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ADDRESS OF
THE PRESIDENT OF THE REPUBLIC OF INDONESIA
ON THE PRESENTATION OF THE BILL ON
2024 STATE BUDGET

ADDRESS OF THE PRESIDENT OF THE REPUBLIC OF INDONESIA

ON
THE PRESENTATION OF THE GOVERNMENT
STATEMENT ON THE BILL
ON
THE STATE BUDGET
FOR THE 2024 FISCAL YEAR AND ITS FINANCIAL NOTE
BEFORE THE PLENARY SESSION OF THE HOUSE OF
REPRESENTATIVES OF THE REPUBLIC OF INDONESIA



JAKARTA, 16 AUGUST 2023
MINISTRY OF THE STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA



PRESIDENT
REPUBLIC OF INDONESIA

Bismillahirrahmanirrahim,
Assalaamu 'alaikum warahmatullaahi wabarakaaatuh,
May prosperity be upon us all,
Om Swastyastu,
Namo Buddhaya,
Greetings of Virtue.

Honorable Vice President of the Republic of Indonesia, Professor Doctor (HC) K.H. Ma'ruf Amin,

Honorable Speaker, Vice Speakers, and Members of the House of Representatives of the Republic of Indonesia,

Honorable Speaker, Vice Speakers, and Members of the Regional Representative Council of the Republic of Indonesia,

Honorable Heads, Vice Heads, and Members of State Institutions,

Honorable Ministers of the Indonesia Onward Cabinet, the Attorney General, Commander of the Indonesian National Defense Forces, Chief of the Indonesian National Police, and Heads of Government Institutions.

Distinguished Ladies and Gentlemen, My Fellow Citizens.

For the past three years, the world has experienced severe turmoil caused by the COVID-19 pandemic, claiming the lives of 6.9 million people. The pandemic crisis has eroded the global economy by approximately 2 trillion US dollars. This condition has compelled all countries to use fiscal, monetary, and financial policy instruments to an extraordinary extent. Not all countries managed to overcome the crisis. Data from the IMF as of June 2023 indicated that 36 countries are under economic pressure due to rising debt burdens.

Alhamdulillah, Indonesia has successfully tackled considerable challenges caused by the pandemic with positive results. In fact, Indonesia is one of the countries that has successfully handled the health crisis rapidly and properly.

Indonesia is one of a few countries with a fast, consistent, and inclusive economic recovery. The economic growth during the last seven quarters since the end of 2021, has consistently remained above 5.0 percent. Unemployment rate successfully declined from 6.26 percent in February 2021 to 5.45 percent in February 2023. The poverty rate also continued to decline to 9.36 percent in March 2023, from its peak during the pandemic at 10.19 percent in September 2021. Likewise, extreme poverty decreased from 2.04 percent in March 2022 to 1.12 percent in March 2023.

Swift and strong economic recovery has brought Indonesia to a higher level, making it re-enter the group of upper-middle income countries in 2022. Indonesia's economy continues to recover. In the first semester of 2023, the national economy grew by 5.1 percent. Indonesia's inflation also continues to remain under control, reaching 3.1 percent as of July 2023.

Indonesia's fiscal policy is one of the most effective in handling the pandemic and maintaining economic growth. Indonesia's fiscal deficit has returned to below 3 percent of the GDP – one year earlier than the initial plan. In most countries, the fiscal deficit remains very large, such as India's that reached 9.6 percent of the GDP in 2022, Japan with 7.8 percent, China with 7.5 percent, the United States with 5.5 percent, and Malaysia with 5.3 percent. Indonesia's debt ratio is also one of the lowest among member countries of the G20 and ASEAN. In fact, it has declined from 40.7 percent

of the GDP in 2021 to 37.8 percent as of July 2023. For comparison, Malaysia's debt ratio is currently at 66.3 percent, China's at 77.1 percent, and India's at 83.1 percent of the GDP.

Distinguished Ladies and Gentlemen, My Fellow Citizens,

We have witnessed a rapid change in the global landscape, especially due to geopolitical shifts. These geopolitical shifts have created a pattern of silos in international cooperation. A phenomenon of pulling manufacturing supply chains to one's own country or pushing them to a country deemed as one's friend has arisen. This global fragmentation has hindered global trade and investment flows and weakened the global economy.

Global fragmentation creates disruptions to supply chains, escalating the risk of global food, energy, and financial crises. Furthermore, the geoeconomic tension that is heating up also pushes the trend of embargo on and hindrance toward the trade of several vital commodities, such as semiconductor, mineral, and even capital flow limitation.

This global constellation must be responded with policy strategies that are accurate and anticipative, not moderate. Economic and fiscal policies must be able to transform the economy to face present and future challenges. On the one hand, food and energy security as well as manufacturing transformation become

essential. On the other hand, defense industry must be built competitively to meet the needs for Indonesia's defense and security sector.

