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Monetary Policy and Fiscal Policy for Economic Development in Indonesia

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Abstract

The Covid-19 pandemic is an extraordinary disaster, affecting all sectors and aspects of life globally. It needs government intervention, because it causes a significant increase in opposition to the economic development that is currently being built in Indonesia. The research method used a descriptive approach which was sourced from quantitative secondary data. The results show that there is an effect of monetary policy and fiscal policy on economic development in Indonesia, with the monetary and fiscal stimuli issued by the government. With this stimulus, it was able to boost unemployment and poverty levels so that they did not continue to increase. Monetary policy and fiscal policy are tools for economic development in order to maintain national economic stability and achieve the welfare of the Indonesian people.

Keywords: *The main indicators of economic development, the Covid-19 Pandemic, fiscal policy, monetary policy.*

INTRODUCTION

The main indicator of economic development is the decline in poverty and unemployment rates, with the Covid-19 Pandemic which has hit the world so badly that several countries in the world have experienced a downturn. How is Indonesia's effort to maintain the stability of economic development during the Covid-19 Pandemic?

Suhariyanto stated, based on constant prices in 2010 it reached IDR 2,720.6 trillion. Meanwhile, the Indonesian economy in the third quarter of 2020 compared to the third quarter of 2019 experienced a growth contraction of 3.49 percent (y-on-y). Researcher from the Institute of Development of Economics and Finance (Indef) Rusli Abdullah estimated that the poverty rate in September 2020 rose to 10.34 percent due to the impact of the COVID-19 pandemic. So far, the government has tried to reduce poverty to single digits but because of COVID, poverty will return to double digits.

Based on data from the Central Statistics Agency (BPS), the percentage of poverty for the period September 2019-March 2020 reached 9.78 percent or 26.42 million people. Rusli estimated that the poverty rate in September 2020 increased by 0.56 percent or the same as the increase in poverty rates from September 2019 to March 2020 which reached 1.63 million people (antaranews.com, 2020).

The impact of Covid-19 seems to have begun to be seen in the portrait of the March 2020 poverty rate released by the Central Statistics Agency (BPS) on July 15. The March 2020 poverty rate jumped to 9.78%. This figure increased by 0.56 percentage points from the conditions in September 2019 and 0.37 percentage points from the conditions in March 2019.

In absolute terms, the number of poor people in March 2020 increased by 1.63 million people to 26.42 million people compared to September 2019. This increase is quite large when compared to the last increase that occurred in March 2015. At that time, the poverty rate increased by 0.86 million people compared to the conditions in September 2014.

According to Suhariyanto, the Indonesian economy has officially entered a recession after experiencing minus growth for two consecutive quarters. This is because economic growth was minus 3.49 percent in the third quarter of 2020. Along with that, the Central Statistics Agency

(BPS) reported that the number of unemployed in August 2020 increased by 2.67 million people. Thus, the number of unemployed workers in Indonesia has become 9.77 million people. BPS Head Suhariyanto explained that the coronavirus (Covid-19) pandemic caused the open unemployment rate (TPT) in Indonesia to increase from 5.23 percent to 7.07 percent. So with the pandemic, it can be seen that the open unemployment rate in Indonesia in August 2020 increased by 5.23 percent to 7.07 percent. Or an increase of 2.67 million (Media, n.d.-c).

Suhariyanto explained that when viewed based on location, the number of unemployed in cities increased higher than in villages. In cities, the unemployment rate increased by 2.69 percent while in villages it was only 0.79 percent. The increase in TPT occurred because there was an increase in the number of workers as of August 2020 by 2.36 million people to 138.22 million people. Although there was an increase in the labor force participation rate (TPAK) of 0.24 percentage points to 67.77 percent, there was a decrease in the number of people working. The working population in August 2020 was 128.45 million people, down 0.31 million people compared to August 2019. The employment sector that experienced the largest percentage increase was the agricultural sector (2.23 percentage points). Meanwhile, the sector that experienced the largest decrease was the manufacturing industry sector (1.30 percentage points) (Media, n.d.-b).

He also explained that there was a decrease in the number of full-time workers by 9.46 million workers, on the other hand there was an increase in the number of part-time or semi-unemployed workers by 4.83 million people. Suhariyanto explained that employment to date is still dominated by the agricultural sector with a contribution of 29.76 percent, then trade by 19.23 percent, and the manufacturing industry by 13.61 percent. There was a shift in the number of people working in agriculture, increasing by 2.23 percent, as well as trade, especially retail trade, increasing by 0.46 percent, other services increasing slightly, and health services and information and communication increasing. But it can be seen that almost all sectors have experienced a reduction in the number of people working, especially for the processing industry, there has been a reduction of 1.30 percent. (Media, n.d.-c).

Monetary and fiscal policies are implemented in Indonesia to overcome economic problems that are currently or may occur. Of course, this economic influence will also have an impact on the business world. Economic turnover comes from business transactions, both SMEs and corporations. So business owners need to be aware of the changes in monetary policy and fiscal policy that occur. The impact that is felt directly is the reduction in transactions what happened. During the pandemic, sales of businesses, both SMEs and corporations, dropped drastically. The government, which is struggling to restore the economy, is also starting to struggle. So business owners have to think hard so that their businesses can survive during the pandemic.

Actually, whatever monetary or fiscal policy is implemented, it all depends on how business owners manage their businesses. Because businesses should be able to adapt to the situation that occurs in order to survive and not go bankrupt, which can increase unemployment and poverty rates. Monetary policy is a set of economic policies made to regulate the size and growth rate of the money supply in a country's economy. Monetary policy is regulated in such a way as to help regulate macroeconomic variables. For example, such as inflation and unemployment in a country (Media, n.d.-d).

Bank Indonesia stated that monetary policy is to stabilize the value of the currency at home and abroad. One way is to set interest rates and also control the amount of money circulating among the people. Monetary policy is also taken by Bank Indonesia to influence spending in the economy. Actually, monetary policy is also determined by each country. But these policies differ from each other depending on the conditions of the country. But monetary policy has the same goals in every country, namely ("Implementation of Monetary and Fiscal Policy in Indonesia," 2020): Economic growth and income equality, Employment opportunities, Price stability, Balance of payments equilibrium.

Observing the conditions during the Covid-19 Pandemic, researchers are trying to find out how much influence monetary stimulus policies and fiscal stimulus policies have on economic development, both unemployment and poverty problems in Indonesia.

LITERATURE REVIEW

1. Fiscal Policy

Fiscal policy is an economic policy carried out by the government to manage and direct economic conditions towards a better or desired direction. The method is by changing or renewing government revenues or expenditures. Controlling government spending can greatly assist fiscal policy.

