INDONESIA BUDGET OUTLOOK 2019 AND PROPOSED BUDGET 2020[1]

This note assesses the 2019 Budget Outlook and the proposed Budget for 2020, as recently presented by President Joko Widodo to the Parliament of Indonesia. The current Parliament is expected to approve the final budget by the end of September 2019, earlier than in the last four years due to the inauguration of new elected Parliament members (period 2019-2024) on October 1.

Key messages:

- **Revenue collection is expected to fall short of the target in 2019, partly due to lower commodity prices**
- **Material and capital spending will be compressed to partly compensate for the revenue shortfall…**
- **…leading the Government to project a slightly higher fiscal deficit of 1.9 percent in 2019 (vs the target of 1.8 percent).**
- **The revenue growth projection of 9 percent for 2020 (a larger increase than projected in 2018) appears optimistic given lower commodity prices and revenue-reducing tax changes (new tax incentives, possible cut in the corporate income tax rate).**
- **Expenditure is projected to increase by 8 percent in 2020 partly due to a higher increase in personnel spending, while goods and services spending is capped, and energy subsidies are reduced.**
- **The budget for social assistance programs, education and health will increase in 2020 following the Government's focus on human capital development.**
- **The infrastructure budget is projected to increase moderately by 5 percent compared to 2019. There is no indication of budget yet related to the relocation of the capital city.**
- **Overall, fiscal policy to remain conservative in 2020, with a projected deficit of 1.8 percent of GDP.**

The 2019 Budget Outlook

Revenues are expected to be lower than the target in 2019 on weaker commodity prices and sluggish gains in non-commodity revenues. The Government projects that total revenue and grants will reach IDR 2,031 trillion, 94 percent of the target. This represents total revenue growth of 4.5 percent from 2018 (vs. 11 percent target), the lowest growth rate for the last two years.[2] The Government expects to collect IDR 1,643 trillion in tax revenue, 8 percent higher than 2018 but below the target of 18 percent growth in the 2019 budget. As a result, the tax ratio is expected to be maintained at 10.2 percent of GDP (Figure 1) compared to a target of 11 percent of GDP. Value added tax (VAT) and non-oil and gas income tax are expected to grow more slowly than in 2018. This is partly because of improvements in processing VAT refunds, which led to an increase in refund requests, slower imports (where compliance is higher), and lower corporate profits. Because

[1] Prepared on September 17, 2019 by Yus Medina Pakpahan (MTI), with inputs from Juul Pinxten(SPJ), Pandu Harimurti (Health), Rythia Afkar (Education) and Jaffar Al Rikabi (MTI), reviewed by Ralph Van Doorn (MTI) and cleared by Frederico Gil Sander (MTI).

[2] In 2018, total revenue collections exceeded the target (102 percent), which also marked the first time the target had been achieved since 2012.

of lower commodity prices,[3] oil and gas-linked revenue[4] is estimated to contract by 15 percent, well below last year's growth of 57 percent. Overall, non-tax revenues are expected to contract by 5.6 percent, less than budget expectations to contract at 7.6 percent and decline to 2.4 percent of GDP.[5] Overall, Indonesia's revenue-to-GDP ratio is projected to decline to 12.6 percent from 13.1 percent in 2018.

Continuing the pattern of procyclical fiscal policy seen in 2016, the Government has adjusted to lower revenues by cutting material and capital expenditures. The Government expects that total expenditure will reach IDR 2,342 trillion, corresponding to 95 percent of budget and 14.5 percent of GDP. Compared to 2018, expenditure is expected to grow by 6.0 percent compared to a target of 11.2 percent. This slower growth is mainly driven by the decrease in material and capital spending. Central Government capital expenditure is predicted to decrease by 6 percent compared to actual 2018 due to a lower amount budgeted in 2019 compared to 2018, though the disbursement rate increased from 90 to 92 percent. Disbursement of material spending is expected to come in at 97 percent of the budget compared to 102 percent last year, leading to a decline of about 4 percent. Energy subsidies are also expected to be lower than the allocated amount due to lower oil prices and the appreciation of the rupiah, as well as lower volumes of subsidized energy consumed (the estimated diesel consumption is about 0.3 million kiloliters less than expected). On the other hand, personnel, social, and other spending are expected to grow compared to last year. Among those, personnel spending grew by 9 percent and made the biggest contribution to expenditure growth, mainly driven by the increase of civil servants' basic wage.[6] Meanwhile, social spending grew by 18 percent, partly due to the doubling of benefits for existing PKH beneficiaries.[7]

Overall, the Government expects the fiscal deficit to come in at 1.9 percent, 0.1 percentage points higher than budgeted. Because the projected below-the-line capital injections were not changed, the Government's borrowing requirements are therefore expected to increase by 0.1 percentage points of GDP.

