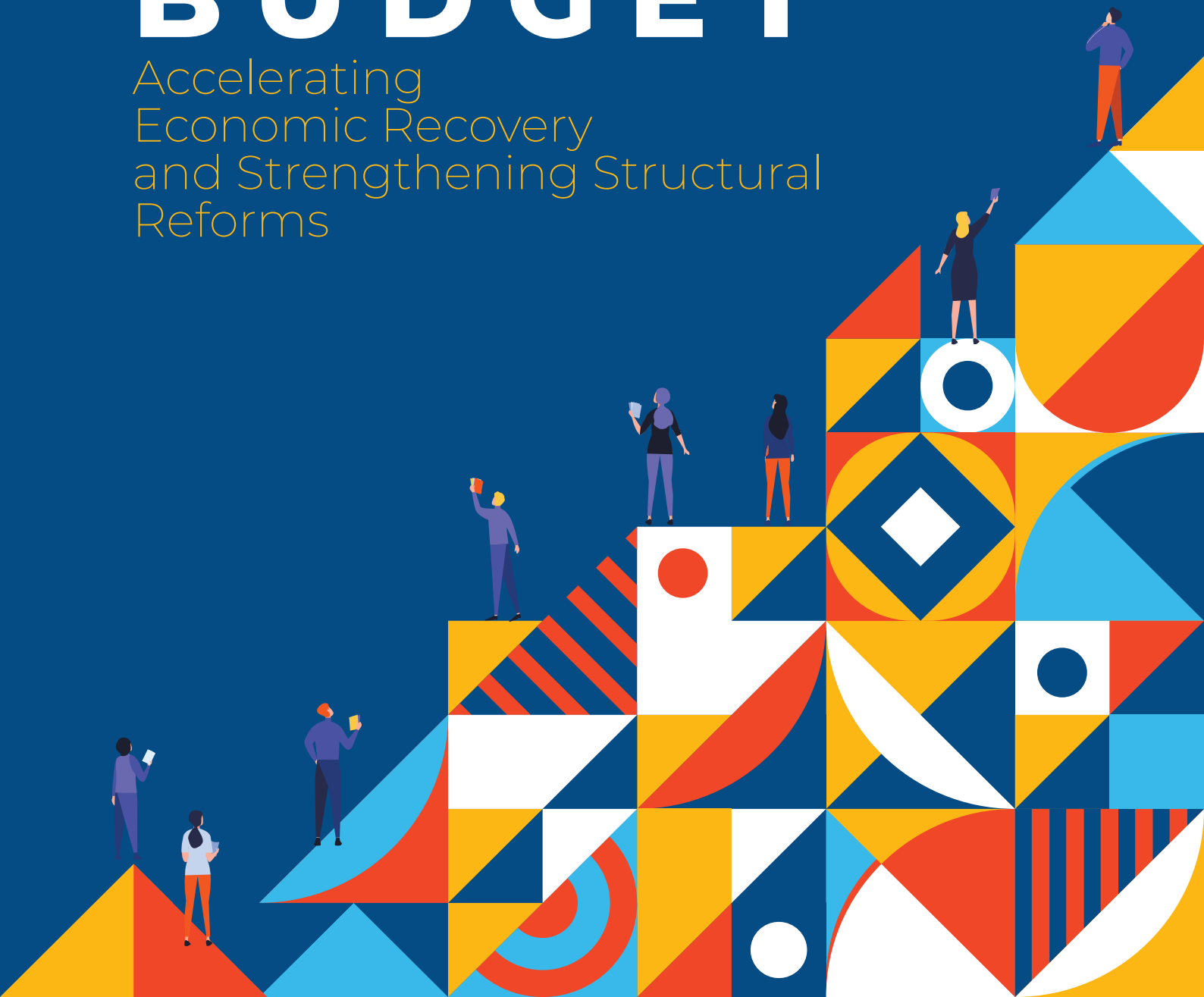


Advertorial

# Proposed 2021 BUDGET

Accelerating  
Economic Recovery  
and Strengthening Structural  
Reforms



Advertorial

# Proposed 2021 BUDGET

Accelerating  
Economic Recovery  
and Strengthening Structural  
Reforms

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# HIGHLIGHT Proposed 2021 BUDGET

Despite uncertainties, **the global and domestic economies are projected to gradually recover in 2021**. It is hoped that the availability of vaccines will increase public and business confidence in accelerating economic recovery

**The government will continue its countercyclical policy in 2021** through an expansive and consolidative budget to accelerate economic recovery and strengthen structural reforms

**The 2021 Proposed Budget will be a valuable instrument** in achieving national development goals

**National development priorities will focus** on Health, Education, Information and Communication Technology, Food Security, Social Protection, Infrastructure and Tourism



# Covid-19 Causes the World Economy to Contract

notably in Q2 2020

QUARTERLY ECONOMIC GROWTH (%)



Global economy contracted in Q2 2020 deeper than projected, as a result of tight social restriction policies to prevent the spread of Covid-19

Countries with higher restrictions, and those highly dependent on certain sectors such as exports and tourism experienced deeper economic contraction

Deviations between projected and real economic growth in many countries. Reflects high uncertainties and the complexities in making future projections during the pandemic



**IMF**

	2020	2021
Jan	3.3	3.4
Apr	-3.0	5.8
Jun	-4.9	5.4



**World Bank**

	2020	2021
Jan	2.5	2.6
Jun	-5.2	4.2



**OECD**

	2020	2021
Mar	2.4	3.3
Jun	-7.6 to -6.4	2.8 to 5.2

World economy is predicted to recover in 2021, circumstances of recovery will be subject to the availability of vaccine



# 2021 will be a critical milestone

for Indonesia's economic recovery, strengthening structural reforms and economic transformation towards Indonesia Maju 2045



## **Economic Recovery**

Accelerating recovery for industries affected by Covid-19

Continuation of health recovery and social protection effort affected by Covid-19



## **Reform Continuation**

Maintain structural reform to support medium-long term economic growth



## **Improve Economic Competitiveness**

By improving innovative capacity and adaptive technology



## **Accelerating Economic Transformation**

Accelerate manufacture industry transformation

Promote Indonesia's high-tech manufactured products



## **Maximizing Demographic Advantages**

Create more job opportunities to boost the short term growth



## **Escaping Middle Income Trap**

To gradually escape the middle income trap by improving productivity, increasing Human capital/labor force quality and competitiveness



# Macro-Economic Assumption

Indonesia's economic growth is expected to return to its medium-term trajectory, a relatively strong exchange rate and increased oil prices



**Economic Growth (%)**

**4.5 - 5.5**

**(1.1) - 0.2**



**Inflation (%)**

**3.0**

**2.0 - 4.0**

Due to the uncertainty of Covid-19 development, Indonesia's 2020 Economic Growth is projected to contract

Indonesia's economy in 2021 is projected to grow by 4.5%-5.0% subject to the availability of Covid-19 vaccine, structural reforms and countercyclical policy.



**Rupiah Exchange Rate (IDR/USD)**

**14.600**

**14.400-14.800**



**Yield of <sup>\*)</sup> SBN-10 years (%)**

**7.29**

**Yield of SPN-3 months (%)**

**3.0 - 4.0**

Inflation will be affected by the recovery in aggregate demand and purchasing power. Increased cash in society to boost aggregate demand. Availability of food supply and ensuring smooth distribution are key factors for price stability and food security



**ICP (US\$/barrel)**

**45**

**35 - 40**



**Oil Production (MBOPD)**

**705**

**705**

Global economic conditions in 2021 are forecasted to be conducive although there is a need to be wary of the global financial volatility. Domestic economic recovery in 2021 is expected to attract capital inflows and strengthen the Rupiah



