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Republic of Indonesia: COVID-19 Active Response and Expenditure Support Program Quarterly Monitoring Report (July–September 2020)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 September 2020)

Currency unit – rupiah (Rp)

Rp1.00 = \$ 0.000067

\$1.00 = Rp14,900

ABBREVIATIONS

ADB	–	Asian Development Bank
CARES	–	COVID-19 Active Response and Expenditure Support program
COVID-19	–	Coronavirus Disease 2019
GDP	–	gross domestic product
MSMEs	–	micro, small, and medium-sized enterprises
PEN	–	pemulihan ekonomi nasional (national economic recovery)

INDONESIAN GLOSSARY OF ENGLISH TERMS

Basic necessities including food	–	Kartu Sembako
Cash social assistance	–	Bansos Tunai
Electronic residential identification	–	Kartu Tanda Penduduk Elektronik (e-KTP)
Family Hope Program	–	Program Keluarga Harapan (PKH)
Final income tax break facility		Pajak Penghasilan Final Peraturan Pemerintah 23 (PPh Final PP23)
Financial Services Authority	–	Otoritas Jasa Keuangan (OJK)
Food social assistance	–	Bansos Sembako
Government regulation	–	Peraturan Pemerintah (PP)
Government regulation in lieu of law	–	Peraturan Pemerintah Pengganti Undang-undang (Perppu)
Import tax exemption article 22	–	Pajak Penghasilan Pasal 22 Impor (PPh 22 Impor)
Income tax relief article 21		Pajak Penghasilan Pasal 21 Ditanggung Pemerintah (PPh 21 DTP)
Ministry of Social Affairs unified database for social protection	–	Data Terpadu Kesejahteraan Sosial (DTKS)
National Disaster Mitigation Agency	–	Badan Nasional Penanggulangan Bencana (BNPB)
Pre-employment card	–	Kartu Prakerja
Presidential regulation	–	Perpres
Production assistance	–	Bansos Produktif
Reduction in corporate income tax	–	Pajak Penghasilan Badan (PPh Badan)
Reduction on income tax installments article 25	–	Pajak Penghasilan Pasal 25 (PPh 25)
Revised budget 2020	–	Perpres 72/2020
unconditional cash transfer from village funds	–	Bantuan Langsung Tunai Dana Desa (BLT Dana Desa)

NOTE

In this report, “\$” refers to United States dollars

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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I. INTRODUCTION

1. The Government of Indonesia reported its first Coronavirus Disease 2019 (COVID-19) cases on 2 March 2020. It quickly responded by strengthening public health services to contain the virus while minimizing the economic impact of the pandemic, announcing on 3 March 2020 the appointment of a formal spokesperson on COVID-19. The government established on 13 March 2020 the COVID-19 Response Acceleration Task Force and, on 31 March 2020, declared COVID-19 a public health emergency, imposed sweeping social restrictions,¹ and issued several fiscal policies to contain the pandemic and mitigate its impact on the national economy.² The government allocated \$46.7 billion for a program to safeguard public health and another program to facilitate national economic recovery (the latter, Pemulihan Ekonomi Nasional, abbreviated as PEN).³ An interministerial committee led by the coordinating minister for economic affairs was set up on 20 July to handle the COVID-19 public health response and PEN.⁴

2. Before disruption from the pandemic, the Indonesian gross domestic product (GDP) grew by 5.2% in 2018 and slowed slightly to 5.0% growth in 2019. COVID-19 started to have economic impact in the first quarter of 2020, when GDP growth year on year slowed from 5.1% a year earlier to 3.0%. The impact was much greater in the second quarter of 2020, when GDP contracted by 5.3% year on year.

3. The main cause of growth reduction in the first quarter of 2020 and then contraction in the second was lower household consumption, which is the biggest component of GDP. Government consumption and investment also declined. In March, the number of people living below the national poverty line increased to 26.4 million, the first reversal of a downward trend in the poverty rate since 2015.

4. To support government efforts to alleviate the COVID-19 impact on public health, livelihoods, and the economy, the Asian Development Bank (ADB) approved on 23 April 2020 the COVID-19 Active Response and Expenditure Support (CARES) program with financing of \$1.5 billion. Parallel cofinancing worth \$1.5 billion was provided by the Asian Infrastructure Investment Bank, German development cooperation through KfW, and the Japan International Cooperation Agency. Indonesia met all criteria for access to the ADB COVID-19 Pandemic Response Option under the Countercyclical Support Facility: robust macroeconomic management before the COVID-19 crisis, credible and proactive COVID-19 response, pro-poor countercyclical expenditure, and sustainable public debt.

