

INDONESIA OUTLOOK

Striking The Right Balance
Between Reform and Growth

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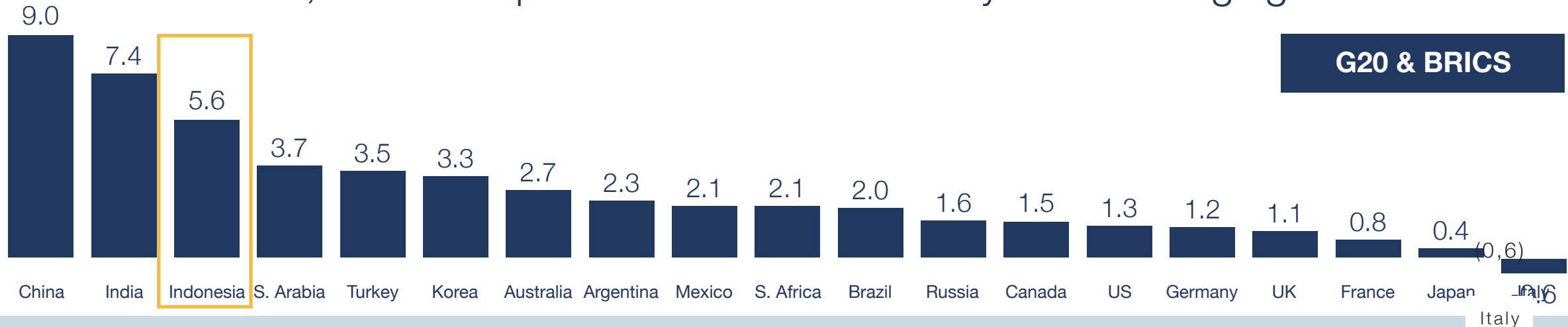
2017 ECONOMIC PERFORMANCE AND 2018 OUTLOOK

INDONESIA ECONOMIC PERFORMANCE IN 2017

Indonesia successfully maintaining the growth momentum in 2017

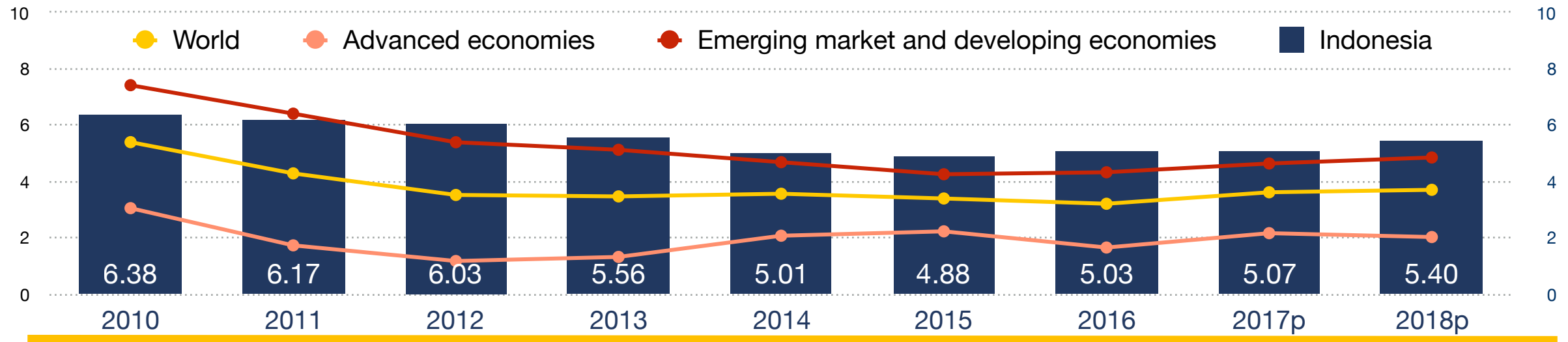


for a decade, Indonesia performs better than many other emerging economies



INDONESIA ECONOMIC OUTLOOK IN 2018

economic growth projected to rise higher in 2018, supported by the continuity of growth momentum across all sectors



2018 macroeconomic indicators



5,4



Inflation (%) YoY

3,5



Exc. Rate (IDR/USD)

13.400



Int. Rate (%)

5,4



Oil Price US\$/barrel

4,8



Oil Lifting (thousand BOPD)

800



Gas Lifting (thousand BOPD)

1.200



FUTURE GLOBAL CHALLENGES

FUTURE GLOBAL CHALLENGES

Geopolitics & Security



Water Conflicts

Talks begin on allocation of water from the Nile

Countries in the Nile River region started discussions Monday on a new water sharing agreement.



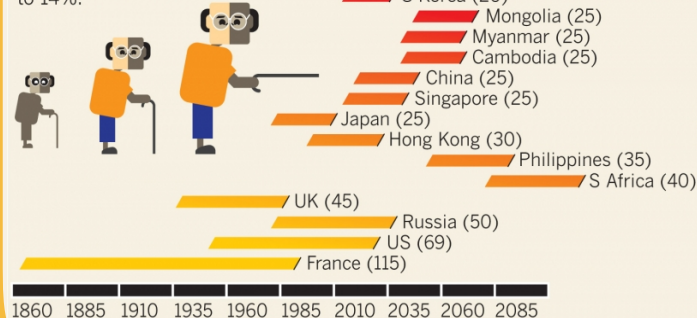
SOURCES: Nile Basin Initiative; NASA; United Nations

Population Ageing

FAST AGEING

TRANSITION

Number of years that countries take to move from 7% elderly population to 14%.



Source: World Bank Group

NATION GRAPHICS

Climate Change



Food and Energy Security



FUTURE GLOBAL ECONOMIC TRENDS

Protectionism in USA
(Inward Looking Policies)



Populism in EU
(Brexit, Eurosceptics)



Rise of Asia as an
Economic Powerhouse



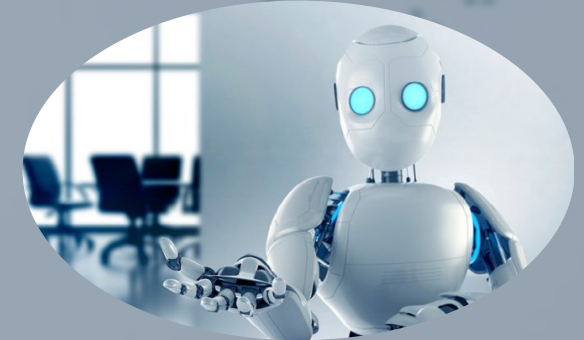
Green Economy



Rise of Millennials



Rise of the machines



PAY AN ATTENTION TO THE
TECHNOLOGY CHANGE...

