and reallocation of budgets through immediate and budget revision mechanisms; (iii) Speeding up the implementation of procurement of goods and services for handling Covid-19; (iv) Involving the Government Goods and Services Procurement Policy Agency as well as the Financial and Development Supervisory Agency; and (v) Procuring goods and services for medical devices to handle Covid-19 in accordance with standards set by the Ministry of Health.
 4. Additional expenditure and financing to prevent the economic and financial crises related to Covid-19: (a) Health control measure interventions (incentives for medical personnel and health care spending; (b) Expansion/additional social safety net; (c) Industry support (taxes and import duties borne by government and People’s Business Credit/KUR stimulus); (d) Support budget financing for handling Covid-19 (financial support to the National Economic Recovery Program).
 5. Optimizing mixed monetary policy and financial sector to support the economy and maintain stability through monetary stimulus for banking sector and finance company industry.

IMPACT ON AGRICULTUE

Based on the point of view of the Organization for Economic Co-operation and Development (OECD, 2020), countries with relatively sizeable agricultural activities may experience smaller initial effects from containment measures of Covid-19, although output will be subsequently hit by reduced global commodity demand. Nevertheless, both lives and livelihoods are at risk from this pandemic. Restrictions of movement, as well as basic aversion behavior by workers, may impede farmers from farming and food processors – who handle most agricultural products – from processing. Shortage of fertilizers, veterinary medicines, and other input could also affect agricultural production. Developing countries are particularly at risk as Covid-19 can lead to a reduction in labor force, and affect incomes and livelihoods as well as labor intensive forms of production (FAO, 2020).

In the case of Indonesia, the economic impact of the spread of Covid-19 to agricultural sector was analyzed through three-scenarios, namely: (1) Labor productivity shock; (2) Total factor productivity shock; and (3) Trade shock (Hermanto, 2020). The analysis results of these scenarios are as follows:

1. The economic growth will experience a slowdown in the scenario of declining in labor productivity (0.6%), decreasing in total productivity factors (3.4%), and increasing in trade costs (4.9%). Consequently, the extent of poor people and food security is estimated to increase in line with the scenarios of labor productivity shock (1.8%), total factor productivity shock (6.9%), and trade shock (9.9%).
2. The downturn of global economy due to the spread of Covid-19 will decrease agricultural production including food industry and other related economic sectors in different magnitudes of each scenario. This condition will consequently lead to price increases both in agricultural and non-agricultural commodities. Food commodity prices will increase (0.39%) in the scenario of decreasing in labor productivity. This is lower compared to the scenario of decreasing in total factor productivity (4.94%) and the scenario of increasing in trade costs (7.82%).
3. The economic impact of the spread of Covid-19 will cause a little bit increase in the value of agricultural exports (0.04-0.74%) in the scenario of declining labor productivity. In the scenario of decreasing total productivity factors, only horticultural export will be increased (0.5%). Meanwhile, all agricultural exports will be declined (1.2-7.1%).

4. The impact of decreasing in labor productivity will increase the agricultural imports in the scenario of decreasing labor productivity. In the scenario of decreasing total factor productivity, the value of agricultural imports will increase (3.99-5.35%). Moreover, in the scenario of increasing trade costs, the value of agricultural imports will increase (3.26-6.07%). It is noted that the increase in imports is due to escalation of public consumption demand and decline in domestic production as a result of widespread of Covid-19. In addition, some materials for food and manufacturing industries in Indonesia are still supplied from imports.

The slowdown of economy caused by decreasing in labor productivity has a smaller impact compared to declining in total factor productivity and increasing in trade costs. In addition, if the impact of the spread of Covid-19 causes decrease in total factor of productivity and increasing in trade costs, the impact will be greater toward declining in economic growth and trade balance deficit. Above all, the disruption of international trade activities due to the spread of Covid-19 will directly affect the commodity prices globally. Hence, it is required to reorient agricultural policies and programs particularly in relation to Covid-19 prevention.

The Ministry of Agriculture confirms that the availability of strategic staple food is quite available during the implementation of the large-scale social restrictions towards Covid-19 in Indonesia (Table 3). Farmers are able to produce but the supply chain would be disrupted due to restriction (not prohibition) access in transportation. However, based on past experiences, agriculture can be survived in the case of turmoil and crises in which this sector contributed to support the national economy of the country.

Table 3. The availability of strategic food in the period of March to August 2020 (1,000 tons)

Commodity	Availability				Needs	Surplus/Deficit
	Stock	Production	Import	Total		
Rice	3,513.7	19,756.6	0	23,270.3	15,854.9	7,415.4
Corn	661.1	13,708.3	0	14,369.4	11,063.5	3,305.9
Shallot	154.6	711.0	0	865.6	736.5	129.1
Garlic	30.0	52.5	360.0	442.5	311.9	130.6
Chili	0	1,072.4	0	1,072.4	1,027.6	44.8
Beef	14.3	236.4	275.5	526.2	393.8	132.4
Poultry meat	98.6	1,880.9	0	1,979.5	1,822.6	156.9
Eggs	27.6	2,422.1	0	2,449.7	2,611.5	-161.8
Sugar	386.1	1,955.7	638.9	2,980.7	1,469.6	1,511.1
Cooking oil	8,244.1	14,391.0	0	22,635.1	4,640.1	17,995.0

Source: BKP, 2020 in Hadiutomo, 2020

CONCLUSION

The coronavirus disease 2019 (Covid-19) has turned into a global crisis. The quick evolving nature of the pandemic creates a number of issues that makes it difficult to estimate the widening bounds of its scope. The uncertainty of economic conditions as a result of the increasingly widespread of Covid-19 is predicted to cause worsening global economic problems.