Key Takeaways

- The government has been responsive, as reflected in its decision to allocate \$46.7 billion to COVID-19 response.
- As of 7 September 2020, disbursement of this budget had reached 34%.
- Stimulus programs offer wide coverage and have provided immediate support through existing social assistance programs.
- Social assistance has recorded the highest disbursement rate, at 58.5%, followed by public health at 18.0% and enterprise incentives at 16.5%.
- Ramping up responses and deploying strategies to address implementation challenges, particularly for strengthening the health response, are crucial.

¹ Government Regulation No. 21/2020.

² Among others, Government Regulation in Lieu of Law No. 1/2020 on state financial policy and maintaining financial system stability to mitigate the COVID-19 pandemic and/or other threats to the national economy and/or financial system stability (31 March 2020), Government Regulation No. 23/2020 on the National Economic Recovery (Pemulihan Ekonomi Nasional or PEN) program (9 May 2020), and Presidential Regulation No. 72/2020 (24 June 2020). Government Regulation in Lieu of Law No. 1/2020 was then enacted as Law No. 2/2020 (16 May 2020).

³ Converted at the exchange rate of \$1 = Rp14,900.

⁴ Presidential Regulation No. 82/2020 on the committee for handling COVID-19 and PEN.

5. The program outcome—the COVID-19 outbreak more effectively managed and its social and economic damage mitigated—will be achieved through the following three social, health, and economic outputs: (i) additional allocations to social assistance programs for the poor and vulnerable; (ii) a fund established specifically for COVID-19 prevention and control; and (iii) productive sectors safeguarded and manufacturing workers supported during the economic downturn.

6. This report is the product of ADB monitoring of CARES program implementation and the government's broader implementation of its COVID-19 public health and PEN programs.

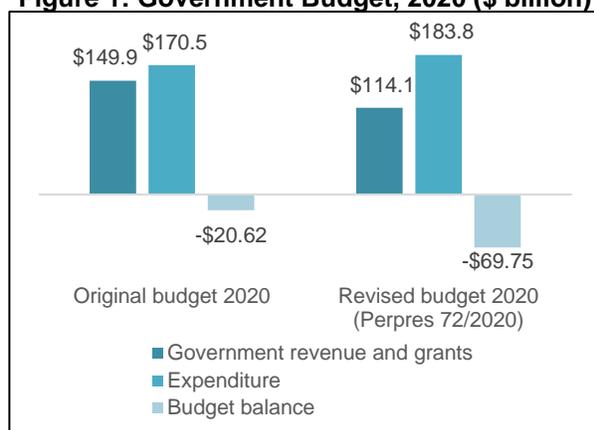
II. COVID-19 PUBLIC HEALTH AND ECONOMIC RECOVERY PROGRAMS

7. The general objectives of the COVID-19 public health and PEN programs are to do the following:

- (i) contain the COVID-19 pandemic while improving treatment for those affected with support for medical workers and COVID-19 patients;
- (ii) mitigate the economic impact of the pandemic on the poor and vulnerable by providing social assistance and preserving jobs; and
- (iii) enact policies to mitigate the economic downturn and build a foundation for restarting the economy, when pandemic management allows, by supporting micro, small, and medium-sized enterprises (MSMEs), among other measures.

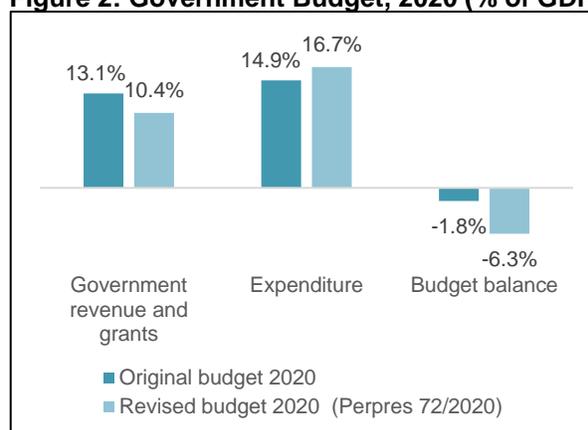
8. The budget for the COVID-19 public health and PEN programs is \$46.7 billion, or a quarter of planned government expenditure in 2020. This changes the government budget in three broad ways. First, planned government expenditure increased by \$13.3 billion, from \$170.5 billion to \$183.8 billion, or by 7.8% (Figure 1). Second, the government reallocated \$33.3 billion to the COVID-19 public health and PEN program budgets, with some reallocations across sectors and others across regions. The net effect was to decrease the combined sector budget by \$4.9 billion and the combined regional budget by \$6.2 billion. Third, the budget deficit more than tripled from the equivalent of 1.8% of GDP to 6.3% (Figure 2).