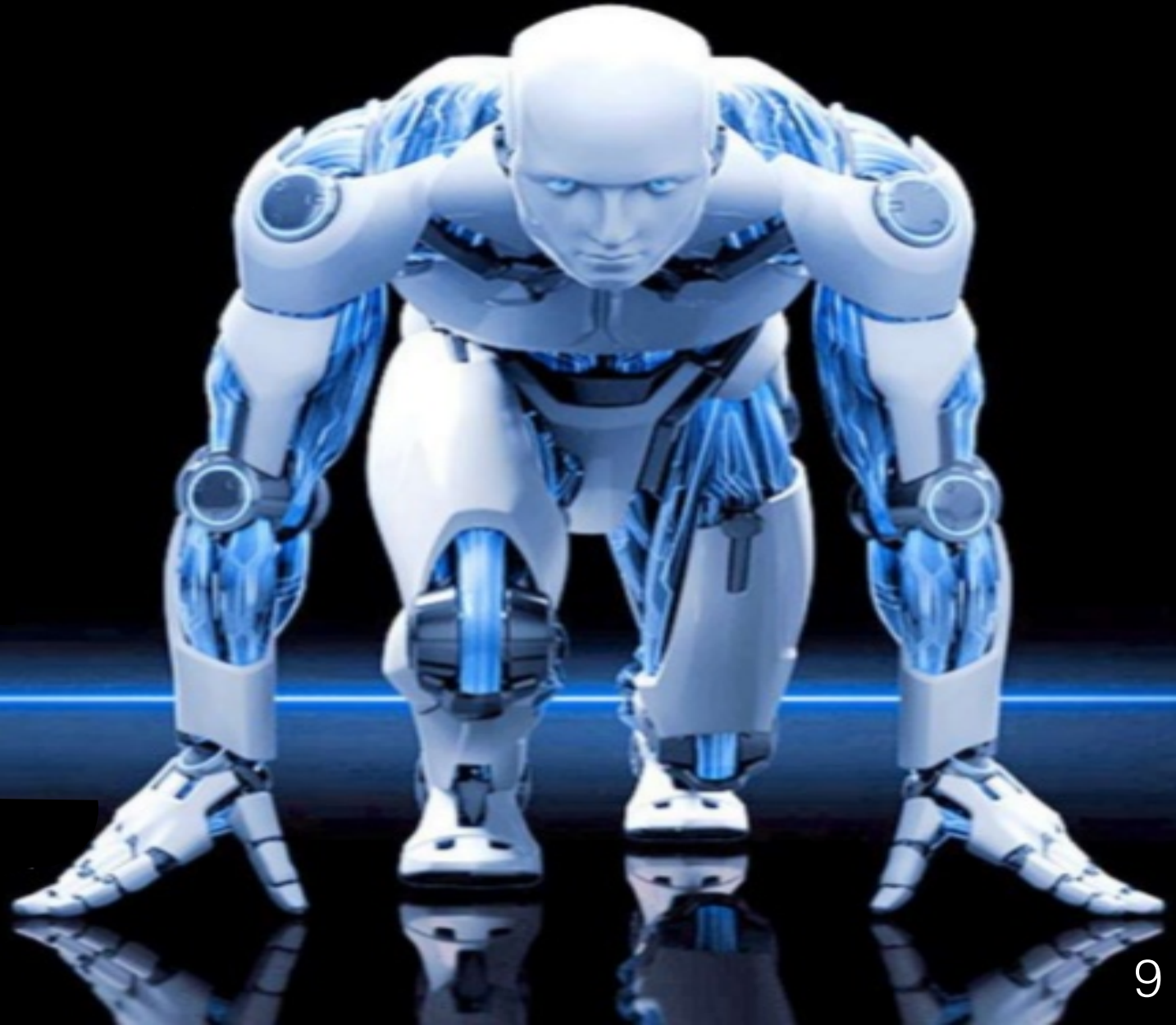
**It will radically transforms
our daily life**

● *DISRUPTION
(JOB DISPLACEMENT)*

● *ARTIFICIAL
INTELLIGENCE*

● *INTERNET OF
(EVERY)THINGS*

● *INDUSTRIAL
REVOLUTION 4.0*





SUSTAINABLE
ECONOMIC
TOWARDS
SUSTAINABLE
ECONOMIC GROWTH

NOW WE ARE LIVING IN THE AGE OF KNOWLEDGE DRIVEN ECONOMY (KDE)

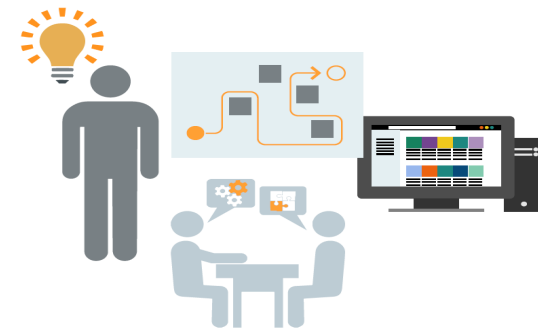
strengthening KDE is an imperative to sustain high growth rates in the future and to avoid middle income trap

Old Industrial Economy

- Resource based
- Labour Intensive
- Mass Production
- Proximity is important
- Require Control
- Top Down Approach
- Rigid

Knowledge Driven Economy

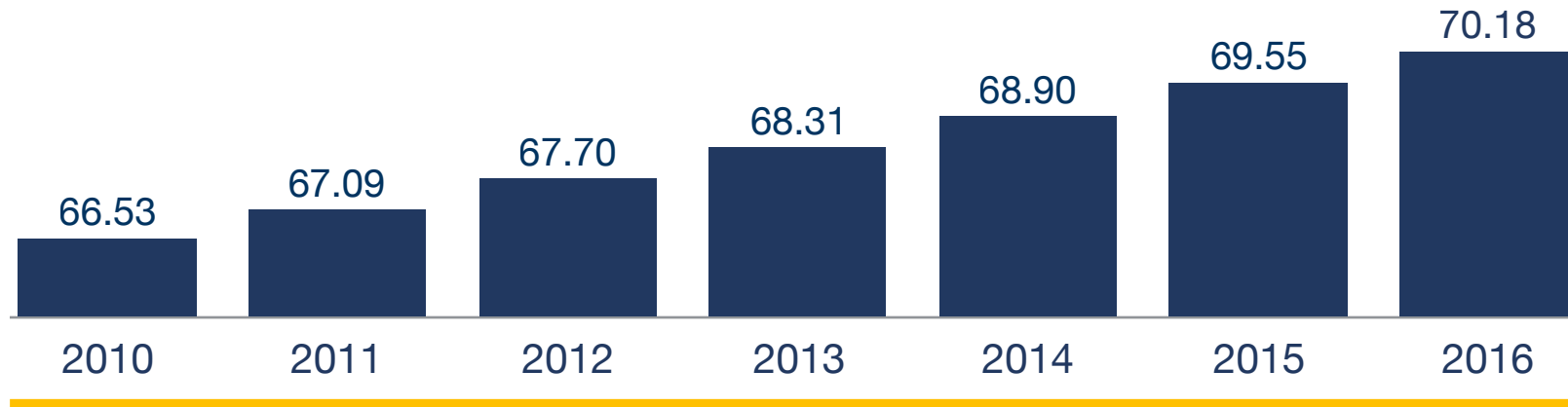
- Knowledge Intensive
- High Skill Talent
- Mass Collaboration
- Location less significant
- Require Collaboration
- Horizontal Collaboration
- Flexible



HUMAN CAPITAL INVESTMENT IS A KEY

Indonesia still needs to continuously and consistently improving its human capital

