Rehabilitating the tourism sector post Covid-19 pandemic: lesson learnt from Indonesia

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Abstract: This paper aims to review and discuss the initiatives of the Government of Indonesia to rehabilitate the tourism sector post-covid-19 pandemic. The data used was from secondary sources. These data were then reviewed and analysed descriptively to address the study's objectives. The result shows the tourism policies or strategies suggested by international organisations and other past studies do not fit all countries. Three pillars of innovation, adaptation, and collaboration introduced by the government of Indonesia to rehabilitate the tourism sector post-Covid-19 pandemic need to be detailed in terms of action plans and quantitative targets with close collaboration with the private sector and other wide range of tourism stakeholders. Also, decisions to rehabilitate the tourism sector post-covid-19 pandemic must be supported by evidence-based policy research. This study contributes to the importance of international comparative policy research in the tourism field post-pandemic as it is still limited to date.

Keywords: tourism policy; innovation; adaptation; collaboration; post-Covid-19 pandemic; Indonesia.

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1   Introduction

Many studies have firmly confirmed that tourism has made many contributions to economies around the globe. This sector increases physical and digital infrastructure investment, strengthens links between people, promotes entrepreneurship, and stimulates employment. This sector grew steadily from 2008 to 2019, with the number of international tourists increasing from 920 million in 2008 to around 1.5 billion in 2019. The gains were encouraged by the liberalisation of the air travel market, the emergence of budget airlines, and digital and mobile technology innovations that facilitated bookings for accommodations and airfares (ADB, 2022; IMF, 2021; UNWTO, 2022a, 2022b). The contribution given by this sector is not only to high-income economies but also to upper-middle-income economies and lower-middle-income economies as well (Odeleye et al., 2022; OECD, 2020).

Tourism contributed about 15% to Gross Domestic Product (GDP) in Indonesia in 2019. The contribution of this sector to foreign exchange earnings in 2019 was estimated to be more than US 20 billion dollars. This sector also absorbed 12.5 % or 13 million of Indonesia's total national workforce. The industry's increasing contribution to the economy in 2019 was because of the increasing number of foreign tourists visiting Indonesia. The number of foreign tourists in 2019 was about 16.1 million, falling short of the government's target of attracting 20 million tourists. However, this number was still significantly different compared to the number of foreign tourists in 2016, at about 12 million. Bali has been the most significant contributor to foreign exchange earnings at about 40%, followed by Jakarta (30%) and Riau Islands (20%). China was the country's primary international source market (16.0 %), followed by Singapore (13.2 %), Malaysia (10.6 %), and Australia (9.7 %). The average length of stay was 8.6 days. In contrast, domestic tourists increased from 260 million in 2016 to 275 million in 2019 (Central Board of Statistics, 2021; Kata Data, 2021; Kompas, 2020).

The achievement above has improved Indonesia's travel and tourism (T&T) competitive index from 42 in 2017 to 40 in 2019 (see World Economic Forum, 2019 for details). In ASEAN countries, the tourism growth rate in Indonesia was in the second position after Vietnam. The growth rate of Indonesia's tourism was 22.0% in 2019, while the growth rate of tourism in Vietnam was 29.0%. The rest of the Southeast Asian countries, like Malaysia, grew only by 4.0%, Singapore by 5.7%, and Thailand by 8.7%. In comparison to the average growth of the tourism sector in the world, the growth rate of the tourism sector in Indonesia was more than three times higher than the growth rate in the world at about 6.4% (Sutrisno, 2020; Wulandari and Firdausy, 2020).

However, the tourism sector collapsed around the globe due to the coronavirus disease pandemic that broke out at the end of 2019 (Covid-19). Millions of people could not travel due to transport restrictions and health concerns, among other things. Consequently, millions lost jobs and livelihoods (ADB, 2022; OECD, 2020; UNDP, 2020; UNWTO, 2020, 2021). A large number of previous empirical studies also confirmed how the Covid-19 pandemic damaged the economy of many countries (see, for instance, Abbas et al., 2021; Bakar and Rosbi, 2020; Gössling et al., 2020; Gursoy and Chi, 2020; Jamal and Budke, 2020; Kumar and Nafi, 2020; Malra, 2021; Pantaleo and Ngasamiaku, 2021) to name a few.

