Ministry of Finance
Republic of Indonesia

# Dealing With Financial Crisis:
## Indonesia's Experience

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# Outline

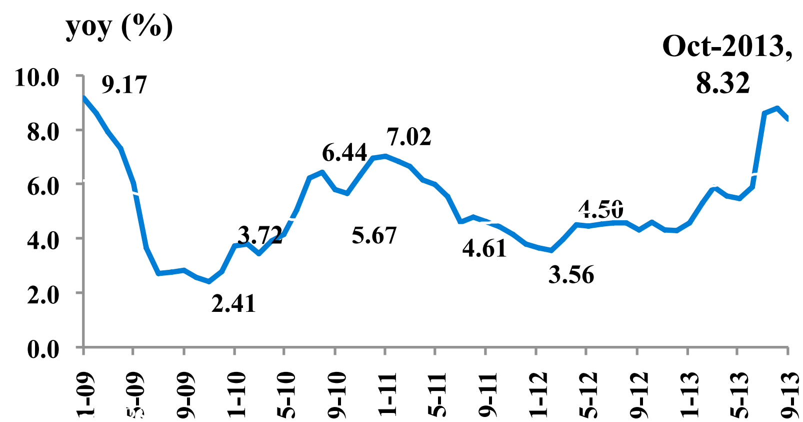
- Indonesia at glance
- Lesson Learnt from previous crisis
- Recent Economic Developments
- Recent Volatility and Indonesia's Policy Response
- Future Prospects and Challenges

# Indonesia At Glance

# Indonesia has continued to demonstrate strong and stable macroeconomic performance…

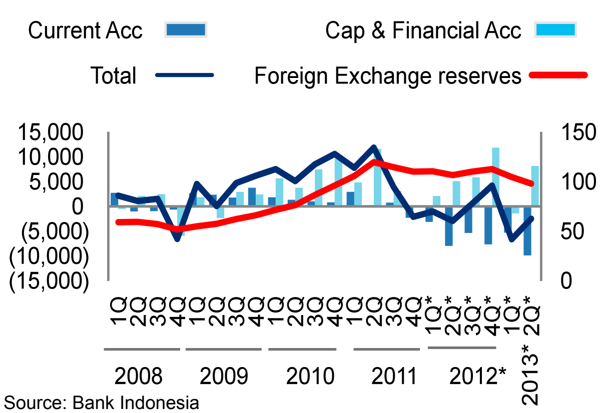
## Strong and consistent real GDP growth


## Moderate and sustainable inflation




## Comfortable foreign exchange reserves cushion with long run overall healthy BoP

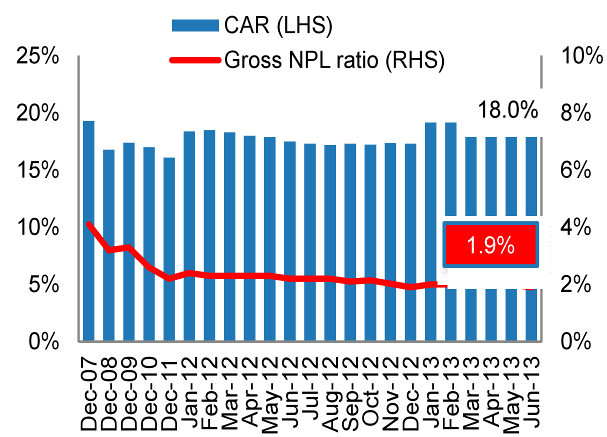
(US$ mm)




Source: Bank Indonesia

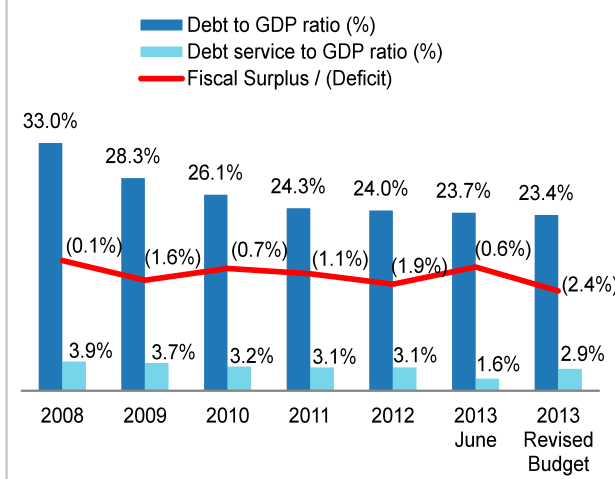
* Provisional values

## Bank financial soundness indicators are continuing to improve




Source: Bank Indonesia

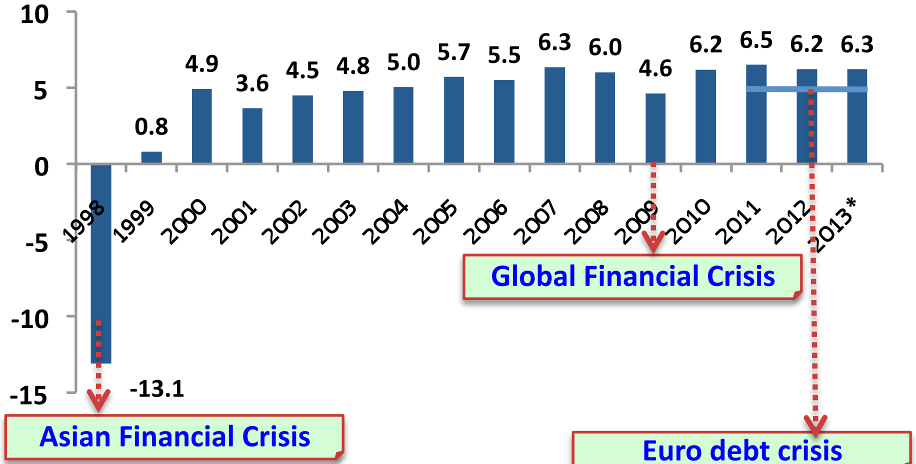
## Favorable debt position and sustainable fiscal deficit




Source: Ministry of Finance

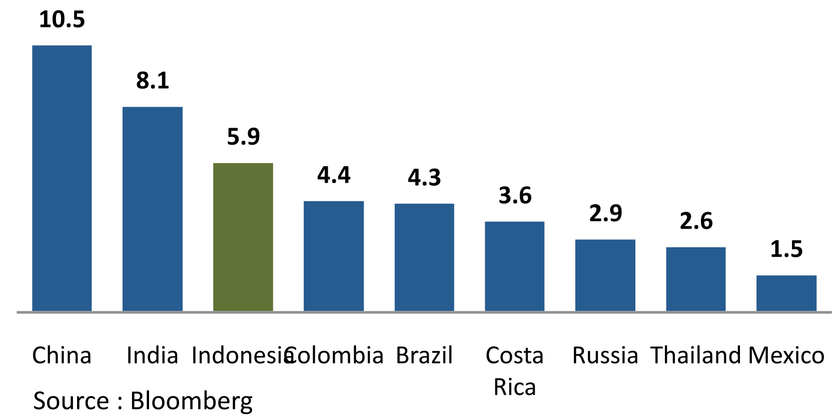
# Indonesia continues to demonstrate strong economic fundamentals…