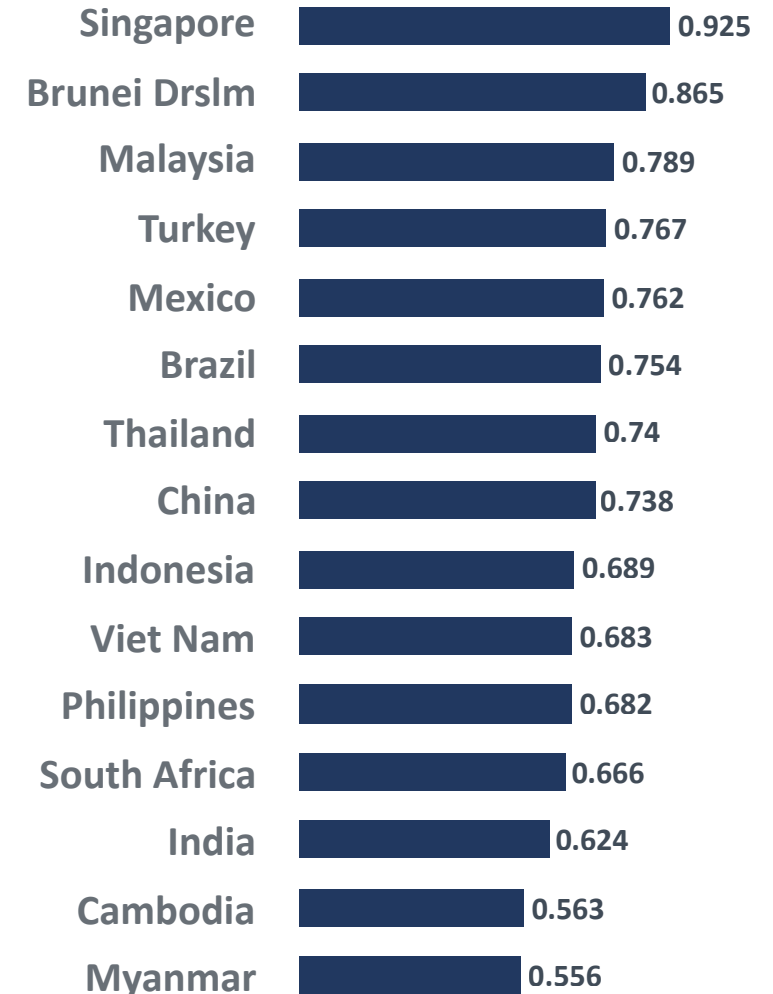
Indonesia's HDI 2010-2016



Indonesia's HDI 2016

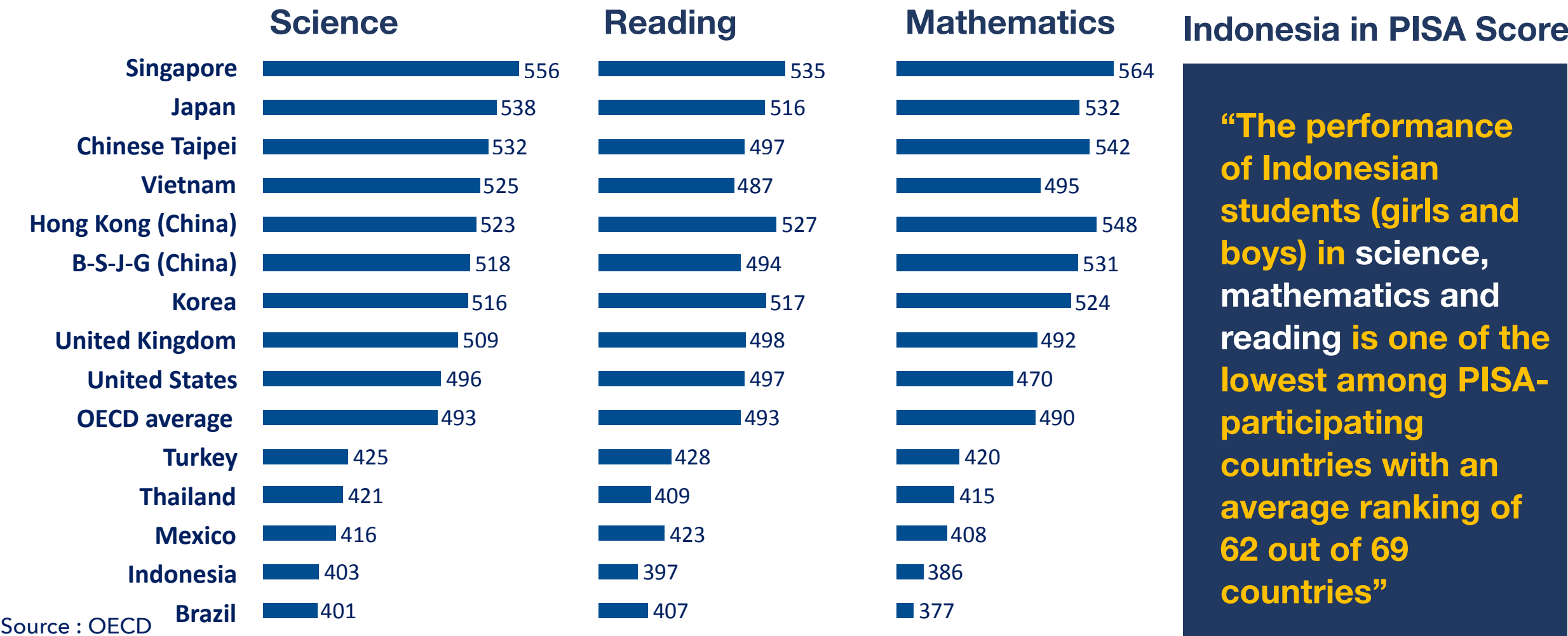


Comparison of HDI 2015



TO SUCCESSFULLY COMPETE IN KNOWLEDGE DRIVEN ECONOMY

Greater Emphasis Should Be Put On
Science, Technology, Mathematics (STEM) subjects in Education