The Proposed 2020 Budget (RAPBN)

Despite sluggish revenue collection in 2019, the Government remains optimistic that it can collect more revenues in 2020. The Government plans to reach IDR 2,221.5 trillion in total revenues and grants next year, 9 percent higher than the 2019 Outlook and above the annual average nominal increase of 6 percent between 2014 and 2018. Tax revenues are projected to grow by 8 percent despite the introduction of new tax incentives[8] to attract investment, a likely cut in the corporate income tax rate and VAT exemptions (see Box 1). This growth is mainly driven by VAT, excises and non-oil and gas income tax revenues (Figure 2), suggesting the impact of reforms underway such as the increase in compliance, improvement in the IT system, and changes in some tax regulations.[9] Excise taxes are also predicted to grow by 8 percent from the 2019 Outlook due to planned adjustments in tobacco tariffs and a new plastic bag/package tax (see Box 1). Overall, the Government

[3] The 2019 budget assumed oil prices were 10 percent higher than the expected realization.

[4] Oil and gas-linked revenue consists of oil and gas income taxes and oil and gas non-tax revenues. The oil and gas non-tax revenues are expected to contract by 16.3 percent compared to 2018.

[5] Other non-tax revenues are expected to grow by 2.4 percent compared to 2018 (vs. budget projections of a contraction) mainly due to the outperformance of profits from SOEs and surplus of Bank Indonesia.

[6] Last March, the Government announced the increase of Civil Servants' basic salary by about 5 percent with the enactment of Government Regulation (PP) No. 15/2019, retroactive from January 2019, the last increased was in 2015.

[7] Starting this year, the PKH benefit is not flat where one family can receive up to IDR 4 million per year increased from IDR 1.8 million based on each family conditions such as the disability, number of children at school, toddler, or elder. The estimated cost of this new system will double the budget. (https://www.merdeka.com/uang/dana-bansos-pkh-2019-naik-jadi-rp-38-t-penerima-terima-maksimal-rp-4-jutatahun.html)

[8] Additional tax incentives will be enacted this year, such as enhancement of tax holiday (mini tax holiday), investment allowance (labor intensive industries), super deduction, and a VAT exemption for flight rental services (see box 1)

[9] One of the reforms was the implementation of Automatic Exchange of Information (AEoI), which will broaden the tax base and reduce tax avoidance.

aims to increase the tax-to-GDP ratio to 10.7 percent in 2020, higher than 2019 (Outlook) at 10.2 percent of GDP (Figure 1). The Government also recognizes that lower commodity prices and lower domestic oil and gas production will negatively affect revenues, projecting oil and gas income tax revenues to decline by 4 percent in 2020. Moreover, non-tax revenues are also projected to decline by 7 percent compared to 2019 (Outlook), negatively contributing to revenue growth at 1.3 percentage points, mainly driven by the decrease of other non-tax revenue.[10]

Box 1: Government tax incentives and excise policies

Currently, the main types of tax incentives include:

- **Import duty exemption** on machinery and capital goods for all investments in Indonesia including for power generation industry.
- **Government subsidy on import duty** (BMDTP) of imported goods and material used in the production process of goods and/or services related to public interest and improving the competitiveness of certain sectors.
- **Tax allowance** for specific sectors and/or specific regions that have significant labor absorption, high investment value or are export oriented, and have high local contents.
- **Tax holiday**, by reducing the corporate income tax for pioneer industries, new investments and investment plan with minimum of IDR 100 billion (since 2018).
- **Incentives for MSME (Micro, Small, Medium Enterprise)** of final income tax with 0.5 percent of gross revenue.
- **VAT exemption** for strategic goods including machinery and factory equipment used to produce taxable goods.
- **Zone-based tax facilities,** e.g., special economic zones, industrial zones, free trade zones or bonded stockpiling areas.