## Yearly GDP Growth (%)



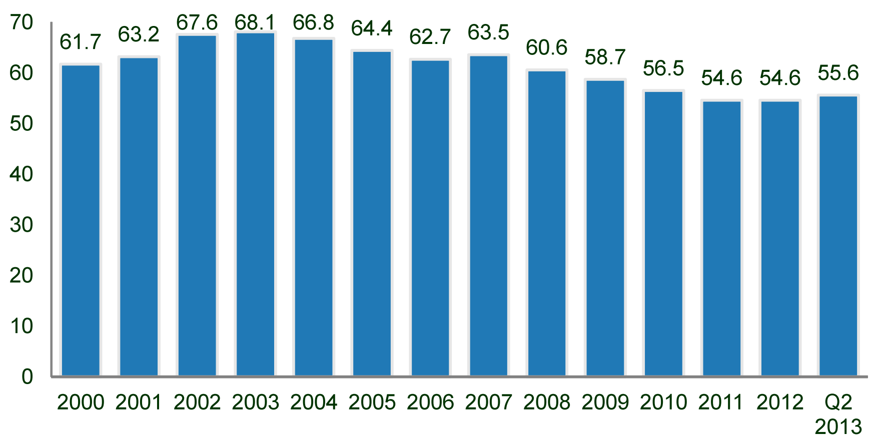

Source : BPS

## 5 Years GDP Growth Average vs peers (%)



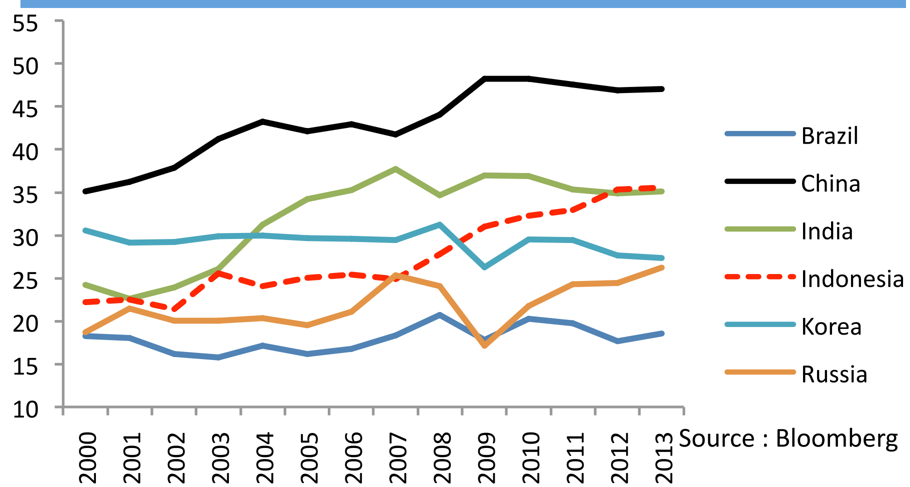

Source : Bloomberg

## Household Consumption (% of GDP)




Source : BPS

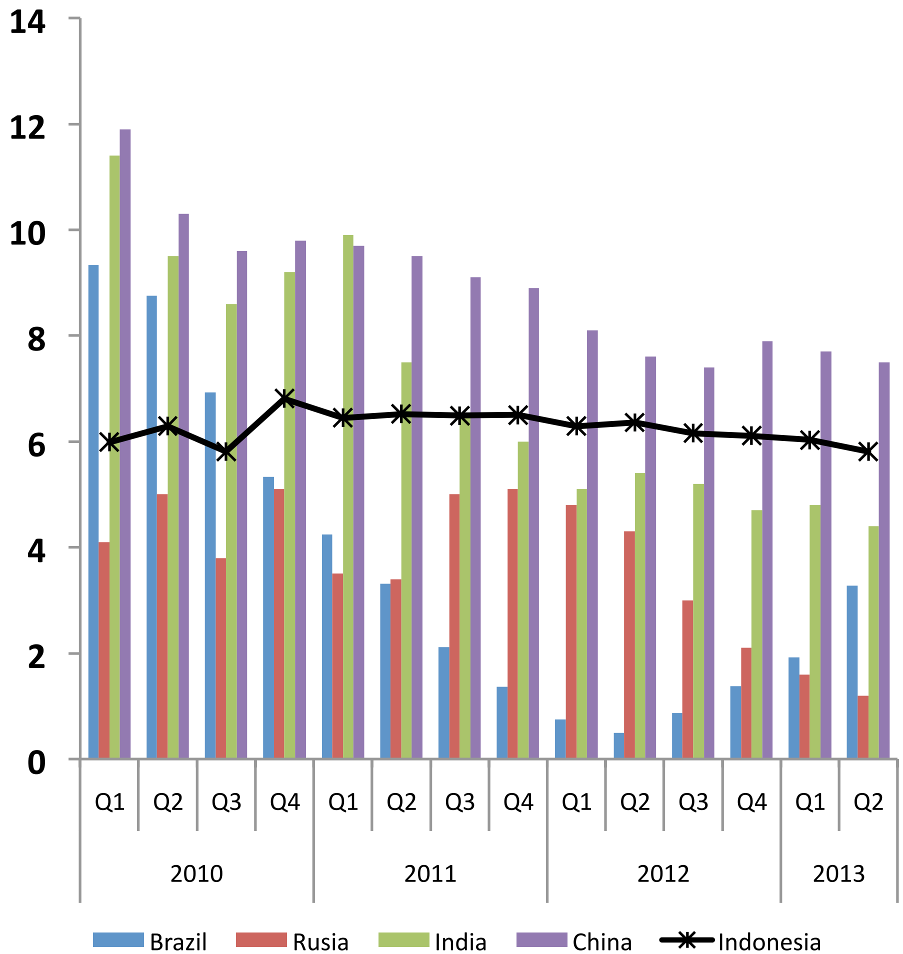
## Total Investment (% of GDP)




Source : Bloomberg

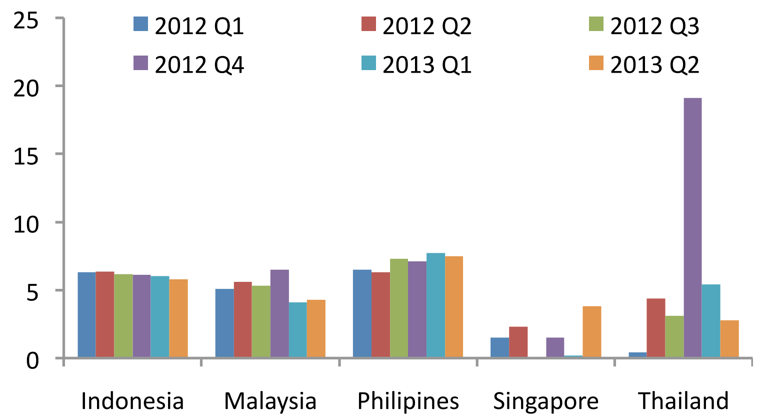
# Indonesian economic growth is much stable compared to others…

## BRIC GDP Growth (%,yoy) compared to Indonesia




*Source: WEO, Bloomberg,*

## Selected ASEAN Members GDP Growth (%,yoy)




## G-20s, Q2 2013 GDP Growth (%,yoy)

| | | | |
|---|---|---|---|
| China | 7.5 | USA | 1.6 |
| **Indonesia** | **5.8** | UK | 1.5 |
| Turkey | 4.4 | Mexico | 1.5 |
| India | 4.4 | Japan | 1.2 |
| Brazil | 3.3 | Canada | 0.9 |
| Argentina | 3 | Germany | 0.5 |
| Saudi Arabia | 2.7 | France | 0.3 |
| Australia | 2.6 | EU | -0.5 |
| S. Korea | 2.3 | Italy | -2.1 |
| S. Africa | 2 | | |

*Source : Bloomberg*

# Lesson learnt from previous crisis and major shock: Continuous Reform

# A comparison of Institutional, Structural and Macroeconomic Variable Development…

## 1998

- Risk coming from domestic economy
- ER regime is relatively fixed
- Govt. debt is multilateral/bilateral
- Un-hedged foreign private debt
- Not independent Central Bank
- Manufacturing was the main source of growth
- High unemployment
- High Poverty Rate
- Political Pressure

## 2008 - Present

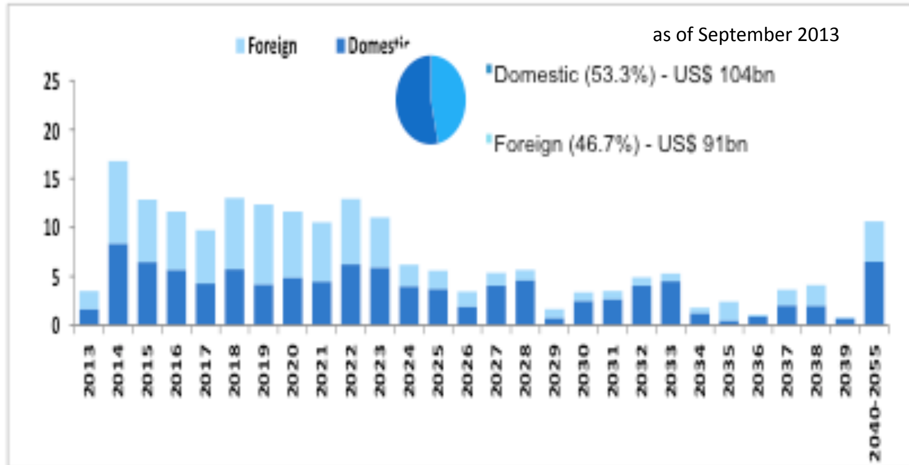
- Influenced by interconnectedness and contagion effect
- ER regime is floating
- Govt. market risk financing
- High global capital influence
- Independent Central Bank
- Main Growth source; 2008: Commodities, 2013: Non-tradable
- Manageable Unemployment & Poverty rate
- Stable political condition

# Compared to 1997, Indonesia is less vulnerable to external shocks….

**To support growth, Indonesia continues to increase its leverage , including that of the private sector**


*Source: Ministry of Finance, Bank Indonesia*

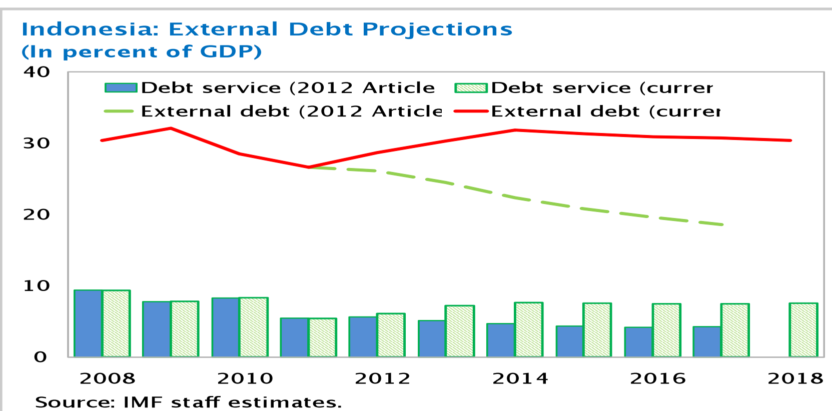
**Indonesia enjoys an evenly distributed maturity profile, resulting in reduced refinancing risk**



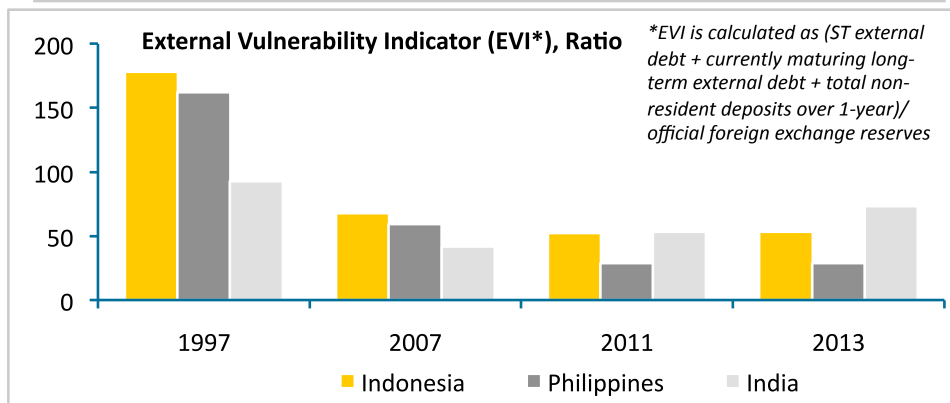

Source: Ministry of Finance

Note: IDR/USD exchange rate of 11,613 end of Sep'13. USD values are for convenience only

**According to IMF Article IV Staff Report, Indonesia's external sustainability is robust to most shocks. Debt to GDP is projected to rise moderately**




**External vulnerabilities are much improved in Indonesia compared to that in 1997**




Sources: Bloomberg L.P., Moody's

# What made current situation different with 1998...

| 1998 | 2013 |
|---|---|
| Home ground but not home alone | QE and Current Account |
| Weak banking system: NPL > 30% | Banking sector is relatively healthy; NPL < 3% |
| Dollar debt denominated → high | Dollar debt denominated → small (parents and subsidiaries) |
| Fixed exchange rate | Flexible exchange rate |
| Political situation: no confidence | Political situation : get support |

# Some Indonesian Rule Based Policies on crisis mitigation…

Rule based policy is newly established after the 1998 Asian Financial Crisis

## Fiscal

- **Based on the Public Finance Law 2003**, the Government is allowed to have:
  - Maximum Budget Deficit Ceiling : **3% to GDP**
  - Maximum government debt : **60% to GDP**

## Monetary

- **Based on the BI Law 1999 and 2004, BI has become independent** with primary mandate to maintain the stability of Rupiah.
  - Instrument Independent
  - Forward Looking policy
  - Focus on Inflation expectation

## Financial System Stabiiity

- **Based on the OJK Law 2011**, The Coordination Forum for Financial System Stability (FKSSK) has been established to maintain financial system stability → to decide and implement the necessary measures in crisis prevention and mitigation