STRUCTURAL REFORMS IS CRITICAL FOR INDONESIA TO MAINTAIN HIGH SUSTAINABLE GROWTH IN KDE ERA

The key is to focus on three sets of reforms



INSTITUTIONAL REFORM

Creating Institutions That Apply Good Governance and adaptive to change



REGULATORY REFORM

Designs Regulations That Foster Innovation, Competition and Growth

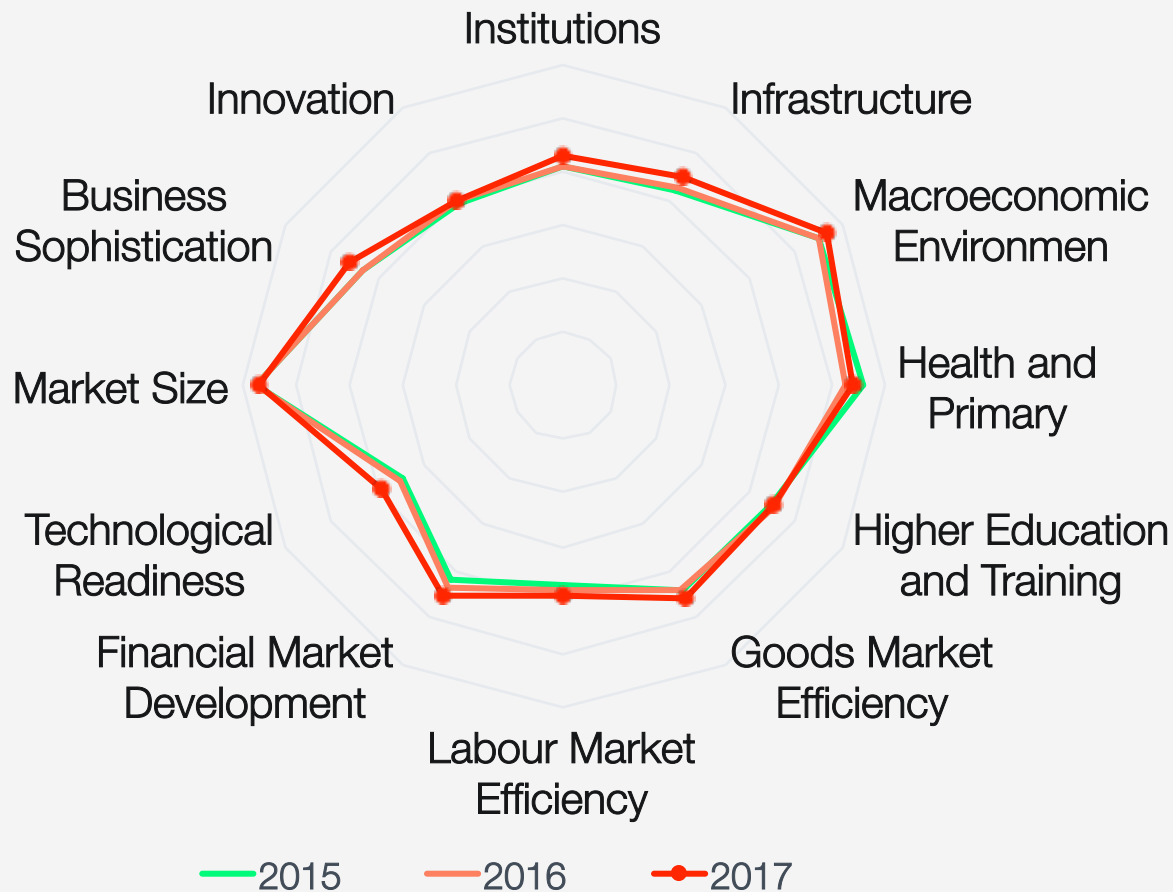


FISCAL REFORM

More Effective And Efficient Management of Fiscal Policies

INDONESIAN GOVERNMENT VERY COMMITTED TO CREATE STABLE AND GOOD INVESTMENT CLIMATE

While Ease Of Doing Bussiness (EODB) Score Consistently Improve,
More Efforts Needs To Be Done



Some Government Efforts To Improve Investment Climate

1. Easing Import and Export Restrictions
2. Reducing Dwelling Time
3. Revising and Perfecting Tax Incentive Schemes (Tax Allowance and Tax Holiday)

INDONESIAN GOVERNMENT IS VERY COMMITTED TO IMPLEMENT STRUCTURAL REFORMS

Some of Internationally Recognised Achievements In Implementing it

Ease of Doing Business 2018

Indonesia position improve from **91** to **72**. Indonesia also recognised as one of the **Top Improvers**. Currently Indonesia position is above India, Brazil, dan Philippines

Investment Grade dari Standard and Poor's

Indonesia gains *investment grade* from all reputable international ratings agency: S&P, Moody's, Fitch, JCRA, & R&I.

Galup World Poll

Indonesia & Swiss are considered as the countries with highest level of trust to the Government

BBB

#1

Global Competitiveness Index 2017-2018

Indonesia position improve from 91 to 36.9 of 12 pillars of measurement is getting better score such as: *Institution, Infrastructure, macroeconomic, health and primary education, technological readiness, business sophistication*