Given the significant number of tax incentives, the Government estimates that tax expenditure for 2018 reached IDR 221 trillion or 1.5 percent of GDP, higher than in 2017. The highest source of tax expenditure is VAT, about 66 percent of the total, followed by income tax. Based on the economic sector, manufacturing has the largest share at about 18 percent due to some incentives provided to large and basic needs manufacturing industries as well as MSMEs, followed by financial services sectors.

In the proposed 2020 budget, the Government has taken into account some recent changes in tax regulations regarding tax incentives as well as the plan to increase revenue from excise, they are:

- **Additional tax allowances (GR 45/2019-*super deduction*),** a deduction of gross revenue of up to 300 percent of a company's spending on certain R&D activities and a deduction of gross revenue of up to 200 percent of a company's spending on apprenticeships, internships and other teaching activities, as well as a deduction of net income of as much as 60 percent of a company's new capital investment or business expansion in certain labor-intensive industries.
- **No VAT collection** for air craft rental services from abroad to improve competitiveness in domestic airlines.[11]
- **Some adjustments will be applied to tobacco excise tariff and new taxing on plastic bags**. The Ministry of Finance aims to increase multiple tobacco tariff rates with a proposal of 23 percent increase on average.[12] Meanwhile, the Government is also proposing a new tax/excise object by

[10] Profits from Government's separated assets (one component of "other non-tax revenues") is expected to decrease at 40 percent compared to 2019 (Outlook) mainly due to lower projection of residual surplus of Bank Indonesia.
[11] Implemented through GR 50/2019 which adds more exemptions to the transport exemptions list in GR 69/2015.
[12] "Indonesia to raise cigarette prices by more than a third at start of 2020", Reuters (September 13, 2019), accessed nline at: https://www.reuters.com/article/us-indonesia-tobacco-idUSKCN1VY17A

imposing an IDR 400 levy per plastic bag to discourage the usage of single-use plastic bags as well increasing revenue.

Source: Ministry of Finance 2020 Financial Note, World Bank staff analysis

Total expenditure in 2020 is planned to grow moderately compared to 2019 (Outlook). The Government submitted a budget of IDR 2,528.7 trillion including interest payment and transfers to regions and the Village Fund. This represents an increase of 8 percent (or 5 percent in real terms) compared to 2019 (Outlook), above the projected 6 percent growth in 2019 (Outlook) and the annual average from 2014-2018 with the same rate. Some key features on the expenditure side are:

- **Material spending capped while personnel spending increased**. The budgeted increase for personnel spending is 11 percent in 2020 compared to 2019 (Outlook), which is higher than the projected 9 percent increase in 2019 (Outlook).[13] This higher growth is due to the expansion of bureaucratic reform in more Line Ministries, which will increase the Civil Servant performance allowances in addition to the regular basic salaries and other allowances.[14] Meanwhile, the Central Government plans to spend the same amount on goods and services as in 2019 (Outlook) partly by having a flat policy on operational expenses, efficiency in non-operational spending such as travel expenses and honorarium, and an improvement in the distribution mechanism of centrally procured goods to SNGs.

- **Energy subsidy spending reduced slightly, but reforms are limited.** Energy subsidy spending is expected to be 4 percent lower in 2020 than in 2019 (Outlook) solely due to a reduction in the fuel subsidy bill. The Government intends to cut the diesel subsidy from IDR 2,000 to 1,000 per liter, which made up the bulk of fuel subsidies, leading to a reduction of the fuel subsidy bill about IDR 12 trillion from 2019 (Outlook). Moreover, next year, the Government plans to revise *Perpres* No. 104/2007, which will change the LPG distribution, limiting availability to only poor and vulnerable households ("closed distribution") from the current open distribution system (open to any users).[15] *According to the latest news, the Government and Parliament have agreed on cutting further the energy subsidies with a total reduction of IDR 12.1 trillion from the Proposed Budget 2020. The fuel subsidies (Diesel, kerosene and LPG) will be lowered down by about IDR 4.7 trillion from IDR 75.2 trillion in the Proposed Budget 2020 due to the lower assumption of ICP to USD 63 per barrel from USD 65 per barrel in Proposed Budget. Moreover, the electricity subsidy will also be reduced by IDR 7.4 trillion from IDR 62.2 trillion mainly following the Government plan to revoke subsidies from the current subsidized 900 VA segment of about 24.4 million customers.*[16]