**Gas Production (MBOEPD)**

**1,007**

**992**

Proposed 2021 Budget  
Outlook 2020

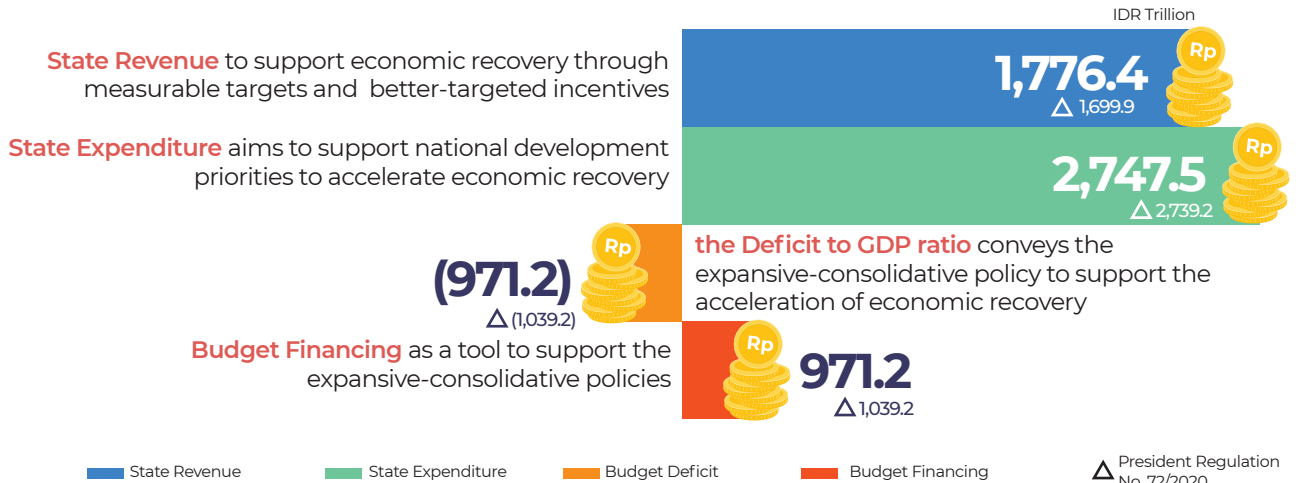


\*) SBN-10 years to replace SPN-3 months in 2021



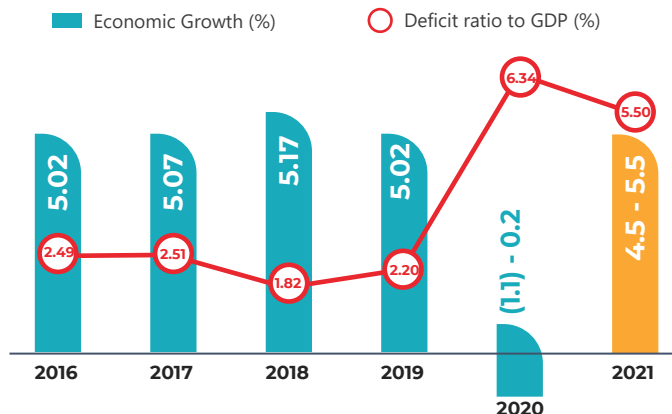
# Proposed 2021 Budget

Accelerating Economic Recovery and Strengthening Structural Reforms



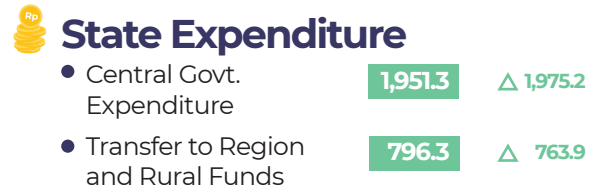
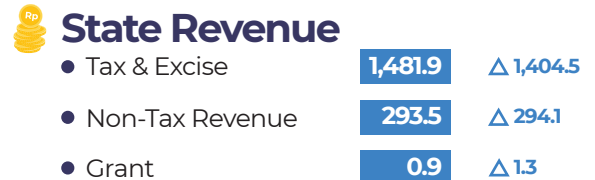
The 2021 State Budget deficit of 5.5% to GDP to facilitate the Acceleration of Economic Recovery and Strengthening Reforms

“The high uncertainties resulting from Covid-19 requires robust countercyclical policies to accelerate national economic recovery”



● Covid-19 still creates uncertainties, the global/domestic economy is expected to improve though uncertainties remain high

● Economic recovery support to continue in 2021; fiscal expansion is required to accommodate economic recovery and strengthen structural reform



□ Proposed 2021 Budget (IDR Trillion)

△ President Regulation No. 72/2020 (IDR Trillion)



# Fiscal Policy Framework

## Proposed 2021 Budget

Theme

### Accelerating Economic Recovery and Strengthening Structural Reforms

#### Maintain and accelerate economic recovery

- ▲ To continue the response to and the elimination of Covid-19
- ▲ ensuring economic recovery and strengthening domestic economic resilience

#### Strengthening structural reforms

- ▲ To improve ease of doing business, promote innovation and competitiveness
- ▲ Improve quality of human resources and increase productivity through education reforms, vocational training, R & D, health sector reforms, and social protection reforms

#### State Budget Reform

- ▲ Comprising tax and non-tax reforms, Central Govt. Expenditure and Transfer to Region and Rural Funds (TKDD) reforms,
- ▲ Improve quality of spending by focusing on national priority programs
- ▲ A medium-long term health and fiscal sustainability

#### National development priorities

- ▲ Accelerating development by prioritizing Health, Education, Communication and Information Technology, food security, social protection, and tourism to support the achievement of the 2021 development targets





# The State Budget as the primary instrument in handling the impact of Covid-19 Pandemic and National Economic Recovery (PEN)

PEN Policy will continue in 2021 to sustain the momentum of economic recovery

2021: IDR25.40 T<sup>\*)</sup>  
2020: IDR87.55 T

## Health

- Procurement of the Covid-19 vaccine
- Immunization, infrastructure (facilities), Lab, R & D
- BPJS Contribution/premium Assistance Reserve for non-wage receiver (PBPU) and non labour (BP)

\*) Most of the PEN funds (IDR 24.1 T) do not include the Ministry of Health's budget (IDR84.3 T), Other State Health-Expenditures (IDR 22.2 T), and TKDD (IDR 39.0 T)

2021: IDR20.40 T  
2020: IDR120.61 T

## Business Incentives (tax)

- Tax borne by the government (Pajak DTP)
- Exemption of Import Tax article 22 (PPH 22 Impor)
- Accelerated VAT Return (preliminary return)

2021: IDR14.9 T  
2020: IDR53.57 T

## Corporate Financing

- State equity participation (PMN) to guarantee agency (LPEI)
- PMN to State-owned enterprise (BUMN) (HK, ITDC, Pelindo III, KIW)
- Guarantee backstop loss limit

2021: IDR110.2 T  
2020: IDR203.9 T

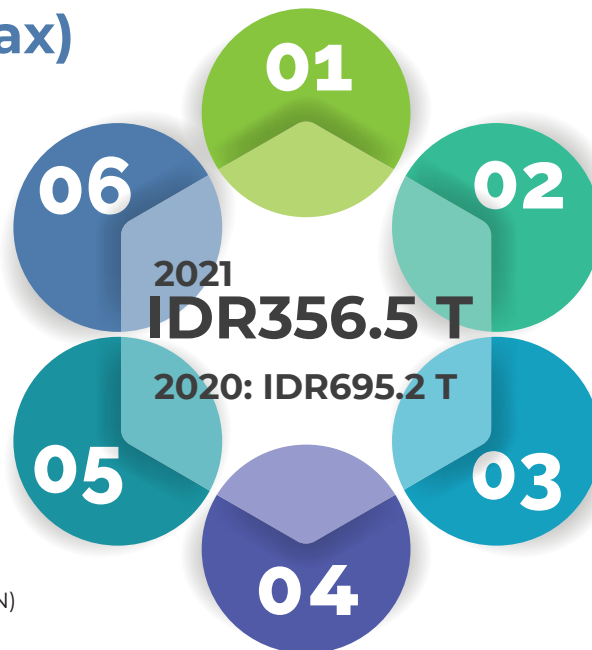
## Social Protection

- the Family Hope Program (PKH) 10 million KPM
- Basic foods (sembako) assistance 18.8 mil KPM (@IDR200K)
- Pre-Employments --> online and offline vocational
- Rural fund: rural-cash transfer to support village-owned enterprise (BUMDes)
- Cash-transfer assistance (BLT) 10 mil KPM @IDR200K for 6 months

2021: IDR136.7 T  
2020: IDR106.11 T

## Line Ministries (LM) & Local/Regional Govt.

- Tourism Support
- Food Security
- ICT development
- Regional borrowing
- Labor-Intensive LM
- Industrial area
- Reserve for national economic recovery (PEN) program



2021: IDR48.8 T  
2020: IDR123.46 T

## Micro, Small & Medium Enterprises (UMKM)

- Regular KUR interest subsidy
- Financing Support KUMKM
- Fund Placement-Bank
- Loss Limit Guarantee
- PEN Financing Reserve