↑ 5
positions

↑ 19
positions

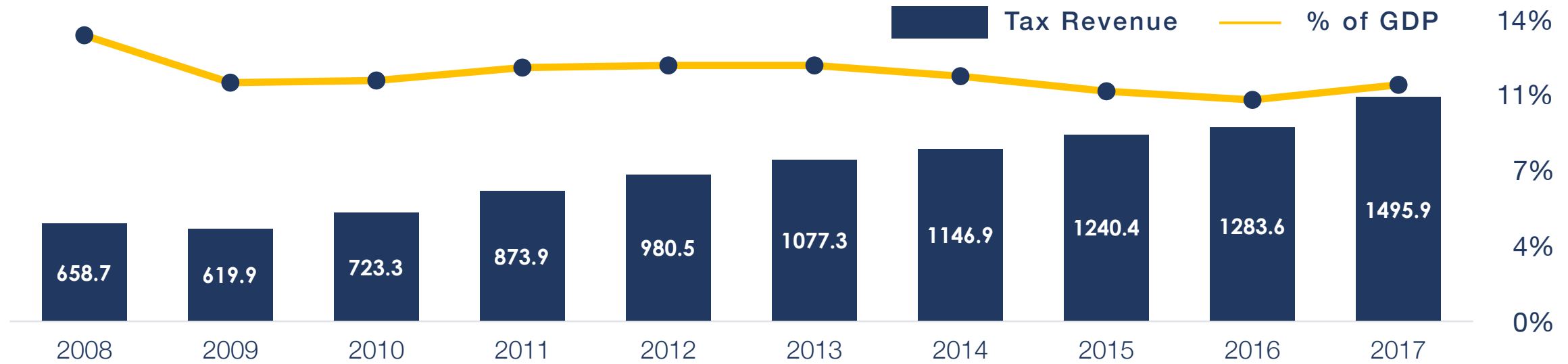


04

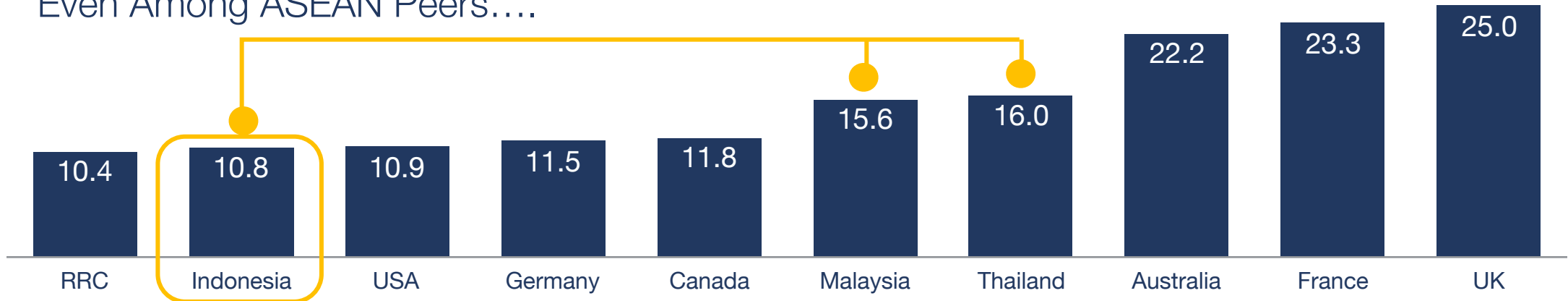
TAX REFORMS AS PARTS OF FISCAL REFORMS

CHALLENGES OF INDONESIA'S TAXATION

tax revenue consistently increases every year, but tax ratio is still low

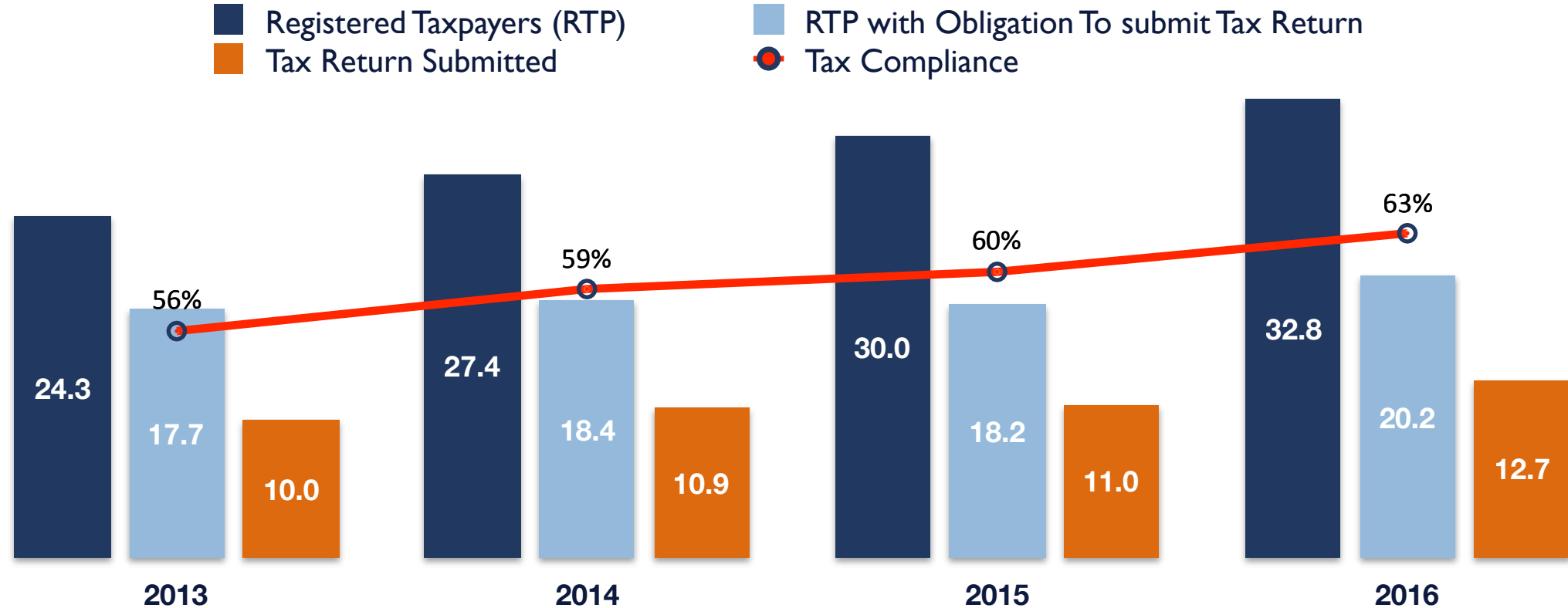


Even Among ASEAN Peers....



CHALLENGES OF INDONESIA'S TAXATION

The Number of Registered Taxpayers is so small, those who pay taxes even smaller



TAX REFORMS IS URGENTLY NEEDED

DG TAX REFORMS DIRECTIONS

EXISTING CONDITIONS

- Rigid and Unflexible Regulations & Bussiness Process
- Low Quality Database
- Unreliable IT System
- Lacks of Coordination Among Units and Institutions.
- Low Tax Compliance.
- TAX RATIO = 11%

PILLARS OF TAX REFORMS

Organisation



Bussiness Process



Tech. Information & Database



Human Resources



Regulatory



GOALS

- Good Database
- Sophisticated IT System
- Adaptive and Flexible Regulations& Bussiness Process
- Optimal Coordinations Among Units and Institutions
- High Tax Compliance
- TAX RATIO = 14%

External Assistance

Observers Teams (International Organisations, Private Sectors, Mass Media, Society Advisor Teams (Profesional Tax Practitioners)

Tax Reforms Sequences

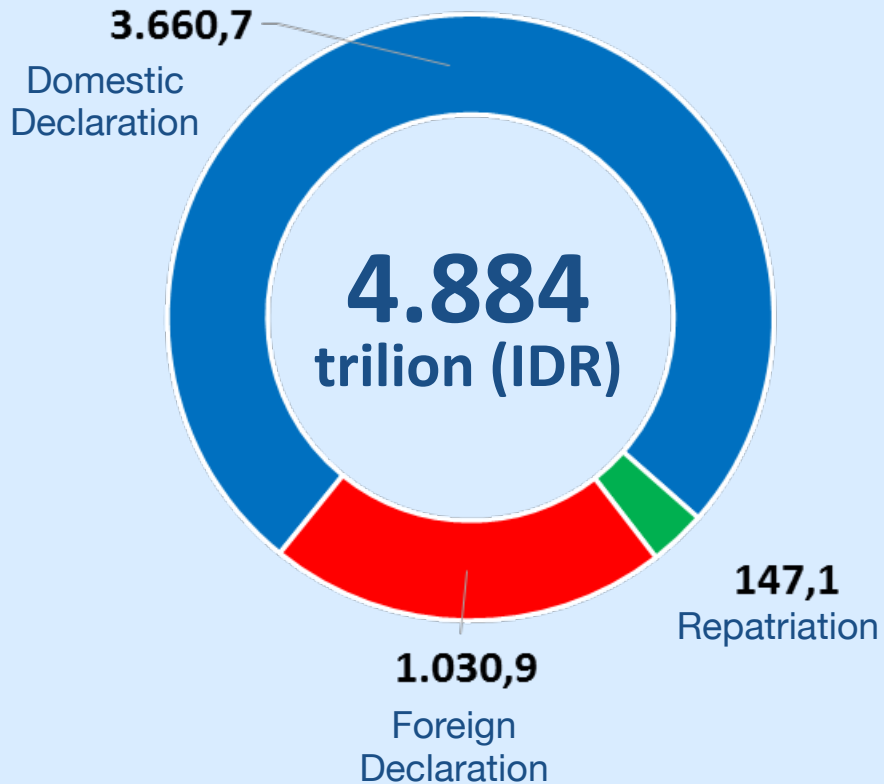
1st Priority
Tax Administrations Reforms

2nd Priority
Tax Policy Reforms

TAX AMNESTY & AEOI AS PARTS OF DG TAX REFORMS

Tax Amnesty Main Purpose Is To Strengthen Tax Database, While AEOI Aims To Avoid Base Erosion and Profit Shifting