Fiscal policy is closely related to macroeconomics. The reason is that fiscal policy manages a country's economy and also the economic growth of a nation.

The purpose of fiscal policy itself is to achieve stability, the national economy, spur economic growth, encourage investment, open up wide employment opportunities, realize social justice, as a form of equality and distribution of income, reduce unemployment, maintain the stability of prices of goods and services to avoid inflation.

In general, fiscal policy is understood as a policy made by the government to direct a country's economy through government spending and revenues (in the form of taxes). The government implements fiscal policy with the intention of influencing the course of the economy or in other words, with fiscal policy the government tries to direct the course of the economy towards the desired state. Through fiscal policy, among others, the government can influence the level of national income, can influence employment opportunities, can influence the level of national investment, and can influence the distribution of national income.

However, along with its development, of course we really need a deeper understanding, especially related to the theory of this fiscal policy, both the definition, objectives and main functions in an economy and how this policy has been implemented in the Indonesian economy.

Fiscal policy aims to be a means of encouraging economic development such as increasing the rate of investment, encouraging investment, increasing employment opportunities, increasing economic stability amidst international instability, overcoming inflation, increasing and distributing national income.

Fiscal policy aims to increase and spur the rate of investment in the private sector and the state sector. In this context, the government must implement a planned investment policy in the public sector. In addition, fiscal policy provides a solution, namely fiscal policy can increase the incremental savings ratio which can be used to increase, spur, encourage and inhibit the rate of investment.

Fiscal policy aims to encourage socially optimal investment, because this type of investment requires large and fast funds which are the responsibility of the State simultaneously trying to spur the rate of capital formation.

Fiscal policy plays a role in managing expenditures such as by forming a budget to establish state-owned companies and encouraging private companies through subsidies, relief and others so that from these efforts additional jobs are created.

Fiscal policy plays a key role in maintaining economic stability in the face of internal and external forces. In order to reduce the international impact of cyclical fluctuations during the boom, export and import taxes must be applied. Export taxes can absorb windfalls arising from rising market prices. Meanwhile, high import duties on imports of consumer goods and luxury goods are also needed to inhibit the use of additional purchasing power.

Fiscal policy also aims to overcome inflation, one of which is by setting progressive direct taxes supplemented by commodity taxes, because taxes like this tend to absorb most of the additional money income created in the inflation process.

In addition, fiscal policy also aims to distribute national income consisting of efforts to increase people's real income and reduce higher income levels, this effort can be created if there is investment from the government such as the launch of balanced regional development programs in various economic sectors.

According to Boediono, the influence of fiscal policy on the economy can be analyzed in two consecutive stages, namely, first, how a fiscal policy is translated into the APBN, and second, how the APBN affects the economy.

In general, the APBN consists of two main structures, namely revenue and expenditure. Revenue shows where the budget is obtained from (in the APBN structure it is referred to as income). There are four main sources of state income, namely: a). Taxes (in governments rich in natural resources, royalty revenues (not taxes) are also added). b) Loans from the central bank. c) loans from domestic communities and d) loans from abroad.

Expenditure in the structure APBN is translated as spending indicating all government activities that require money/budget for their implementation. The design of expenditure items is always diverse because it is highly dependent on the policies and programs/activities set by the government. But in general all of these items can be summarized in only 3 clusters, namely: a) government spending for procurement of goods and services, b) government spending for employee spending (salaries and allowances), c) government spending for transfer payments, for example, for providing subsidies/direct assistance to the community, pension payments, principal and interest payments, transfers and revenue sharing to local governments.

2. Monetary policy

Monetary policy is a set of economic policies created to regulate the size and growth rate of the money supply in a country's economy. This policy is a measured action to help regulate macroeconomic variables, such as inflation or unemployment. This policy is carried out in various ways, including adjusting interest rates, changing the amount of cash in the market, and buying or selling government securities. This is policy is taken by the central bank or Bank Indonesia with the aim of maintaining and achieving currency stability which can be done, among other things, by controlling the amount of money circulating in the community and setting interest rates. Monetary policy includes policy steps implemented by the central bank or Bank Indonesia to be able to change the money supply or change existing interest rates with the aim of influencing spending in the economy.

3. Implementation of monetary and fiscal policies

Implementation of monetary and fiscal policies depends on the economic conditions of a country. These conditions are influenced by many factors. That is why fiscal and monetary policies are needed to manage the country's economy so that it remains conditioned. Monetary policies implemented in Indonesia include:

(1) Open Market Operations Policy

This is one of the policies taken by the Central Bank to reduce or increase the amount of money circulating in the market. The method used is by selling Bank Indonesia Certificates (SBI) or buying securities on the capital market.

a. Discount Policy

Discount policy is an addition or reduction in the amount of money by changing the discount of commercial banks. The method is when inflation begins to be felt approaching, the Central Bank will raise interest rates. This method will make people interested in saving.

b. Cash Reserve Policy

Cash Reserve Policy is a policy where the Central Bank can increase or decrease cash reserves.

c. Tight Credit Policy

Tight Credit Policy is carried out by commercial banks. So commercial banks can provide credit but with the 5C conditions, namely Character, Capability, Collateral, Capital, and Condition of Economy. With this strict policy, money circulation can be monitored.

d. Moral Encouragement Policy

The moral encouragement policy is carried out by the Central Bank issuing letters, speeches, announcements, etc. in the form of invitations to commercial banks or other monetary actors. The contents are invitations or prohibitions to withhold savings loans or release savings loans.

Fiscal Policy is an action taken by the Government in the field of taxation and state budget with the aim of influencing aggregate economic expenditure (Eva Yunadia, n.d.).

Economic growth or increased economic output according to Solow is influenced by savings, population growth, and technological progress. Savings are an instrument influenced by fiscal policy (tax revenues and state spending affect national savings). Indirectly, fiscal policy plays a role in economic growth. Government decisions regarding fiscal policy taken by a country can change the output in the economy, either increasing or decreasing. (Eva Yunadia, n.d.)

Economic growth is a long-term increase in a country's ability to provide more and more types of economic goods to its population (Todaro MP, 2003). The main factors in the economic growth of each nation consist of three factors, namely capital accumulation, workforce and technological progress (Todaro MP, 2003). The first factor, namely capital accumulation, occurs when part of the income is saved and reinvested with the aim of increasing output and income in the future (Todaro MP, 2003). Capital accumulation includes all types of investments made in land, physical equipment, capital and human resources. The second factor, namely the number of workers, includes the population in a country. The third factor, namely technological progress, occurs because new ways are found in handling traditional jobs such as planting corn, making clothes and building houses (Todaro MP, 2003). Fiscal policy is defined as a policy action carried out by the government, which is related to income and expenditure (Syamsi, 1983). The fiscal policy of the Republic of Indonesia is reflected in the State Budget (APBN).