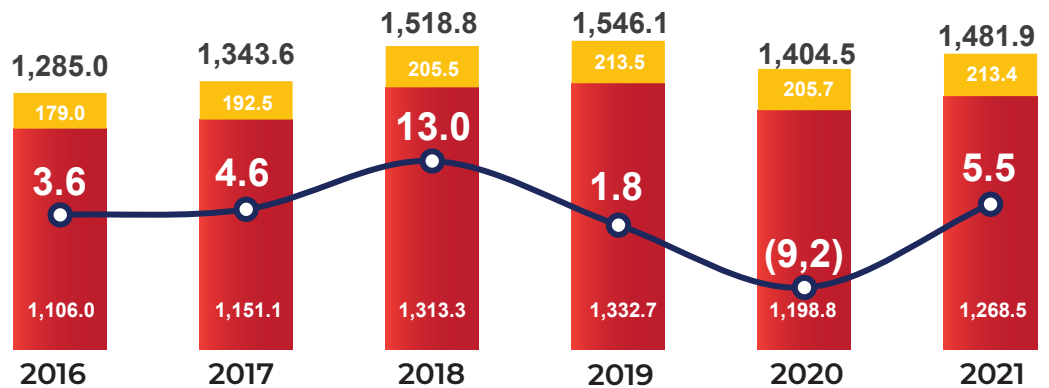


# Tax & Excise Revenue

Tax & Excise revenue is in recovery in 2021 and is projected to grow by 5.5% with a policy focused on supporting economic recovery and continuing structural reforms

## Tax & Excise Revenue (IDR Trillion)

- Tax
- Excise
- Growth (%)



### Supporting Economic Recovery & Transformation

- **Provision** of better targeted and measurable tax incentives
- **Improved** quality of human resources
- **Strengthening** strategic sectors to support economic transformation

### Tax Optimization & Reform Policies

- **Taxation** of e-commerce transactions (PMSE)
- **Extensification** and monitoring (individual and territorial basis)
- **Audit**, collection, and fair risk-based law enforcement
- **Continuing** tax reform (institution, human resources, IT and databases, business processes, and tax regulations)
- **Development** of customs facilities and harmonization of cross-line ministries fiscal facilities



# Tax Revenue

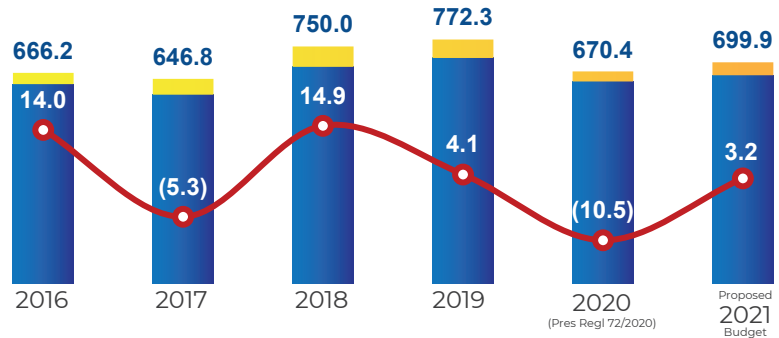
Income tax and Value Added Tax (VAT) play the main roles as the economy is expected to recover

## Income Tax

(IDR Trillion)

- Income Tax on Oil & Gas
- Income Tax on Non-Oil & Gas
- Growth Income Tax on Non-Oil & Gas (%)

Income tax on Non-Oil and gas is expected to rise by 3.2% taking into account the inability of the main tax contributor sector to fully recover due to Covid-19

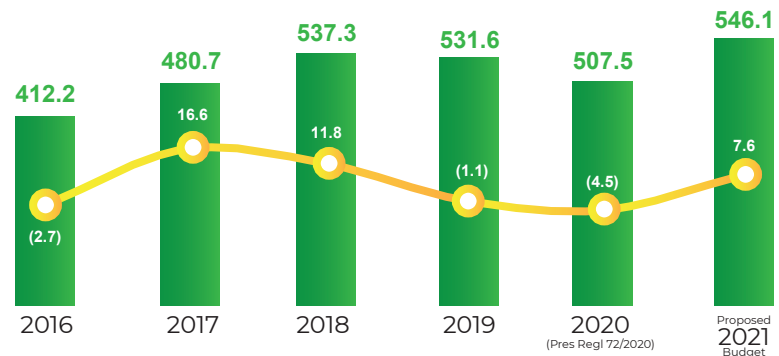


## VAT

(IDR Trillion)

- VAT
- Growth PPN (%)

VAT is expected to grow by 7.6% as the economy recovers



## Tax Incentives

as a fiscal instrument to assist national economic recovery and strengthening economic transformation

### 1 Accelerated VAT Return (preliminary return)

Support company's cash flow to resume business activities

### 2 Import Tax Article 22

Stimulus for the Industry to import raw materials for production

### 3 Tax Borne by the Government

Support competitiveness and the economy of targeted sectors

### 4 Tax Holiday & Tax Allowance

Attract capital to increase domestic investment to trigger the emergence of new industries, economic diversification, new job opportunities, and accelerating regional growth



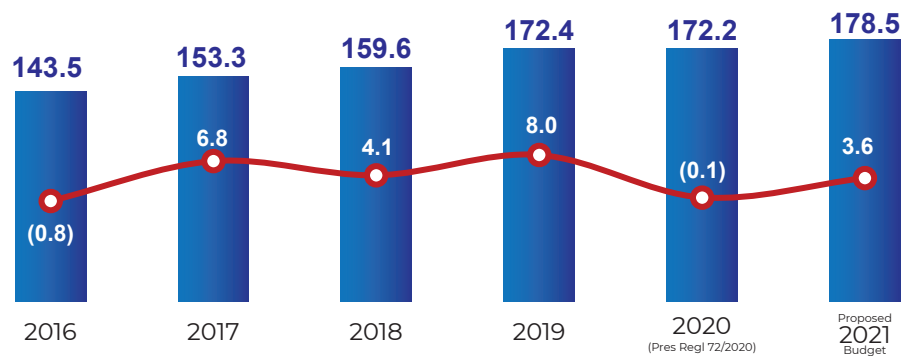
# Customs & Excise

The expansion of the excise base and the prospect of recovery in international trade are expected to boost revenue

## Excise

(IDR Trillion)

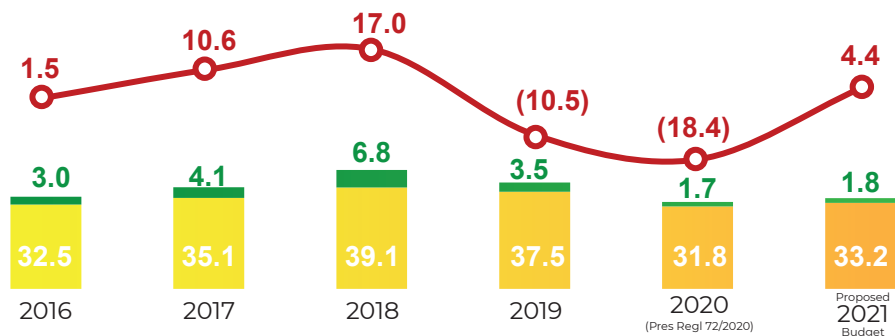
— Excise  
— Growth (%)



## International Trade Tax

(IDR Trillion)

— Export Duties  
— Import Duties  
— Growth of Int'l Trade Tax (%)



### Support for National Economic Recovery

Ease of export and import aiming to fulfill local raw materials and relaxation for Bonded Zones (KB) & Import Facilities for Export (KITE)

### Support for Economic Transformation

Improvement of the National Logistics Ecosystem (NLE):

- Lower logistics costs
- Lowered logistics time from 111 hours to 55.8 hours
- Across Trading Border Ranking (TAB) in the EODB increased from 116 to 87

### Reforms for revenue optimization

Development of excise connection (an integrated excise monitoring system).