Figure 1: Government Budget, 2020 (\$ billion)



Source: Ministry of Finance.

Figure 2: Government Budget, 2020 (% of GDP)



GDP = gross domestic product.
Source: Ministry of Finance.

9. Table 1 summarizes the COVID-19 public health and PEN programs and their budgets. Budget allocations are broadly (i) \$5.9 billion for public health, (ii) \$13.7 billion for social

assistance, (iii) \$7.1 billion for sector and regional programs, (iv) \$8.3 billion for MSME assistance, (v) \$8.1 billion for enterprise incentives, and (vi) \$3.6 billion for corporate financing.

Table 1: COVID-19 Public Health and National Economic Recovery Programs

Item	\$ billion (% of budget)	Item	\$ billion (% of budget)
Public Health	5.900 (12.6)	Micro, Small, and Medium-sized Enterprises	8.300 (17.8)
Incentives for medical workers	0.396	Interest subsidy	2.368
Death compensation for medical workers	0.020	Working capital guarantees	0.067
Medical expenses for handling COVID-19	4.416	Return guarantee services ^a	0.336
Subsidy for national health insurance	0.201	Investment financing for cooperatives	0.067
COVID-19 Response Acceleration Task Force	0.235	Fund placement for credit restructuring	5.287
Tax incentives in the health sector	0.607	Final income tax break facility	0.161
Social Assistance	13.700 (29.3)	Enterprise Incentives	8.100 (17.4)
Basic necessities including food	2.926	Income tax relief article 21	2.662
Food social assistance	0.456	Import tax exemption article 22	0.990
Cash social assistance	2.174	Reduction on income tax installments article 25	0.966
Pre-employment card	1.342	Value-added tax refund	0.389
Unconditional cash transfer from village funds	2.134	Reduction in corporate income tax	1.342
Expansion of Family Hope Program conditional cash transfers	2.510	Other economic stimulus	1.745
Electricity discounts	0.463		
Reserved budget for food security	1.678		
Sectoral and Regional	7.100 (15.3)	Corporate Financing	3.600 (7.7)
Job creation programs	1.238	State capital injection	1.503
Housing incentives	0.087	Investment guarantees for working capital	1.393
Tourism	0.255	Fund placement for restructuring labor-intensive enterprises	0.230
Regional transfers for economic recovery	0.336		
Reserve fund for physically specific grant allocations	0.584		
Regional financing facility	0.671	Credit guarantees for corporations	0.470
Reserve fund for expansion	3.951		
Total			46.700

COVID-19 = Coronavirus Disease 2019.

Note: Numbers may not sum precisely because of rounding.

^a This is a service fee paid by government to companies acting as guarantors for MSMEs financing from banks.

Source: Ministry of Finance.

10. The largest item in the budget for COVID-19 public health is \$4.4 billion for medical expenses. From this budget, \$2.6 billion is allocated to four entities: \$1.7 billion to the Ministry of Health, \$0.2 billion to the National Disaster Mitigation Agency, \$0.6 billion to the Ministry of Defense, and \$0.1 billion to the National Police.

11. The main program under COVID-19 social assistance supplies basic necessities including food, with all households listed in the Ministry of Social Affairs unified database for social protection eligible to receive basic necessities from March to November 2020. Further, poor and vulnerable households are eligible for other types of social assistance if they earn less than \$335.60 per month, lost income under the pandemic, and live in Greater Jakarta, regardless of

their formal address as stated on their identification card. Households in similar situations outside of Greater Jakarta are eligible for cash social assistance. All Indonesians older than 18 years old and not currently studying are technically eligible for a pre-employment card, which provides training, though capacity limitations mean that not all can be accepted into the program. Poor households who do not receive basic necessities, food social assistance, cash social assistance, or pre-employment card support are eligible for unconditional cash transfers from village funds.

12. The Family Hope Program, a conditional cash transfer program, was expanded. Households in the Ministry of Social Affairs unified database for social protection—that is, households receiving basic necessities or with pregnant women or children up to 21 years old who have not yet completed 12 years of basic education—are eligible for support under the Family Hope Program.⁵ In addition to these targeted social assistance programs, the government has allocated budget for electricity subsidies and ensuring sufficient food distribution.

13. COVID-19 sectoral and regional programs ensure further public infrastructure and housing development, support tourism, and encourage regional governments to support recovery in their local economies through job creation and support for local MSMEs. The COVID-19 MSME incentive program mainly supports credit restructuring, interest rate subsidies, tax breaks, and other financing assistance to make MSMEs more resilient under economic shocks from the pandemic.

