



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

# 13<sup>th</sup> AIFE

## GROWTH STRATEGIES IN NAVIGATING GEOECONOMIC SHIFTS

Indonesia, 2-3 December 2024

# TRANSFORMING THE INDONESIAN ECONOMY TOWARD AN ADVANCED COUNTRY

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Supported by:



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ASIAN DEVELOPMENT BANK



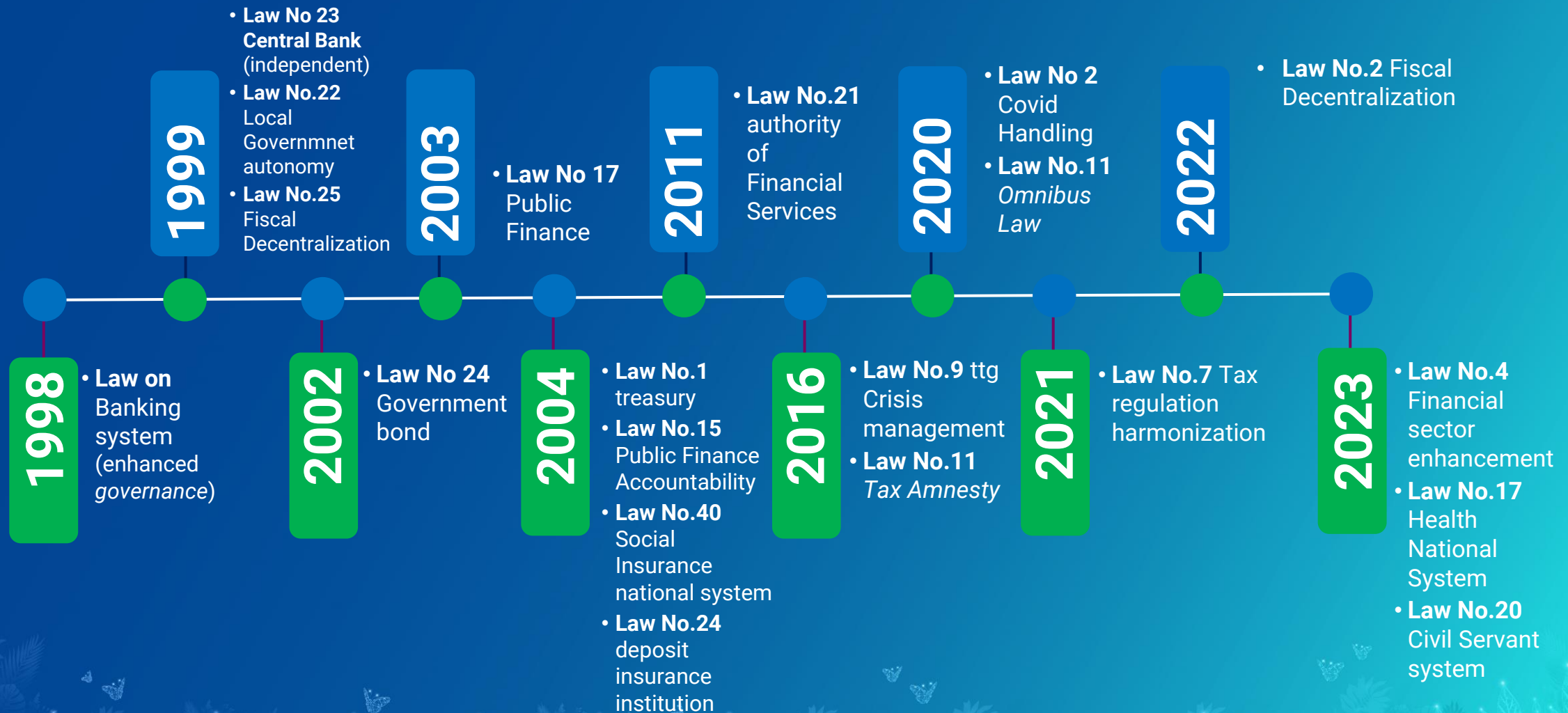
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# REFORMS THAT BOLSTER ECONOMIC PERFORMANCE AND RESILIENCE



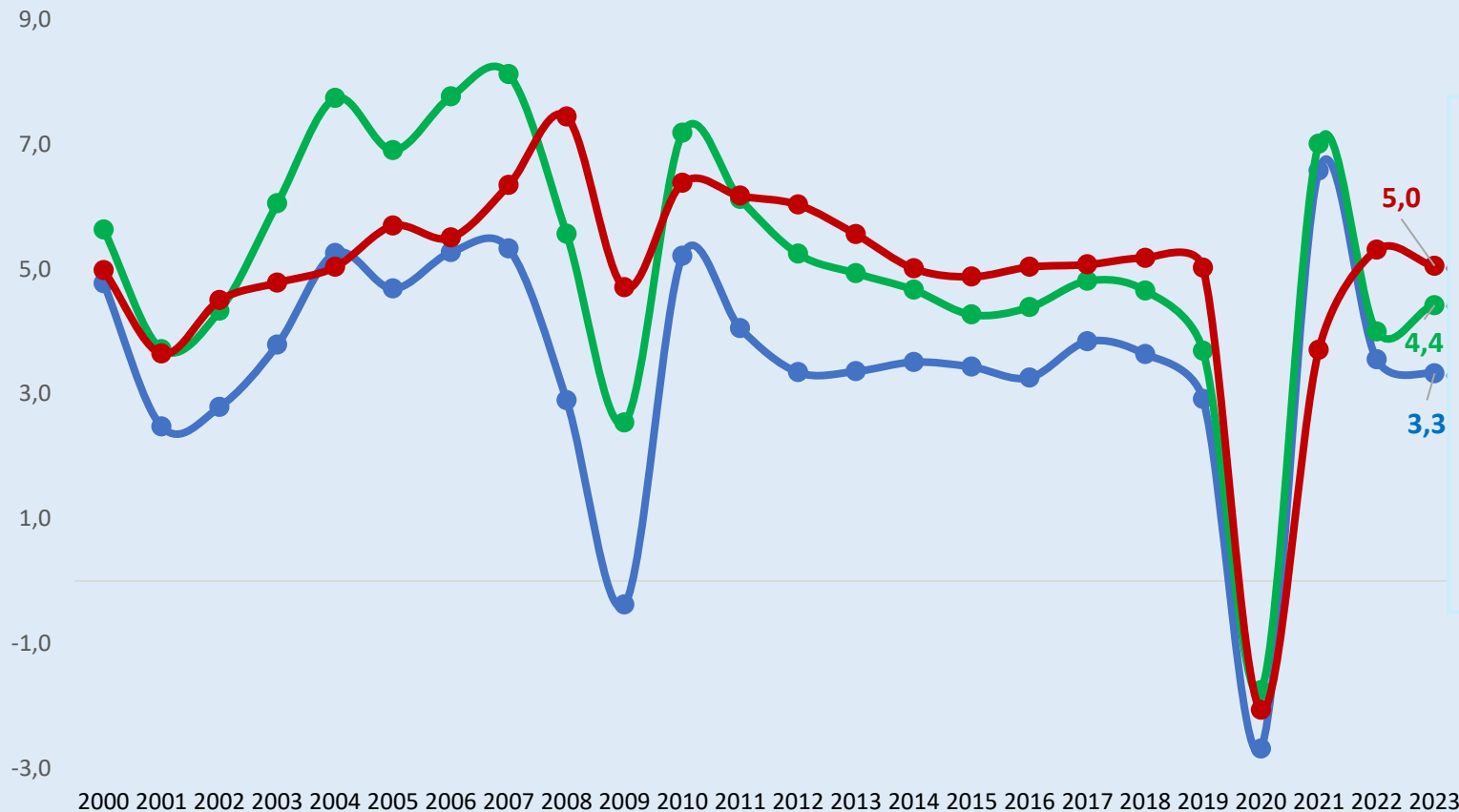
# Indonesia Builds on Past Reforms to Drive Economic Transformation