Eradication and reduction of illegal goods circulation



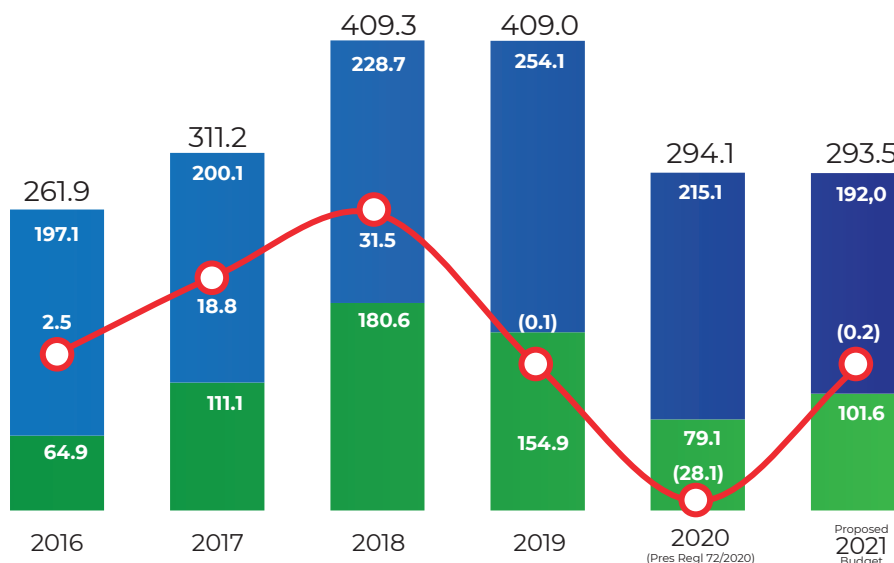
# Non-Tax Revenue (PNBP)

projected to increase due to the rise of key commodity prices and maximizing revenue from LM's PNBP-related services and Public Service Agency (BLU) as social activities recovered

## Non-Tax Revenue

(IDR Trillion)

- Natural Resources Non-Tax Revenue
- Non Natural Resources Non-Tax Revenue
- Non-Tax Revenue Growth (%)



■ 2021 ● 2020  
(IDR Trillion)

Oil & Gas Non-Tax Revenue

■ **72.4**  
● **53.3**

Non-Oil & Gas Non-Tax Revenue

■ **29.1**  
● **25.8**

Revenue from State Separated Assets

■ **26.1**  
● **65.0**

Line Ministries' PNBP-related services

■ **107.0**  
● **100.1**

Revenue from Public Service Agency (BLU)

■ **58.8**  
● **50.0**

**Natural resources Non-tax revenue** from oil and gas will depend on price and lifting, while the price and production of coal will affect Non-tax revenue (non-oil and gas)

**Optimizing lifting (oil and gas)** by improving the investment climate in the oil and gas sector and controlling Cost Recovery

**Revenue from State Separated Assets** relating to SOE dividends are still affected by the weakening of SOE's performance in 2020 due to Covid-19

**Line Ministries' PNBP-related services** will improve in 2021 as economic activities recover





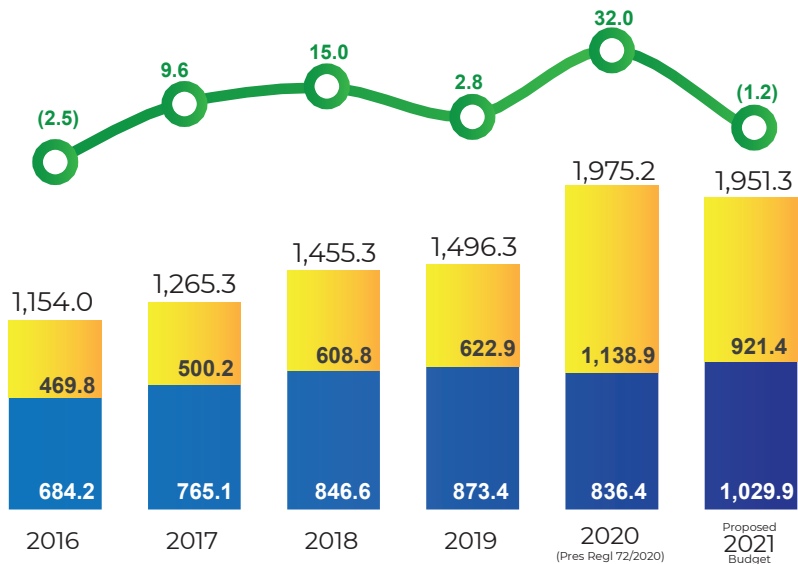
# Central Government Expenditure

Acceleration of Social - Economic Recovery and Strengthening Reforms towards INDONESIA MAJU

## Central Govt. Expenditure

(IDR Trillion)

- Line Ministries (LMs) Expnd.
- Non-LMs Expnd.
- Growth (%)



## Central Govt. Expenditure Focus

**Spending Efficiency**  
reevaluate operational cost to accommodate the change of working process

**Support economic recovery and national priorities**

**Optimizing Information Technology**  
to improve the quality of public services in governance and service delivery

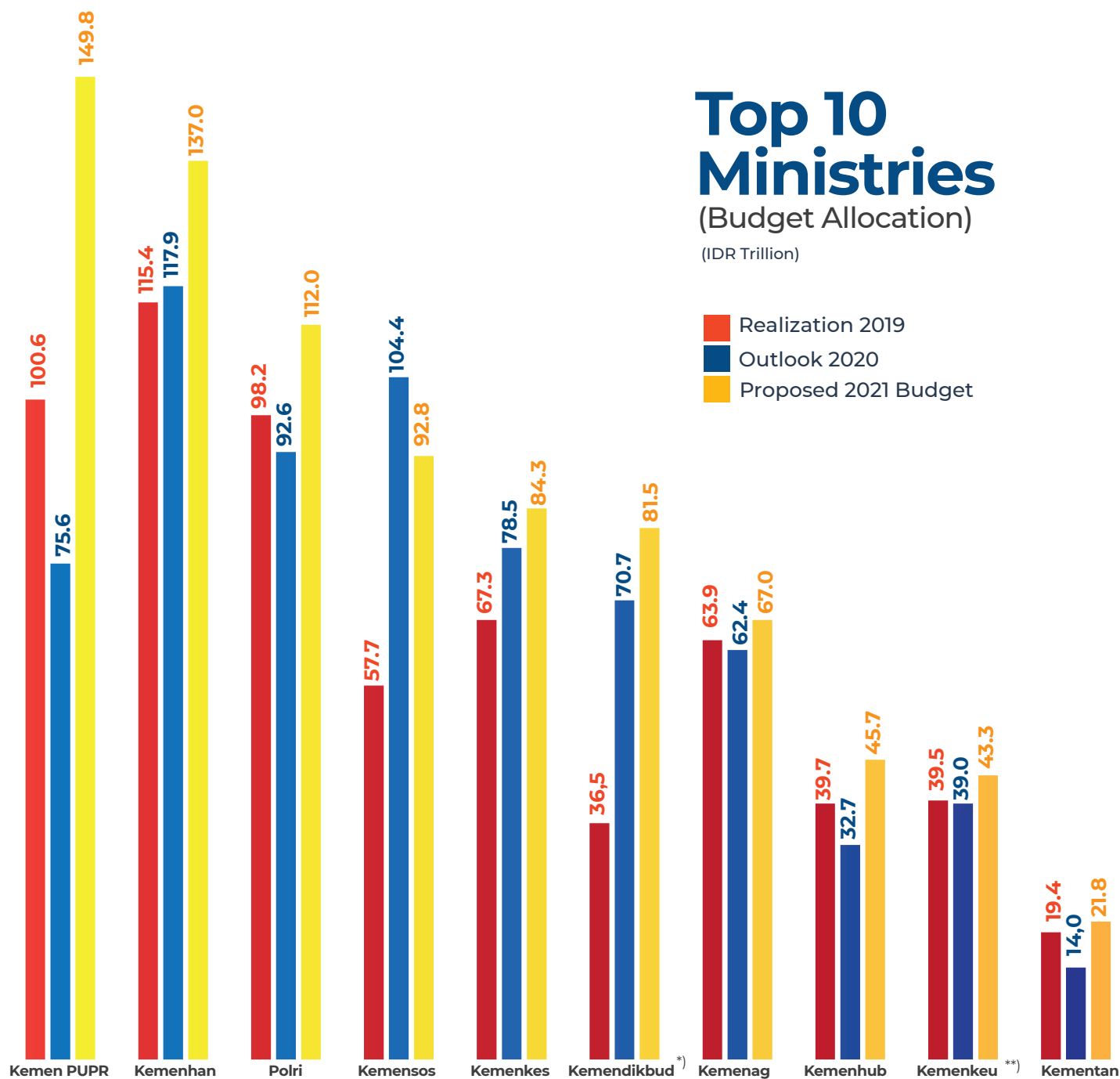
**Budget reforms, including :**

- priorities/result based budgeting approach , value for money
- Cost efficiency of central and regional bureaucracy
- automatic stabilizer



# Line Ministries/ Institutions Expenditure

to continue socio-economic recovery efforts and strengthen reforms



<sup>\*)</sup> Redirect higher education program from the Ministry of Research and Technology/National Research and Innovation Agency(Kemenristek) to the Ministry of Education and Culture (Kemendikbud)