In the APBN, there is a government determination regarding the allocation and distribution of state finances. Given the urgency of this field in the development of the country's economy. Fiscal policy also affects inflation. Based on the research results (Surjaningsih, N., Utari, G. A. D., & Trisnanto, B., 2012) that the impact of fiscal policy on output and inflation is a condition where an increase in government spending has a positive impact on GDP while a condition where an increase in taxes has a negative impact on GDP. The positive impact of government spending and the negative impact of taxes on GDP are in line with Keynes' theory on the role of government in driving the economy and are in accordance with empirical research in several developed countries. The influence of government spending is more dominant on GDP compared to taxes, indicating that this policy is still quite effective in stimulating economic growth, especially during a recession compared to taxes. The influence of government spending on reducing inflation can likely be explained by the multiplier effect of government spending on investment (including infrastructure) which is greater than routine spending.

Government spending on infrastructure is estimated to improve the distribution of goods and services, thereby contributing to reducing inflation. In Keynes' approach, fiscal policy can drive an economy because increased government spending or tax cuts have a multiplier effect by stimulating additional demand for household consumer goods (fiscuswannabe.web.id, 2013).

Likewise, if the government cuts taxes as an economic stimulus. Tax cuts will increase disposable income and ultimately affect demand. The tendency of households to increase consumption by increasing the marginal propensity to consume (mpc), becomes an economic chain for increasing spending and ultimately output (Silalahi & Ginting, 2020).

Based on the research results obtained, several conclusions are stated as follows: 1. Partially, tax revenue has a positive and significant effect on the Indonesian economy. 2. Partially, the interest rate has a positive and significant effect on the Indonesian economy. 3. Simultaneously, tax revenue and interest rates have a significant effect on the Indonesian economy (Haryanto, 2009).

In conditions of high international oil prices, oil imports will increase production costs and subsequently have an impact on rising prices of goods (inflation). In addition, oil imports will also reduce foreign exchange reserves, which in turn will cause the rupiah exchange rate to weaken against the US dollar. (Nizar, 2012)

Dewianawati argues that based on the hypothesis testing conducted, the research results are as follows: 1. Fiscal policy has no effect on the success of handling Covid-19, 2. Monetary policy has a significant effect on the success of handling Covid-19, 3. Fiscal policy has no effect on the productivity of MSME actors, 4. Monetary policy has no effect on the productivity of MSME actors, 5. The success of handling Covid-19 has a significant effect on the productivity of MSME actors, 6. Fiscal policy has a significant effect on the productivity of MSME actors through the success of handling Covid-19, 7. Monetary policy has a significant effect on the productivity of MSME actors through the success of handling Covid-19 (Dewianawati, 2020).

In implementing development, the Indonesian government faces obstacles in efforts to mobilize funds for development financing. Difficulties in forming capital from within the country have caused the government to seek other alternatives by meeting the shortfall in funds from abroad. Foreign debt as one of the external sources for financing development has a role in overcoming the problem of foreign exchange gap and overcoming the problem of savings-investment gap. In addition, foreign debt can cover the government's budget deficit. However, the development of Indonesia's foreign debt position seen from the amount shows a trend that continues to increase from year to year. This increase is in line with the need for funds for development which is increasingly large and diverse, especially since the government has established deregulation which has caused the debt structure to increasingly shift to private debt dominance so that the burden of foreign debt payments is getting higher. This will have an impact on economic growth. (Hernatasa, 2004)

METHOD

This study uses secondary data sourced from the websites of the Central Statistics Agency of Indonesia, Bank Indonesia, and the Directorate General of Taxes. The type of data in this study is qualitative with quantitative data. Data collection methods, namely: using library research, is a way to obtain data by reading books, journals and articles related to the research variables. This field research was conducted by reviewing documents presented by the Central Statistics Agency of Indonesia, Bank Indonesia, and the Directorate General of Taxes. The data analysis method used to determine the effect of Fiscal Policy and monetary policy on economic growth uses a descriptive method. For the purposes of this study, the researcher chose to use descriptive, namely to explain an event whose operationalization revolves around data collection, data processing and data interpretation that is given meaning rationally while still adhering to the principles of logic so that a holistic conclusion is formed.

Data was obtained through literature studies, by reading and reviewing and analyzing various literature, both in the form of documents, journals, publication data from the Central Statistics Agency of Indonesia, Bank Indonesia, the Financial Services Authority and the Directorate General of Taxes through the official website that issues information relevant to the study. While data analysis is done by reducing, classifying, interpreting and drawing conclusions. One indicator of the success of economic development can reduce the level of unemployment, poverty or inequality. When there are still many economic lives below the poverty line and many unemployed, it means that economic development has not been successful. In economic development, it is not only focused on the problem of developing real national income, but also the modernization of economic activities (Media, n.d.-f).

RESULTS AND DISCUSSION

1. Fiscal and Monetary Policy

To encourage credit distribution and financing for national economic recovery, Bank Indonesia continues to carry out monetary expansion. The impact of this step is increasingly felt, where the growth of broad money supply (M2) in December 2020 increased to IDR 6,900.0 trillion, from IDR 6,817.5 trillion in November 2020. This increase was driven by the narrow money supply component (M1) in December 2020 which grew by 18.5% (yoy), higher than the previous month's growth of 15.8% (yoy). Meanwhile, based on the influencing factors, the increase in M2 in December 2020 was due to net foreign and an increase in government financial expansion. This is reflected in the growth of net foreign assets in December 2020 of 13.6% (yoy), higher than the growth in November 2020 of 10.3% (yoy). The Central Government's net bill also increased from 66.5% (yoy) to 66.9% (yoy) in December 2020 (Monetary Expansion Continues, Broad Money Supply (M2) in December 2020 Increased to IDR 6,900.0 Trillion, n.d.).

