



77

**PULIH
LEBIH CEPAT
BANGKIT
LEBIH KUAT**

**ADDRESS OF THE PRESIDENT OF
THE REPUBLIC OF INDONESIA
ON THE PRESENTATION OF
THE BILL ON 2023 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 2023 FISCAL YEAR
AND ITS FINANCIAL NOTE
BEFORE THE PLENARY SESSION OF
THE HOUSE OF REPRESENTATIVES OF
THE REPUBLIC OF INDONESIA



JAKARTA, 16 AUGUST 2022
MINISTRY OF THE STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA

RECOVER FASTER, RISE STRONGER



PRESIDENT
REPUBLIC OF INDONESIA

*Bismillaahirrahmaanirrahiim,
Assalaamu'alaikum warahmatullaahi wabarakaatuh,
May prosperity be upon us all,
Om Swastyastu,
Namo Buddhaya,
Greetings of Virtue.*



Honorable Vice President of the Republic of Indonesia Prof. Dr. (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, Heads of Government Institutions, Commander of the Indonesian National Defense Forces, Chief of the Indonesian National Police, and the Attorney General.

Distinguished Ladies and Gentlemen, My Fellow Citizens,

Alhamdulillah, Indonesia has been touted as one of the countries that have successfully tackled the pandemic and quickly rebuilt the economy. Indonesia's economic recovery continues to be in a stronger trend, growing by 5.01 percent in the first quarter and recording a significant growth of 5.44 percent in the second quarter of 2022.

Strategic sectors such as manufacturing and trade sectors are growing expansively, supported by the recovering of people's consumption and the solid export

performance. Balance of trade has recorded a surplus for 27 months consecutively.

Manufacturing sector that is experiencing a robust recovery is supporting the high performance of the national export. This reflects the success of our industrial downstreaming strategies that we have implemented since 2015. The high export performance is also supported by the mining sector in line with the rising global commodity prices.

Transportation and hospitality sectors that are hardest hit by the pandemic have begun to recover. Each grew by 21.3 percent and 9.8 percent in the second quarter of 2022. In July 2022, the indicator of the Purchasing Managers' Index (PMI) improved to 51.3 percent, reflecting a stronger recovery in the second semester.

Indonesia's inflation rate is far more moderate compared to that of other economies. As of July, Indonesia's inflation rate stood at 4.9 percent year-on-year (yoy). It was supported by the role of the State Budget in maintaining stability of energy and food prices. Consequently, budget for energy subsidy and energy compensation in 2022 rose to Rp502 trillion.

Distinguished Ladies and Gentlemen,

Moving forward, we have to stay vigilant. The risks from global economic turbulence remain high. The slowdown of the global economy continues to have

the potentials to affect the rate of short-term national economic growth.

Geopolitical conflicts and the ongoing war in Ukraine have led to the escalating disruption in supplies, giving rise to the surge in prices of the global commodities and inflation rate that accelerate in many economies, including Indonesia.

Central Banks in many economies are aggressively tightening monetary policies. The tightening has given rise to turbulence in financial markets in many developing economies. As a repercussion, exchange rate of most developing economies has weakened.

With all those pressures, the IMF projected that the global economic growth markedly slows down from 6.1 percent in 2021 into just 3.2 percent in 2022 and 2.9 percent in 2023.

Distinguished Ladies and Gentlemen,

Global uncertainties should give no room for pessimism. In the last eight years, we have made every effort to create a more favorable development ecosystem. Development of massive infrastructure, improvement of human capital, as well as simplification of business and investment regulations are key measures to strengthen the foundation of the national economy in surmounting future economic challenges.

We continue to expedite structural transformation to build a more solid and sustainable economic



development machine. We must continue industrial downstreaming to boost our added-value economy. We must continue to promote green economy. The use of domestic products must be a priority to reduce dependence on imports. We must also facilitate digital economy so that MSMEs can level up and generate new world-class decacorns in the future.

We also continue to maintain the balance of macro-fiscal policies. Fiscal consolidation is of utmost importance. The health of State Budget is improved in order to be adaptive and responsive in the medium and long terms.

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

Against the backdrop of the latest dynamics of the national economy, the development agenda that we aim to achieve, as well as the risks and challenges we are facing, the basic assumptions of the macro economy as the foundation for the formulation of the 2023 State Budget bill are as follows.

The 2023 economic growth is expected to reach 5.3 percent. We will continue to redouble efforts in ensuring the sustainability of national economic recovery.

We will continue to push for a consistent production expansion in order to provide employment to the greatest extent possible. Various new growth sources must be immediately materialized. The implementation

of various structural reforms agenda must continue to be accelerated for the sake of economic transformation. Investment must be stimulated, while competitiveness of national manufacturing products in the global market must be improved.

As the private sector grows stronger to become an engine for growth, fiscal policy management can be better directed to strike a balance between improving productivity and competitiveness, as well as maintaining fiscal health and continuity in the face of future risks and dynamics.