In Indonesia, there were also a large number of studies advanced in the literature examining the impact of the pandemic on the tourism sector (see, for example, Pambudi et al., 2020; Yakup, 2021; Mangeswuri, 2021; Indonesia Open University, 2021; Purba

et al., 2021; McKinsey and Company, 2021; Mimaki et al., 2022; Atmojo and Fridayani, 2021). The Indonesian Ministry of Tourism and Creative Economy (MOTCE) (2022) officially recorded that the impact of the Covid-19 pandemic made the number of foreign tourists visiting Indonesia in 2020 at about 4.08 million people. This number was only 25% of the total number of foreign tourists before the Covid-19 pandemic in 2019. In 2021 the number of foreign tourists visiting Indonesia declined drastically by 60.9% to roughly 1.6 million. However, the number of domestic tourists in 2021 showed an increase of 12% compared to 2020. Consequently, this sector's contribution to GDP growth slightly improved from 4.1% in 2020 to 4.3% in 2021 (Central Board of Statistics, 2021; Ministry of Cabinet Secretariat, 2021; Kata Data, 2021).

As the Covid-19 pandemic shows a declining trend in the year 2022 (Babii and Nadeem, 2021) and complete vaccination until 7 June, 2022, reached 62.0% of the total population, the MOTCE (2022) is confident the year 2022 is momentum and an opportunity to build back better the tourism sector. This optimism is also supported by the fact that Indonesia has many economic potential tourism resources, ranging from natural richness, panorama beauty, and the richness of cultural products such as dances, musical instruments, culinary, crafts, traditional games, traditional houses, and others which vary from Sabang to Merauke. Also, it is because Indonesia this year is trusted to hold the G20 Presidency or the host of a multilateral cooperation forum consisting of 19 major countries and the European Union. By having these resources, the MOTCE sets the contribution target of the tourism sector to GDP as 10 to 12% in the next 5 to 10 years (MOTCE, 2022).

However, review and discussion on the Indonesian government's initiatives to rehabilitate the tourism sector post-Covid-19 pandemic have not been advanced in the literature. For that reason, the urgency of this study is as follows. First, to complement the literature on policy initiatives addressed by governments in many countries and by international organisations in respect of the tourism industry post-Covid-19 pandemic. Second, to examine initiatives of the government of Indonesia (GOI) to rehabilitate the tourism sector post-Covid-19 pandemic. Third, to provide scientific benefits in enriching studies related to the recovery of the tourism sector during the pandemic, as well as practical benefits in various solutions pursued by the GOI. Fourth, to increase references to international comparative policy research, which has been notably limited in the tourism policy field post-Covid-19 pandemic to date (Kennel, 2020 and the references cited therein).

This paper is organised into four sections. Section 2 addresses the research methods. Section 3 shows and discusses the results of the study. In this Section 3, the results and discussion of the study are grouped into two. The first is the results and discussion related to policy suggested by international organisations and other past studies in rehabilitating the tourism sector in response to the Covid-19 pandemic. Second, the results and discussion concerning policy initiatives addressed by the GOI to rehabilitate the tourism sector post-covid-19 pandemic. Finally, conclusions and implications are given in Section 4.

2 Methods

As mentioned at the outset, this paper aims to review and discuss the government's initiatives to rehabilitate the tourism sector post-covid-19 pandemic by taking Indonesia

as a case study. The data and information used to address this research objective were mainly collected from the online published literature relevant to this study, including articles from reputational journals, national daily reputational newspapers, books, and documents from the government ministries of Indonesia, and International organisations. This indicates that this study did not collect primary data and had no sampling technique as well as research instruments.

However, the search for materials published in the above secondary data sources should have the following criteria. Journal articles, for instance, should be articles that have peer reviewers. While local daily newspapers, books, and other documents, should be published by highly qualified publishers and/or government and international organisations. International reputational journals that were read and reviewed include the *International Journal of Tourism Policy*, *Tourism Review*, *Annals of Tourism Research*, *Journal of Travel Research*, *Journal of Tourism Futures*, *African Journal of Economic Review*, and *Journal of Sustainable Tourism*. Similarly, articles from the local peer review journals selected include *Jurnal Aplikasi Ekonomi, Akuntansi dan Bisnis* (*Applied Economics, Accountant, and Business Journal*), *Jurnal Pemerintahan dan Kebijakan Publik* (*Journal of Governance and Public Policy*), and *Jurnal Media Perencana* (*Journal of Media Planning*).