- **Higher social protection spending.** After deducting the social contribution to civil servants and pensioners,[17] the social protection function of the Central Government will increase by 34 percent compared to 2019 (Outlook) (Figure 4). This growth is partly driven by the *Kartu Sembako* (Cheap Basic Food card) relabeling and extending the current *Bantuan Pangan Non-Tunai* (BPNT) or non-cash food aid

[13] See footnote 6

[14] The 2015-2019 bureaucratic reform road map has the vision of achieving a performance-based Government. One of the policies is by giving a performance allowances synchronized with the bureaucratic reform achievement in each line ministries. A World Bank study (2013) suggests that the increasing of public sector wages in Indonesia have had limited success in improving the quality of governance, instead it needs other measures to strengthen fiscal institutions.

[15] There have been some simulations conducted by TNP2K for trying a closed distribution system for LGP which shows that biometric and e-voucher system could be the better alternatives compared to card system. https://ekonomi.bisnis.com/read/20190526/44/927385/tnp2k-evaluasi-uji-coba-penyaluran-lpg-3kg

[16] https://www.medcom.id/ekonomi/energi/wkB7r9vK-subsidi-energi-dipangkas-harga-bbm-dan-listrik-bakal-naik

[17] Social contribution to civil servant and pensioners consists of Government contribution for health insurance as well as pension benefit. Since 2016, this spending item has been reclassified as Social Protection function from General Administration function.

program, which extends the range of eligible food products to improve the nutrition of the targeted families (see Box 1). Moreover, there will be a benefit increase in some components of the PKH program specific to pregnant mothers and young children, while there were no changes for other components or in the number of beneficiaries.[18] These reforms are in line with World Bank recommendations in the Public Expenditure Review phase 3 and the Social Protection Strategy.

- **Higher expenditure on the education budget.** In line with the Government's objective to prioritize the quality of human resources, the allocation to the education budget at the Central Government level and transfers to Subnational Governments (SNGs) is IDR 506 trillion. This is an increase of 6 percent (or 3 percent in real terms) compared to 2019 (Outlook), maintaining the 20 percent spending on education mandate. The new or expanded plans at the Central Government level include the doubling of scholarship beneficiaries for university students, rehabilitation of schools, as well as a vocational/training card (*Kartu Pra-Kerja*) (see Box 2). At the subnational level, some main changes in the budget include the expansion of *BOS Kinerja* to cover more schools and the lower budget for teachers' allowances partly following the improvement of the data system (DAPODIK).

- **Increase in the health budget.** Including transfers to SNGs, the total health function is allocated IDR 132 trillion in 2020, an increase of 13 percent (or 10 percent in real terms) compared to 2019 (Outlook), exceeding the 5 percent of spending on health mandate (5.2 percent). This is mainly due to the increase of Central Government spending including reserve funds for PBI (subsidy premium for health insurance of the poor) of about IDR 22 trillion in case a proposed premium increase takes place.[19] The Government is also planning to accelerate the stunting alleviation program by expanding it to 260 districts and cities from 160 in 2019 in line with the INEY program.

- **Infrastructure[20] is still a priority, but its allocated budget is growing at the slowest pace in the past five years.** The Government plans to spend IDR 419.2 trillion on infrastructure in 2020 (Figure 3), equivalent to a 5 percent increase (or 2 percent in real terms) from 2019 (Outlook), whereas the average year-on-year increase of approved budgets between 2016-2018 stands at 17 percent. Infrastructure spending growth of SNGs has been maintained at 4 percent, with SNGs accounting for nearly half of total infrastructure spending (Figure 5), as in the last two years. Considering the importance of the SNGs' role, the Government is planning to enforce the rule that SNGs have to spend 25 percent of allocation of the DAU (general allocation fund) and DBH (shared revenue) on infrastructure (to increase the number of SNGs reporting and meeting the requirement, the sanction will be the withholding of the disbursement of the DAU transfer). Meanwhile, some of the increase in the Central Government's infrastructure spending would be allocated to support the development of four priority tourism destinations: Lake Toba, Borobudur Temple, Labuan Bajo, and Mandalika. Regarding the relocation of the capital city, there is no budget allocated in the Proposed Budget 2020. On the other hand, below-the-line infrastructure spending (found under the Financing section) is projected to be lower than in 2019 (Outlook) partly due to the lower capital injections to BLU-LMAN (State Asset Management) and infrastructure-related SOEs.

