

# RIETI BBL Seminar Handout

---

“Jokowi's economic policy:  
What will it take to reach sustainable development?”

March 11, 2016

Speaker: Dr. Fauziah ZEN

# 2015 Macroeconomic Performance Show Positive Indicator



Positive development despite external pressure

## GDP Growth YoY %; Source: BPS

	2014	2015		2014	2015
HH. Cons	5,2	5,0	Agriculture. Forestry. Fisheries	4.2	4.0
Non Profit HH Cons	12,2	-0,6	Mining Industries	0.7	(5.1)
Govt. Cons	1,2	5,4	Industrial Processing	4.6	4.2
Investment	4,6	5,1	Construction	7.0	6.6
Exports	1,0	-2,0	Big traders and Wholesale and Retail; Automotive Repair	5.2	2.5
Imports	2,2	-5,8	Transportation & Warehouse	7.4	6.7
<b>Indonesia GDP Growth</b>			<b>2014 : 5,0</b>		<b>2015 : 4,8</b>

## Trade USD Juta; YoY; Source: BPS

	2014		2015	
<b>Total Trade</b>	<b>-2.199 (deficit)</b>		<b>7.513 (surplus)</b>	
<b>Exports</b>	<b>175.980</b>	<b>• 3,6%</b>	<b>150.253</b>	<b>• 14,6%</b>
<b>Imports</b>	<b>178.179</b>	<b>• 4,5%</b>	<b>142.740</b>	<b>• 19,9%</b>
<b>Non Oil &amp; Gas</b>	11.242		13.574	
Exports	145.961	• 2,6%	131.701	• 9,8%
Imports	134.719	• 4,7%	118.127	• 12,3%
<b>Oil &amp; Gas</b>	-13.441		-6.061	
Exports	30.019	• 8,0%	18.552	• 38,2%
Imports	43.460	• 4,0%	24.613	• 43,4%

## Direct Investment YoY Growth; Source: BKPM

	2014	2015
<b>TOTAL</b>	• <b>16,2%</b> Rp. 463,1 T	• <b>17,8%</b> Rp. 545,4 T
<b>DDI</b>	• <b>21,8%</b> Rp. 156,1 T	• <b>15,0%</b> Rp. 179,5 T
<b>FDI</b>	• <b>13,5%</b> Rp. 307,0 T	• <b>19,2%</b> Rp. 359,9 T

## Inflation YoY, YTD; Source: BPS

	2014	2015
<b>CPI</b>	<b>8,36%</b>	<b>3,35%</b>
CORE INF.	4,93%	3,95%
VOL. FOOD	10,88%	4,84%
ADM. PRICE	17,57%	0,39%

## Balance of Payment USD Bin; Source: BI

	2014	2015
<b>Balance of Payment</b>	6,5	-4,6
<b>Current Account (% to GDP)</b>	-7,0 3,02%	-4,0 1,95%
<b>Capital &amp; Financial Account</b>	14,7	1,2
<b>Foreign Reserve Per Desember</b>	111,8	105,9

# Indonesia's Growth Fundamentals Remain Healthy

Stable growth on the back of household consumption, bolstered by ongoing shift from commodity-based economy to value-adding sectors and investments



GDP Growth by Sector (% YoY)	2013	2014	2015				Yearly
	Yearly	Yearly	Q1	Q2	Q3	Q4	
Agriculture, Forestry, and Fishery	4.2	4.2	4.0	6.9	3.3	1.6	4.0
Mining Industries	1.7	0.6	(1.3)	(5.2)	(5.7)	(7.9)	(5.1)
Industrial processing	4.5	4.6	4.0	4.1	4.5	4.4	4.2
Construction	6.1	7.0	6.0	5.4	6.8	8.2	6.6
Big traders and Wholesale and Retail; Automotive Repair	4.7	4.8	4.1	1.7	1.4	2.8	2.5
Transportation and Warehousing	8.4	8.0	5.8	5.9	7.3	7.7	6.7
Information and Communication	10.4	10.0	10.1	9.7	10.7	9.7	10.1
Other Services <sup>1</sup>	6.4	8.9	5.7	6.0	5.9	TBC	5.9
<b>GDP</b>	<b>5.6</b>	<b>5.0</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>	<b>4.8</b>

Source: BPS  
Estimated

1. Other services consist 10 sectors (according to SNA 2008)

- Primary sector showed weakened performance due to bearish condition of the commodities market, particularly in mining.
- Industrial processing sector grew slower due to contraction in external trade growth. This will become the main focus for the Government's industrialization efforts
- Slower growth in trading sector was notable due to negative growth of import and export
- Strong growth of construction sector was resulted from government capital expenditure which increased in 2H15