Global economic performance continues to show improvement, in line with this, domestic economic improvements continue to take place gradually. Responding to these developments and the assessment results, Bank Indonesia in the Bank Indonesia Board of Governors Meeting (RDG) on 16-17 December 2020 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.75%, the Deposit Facility interest rate at 3.00%, and the Lending Facility interest rate at 4.50%. In addition, Bank Indonesia is strengthening policy synergy and supporting various follow-up policies to build optimism for national economic recovery, through the opening of productive and COVID-19-safe economic sectors, accelerating fiscal stimulus, channeling bank credit from the demand and supply side, continuing monetary and macroprudential stimulus, and accelerating the digitalization of the economy and finance. This is the summary of the December 2020 Monetary Policy Review (TKM) published on Monday, December 21, 2020 (Development of the Rupiah Stability Indicator (January 22, 2021), n.d.).

The development of a number of early indicators in November 2020 confirmed the ongoing improvement in the global economy. The speed of the global economic recovery going forward is influenced by the implementation of vaccinations, increased mobility, and continued fiscal and monetary policy stimulus. Meanwhile, global financial market uncertainty is predicted to decline driven by positive expectations regarding the global economic outlook along with the availability of vaccines (Development of the Rupiah Stability Indicator (January 22, 2021), n.d.).

However, the intermediation function of the financial sector is still weak, as reflected in credit growth in November 2020 which still contracted by 1.39% (yoy), while DPK grew by 11.55% (yoy). Bank Indonesia views that low credit growth is more due to the demand side of the business world, in addition to the perception of risk from the banking supply side. Credit growth has the potential to increase in sectors such as the Food and Beverage Industry, Basic Metal Industry, Leather and Footwear Industry, in addition to a number of priority sectors that support economic growth and exports. Corporate performance in these sectors and in MSMEs has shown improvement, as reflected in the increase in sales indicators and payment capacity in the business world. Bank Indonesia will continue its accommodative macroprudential policy, as well as strengthen policy synergy and coordination with the Government, KSSK, banking and the business world to overcome problems on the demand and supply side in the distribution of credit/financing from banks to the business world in priority sectors. Bank Indonesia predicts that the digitalization trend will continue supported by the integration of the fintech ecosystem. Furthermore, the Payment System policy is directed at strengthening the momentum of national economic recovery, synergy with the government and other authorities, and expanding digital acceptance throughout Indonesia (Monetary Policy Review December 2020 Global and Domestic Economic Performance Improves, n.d.).

2. Indonesian Economic Development

Indonesia's economic growth in the third quarter of 2020 is as follows:

a. The Indonesian economy based on the amount of Gross Domestic Product (GDP) at current prices in the third quarter of 2020 reached IDR 3,894.7 trillion and at constant prices in 2010 reached IDR 2,720.6 trillion.

b. The Indonesian economy in the third quarter of 2020 increased by 5.05 percent (q-to-q) compared to the previous quarter. In terms of production, the highest growth was in the Transportation and Warehousing Business Field at 24.28 percent. In terms of expenditure, the highest growth was achieved by the Government Consumption Expenditure Component (PK-P) which grew by 16.93 percent.

c. Indonesian economy in Q3-2020 compared to Q3-2019 experienced a growth contraction of 3.49 percent (y-on-y). From the production side, the Transportation and Warehousing Business Sector experienced the deepest growth contraction of 16.70 percent. From the expenditure side, the Export of Goods and Services Component experienced the deepest growth contraction of 10.82 percent.

d. The Indonesian economy up to the third quarter of 2020 experienced a growth contraction of 2.03 percent (c-to-c). From the production side, the deepest growth contraction occurred in the Transportation and Warehousing Business Sector by 15.61 percent. Meanwhile, from the expenditure side, almost all components contracted, the Export of Goods and Services Component was the component with the deepest contraction of 7.52 percent.

e. The spatial structure of the Indonesian economy in the third quarter of 2020 was dominated by the group of provinces on the island of Java by 58.88 percent, with economic performance experiencing a growth contraction of 4.00 percent (y-on-y).

f. Economic growth in the third quarter of 2020 in all groups of islands in Indonesia experienced a growth contraction. The provincial group in Bali and Nusa Tenggara experienced the deepest growth contraction of 6.80 percent. Meanwhile, other provincial groups that experienced growth contractions included Kalimantan Island by 4.23 percent, Sumatra Island by 2.22 percent, Maluku and Papua Islands by 1.83 percent, and Sulawesi Island by 0.82 percent.

3. Impacted by Covid-19, Unemployment Increases to 9.77 Million People as of August 2020 The Covid-19 pandemic has had an impact on Indonesian employment.

In August 2020, the number of unemployed in Indonesia increased by 2.67 million to 9.77 million people. This unemployment increased along with the increase in the workforce by 2.36 million to 138.22 million people. Meanwhile, based on the open unemployment rate (TPT) of 7.07%. This figure is up from February 2020 which was 4.99%. The highest TPT is in urban areas at 8.98%, while in rural areas it is 4.71%.

4. 5 Main Focus Points of the Draft State Budget

According to Joko Widodo, the focus of the Draft State Budget is directed at 5 main points, First, strengthening the quality of human resources to create healthy, intelligent, skilled, and prosperous human resources. Second, accelerating the development of infrastructure to support economic transformation, and Third, strengthening social protection programs to address demographic challenges and anticipate the aging population. Fourth, strengthening the quality of fiscal decentralization to encourage regional independence, Fifth, anticipating global uncertainty. By focusing on these five points, and based on the character of an expansive but targeted and measurable fiscal policy, the 2020 budget deficit is planned at 1.76 percent of GDP, or IDR 307.2 trillion. Meanwhile, State Revenue and Grants amounted to IDR 2,221.5 trillion, and State Expenditure amounted to IDR 2,528.8 trillion. (Media, n.d.-e)

5. This is Sri Mulyani's Fiscal Policy Focus to Boost the Economy & Overcome the Impact of Covid-19

Economic growth is threatened to move from a severe scenario of 2.3 percent to a very severe scenario of 0.4 percent contraction. Minister of Finance Sri Mulyani Indrawati delivered the Macroeconomic Framework and Fiscal Policy Principles (KEM-PPKF) for 2021 to the Indonesian House of Representatives in the 15th DPR Plenary Meeting of Session III of the 2019-2020 Session Year on Tuesday (12/5/2020). KEM-PPKF is a document that will be used as a Preliminary Discussion material in the preparation of the 2021 State Budget Draft (RAPBN).

The 2021 KEM-PPKF document was prepared with reference to the Development Direction contained in the 2020-2024 National Medium-Term Development Plan (RPJMN) which has been stipulated through Presidential Regulation Number 18 of 2020 dated January 20, 2020. However, with the occurrence of the global Covid-19 pandemic since early 2020, it has caused the need for fundamental adjustments in the management of the national economy which has an impact on state finances.