Appropriate policy mix, as well as better synergy and coordination between fiscal, monetary, and financial authorities will serve as a strong foundation in accelerating national economic recovery and strengthening stability of the financial system.

Inflation will be maintained at around 3.3 percent. The State Budget will continue to be directed at anticipating external inflation pressure, particularly energy and food inflations. Inflation assumption at this level also illustrates the continuity of recovery in the demand side, particularly due to improved people's purchasing power.

Average Rupiah exchange rate is expected to hover around Rp14,750 per US dollar and the average 10-year government bond rate is predicted to reach the level of 7.85 percent.

Furthermore, Indonesia's crude price (ICP) is projected to hover around 90 US dollars per barrel. On

the other hand, oil and gas lifting is forecast to reach 660,000 barrels per day and 1.05 million barrel oil equivalent per day respectively.

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

The 2023 State Budget posture must have the capacity to minimize hesitation, revive optimism, and support development target achievements with high vigilance.

The State Budget must continue to become both a driving force and a countercyclical instrument. On that score, we continue to carry out quality fiscal consolidation as an embodiment of the Government's commitment to maintaining a healthy fiscal condition and a stronger recovery. Fiscal consolidation also reflects our readiness in facing new tougher challenges.

The 2023 State Budget posture must remain “vigilant against, anticipative of, and responsive to” a host of possible scenarios that are highly dynamic and likely to cause turmoil. The posture of expenditure and revenue must be flexible and provide adequate fiscal space in order to effectively curb uncertainties. The 2023 State Budget is a supportive and measured State Budget in facing a slew of possibilities.

The fiscal posture for 2023 is also designed to strengthen the foundation of the economy in facing challenges, be it current challenges and future challenges. Hence, the fiscal policies for 2023 are directed to support

measures to “Boost Productivity in An Inclusive and Sustainable Economic Transformation”.

Distinguished Ladies and Gentlemen,

Strategies to be adopted are as follows. First, the 2023 State Budget is focused on five main agenda, namely (1) empowering advanced human capital to be productive, innovative, and competitive through improvement of education and health care system quality, as well as accelerating social protection system reforms; (2) accelerating infrastructure development that supports economic transformation, especially infrastructure development in the sectors of energy, food, connectivity, and ICT sectors; (3) intensifying an effective implementation of bureaucratic reform and regulation simplification; (4) revitalizing industry by encouraging industrial downstreaming to increase high added-value and export-based economic activity; and (5) encouraging the promotion and development of green economy.

Second, 2023 is a momentum to carry out quality fiscal consolidation so that fiscal management maintains a balance between countercyclical capability and control measures for financing risks.

We continue to thoroughly and gradually carry out fiscal consolidation and reforms in a measurable manner. It starts from strengthening of state revenue, improvement of expenditure quality, and prudent financing management.

Fiscal reforms in the revenue side are carried out through the optimization of revenue by tapping potentials, expanding tax base, improving taxpayer's compliance, and optimizing asset management, and making service innovation. Therefore, tax ratio can increase, strengthening fiscal space, maintaining investment climate, and ensuring sustainability of industries, and protecting the people's purchasing power.

From the expenditure side, reforms are carried out through the enhancement of expenditure quality, carried out through expenditure control that is more efficient, more productive, and able to generate strong multiplier effects for the economy, as well as effective in supporting priority development programs and improvement of the people's welfare.

Innovation from the expenditure side is focused to drive flexible and prudent financing, through a more integrated Public-Private Partnership (PPP) in terms of infrastructure financing, strengthening of the Investment Management Institution's role, as well as deepening of state bond market.

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

The overview of the 2023 State Budget bill posture is as follows. State Expenditure in the 2023 State Budget bill is planned at Rp3,041.7 trillion, covering the Central

Government's expenditure at Rp2,230.0 trillion and transfer to the regions at Rp811.7 trillion.

Health budget is pegged at Rp169.8 trillion, or 5.6 percent of the state expenditure. The budget will be allocated to continue the pandemic response, health system reforms, and acceleration of stunting reduction, as well as sustainability of the National Health Insurance. Steps to accelerate stunting reduction are taken by expanding coverage across regencies/municipalities in Indonesia, which is carried out by promoting synergy across various institutions.

Social protection budget is allocated at Rp479.1 trillion to help the underprivileged and the vulnerable fulfill their basic needs, and in the long run, is expected to alleviate poverty. In line with this, social protection program reforms are directed at improving recipient database by developing the Social Economic Registration (Regsosek), improving lifelong and adaptive social protection, providing on-target subsidies based on beneficiary targets as well as accelerating extreme poverty eradication.

To improve productivity and quality of human capital, a budget of Rp608.3 trillion has been allocated for education. We must be able to capitalize on our demographic bonus and ready to face technology disruption. We must prepare productive, innovative, and globally competitive human capital, while continuing to practice the values of Pancasila and noble deeds, as well as preserving our national identity.

Measures to improve the quality of Indonesian human capital are underscored in five matters, namely enhancement of education access in all levels of education, improvement in the quality of education support infrastructure and facilities, especially in the outermost, frontier, and disadvantaged (3T) regions, strengthening of link and match with job markets, equal distribution of education quality, as well as the upgrading of early childhood education quality services.