# Indonesia's Economic Journey Has been Showing Sustained Resilience

## GDP Growth 2000 – 2023 (%)

—●— World —●— EMDE —●— Indonesia



Amidst series of global shocks, **Indonesia's economy continued to post a strong growth**, above the global & EMDE's growth in most of the period.

**Sound macro policy management** has led to stable and resilient economy

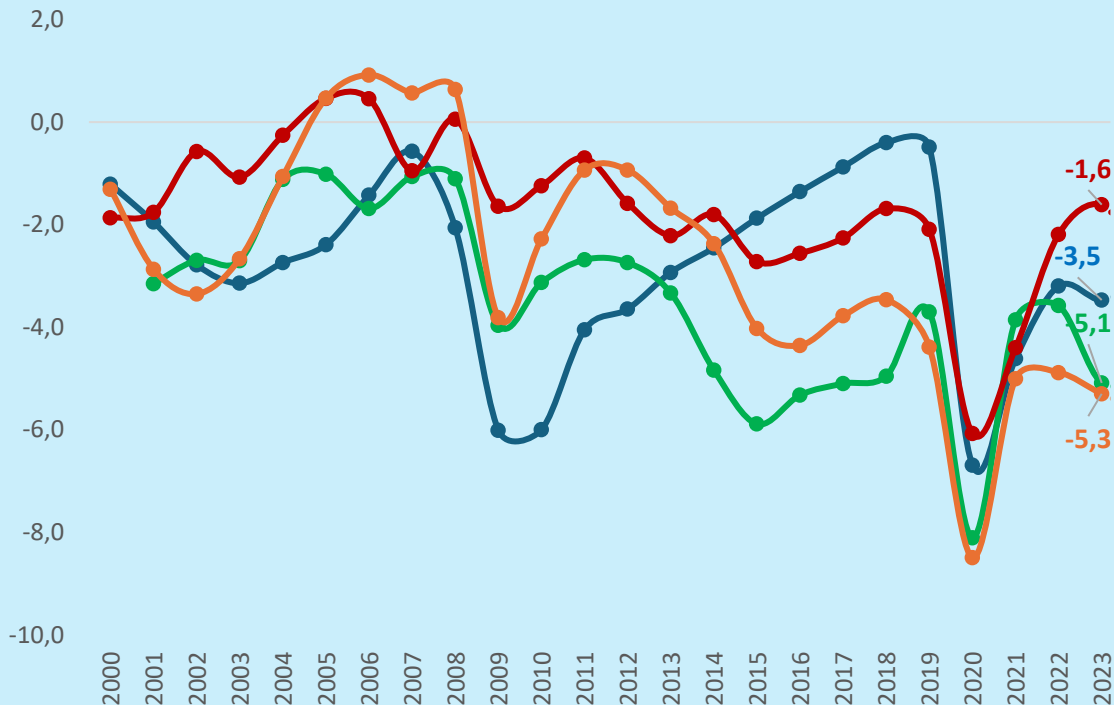


# Indonesia Remains Committed to Strict Fiscal Discipline and Sustainability

- Indonesia's debt-to-GDP ratio remains one of the lowest compared to EU, Latin America, and EMDE countries
- Pre-COVID, Indonesia maintained a fiscal deficit below 3% of GDP.
- The fiscal rule was temporarily relaxed during the pandemic, Indonesia successfully restored the deficit to under 3% in 2022

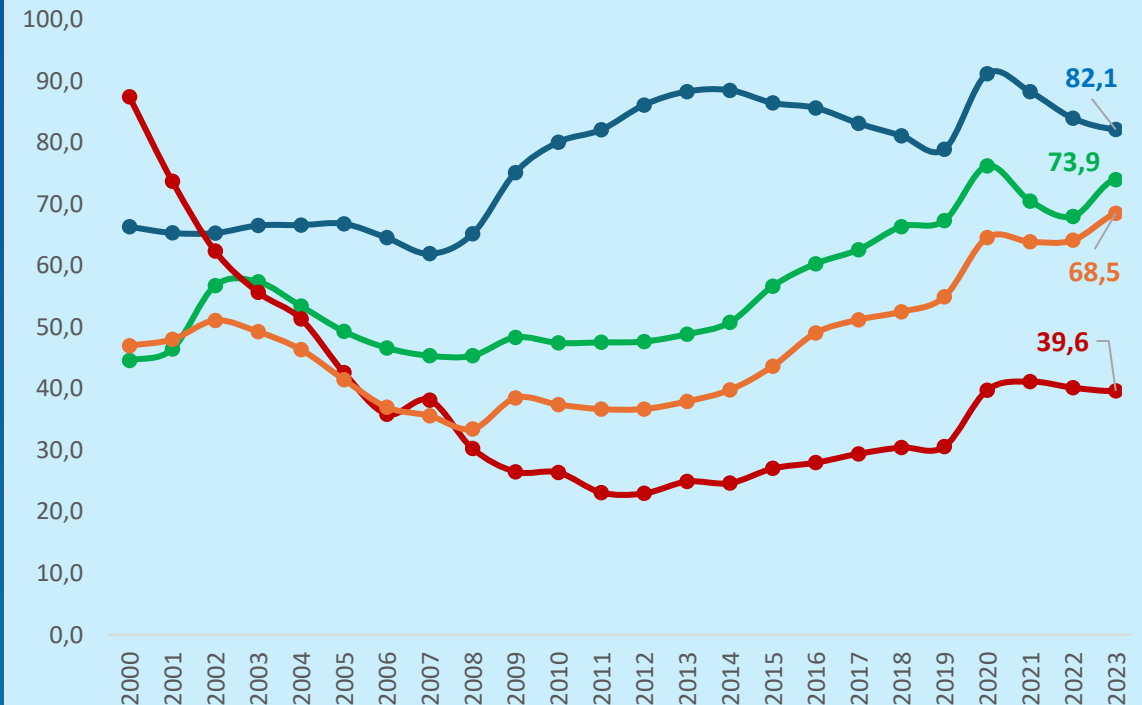
## Fiscal Deficit 2000 – 2023 (%GDP)