## Regulation being Prepared

- Amendment of Bank Indonesia Law
- Amendment of Insurance Law
- Amendment of Capital Market Law
- Amendment of Pension Fund Law
- Amendment of Banking Law
- Financial Safety Net Law

# Discretionary Policy Summary : 2008 Global Financial Crisis

**Monetary Policy and Supporting the Banking and Capital Market Systems**

- Place **government funds with state-owned banks** to increase liquidity in the banking system
- Increase the amount of **deposits guaranteed** by the government in the banking system
- **Manage state-owned enterprises' foreign exchange** transactions to reduce speculation
- **Requiring greater disclosure on large-sized purchases of foreign currency** to curb speculative pressure on IDR
- Double Bilateral Swap Facilities with Japan and signing bilateral swap facility with China in Local Currency

**Fiscal Stimulus :** Targeted US$7 billion fiscal stimulus plan to stimulate the real economy and maintain positive growth momentum

**Accelerate job creation and foster small scale businesses**

Support from infrastructure and national programs, such as : Expansion of government programs to alleviate poverty and credit program (KUR) to accelerate the development of the primary sector, Additional infrastructure projects for job creation activities

**Boosting people's purchasing power**

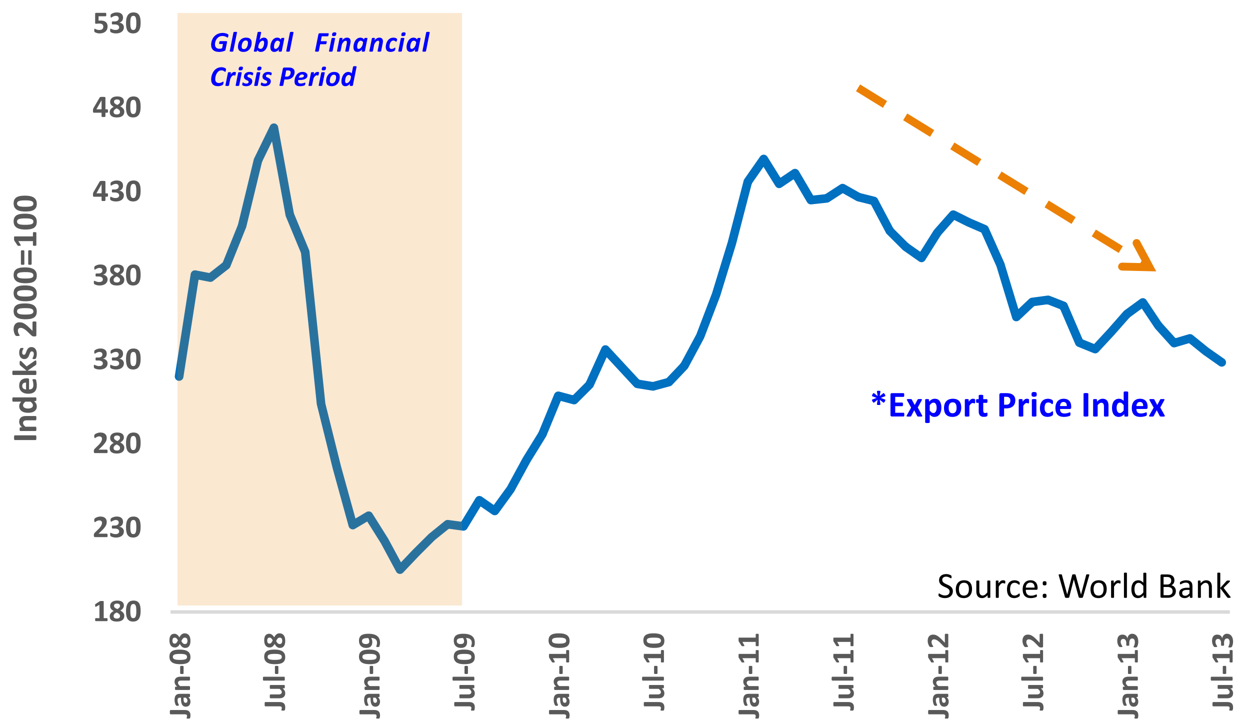
- Reduce individual income tax (lower rate and higher non taxable income threshold)
- Acceleration of National and Regional budget disbursement
- Subsidies on medicine and cooking oil
- Direct subsidies (cash transfer and conditional cash transfer) for low-income households
- Provides more direct and indirect subsidies to education and health sector

**Stimulate trade and promote entrepreneurships**

- Import duty facility reduction in import tax for capital goods
- Export financing and guarantee (JBIC, ADB, IFC, etc.)
- Single tax rate on corporate tax
- Discount on electricity peak-hour charge for industries and reduction on diesel fuel price
- Tax subsidy for oil & gas industry

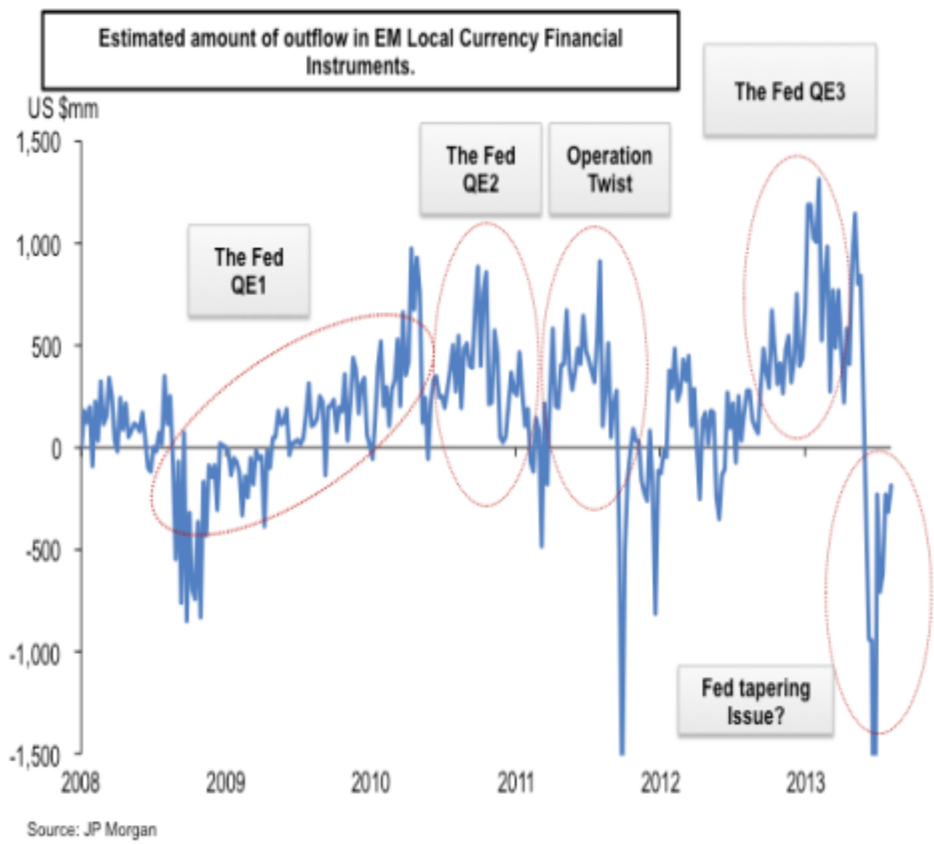
# Recent Economic Developments

# Commodity and energy price tend to decrease due to global economic slow down….

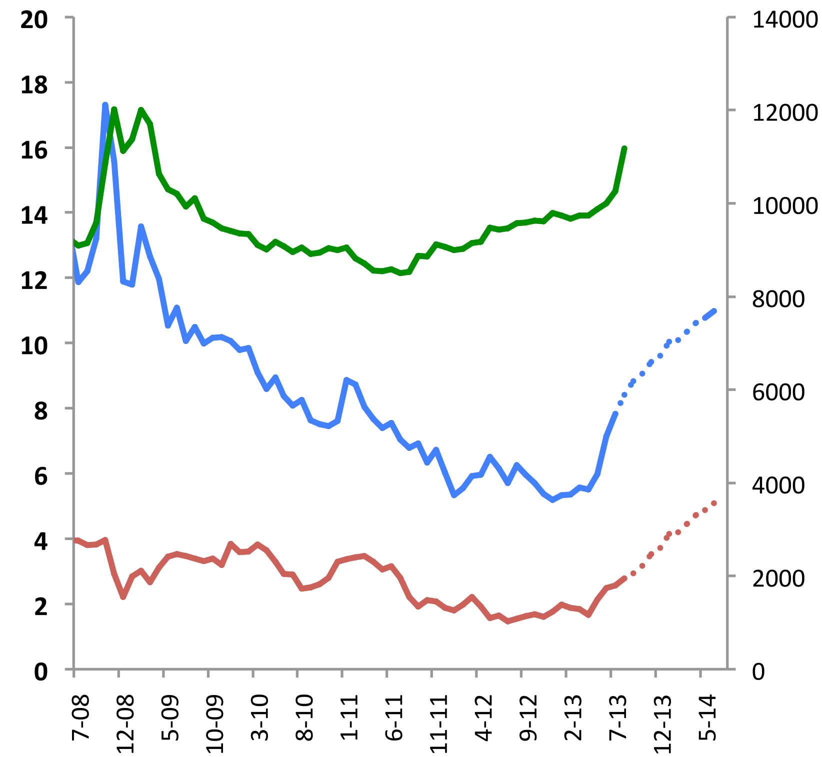



* Export Price Index is calculated based on the six export commodity prices (coal, natural gas, palm oil, crude oil, rubber, and Copper)