# Indonesia's Growth Fundamentals Remain Healthy

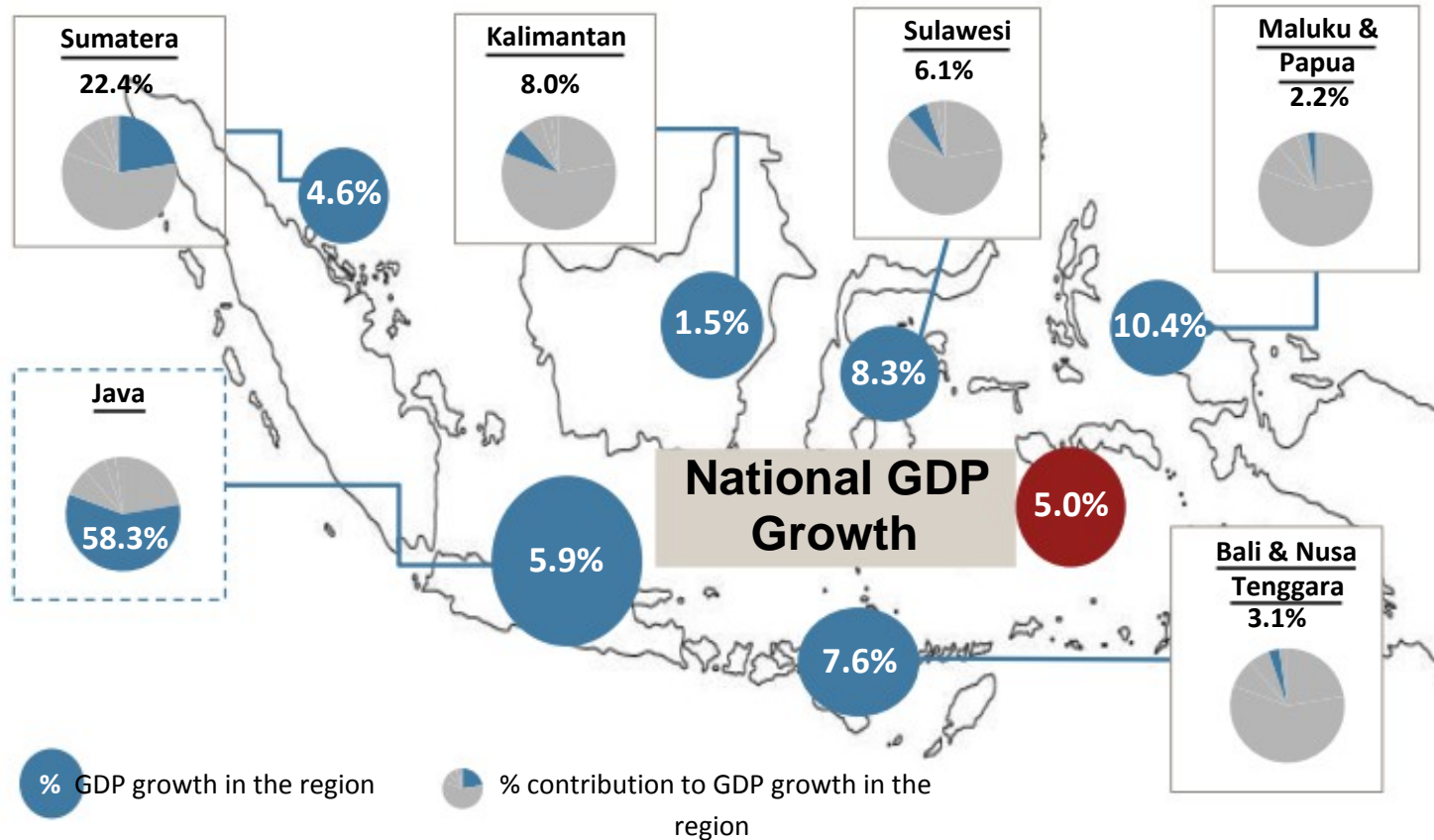
The majority of growth contribution is still coming from Java, an industrialized and consumption-based region



Source: BPS

1. Others include statistical discrepancy and net export and import
2. HH consumption include non profit consumption

## GDP Growth Contribution by Region (Q4 2015)



**Majority of Indonesia's growth was driven from Java island**

**Growth in Java is higher than resource-rich regions such as Sumatra and Kalimantan, given its high industrialization and larger consumption base**