— EU — Latin America — Indonesia — EMDE



## Gross Debt 2000 – 2023 (%GDP)

— EU — Latin America — Indonesia — EMDE

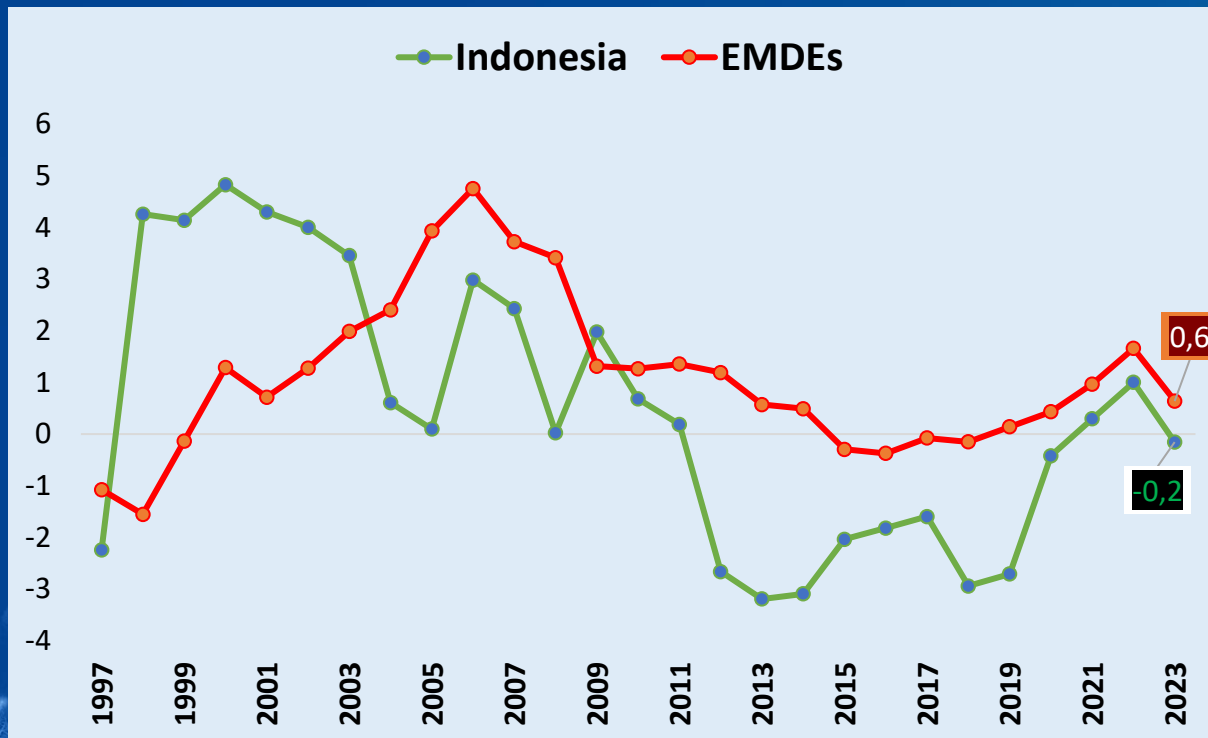


# THE EXTERNAL POSITION CONTINUED TO STRENGTHEN

Current account much improved and turned to surplus with robust export performance on account of downs-streaming policy

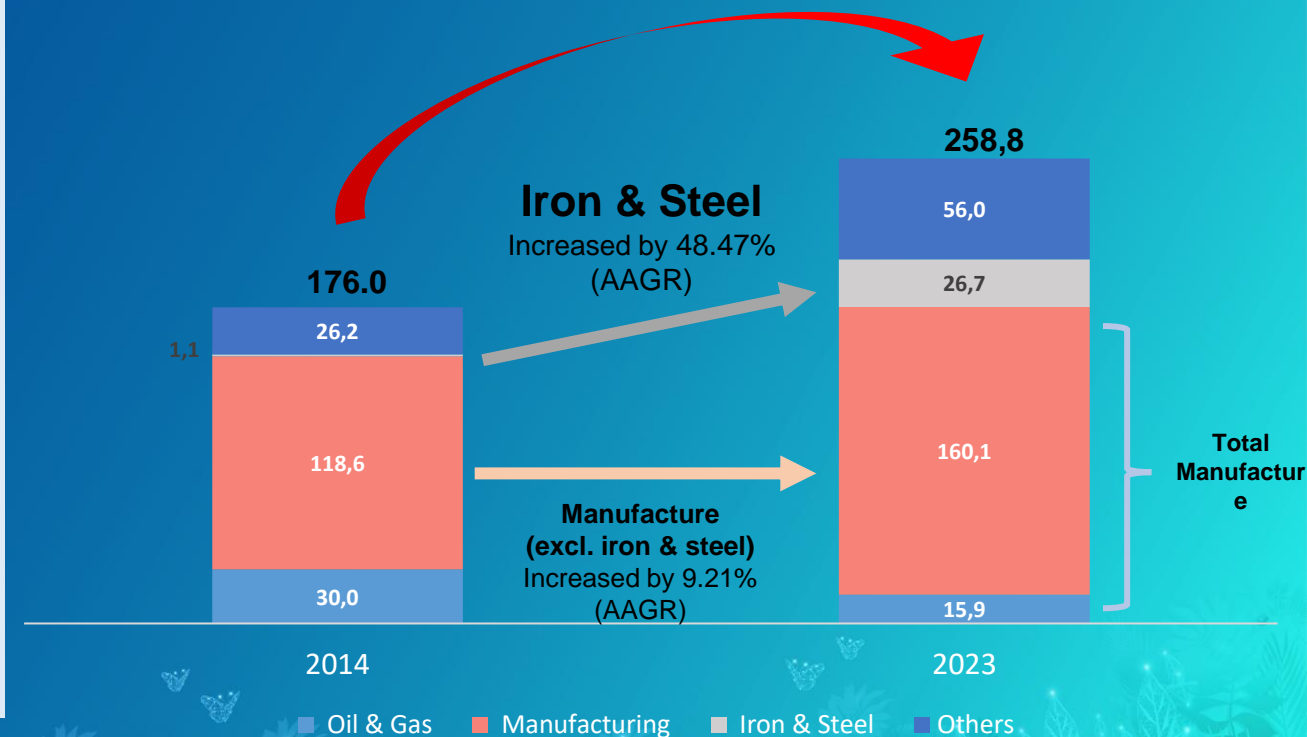
- Indonesia has escaped from “the Fragile Five” with much improved Current Account Balance
- Export performance has been rising markedly with the down-streaming policy
- Further efforts to accelerate economic transformation will foster long-term growth performance