Sri Mulyani stated that the 2021 KEM-PPKF was prepared in the midst of the Covid-19 pandemic which reflects various high uncertainties due to the spread of Covid-19 globally, which is still uncertain when and how it will be overcome. According to Sri Mulyani, the pandemic situation and high uncertainty require the government to prepare several scenarios for future economic developments. The first quarter economic growth of only 2.97 percent indicates that there has been a fairly sharp correction. This indicates that heavier pressure will be experienced throughout 2020, which means that economic growth is threatened to move from a severe scenario of 2.3 percent to a very severe scenario, namely contraction or minus 0.4 percent. For this reason, steps and policies for handling the Covid-19 pandemic and its socio-economic impacts must continue to be strengthened and implemented effectively so that further deterioration can be minimized.

Sri Mulyani conveyed that the 2021 fiscal policy carries the theme "Accelerating Economic Recovery and Strengthening Re formation." This theme is in line with the theme of the 2021 Government Work Plan (RKP), namely "Accelerating Economic Recovery and Social Reform", with a focus on development on industrial recovery, tourism, and investment, reform of the national health system and social safety nets, and reform of the disaster resilience system. This development focus is expected to be able to revive the national economic engine which is currently in a growth momentum.

Taking into account all the risks and uncertainties that exist, as well as the potential for global and national economic recovery next year, said Sri Mulyani, the government proposed the range of macroeconomic indicators used as the basis for compiling the 2021 RAPBN as follows: Economic growth: 4.5-5.5 percent, Inflation: 2-4 percent, 10-year SBN interest rate: 6.67-9.56 percent, Rupiah exchange rate: IDR 14,900-IDR 15,300 per US dollar, Indonesian crude oil price: US$ 40-50 per barrel, Oil lifting: 677-737 thousand barrels per day, Natural gas lifting: 1,085-1,173 thousand barrels of oil equivalent per day.

With a focus on economic recovery and the challenges that will be faced in the future, reforms are directed at health, social protection, education, Transfers to Regions and Village Funds (TKDD), and state spending.

The impact of Covid-19 has revealed the need to review the pattern of central-regional relations in implementing national development. The reallocation and refocusing that have been carried out by the central and regional governments in 2020 have made us aware that the APBN and APBD budgets can still be managed better.

Sri Mulyani explained that budget reforms will continue to be carried out through sharpening priority focus (zero-based budgeting), results-oriented (result-based budgeting), and the need for anticipatory allocations (automatic stabilizers) as automatic shock absorbers in facing uncertainty.

1. The 2021 tax policy is directed at, among other things, providing more appropriate incentives, relaxation to accelerate national economic recovery, optimizing revenue through expanding the tax base, and improving customs services and goods extensification excise tax.

2. The 2021 PNBP policy is directed to continue the reform process in line with the mandate of Law No. 9 of 2019 concerning PNBP.

3. The 2021 financing policy is directed to support countercyclical economic stabilization carried out in a measured and careful manner by continuing to maintain sustainable financing sources so that the debt ratio is maintained within safe limits.

2021 is an important year in the national economic recovery process after the Covid-19 pandemic as well as the right momentum to carry out structural reforms so that the Indonesian economy returns to a growth trend. The success of taking recovery and reform steps is an important factor that will determine Indonesia's success in increasing the nation's productivity and competitiveness towards the Vision of Advanced Indonesia 2045. The government expects support, input, and cooperation from all members of the Council in discussing the KEM-PPKF in accordance with applicable laws and regulations (Investasi, n.d.).

6. Percentage of poor population

The percentage of poor population in March 2020 was 9.78 percent, an increase of 0.56 percentage points compared to September 2019 and increased by 0.37 percentage points compared to March 2019. • The number of poor people in March 2020 was 26.42 million people, an increase of 1.63 million people compared to September 2019 and an increase of 1.28 million people compared to March 2019. • The percentage of poor people in urban areas in September 2019 was 6.56 percent, increasing to 7.38 percent in March 2020. Meanwhile, the percentage of poor people in rural areas in September 2019 was 12.60 percent, increasing to 12.82 percent in March 2020. • Compared to September 2019, the number of poor people in urban areas in March 2020 increased by 1.3 million people (from 9.86 million people in September 2019 to 11.16 million people in March 2020). Meanwhile, rural areas increased by 333.9 thousand people (from 14.93 million people in September 2019 to 15.26 million people in March 2020). • The Poverty Line in March 2020 was recorded at IDR 454,652/capita/month with the composition of the Food Poverty Line of IDR 335,793 (73.86 percent) and the Non-Food Poverty Line of IDR 118,859 (26.14 percent). • In March 2020, on average, poor households in Indonesia had 4.66 household members. Thus, the average Poverty Line per poor household was IDR 2,118,678/poor household/month (Central Statistics Agency, n.d.).

The Poverty Line is a minimum expenditure value for food and non-food needs that must be met in order not to be categorized as poor. Poor people are people who have an average expenditure per capita per month below the Poverty Line. Table 3 presents the development of the poverty line kinan in March 2019 to March 2020. The number of poor people in Indonesia in March 2020 reached 26.42 million people. Compared to September 2019, the number of poor people increased by 1.63 million people. Meanwhile, when compared to March 2019, the number of poor people increased by 1.28 million people. The percentage of poor people in March 2020 was recorded at 9.78 percent, an increase of 0.56 percentage points compared to September 2019 and an increase of 0.37 percentage points compared to March 2019. Based on the area of residence, in the period September 2019–March 2020, the number of poor people in urban areas increased by 1.3 million people, while in rural areas it increased by 333.9 thousand people. The percentage of poverty in urban areas increased from 6.56 percent to 7.38 percent. Meanwhile, in rural areas it increased from 12.60 percent to 12.82 percent (Development of Rupiah Stability Indicator (January 22, 2021), n.d.).

In March 2020, the food commodities that contributed the most to GK, both in urban and rural areas, were generally almost the same. Rice still contributed the most, namely 20.22 percent in urban areas and 25.31 percent in rural areas. Filtered kretek cigarettes contributed the second largest to GK (12.16 percent in urban areas and 10.98 percent in rural areas). Other commodities are chicken eggs (4.30 percent in urban areas and 3.72 percent in rural areas), chicken meat (4.13 percent in urban areas and 2.43 percent in rural areas), instant noodles (2.34 percent in urban areas and 2.12 in rural areas), granulated sugar (2.05 percent in urban areas and 2.92 in rural areas), ground coffee & instant coffee (sachets) (1.88 percent in urban areas and 1.87 percent in rural areas), and so on. Non-food commodities that make the largest contribution to both urban and rural GK are housing, gasoline, electricity, education, and toiletries.