The source of data and information from the government ministries were the Ministry of Economic Creative and Tourism (MOTCE), the Ministry of Cabinet Secretary, the Ministry of Development Planning, and the Central Board of Statistics. While data and information from international organisations were collected from ADB, IMF, OECD, UNDP, United Nations, UNWTO, World Bank, and WTO. All of the data and information were used to discuss what policy was suggested by the international organisations, what policy was initiated by the government, the statistical record of the tourism sector during the Covid-19 pandemic and its related economic aspects, and what views or opinions were given by the experts in the daily newspapers on policies of the GOI to rehabilitate the tourism sector post-covid-19 pandemic. The data and information collected were analysed by employing the qualitative descriptive method, that is, by reviewing and discussing facts and data given in each source, and further confirmed by other relevant literature (Caelli et al., 2003; Kumar, 2011).

3   Results and discussion

3.1   *Policy suggestions by international organisations*

By reviewing the literature published by international organisations, it was found that many international organisations have not only compiled policy measures introduced by countries, but they also suggested policy measures to rehabilitate the tourism sector in dealing with the Covid-19 pandemic. These organisations include ADB (2022), OECD (2020), IMF (2021), United Nations (2020), UNDP (2020), UNWTO (2022a, 2022b), World Bank (2020), and WTO (2020). The UNWTO (2022a, 2022b), for example, has compiled policy measures to mitigate the effects of the Covid-19 crisis covering 220 countries and territories and more than 30 international and regional institutions. The UNWTO (2022a, 2022b) recorded policies introduced by these countries and institutions focused mainly on mitigating the impact of Covid-19 on tourism and how to restart and accelerate the recovery of the tourism sector in the post-Covid-19 pandemic. The policies

issued by these countries and institutions include fiscal and monetary measures, market intelligence, public-private partnerships, lifting border restrictions, health and safety protocols, restoring confidence to support travel, and promotion campaigns to boost international and domestic tourism demand.

Unlike the IMF (2021), this international organisation grouped its policy measures' suggestions to rehabilitate the tourism sector in tourism-dependent countries (TDCs) into three phases. These three phases are crisis mitigation (Phase 1), Reopening (Phase 2), and Recovery (Phase 3). Similar policy suggestions were also given by the OECD (2020). However, the OECD generally suggested seven key policy priorities, namely, restoring travellers' confidence, supporting tourism businesses to adapt and survive, promoting domestic tourism and supporting the safe return of international tourism, providing clear information to travellers and businesses, and limiting uncertainty (to the extent possible), evolving response measures to maintain capacity in the sector and address gaps in supports, strengthening cooperation within and between countries, and building more resilient, sustainable tourism.

While the UN (2020) specifically suggested five policy priorities for rehabilitating the tourism sector after the Covid-19 pandemic hit it deeply. These five priorities are to manage the crisis and mitigate the socio-economic impacts on livelihoods, particularly on women's employment and their economic security, boost competitiveness and build resilience, advance innovation and the digitalisation of the tourism ecosystem, foster sustainability, and inclusive green growth, and coordination and partnerships to transform tourism and achieve SDGs.

The above policies suggested by the international organisations are useful to be considered by many countries in rehabilitating the tourism sector in response to the Covid-19 pandemic. However, those policies need further examination as the tourism industry differs from country to country. It depends not only on economic growth and the stage of economic development of each country but also on tourism resource potential, global developments, etc., not to mention the political character of the state (Babii and Nadeem, 2021; Bianchi, 2018; Jenkins, 2015). Also, the scope of tourism policies can vary geographically from the national to regional and local levels. For instance, a tourism policy for a city, a resort area, or other destination can be the responsibility of devolved, federated, or local governments (Chaperon and Kennell, 2022; Collins-Kreiner and Ram, 2021; Hale et al., 2020; IMF, 2021; Jenkins, 2015; Kennel, 2020; Odeleye et al., 2022). As stated by Collins-Kreiner and Ram (2021, p.4):

> "No single policy or strategy fits all, as each country has been impacted differently by the pandemic and has its unique characteristics, as reflected in local politics, tourism networks, and actors, society and culture. On the other hand, without an international commitment to sustainable tourism, this sector will not become more resilient and better prepared for future crises."