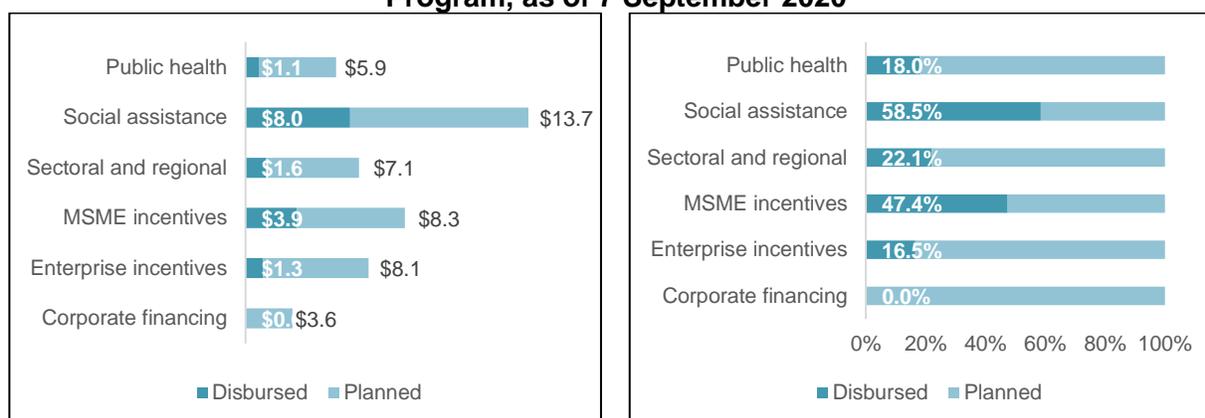
14. The COVID-19 enterprise incentive program aims to reduce the tax burden on enterprises and their employees through income tax relief article 21 for selected employees, exemption from import tax article 22, reduction on income tax installments article 25, value-added tax refunds, and reductions in corporate income tax, while providing other business stimulus. COVID-19 corporate financing programs offer support mostly to large state-owned enterprises as they deal with debt and seek to improve cash flow.

III. MONITORING THE CARES PROGRAM

15. **A third of the COVID-19 budget disbursed.** From budget approval on 31 March 2020 to 7 September 2020, the government disbursed \$15.9 billion of the \$46.7 billion allocated to COVID-19 response (Figure 3). The government plans to disburse the rest of the budget by the end of 2020. The disbursement rate was highest for social assistance programs, at 58.5% of the allocation, followed by the MSME incentive program at 47.4%.

⁵ World Bank. 2017. *Towards a Comprehensive, Integrated, and Effective Social Assistance System in Indonesia*. Jakarta.

Figure 3: Progress in Disbursing the National Public Health and Economic Recovery Program, as of 7 September 2020



MSMEs = micro, small, and medium sized enterprises.
Source: Ministry of Finance.

16. **Accelerating disbursement a key priority.** The government is still exploring ways to expedite disbursement to lagging programs for public health, enterprise incentives, corporate financing, and sectoral and regional support. The disbursement rate as of 7 September 2020 was only 16.5% for enterprise incentives, 22.1% for sectoral and regional programs, and zero for corporate financing. Of particular concern is the low disbursement rate for public health, which representatives from the Ministry of Health explained during a consultation as reflecting lack of procurement readiness and supply-side shortcomings that hinder the procurement of medical equipment and supplies.

17. **Progress on the CARES program on track.** In output terms, the CARES program is generally on track to meet indicators in its design and monitoring framework (Table 2) and gender monitoring matrix (Table 3). Progress is visible across all indicators in the design and monitoring framework, though hindsight shows that targets for the second output of the dedicated COVID-19 fund could have been more ambitious.⁶ Gender budget tagging falls short for lack of gender-disaggregated data.

Table 2: Program Progress Against Design and Monitoring Framework

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks	Update/ Progress ^a
Program effect COVID-19 more effectively managed and its social and economic damage mitigated	a. By April 2022, restored 2019 rates for poverty at 9.4% and unemployment at 5.3% (Baseline: poverty at 12.8% and unemployment at 10.5%, as projected for 2020)	a. Statistics Indonesia	Worsening conditions in international commodity and financial markets exert further downward pressure on	a. The poverty rate was 9.8% as of March 2020, and the unemployment rate was 5.0% as of February 2020 (latest data available).