Current Account Balance 2002 – 2023 (% of GDP)

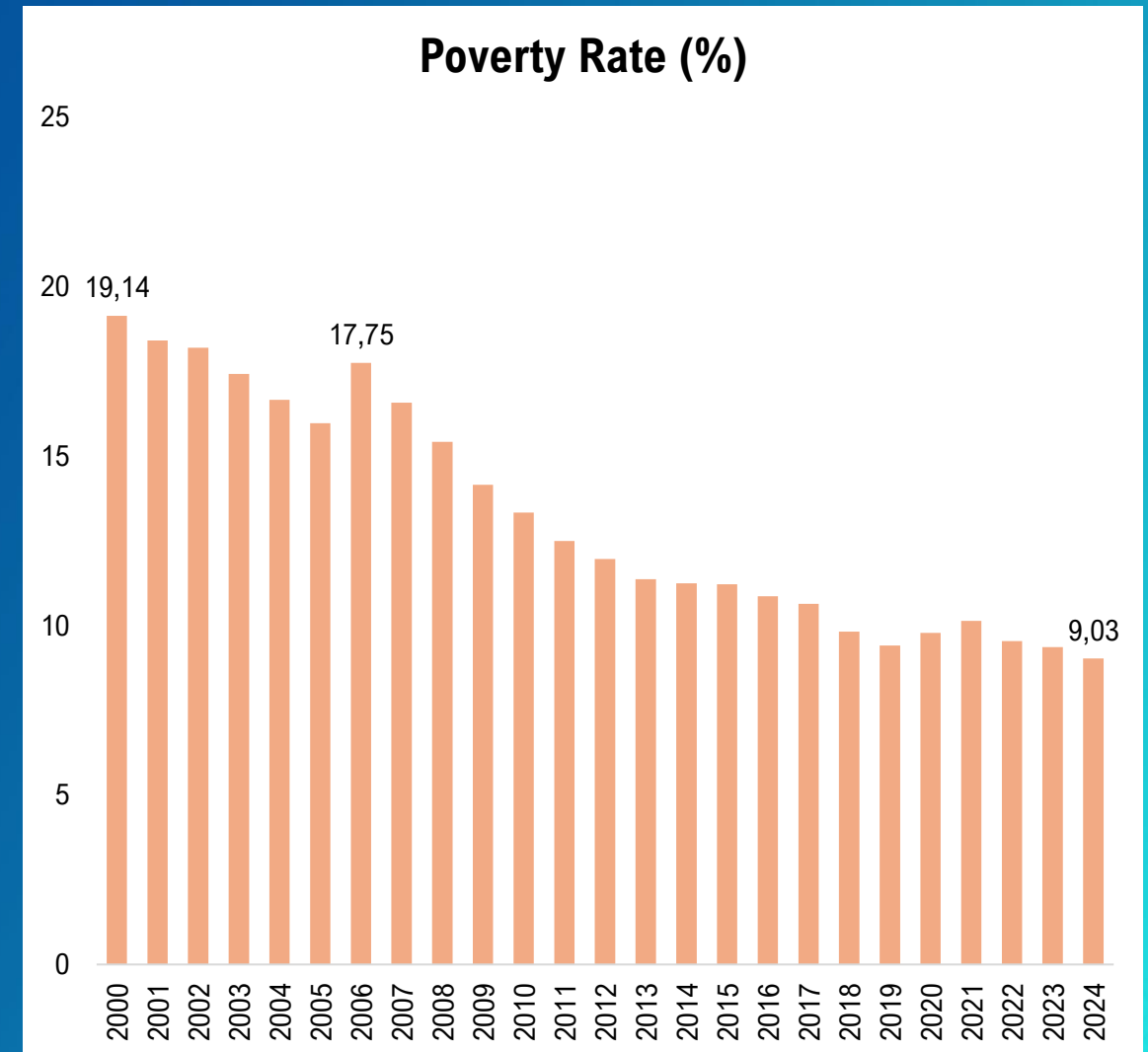
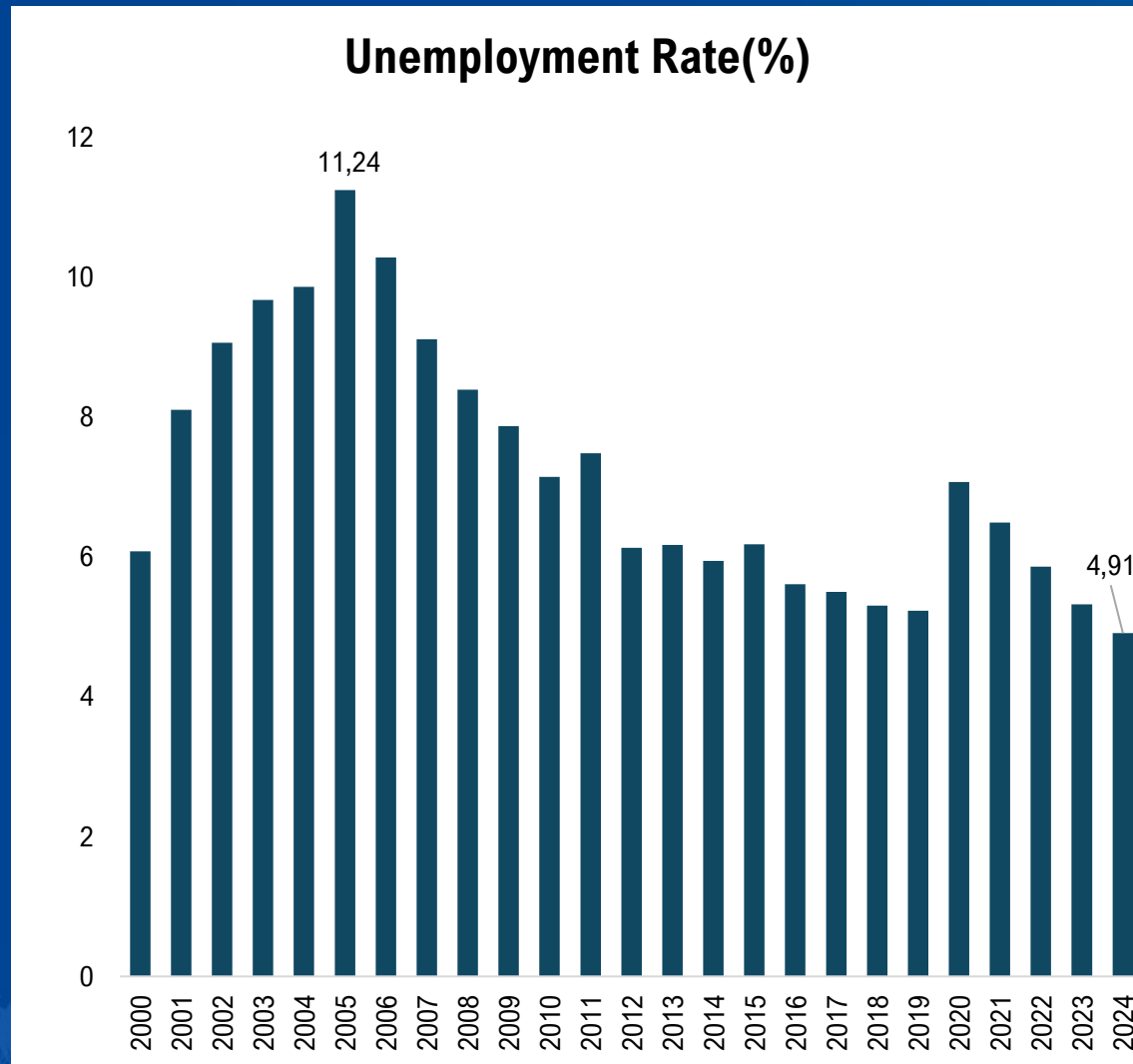