# Tapering off QE: Bring back the economy into equilibrium…




*IDR Exchange Rate, Actual Government Bond Yield (10 Y) and prediction*

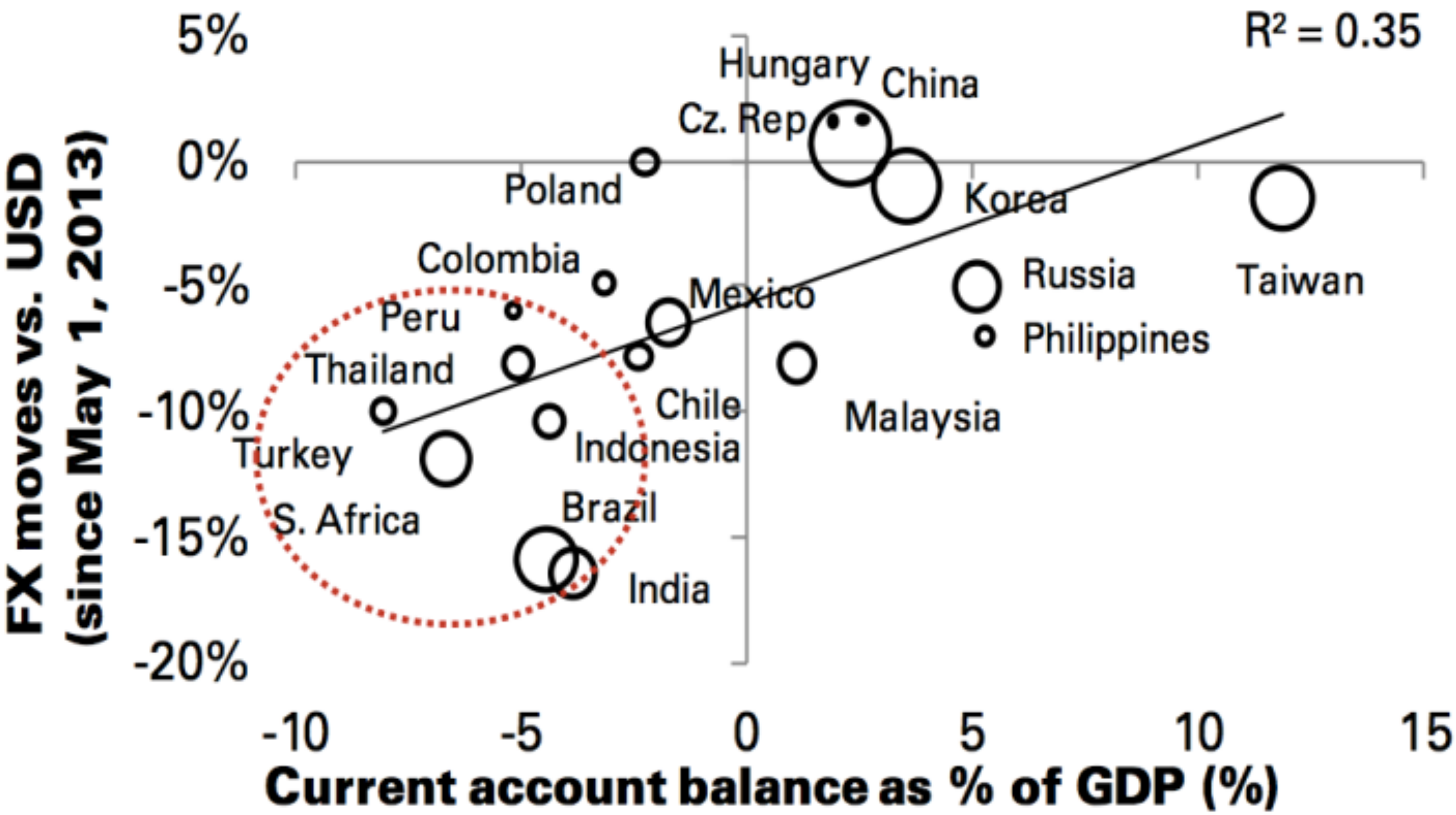


# Current account deficit remains as a risk in several emerging economies...

| | GDP (%yoy) 2012 | GDP (%yoy) Latest | CPI (%yoy) 2012 | CPI (%yoy) Latest | CA surplus/deficit (% GDP) 2012 | CA surplus/deficit (% GDP) Latest | Fiscal Deficit as % GDP 2012 | Govt Debt as % GDP 2012 |
|---|---|---|---|---|---|---|---|---|
| Brazil | 0.9 | 1.9 | 5.4 | 6.4 | (2.4) | (4.5) | (2.5) | 35.2 |
| Russia | 3.4 | 1.2 | 5.1 | 6.5 | 3.7 | 5.1 | 0.3 | 8.8 |
| India | 5.1 | 4.8 | 7.5 | 5.8 | (5.1) | (3.8) | (7.0) | 46.5 |
| China | 7.8 | 7.5 | 2.6 | 2.6 | 2.3 | 2.3 | (1.6) | 15.2 |
| Mexico | 3.9 | 1.5 | 4.1 | 3.5 | (1.0) | (1.7) | (2.6) | 29.7 |
| Indonesia | 6.2 | 5.8 | 4.3 | 8.6 | (2.7) | (4.4) | (1.8) | 23.0 |
| Korea | 2.0 | 2.3 | 2.2 | 1.4 | 3.8 | 3.5 | 2.7 | 34.5 |
| Turkey | 2.2 | 3.0 | 8.9 | 6.5 | (6.1) | (8.1) | (3.0) | - |
| S. Africa | 2.6 | 2.0 | 5.7 | 6.4 | (6.3) | (6.7) | (5.2) | 43.2 |
| Thailand | 6.5 | 2.8 | 3.0 | 2.0 | 0.8 | (5.1) | (3.6) | 44.0 |
| Malaysia | 5.6 | 4.3 | 1.7 | 2.0 | 6.1 | 1.1 | (4.5) | 53.0 |
| Philippines | 6.8 | 7.5 | 3.1 | 2.5 | 2.8 | 5.3 | (2.4) | 52.0 |

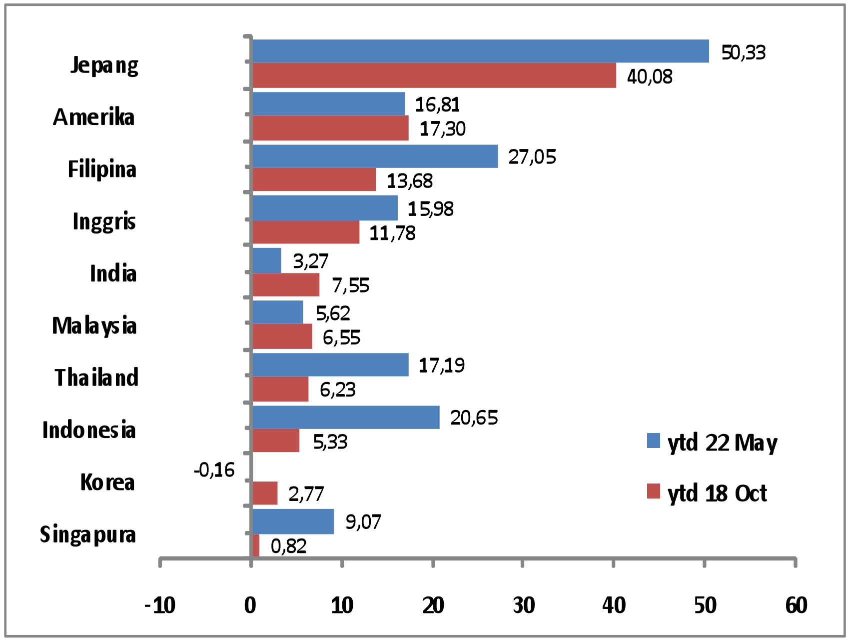
- Indonesia faces current account deficit but with strong overall fiscal position
- With similar CAD challenges as in Brazil & India, Indonesia's ability to manage a safe level of Govt. Debt provides a buffer from a deep currency risk

# Countries facing similar pressure on widening current account balance also find themselves in a risk of currency depreciation…



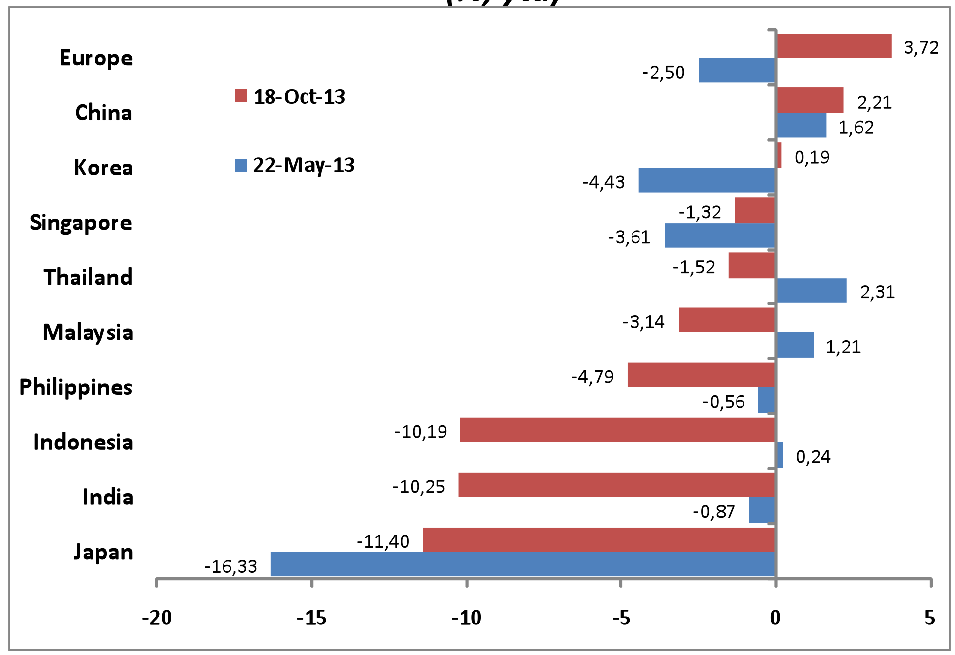
# Capital and foreign exchange market have been negatively affected, reversing much of the gains made over 2012…