⁶ The design and monitoring framework was developed in the chaotic early days of the pandemic, when infection numbers and the government's own targets frequently and quickly changed. Uncertainty made it a challenge to set targets that were sufficiently ambitious yet achievable.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks	Update/ Progress ^a
	b. Doubling of cases slowed to 16 days by December 2020 (Baseline: Doubling of cases every 8 days)	b. World Health Organization website daily updates	the economy and government revenue.	b. The doubling rate of confirmed cases in a 7-day rolling period was 40 days as of 7 September.
Outputs 1. Additional allocation to social assistance program households for the poor and vulnerable	1.1 By December 2020, households receiving basic necessities, including food increased to 20.0 million, at least 75% of them headed by women (Baseline: 15.2 million households as of January 2020)	1.1 Quarterly reports from ADB and government policy committee		1.1 Basic necessities were supplied to 19.4 million households. The Ministry of Social Affairs reported that 19.5% of beneficiary households were headed by women. Data on the sex of individual beneficiaries are not yet available.
	1.2 By December 2020, Family Hope Program coverage increased to 10.0 million households, and the amount transferred to households with pregnant women increased by approximately 25% (Baseline: 9.2 million households as of January 2020)	1.2 Annual progress report from the Ministry of Social Affairs		1.2 The Family Hope Program has increased its coverage to 10.0 million households. The amount transferred to households with pregnant women and/or children aged 0–6 years was 25% higher.
2. Dedicated fund established for COVID-19 prevention and control	2.1 By June 2020, a dedicated fund set up and a list of eligible expenditures finalized, including required medical equipment and infrastructure needs (Baseline: dedicated fund not set up and list of eligible expenditures as of January 2020)	2.1 Quarterly reports from ADB and government policy committee		2.1 The budget allocation for medical expenses to handle the COVID-19 program is \$4.4 billion, but the list of eligible expenditures has yet to be made available.
	2.2 By December 2020, full reimbursement of COVID-19 hospital expenses covered by the public health insurance scheme for at least 10,000 visits, with data disaggregated by sex (Baseline: health insurance not covering hospitalization for COVID-19 as of January 2020)	2.2, 2.3, 2.4 Annual progress reports from the Ministry of Finance and Ministry of Health		2.2 By 26 August 2020, \$64.3 million had been paid as partial reimbursement of hospitalization claims totaling \$141 million to about 870 hospitals covering about 36,600 COVID-19 patients. Data on beneficiary gender have yet to be made available.
	2.3 By December 2020, testing for COVID-19 increased to 800,000 people (Baseline: 20,000 in April 2020)			2.3 More than 1.4 million people have been tested for COVID-19.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks	Update/ Progress ^a
	2.4 By December 2020, incentives increased by Rp15 million for specialist doctors, Rp10 million for general practitioners, Rp7.5 million for midwives and nurses, and Rp5 million for other medical personnel (Baseline: no incentives as of January 2020)			2.4 By 26 August 2020, about 110,000 medical workers across the provinces had benefited from this program. There is no information yet on how many of the recipients are medical doctors, nurses, or others, or on individual characteristics.
3. Productive sectors safeguarded and manufacturing workers supported during the economic downturn	3.1 By December 2020, loan interest under the MSME incentive program fully subsidized (Baseline: interest on loans for MSMEs partly subsidized as of January 2020)	3.1, 3.2, 3.3 Quarterly reports from ADB and government policy committee		3.1 Interest subsidy programs for MSMEs are implemented and continue, the subsidy depending on loan size. Information on beneficiaries is with the banks entrusted to implement the program.
	3.2 By December 2020, at least 50% of funds in the national recovery program used to support at least 10,000 MSMEs (Baseline: no national recovery program for MSMEs as of January 2020)			3.2 About 17 million MSMEs have benefitted from MSME incentives. Not enough information is available so far to calculate the percentage of national recovery program funds used to support MSMEs. ^b
	3.3 By December 2020, 6 months of income tax relief implemented for manufacturing workers annually earning less than \$14,000, with at least 75% of women formally employed as manufacturing workers eligible for the relief (Baseline: no income tax relief program as of January 2020)			3.3 Income tax relief has been expanded to more industries outside of manufacturing and extended to 9 months. Income tax relief article 21 implementation has reached only \$107 million, or 4% of its target. About 114,400 of 230,300 eligible enterprises had received benefits as of 3 August 2020. Data on beneficiary gender have yet to be made available.

ADB = Asian Development Bank, COVID-19 = Coronavirus Disease 2019, MSMEs = micro, small, and medium-sized enterprises.

^a Data are to 7 September 2020 unless otherwise noted.

^b Detailed information on how much of the enterprise incentive program budget has been disbursed to MSMEs is not available. Note that the sum of the disbursed MSME incentive program plus production assistance is \$3.9 billion, or 26.4% of the \$14.8 billion disbursed from PEN budget.

Source: Ministry of Finance unless otherwise noted.