Source: WEO, IMF

Export Performance (US\$ billion)



# Robust Economic Growth Has Enhanced Social Welfare



# ACCELERATING ECONOMIC TRANSFORMATION TOWARD AN ADVANCED COUNTRY BY 2045



# Indonesia Vision: Becoming a Developed Nation By 2045



5th largest economy in the world



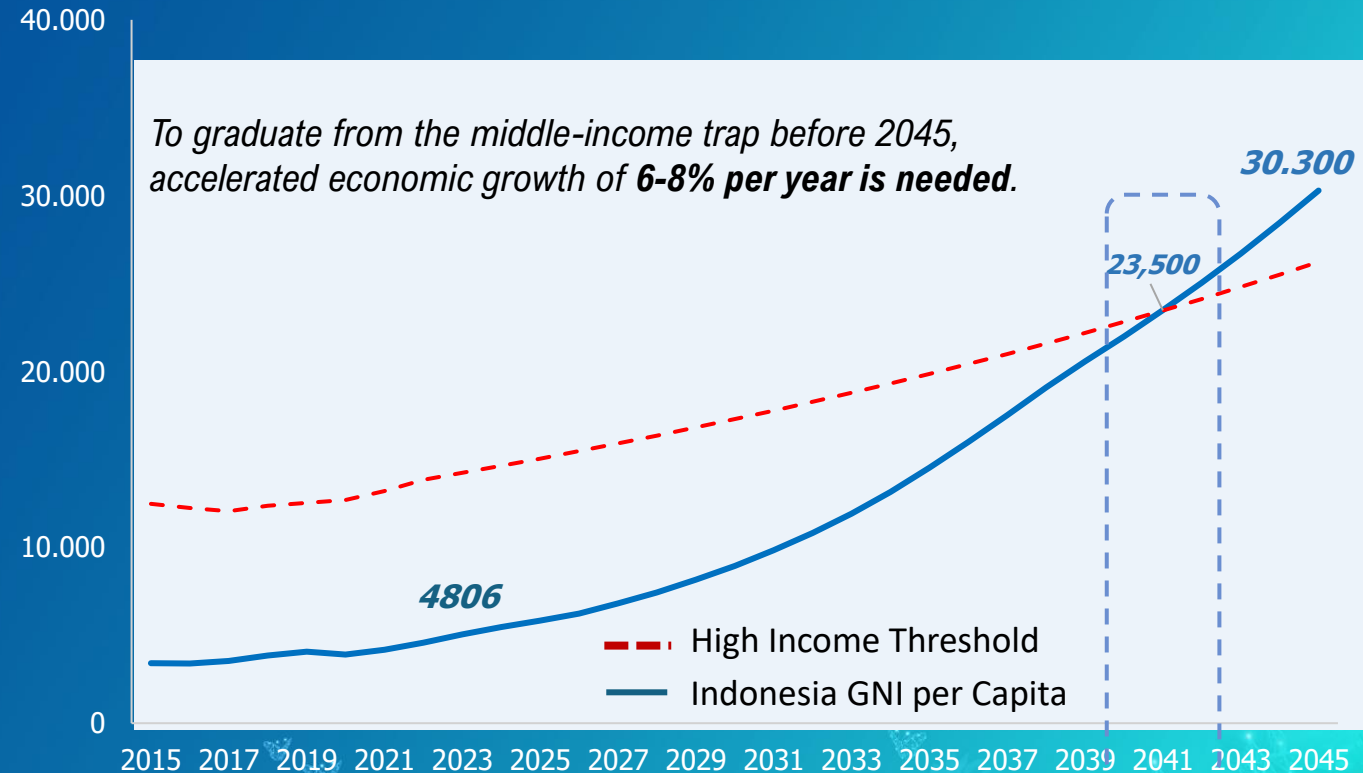
Poverty continues to decline,  
Equity is getting better



Towards  
net zero emission

**The incoming demographic dividend is a potential source of economic growth, for labor supply as well as domestic demand**