Thus, caveats apply when introducing a tourism policy for any tourist dependents country.

3.2 Initiatives of the GOI to rehabilitate the tourism sector

The results of the review of documents published by the MOTCE confirmed that the GOI already has a vision and plans for tourism development. The vision is to ensure that Indonesia becomes a competitive and sustainable tourism destination, which stimulates

widespread regional development and improves the welfare of all Indonesians. While the plans have four main aims: (1) to develop safe, comfortable, attractive, accessible, environmentally-friendly destinations: (2) to coordinate high-quality and trustworthy marketing to encourage visits from both domestic and overseas markets; (3) to create a competitive and professional tourism business sector and stimulate partnerships that can play their part in addressing the environmental and social impacts of tourism; (4) to encourage progress towards sustainable tourism development through the active involvement of public agencies, regional government, the private sector, and communities, ensuring that both the regulatory environment and policy measures are effective and efficient (MOTCE, 2019).

To realise those aims, the GOI sets a range of priorities as follows: (1) accelerate infrastructure development; (2) develop attractions to encourage cross-border tourism by neighbours; (3) improve the quality of facilities in destinations by ensuring the availability of tourist amenities such as Automatic Teller Machines (ATMs), foreign exchange businesses, and payment systems; (4) optimise promotional channels using digital techniques; (5) encourage investment and finance for destination development, and (6) establish standard procedures relating to the handling of tourism-related crises and establish a Regional Tourism Crisis Management forum.

However, the above plans were formulated before the outbreak of the Covid-19 pandemic. As the Covid-19 pandemic damaged the tourism sector in Indonesia, the MOTCE reformulates the priorities of policies and programs to rehabilitate the tourism sector. Many suggestions have been advanced in the literature to assist the government in Asia in rehabilitating the tourism sector post-Covid-19 pandemic. Odeleye et al. (2022) indicated at least two recommendations from their studies in 37 Asia economies. First, Asian economies across income groups should advance more policies to stimulate sustainable economic growth. Second, policymakers in upper-middle-income countries should strengthen the link between the tourism industry and sustainable economic growth by building a robust governance framework for proper accountability and remittance.

Further, Mimaki et al. (2022), from their study in Bali (Indonesia) by employing a modified theory of planned behaviour (TPB) model and analysed through the structural equation model approach (PLS-SEM), found that hat subjective norms, perceived behavioural control, push-pull motivation, and tourist satisfaction were significant determinants to predict tourist revisit intention to Bali. However, Pahrudin et al. (2021), by employing the same theory and method of analysis found that the decision of tourists to visit a local destination post- Covid-19 pandemic was influenced by attitude and perceived behavioural control, while the variable subjective norm was found to be insignificant to variable intention to visit a destination. This study suggests that tourism operators and the government should establish information the Covid-19, campaigns about Non-Pharmaceutical intervention (NPI), and health consciousness during the Covid-19 pandemic while taking a trip for the tourist, passengers, or guests. Policy suggestions were also given by McKinsey and Company Indonesia (2021). This organisation highlighted 10 suggestions to the government of Indonesia to rehabilitate the Indonesian economy. However, for the tourism industry, McKinsey and Company Indonesia (2021) mainly addressed the importance of promoting domestic tourism and addressing infrastructure gaps.

There is no doubt that there is a long list of suggestions in the literature to rehabilitate the tourism sector post-Cocid-19 pandemic recovery in Indonesia. However, the policy response given by the officials can be grouped into three pillars, namely, innovation,

adaptation, and collaboration within the tourist sector and with other sectors (Ministry of Cabinet Secretariat, 2021; Ministry of Foreign Affair, 2022; MOTCE, 2022).

The MOTCE (2022) introduced at least four initiatives for innovation and adaptation pillars. The first is the pivoting initiative. This initiative aims to solve the declining occupancy rate of hotel accommodations due to the Covid-19 pandemic. This is done by suggesting hotels change their business strategies to use digital technology and provide services other than rooms to stay in (e.g., providing catering and/or yoga class facilities). The second initiative is encouraging the hotel industry to position the hotel instead of just a place to stay. Hotels are suggested to be comfortable places to travel (staycation), a place to work like home (WFH), provide special promotions and packages, and be equipped with a CHSE (Cleanliness, Healthy, Safety, and Environmental Sustainability) certificate. By implementing these ways, tourists staying in the hotel feel more secure and comfortable.