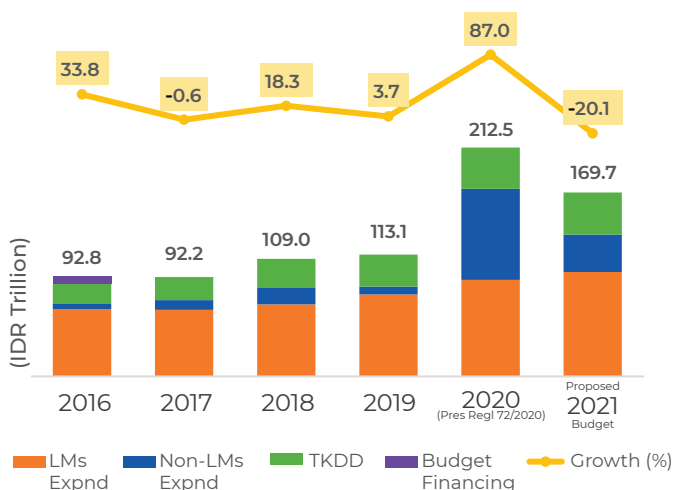
<sup>\*\*)</sup> Including the MOF-BLU budget (i.e. the BLU of the Palm Oil Plantation Fund Management Agency (BPDPKS) and Indonesia Endowment Fund for Education (LPDP)





# Health Expenditure Budget

To accelerate health recovery for Covid-19, followed by increased access and service quality through strengthening the healthcare system



## Goals & Target

**IDR48.8 T**  
Premium assistance (PBI JKN)  
**96.8 mil ppl**

**IDR2.4 T**  
Premium assistance for non-wage receiver (PBPU) and non labour (BP) class III

**IDR18.0 T**  
Anticipate for Covid-19 vaccine procurement  
**160 mil ppl**

**IDR3.7 T**  
Anticipate for Immunisation implementation  
**160 mil ppl**

**IDR2.8 T**  
Tuberculosis Control Services  
**145 services**

**IDR10.7 T**  
Operational Assistance for Health Centers  
**10,143 Public Health Centers (Puskesmas)**

**IDR2.0 T**  
Operational assistance for Family Planning (KB)  
**5,737 Councillng Centers**

**IDR1.1 T**  
Provision of Supplementary Food for  
**238,000 Pregnant Women with Chronic Energy deficiency**  
**441,000 thsnd underweight children (wasting)**

Construction/rehabilitation  
**559 Referral Hospitals**

Constructing  
**971 Puskesmas**

Prevalence of Stunting  
**21.1 percent**  
Expansion of Intervention Priorities  
**360 cities**

## Policies

**Accelerating Health Recovery for Covid-19:** Increased and more equitable supply side, improved coordination, and anticipating vaccine procurement

**Strengthening early childhood ("Generasi Unggul") programs:** Improving the nutrition of pregnant / breastfeeding mothers and toddlers, and accelerating the reduction of stunting

**Strengthening the Synergy and Coordination between Central and Regional Governments:** Synergised planning, budgeting and financing to support the supply side, as well as strengthening promotive and preventive programs

**National Health Insurance (JKN) Reform:** Improving JKN service quality and cost effectiveness, adjustment of JKN premiums and validity of JKN recipient PBI data, and strengthening the role of local governments

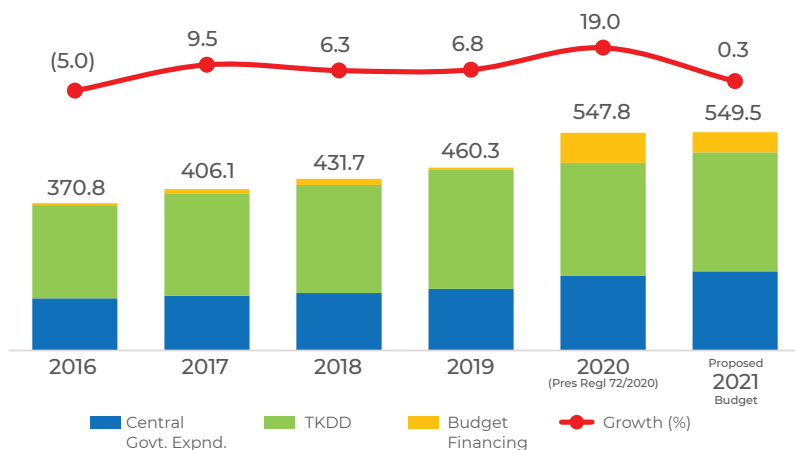
**Health Security Preparedness:** Strengthening disease prevention, detection and response, and integrated health systems





# Education Expenditure

to enhance quality of educational outcomes through strengthening early childhood education and development (PAUD) management, as well as increasing teacher competency in order to achieve higher PISA scores



Proposed 2021 Budget (IDR Trillion)	Outlook 2020 (IDR Trillion)
<b>Central Govt. Expend.</b>	
■ <b>199.4</b>	● <b>187.9</b>
<b>Transfer to Region</b>	
■ <b>299.1</b>	● <b>284.5</b>
<b>Budget Financing</b>	
■ <b>51.0</b>	● <b>75.4</b>

## Goals & Target

■ 2021 ● 2020



Smart Indonesia Program (PIP)  
(mil ppl)

<b>Kemendikbud</b>	■ 17.9 ● 17.9
<b>Kemenag</b>	■ 2.2 ● 2.2



Bidik Misi Scholarship/College KIP  
(thousand students)

<b>Kemendikbud</b>	■ 1,095.1 ● 985.0
<b>Kemenag</b>	■ 52.6 ● 52.6



School Operational Assistance (BOS)  
(thousand students)

<b>TKDD</b>	■ 46.8 ● 45.8
<b>Kemenag</b>	■ 8.9 ● 8.9



Teacher Professional Allowance (TPG) non-Govt' apparatus  
(thousand teachers)

<b>Kemendikbud</b>	■ 274.6 ● 274.6
<b>Kemenag</b>	■ 270.9 ● 270.9



LPDP scholarship admission  
(awardee)

■ 4,000 - 5,000	● 5,000
-----------------	---------

## Education Reforms

- Transforming school principals' leadership
- Transforming teacher's education and training to produce a new generation of teachers
- Teaching in accordance with the individual's diverse competence (simplifying curriculum, more flexible and competency oriented)
- Global Assessment Standards
- Regional and Civil Society Partnerships

## Other Education Policies

- Strengthening vocational and pre-employment cards (link/match with industry, strengthening R&D)
- Strengthening the implementation of pre-school-PAUD (through Operational assistance and rural fund for PAUD)
- Improving the effectiveness of educational assistance distribution (BOS, PIP, and LPDP)
- Accelerate improving the quality of educational facilities, especially for 3T (frontier, outermost and remote regions)
- Better-targeted College Student-Smart Indonesia Card (KIP) and Higher Education Funding



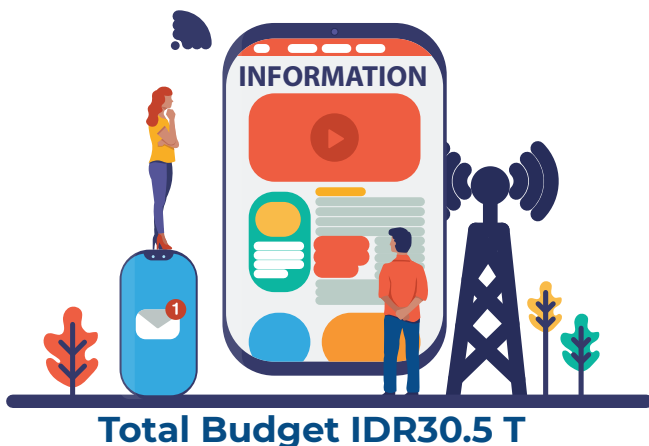


# ICT Developments

To develop and utilize technology for several sectors to support and improve public service delivery

## Strategic Programs

- Provision of Base Transceiver Station (BTS) at 5,053 locations
- Availability of satellite capacity at 12,377 public service locations
- Development of a National Data Center, Digital Literacy, Strategic Sector Digital-Transformation, Digital Technopreneur
- Electronic Control System Operation
- Update social welfare database (DTKS), IT equipment and Communication Network
- Support the digitization of education such as procurement of ICT tools and learning media



## LMs Expnd

**IDR21.5 T**

- Ministry of Communication and Information Technology (Kemenkominfo)	IDR14.7 T
- Ministry of Social Affairs (Kemensos)	IDR1.5 T
- Ministry of Finance (Kemenkeu)	IDR2.1 T
- Ministry of Land and Spatial Planning/National Land Agency (Kem ATR/BPN)	IDR1.0 T
- Other LMs	IDR2.2 T