*Regional & Global Stock Market Index Performance (%, ytd)*




Source : Bloomberg

*Regional & Global Exchange Rate Performance (%, ytd)*



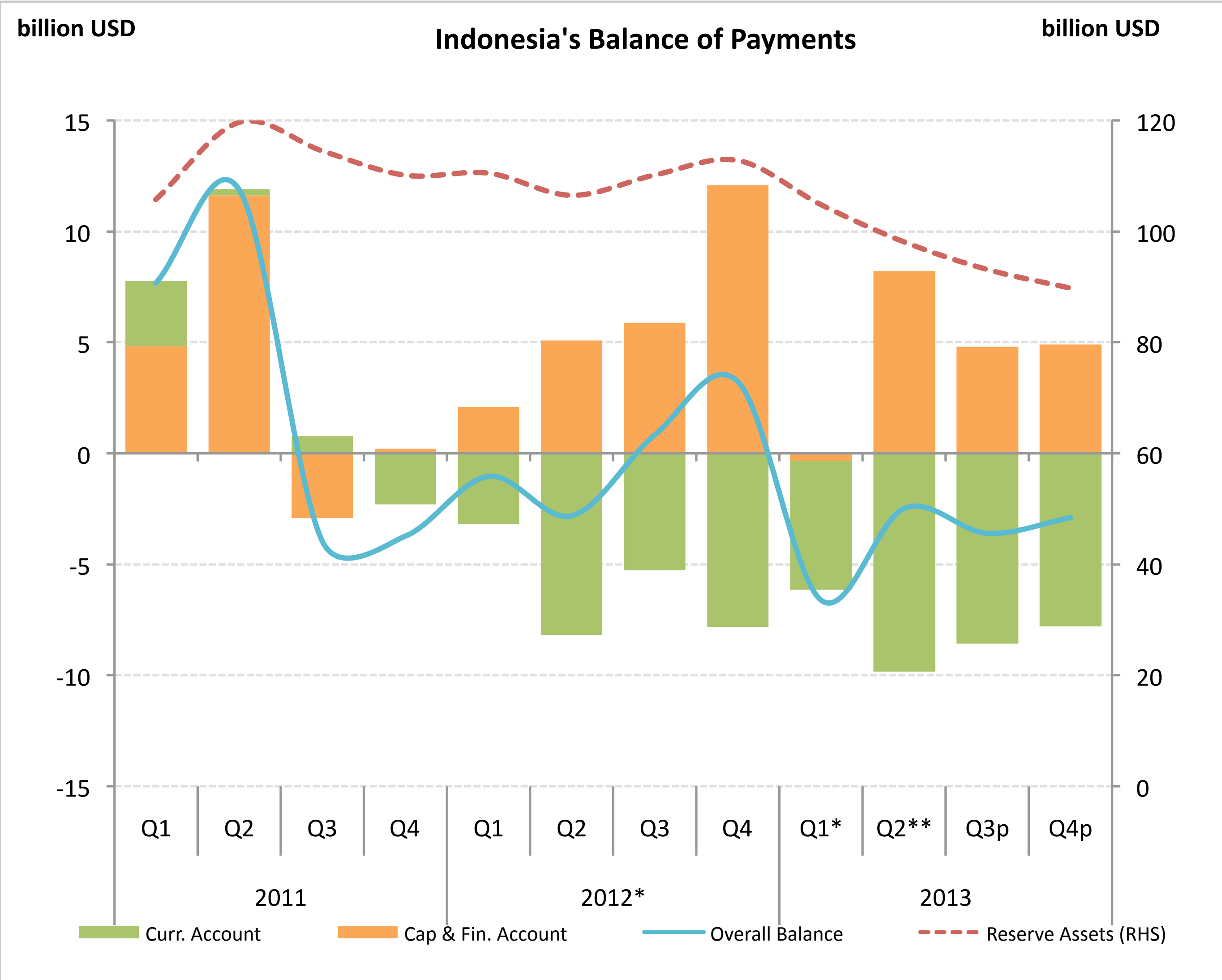

Source : Bloomberg

Issues that are closely managed include:

- The Fed Tapering Activities
- US & China economic indicator (Manufacturing Index, Unemployment, Economic Grwoth)
- Middle East political tension

# Recent Volatility and Indonesia's Policy Response

# The global economic downturn has also affected Indonesia…




- The global economic down turn has significantly affected Indonesia's BOP, influencing the IDR and pushing FX reserves down
- Compared to that during the 1997 AFC, however, the FX reserves position is better

# The global economic downturn has also affected Indonesia → a widening CA deficit…

(US$ miliar)

| ITEM | 2011 Q1 | 2011 Q2 | 2011 Q3 | 2011 Q4 | 2011 Total | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | 2012 Total | 2013 Q1 | 2013 Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Current Account** | **2.9** | **0.3** | **0.8** | **-2.3** | **1.7** | **-3.1** | **-8.2** | **-5.3** | **-7.8** | **-24.4** | **-5.8** | **-9.8** |
| 1.Goods | 9.3 | 9.2 | 9.7 | 6.6 | 34.8 | 3.8 | 0.8 | 3.2 | 0.8 | 8.6 | 1.6 | -0.6 |
| a. Export, *fob* | 45.9 | 51.8 | 52.4 | 50.7 | 200.8 | 48.4 | 47.5 | 45.5 | 47.0 | 188.5 | 45.2 | 45.7 |
| b. Import, *fob* | -36.6 | -42.6 | -42.7 | -44.1 | -166.0 | -44.5 | -46.7 | -42.4 | -46.3 | -179.9 | -43.7 | -46.3 |
| 2. Services | -1.8 | -3.1 | -2.6 | -3.1 | -10.6 | -2.1 | -2.9 | -2.5 | -3.2 | -10.3 | -2.5 | -3.1 |
| 3. Income | -5.5 | -6.8 | -7.4 | -7.0 | -26.7 | -5.9 | -6.8 | -6.9 | -6.6 | -26.7 | -6.0 | -7.1 |
| 4. Current Transfers | 1.0 | 1.0 | 1.0 | 1.2 | 4.2 | 1.1 | 0.9 | 0.9 | 1.2 | 4.0 | 1.1 | 1 |
| **B. Capital & Financial Account** | **4.8** | **11.6** | **-3.1** | **0.2** | **13.6** | **2.3** | **5.2** | **6.0** | **12.1** | **25.1** | **-0.3** | **8.2** |
| 1. Capital Account | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2. Financial Account | 4.8 | 11.6 | -3.1 | 0.2 | 13.5 | 2.3 | 5.2 | 6.0 | 12 | 25.1 | -0.3 | 8.2 |
| a. Direct Investment | 3.8 | 2.5 | 2.1 | 3.1 | 11.5 | 1.6 | 4.0 | 4.3 | 4.2 | 14 | 3.9 | 3.3 |
| b. Portfolio Investment | 2.9 | 5.2 | -4.6 | 0.2 | 3.8 | 2.6 | 3.9 | 2.5 | 0.2 | 9.2 | 2.8 | 2.5 |
| c. Other Investment | -1.9 | 3.9 | -0.7 | -3.2 | -1.8 | -2.0 | -2.7 | -0.8 | 6.7 | 1.9 | -7.0 | 2.3 |
| **C. TOTAL (A + B)** | **7.8** | **11.9** | **-2.3** | **-2.1** | **15.3** | **-0.9** | **-2.8** | **0.7** | **4.2** | **0.7** | **-6.2** | **-1.7** |
| **D. DISCREPANCY** | **-0.1** | **0.0** | **-1.6** | **-1.6** | **-3.4** | **-0.2** | **-0.1** | **0.2** | **-1** | **-0.5** | **0.0** | **-0.8** |
| **E. OVERAL BALANCE (C + D)** | **7.7** | **11.9** | **-4.0** | **-3.7** | **11.9** | **-1.0** | **-2.8** | **0.8** | **3.2** | **0.2** | **-6.6** | **-2.5** |
| **Official Foreign Reserve** | **105.7** | **119.7** | **114.5** | **110.1** | **110.1** | **110.5** | **106.5** | **110.2** | **112.8** | **112.8** | **104.8** | **98.1** |
| Months of Import & Debt Service | 7.5 | 7.9 | 7.1 | 6.5 | 6.5 | 6.2 | 5.8 | 6.0 | 6.1 | 6.1 | 5.7 | 5.4 |
| Current Account (% GDP) | 1.5 | 0.1 | 0.3 | -1.1 | 0.2 | -1.4 | -3.6 | -2.4 | -3.5 | -2.8 | -2.6 | -4.4 |
| Debt Service Ratio (%) | 18.4 | 21.9 | 19.8 | 26.2 | 21.7 | 30.3 | 35 | 35.2 | 39.4 | 34.9 | 34.8 | 41.4 |

Source : Bank Indonesia, Indonesian MoF

- CAD increased to US$9.8Billion (4.4% GDP) in Q2-2013, from US$5.8Billion (2.6%GDP) in Q1-2013.
- Current Account on Goods recorded a deficit for the first time of US$0.6 Billion.
- Financial Account returned positive of US$8.2Billion after a deficit of US$0.3 Billion in Q1-2013.
- Overall BOP remains modest given strong capital and financial account surplus, including robust FDI.

# Recent Indonesian Policy Summary

## Phasing in Structural Reforms Through Targeted Fiscal Policies

- **Increasing subsidized fuel prices** by 44.4% for gasoline and 22.2% for diesel
- **Increasing biodiesel portion** to reduce diesel consumption
- **Greater allocation on 2013 revised budget to basic infrastructural development**
- **Increasing social assistance expenditures to protect lower-income groups from impact of fuel price hikes**, including a compensation package that includes unconditional cash transfers for the poorest households and financial assistance programmes for poor students

## Policy to curb inflation

- The government continues to coordinate closely with Bank Indonesia
- The overnment is responding to volatile food inflation by **improving the meat and horticulture trade system to satisfy demand**

## Preserving Monetary and FX Stability

- **BI raised the policy rate by a cumulative 150 bps since May 2013, to its present rate of 7.25%**
- **BI introduced complementary products to deepen financial markets,** including FX swap by auction and increased tenor of FX deposits with BI
- **BI Introduce macro prudential measures through LTV, RR-LDR and Secondary Reserve of Bank**
- **Further deregulation of non-resident VOSTRO accounts by allowing banks to hold divestment fund and** allowing more underlying documents to purchase FX by exporters.

## Current Account Deficit and Currency Stabilization

- **VAT tariff adjustment by MoF for a number of luxury goods**, and higher taxes for imported luxury vehicles, and exemptions for goods deemed contributive to human resource capacity building
- **Provided tax holidays and tax allowances for investment in Indonesia**
- **Completing the revision of negative investment lists**

# 4 Packages of Government Economic Policy (August Economic Policy package)

**A. Policy to improve current account and exchange rate performance:**

- Increasing biodiesel portion to reduce diesel consumption
- Additional luxury tax rate for luxury car and branded products by 25% - 50%.
- Promote mineral export by easing procedure in regard with quota and CnC