- **Increased transfers to regions and Village Fund.** The total transfer to regions and the Village Fund in the proposed budget is IDR 859 trillion (Figure 6), an increase of 5 percent in nominal terms (or 2 percent in real term) compared to 2019 (Outlook), lower than the annual growth of 9 percent between 2014-2018.

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[18] https://www.antaranews.com/berita/1024268/anggaran-bansos-naik-sebesar-rp3-triliun-pada-2020

[19] Recently Government has announced that starting January 1, 2020 the premium of BPJS-Health for almost all categories except for the third segment (Kelas III). The latter is still being discussed with the parliament. Meanwhile, the premium for PBI (subsidized health insurance premium for the poor) segments will have almost double increase to IDR 42 thousand per person per month. https://finansial.bisnis.com/read/20190911/215/1147208/bpjs-kesehatan-pastikan-iuran-naik-awal-2020

[20] Comprises economic infrastructure, social infrastructure and infrastructure support. Economic infrastructure is undertaken through (1) line ministry spending (capital expenditures); and (2) non-line ministry spending through: Viability Gap Fund (VGF), grants, transfers to Subnational Governments, and through financing.

This increase is mainly coming from the increase of revenue sharing (DBH) and general allocation funds (DAU), contributing at 1.6 and 1.5 percentage points to total transfer growth, respectively. Revenue sharing is predicted to have the highest increase at 13 percent amongst other transfers components following the higher Government revenue estimate and the acceleration of arrears settlement from previous Government transfers to SNGs.

The Government proposes a budget deficit of 1.8 percent of GDP in 2020, lower than the projected 1.9 percent of GDP in 2019. Given the global economic conditions, the Government projects that the total revenue will reach 12.7 percent of GDP which is only a 12 basis points increase compared to the 2019 Outlook. At the same time, the total Government expenditure will reach 14.5 percent of GDP or 5 basis points lower than the 2019 Outlook.

World Bank's Views

The World Bank projects that the fiscal deficit would be higher than the Government projection in 2019 and 2020 at 2.0 and 2.1 percent of GDP, respectively. The World Bank projects that total revenue growth in 2019 will be 4.1 percent, lower than Government's projection partly due to lower commodities' price such as oil and coal. This growth is projected to improve to 9.5 percent in 2020, slightly higher than Government projection. Overall tax revenues are projected to grow by 5.7 percent and 10.2 percent in 2019 and 2020, respectively, taking the tax-to-GDP ratio to 10.1 percent and 10.6 percent, higher than the average ratio between 2017 and 2018. The World Bank expects that some gains from the revenue side would lead to higher expenditure growth at 6 percent in 2019 and 11 percent in 2020 bringing the expenditure to GDP ratio to 14.7 percent and 15.1 percent, respectively, significantly higher than the Government's expectation.

Box 2: Government focus on human capital development in 2020

Some notable policies focusing on human capital development in Proposed Budget 2020 include:

- **Vocational/training card (*Kartu Pra-Kerja*)**
  As part of President Widodo's political campaign for his second term, the pre-working card will be introduced in the next fiscal year with the allocation of IDR 10 trillion. The Government believes that this program could be one of the solutions to tackle the issue of skills mismatch in Indonesia's workforce. In this program, current workers or job seekers can have access to vocational training either from regular training centers (off-line) or online (digital training) with a total target of almost 2 million subscribers.