The third initiative is contactless conditions. Hotels must provide services that keep their distance and limit direct contact with tourists or visitors. Any services provided by the hotels need to be managed by employing digital technology (e.g., online bookings, transfer payment, and grab-and-go facilities for visitors). The fourth initiative is to continue to improve the quality and the quantity of both hard and software infrastructures, especially in five super-priority tourist destinations in Indonesia, namely Borobudur, Likupang, Mandalika, Lake Toba, and Labuan Bajo on the one hand, and to optimise the present contribution of tourist villages to economic activities in villages on the other hand.

Regarding the collaboration pillar, the MOTCE (2022) introduces various collaborative initiatives with the Ministries, the tourism business sectors, and other stakeholders. Several examples of programs under collaboration initiatives include the standardisation of health protocols by providing CHSE certificates, providing tourism grants, providing training and webinars, vaccinating hotel workers and other workers who work in the tourism sector, promoting the "Be Proud to Travel to Indonesia" campaign and the "Be Proud to Buy Indonesian-made Products" campaign, promoting the "Indonesia Care/I Do Care" programs to ensure the safety of travellers at the tourism establishments, easing of travel regulations, open borders without quarantine, collaboration with foreign influencers to increase foreign tourists' confidence visiting Indonesia, and collaboration with the Covid-19 Task Force to conduct massive and broad vaccination activities among the people who are in direct contact with the tourism sector.

Another important initiative under the collaboration pillar is the initiative to promote synergy between the MOTCE and the Ministry of Cooperatives and Micro, Small, and Medium Enterprises. This synergy is important because the tourism and creative sector and MSMEs are significantly intersected. Approximately 97% of employment in Indonesia is in the MSMEs sector, and 70% of the tourism and creative economy actors are MSMEs. A synergy initiative is also developed with the Directorate of Taxation-The Ministry of Finance to simplify further the tax code, which has been difficult for MSME actors in the tourism sector to understand.

Furthermore, to support the G20 Indonesia Presidency, the MOTCE launches the flagship program in 2022, namely, the Indonesian Tourism Villages Award (ADWI) 2022, Creative Regencies/Cities (KaTa) 2022, and the Indonesian Creative Appreciation (AKI) 2022. These three programs are expected to push opportunities for economic revival and make Indonesia a world-class tourism destination. There will also be various side events in many regions in Indonesia to support the G20 Indonesia Presidency event.

The delegates are expected to enjoy the beauty of Indonesia, including visiting Indonesian tourism villages and enjoying creative economy products in various creative regencies/cities.

To support the above initiatives to rehabilitate the tourism sector, the central government continues to provide financial assistance and incentives for the tourism and creative economy sectors. Of the total National Economic Recovery (PEN) budget of IDR 455.62 trillion (US$ 32.5 billion) in 2022, about IDR 13 trillion (US$ 0.93 billion) is allocated to support the development of the national tourism strategic areas and to improve human resource development in the tourism sector. The above amount is greater than in 2021 at about IDR 7.67 trillion (US$ 0.55 billion). While the allocation for incentives in 2021 was IDR 60 billion or approximately US$ 4.3 million. This amount was almost three times higher than in 2020, which amounted to IDR 24 billion (US$ 1.71 million). The incentives were given to seven targeted sectors in the creative economy, including app developers, game developers, handicrafts, fashion, culinary, film, and tourism sectors, as well as a disbursement for the Government Assistance for Tourism Business (BPUP) and hotel rooms to accommodate health workers (Kontan, 2022).

In addition, the Central Government has provided another IDR 3.3 trillion (US$ 0.23 billion) of grants to the tourism sector to be given to regional governments to minimise the economic impacts of the Covid-19 pandemic in 2020. The grant amount was increased to IDR 3.7 trillion (US$ 0.26 billion) in 2021. This grant is used to help the tourism industry, hotels, and restaurants in each regional government as the pandemic leads to a decline in the region's generated income (PAD). The grants are disbursed directly to the regional governments and tourism industry in 101 regencies/municipalities that meet the following criteria. The criteria for the grants are as follows: (1) the capital city of 34 provinces is located in 10 priority tourist destinations, and five super-priority tourist destinations; (2) the regions that are among the 100 calendars of event and tourism destination branding; (3) Tax revenue from hotels and restaurants in that region must at least contribute 15% of the total PAD for the 2019 fiscal year.