	2023	2045
<b>Total population</b> (million people)	278	324
<b>Productive age</b> (% of total population)	69%	65%
<b>Middle income class</b> (% of total population)	17%	70%
<b>Urban citizens</b> (% of total population)	58%	73%



# A Vision for Indonesia 2045: Building a Resilient Future

Global Uncertainties

Food, Energy, and  
Water Security

Human Capital  
Development

Institutional  
Strengthening



Striking the **right balance**  
is important not only to  
address short-term  
shocks but also building  
solid economic  
fundamentals

Domestic Constraints

# In the Last Decade, Educational Indicators of Indonesia Has been Improved




## NUMBER OF SCHOOLS INCREASED 2014-2023 (in thousands)

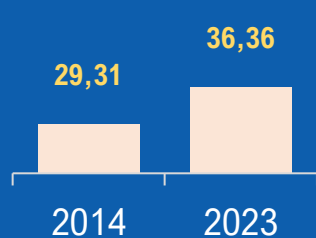
Elementary School		1,2
Junior High School		6,0
Senior High School		3,8



## NUMBER OF TEACHER INCREASED 2014-2023 (in thousands)

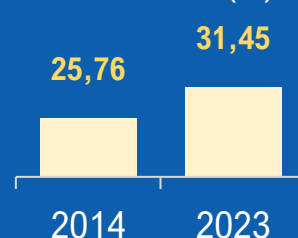
Elementary School		98
Junior High School		145
Senior High School		183

## Preschool enrolment rate (%)



7,05

## Higher education enrolment rate (%)



5,69



## EXPECTED YEARS OF SCHOOLING (years)

12,39 → 13,15



**45.500 awardees**  
(until Dec 2023)



## HUMAN DEVELOPMENT INDEX

68,90 → 73,55

# Snapshot of Indonesia's Educational Quality

Human Capital Index (HCI) 2020

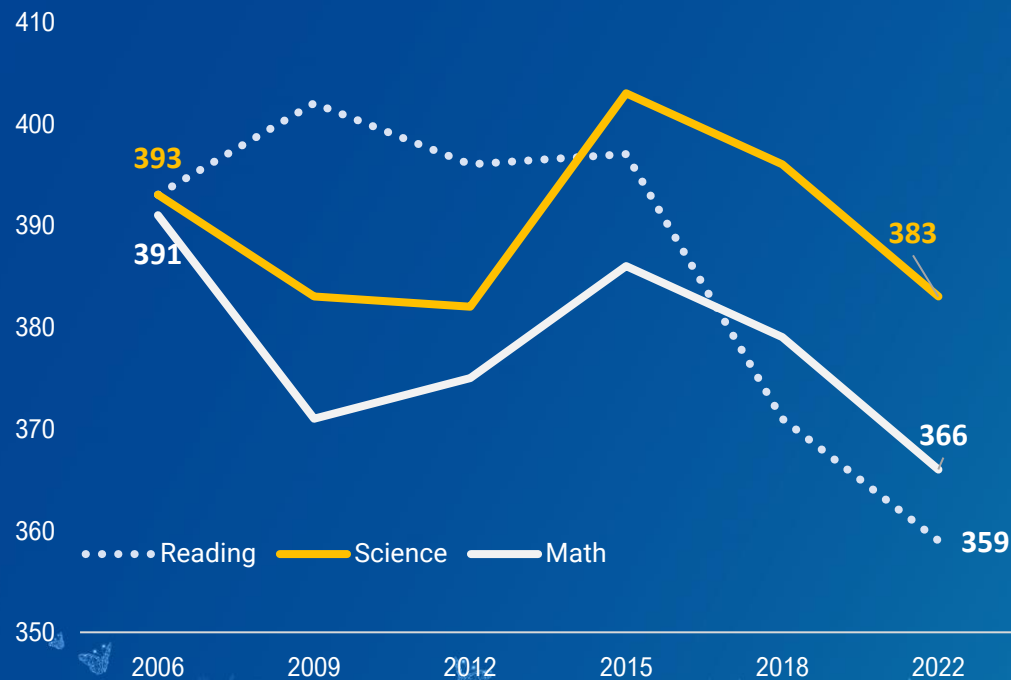
**0,54**

Indonesia's score

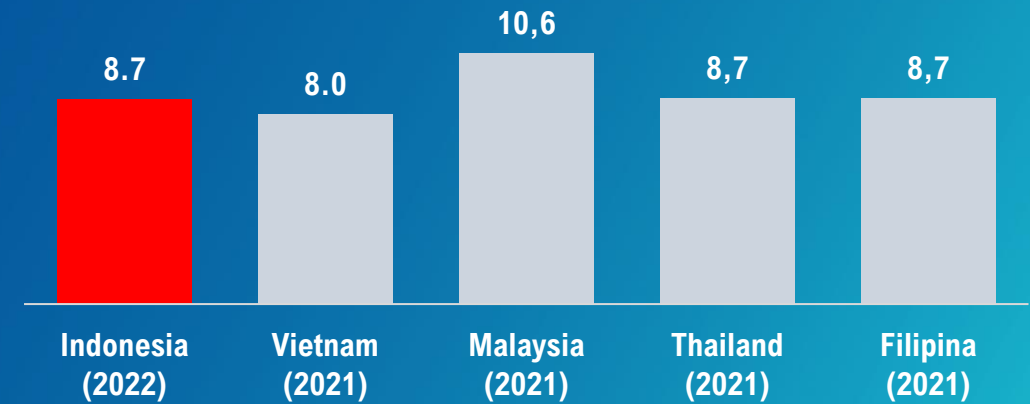
**#96**

out of 174 countries

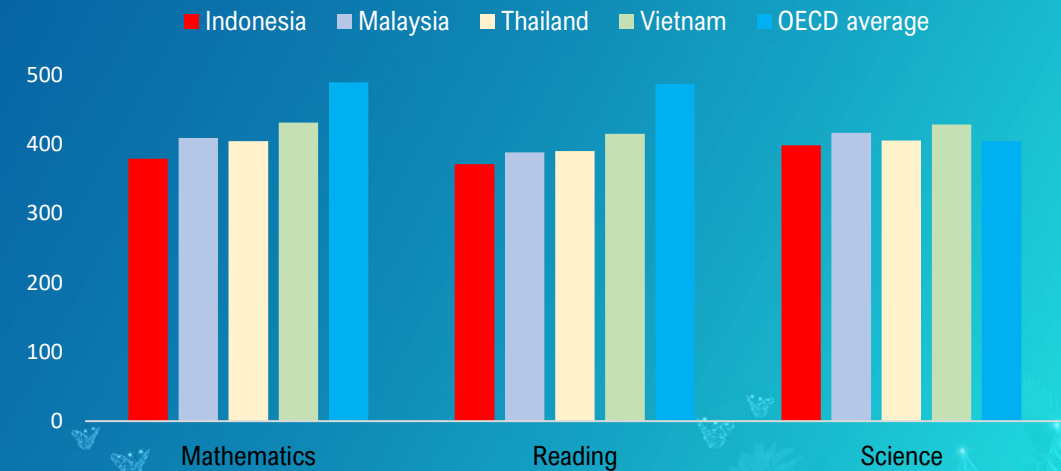
Indonesia's PISA Score  
2006 - 2022



Mean Years of Schooling Comparison with Peer Countries



2022 PISA Score Comparison





# Nutritious Meal Program Aimed at Improving Children's Nutrition, Supporting Education, Empowering SMEs, and Boosting Economic Growth