**Indonesia continues to drive growth in resource-based industrialization to shift from commodity-based economy**

Source: BPS

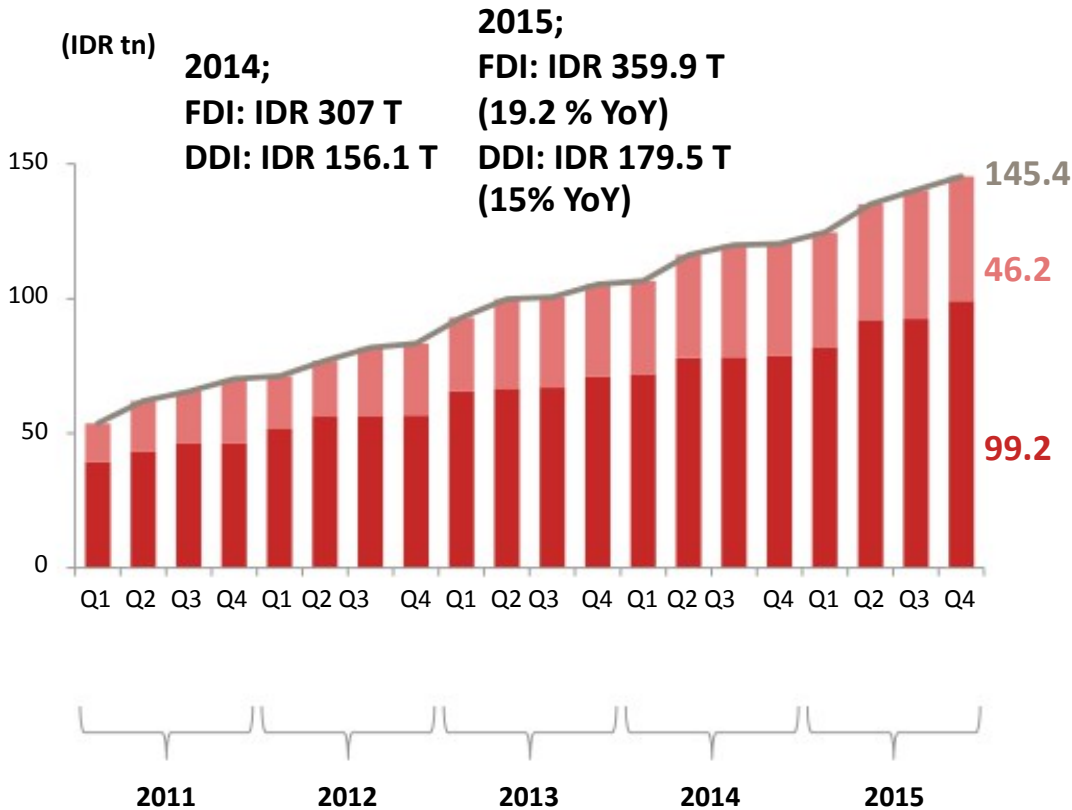
**The Government of Indonesia is committed to shift from resource-based economy to manufacturing and value-adding sectors through policy reforms, tax intensification and other new breakthroughs**

# Strong Macroeconomic Fundamentals Amidst Policy Adjustments

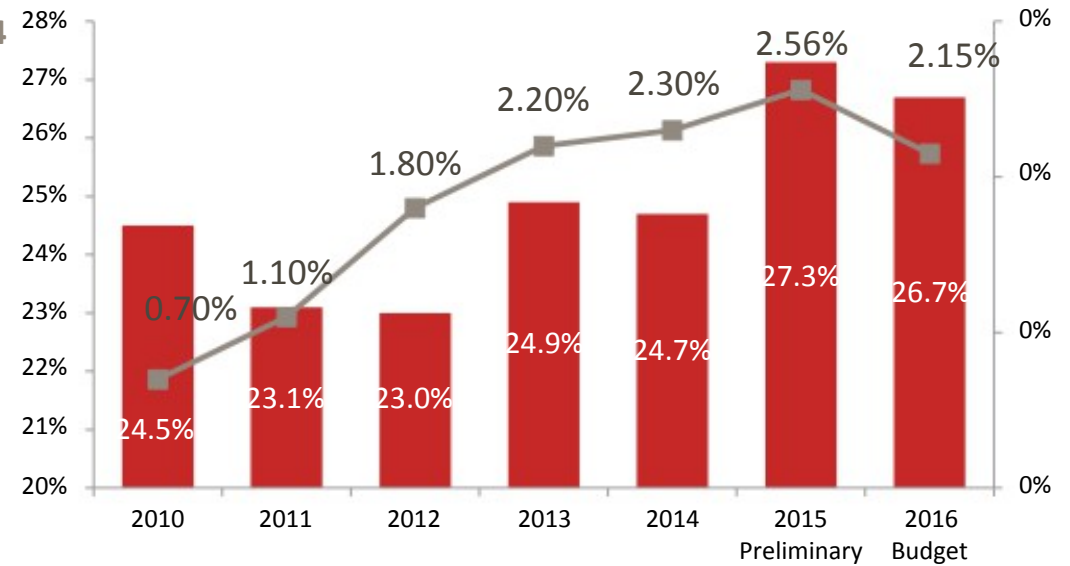
Macro indicators remain robust despite external pressure and policy adjustment initiatives