Achievement of Tax Amnesty Program



101 Countries In The World

Agree to Share & Exchange Data For Taxation Purpose



GOVERNMENTS PRIORITIES SPENDING IN 2018

STATE BUDGET AS FISCAL INSTRUMENTS



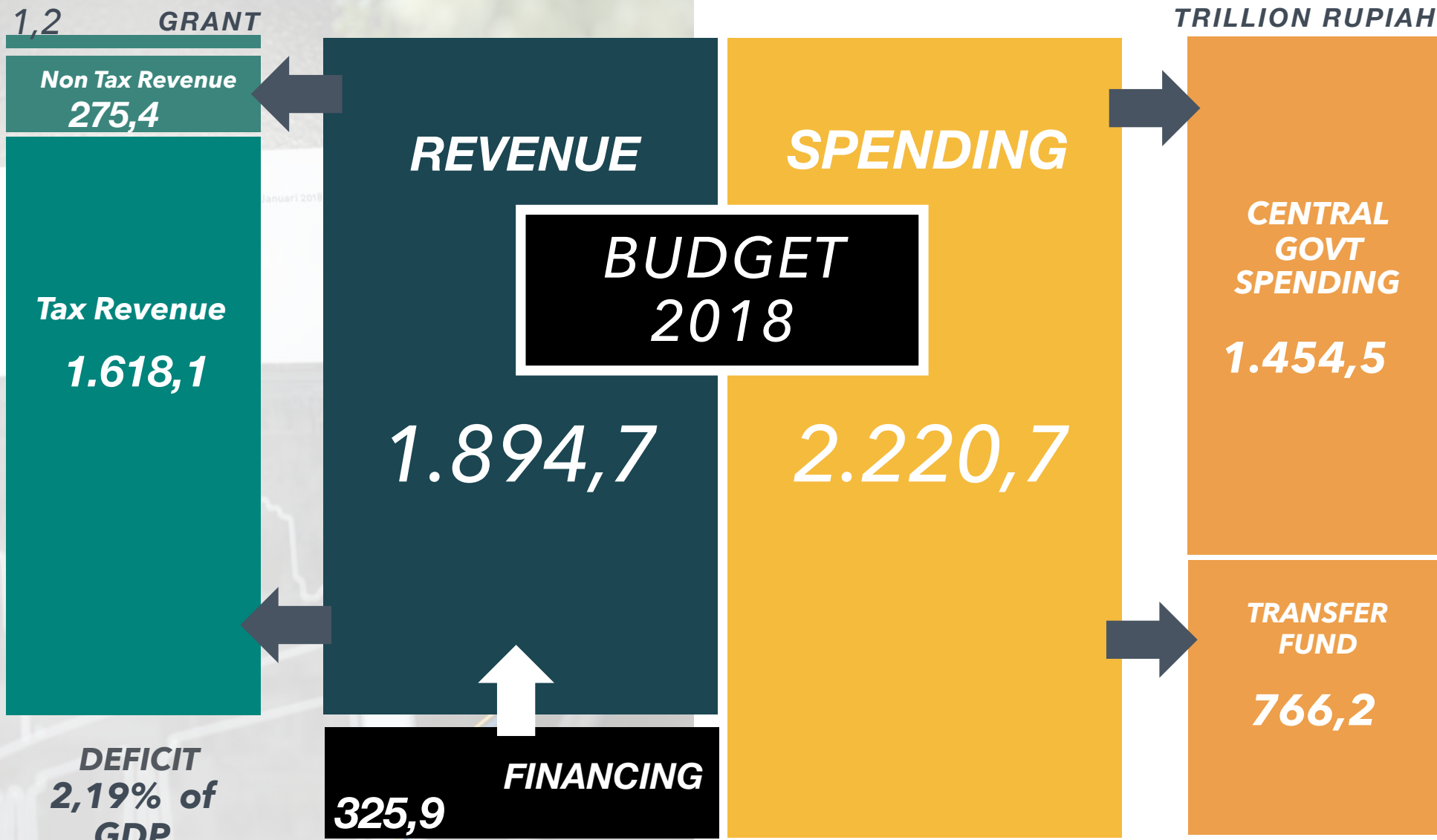
Allocation

Distribution

Stabilisation

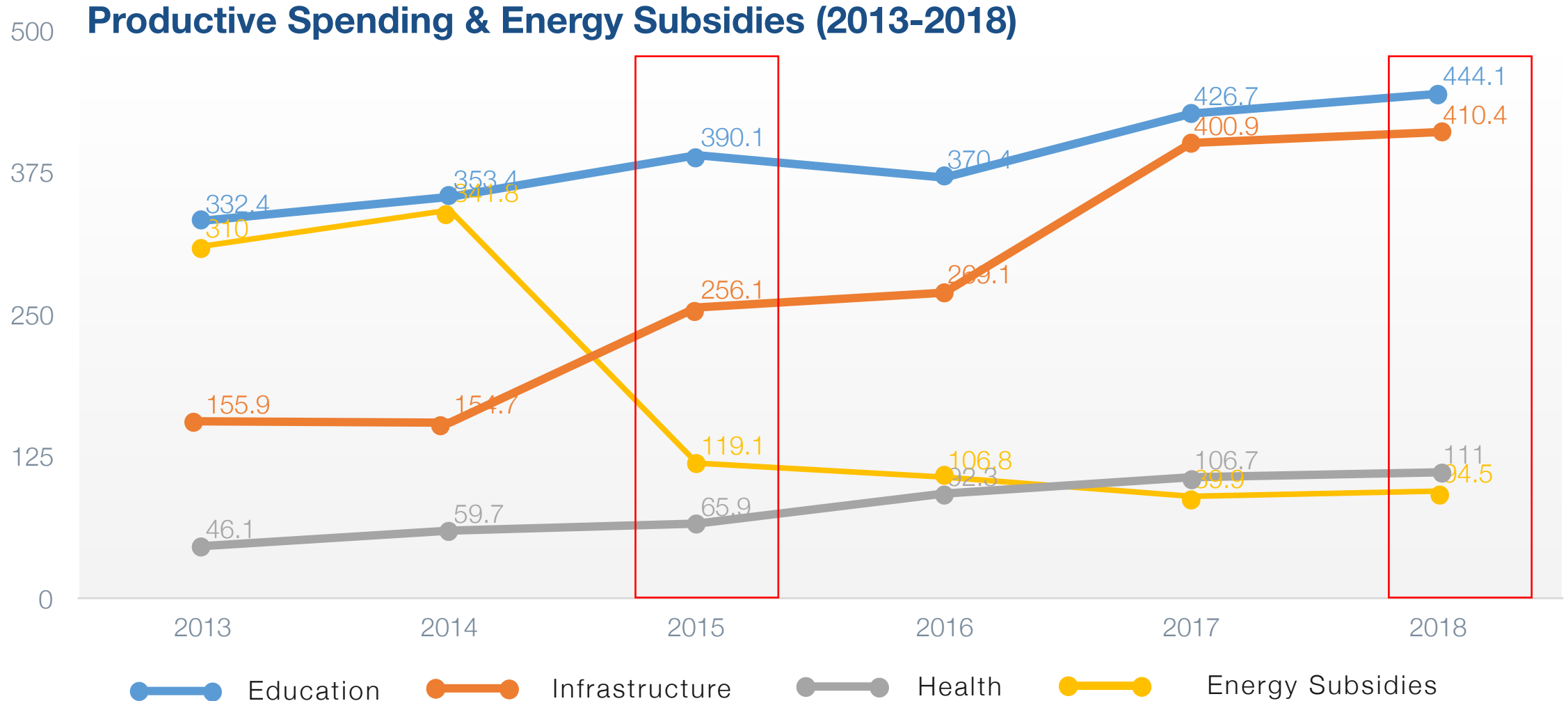


GOVERNMENT BUDGET 2018 AT A GLANCE



PRODUCTIVE SPENDING CONTINUES

Infrastructure Development, Reducing Inequality and Improving Human Capital Are The Government Focus, While Energy Subsidies Decrease Significantly...



SOCIAL SPENDINGS TO REDUCE POVERTY AND INEQUALITY

Poverty Alleviation and Supports Towards Poor Segments Of The Society Continuously Being Strengthened Through Well Designed Social Programs and Targeted Subsidies

2018 Allocation: 283,7*

Trillion Rupiah



Subsidi *)