Providing free lunch and milk in schools and boarding schools, as well as nutritional assistance for children under five and pregnant women.

*The program aims to enhance the quality of life for millions of Indonesians and contribute to the country's long-term development goals.*

Both Brazil and the UK have demonstrated significant positive impacts of free nutritious meal programs on health, education, and social equity

**The Brazilian National School Feeding Program (PNAE)**, one of the largest and most successful school feeding programs.

**Comprehensive Coverage;** provides free meals to over 40 million students, Ensures that meals meet at least 15% of the students' daily nutritional.

**Boost Local Economies;** At least 30% of the food sourced from local agriculture + support SMEs

**Health and Educational Benefits;** significantly reduced child hunger, malnutrition, improved school attendance, and academic performance.

**United Kingdom: Free School Meals (FSM)**, significant success particularly in terms of health and educational outcomes.

**Universal Free School Meals;** *Primary Schools*, improve reading score; *Eligibility Expansion*, low-income receive nutritious meals.

**Health Benefits;** Nutritional Impact, Long-Term Benefits, linked to improved health outcomes.

**Educational and Social Benefits;** Academic Performance higher attendance rates and access to nutritious food.



# Key Reforms Initiated During the Pandemic Have Contributed to Indonesia's Economic Resilience

## Omnibus Law on Job Creation

- Launching OSS (Online Single Submission) in 2021 to facilitating the business licensing
- Accelerating National Strategic Project (PSN)
- Providing the Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Attracting investment to key economic sectors
- Establishment of Sovereign Wealth Fund (INA)

## Fiscal Reform

- Voluntary Disclosure Program completed (Jan-June 2022)
- Harmonizing tax regulation
- Integration of ID number and taxpayer number
- Law on Financial Relations between the Central Government and Regional Governments
  - Redesign the management of Transfers-to-Regions to reduce inequality
  - Harmonizing of central and local government spending
  - Improving the quality of local government spending
  - Strengthening local taxing power

## Omnibus Law on Financial Sector

*To achieve stronger, deeper and inclusive financial sector*

- Improving Access to Financial Services
- Promoting Long-Term Sources of Finance
- Increasing Competitiveness & Efficiency
- Developing Instruments & Strengthening Risk Mitigation
- Strengthening Investor & Consumer Protection

# Omnibus Law on Job Creation

Simplifying Regulations on Starting New Businesses and Providing a More Conducive Business and Investment Climate

- The Ciptaker Law (UU No. 11/2020) consists of 15 Chapters and 186 Articles that amend 53 derivative regulations.
- The Job Creation Law has changed the paradigm and conception of business licensing, implementing Risk-Based Business Licensing (Risk Based Approach) to create jobs and entrepreneurship through Ease of Doing Business.

## Progress on Law on Job Creation



## The Indonesia Investment Authority (INA)



Initial capital amounted to USD 5 Billion or IDR 75 Trillion



INA has secured more than USD 25 Billion commitment from potential investor partners



INA saw a triple-digit growth in investments in 2023. Over the past year, INA, together with its co-investors, disbursed investments amounting to USD 1.9 billion



INA has become a full member of IFSWF, which shows INA's commitment to implementing Governance standard according to the Generally Accepted Principles and Practices (The Santiago Principles)