## Transfer to Region & Rural Funds

**IDR9.0 T**

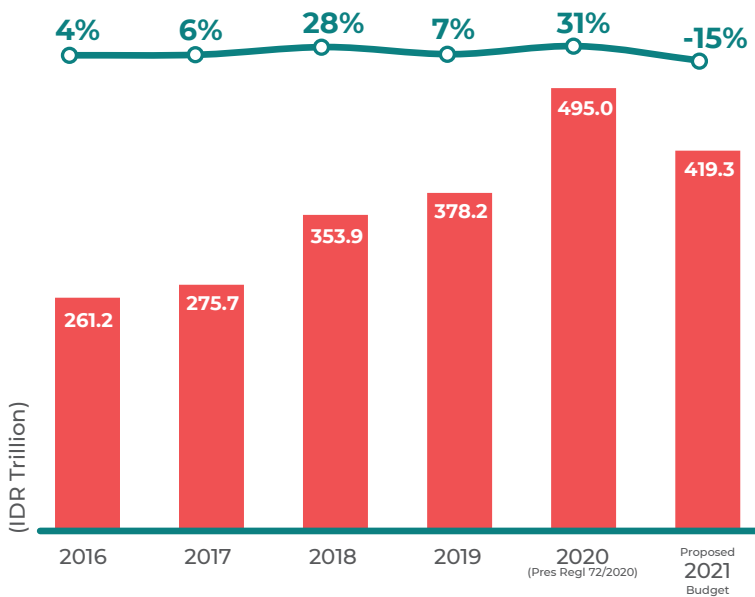
## Policies

- Accelerating Digital Transformation in government sectors
- Promoting efficient and fast public service delivery including Health and education
- Consolidating and optimizing infrastructure and shared services
- Promoting community inclusion in development priority regions and promote equality by providing internet access at 3T Regions



# Social Protection Expenditure

The social protection policy in 2021 is to support gradual reformation of the social protection system



## Policies

- Program continuation for recovery acceleration (i.e. Basic Food Cards, Family Hope Program (PKH), Social-Cash Transfer (bansos tunai) and Pre-Employment Cards)
- Encouraging comprehensive social protection programs based on life cycles and anticipating the aging population (social protection reform)
- Gradual and careful integration of energy subsidy programs and Social Assistance programs
- Improving the Integrated Social Welfare Database (DTKS) and distribution of the Social Security Program, as well as strengthening M&E

## Goals & Target

■ 2021 ● 2020



The number of beneficiary families (KPM) – PKH

- 10 mil KPM
- 10 mil KPM



The number of KPM – food assistance

- 18.8mil KPM
- 20.0 mil KPM



The number of students -PIP

- 20.1 mil student
- 20.1 mil student



The number of participants - JKN PBI

- 96.8 mil ppl
- 96.8 mil ppl



The number of KPM - social assistance

- 10.0 mil KPM
- 9.0 mil KPM



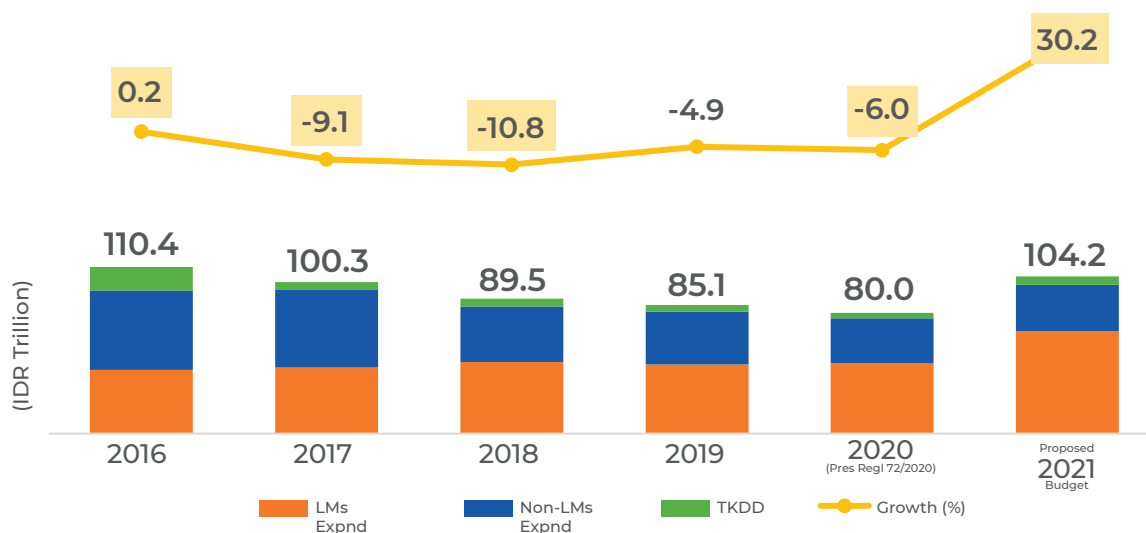
The Number of college students - college KIP

- 1.1 mil students
- 1.0 mil students



# Food Security Expenditure

aims to increase food production and to support economic recovery



## Policies

- Increase Production of Food Commodities -> building infrastructure and the use of technology
- Revitalization of National Food System: strengthening farmer / fisherman corporations and food distribution
- Development of Food Estate in Central Kalimantan, South Sumatra, and Papua (Merauke)
- Increase Food Productivity -> empowerment of existing transmigration/ farmers and investing in small farming on land covering an area of 165,000

## Goals & Target



**Rice Production**  
(mil tons)  
**58,50**

**Corn Production**  
(mil tons)  
**24,20**

**Soybean Production**  
(mil tons)  
**0,42**

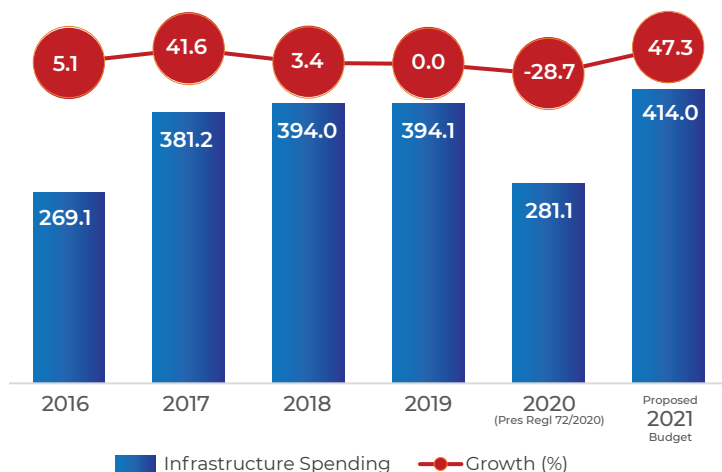
**Meat Production**  
(mil tons)  
**0,44**

**Dam Construction**  
**43 on-going**  
**4 new**

**Irrigation advancement/ rehabilitation**  
**51.000 Ha**

# Infrastructure Spending

To provide basic services, improved connectivity, and support economic recovery



<b>Total</b>	<b>IDR414.0 T</b>
	2020: IDR281.1 T
■ 2021 ● 2020 (IDR Trillion)	
<b>Central Govt. Expend.</b>	■ 236.3 ● 140.1
<b>Transfer to Region &amp; Rural Funds</b>	■ 131.9 ● 112.5
<b>Financing</b>	■ 45.8 ● 28.5

## Policies

- Continue infrastructure development post covid 19 through strengthening digital infrastructure and improving logistical efficiency and connectivity
- To focus on labor-intensive infrastructure that supports industrial area and tourism
- Development of public health facilities and provision of basic needs (water, sanitation, housing) to strengthen the national health system
- Completion of deferred 2020 prioritized activities

## Goals & Target

### Basic Services

- Flats & special house: 11,650 unit
- Access to sanitation & waste: 1,037,010 KK
- Dam: 47 unit (43 on-going & 4 new)
- Irrigation System: 20,000 Ha

### Connectivity

- Road construction: 678.0 km
- Bridges: 13.1 km
- Railway: 378 km'sp
- Airport: 10 unit

### Energy & Electricity

- Natural Gas infrastructure/network to household: 120,776 House Connections (SR)
- Conversion of BBM (fuel oil) to BBG (natural gas): 25,000 unit