What is the big picture of this poverty rate? Here are some facts related to the increase in the poverty rate in March 2020

1) The concept of basic needs

BPS uses the concept of the ability to meet basic needs (basic needs approach) in measuring poverty. This method has been used by BPS since 1998 until now so that the calculation results are consistent and comparable over time (apple to apple).

This concept defines poverty as the economic inability to meet basic food and non-food needs as measured by expenditure. Residents who have an average per capita expenditure per month below a limit called the poverty line are classified as poor.

The poverty line consists of the Food Poverty Line (GKM) and the Non-Food Poverty Line (GKNM). The data source for measuring this expenditure is the results of the Susenas (National Socio-Economic Survey) March 2020.

2) Household consumption expenditure only grew by 2.84%

The growth of household consumption expenditure in the Gross Domestic Product (GDP) in the first quarter of 2020 experienced slowing growth. Household consumption expenditure only grew by 2.84% compared to the same period in 2019 which was 5.02%. This slowdown indicates changes in behavior and economic activity as a result of the Covid-19 pandemic.

3) Urban poor population increased by 13.2 percent

The number of urban poor people in September 2019 reached 9.86 million people, this figure increased to 11.16 million people in March 2020 as a result of the Covid-19 pandemic. This increase is much greater than the increase in the number of poor people in rural areas which was 2.2 percent. This fact shows that the urban population has the potential to be more affected by Covid-19 compared to rural areas.

4) The highest increase in poverty occurred in Java

When viewed by island, the provinces in Java are the first provinces most affected by Covid-19. The increase in the poor population in Java in March 2020 reached 1.5 million people (11.92 percent). The second highest was occupied by the islands of Bali and Nusa Tenggara which increased by 0.04 million people (2.05 percent).

5) The increase in poverty and inequality in Jakarta is the highest

The poverty rate in DKI Jakarta increased by 1.11 percentage points amid the Covid-19 pandemic. From 3.42 percent in September 2019, to 4.53 percent in March 2020. However, the percentage of poor people in Jakarta is still among the lowest in Indonesia. Meanwhile, the Gini ratio in DKI rose by 0.008 points from 0.391 to 0.399 in the same period.

For the record, the Gini ratio describes the level of inequality in the distribution of population income. A coefficient of 0 means perfect equality. Conversely, a coefficient of 1 can be interpreted as perfect inequality.

6) One in ten people almost poor fall into poverty

The almost poor are people who are slightly above the poverty line. This group of people is very vulnerable to falling into poverty due to shocks or shocks. In March 2020, the population of almost The number of poor people was recorded at 19.91 million. This means that an estimated 8.2 percent of the near-poor population fell into poverty due to the Covid-19 pandemic. Many of these near-poor people are also informal workers who are very vulnerable to Covid-19.

7) The poverty depth and severity index worsened

> The poverty depth index, which is a measure of the average gap in expenditure between each poor person and the poverty line, increased from 1.50 in September 2019 to 1.61 in March 2020. The poverty severity index, which describes the distribution of expenditure among the poor, also increased from 0.36 to 0.38.

The Covid-19 pandemic has not only caused the vulnerable poor to fall into poverty, but has also made those who are still poor even deeper and more severe in their poverty. The dynamics of poverty rates in March 2020 are an early indication of the impact of the Covid-19 pandemic on the level of welfare of the population in Indonesia. The hope is that this condition will not get worse in the next few months.

The extraordinary response from the government is very appropriate, one of which is the existence of a social safety net in the context of stimulus for the economic impact of Covid-19. On the other hand, the public is asked to continue to implement health protocols and prevention of Covid-19.

Thus, the government's efforts and optimism coupled with public awareness to work together to restore economic conditions do not seem to be just rhetoric during the Covid-19 pandemic (Taufiq, n.d.).

7. In the Third Quarter of 2020, the Indonesian Economy Experienced a Growth Contraction of 2.03 percent

The Central Statistics Agency (BPS) has released the figures for Indonesia's Economic Growth in the Third Quarter of 2020. The Head of BPS, Suhariyanto in his press release at BPS, Thursday (11/05/2020) the Indonesian economy based on the amount of Gross Domestic Product (GDP) at current prices in the third quarter of 2020 reached IDR 3,894.7 trillion. At constant prices in 2010 it reached IDR 2,720.6 trillion. Meanwhile, the Indonesian economy in the third quarter of 2020 compared to the third quarter of 2019 experienced a growth contraction of 3.49 percent (y-on-y).

So cumulatively, he continued, the Indonesian economy up to the third quarter of 2020 experienced a growth contraction of 2.03 percent (c-to-c). "However, when compared to the previous quarter, the Indonesian economy in the third quarter of 2020 increased by 5.05 percent (q-to-q)," said Suhariyanto again. According to him, the spatial structure of the Indonesian economy in the third quarter of 2020 was dominated by the group of provinces on the island of Java by 58.88 percent. Meanwhile, the economic performance experienced a growth contraction of 4.00 percent (y-on-y). "The group of provinces on the islands of Bali and Nusa Tenggara experienced the deepest growth contraction of 6.80 percent," explained the number one person at BPS.

Meanwhile, he explained, other provincial groups that experienced growth contractions included Kalimantan Island by 4.23 percent, Sumatra Island by 2.22 percent, Maluku and Papua Islands by 1.83 percent, and Sulawesi Island by 0.82 percent. (helmi)(NEWS & www.bisnisnews.id, n.d.)

8. Unemployment and Poverty

Expert Staff to the Minister of Finance for Macroeconomics and International Finance Suminto said that the government had prepared a way to reduce poverty and unemployment due to Covid-19. The method prepared was to budget the National Economic Recovery (PEN) costs of IDR 607.65 trillion from two sides, namely the demand side and the supply side. The demand side is needed so that people's purchasing power is maintained which ultimately reduces poverty, while the supply side is to reduce unemployment. Also read: Impact of Corona, Number of Unemployed

Could Reach 12.7 Million in 2021 "In the context of fiscal policy, we manage the demand and supply side, namely maintaining purchasing power by budgeting a social safety net to hold back the increase in poverty rates. Then we support the business world on the supply side to prevent layoffs (PHK) in significant numbers," said Suminto in a video conference, Tuesday (6/23/2020). Suminto revealed that the government has budgeted IDR 205.20 trillion for the demand side and is targeting more than 40 percent of the Indonesian population to receive social protection, especially for low-income people. Some of the assistance provided are the Family Hope Program (PKH), social assistance (bansos), Pre-Employment Cards, electricity discounts, Direct Cash Assistance (BLT) village funds, housing incentives for MBR, and so on. Meanwhile, from the supply side, the government has disbursed IDR 402.45 trillion to support ultra-micro businesses and MSMEs IDR 123.46 trillion, corporations IDR 169.97 trillion, BUMN IDR 35.15 trillion, local governments IDR 15 trillion, and expansion reserves IDR 58.8 trillion.

