



**Economic Stimulus Package Indonesia, in response to COVID 19  
(as on 1<sup>st</sup> April 2020)**

**Indonesia announces Rp 405 trillion COVID-19 budget, anticipates 5% deficit in historic move**, The Jakarta Post, 31 March 2020

Indonesia will issue a government regulation in lieu of law (Perppu) that will boost state spending by up to Rp 405.1 trillion (US\$24.6 billion) as the budget deficit is anticipated to widen to 5.07 percent of GDP in the nation's fight against COVID-19.

President Joko "Jokowi" Widodo said Tuesday the Perppu would serve as a foundation for the government and banking and financial authorities to carry out "extraordinary measures to ensure the people's health, safeguard the national economy and financial system stability".

Of the extra spending, the government will allocate Rp 75 trillion for healthcare spending, Rp 110 trillion for social protection and Rp 70.1 trillion for tax incentives and credit for enterprises. The biggest chunk, Rp 150 trillion, will be set aside for economic recovery programs including credit restructuring and financing for small and medium businesses.

The relaxation of the state budget deficit limit from the current legal limit of 3 percent of gross domestic product (GDP) will apply for three years until 2022. "Afterwards, we will return to imposing fiscal discipline of below 3 percent of GDP starting 2023," said President Jokowi.

Indonesia's fiscal discipline has been lauded, as the country has never exceeded its self-imposed state budget deficit limit of 3 percent of GDP introduced after the 1998 Asian financial crisis. The move to widen the state budget deficit, the first time in history, comes as Indonesia declared a public health emergency that involves imposing large-scale social restrictions as stipulated in the Health Quarantine Law.

COVID-19 cases in Indonesia reached 1,528 on Tuesday with 136 deaths, just a month after the nation declared it had zero cases.

**Where the extra Rp 405.1 trillion in state spending will go**

Social protection -Rp 110 trillion:

- The budget will prioritize the 10 million families in the family hope program as well as the 15.2 million families in the staple food program.
- The budget for the preemployment card program will be raised to Rp 20 trillion from the initial Rp 10 trillion, which will be sufficient to cover 5.6 million laid-off workers, informal workers and micro and small business owners.
- Social protection funds will also include free electricity for 24 million customers using 450 KVa and 7 million customers using 900 KVa.

Healthcare sector -Rp 75 trillion:

- The purchase of medical equipment such as test kits and ventilators will be prioritized.
- Funds will also be used to provide incentives for medical workers including doctors and nurses.

Tax incentives and credit for businesses -Rp 70.1 trillion:

- Workers in the manufacturing sector with incomes below Rp 200 million per year will be exempt from income taxes for six months.
- Import tax payments will be deferred for six months in 19 manufacturing sectors.
- Overpaid taxes will be repaid without an initial audit.
- The corporate income tax will be reduced from 25 percent to 22 percent.
- Debt payments will be delayed by six months for micro loan credit for businesses affected by COVID-19.

Economic recovery program -Rp 150 trillion:

- Credit restructuring and financing for small and medium businesses, among other businesses.

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