Furthermore, the Ministry for Foreign Affairs in collaboration with Universitas Indonesia's School of Strategic and Global Studies (SKSG UI), launched a booklet entitled "Post-pandemic Indonesian Tourism, Market Recovery, and Cooperation with the Americas: The Need for National Consolidation". This booklet is expected to be a reference for all parties in efforts to restore Indonesian tourism, especially through cooperation with countries in the Americas. Also, it aims to encourage nationally aligned policies and appropriate information dissemination strategies to attract foreign tourists. This idea was learned from Mexico in restoring its tourism sector, including arranging tour packages supervised by public authorities and vaccination priorities for workers in the tourism industry (Ministry for Foreign Affairs, 2022).

However, implementing the three pillars and other official policies and programs above is easier said than done. Challenges that need to be given serious attention include infrastructure, destination development, marketing, the coordination of the tourism sector, and the significant influence of culture and values. Regarding infrastructure, for instance, there is currently a lack of suitable higher education institutions to provide a well-trained workforce for the tourism sector. Also, there are still problems related to fragmented or uncoordinated activity in some regions and the sector more broadly. Destination development is also challenging because of the physical nature of the country, natural weather-related phenomena (e.g., floods), difficulties with connectivity

and basic infrastructure, and the need for greater investment. Other challenges related to marketing issues include the need for more effective coordination of promotional activity using marketing partnerships. The industry itself needs to strengthen the connection between business sectors and, in general, individual businesses need to take more responsibility for their environmental impact (see also Airey, 2015; McKinsey and Company, 2021; Atmojo and Fridayani, 2021).

It is true that the government of Indonesia indeed has a legitimate role in formulating recovery policies and programs in respect of its tourism industry in response to the Covid-19 pandemic. However, the role of government should be essentially one of 'steering and not rowing' (Kennel, 2020; Kompas, 2020; Kontan, 2022). The reason is partly that the private sector and other stakeholders know best how to grow the tourism industry. If not, there will be a disconnection between what the government thinks should happen in a destination and the needs and aspirations of its tourism stakeholders (Hassan et al., 2020). A lack of consensus around issues, limited industry support for policy objectives, and generally poor buy-in can lead to delays in implementation or eventual failures. This disconnect between the policy intention and outcome is often referred to as the 'implementation gap. Even with industry support, successful outcomes are often hampered by uncertain or inconsistent funding streams, the influence of local politics, or more significant changes as a result of national elections, which encourage short-termism (Chaperon and Kennell, 2022). Thus, evidence-based policy research and the involvement of stakeholders other than the government is a must to rehabilitate the recovery of the tourism sector post-Covid-19 pandemic.

4 Conclusions and implications

This study confirms that policies and programs suggested by international organisations and other past studies outside Indonesia cannot be generalised to be implemented in Indonesia. Similarly, the GOI's three pillars of policies and programs formulated to rehabilitate the tourism sector post-Covid-19 pandemic need to be adjusted not only to the tourism resource potential but also to other uniqueness of characteristics or features of tourism destinations in provinces, municipalities, and cities in Indonesia. Also, the GOI needs to give serious attention to issues of governance, destination development, marketing, and the coordination of the tourism sector and make the confidence of tourists to visit tourist destinations in the post- Covid-19 pandemic.

Furthermore, in making the initiative to rehabilitate the tourism sector in the post-Covid-19 pandemic, the private sector and other stakeholders must be involved. This is not only because they know best how to grow the tourism industry, but more importantly, because tourism policy is rarely without its challenges. Also, evidence-based policy research must be done before any initiative to rehabilitate the tourism sector in the post-Covid-19 pandemic is made. This is useful to avoid fallacies in making policy decisions on the one hand and to make the initiatives well implemented in place to attain successful outcomes on the other hand. Finally, apart from policy lessons that can be learned from this Indonesian study, this study also contributes to increasing international comparative policy research in the post-pandemic tourism field as this research object is still limited to date.

Acknowledgements

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