The world also deals with potential crises due to climate change. The impact of this phenomenon poses a serious threat to the global life and economy, including Indonesia. Transformation of the economic structure in developing a sustainable and environmentally friendly sector becomes crucial. Transition to green energy use must be carried out progressively while remaining just and affordable. The potential of Indonesia's biological economic value must be utilized as an important factor in developing and boosting green economy investment at home.

Moreover, sooner or later, the development of digitalization and artificial intelligence will become increasingly important and dominate the global economy, including Indonesia. Technology adoption in the economy can provide significant benefits if coupled with a viable strategy. The development of human capital quality, physical and non-physical infrastructure related to information technology must continue to be improved.

Indonesia's opportunity to escape the middle-income trap does not knock twice. The structure of young population, thanks to demographic bonus, must be utilized to the best possible extent. Economic transformation continues to be carried out in order to increase investment attractiveness and create

massive decent employment. Indonesia's participation in the global supply chain, especially in high-tech and environmentally friendly sectors continues to be encouraged.

The improvement of human capital quality is the main factor in economic transformation. Reforms in the education sector, health system, as well as sustainable social safety net system continue to be strengthened. The development of human capital quality that is healthy, productive, and innovative that ensures inclusivity and fairness continues to be carried out to guarantee that no one is left behind. Hence, the efforts to eradicate extreme poverty and stunting, and to develop remote areas must be successful.

Therefore, we must address all global and national challenges aptly and effectively. The role of the State Budget is pivotal and strategic to support, facilitate, and determine the direction of socio-economic policy, and competitiveness of the national defense and security.

The future fiscal policy is formulated with the aim of accelerating the achievement of national development targets and priorities. The agenda of economic transformation, including natural resources downstreaming, both mining and food commodities, will be continued. Protection and improvement of people's welfare, particularly those with low income, will remain an important focus to sustain structural improvement fundamentally.

Distinguished Ladies and Gentlemen, My Fellow Citizens,

Taking into account our economic potential and at the same time calculating future risks, the basic assumptions of macro economy as the basis for drawing up the 2024 State Budget bill are as follows.

The economic growth in 2024 is forecast to reach 5.2 percent. The stability of macro economy will continue to be maintained. Conducive and peaceful situation ahead of the 2024 General Elections and Simultaneous Regional Elections must be realized in order to boost short-term economic optimism. The implementation of Law on Harmonization of Tax Regulations, Law on Financial Relations between the Central Government and Regional Governments, and Law on Financial Sector Development and Strengthening will also bring a positive benefit for structural strengthening.

Furthermore, inflation will be maintained at a range of 2.8 percent. The role of the State Budget will still be optimized to mitigate inflation pressures, be it due to climate change or external turmoil. Greater coordination among members of the Central and Regional Inflation Control Teams will be continuously ensured.

The average of Rupiah exchange rate is projected to hover around Rp15,000 per US dollar. In the meantime, the average 10-year Government Bond rate is predicted to reach the level of 6.7 percent. Coordination between members of the Financial System Stability Committee

will remain anticipative and responsive to encounter potential external turmoil.

Indonesia's crude price is estimated to average in the range of 80 US dollars per barrel. In contrast, oil and natural gas lifting is estimated to reach 625 thousand barrels per day and 1.03 million barrels of oil equivalent per day respectively.

Distinguished Speaker, Vice Speakers, and Members of the House,

The 2024 State Budget architecture must be able to respond to economic dynamics, address challenges and optimally support the development and welfare agenda, accelerate economic transformation, maintain the momentum of quality, inclusive, and sustainable economic growth, protect people's purchasing power from turbulence, and maintain the State Budget posture to remain healthy and sustainable in medium and long terms.

The 2024 State Budget is formulated to address present and future challenges, so the 2024 State Budget is directed at "Accelerating Inclusive and Sustainable Economic Transformation."

Economic transformation efforts will be focused on two key strategies, namely the short-term strategy and the mid-term strategy. *Firstly*, the short-term strategy is focused on accelerating extreme poverty eradication, stunting prevalence reduction, inflation control, and increase in investment.

Secondly, the mid-term strategy is focused on the following five agendas. First, to realize excellent human capital that are productive, innovative, prosperous, and competitive through improvement of the quality of education and healthcare systems, and reforms in social security system, including strengthening the protection for Indonesian migrant workers. Second, to accelerate the development of infrastructure that supports economic transformation, especially infrastructure in the sectors of energy, food, connectivity, as well as Information and Communication Technology. Third, to enhance the implementation of bureaucratic reforms and regulation simplification. Fourth, to increase value-added economic activities through natural resources downstreaming. Fifth, to encourage the development of green economy.