## Rising Direct Investments



## Well Balanced Debt and Fiscal Deficit Management



Source: Ministry of Finance

Source: BKPM

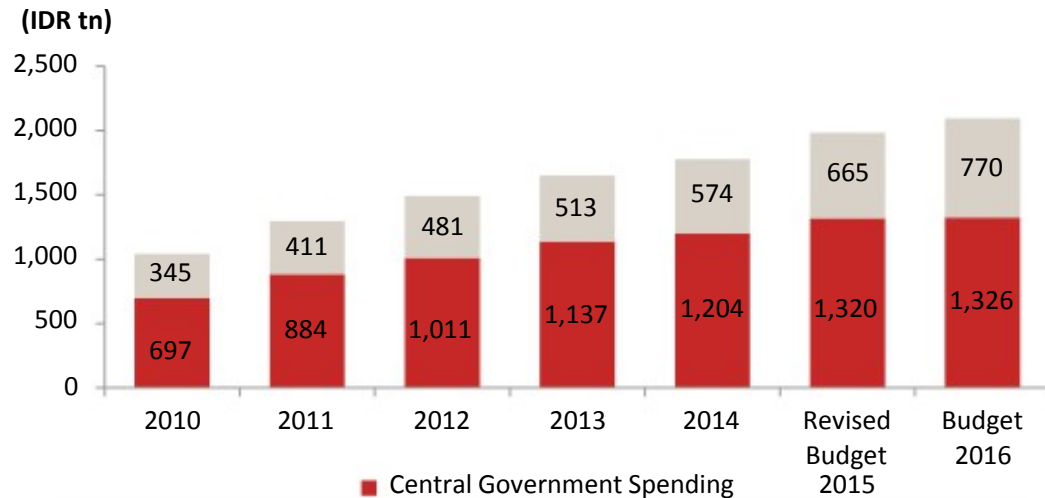
Total Investment realization in January - December 2015: IDR 545,4 T, increases around 17,8% from that in January - December 2014 (IDR463,1 T)

# Improvement in Budget Implementation Supports Sustainable Economic Growth



Re-allocation of energy subsidy to productive sectors and rural development, while modernizing procurement system

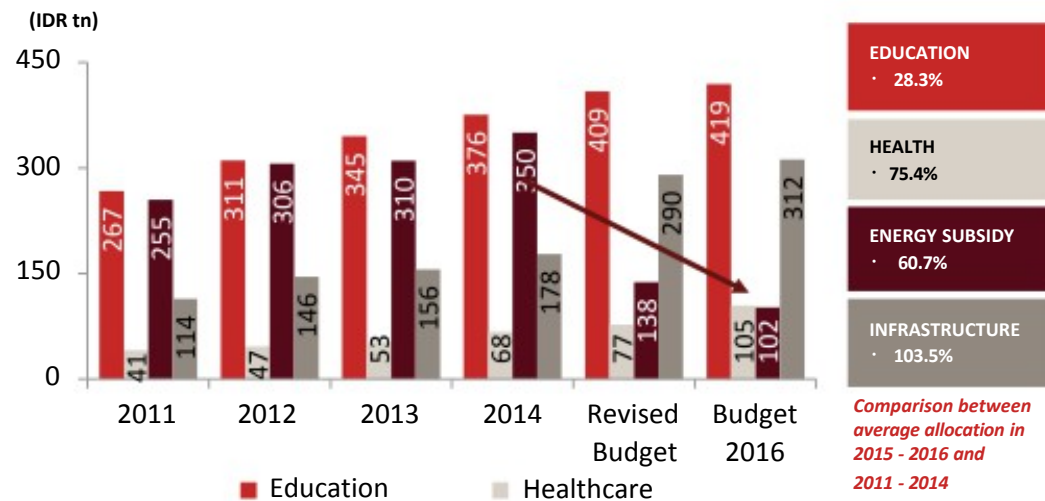
## Government Spending grew 11% CAGR from 2010 - 2015 with Regional Transfer and Village Fund Allocation Outgrowing Central Government Budget