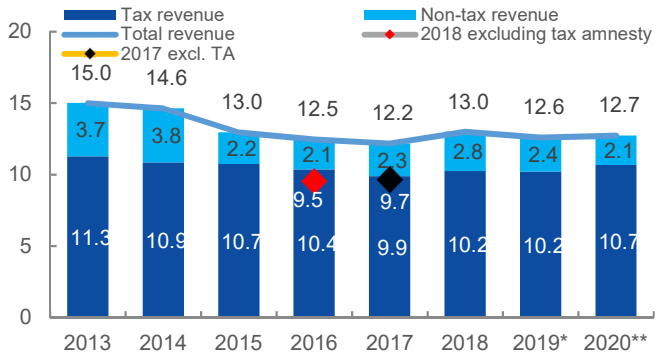
- **Kartu sembako**
  Kartu Sembako (Cheap Basic Food card) is a relabeling and extending of the *Bantuan Pangan Non-Tunai* (BPNT) or non-cash food aid program and *Rastra* (social aid on rice). This program extends the range of eligible food products covered from only eggs and rice to sugar, milk, poultry or meat to improve the nutrition of the targeted families especially young children which later could affect the decreasing of stunting rate. The monthly amount of the voucher increases from IDR 110,000 to IDR 150,000 per month with the same number of target beneficiaries of 15.6 million households.

- **KIP Kuliah**
  KIP *(Kartu Indonesia Pintar- Kuliah* is a scholarship program for university student which is an expansion of BIDIK MISI (*Biaya Pendidikan Mahasiswa Miskin Berprestasi*-scholarship for poor and talented university students), which was part of President Widodo's campaign for his second term. The target of this program is to almost double the number of beneficiaries from 420 thousand students in 2018 to 818 thousand students with a cost about IDR 7.5 trillion. In addition, the Government plans to increase the education sovereign fund by IDR 8 trillion from IDR 21 trillion in 2019 allocated to BLU-LPDP (Indonesia endowment fund for education), the research endowment fund and two new sovereign funds for culture and higher education.

Source: Ministry of Finance 2020 Financial Note, World Bank staff analysis

Figure 1: The total Government revenue will be maintained with slightly higher tax revenue.

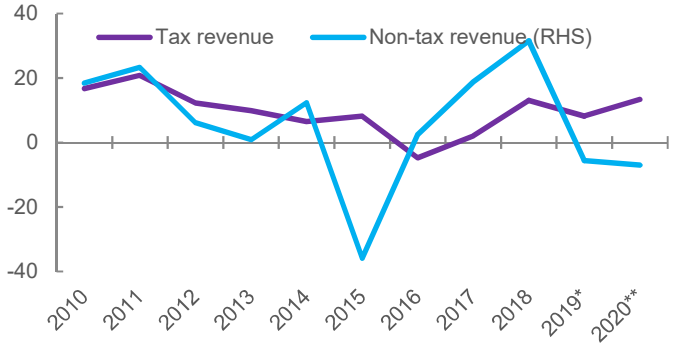
Percent of GDP



Note: 2019 refers to Outlook; 2020 refers to proposed budget.

Figure 2: Projecting a higher tax revenue in 2020, but decreasing non-tax.

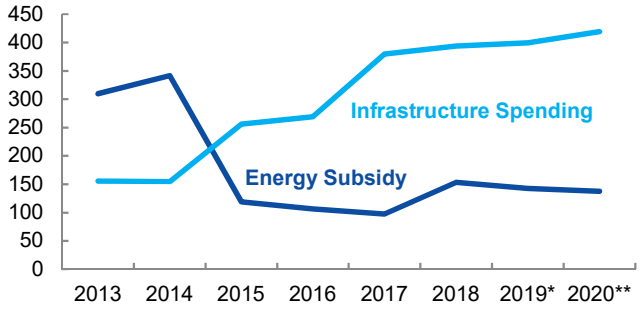
Year-on-year nominal growth, percent



Note: Lines refer to actual yoy growth. 2016 and 2017 exclude tax amnesty. 2019 is Outlook vs. 2018 actual; 2020 is proposed budget vs. 2019 Outlook.