The hope is that unemployment and poverty rates can be reduced to a minimum. Currently, the government is projecting a The poverty rate increased to 5.71 million people and unemployment reached 5.23 million people. "The latest outlook issued by the Ministry of Finance was also revised downward, the economy could contract by -4 percent to 1 percent in 2020. That's why in this condition we are adjusting to hold back growth even deeper," he concluded. Previously, the National Development Planning Agency (Bappenas) estimated that there would be an increase in the poverty rate to 10.63 percent due to the corona virus pandemic (Covid-19). There will be at least an increase in the number of poor people by 4 million people if the government does not intervene through social protection programs. Thus, the total poor population is projected to increase from 24.79 million people to 28.7 million people. Also read: Government Suppresses Unemployment Rate So It Doesn't Reach Double Digits Meanwhile, the open unemployment rate is projected to increase by 4 million to 5.5 million in 2020. The sectors that lost the most workers were the trade, manufacturing industry, construction, corporate services, and accommodation and food and beverage sectors. "Regarding the open unemployment rate, it is between 7.7 percent and 9.1 percent in 2021, well that number has increased by 4 million to 5.5 million. And if that continues to happen, it is feared that by 2021 unemployment will reach 10.7 million to 12.7 million," said Suharso in a working meeting with Commission XI of the Indonesian House of Representatives, Monday (6/22/2020) (Media, n.d.-g). 9. Impact of Corona, Number of Unemployed Could Reach 12.7 Million in 2021

Previously, the National Development Planning Agency (Bappenas) estimated that there would be an increase in the poverty rate to 10.63 percent due to the corona virus pandemic (Covid-19). There will be at least an increase in the number of poor people by 4 million people if the government does not intervene through social protection programs. Thus, the total poor population is projected to increase from 24.79 million people to 28.7 million people. Also read: Government Suppresses Unemployment Rate So It Doesn't Reach Double Digits Meanwhile, the open unemployment rate is projected to increase by 4 million to 5.5 million in 2020. The sectors that lost the most workers were the trade, manufacturing industry, construction, corporate services, and accommodation and food and beverage sectors. "Regarding the open unemployment rate, it is between 7.7 percent and 9.1 percent in 2021, well that number has increased by 4 million to 5.5 million. And if that continues to happen, it is feared that by 2021 unemployment will reach 10.7 million to 12.7 million," said Suharso in a working meeting with Commission XI of the Indonesian House of Representatives, Monday (6/22/2020).

Suharso also revealed that the sectors that lost the most workers were the trade, manufacturing industry, construction, corporate services, and accommodation and food and beverage sectors. According to him, for the manufacturing industry itself, out of 18 million workers working in the industry, 9.8 million were laid off and sent home. "Of the 9.8 million, approximately 30 percent were laid off and then more than half were sent home, considering that manufacturing utilization is very low," he said. "Therefore, we hope that the contribution of the manufacturing industry in 2021 can be restored," explained Suharso (Media, n.d.-b). Suharso also estimated that the Open Unemployment Rate (TPT) in 2020 would reach 8.1-9.2 percent. This number is far above the 2019 realization which reached 5.28 percent. While in 2021 it is estimated to reach 7.7 to 9.1 percent. (Media, n.d.-b).

10. 5 Steps to Reduce the Spike in Poverty Rates Due to the Covid-19 Pandemic

The plummeting economic growth and the implementation of social and mobility restrictions in various regions as a result of the Covid-19 pandemic, not only have the potential to result in large-scale job losses, but also increase poverty massively. The CORE Indonesia (Center of Reform on Economics) research institute believes that vulnerable and near-poor people generally work in the informal sector and many are very dependent on government assistance. CORE Executive Director, Mohammad Faisal said that the spread of Covid-19 which is currently concentrated in urban areas has caused the potential for a greater increase in poverty in urban areas.

The next thing to watch out for is the potential for the spread of the outbreak from urban to rural areas cannot be prevented, including by restricting the mobility of people from cities to villages, the spike in the number of Covid-19 cases in rural areas cannot be avoided. The impact is that the potential for an increase in the number of poor people in rural areas will be greater than the prediction above. This means that the burden on the government to overcome the problem of poverty, both through subsidies, social assistance and others, is getting bigger. CORE formulated five recommendations for overcoming poverty due to the Covid-19 pandemic, namely by emphasizing the importance of prioritizing the policies of the Central Government and Regional Governments at this time on maintaining the level of community welfare especially those around the poverty line.

There are five steps to overcome poverty that can be taken, including:

a. Population Data Update

The target recipients of the Family Hope Program (PKH) budgeted by the government during the pandemic are 10 million families with a budget allocation of IDR 37.4 trillion or IDR 3.7 million per year. Meanwhile, the Basic Food Card is targeted at 20 million families with a budget of IDR 43.6 trillion, consisting of IDR 200,000 per month for nine months, including IDR 600,000 for 1.776 million families in Jabodetabek for three months.

In addition, there is a cash transfer from the Pre-Employment Card Program for 5.6 million participants worth IDR 600,000 for four months. In addition, continuing to update data on poor and vulnerable residents who are eligible for social assistance, the government needs to increase the Social Assistance budget and expand the number of recipients of assistance to residents who have fallen into poverty due to Covid-19.

b. Integration of Social Assistance Distribution

In many places, various forms of Social Assistance of different types and amounts have caused social tensions in a number of regions. This is exacerbated by the Social Assistance database, especially the Integrated Social Welfare Data (DTKS), used by local governments that do not yet cover previously unregistered communities whose economic conditions have worsened during the pandemic. One alternative that the government can take is to collaborate with government banks to transfer Social Assistance directly through special accounts for each aid recipient. In addition to being more efficient in distribution, aid recipients do not overlap. In addition, the potential for a reduction in the amount of aid can be avoided.