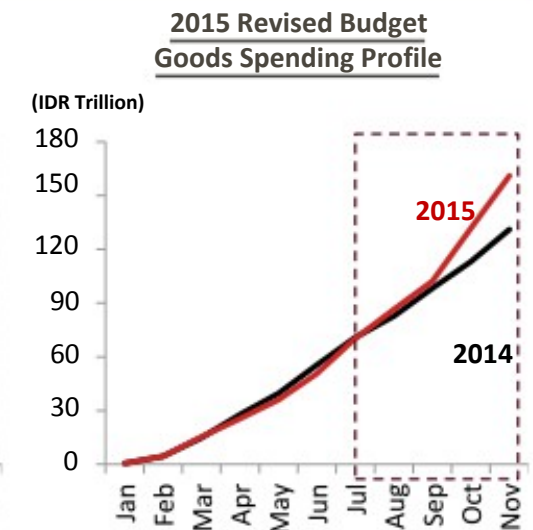
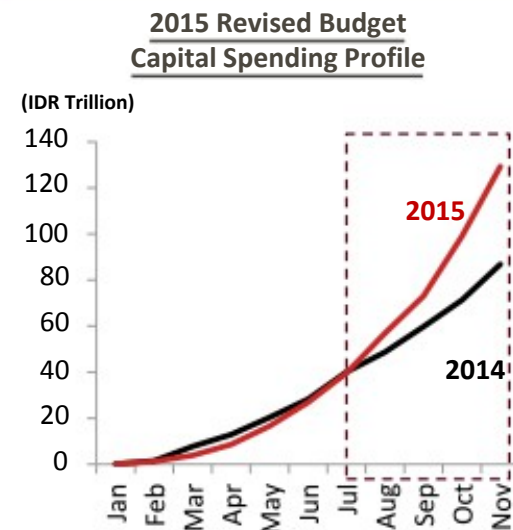
### 10 Ministries with Highest Budget Allocation

Ministry	Budget (IDR tn)
Min. of Public Works and Housing	104.1
Min. of Defence	99.5
National Police	73.0
Min. of Health	63.5
Min. of Religious Affairs	57.1
Min. of Basic Education	49.2
Min. of Transportation	48.5
Min. of Higher Education and Research	40.6
Min. of Finance	39.3
Min. of Agriculture	31.5

### Reallocation of Energy Subsidies to Productive Areas: Education, Healthcare and Infrastructure



### Acceleration of capital and goods spending in 2015 is resulted from adoption of online procurement system which promotes efficiency and transparency

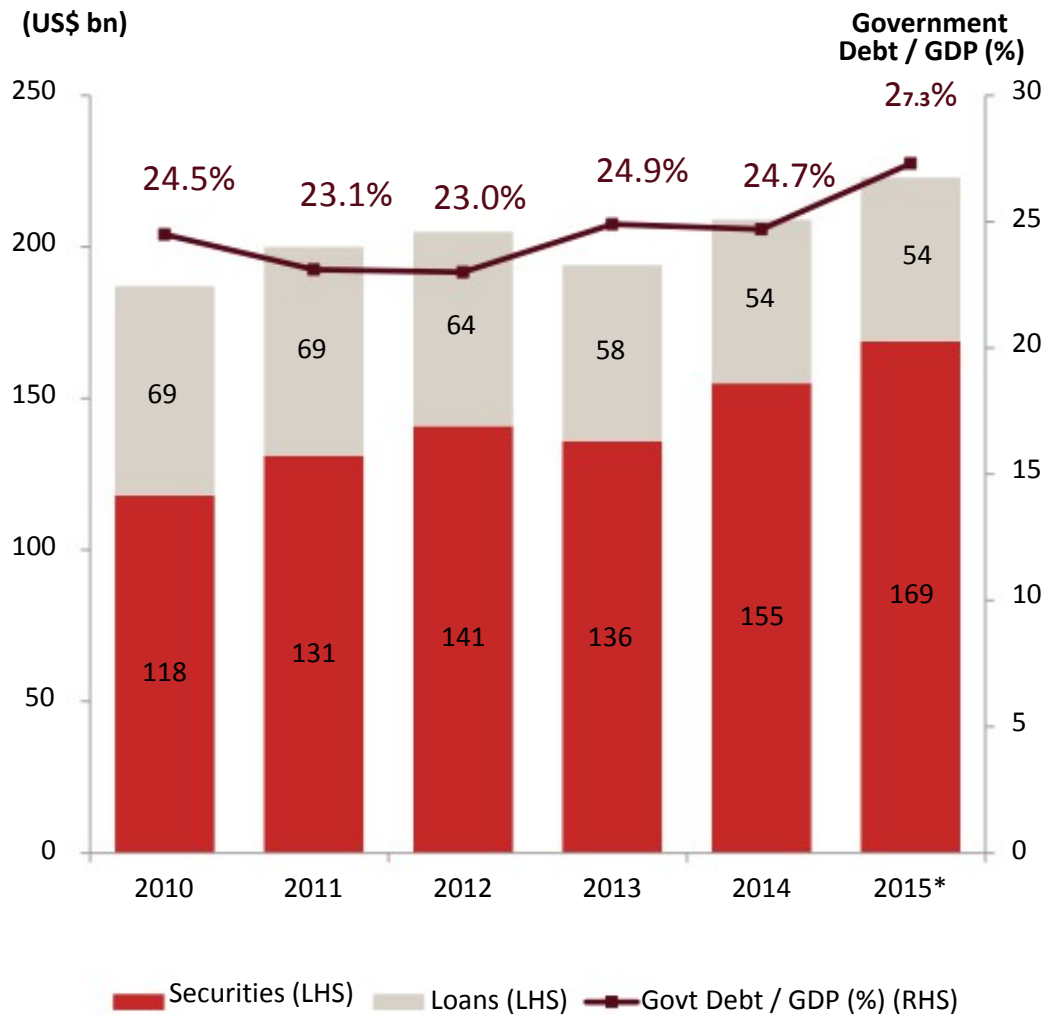


# Disciplined and Sophisticated Debt Portfolio Management

Portfolio management characterized by stable Debt/GDP and Well-Diversified Debt Across Tenors and Currencies