Figure 3: Energy subsidies is predicted to slightly decrease; infrastructure marginally increases

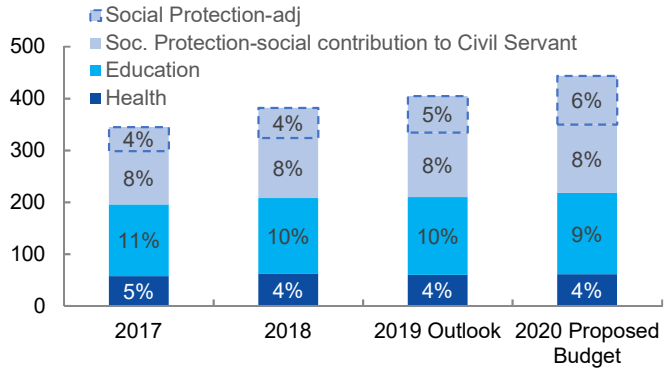
IDR trillions



Note: 2020 Proposed Budget; 2019 Outlook. For infrastructure spending definition, see footnote 8.

Figure 4: Allocations for health, social assistance and education continue to increase in 2020

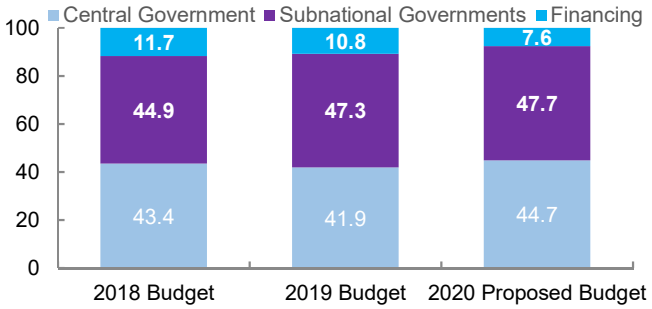
Expenditure by functional classification, IDR trillions and percent of total Central Government expenditure



Note: 2020 Proposed Budget; 2019 Outlook

Figure 5: Subnational governments are expected to execute almost half of infrastructure spending

Spending on infrastructure, Percent of total allocation



Note: In 2020 Proposed Budget, financing includes allocation for FLPP and BLU-LMAN and SOEs, see footnote 8.

Figure 6: Transfers to subnational governments keep increasing in 2020

IDR trillions and percent of total expenditure

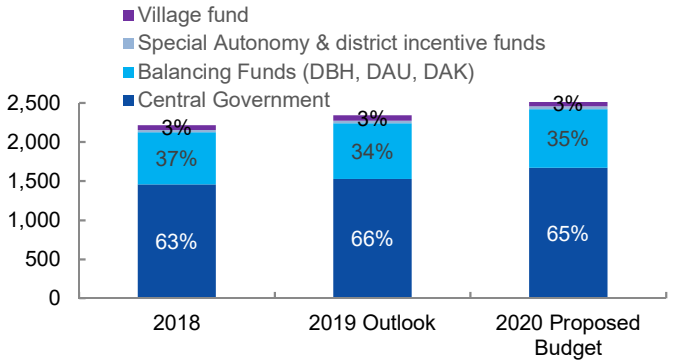


Table 1. Ministry of Finance and World Bank budget projections
(IDR trillion, unless otherwise indicated)