Table 3. Program Progress Against Gender Monitoring Matrix

Activities	Indicators/Targets	Responsibilities	Update/Progress ^a
Outcome: COVID-19 response strengthened			
By April 2021, the government implements fiscal stimulus packages totaling \$32.4 billion, with monitoring enabled by gender budget tagging	a. Where appropriate, the government applies gender budget tagging to enable monitoring of its COVID-19 Pandemic Response Plan	Ministry of Finance	a. Gender budget tagging for COVID-19 has yet to be implemented in general. Family Hope Program support is available to poor households in the Ministry of Social Affairs unified database for social protection that have pregnant women or children up to 21 years old who have not yet completed 12 years of basic education.
	b. Where possible, projects to systematically collect sex-disaggregated data that includes beneficiary age, household composition (male or female head and number of dependents), disabilities, ethnicity, and other socioeconomic indicators of interest		b. Information thus disaggregated is not yet available.
Output 1: Additional allocation implemented for social assistance programs for the poor and vulnerable			
1.1 Gender-responsive and socially inclusive messaging disseminated, and food assistance provided	1.1.1 By October 2020, allocations for basic necessities including food increased from Rp150,000 to Rp200,000 for 9 months, ^p benefiting poor women including households headed by women ^c	Ministry of Finance, Ministry of Social Affairs	1.1.1 The value of basic necessities including food transferred increased to Rp200,000 for 9 months. The Ministry of Social Affairs reported that 19.5% of beneficiary households were headed by women.
	1.1.2 Households receiving basic necessities including food increased from 15.2 million to 20.0 million, at least 75% of them headed by women ^d		1.1.2 Households receiving basic necessities including food numbered 19.4 million. Data on beneficiary gender have yet to be made available.
	1.1.3 Family Hope Program beneficiaries increased from 9.2 million to 10.0 million households, ^e at least 90% of beneficiaries women, as indicated by who holds receiving bank accounts ^f		1.1.3 The Family Hope Program has increased its coverage to 10.0 million households. The Ministry of Social Affairs indicated that 12.6% of beneficiary households were headed by women as of 6 August 2020. Data on beneficiary gender have yet to be made available.
	1.1.4 Cash for pregnant women increased from Rp2.4 million to Rp3.0 million per year, for children to Rp3.0 million per year, and for disabled people to Rp2.4 million per year		1.1.4 Cash assistance for poor households in the Ministry of Social Affairs unified database for social protection with pregnant women or children up to 6 years old increased to Rp3.0 million per year. Disabled people have been receiving as much as Rp2.4 million per year from the Family Hope Program.
Output 2: Dedicated fund for COVID-19 prevention and control			
2.1 A coordinated response established to prevent and control	2.1.1 By October 2020, full reimbursement of COVID-19 hospital expenses under the	Ministry of Finance, Ministry of Health	2.1.1 By 26 August 2020, \$64.3 million had been paid as partial reimbursement of hospitalization claims totaling \$141 million to about

Activities	Indicators/Targets	Responsibilities	Update/Progress ^a
COVID-19 and reimburse households for medical expenses	public health insurance scheme, disaggregated by sex		870 hospitals covering about 36,600 COVID-19 patients. Data on beneficiary gender have yet to be made available.
Output 3: Income tax relief implemented			
3.1 Income tax relief implemented	3.1.1 At least 75% of women formally employed as manufacturing workers and making less than \$14,000 annually to be eligible for the program offering 6 months of income tax relief	Ministry of Finance, Statistics Indonesia	3.1.1 Data on beneficiary gender under income tax relief article 21 have yet to be made available. See also Design and Monitoring Framework indicator 3.3.

COVID-19 = Coronavirus Disease 2019, MSMEs = micro, small and medium-sized enterprises.

^a Data are to 7 September 2020 unless otherwise noted.

^b According to a Ministry of Finance press conference on 1 April 2020 in Jakarta.

^c A 2019 survey found that 96% of beneficiaries were women, 16% of them heads of households (https://www.microsave.net/wp-content/uploads/2019/02/190201_BPNT-REPORT_Final_pdf).

^d Previous data suggest that the vast majority of beneficiaries are women.

^e Most receivers are women (<https://setkab.go.id/en/govt-provides-social-assistance-for-people-affected-by-covid-19>).

^f Data from April 2020 show that, of 9,214,143 households in the Family Hope Program, 8,616,758 receive transfers into bank accounts held by women.

Source: Ministry of Finance unless otherwise noted.

IV. EVALUATION

A. Areas with Good Progress

18. **Social assistance programs benefiting 38 million households.**⁷ The expansion of social assistance programs—basic necessities including food, food social assistance, cash social assistance either in or outside of Greater Jakarta, and unconditional cash transfer from village funds—reached some 53% of households nationwide. Social assistance programs still have room to improve their targeting. Information is not yet available on any erroneous inclusion of untargeted households or exclusion of targeted households.

