

Press
Release

***Minister Suharso Underlines Bappenas' Commitment in
Reallocating Funds from the State Capital Project to Help
Indonesia's Post-Covid-19 Economic Recovery***

JAKARTA – During a meeting with the House of Representatives' (DPR) Commission XI, the Minister of National Development Planning/Head of Bappenas Suharso Monoarfa emphasized that the 2020 State Budget was mainly focused on mitigating the spread of Covid-19 in order to minimize the negative economic and social impacts.

"We are better off losing progress for one or two weeks, or even several months or a semester, than lose progress in the following years. So of course, the focus this year is to overcome the impacts of the Covid-19 pandemic," Minister Suharso said.

The Covid-19 pandemic has changed the development plans and strategies for various sectors that have been prepared beforehand by the Indonesian government, one of which are the development targets that are changing in line with changes in work processes.

"The Ministry of National Development/Bappenas itself calculates that this year's economic growth rate will be at 2.3% if the situation lasts until June," Minister Suharso explained. The rate is due to Indonesia's current economic condition, which is able to progress more actively at the beginning of the second semester, and also because of Indonesia's Covid-19 case curve sloping during the second quarter of 2020. This growth target may change along with the length of time it takes to fully mitigate the Covid-19 pandemic.

The Ministry of National Development Planning/Bappenas is also targeting a 1% economic growth rate if cases further fall during the third semester. The economy is projected to grow negatively if the country's case curve flattens out only during the fourth semester of 2020. "We hope that this doesn't happen, because that will severely affect our economy," the Minister added.

Although household consumption, investment, as well as exports and imports are declining, Minister Suharso is optimistic that the economy can still recover, especially with government spending continuing to boost the economy. Not only that, the experience, and protocols that the current government has for dealing with the crisis is much better now than it was during the 1997/1998 and 2008/2009 economic crises. "We can work together to overcome cheaper sources of future financing, similar to the crisis we have faced before," he elaborated.

The government has also taken quick anticipatory steps, including issuing Government Regulation in Lieu of Law (Perppu) no. 1/2020 on Financial Policies and Financial System Stability for Handling the Covid-19 Pandemic, which provides the basis for the government and monetary and financial authorities in crucial policymaking roles.

Minister Suharso also said that there was a need for improvements in several other systems.

"The Covid-19 pandemic provides us with an opportunity to review our current national health, social protection and disaster vulnerability systems as well," he said. Accelerating economic and social recovery requires improving the national health system, one of which is achieved through preventive efforts and increasing the quality of health facilities and equipment. Not only that, the Ministry of National

Development Planning/Bappenas assessed the importance of expanding social assistance programs and perfecting social safety nets for crisis mitigation.

The Ministry of National Development Planning/Bappenas is prioritizing sectors that need the most help in mitigating the impacts of Covid-19 in the 2020 State Budget. This includes diverting priorities regarding the development of the new State Capital (IKN). Minister Suharso said that the construction of the IKN would not be able to commence during the Covid-19 pandemic. All activities are still in the nature of analysis, study, planning and coordination between ministries/agencies, with no physical construction efforts taking place during this time. This is done in order to prepare the IKN project for when the economy recovers and matures again. The preparation of plans and strategies for relocating the State Capital is continued with the efficiency of the budget that has been carried out. "The Ministry of National Development Planning/Bappenas itself has adjusted the budget by cutting the IKN Development's budget by 35%, or around Rp 640 billion," the Minister said.

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