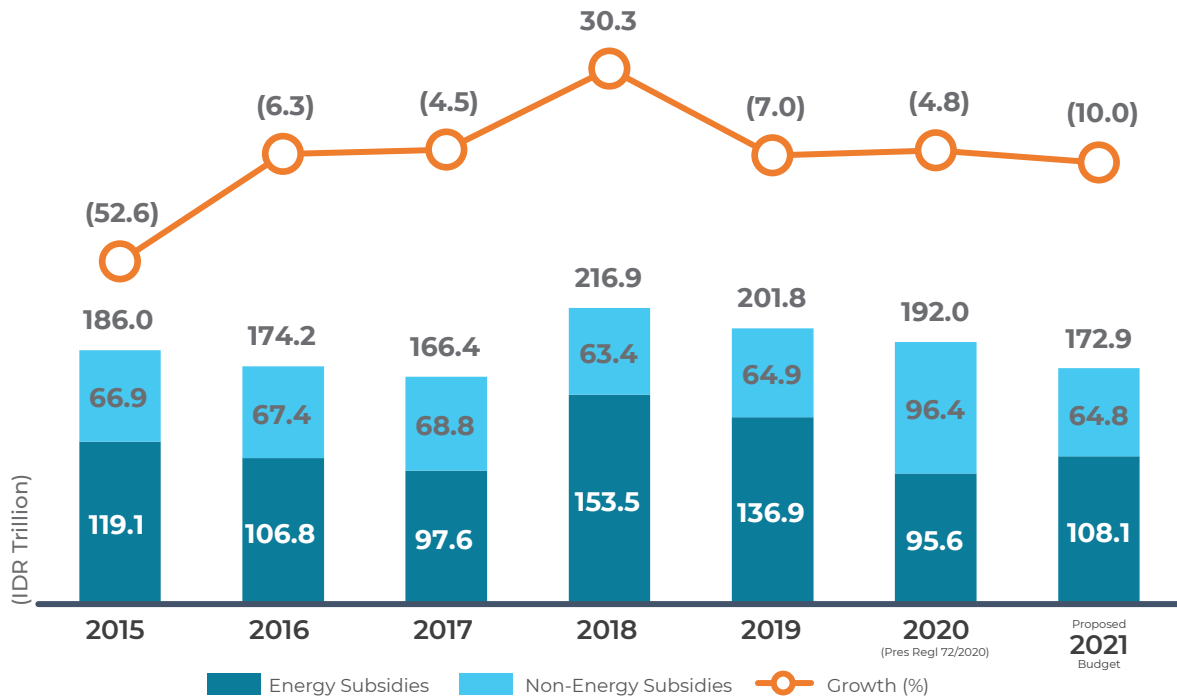
### Information Technology

- Provision of BTS in 3T location: 5,053 lokasi
- Palapa Ring: West 40% Central 30% East 30%



# Subsidies

To be better targeted, more integrated, and to support Corporate/UMKM



## Energy Subsidies

**A fixed subsidy for diesel** at IDR 500/litre (2020 IDR1,000.litre).

**Electricity subsidies for households** (450 VA and 900 VA) based on DTKS --> 32.8 mil households.

**Volume:**

LPG 3 Kg ---> 7.0 mil MT  
 Diesel ---> 15.8 mil kiloliter  
 Kerosine ---> 0.5 mil kiloliter

**The gradual and careful integration** of energy subsidies into social assistance through volume control

## Non-Energy Subsidy

Update the farmers data recorded in e-RDKK (by name by address) to **better targeted fertilizer subsidies**

**HPP efficiency and changes in the composition of NPK fertilizer**

**Tax incentives** through government borne tax subsidies (DTP)

**Support the improvement** of public transportation and provision of public information

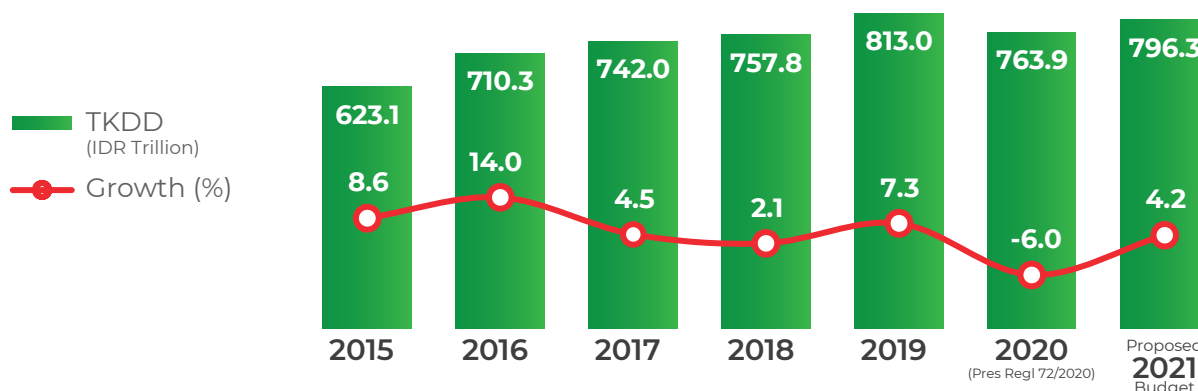
**Increase Micro Credit (KUR) ceiling** from IDR190 T (2020) to IDR220 T





# Transfers to Regions and Rural Funds (TKDD)

Improving the quality control of the TKDD and support local government in education, health and economic recovery, in order to support the strengthening and recovery of the national economy



## TKDD for priority programs

### Development of MSME:

the development and revitalization of Small-Medium enterprise (IKM) centers, training, mentoring and empowerment of MSME and village-owned enterprises (BUMDes)

### Food Security and Farmer/fisherman welfare

Improvement and empowerment of agriculture / fisheries businesses through the provision of access (road) and conservation of water sources

### Tourism Development

Support for the provision of facilities, amenities, road access and development of tourism village, followed by tax incentives, improving the quality of tourism destination management and the capacity of the tourism business community

### Education and Health Reforms

- Improvement and increase of educational infrastructure based on "comprehensive intervention" targets to support program "freedom of learning"
- Support to improve the health system readiness, including the availability of facilities, infrastructure and medical equipment at the regions and villages

### Improved infrastructure and connectivity

Support for increased access and land or water connectivity in the context of economic recovery

### ICT Development

Digitalization of education and health as well as the development of digital village.

## Policies Direction

Support national economic recovery efforts in accordance with national priorities through:

- Development of accessibility and connectivity at regional economic centers.
- Provide regional incentives to attract investment, improvement of investment service systems, and MSMEs support.

Improve synergies between TKDD and LM spending in human resources development (Education and Health)

Promote regional infrastructure spending using creative financing scheme including local government borrowing, local govt PPP and inter-regional cooperation to achieve long-term development plan's targets

Strengthening accountability and implement performance based budgeting for TKDD (General Transfer Funds (DTU) and Special Transfer Funds (DTK)) .

Strengthen TKDD performance and carry out local government budget (APBD) reforms through the implementation of Standardised Regional Unit Prices (SHSR) and Standardised Chart of Account (BAS)



# Transfer to Region & Rural Funds

## Physical Special Allocation Fund (DAK) goals/target

\*interim output



### Education

- Improvement of infrastructure **23.016 units**
- Construction of **34 units** and Rehabilitation of **36 units** of public library



### Health

- Construction of **971 Puskesmas Buildings**
- Construction/rehabilitation of **559 referral hospitals**
- Stunting interventions on **360 cities**



### Environmental and Forestry

- Construction of waster recycling center **17 units**
- People/community' forrest **16.750 Ha**



### Water Transportation

- Rehabilitation of Port Facilities **60 harbours**
- Construction of Water-bus **10 Units** and water-bus RORO **10 Units**



### Tourism

Development of tourism area amenities and attraction **154 areas**



### Water

- Construction of Water supply system (SPAM) **167.110 SR**
- Expansion of SAPM JP **117.097 SR**



### Road

- Maintenance and rehabilitation **2.375 KM**
- Capacity improvement Road Construction **10.076 KM**
- Road Structure **229 KM**
- Bridge construction **699 M**



### Sanitation

Development and construction of **33.975 House Connections (SR)** centralized domestic wastewater system (settlement scale) and **465 SR** (city scale)



### Marine and fisheries

- Construction/rehabilitation and provision of fishing port infrastructure **111 units**
- Construction/rehabilitation fish hatchery **255 Units**



### Housing and Settlement

- House quality improvement **40.000 Units**
- Construction of new livable house **10.000 Units**



### Irrigation

- Network rehabilitation **335.584 Ha**
- Network construction **41.488 Ha**



### Small-Medium Enterprises (IKM)

- Construction of **20 IKM Centers**
- Revitalization of **100 IKM Centers**



### Rural Transportation

- Development and improvement of strategic rural roads **1.769 KM**
- Development/procurement of water transportation facilities under 20GT **585 units**