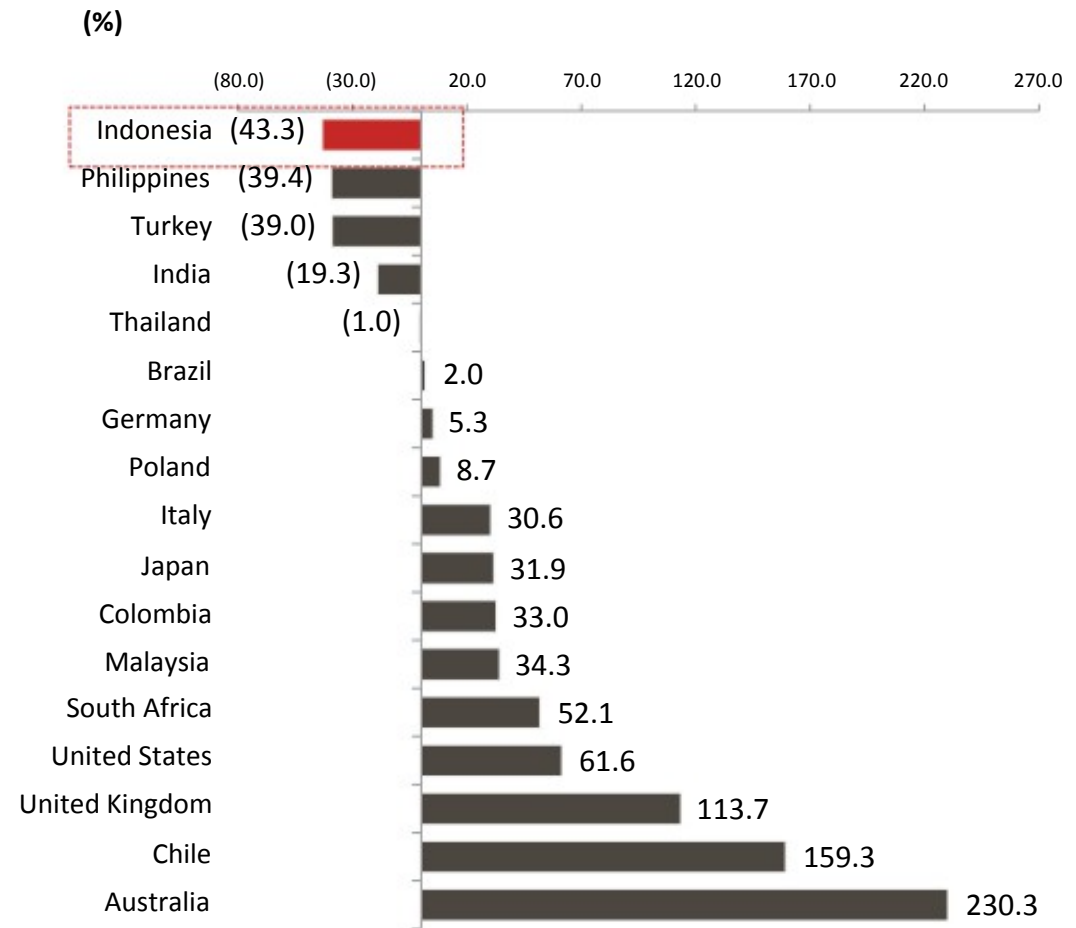


## Stable Debt to GDP Ratio Over the Years<sup>1</sup>



## Remarkable Debt Reduction Initiative Over the Past 10 Years<sup>2</sup>

Change in Debt to GDP Ratio (2005 - 2015)



# Commitment to Accelerate Infrastructure Development



Good progress on 2015 infrastructure projects, 2016 project auctions are on the way

2015

Progress of Infrastructure Projects Still Positive Despite Some Administration Issues in the Beginning of 2015

## NATIONAL TOLL ROAD

### Trans Java

Pejagan - Pemalang (58 km)  
Semarang - Solo (73 km)

### Trans Sulawesi

Manado - Bitung (39 km)

### Trans Sumatera

Medan - Binjai (16 km)  
Palembang - Indralaya (22 km)  
Pekanbaru - Dumai (135 km)  
Medan - Tebing Tinggi (62 km)

