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BUDGET IN BRIEF
APBN 2015

Minister of Finance of the Republic of Indonesia

Praise to God the Almighty that with His help we were able to complete the Budget in Brief for the first time in Indonesia. This Indonesian Budget in Brief was developed based on 2015 APBN (state budget) that has been approved by the House of Representatives of the Republic of Indonesia in plenary session on September 29, 2014. 2015 APBN is different from the APBN in the previous years, because it is compiled as a baseline on the new government transition year for the period of 2015-2019.

The period of 2015-2019 is the Third RPJMN (National Medium Term Development Plan) focusing on strengthening overall development in various fields with an emphasis on achieving economic competitiveness on the basis of competitiveness of natural and human resources as well as the development of science and technology.

In 2015 APBN, the deficit of 2.21% toward GDP (Gross Domestic Product) is lower than the 2014 revised budget, which was 240% toward GDP. This indicates the desire of the Government and the House of Representatives to provide a broader fiscal space to accommodate the visions and missions of the new government. 2015 APBN is also the first to include the allocation of Village Fund as a form of implementation of Law No. 6 of 2014 on Village. Village Fund Allocation is expected to have an impact on improving the welfare of the community, especially in strengthening the efforts to encourage more equitable economic growth.

We also would like to thank all the contributors who have helped us in preparing this Indonesian Budget in Brief. We also thank all the officers/staffs of the DJA (General Directorate of Budget), who have also contributed directly or indirectly in preparing this Indonesian Budget in Brief.

Hopefully this Indonesian Budget in Brief can provide broader knowledge and understanding of 2015 APBN to the readers and the societies (academics, economists and students). This Indonesian Budget in Brief may have drawbacks, for that we need constructive criticism and suggestions from readers. Thus, we hope that this Indonesian Budget in Brief could benefit us all.

Thank you.

Jakarta, October 15, 2014

Muhamad Chatib Basri
NEW MATTERS

BASELINE BUDGET
2015 APBN is arranged within the transition period from the old to the new government. This baseline budget takes into account the basic needs of governance and service to the community, so as to keep providing the fiscal space to the new government to make adjustments.

VILLAGE FUND
The Village Fund is a mandate of Law No. 6 of 2014 on Villages.

EXPENDITURE DETAILS
Detailed format of expenditure was adjusted by dictum of Constitutional Court Decision No. 35/PUU-XI/2013 dated May 22, 2014 [according to the organization, functions, and programs as well as the revision of Law No. 17 of 2014 on the MPR (People’s Consultative Assembly), DPR (House of Representatives), DPD (Regional Representative Council), and DPRD (Regional Representative Assembly)] which gives emphasis on government discussions with the House of Representatives on more strategic issues.

NEW FORMAT
The writing format of Financial Memorandum is divided into three main parts to be more systematic and easy to understand.
The government together with the House of Representatives of the Republic of Indonesia has discussed and agreed on 2015 APBN by taking into account the consideration of Regional Representative Council of the Republic of Indonesia.
DIRECTION FOR FISCAL POLICY

Strengthening the Fiscal Policy in the Context of Sustainable and Equitable Economic Growth Acceleration

THE THREE MAIN STEPS

Controlling the deficit to be within safe limits, through optimization of income while maintaining the investment climate and maintaining environmental conservation, as well as improving the quality of expenditure and improving the expenditure structure.

Controlling the ratio of government debt to PDB (GDP) through controlling financing sourced from debts within safe limits and control, as well as directing the use of debt to productive activities.

Controlling the fiscal risk to be within the limits of tolerance, among others, by controlling the ratio of debt to revenue in the country, controlling the debt service ratio, and maintaining the composition of the debt within measurable safe limits and guarantees.
Basic assumption of Macroeconomics is the basis for calculating 2015 APBN posture.