**B. Incentive provision to maintain economic growth and people purchasing power**

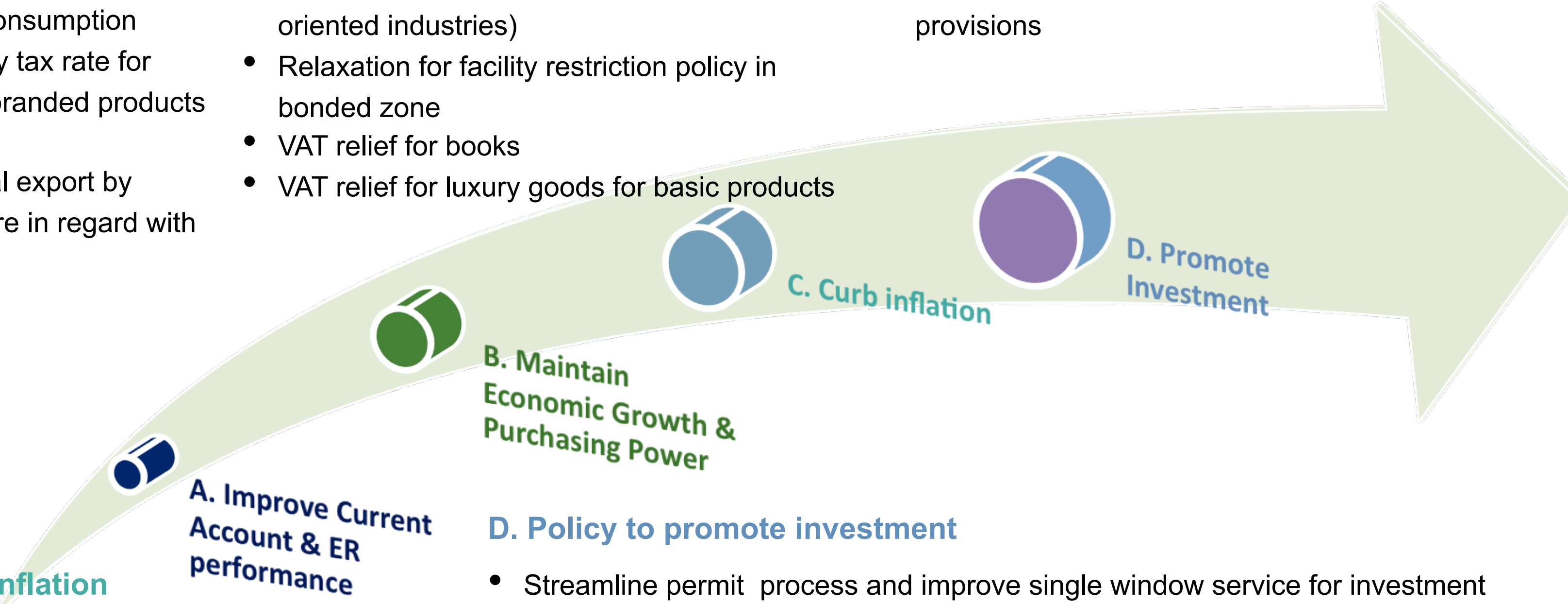
Government will seek to ensure that the 2013 state budget deficit keeps sound at 2.38%

*Short term*

- Deduction / Deferring of Income tax for specific industries (labor intensive & export oriented industries)
- Relaxation for facility restriction policy in bonded zone
- VAT relief for books
- VAT relief for luxury goods for basic products

*Mid term*

- Additional deduction for R&D
- Improve tax holiday & Tax allowance provisions




**C. Policy to curb inflation**

- The Government will continue to coordinate closely with Bank Indonesia
- The Government is responding to volatile food inflation by improving the meat and horticulture trade system to satisfy demand

**D. Policy to promote investment**

- Streamline permit process and improve single window service for investment
- Currently Government has been formulating permit simplification for oil and gas upstream investment from 69 permits to only 8 permits
- Accelerate the revision of Presidential Decree of negative investment list
- Debottlenecking problems in the strategic investment projects such as power plant, oil, gas, mineral mining, and infrastructure projects

# October Economic Policy Package : Providing support for Small Medium Enterprises to avoid negative impacts of financial crisis

- Simplification of process for New business
- Policy support for SMEs accessing electricity
- Online Tax payments and Simple mandatory insurance premium payments (Pension, Health, Death, Work-Related Accident)
- Simple Legal support → Small Claim Court in the Indonesian Supreme Court.
- Bankruptcy process
- Ownership of land and building
- Land and Building development permit
- Access to Credit

# Comprehensive stabilization framework to pro-actively manage pressures on Financial Sector is in place…

## Pre-emptive measures

1. Implementing Crisis Management Protocol
2. Implementing Bond Stabilization Framework
3. Enhancing coordination between government institutions (FKSSK) and continuous dialogue with market participants
4. Specific policies in place to address crisis enacted in the 2013 budget law
5. Swap facility arrangements based on international cooperation
6. Chiang Mai Initiative Multilateralization

## Fiscal Buffers to prevent and mitigate crisis

1. Deferred Drawdown Option facility
2. Specific articles in the 2013 State Budget Law that provide flexibility for Government to take quick mitigation action if necessary, with Parliament approval that has to be given within 24 hours

## Crisis Management Protocol

- Indicators to determine crisis level of Government Securities Market condition (normal, aware, alert, crisis)
- There are some indicators that are monitored
  - Benchmark yield on Government securities
  - Exchange rate
  - Jakarta Composite Index (JCI)
  - Foreign ownership in Government securities
- Policies to address the crisis at every level
  - Re-purchase Gov. securities at secondary market
  - Postpone or stop the issuance of Govt. securities

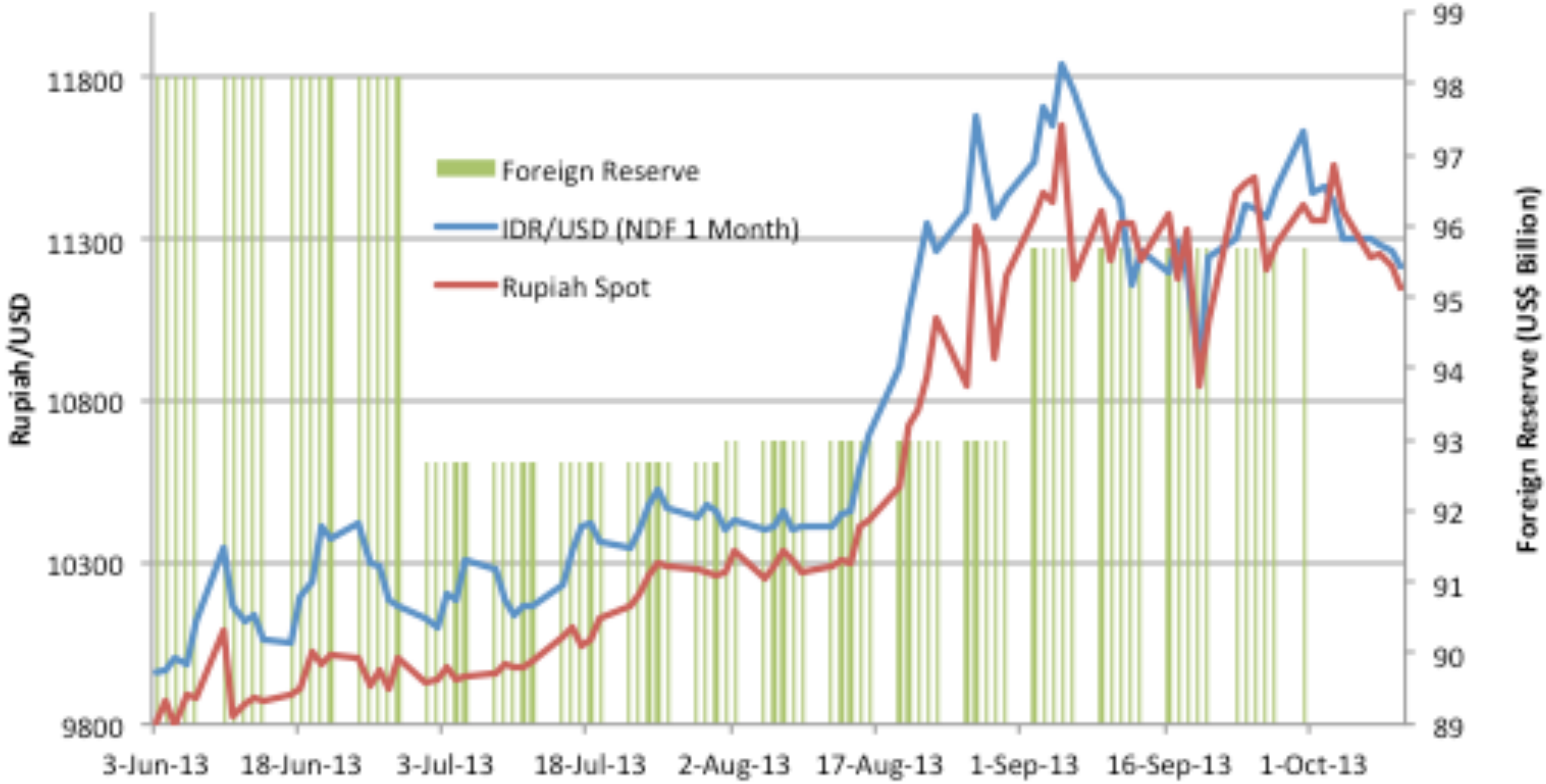
## Bond Stabilization Framework

| | | |
|---|---|---|
| DMO Budget | Buyback funds | Buyback of government bonds by the DMO from the state budget |
| SOE Budget | Related SOEs (min. Alert level) | Potential purchase of government bonds by State Owned Enterprises |
| Other Gov't Budget | KUN (State's General Cash) (min. Alert level) | Potential purchase of government bonds by the Treasury Office using the State's General Cash (KUN) |
| | PIP Investment funds (min. Alert level) | Potential purchase of government bonds by the Indonesia Investment Agency |
| | SAL (min. Crisis level) | Purchase of government bonds using the accumulated cash surplus (SAL). Parliament approval is required |

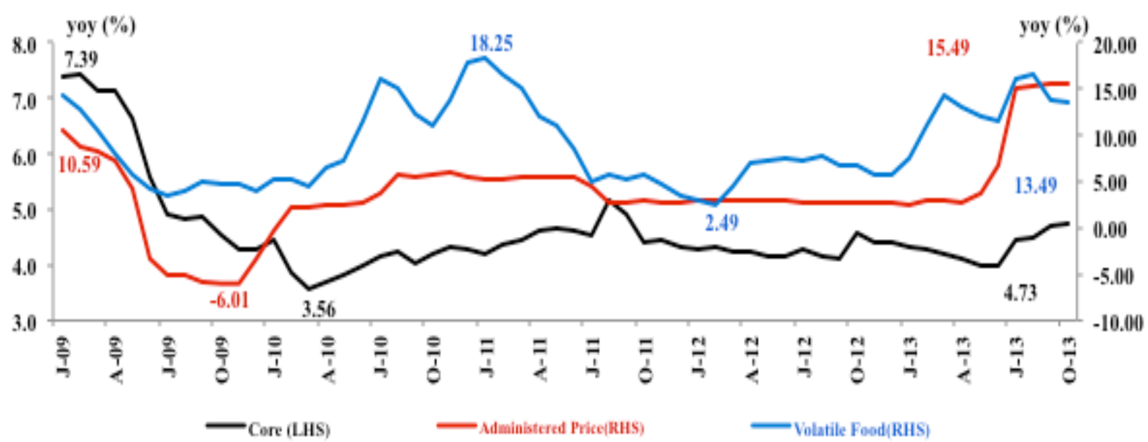
# Coordinative approach among financial authorities help to mitigate internal and external risk…