IDR trillions	APBN 2019	Outlook 2019	RAPBN 2020	WB Outlook 2019 (Sept)	WB Outlook 2020 (Sept)	Outlook 2019 vs Actual 2018 (growth)	Outlook 2019 vs APBN 2019 (realization rate)	RAPBN 2020 vs Outlook 2019 (growth)
A. Revenue & Grants	**2,165.1**	**2,030.8**	**2,221.5**	**2,023.6**	**2,223.1**	**4.5%**	**94%**	**9.4%**
1. Tax revenues	**1,786.4**	**1,643.1**	**1,861.8**	**1,605.6**	**1,810.2**	**8.2%**	**92%**	**13.3%**
a. O&G Income Tax	66.2	57.4	55.0	59.6	61.8	-11.2%	87%	-4.2%
b. Non-O&G Tax	1,511.4	1,380.1	1,584.9	1,338.6	1,526.5	10.5%	91%	14.8%
c. Excise & International Trade taxes	208.8	205.6	221.9	207.4	221.9	0.0%	98%	8.0%
2. Non-Tax revenues	**378.3**	**386.3**	**359.3**	**412.3**	**409.9**	**-5.6%**	**102%**	**-7.0%**
3. Grants	**0.4**	**1.3**	**0.5**	**5.7**	**3.0**	**-91.4%**	**308%**	**-62.8%**
Memo item: O&G-related revenues	225.9	176.9	175.6	182.0	190.0	-14.7%	78%	-0.7%
other non-tax revenues	187.5	234.1	205.6	272.9	293.4	2.4%	125%	-12.2%
B. Expenditure	**2,461.1**	**2,341.6**	**2,528.7**	**2,338.2**	**2,581.7**	**5.8%**	**95%**	**8.0%**
1. Central Government	**1,634.3**	**1,527.2**	**1,669.9**	**1,526.8**	**1,684.4**	**4.9%**	**93%**	**9.3%**
a. Personnel	**381.6**	**376.4**	**416.1**	**398.2**	**428.1**	**8.5%**	**99%**	**10.5%**
b. Material	**345.2**	**334.2**	**334.1**	**331.4**	**356.3**	**-3.8%**	**97%**	**0.0%**
c. Capital	**189.3**	**173.4**	**186.9**	**179.9**	**258.4**	**-5.9%**	**92%**	**7.8%**
d. Interest payments	**275.9**	**276.1**	**295.2**	**276.1**	**288.2**	**7.0%**	**100%**	**6.9%**
e. Subsidies	**224.3**	**212.4**	**199.7**	**221.1**	**214.1**	**-2.1%**	**95%**	**-6.0%**
i. Energy Subsidy	160.0	142.6	137.5	160.0	147.7	-7.1%	89%	-3.6%
- Fuels	100.6	90.3	75.3	100.6	85.2	-6.9%	90%	-16.6%
- Electricity	59.3	52.3	62.2	59.3	62.4	-7.4%	88%	18.9%
ii. Non-Energy Subsidy	64.3	69.8	62.2	61.1	66.4	10.1%	108%	-10.9%
f. Grants	**1.9**	**7.9**	**2.2**	**1.9**	**2.1**	417.1%	405%	-72.3%
g. Social	**102.1**	**99.6**	**107.6**	**102.1**	**119.7**	**18.1%**	**98%**	**8.1%**
h. Others	**114.0**	**47.2**	**128.0**	**16.2**	**17.4**	**192.3%**	**41%**	**171.0%**
2. Transfers to subnational governments	**826.8**	**814.4**	**859**	**811**	**897**	**7.5%**	**99%**	**5.4%**
a. Transfers to regions	756.8	744.6	786.8	**740.1**	**820.8**	6.7%	98%	5.7%
b. Village Fund	70.0	69.8	72.0	71.3	76.4	16.7%	100%	3.1%
Primary balance	**-20.1**	**-34.7**	**-11.9**	**-38.5**	**-70.3**	**2.0**	**1.7**	**-0.7**
Overall balance	**-296.0**	**-310.8**	**-307.2**	**-314.6**	**-358.5**	**15.4%**	**105%**	**0.0**
percent of GDP	**-1.84%**	**-1.93%**	**-1.76%**	**-2.0%**	**-2.1%**			
C. Financing	**296.0**	**310.8**	**307.2**	**314.6**	**358.1**			
1. Debt financing	**359.3**	**373.9**	**351.9**	**-**	**-**			
2. Investment financing	**(75.9)**	**(75.8)**	**(74.2)**	**-**	**-**			
3. Lending	**(2.4)**	**(2.3)**	**5.2**	**-**	**-**			
4. Guarantee Obligation	**-**	**-**	**(0.6)**	**-**	**-**			
5. Other financing	**15.0**	**15.0**	**25.0**	**-**	**-**			
Macroeconomic assumptions								
Real GDP growth, year-on-year, percent	5.3	5.2	5.3	5.0	5.1			
Inflation, percent	3.5	3.1	3.1	1.9	2.3			
Exchange Rate, IDR per USD	15,000	14,250	14,400	14,180	14,180			
Interest rate	5	6	5					
Crude oil price (USD)	70	63	65	60	65			
Oil Lifting ('000s of barrels/day)	775	754	734	754	734			
Gas Lifting ('000s of oil-equivalent barrels/day)	1,250	1,072	1,191	1,250	1,246			