## 1 MILLION HOUSE PROJECT

West Jakarta, Banten, Kalimantan, Batam, NTB, NTT, East Java, Central Java, South Sulawesi, West Sulawesi, Southeast Sulawesi

## DRINKING WATER INFRASTRUCTURE

Central Java (West Semarang);

## DAM

East Java (Bendo), Central Java (Gondang, Pidekso), North Sulawesi (Lolak), NTT (Raknamo), NTB (Mila), Banten (Karian)

## INTERCITY RAILWAY

South Sumatera (Prabumulih - Kertapati), North Sumatera (Tebing Tinggi - Kuala Tanjung), Southern Java Double Track

## COMMUTER RAILWAY

Jakarta MRT (North - South Corridor), Jakarta LRT, SHIA Airport Railway

## AIRPORT DEVELOPMENT

### Revitalization

Central Kalimantan, Bangka Belitung,

### New Project

West Java (Kertajati)

### Expansion

Terminal 3 Soekarno-Hatta International Airport

## PORT AND HARBOUR

East Kalimantan (Maloy), Jakarta (Kalibaru), South Sulawesi (Makassar New Port), Central Sulawesi (Parigi)

2016

Projects Already Being Auctioned



## MINISTRY OF PUBLIC WORKS & HOUSING

IDR 66.4 tn allocated to:

- Public Road
- Water Resource
- Housing Infrastructure (sanitation and clean water)
- Public housing



## MINISTRY OF TRANSPORTATION

IDR 32.5 tn allocated to:

- New construction and maintenance of railway infrastructure
- Port construction, procurement of exploration and navigation ships
- Procurement of traffic equipment
- Ferry ships



## MINISTRY OF AGRICULTURE

IDR 4.6 tn allocated to:

- Procurement of farm machineries
- Cattle procurement
- Other supporting infrastructure for agriculture sectors



## MINISTRY OF ENERGY & MINERAL RESOURCES

IDR 4.0 tn allocated to:





- Power plants
- Oil & gas infrastructure
- Energy conversion and renewable energy infrastructure
- LPG and fuel storage tanks



# Alternative Source of Infrastructure Financing



SOEs and PPP become alternative source of funding to supplement Government Budget

2015 - 2019 Infrastructure Plan		Infrastructure Financing Needs 2015 - 2019	Scenario 1 (Full Scenario)	Scenario 2 (Partial Scenario)	Baseline (Baseline)
	New Roads - 2,650 km	Roads	1,274	851	637
	Highway - 1,000 km	Rail System	278	222	140
	Road Maintainance - 46,770 km	Urban Transportation	155	115	75
	Bus Corridors - 2	Sea Transportation	563	424	282
	New Sea Ports - 24	Ferry and Other Waster Transporation	91	80	60
	Sea Port Development - 59	Air Transportation	182	165	100
	Pioneer Cargo Ships	Electricity	1,080	762	714
	New Airports - 15	Other Energy dan Gas	535	420	268
	Airport Infrastructure Development	Waer Resources	1,091	845	645
	Airplanes - 20	Water and Sanitation	666	450	330
	Rail lines - 2,159 km	Public Housing	384	247	180
	Intra City Rail Lines - 1,099 km	Information and Communication Technology	242	200	130
		<b>Total</b>	<b>6,541</b>	<b>4,781</b>	<b>3,561</b>

## SOEs and PPP Become Alternative Source of Funding as Government Budget Could Only Support ~20% of Our Infrastructure Needs

### Budget

- **Central & Regional Budget (Special Allocation Fund & Village Fund)**
- **Mainly to support basic infrastructure projects:**
  - ▶ **Food Security:** Irrigation, dams etc.
  - ▶ **Maritime:** Seaports, shipyards etc.
  - ▶ **Connectivity:** Village roads, public transportation etc.

### State Owned Enterprises

- **Government to inject capital to SOEs** - with leveraging process a multiplier effect, more infrastructure projects can be developed
- **Key focus areas:**
  - ▶ For commercial and/or complex projects
- **Medium term infrastructure developments focus:** electricity and power plants, toll road

### Public Private Partnership And Private Sector

- **Government support for PPP :**
  - ▶ **Land Fund:** Modification and simplification of land acquisition process
  - ▶ **Project Development Facility (PDF)** through PT *Sarana Multi Infrastructure*
  - ▶ **Indonesia Infrastructure Guarantee Fund (IIGF)**
  - ▶ **Viability Gap Fund (VGF)**
  - ▶ **Infrastructure Fund & Availability Payment (AP)**
- **Projects Ready for Auction under PPP Scheme:**
  - ▶ **Toll roads projects** such as Balikpapan-Samarinda, Manado-Bitung
  - ▶ **Railway projects** such as Halim-Soetta Airport Express Railway
  - ▶ **Water supply** such as West Semarang water supply project