Distinguished Speaker, Vice Speakers, and Members of the House,

In order to realize excellent human capital that is productive, innovative, with integrity, and competitive, a budget of Rp660.8 trillion or 20 percent of the State Budget has been allocated for education, reflected in the allocation of the Central Government expenditures amounting to Rp237.3 trillion, Transfer to the Regions is planned at Rp346.6 trillion and investment financing amounting to Rp77.0 trillion. We must be able to capitalize on the demographic bonus and be ready to deal with technology disruption. Mental revolution

should not cease so that our human capital is productive, innovative, globally competitive, with integrity and noble character, and stay true to their roots.

Efforts for enhancing the quality of Indonesian human capital are focused on improving the competency of teachers and education staff, ensuring equal distribution of education quality through improvement of distribution of teachers and education facilities and infrastructure, upgrading the quality of Early Childhood Education, enhancing access to education in all levels of education, improving the quality of supporting facilities and infrastructure for education activities, especially in the frontier, outermost, and disadvantaged regions strengthening of link and match between vocational education and job markets. The Government is also committed to spur investment in the education sector, among others, by supporting scholarship program expansion, culture advancement, the strengthening of world-class universities as well as research and innovation development.

To realize healthy and productive human capital, the budget for health sector is planned at Rp186.4 trillion or 5.6 percent of the State Budget. The budget is directed at: transforming healthcare system, encouraging strong and competitive growth of pharmaceutical industry, improving access and quality of primary services and references, ensuring the availability of reliable healthcare service facilities from upstream to downstream, making the National Health Security program effective, as well as accelerating the reduction in stunting prevalence to 14 percent by 2024, which is conducted through

coverage expansion to all regencies/cities in Indonesia by strengthening synergy among various institutions.

To accelerate the decrease in poverty rate and improve welfare as well as long-term human capital development to break the chain of poverty, social protection budget is allocated at Rp493.5 trillion. In line with this, social protection program reforms are directed at improving lifelong and adaptive social protection, providing on-target subsidies and based on beneficiary target, improving recipient database by developing data of the socio-economic registration, and accelerating extreme poverty alleviation in 2024.

To encourage productivity, mobility, and connectivity, as well as equal distribution, the infrastructure budget is allocated at Rp422.7 trillion, which is geared at improving the provision of basic services; increasing productivity through connectivity and mobility infrastructure; increasing irrigation networks through the construction of dams and primary, secondary, and tertiary irrigation canals; providing affordable, reliable, and sustainable infrastructure in energy and food sectors; enabling equal access to Information and Communication Technology; and supporting strategic projects, including the Nusantara Capital construction. The infrastructure development acceleration is achieved through an integrated funding scheme, by synergizing investment financing and ministries/institutions' expenditures as well as increasing the involvement of the private sector. Hence, the Government continues to push for the improvement

of Public-Private Partnership scheme to be more massive and sustainable.

The budget for economic transformation strategy in food security sector is planned at Rp108.8 trillion and prioritized for increasing availability, access, and stability of food prices; boosting domestic food production; strengthening farmer institutions and financing support as well as agribusiness protection; accelerating the development and rehabilitation of food infrastructure; developing food estate areas; and strengthening the national food reserves.

The downstreaming of natural resources is carried out to encourage economic activities with high added value. Fiscal support has been granted in the form of tax incentives and other fiscal incentives. To date, support has been given to the development of Battery-Based Electric Vehicle. This aims to encourage the acceleration of economic transformation for the creation of high added value, expansion of employment opportunities, and utilization of environmentally friendly energy in order to lower emissions, as well as to create efficient energy subsidy. The support for the development of an ecosystem of the Battery-Based Electric Vehicle industry has also been given in many countries such as European countries, the United States, China, and several neighboring countries, among others, Vietnam, Thailand, and Malaysia. In regard to this matter, the Government has introduced a host of incentives, not only from the supply side but also the demand side,

which are directed to stimulate investment and greater use of electric vehicles by the public.

To ensure that the transformation runs effectively, bureaucratic reforms must continuously be reinforced, in order to create bureaucracy in the Central and regional governments that is efficient, competent, professional, and with integrity. The bureaucratic reforms must be carried out consistently and effectively. The improvement of welfare, allowance, and remuneration of state civil apparatus is made based on performance and productivity. The 2024 State Budget bill is proposing a rise in the salary of state civil apparatus in the Central and regional governments/personnel of the Indonesian National Defense Forces/the Indonesian National Police by 8 percent and 12 percent for the retirees, which is expected to improve performance as well as accelerate economic transformation and national development.

Defense and security industry must be encouraged to be advanced and independent with the support of the State Budget, so it can be leveraged to meet the primary weapon system needs in a gradual manner supported by national defense industry to fulfil the minimum essential force.