145,5



PKH

17,3



Program
Indonesia
Pintar

10,5



JKN bagi
warga
miskin/PBI

25,5



Bantuan
Pangan

20,8



Bidik
Misi

4,1



Dana
Desa

60,0

*) diluar subsidi Daiak

TARGETS 2018



PKH

10 million household



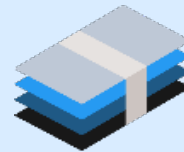
FOOD
SUPPORT

15,6 million household



IND.SMART
PROGRAM

19,7 million Student



JKN FOR
POORS

92,4 million People



SUBSIDIES FOR SMALL
BUSSINESS

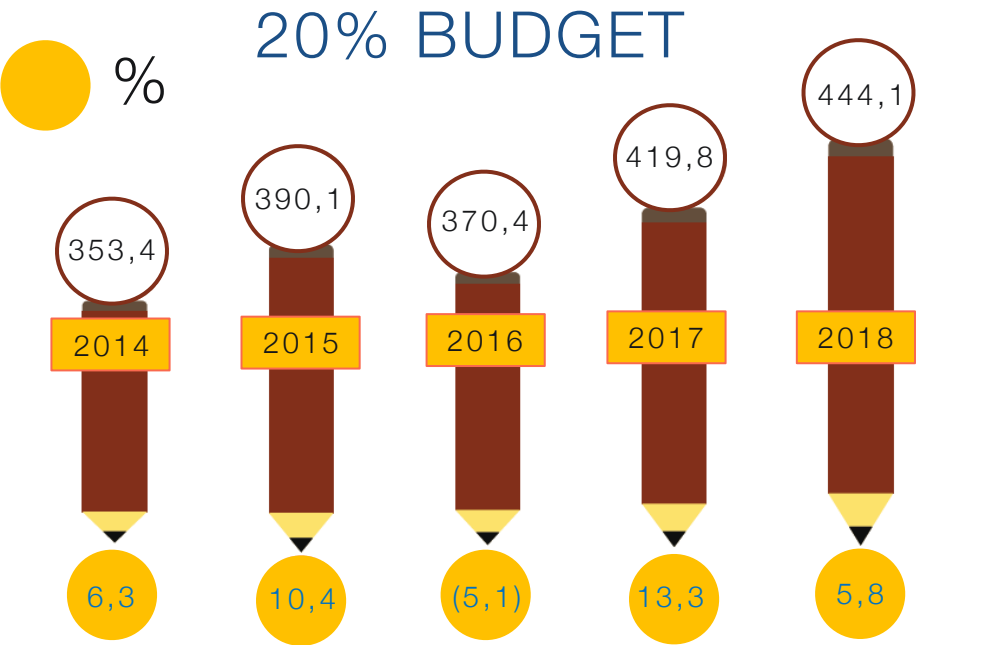
117,7 thousand
HouseHold



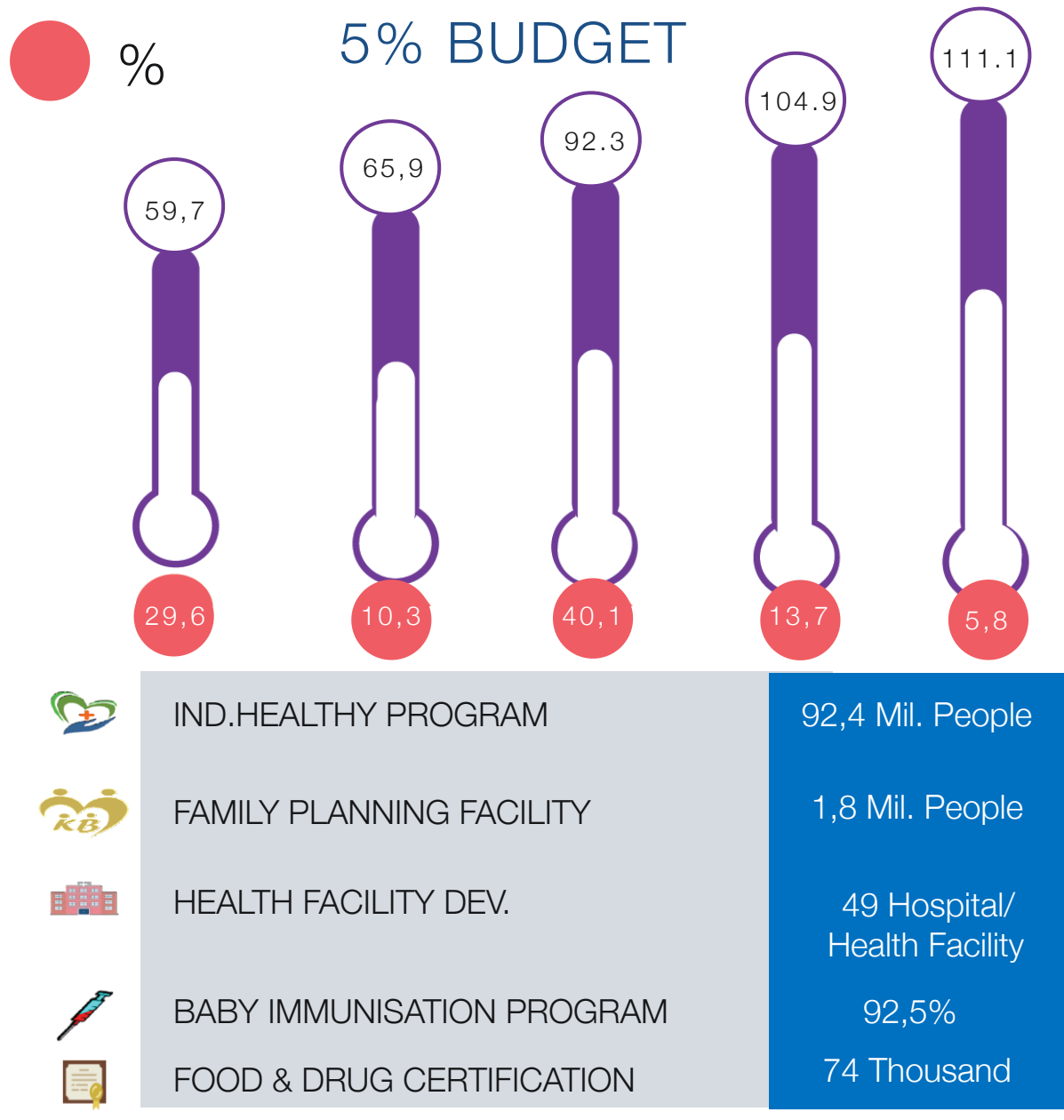
VILLAGE FUND

74.9587 Villages

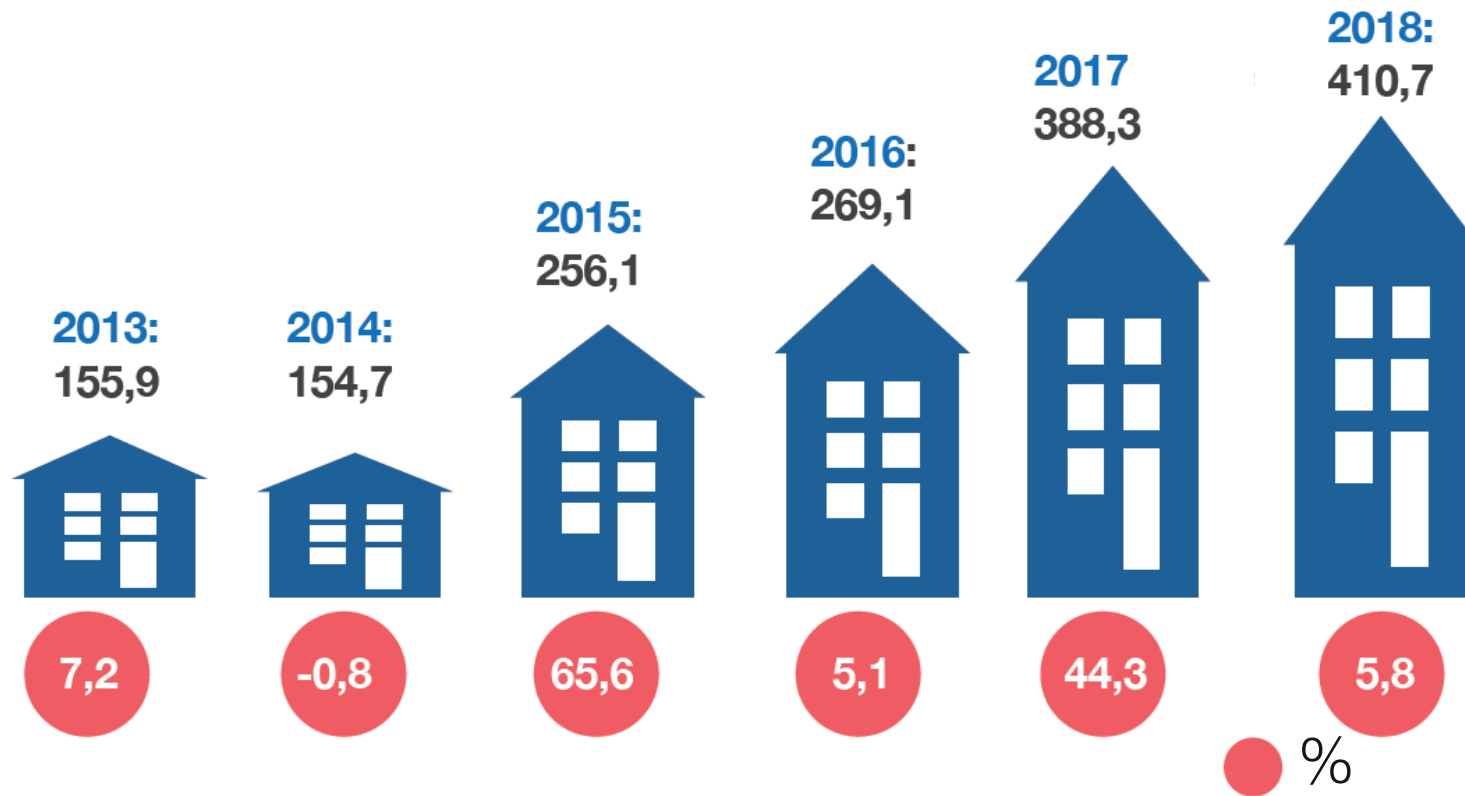
SPENDING FOR HUMAN CAPITAL DEVELOPMENT



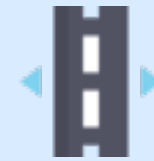
	IND.SMART PROGRAM	19,7 Mil. Student
	SCHOOL OPERATIONAL FUND	56 Mil. Student
	BIDIK MISI SCHOLARSHIPS	401,5 Thousand Student
	SCHOOL REHABILITATION	61,2 Thousand
	TEACHER ALLOWANCE	1.8 Mil. Teacher