# Realization of Revised Budget 2015

Fiscal deficit stay within the constitutional ceiling



Description (In Trillion Rupiah)	2015		
	Realization	% to Budget	Δ 2015 - 2014 (IDR tn)
	Per 31 Dec		
<b>A. Revenue</b>	<b>1,504.5</b>	<b>85.4%</b>	<b>(46.0)</b>
I. Domestic Revenue	1,494.1	85.0%	(51.4)
1. Tax Revenue	1,240.4	83.3%	93.5
2. Non Tax Revenue	253.7	94.3%	(144.9)
II. Grant	10.4	314.9%	5.4
<b>B. Government Spending</b>	<b>1,796.6</b>	<b>90.5%</b>	<b>19.4</b>
I. Central Government	1,173.6	88.9%	(30.0)
...Personnel, Operational and Capital	724.7	91.1%	147.5
...Subsidy, interest payment & other	448.9	85.7%	(177.5)
II. Intergovernmental Transfer	623.0	93.7%	49.3
Transfer to Regional and Local Govt.	602.2	93.5%	28.5
Rural Transfer	20.8	100.0%	20.8
<b>C. Primary Balance</b>	<b>(136.1)</b>	<b>203.8%</b>	<b>(42.8)</b>
<b>D. Surplus/Deficit</b>	<b>(292.1)</b>	<b>131.3%</b>	<b>(65.4)</b>
% deficit to GDP*	<b>(2.53%)</b>		<b>(0.3%)</b>
<b>E. Financing</b>	<b>318.1</b>	<b>143.0%</b>	<b>69.2</b>
I. Domestic Financing	307.8	126.9%	46.6
II. Foreign Financing (Net)	10.4	(51.9%)	22.8
Surplus/(deficit) financing	26.1		3.9

\* GDP number updates with new number from BPS

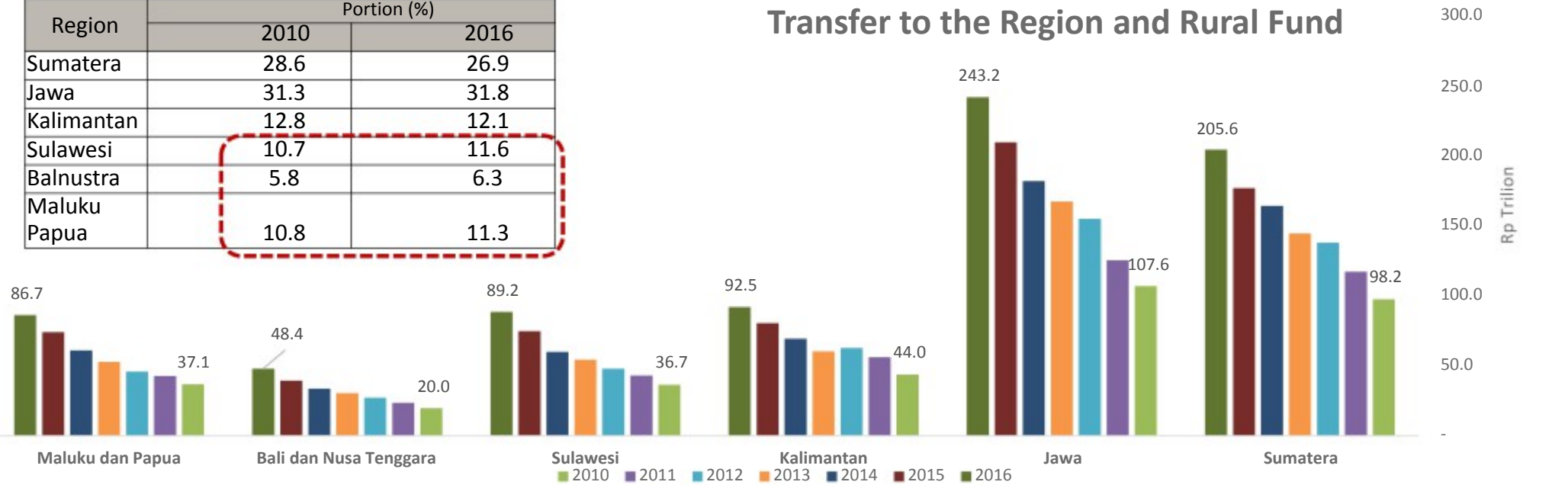
# Better Financial Balance between Region

Portions and allocation of funds per capita in Eastern part of Indonesia is increasing



Region	Portion (%)	
	2010	2016
Sumatera	28.6	26.9
Jawa	31.3	31.8
Kalimantan	12.8	12.1
Sulawesi	10.7	11.6
Balnustra	5.8	6.3
Maluku Papua	10.8	11.3

## Transfer to the Region and Rural Fund



## Transfer to the Region and Rural Fund per Capita