19. **Jobs created by the COVID-19 response partly offsetting pandemic losses.** As of mid-August, 1.8 million jobs had been created under sectoral and regional programs, and 17 million enterprises had benefited from at least one incentive program for MSMEs or enterprises.⁸ Better information is needed on job creation and destruction and on outreach programs to the poor and near poor to enable more agile programmatic responses from the government.

B. Areas for Improvement

20. **Low testing rate clouding the gravity of the situation.** The doubling rate of confirmed cases lengthened from 8 days in March 2020 to 40 days as of 7 September 2020, but this may understate the gravity of the situation.⁹ Low incidence of testing makes it difficult to understand

⁷ Provisional as of 7 September 2020. The number excludes pre-employment card beneficiaries, who are counted as individuals, and it may be prone to double counting as some beneficiaries access more than one social assistance program.

⁸ However, the social security agency reported that, from January to July 2020, 4.9 million beneficiaries temporarily withdrew from its program, presumably because of suspended employment.

⁹ In a 7-day rolling period. See M. Roser, H. Ritchie, E. Ortiz-Ospina, and J. Hasell. 2020. *Coronavirus Pandemic (COVID-19)*. [OurWorldInData.org](https://ourworldindata.org).

fully how many people are infected or to identify outbreak clusters or epicenters. By 7 September 2020, Indonesia had conducted only 5.2 tests per 1,000 population, trailing India at 36.7, the Philippines at 24.8, and Thailand at 6.1.

21. **Lagging redirection of expenditure from general activities to COVID-19 response.** A concern is the slow disbursement of funding to support public health programs. This stems from lagging redirection of expenditure toward pandemic response and from challenges encountered in importing products because suppliers cannot meet requests. Medical equipment to better manage the pandemic and treat patients is necessary to improve and intensify COVID-19 screening and tracing. As the COVID-19 outbreak must be effectively contained before economic and social activities can resume, resolving supply challenges is crucial.

22. **Some COVID-19 social assistance disbursements facing challenges.** Progress in disbursement for the pre-employment card stagnated as design modifications incorporated into the program affected participant intake, and with the program reopening only in August. Disbursement from the reserve fund for food security has also been slow, with funds reallocated to other programs: (i) \$0.3 billion to cash assistance for 9 million households who receive basic necessities but are ineligible for the Family Hope Program; (ii) \$0.3 billion for rice provided to households through the Family Hope Program; (iii) \$34 million to programs to improve fishery productivity; and (iv) \$114 million to programs run by Ministry of Agriculture.

23. **Challenges to expanding support for micro and small enterprises.** Some 17 million micro and small enterprises have received some benefits from the MSME incentive program, but this is far fewer than the 60 million micro and small enterprises estimated to operate in Indonesia. One constraint on expanding coverage under the existing program is that many micro enterprises are not registered with any government or formal financial institution. Statistics Indonesia data on micro and small enterprises in 1998–2015 show as many as 41% of them are operated by female entrepreneurs.¹⁰ A study by the International Finance Corporation found 51% of small enterprises and 34% of medium-sized enterprises owned by women.¹¹ Also noteworthy is that a Statistics Indonesia survey on micro and small enterprises in 2015 found female entrepreneurs tending to hire female workers, which suggests that more than half of the micro and small enterprise workforce is female. Reaching out to and supporting unregistered enterprises, particularly micro and small enterprises, would pay dividends in expanded assistance to women in the workforce.

V. KEY OBSERVATIONS

24. The government's response to COVID-19 has been proactive and is gaining momentum. To accelerate these efforts, more testing, tracing, and treatment are needed, as are (i) better strategies to gauge the effectiveness of government responses toward scaling up successful programs, (ii) overcoming supply constraints in international markets and complex procurement procedures, and (iii) course correction where needed to improve outreach, especially to the vulnerable and informally employed. These are the key observations:

- (i) The government response to the pandemic has been timely. Shortly after the first confirmed case, a new task force was formed to cope with the pandemic. Special

¹⁰ A. Falentina. 2019. *Micro, Small Enterprises and Welfare in Indonesia*. PhD dissertation for Australian National University.

¹¹ International Finance Corporation. 2016. *Women-Owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions*. Washington, DC.

budgets to contain COVID-19 and mitigate damage to the economy were allocated less than a month after the formation of the COVID-19 task force.