The progress has already materialized



Launched on Aug 9<sup>th</sup> to speed up business licensing progress



Implementation of wages and Job Loss Guarantee Program



Institutional improvement through establishment of Investment Ministry



Revision on tax regulation is underway to improve ease of doing business

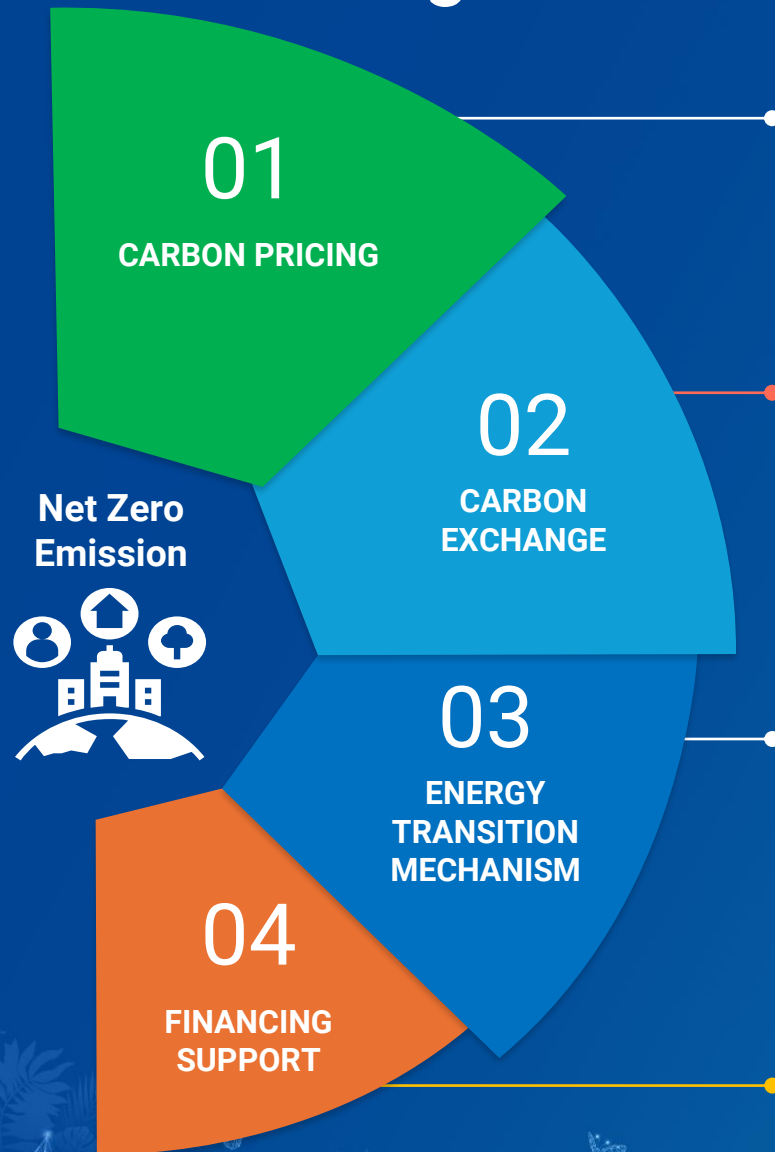


20 special economic zones



Positive list of investment to improve priority sectors

# Indonesia Has Undertaken Bold Steps to Respond to Climate Change-Related Risks by Developing a Green Economy



The objectives are to reduce national Greenhouse Gas Emission. Indonesia **established regulation on carbon pricing through Trading (Emission Trading System and Emission Offset) and Non-Trade Instruments (Carbon Tax, Result Based Payment)**

Indonesia launched the **Indonesian Carbon Exchange (IDXCarbon)** on 26th September 2023

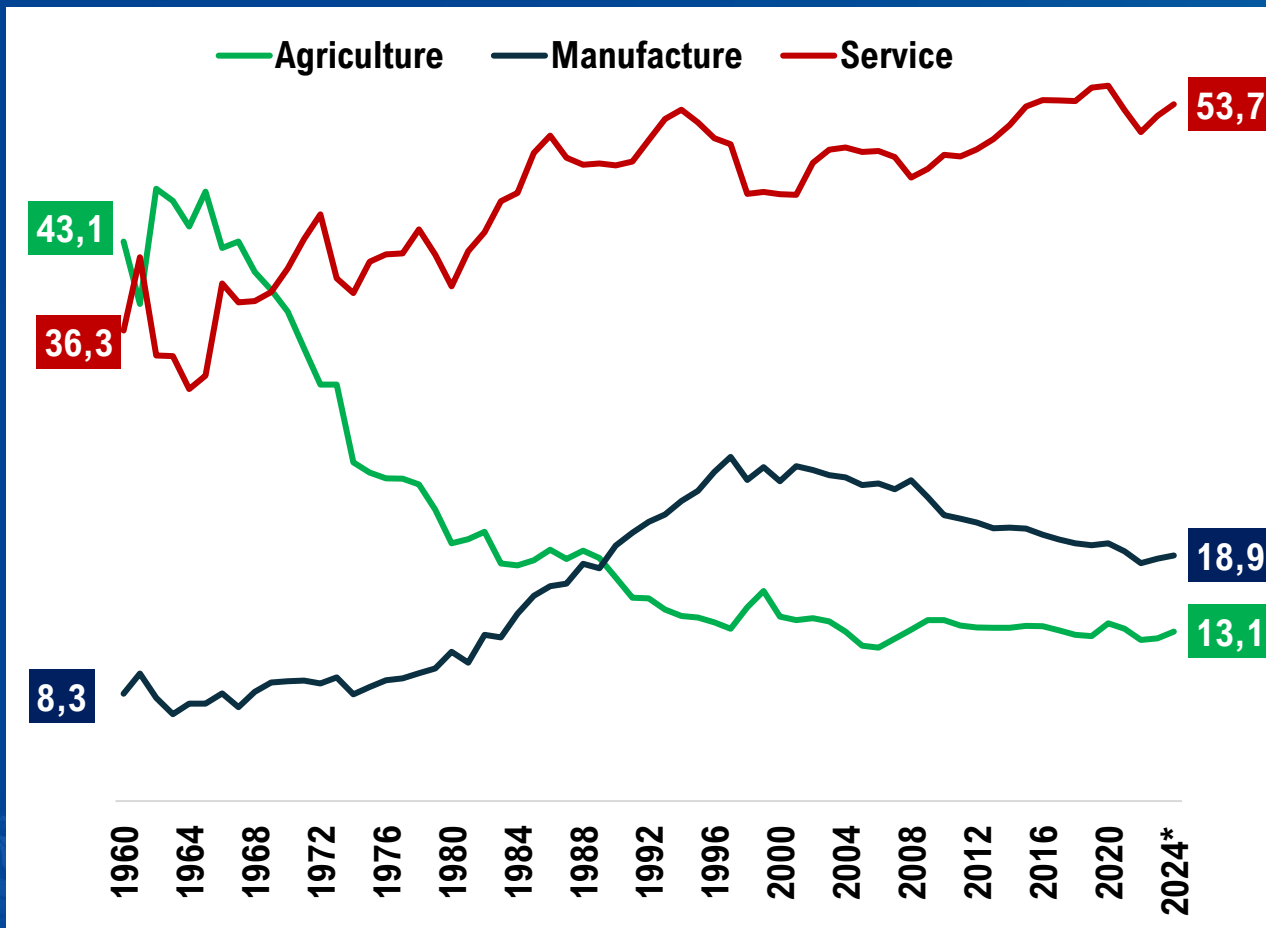
Indonesia has **established Indonesia ETM Country Platform** to finance **Energy Transition** using **Blended Finance** mechanism. Indonesia aims at **increasing utilization of New Renewable Energy (NRE)** with target in 2060 or sooner Indonesia net zero energy

- Government has undertaken **Climate Budget Tagging since 2016**
- The Government **promote Innovative Finance towards NZE on Infrastructure Development** through Public Private Partnership, Green Sukuk (Bond), and Blended Finance (e.g. SDG Indonesia One).
- The government also **provide fiscal support** through Government Guarantee, Geothermal Facility, and Subsidiary loan Agreement.

# Encouraging High Value-Added Sectors, While Revitalizing Lagging Sectors

## Decline in the Contribution of High-Value-Added Sectors (Manufacturing)

Contribution to GDP (%)



Note: Labor (as Q3 – 2024)

## Growth Strategy:

### 1 Boosting High Value-Added Sectors

Accelerating sustainable growth

e.g. copper and bauxite  
downstreaming, Electric Vehicle  
(EV), petrochemical, and data  
center.



### 2 Lagging Sectors Revitalization

Improve efficiencies and competitiveness

e.g. strengthening the value chain of  
agricultural sector through Free Nutritious  
Meals program, supporting housing &  
property sectors





# Thank You

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