- The Coordination Forum for Financial System Stability (FKSSK) manages the Nationwide Crisis Management Protocol (CMP) Framework as guidance and procedures for national crisis prevention and mitigation measures.
  - The nationwide CMP incorporates the Exchange Rate, Banking, Non-Bank Financial Institution, Capital Market, Government Bonds Market (SBN), and Fiscal CMPs.
- Coordination Meeting of the Forum is conducted regularly to discuss the current level of Financial System Stability and current issues related to the financial system
- The Forum has conducted two mini simulations (fire drills) to test the CMP and currently preparing for a full dress simulation.
- Crisis binder and systemic impact analysis framework are currently being developed

# Exchange rate has shown convergence with foreign reserve in a relatively stable position…

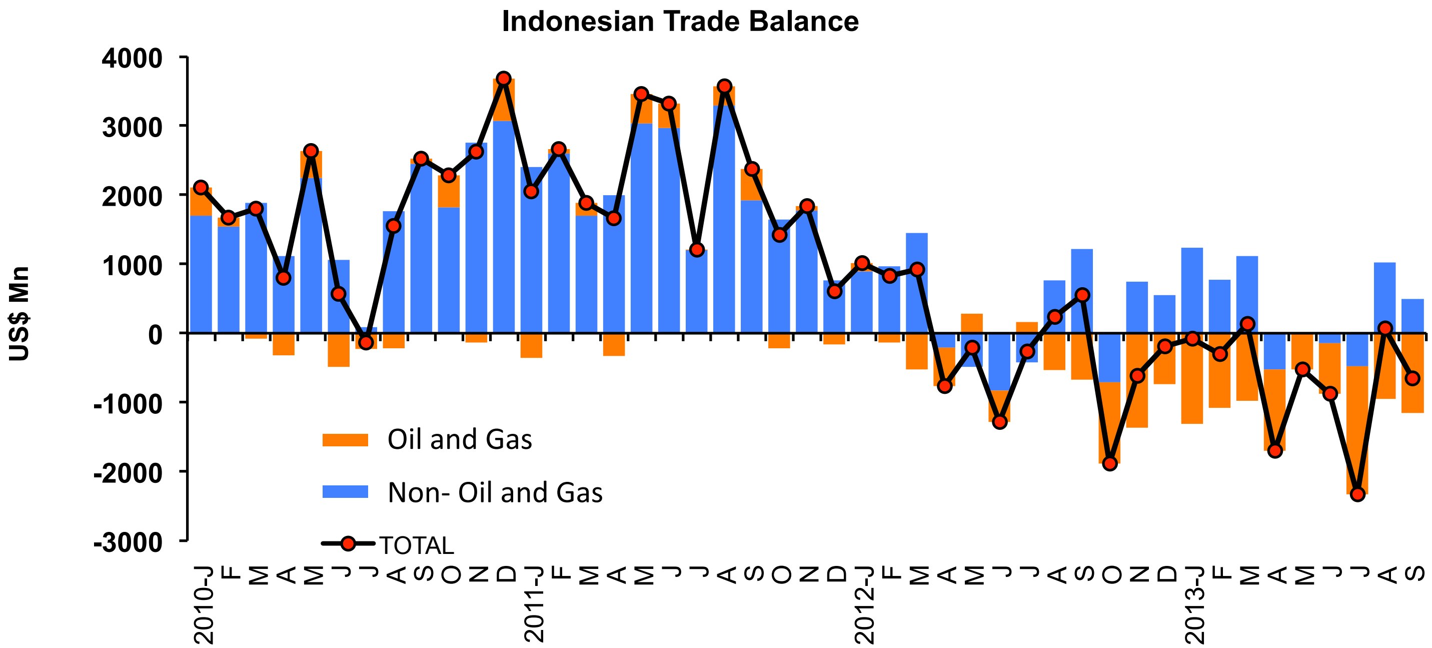


# Recent Policy Package led deflation on September (-0,35% mtm) and a managable inflation on October (0,09% mtm)...


- Food price development and moderating effect of fuel price adjustment has created deflation in September 2013, the first since Sept 2001
- Government policies have helped to soften pressure from food prices.
    - Government's role in managing the inflation includes imports management, food price stabilization, and rice for poor policy.
- Religious events in the last month still gave upward pressure on inflation, especially in transportation sector.

# Trade balance deficit has moderated due to oil imports moderation and Government incentives for Industries…

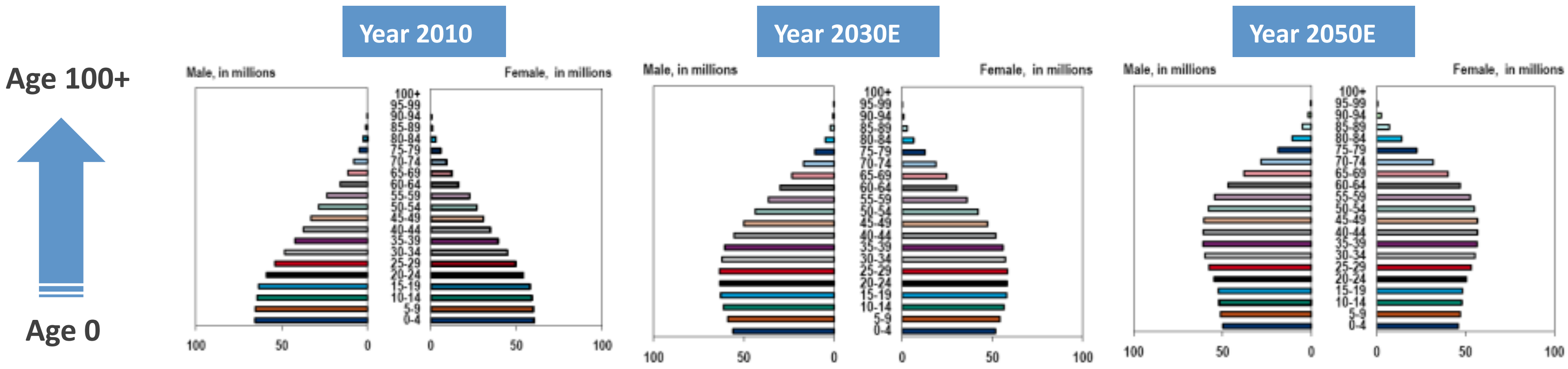



- Indonesia's trade balance record a large deficit in July due to increasing oil imports value.
- Oil and Gas import have declined in August and September due to a lower import volume as a result of the fuel price adjustment policy and new policy package.
- Government policy package, which include incentives for industries, has helped Non-oil and Gas trade to stay positive in August and September.

# Future Prospects and Challenges

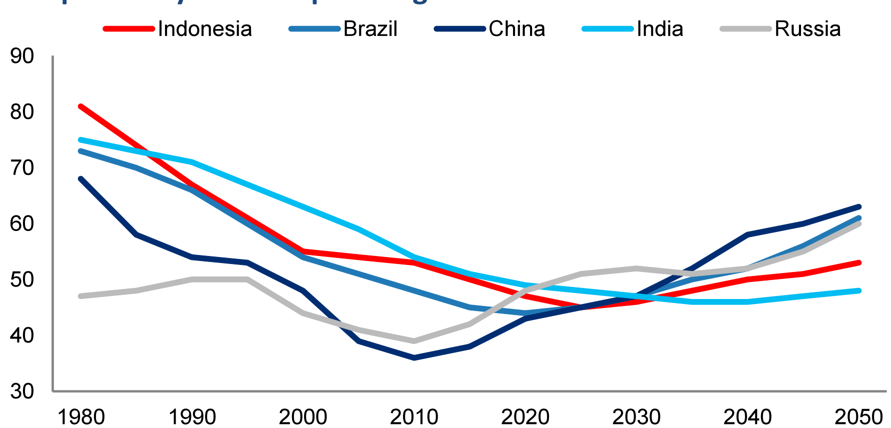
# Young and dynamic population, also known as demographic dividend, driving strong consumer demand…

## More than 60% of Indonesians are under 35 year




Source: World Bank, UNPP

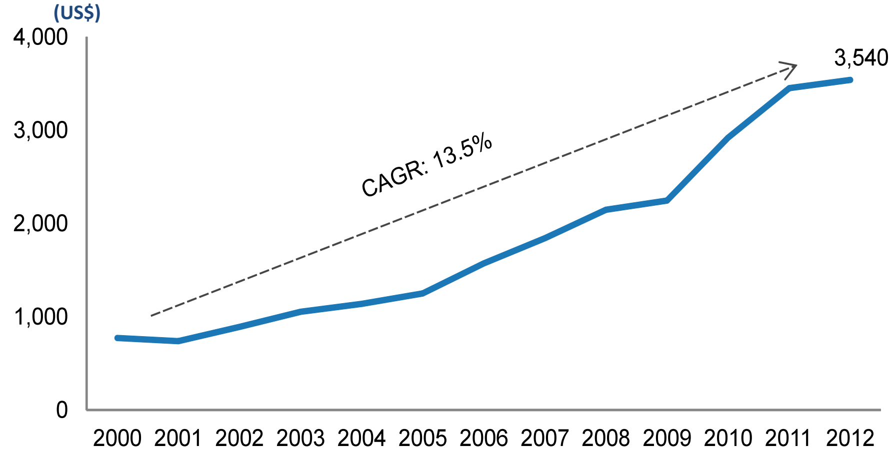
## Dependency ratio keeps falling until 2025




Source: UNPP

## Rising nominal GDP per capita

(US$)

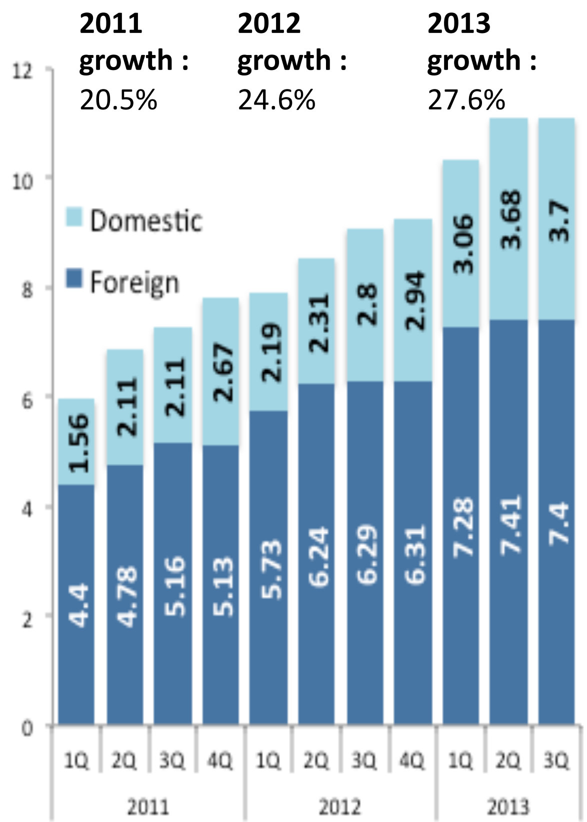



Source: IMF, International Financial Statistics

# Indonesia remains an attractive destination for international investors…

## Direct investment

(US$ billion)