Distinguished Speaker, Vice Speakers, and Members of the House,

The Government also continues to push for a better synergy at the central and regional levels. To that end, Transfer to the Regions policy is expected to have a better quality and to bring real benefits for the people through the following steps:

First, harmonizing central and regional expenditures, especially in an effort to promote national priority programs, including economic transformation.

Second, optimizing the management and the use of Transfer to the Regions, particularly to improve the quality of public services and inclusive regional development.

Third, fostering regional fiscal independence by strengthening regional taxation while still maintaining investment climate and ease of doing business, as well as encouraging regional financing as a source of funds in the Regional Budget.

Distinguished Speaker, Vice Speakers, and Members of the House,

In a bid to implement the development agenda, the 2024 state revenue is encouraged to be more optimal while keep maintaining investment climate, business continuity, and environmental sustainability.

Optimization of tax revenue can be achieved by: first, maintaining the effectiveness of tax reforms in order to expand tax base, to improve compliance, and to tap into potentials; second, implementing a core tax system as well as improvement of tax governance and administration; third, integrating the National Identification Number with the Tax Identification Number in order to increase tax ratio; fourth, providing fair and accountable tax incentives that are expected

to be able to boost the accelerated recovery and the improvement of national investment competitiveness as well as to stimulate economic transformation.

Efforts to increase non-tax state revenue continue to be made by revamping planning and reporting processes with integrated information technology, reinforcing the governance and supervision, optimizing asset management and natural resources, and improving service innovation by maintaining the quality and accessibility of services.

With an expansive fiscal policy, the Government ensures prudent, innovative, and sustainable financing through the development of Public-Private Partnership scheme, including the reinforcement of the role of State-Owned Enterprises, Public Service Agencies, the Investment Management Institution, and the Special Mission Vehicle; the improvement of the effectiveness of investment financing, especially for State-Owned Enterprises and Public Service Agencies that are directed to complete strategic infrastructure at the Central Government and regional governments, and maintain synergy between financing and expenditure; the investment financing for the enhancement of financing access for low-income people, MSMEs, and ultra-micro businesses; the optimization of accumulated cash surplus to maintain economic stability and anticipate uncertainties as well as the improvement of cash management in an integrated manner to maintain a reliable and efficient fiscal buffer.

Distinguished Ladies and Gentlemen, My Fellow Citizens,

In order to support economic transformation and development agenda as well as to protect the people against turbulence, the 2024 State Budget posture must remain healthy. Fiscal reforms must continue to be carried out in a comprehensive manner, through the optimization of revenue, the continued strengthening of quality spending, and innovative and carefully managed financing.

By scrutinizing the challenges and development agenda as well as comprehensive fiscal reform efforts, the overview of the 2024 State Budget bill posture is as follows. State revenue is planned to amount to Rp2,781.3 trillion, consisting of Tax Revenue of Rp2,307.9 trillion and non-tax state revenue of Rp473.0 trillion and Grants of Rp0.4 trillion; State Expenditure is allocated at Rp3,304.1 trillion, consisting of the Central Government expenditure of Rp2,446.5 trillion and Transfer to the Regions of Rp857.6 trillion. Negative primary balance of Rp25.5 trillion is encouraged to move toward positive direction. The budget deficit is set at 2.29 percent of the GDP or Rp522.8 trillion.

With strong fiscal management as well as effectiveness in boosting economic transformation and improvement of people's welfare, open unemployment rate in 2024 is expected to be curbed in the range of 5.0 percent to 5.7 percent, poverty rate can be curbed in the range of 6.5 percent to 7.5 percent, Gini ratio in the range of 0.374 to 0.377, as well as Human Development

Index in the range of 73.99 to 74.02. Moreover, Farmers Exchange Rate and Fishers Exchange Rate are expected to increase to 105-108 and 107-110 respectively.

Distinguished Ladies and Gentlemen,

That concludes the Government Statement on the Bill on the State Budget for the 2024 Fiscal Year and Its Financial Note. It is our fervent hope that the deliberation of the 2024 State Budget bill can be convened in a constructive manner to realize an Advanced Indonesia based on Pancasila and the 1945 Constitution.

May the Almighty God bestow His blessings upon us in performing the tasks and the mandates given by the entire people of Indonesia.

Long Live the Republic of Indonesia!

Long Live the Land of Pancasila!

Independence!

I thank you.

Wassalaamu'alaikum warahmatullaahi wabarakaaatuh,

Om Shanti Shanti Shanti Om,

Namo Buddhaya.

Jakarta, 16 August 2023

PRESIDENT OF THE REPUBLIC OF INDONESIA

JOKO WIDODO



TRANSLATED BY:
CABINET SECRETARIAT OF
THE REPUBLIC OF INDONESIA