The increasing spread of Covid-19 across countries has prompted many governments to introduce unprecedented measures to contain the pandemic. Indonesia has implemented control measure policies namely the large-scale restrictions on certain activities of residents to prevent the possibility of spreading Covid-19. It covers technical and socioeconomic aspects such as health care, social safety net, as well as monetary and financial policies.

The effectiveness of control measure depends upon the length of its implementation that should remain in place and the sustainability and consistency of commitments of all stakeholders. In the long-term, a strategy to develop a much more resilient economic and agricultural sector is called for.

While every country faces its own challenges, collaboration between governments and the full range of sectors and stakeholders is vital. It is a worldwide problem that requires a global response. Covid-19 forcefully reminds everyone about the value of solidarity. It is not charity but common sense, it is not politics but policy, and it is not government but governance.

REFERENCES

- FAO. 2020. Covid-19 Pandemic: Impact on Food and Agriculture. Food and Agriculture Organization of the United Nations. Retrieve from <http://www.fao.org/2019-ncov/q-and-a/en/> (2 April 2020)
- GoI. 2020a. *Keputusan Presiden Republik Indonesia Nomor 11 Tahun 2020 tentang Penetapan Kedaruratan Kesehatan Masyarakat Corona Virus Disease 2019/Covid-19* (Presidential Decree Number 11/2020 on Determination of Public Health Emergency Corona Virus Disease 2019/Covid-19). 31 March 2020. Government of Indonesia. Jakarta.
- GoI. 2020b. *Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia Nomor 1 Tahun 2020 tentang Kebijakan Keuangan Negara dan Stabilitas Sistem Keuangan untuk Penanganan Pandemi Corona Virus Disease 2019/Covid-19 dan/atau Dalam Rangka Menghadapi Ancaman yang Membahayakan Perekonomian Nasional dan/atau Stabilitas Sistem Keuangan* (Government Regulation in Lieu of Law of the Republic of Indonesia Number 1/2020 concerning State Financial Policy and Financial System Stability for Handling Corona Virus Disease 2019/Covid-19 and/or in to order to Face the Risk that Threaten the National Economy and/or Financial System Stability). Government of Indonesia. Jakarta.
- GoI. 2020c. *Peraturan Pemerintah Republik Indonesia Nomor 21 Tahun 2020 tentang Pembatasan Sosial Berskala Besar dalam rangka Percepatan Penangan Corona Virus Disease 2019/Covid-19*. (Government Regulation Number 21/2020 on Large-Scale Social Restrictions in Accelerating the Handling of Corona Virus Disease 2019/Covid-19). Government of Indonesia. Jakarta.
- Hadiutomo. K. 2020. *Kebijakan Pertanian untuk Menangani Dampak Covid-19* (Agricultural Policy for Preventing the Impact of Covid-19). *Buletin Edisi Khusus: Perencanaan Pembangunan Pertanian* (Special Edition Bulletin: Agricultural Development Plan), Vol. 1 (1): 18-27, April 2020. Planning Bureau. Indonesian Ministry of Agriculture. Jakarta.
- Hermanto. 2020. *Dampak Ekonomi Penyebaran Covid-19 terhadap Kinerja Sektor Pertanian* (Economic Impacts of Covid-19 on Agricultural Sector). *Buletin Edisi Khusus: Perencanaan Pembangunan Pertanian* (Special Edition Bulletin: Agricultural Development Plan), Vol. 1 (1): 6-17, April 2020. Planning Bureau. Indonesian Ministry of Agriculture. Jakarta.
- Kompas.com. 2020. *Data Covid-19 di Indonesia* (Covid-19 Data in Indonesia). Retrieve from <https://www.kompas.com/covid-19> (Update 30 April 2020)
- MoF. 2020. Press Conference: *Langkah Penguatan Perlindungan Sosial dan Stimulus Ekonomi menghadapi Dampak Covid-19* (Press Conference: Steps to Strengthen Social Protection and Economic Stimulus to face the Impact of Covid-19). Indonesian Ministry of Finance. Jakarta.
- OECD. 2020. Evaluating the Initial Impact of Covid Containment Measures on Activity. Tackling Coronavirus (Covid-19) Contributing to A Global Effort. Organization for Economic Co-operation and Development. Paris.
- WHO. 2020. Coronavirus Disease (Covid-19) Pandemic. World Health Organization. Retrieve from <https://www.who.int/emergencies/diseases/novel-coronavirus-2019> (3 April 2020).
- Worldometers. 2020. Covid-19 Coronavirus Pandemic. Last Updated: 15 April 2020. Retrieve from <https://www.worldometers.info/coronavirus/#countries> (15 April 2020)
- Tempo.co.2020. *Covid-19 Diprediksi Usai September, Eijkman: Jangan Lengah* (Covid-19 Is Predicted to End in September, Eijkman: Keep Alert), <https://national.tempco.co/read/1336181/covid-19-diprediksi-usai-september-eijkman-jangan-lengah>