c. Administered Prices Subsidies

Reducing the burden of community expenditure, especially the poor and near-poor, especially by reducing government-controlled costs (administered prices). Among them:

a) Reducing fuel prices which are one of the largest components of poor people's expenditure (5 percent for the urban poor and 4 percent for the rural poor). Although the current decline in people's mobility has resulted in reduced fuel use, fuel still plays a major role in the mobility of goods (logistics) which remains very crucial during the pandemic. Moreover, the price of crude oil continues to decline to below 25 dollars per barrel. The basic price of fuel below RON 95 should be able to drop to at least around IDR 4,500 to IDR 5,000 per liter. This price has the potential to be lower if the Ministry of Energy and Mineral Resources reduces constant costs (alpha procurement, storage, and distribution) and the margins of fuel distributor companies.

b) Increase the number of households receiving electricity tariff discounts to cover at least all 900 VA customers. Currently, apart from the R1/450VA group (24 million customers) who receive free electricity for three months, the R1/900VA household group that receives a 50 percent discount is only 7.2 million customers out of a total of 22.1 million.

c) Reduce the price of three-kilogram LPG which is mostly consumed by the lower middle class. This is also in line with the sharp decline in the price of propane and butane, the main raw materials for LPG. The price of Aramco propane, which is the reference for calculating the LPG subsidy price, fell from US$430 per ton in March to US$230 per ton in April 2020. Meanwhile, the price of butane fell from US$480 per ton to US$240 per ton in the same period. Therefore, along with the potential decline in the realization of the three-kilogram LPG subsidy budget (Rp 50.6 trillion) this year, the government has enough room to lower the price of the fuel in the range of Rp 1,000 to Rp 2,000 per kg. This decrease will have a significant effect on reducing the cost of living for the community, especially those affected by Covid-19.

d) Providing discounts or free water rates for households, especially in areas implementing PSBB. Many developing countries have adopted this policy, such as Malaysia and Thailand.

Because clean water management is under the control of the Regional Government, and it is time for them to take part in bearing some of the burden on the community by providing discounts or free clean water rates in their areas.

e) Incentives in the Agriculture, Livestock and Fisheries Sectors. Increasing incentives for farmers, livestock breeders, and fishermen through product purchasing schemes by the government and improving the logistics channels for agricultural, livestock and fisheries products needs to be done considering that these sectors continue to produce and face minimal market absorption.

If incentives in this sector are not given immediately and specifically, they have the potential to increase the number of poor people. The agricultural sector is currently still the largest absorber of labor up to 34.58 million people or 27.3 percent of the national workforce as of August 2019.

This will also help the government secure the availability of national food stocks, especially during the pandemic.

f) Careful Management of the State Budget. The increasing government intervention to overcome the pandemic has certainly had an impact on increasing the government's spending budget.

Although there is room to widen the deficit, the government can optimize the reallocation of the budget that has been prepared and implement several alternative policies, including:

(1) Reallocating part of the capital expenditure budget and goods expenditure budget in the State Budget, and carrying out burden sharing between the Central Government and Regional Governments by diverting part of the Transfer to Regions and Village Funds budget, to be allocated as a Social Assistance budget. The government also needs to renegotiate foreign debt payments to foreign creditors, both institutions and countries.

(2) Reallocating the Covid-19 handling budget of IDR 150 trillion (from a total financing of IDR 405 trillion) which was originally intended to support the National Economic Recovery Program, the details of which have not been explained, for social safety-net budget activities and increasing the Covid-19 handling budget.

(3) Reallocating the Pre-Employment Card program budget used to pay for training programs worth IDR 5.63 trillion, which is not relevant to the current needs of the community, especially the unemployed workforce due to layoffs. Moreover, most of the materials offered can be obtained for free on the internet.

Thus, the funds can be allocated to provide social assistance that is more needed by the poor and nearly poor, especially in the form of providing basic necessities (Media, n.d.-a).

11. 2020 State Budget Posture Revised Due to the Corona Pandemic

The government revised the 2020 State Budget posture and details through Presidential Regulation No. 54/2020. Changes in posture cover all indicators in the state budget starting from revenue, spending, deficit and financing. Presidential Regulation No. 54/2020 was released as a follow-up to Perpu No. 1/2020 concerning state financial policy and financial system stability for handling the Covid-19 pandemic.

The government stated that changes in the details of the posture and budget shifts began with changes in state revenue targets. This policy sets the state revenue target this year at IDR 1,760 trillion. The state revenue posture from the original IDR 2,233 trillion to IDR 1,760 trillion, attachment to Presidential Decree No. 54/2020. The tax revenue target was cut from IDR 1,865 trillion to IDR 1,462 trillion. The income tax (PPh) target in Presidential Decree No. 56/2020 changed from the original IDR 929 trillion to IDR 703 trillion. The oil and gas PPh target was reduced from IDR 57.4 trillion to IDR 43.7 trillion. Meanwhile, the non-oil and gas PPh target was cut from IDR 872 trillion to IDR 659 trillion. The changes also apply to the PPh Article 21 deposit target. Presidential Decree No. 56/2020 reduces the revenue target from PPh 21 which was originally set at IDR 163 trillion, down to IDR 139 trillion.

The target for Corporate Income Tax Article 25/29 of Rp323 trillion was also changed in this policy. The latest target, the tax authority is targeted to collect Rp231 trillion from corporate income this year. VAT deposits were also adjusted from the original Rp685 trillion to Rp529 trillion. Domestic VAT is targeted at Rp344 trillion this year. This figure is lower than the initial target of Rp426 trillion. Meanwhile, Import VAT changed from the original set at Rp237 trillion to Rp169 trillion. Furthermore, the Land and Building Tax (PBB-P3) target was cut from the original Rp18.8 trillion to Rp13.4 trillion. Adjustments also apply to government spending. The spending allocation changed from Rp2,540 trillion to Rp2,613 trillion. The budget deficit against gross domestic product (GDP) also increased from 1.76% to 5.07%. (rig)

In dealing with the Covid-19 pandemic, the government has implemented a fiscal policy on state revenues and expenditures to maintain economic growth and economic stability. From the revenue side, the government must pay attention to the contribution of revenues from VAT and Corporate Income Tax which have been the government's mainstay. From the expenditure side, the government must be able to pay attention to the realization of the use of these funds so that they are right on target and prioritize priority activities to prevent the Covid-19 pandemic. To reduce the budget deficit on government financing, it can refocus/revise the existing budget in the APBN to optimize its use during the Covid-19 pandemic (Silalahi & Ginting, 2020).

CONCLUSION

The extraordinary response from the government has been very appropriate, one of which is the existence of a social safety net in the context of stimulus for the economic impact of Covid-19. On the other hand, the public is asked to continue to implement health protocols and prevention of Covid-19. The steps taken by the government, both monetary stimulus and fiscal stimulus, have been able to significantly boost unemployment and poverty in an effort to maintain Indonesia's economic development.

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