Basic Assumptions of Macroeconomics was compiled based on the objectives contained in RPJMN and RKP (Government Work Plan) 2015 as well as global and domestic economic developments in 2014 and 2015.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2014 Revised APBN</th>
<th>2015 APBN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth (%)</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>5.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Economic growth (%)</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>SPN (State Treasury Bills)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate for 3 months (%)</td>
<td>11,600</td>
<td>11,900</td>
</tr>
<tr>
<td>Oil price (USD/barrel)</td>
<td>105</td>
<td>105</td>
</tr>
<tr>
<td>Oil lifting (thousand barrels/day)</td>
<td>818</td>
<td>900</td>
</tr>
<tr>
<td>Gas lifting (thousand barrels of oil equivalent/day)</td>
<td>1,224</td>
<td>1,248</td>
</tr>
</tbody>
</table>
Primary balance illustrates the Government's ability to pay principal and interest on debt using state revenues. The primary balance is the total revenues minus the state expenditures outside the debt interest payments. If the value of the primary balance is negative, then the Government must issue new debt to pay principal and interest on debt. Conversely, if the value of the primary balance is positive, then the government could use it to pay part or all of the principal and interest on debt.

### 2015 APBN

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revenue</td>
<td>Rp1,793.6 trillion</td>
</tr>
<tr>
<td>Budget Deficit</td>
<td>Rp245.9 trillion</td>
</tr>
<tr>
<td>State Expenditure</td>
<td>Rp2,039.5 trillion</td>
</tr>
<tr>
<td>Primary Balance</td>
<td>Rp245.9 trillion</td>
</tr>
</tbody>
</table>

- 9.7% increase from 2014 revised APBN
- 2.21% toward Gross Domestic Product
- 8.7% increase from 2014 revised APBN

### 2014 REVISED APBN

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revenue</td>
<td>Rp1,635.4 trillion</td>
</tr>
<tr>
<td>Budget Deficit</td>
<td>Rp241.5 trillion</td>
</tr>
<tr>
<td>State Expenditure</td>
<td>Rp1,876.9 trillion</td>
</tr>
<tr>
<td>Primary Balance</td>
<td>Rp-93.9 trillion</td>
</tr>
</tbody>
</table>

- Rp1,793.6 trillion state revenue
- Rp245.9 trillion budget deficit
- Rp2,039.5 trillion state expenditure
- Rp245.9 trillion primary balance

*Primary balance illustrates the Government's ability to pay principal and interest on debt using state revenues. The primary balance is the total revenues minus the state expenditures outside the debt interest payments. If the value of the primary balance is negative, then the Government must issue new debt to pay principal and interest on debt. Conversely, if the value of the primary balance is positive, then the government could use it to pay part or all of the principal and interest on debt.*
2015 STATE REVENUE

State Revenue
Rp 1,793.6 T

Tax
Rp 1,201.7 T (67%)
Consists of oil and gas revenue tax, non-oil revenue tax, PPN (VAT, Value Added Tax), PBB (Land and Building Tax), and other taxes.

Customs and Excise
Rp 178.3 T (10%)
Consisting of excise revenues (tobacco, ethyl alcohol, and drinks containing ethyl alcohol), duties, and levies.

PNBP (Non Tax Revenues)
Rp 410.3 T (23%)
Consisting of revenues from oil and gas natural resources, non-oil natural resources (minerals and coal mining, forestry, fisheries, and geothermal), share of SOE profits, other non-tax revenues (non-tax revenues collected by the K/L), and BLU (Public Service Agency) Revenue.

Grants
Rp 3.3 T
State revenues derived from the grantors which does not have to be repaid and are not binding, both from within the country and from abroad.
STATE REVENUES
2004-2015

TRILLION RUPIAH

2004
Rp403.4 T

2005
Rp495.2 T

2006
Rp638.0 T

2007
Rp707.8 T

2008
Rp981.6 T

2009
Rp848.8 T

2010
Rp995.3 T

2011
Rp1,210.6 T

2012
Rp1,338.1 T

2013
Rp1,438.9 T

2014
Rp1,635.4 T

2015
Rp1,793.6 T
THE 2015 TAXATION REVENUE

State Revenue
Rp 1,380.0 T

Tax
Rp 1,201.7 T

Non-oil Revenue Tax
Rp 555.7 T

Customs and Excise
Rp 178.3 T

Duty
Rp 37.2 T

Levy
Rp 14.3 T

Excise
Rp 126.7 T

Gas Tax
Rp 88.7 T

Property Tax
Rp 26.7 T

Others
Rp 5.7 T

PPN (VAT)
Rp 525.0 T

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THE 2015 TAXATION REVENUE POLICY

Optimization of tax revenue with the potential of an individual taxpayer in high and middle income groups, and also non-tradable sectors such as property, financial services, and trade, as well as some strategic economic transactions.