- (ii) The COVID-19 public health and PEN programs continue to gain momentum. As of 7 September 2020, fund disbursement for social assistance programs has generally progressed well. More precise information is needed on how effectively programs achieve their targets toward helping poor and vulnerable households.
- (iii) Many enterprises have benefited from the MSME incentive program. Many more still cannot access government assistance, however, because they are not registered with any government agency or formal financial institution. This long-standing issue in the informal economy has been exacerbated by the COVID-19 pandemic.
- (iv) A key problem is low disbursement of COVID-19 public health expenditure, constrained by complex procurement procedures and high demand in the face of inadequate supplies of equipment on the international market, which slowed pandemic response in Indonesia and many other countries.
- (v) COVID-19 testing has been low, as indicated by a daily positive rate of 16% on 7 September 2020, more than three times the World Health Organization recommendation of 5%.¹² Insufficient testing inevitably makes it difficult to estimate the intensity of the outbreak toward optimizing policies to suppress the virus.
- (vi) Information is deficient so far on outreach to vulnerable groups. Strategies are needed to gauge the effectiveness of government responses toward upscaling successful programs, correcting less-successful programs, and improving coverage of women and other vulnerable groups. The expanded Family Hope Program provides financial protection to pregnant women and children in poor households, but existing mechanisms do not comprehensively protect female workers and entrepreneurs.

VI. RECOMMENDATIONS

25. The following actions are recommended to make the government's COVID-19 public health and PEN programs more effective:

- (i) **Accelerating health-care procurement.** Procurement delays in the Ministry of Health require an administrative breakthrough to accelerate public health budget spending and intensify COVID-19 screening and tracing. One option would set up mechanisms to facilitate fund flow, notably through public-private collaboration and partnership, to intensify COVID-19 screening and treatment. As a bonus, this would accelerate future government efforts to, among other things, procure and distribute vaccines.
- (ii) **Data governance.** Data collection and information sharing are crucial to a coordinated approach. Fiscal data are comprehensive, but data on beneficiaries are not readily available or typically disaggregated by gender. The government is

¹² A high percentage of positive test results suggests insufficient testing and high transmission, with many people infected by COVID-19 who have not yet been tested.

encouraged to adopt a national “one-stop shop” by strengthening data cooperation between ministries, especially Finance, Health, Social Affairs, and Cooperatives and Small and Medium-Sized Enterprises. This can be implemented through an existing national initiative on data reform, Satu Data Indonesia.

26. The following actions are recommended to broaden coverage under the government’s COVID-19 public health and PEN programs toward improving outreach to vulnerable groups:

- (i) **Broadening outreach.** The coverage of incentives for MSMEs¹³ could include unregistered beneficiaries by simplifying registration requirements and mechanisms. In the future, business registration could be reconciled with national taxation and business licensing systems.¹⁴ This should complement ongoing government efforts to improve the business climate, which may take more time. Similarly, data from utility providers or the social security agency may be used to channel targeted support in the future.
- (ii) **Collaboration in comprehensive monitoring.** Agile response from the government requires robust and detailed observations from surveys of households, villages, institutions, and enterprises, which are needed for effective monitoring and evaluation of the progress and impact of measures, both fiscal and otherwise. Several agencies are pursuing better data collection and analysis and coordinating these efforts and forging data-sharing agreements would enable the transparent disclosure of outcomes critical to improving accountability and accelerating response efforts.

27. Finally, the following two recommendations aim to improve the monitoring of the CARES program and can be considered for the next report and policy committee meeting.

- (i) **Wider engagement with ministries involved in COVID-19 response.** This would bring onboard the Coordinating Ministry of Economic Affairs and the Ministry of Cooperatives and Small and Medium-Sized Enterprises for the purpose of gathering more information on policies and the implementation of the public health and PEN programs, including the number of beneficiaries under various government programs.
- (ii) **Deeper collaboration with other institutions that regularly collect data.** Institutions with data on households, villages, and enterprises include Statistics Indonesia; other development partners such as the World Bank, the Australia–Indonesia partnership for economic development, and United Nations agencies; financial institutions such as Bank Mandiri and Bank Rakyat Indonesia; and big data companies such as Telkomsel, XL Asiat, Gojek, Grab, and Tokopedia.

¹³ This is a cash transfer to micro enterprises of as much as \$40.30 per month for 4 months. Owners of micro enterprises eligible for this production assistance possess electronic residential identification, have registered their enterprise with any government agency or formal financial institution registered with the Financial Services Authority, and have an account in any formal bank.

¹⁴ Collaboration with mobile phone companies, such as Telkomsel, XL Asiat, and Indosat, would permit the use of their low-tech text message systems, as discussed on 5 August 2020 in a meeting of the ADB COVID-19 Pandemic Response Option subcommittee on Indonesia’s Big Data.