

Press  
Release

## ***Bappenas Discuss Covid-19 Mitigation and Investment Strategies for Economic Recovery in 2021***

**JAKARTA** – In order to achieve the growth targets set in the 2021 Government Working Plan, the Minister of National Development Planning/Head of Bappenas Suharso Monoarfa noted that Indonesia's economic recovery efforts must run in sync with its Covid-19 mitigation efforts.

Indonesia's Covid-19 mitigation efforts must focus on reducing the spread rate of the virus, through the cooperation between various parties, namely communities, the central government, and local governments in increasing the number of testing and tracing facilities in all regions so as to reduce the infection rate and dampen the spread, as well as carrying out vaccinations according to the targets set.

"Our economic recovery needs to focus on implementing the appropriate and measurable economic recovery programs such as increasing public and investor confidence in carrying out activities in the country, reforming the healthcare, social protection and disaster mitigation systems, as well as restoring productivity in labor-intensive sectors that were hit heavily by the pandemic, including the industrial and tourism sectors," Minister Suharso said during the *Indonesian Economic Development: Optimism with Smart, Quick and Complete Work* press conference on Tuesday (9/2).

The World Economic Forum stated that 'swoosh-shaped' patterns of growth are the clearest indications of economic recovery. Indonesia is expected to follow this graphical pattern if its Covid-19 mitigation efforts are carried out properly, sensibly, and efficiently and its economic recovery programs are carried out consistently in both central areas and regional areas. Proper Covid-19 mitigation would prevent the formation of "W" shaped graphical trajectories, which signifies a re-spreading of the virus which would cause the economy to contract once again.

In a country with over 270 million people, it would have to take 188 million people over the age of 18 in order to achieve herd immunity. With the exclusion of comorbid, ex-Covid-19 patients and pregnant women, the vaccination target is at 181.5 million people. Herd immunity in Indonesia would require 70% of its population and is estimated to be achieved in March 2022 or 15 months since the first stage of vaccinations took place on January 14, 2021.

However, herd immunity can be accelerated if vaccine availability increases. Economic activity would be able to restart even before herd immunity is achieved, namely when Covid-19 in Indonesia is under control and/or the number of cases decrease. In this case, economic and social activities can start while still implementing proper health protocols.

"What is interesting is that we are struggling to overcome problems to reduce, slow down and curb the rate of case increases. What we are currently fighting for is all regions trying to slow down the increase of cases. If the current reproduction rate is at 1.2, then the target we must achieve is having one below 1 or 0.9, by ramping up vaccination efforts. Doing so will help decrease cases by September of this year," Minister Suharso said.

Statistics Indonesia (BPS) recently released data showing Indonesia's economic growth realization in 2020, which contracted by -2.07%, with economic growth in the fourth quarter of 2020 reaching -2.19% (year on year). This realization is very close to the Ministry of National Development Planning/Bappenas' projection which stated that economic growth in 2020 would be at -2.0%. Indonesia's gross domestic

product (GDP) per capita in 2020 decreased to Rp 56.94 million from Rp 59.06 million in 2019, or US\$4,717 per capita to US\$3,912.

Indonesia's status as an upper middle income country, reflected in its gross national income (GNI) per capita of US\$4,047.6 in 2019, was expected to decline to US\$3,806 in 2020, thereby dragging Indonesia into the Lower Middle Income territory.

The Ministry of National Development Planning/Bappenas projects that to return Indonesia to the Upper Middle-Income territory in 2022, an economic growth of 5.0% per year is required. To encourage this growth in 2021, a total investment into the economy of around Rp 5,817.3 trillion to Rp 5,912.1 trillion was needed. Meanwhile, the realization of investment in 2020 was only at Rp 4,897.78 trillion due to the contracted economy. Thus, in 2021, an addition investment of Rp 919.52 trillion to Rp 1,014.32 trillion was needed so that the economy was able to reach the growth range of 4.5% to 5.5%.

One of the government's methods to help accelerate economic recovery was through the construction of housing and office facilities for the new State Capital (IKN) project in East Kalimantan.

The government believes that the construction of houses and offices at the IKN site will help increase the national economic growth rate by 0.2% on average per year and increase the economic growth rate of East Kalimantan by 2.1%. The development of the IKN will encourage employment of around 1.2 million to 1.3 million people while at the same time realize equitable distribution of development and investment.

"We are providing business opportunities for the private sector at the IKN, but there is a condition: we must have the pandemic under control in our country. The development of the IKN can be one way to encourage investment, which is expected to encourage economic growth after the pandemic, provided that development is carried out after the pandemic is under control, namely by lowering the positivity rate and restraining the rate of case increases so that the virus reproduction rate reaches 0.9," Minister Suharso elaborated.

Social restriction policies, which is one of the strategies to reduce the rate of transmission, have increased the trend of digitalization. Currently, the annual growth of e-commerce sales in Indonesia have increased to 15.4%. Developments in Indonesia can be seen from the total sales of transaction value (gross merchandise value) of the e-commerce sector, which increased by 54% from US\$21 billion in 2019 to US\$32 billion in 2020, with a projected value of US\$83 billion by 2025.

"Companies that have managed to survive the pandemic are also companies that are starting to or have digitized. We see big, small, medium and even micro-scale companies and businesses making the leap towards digitalization," the Minister said.

A joint survey conducted by the World Bank and the Ministry of National Development Planning/Bappenas in 2020 showed that most companies, around 95% of large companies and 75% small companies, have made efforts to digitize their services through the internet, social media and digital platforms to survive the pandemic. The survey results also show that business conditions in the fourth quarter of 2020 looked better than the second quarter of 2020. Up to 73% of companies remained open between June 2020 and October 2020. In fact, 16% of companies that closed in June 2020 were still able to operate in the fourth quarter of 2020 so that by October 2020, as many as 89% of companies could still operate their businesses, while 11% of companies remained closed.

Notably during the pandemic, household consumption saw a positive growth, especially spending on household equipment, health services and education services.

"For the whole of 2020, spending components on health and education rose by 3.09%, housing and

household equipment rose by 2.28% and food & beverage orders (outside of restaurants) grew by 0.51%. The information and communication sector grew positively due to the need for digital media during the Covid-19 pandemic, such as online school activities, companies or offices that mostly work from home, and e-commerce services. This contactless, yet still productive, method and condition is predicted to continue for now," concluded Minister Suharso.



Jakarta, 9 February 2021

Parulian Silalahi  
Head of the Public Relations &  
Executive Administration Department

For more information:  
Kementerian PPN/Bappenas  
Jl. Taman Suropati No. 2 Jakarta 10310

Telepon: (021) 31934283; Faks.: (021) 31901154  
*e-mail*: [humas@bappenas.go.id](mailto:humas@bappenas.go.id)