In addition, the Government is also committed to boosting investment in education sector, among others by promoting scholarship program expansion, culture advancement, the strengthening of world-class universities, and development of research and innovation.

Infrastructure development is budgeted at Rp392.0 trillion to improve the provision of basic services, to improve productivity through connectivity and mobility infrastructure, to provide affordable, reliable, and environmentally friendly energy and food infrastructure, as well as to equally distribute infrastructure and access to ICT.

To sustain the target of infrastructure development acceleration, strategies to integrate budget and funding scheme mix will be taken through synergy between investment financing and expenditure of ministries/institutions as well as an increasing involvement of private sector. The PPP scheme becomes the financing model that continues to be offered.

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

In 2023, budget for transfer to the regions is planned to reach Rp811.7 trillion. Transfer to the regions policy is directed at (1) enhancing synergy of fiscal policies between the Central Government and regional governments, as well as harmonizing central and regional expenditures; (2) improving quality of transfer to the regions management in line with the implementation of Law Number 1 of 2022 on Financial Relations between the Central Government and regional governments; (3) boosting the use of transfers to the regions to support priority sectors; (4) increasing the capacity of regional taxation while maintaining investment climate, ease of doing business, and public welfare; and (5) optimizing the use of regional expenditure to improve access to and quality of public services.

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

To carry out the development agenda, the 2023 state revenue is planned to amount to Rp2,443.6 trillion, sourced from Rp2,016.9 trillion tax revenue and Rp426.3 trillion non-tax state revenue. State revenue is garnered by optimizing tax revenue and reforms of non-tax state revenue management.

To strengthen independence in financing development, we will continue tax reforms. Tax

reforms are carried out through expansion of tax base, improvement of compliance, and enhancement of tax governance and administration in improving tax ratio. In addition, the availability of various accurate and measured tax incentives is expected to boost acceleration of national investment competitiveness recovery and improvement, and to spur economic transformation.

We continue to take measures to augment non-tax state revenue by revamping the planning and reporting process with integrated information technology, reinforcing the governance and monitoring, optimizing asset management, intensifying the collection and settlement of account receivables, as well as improving service innovation by maintaining quality and affordability of services.

By scrutinizing state expenditure and optimizing state revenue, the 2023 budget deficit is set at 2.85 percent of the GDP or Rp598.2 trillion. The 2023 budget deficit is the first year we return to the deficit of a maximum of 3 percent of the GDP.

The deficit will be addressed by utilizing safe and carefully managed financing sources by maintaining fiscal sustainability. The commitment to ensuring fiscal sustainability is manifested to keep debt risk constantly within a safe limit through the financial market analysis. The Government continues to improve effectiveness of investment financing, especially to state-owned enterprises and public service agencies, directed to complete strategic infrastructure in the Central

Government and regional governments, empower the people, and maintain synergy between financing and expenditure. The Government continues to push for an innovative PPP financing scheme, including by reinforcing the role of state-owned enterprises, public service agencies, the Investment Management Institution (LPI), and the Special Mission Vehicle (SMV), as well as to accelerate infrastructure development and to improve financing access for low-income people, MSMEs, and ultra-micro enterprises. The Government also utilizes accumulated cash surplus (SAL) to maintain economic stability and brace for uncertainties, as well as to improve cash management in an integrated manner to maintain a reliable and efficient fiscal buffer.

With strong fiscal management as well as effectiveness in boosting economic transformation and improvement of people's welfare, open unemployment rate in 2023 is expected to be curbed in the range of 5.3 percent to 6.0 percent, poverty rate can be curbed in the range of 7.5 percent to 8.5 percent, Gini ratio in the range of 0.375 to 0.378, as well as Human Development Index in the range of 73.31 to 73.49. Moreover, Farmers Exchange Value (NTP) and Fishers Exchange Value (NTN) are expected to increase to 105-107 and 107-108 respectively.

Distinguished Ladies and Gentlemen,

That concludes the Government Statement on the Bill on the State Budget for the 2023 Fiscal Year and Its

Financial Note. It is our fervent hope that the deliberation of the 2023 State Budget bill can be convened in a constructive manner to realize an Advanced Indonesia based on Pancasila and the 1945 Constitution.

May Allah Subhaanahu wa Ta'aala God Almighty bestow His blessings upon us in performing the tasks and the mandates given by the entire people of Indonesia.

Long Live Republic of Indonesia!

Long Live the Land of Pancasila!

Independence!

I thank you.

Wassalaamu 'alaikum warahmatullaahi wabarakaatuh,

Om Shanti Shanti Shanti Om,

Namo Buddhaya.

Jakarta, 16 August 2022

PRESIDENT OF THE REPUBLIC OF INDONESIA

JOKO WIDODO





PULIH
LEBIH CEPAT
BANGKIT
LEBIH KUAT

TRANSLATED BY:
CABINET SECRETARIAT OF
THE REPUBLIC OF INDONESIA