### Agriculture

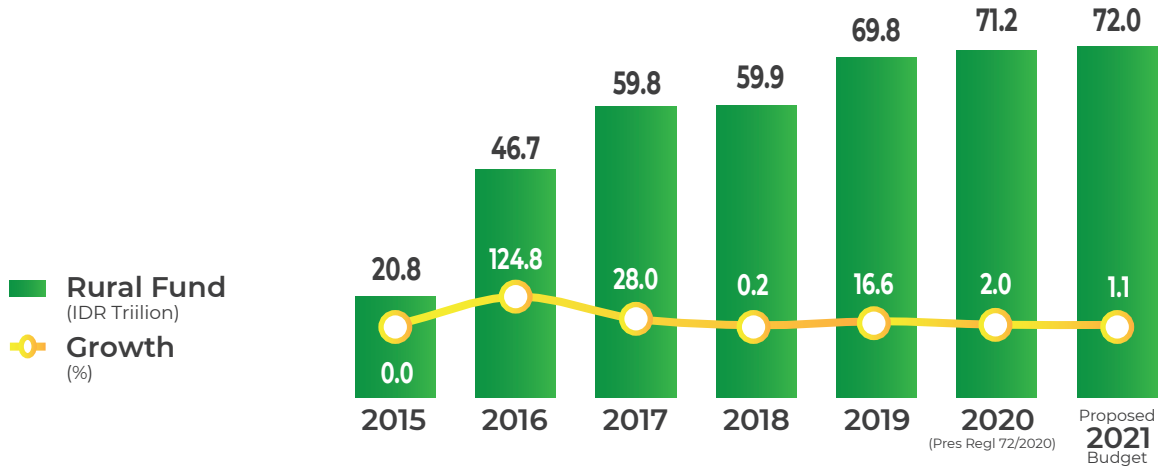
- Construction of **3.355 units** water sources
- Construction of **1.000 km** farm road/market access road





# Rural Fund

Improve the performance on the implementation of rural funds and support economic recovery and priority sectors



## Policies

### Reformulation of Allocation and Distribution-rural funds

- Increase the formula based allocation in accordance with village characteristics.
- Strengthening the performance allocation to encourage village to improve the transformation of the village economy.

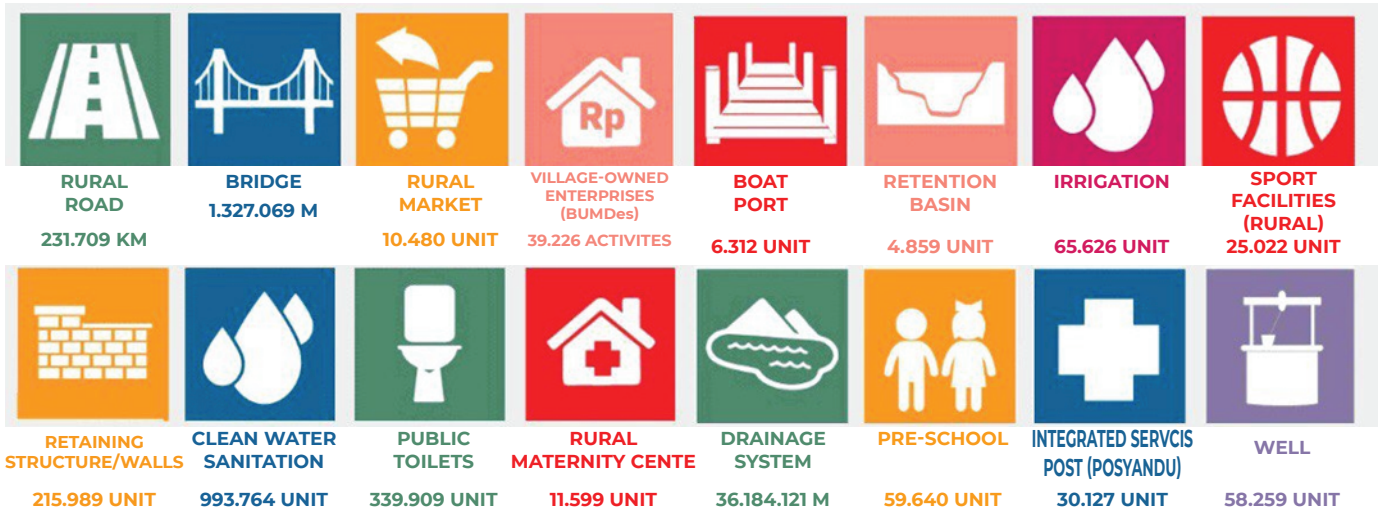
### Rural/village economic recovery

- Strengthen the sustainability of cash- labour intensive programs.
- Empowering SMEs and the agricultural sector.
- Encouraging the transformation of the village economy through a digital village

### Supporting Priority Sector Development

- Supporting ICT development programs through development of digital village.
- Supporting the tourism development program through the development of tourist villages
- Supporting food security through the development of agricultural cultivation, farm and fisheries.

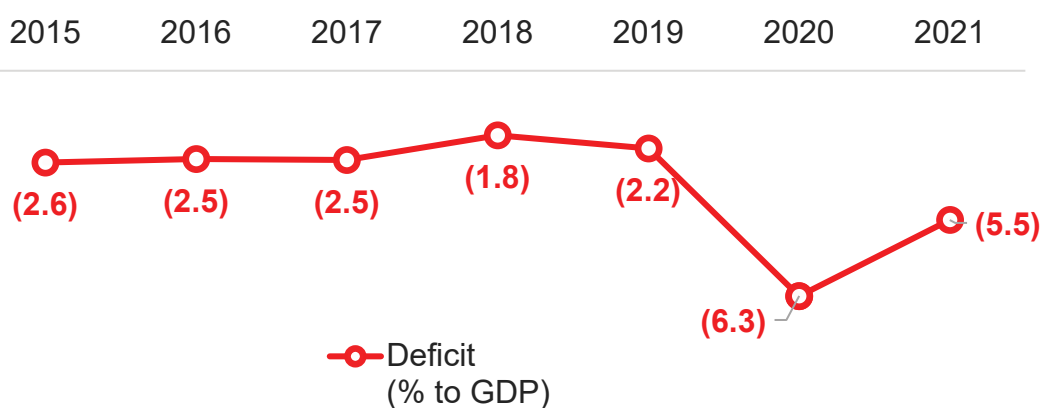
## RURAL FUND OUTPUT ACHIEVEMENT 2015-2019



# Budget Financing

**Strengthening the development of innovative financing to accommodate expansive-consolidative policies**

## Deficit (% to GDP)



## Policies

- Promote creative/innovative financing to support countercyclical policies (i.e. strengthening PPP, SWF, SAL, BLU, and cash loan flexibility)
- Support the restructuring of BUMN, BLU, SWF to support economic recovery and to accelerate target realization;
- Increase access to finance for KUMKM, ultra micro (UMi) and housing for low income families (MBR);
- Promote financial market deepening and efficient cost of borrowing, (expanding the investor base / retail SBN payment channel and facilitate the issuance of regional-bonds/sukuk)
- The effectiveness of the quasi-fiscal to accelerate the improvement of human resources competitiveness and to increase exports.

## Debt policy direction

- Flexible-Prudent: a debt financing flexibility that responsively adjust to financial market trend while carefully maintaining a healthy debt ratio; The increase in outstanding and debt to GDP ratio is due to the increasing need for financing amid the pressure of the global economic recession and support to overcome the Covid-19 pandemic
- Efficient cost of borrowing: expanding the investor base / retail SBN payment channel and facilitate the issuance of regional-bonds/sukuk)
- Maintaining macroeconomic balance through optimizing debt portfolio strategy



# Investment Financing

## High Quality HR

**IDR51.0 T**

- Increasing productivity / competitiveness of human resources
- Ensuring the sustainability of educational programs for future generation

## Institutional Strengthening of UMKM and UMi, Insurance and government guarantee

**IDR22.0 T**

- Developing and empowering of UMKM (UMi sector)
- Improving data accuracy and distribution,
- Improving the capital structure and company 's capacities

## Acceleration of Infrastructure Development

**IDR45.1 T**

- Increase the investment and exports competitiveness
- Development of infrastructure for transportation, housing and energy security

## Indonesia's role in the World

**IDR2.9 T**

Maintain and strengthen Indonesia's position in the International Financial Institution

## Advocating the National Export Program

**IDR5.0 T**

- Supporting export-oriented goods / services industry
- Strengthening the competitiveness of domestic goods / services in international markets





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