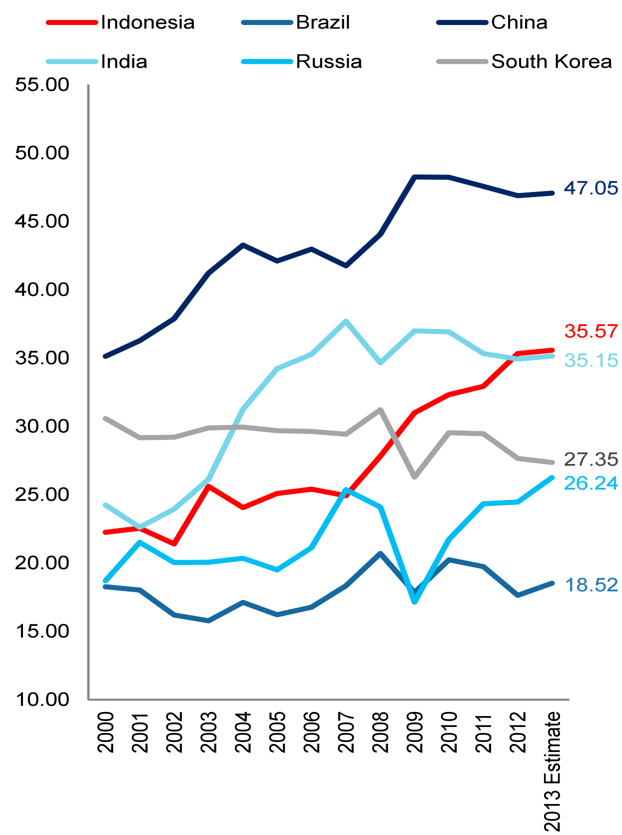

Total US$ 27.9bn | Total US$34.8bn | Total US$32.6bn

Source: BKPM

Note: IDR/US exchange rate of 9,000; USD values for convenience only

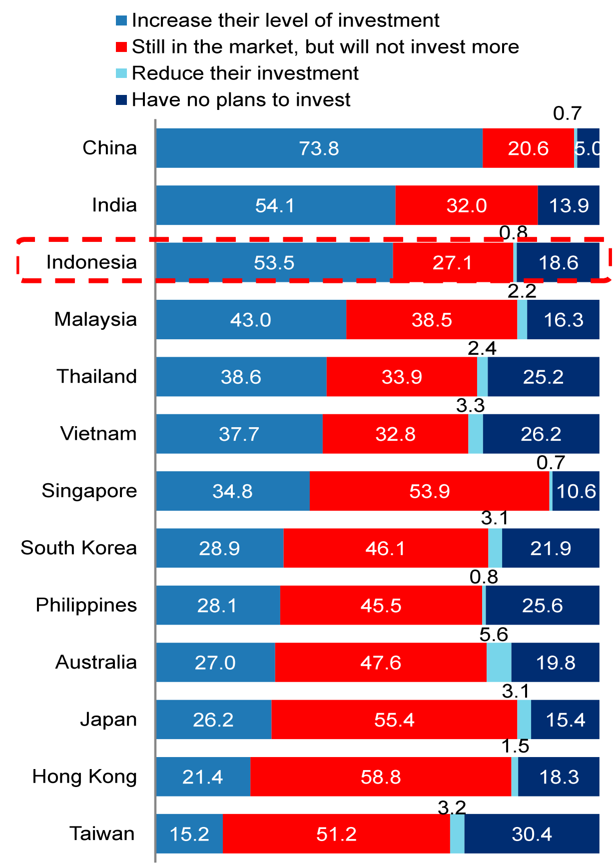
## Total investment

(% GDP)



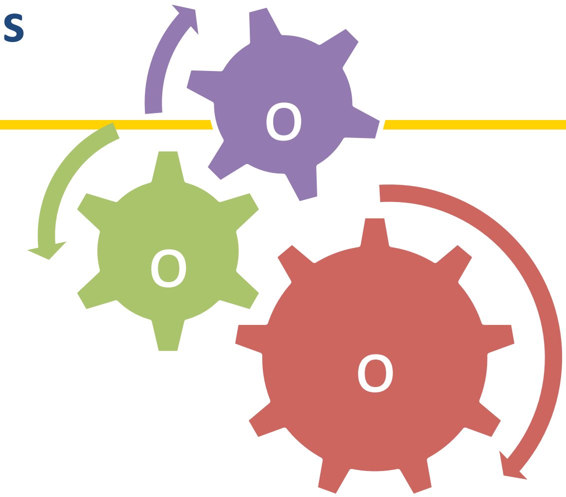

Source: IMF, World Economic Outlook Database – April 2013

## The Economist: Indonesia is the #3 investment destination in Asia in 2013




Source: The Economist

# Future Global Economic Challenges




**Slow pace of recovery in US, EU Zone and Japan and a weakening growth in China and India could negatively influence Indonesia's export performance and investment inflow**

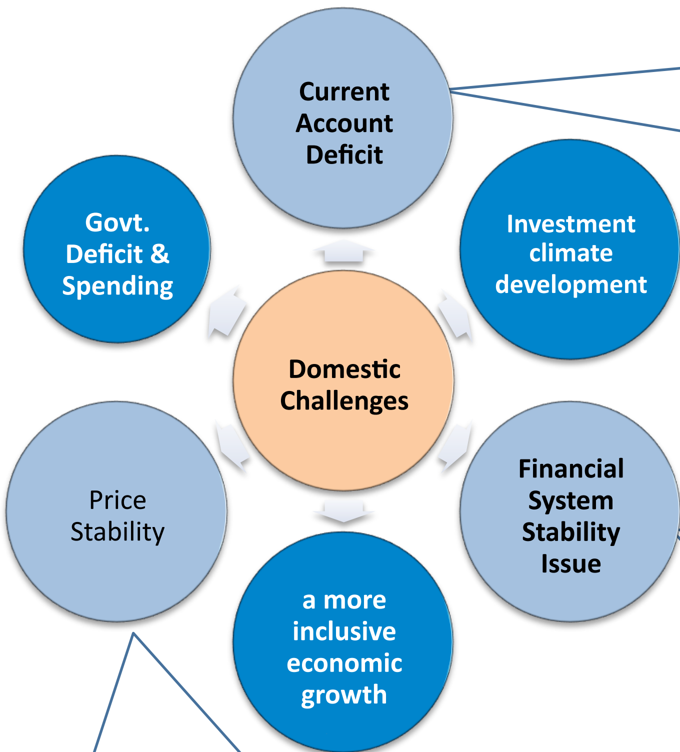
**The QE tapering issue is still open along with US Government budget risk (with Bond issuance term only up to Feb 2014), leads to open risk of global liquidity shortage and external financing risk for Indonesia.**

- With US economy on the recovery efforts, The Fed tapering issue in the future is still a concern due to possibility of triggering capital outflow and create pressure in foreign exchange market, including for Indonesia.

**Volatility in global Commodity price**

- General weakening of global primary commodities prices has negatively influenced global trade.
- The price of Indonesia's main export commodities (CPO, Gas, Copper) has been weakening since 2011.
- Oil price have shown a significant increase followed with large volatility with future risk coming from recent Middle-East geopolitical tension

# Domestic Economic Challenges (1)




**Current Account Deficit**

- Slowdown in Oil Lifting activities and weak external demand combined with relatively strong import have resulted in a widening Current Account Deficit profile.
- As investment growth moderate, the risk coming from fuel and capital goods have softened.
- However, future pressure on Rupiah exchange rate will still be strong

**Financial System Stability Issue**

- Indonesia's financial system is vulnerable to the shift in investors sentiment.
- High foreign ownership in both stock and bond market instruments could lead to a wider risk if there is a sudden reversal of capital.
- Domestic financial market is relatively well-capitalized, however, Foreign denominated private sector debt could also pose currency mismatch risk.
- Regulatory framework is needed

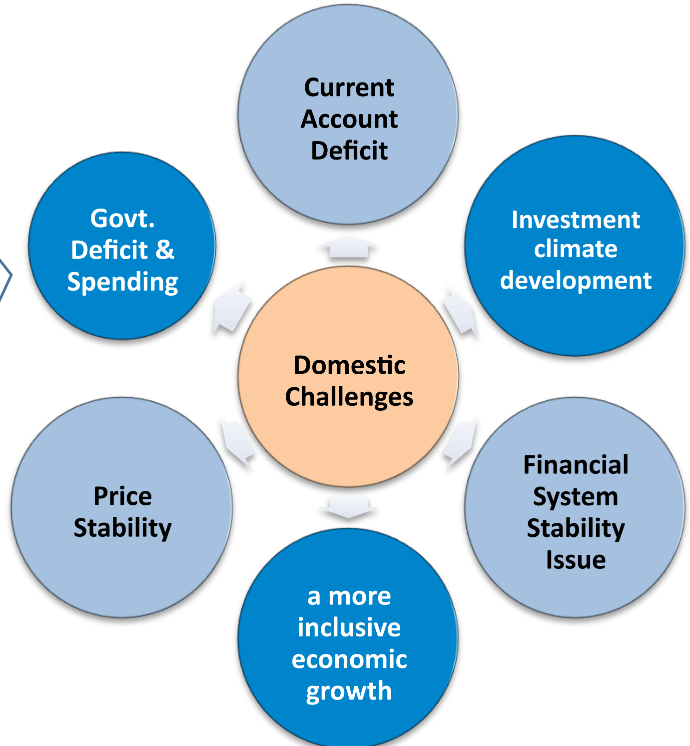
**Price Stability**

- Fuel price adjustment implemented in July and supply disruption on several agriculture commodities has also increased inflationary pressure.

# Domestic Economic Challenges (2)

**Govt. Deficit & Spending**

- Possible decrease in tax and natural resource revenue.
- The need to optimize government spending and improve the quality of spending focusing on infrastructure and social secutiry.




**Investment climate development.**

- Providing transparent wage regulation and maintaining labor market competitiveness.
- Synchronizing central and regional regulation in promoting investment activities.
- Improvements in infrastructure development, especially electricity.

**A more inclusive economic growth**

- Coping with an increaseing Gini Ratio despite improvements in poverty rate.
- Implementation of a comprehensive social security system

# Thank You