INFRASTRUCTURE DEVELOPMENT REMAINS FOCAL FOCUS OF THE GOVERNMENT



SOME GOVT PRIORITIES FOR 2018



Road Building

Targeted: 865 km



Irrigation Development

Targeted: 781 km



Electrification Ratio

Targeted: 95,15 %

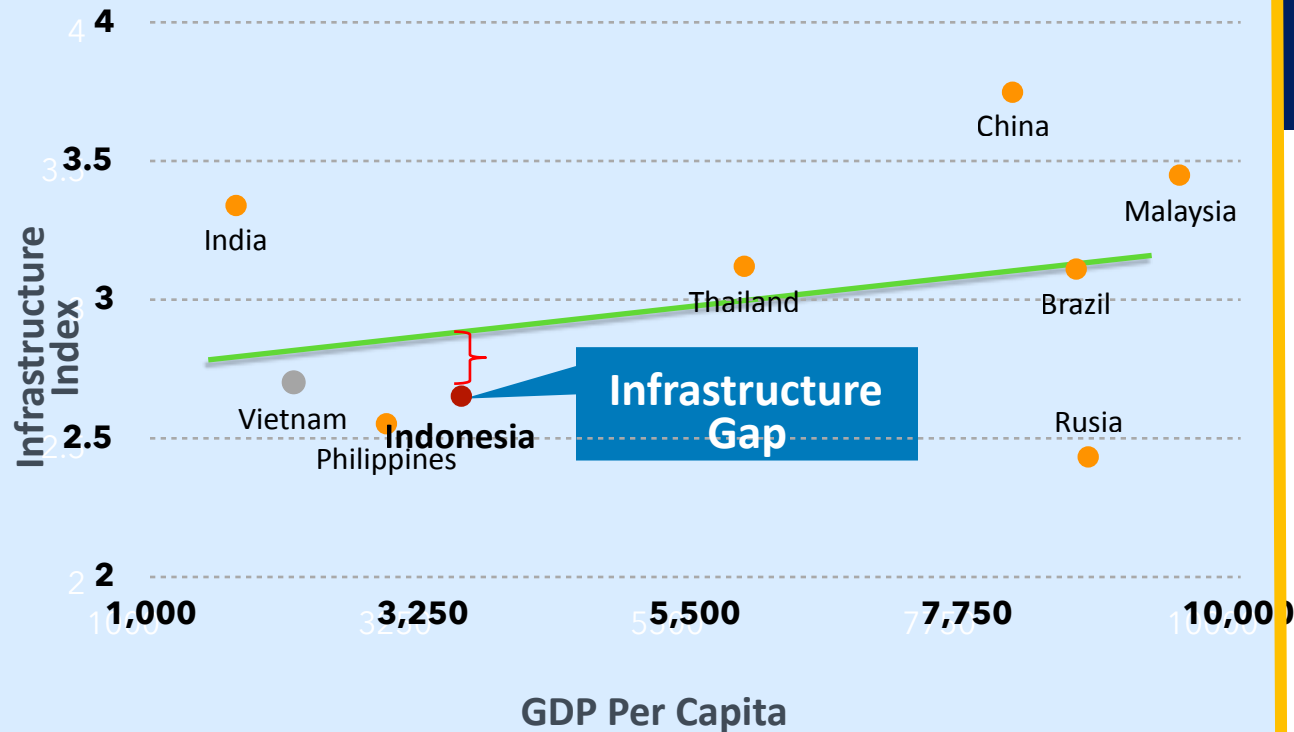


Development of Subsidised Apartments

Targeted: 13.405 unit

WHILE INFRASTRUCTURE BUDGET HAS BEEN INCREASE SIGNIFICANTLY FOR THE PAST FEW YEARS...

Not All Infrastructure Development Can Be Financed By The Government Budget, Therefore Private Sector Participation Through PPP is Encouraged.



Government Facilitates Investors Who Eager To Participate In Indonesia Infrastructure Development



PT Sarana Multi Infrastruktur

Specialised in Infrastructure Financing with 3 main Focus: Financing and Investment, Consultation, and Project Development



PT Penjaminan Infrastruktur Indonesia

Specialised in Infrastructure Guarantee To Increase Credit Worthiness from Infrastructure Projects Either With PPP or Without PPP



CONCLUSIONS

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- 1** Indonesian Economy in 2018 Will Continue To Experience Robust, Stable, and Increasing Growth, Supported By Recovery Momentums Gained During Previous Years
- 2** Indonesian Government Committed to Continue Structural Reforms (Institutional Reform, Regulatory Reform, and Fiscal Reforms) to achieve High and Sustainable Growth In The Era Of Knowledge Driven Economy
- 3** Indonesian Government Will Continuously and Consistently Improve its Investment Climate In Order To Create A Good And Stable Environment For Bussiness To Thrive and Prosper
- 4** Indonesian Government Welcoming Any Constructive Suggestions and Advices From The Private Sectors Regarding its Efforts To Create A Good Investment Climate
- 5** Indonesian Government Strongly Encouraged And Will Facilitates Private Sectors To Take A Part In The Infrastructure Development In Indonesia
- 6** Indonesia Offers A Promising Future For Business, Dont Wait To Long!!!, Invest In Indonesia As Soon As Possible



THANK YOU

SRI MULYANI INDRAWATI

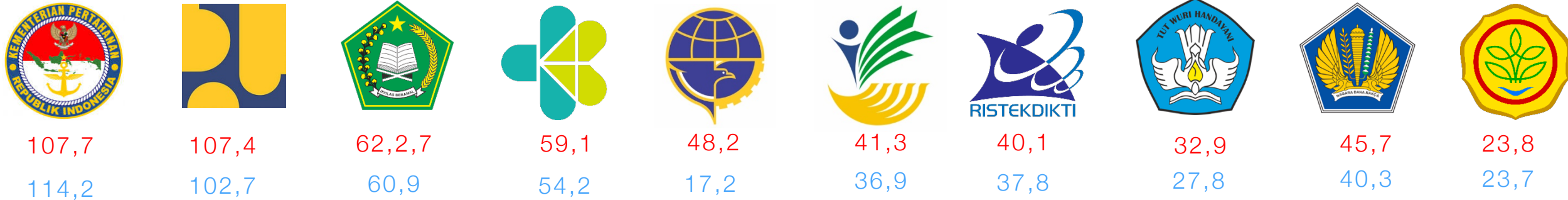
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10 MINISTRIES AND GOVERNMENT INSTITUTIONS WITH THE LARGEST BUDGET IN 2018

Ministries



APBN 2018



OUTLOOK 2017

Government Institutions