Fiscal incentives and downstream policies implementation of particular commodities to increase competitiveness and value added.

Adjustment policies in the field of import duties, export levies, and income tax.

Tobacco excise tariff adjustment for controlling goods subject to excise.

**Tax ratio** in the broad definition compares the total value of tax revenue (central tax), regional taxes and revenues from oil and gas natural resources with nominal PDB (GDP). While the tax ratio in the narrow definition compares total value of tax revenue (central tax) with nominal GDP. Tax ratio for the year of 2015 has the same target with the 2014 revised APBN (narrow definition).

**Comparison of the tax ratio of 10 countries in 2012**

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Ratio in broad definition (%)</th>
<th>Tax Ratio in narrow definition (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>38.3%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Germany</td>
<td>29.1%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Australia</td>
<td>23.7%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Malay</td>
<td>22.1%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>20.5%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>18.0%</td>
<td>15.1%</td>
</tr>
<tr>
<td>USA</td>
<td>16.8%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>15.5%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Philippines</td>
<td>14.5%</td>
<td>15.5%</td>
</tr>
<tr>
<td>India</td>
<td>12.4%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>11.2%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>
THE 2015 NON-TAX STATE REVENUE

THE 2015 NON-TAX STATE REVENUE

Optimization of oil and gas revenues (realizing construction of new oil wells, withstanding natural decline of oil and gas lifting, and controlling cost recovery).

PNBP (Non-Tax State Revenues) rate adjustment and extensification.

Improved performance of SOEs.

Improved monitoring and reporting of PNBP (non-tax revenues).

Improved non-tax revenues administration and system.

Improved PNBP regulatory.

KEBIJAKAN PENERIMAAN NEGARA BUKAN PAJAK 2015

Non-taxed State Revenue

- BLU (Public Service Agency) revenue: Rp 22.2 T
- SOE Profit: Rp 44.0 T
- Other non-tax revenues: Rp 89.8 T
- Non Oil Natural resources: Rp 30.0 T
- The natural resources of oil and gas: Rp 224.3 T

Non-tax State Revenue: Rp 410.3 T
## DEVELOPMENT OF NON TAX STATE REVENUE 2004-2015

### In Trillion Rupiah

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural Resources of Oil &amp; Gas and Non-Oil and Gas</th>
<th>SOE Profit Shares</th>
<th>Other Non Tax Revenues</th>
<th>Public Service Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Rp122.5 T</td>
<td>Rp146.9 T</td>
<td>Rp227.0 T</td>
<td>Rp211.0 T</td>
</tr>
<tr>
<td>2005</td>
<td>Rp146.9 T</td>
<td></td>
<td>Rp227.0 T</td>
<td>Rp211.0 T</td>
</tr>
<tr>
<td>2006</td>
<td>Rp227.0 T</td>
<td>Rp215.1 T</td>
<td>Rp320.6 T</td>
<td>Rp268.9 T</td>
</tr>
<tr>
<td>2007</td>
<td>Rp215.1 T</td>
<td>Rp227.0 T</td>
<td>Rp320.6 T</td>
<td>Rp268.9 T</td>
</tr>
<tr>
<td>2008</td>
<td>Rp227.2 T</td>
<td>Rp320.6 T</td>
<td>Rp351.8 T</td>
<td>Rp354.8 T</td>
</tr>
<tr>
<td>2009</td>
<td>Rp227.2 T</td>
<td>Rp320.6 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2010</td>
<td>Rp268.9 T</td>
<td>Rp331.5 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2011</td>
<td>Rp331.5 T</td>
<td>Rp351.8 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2012</td>
<td>Rp351.8 T</td>
<td>Rp354.8 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2013</td>
<td>Rp354.8 T</td>
<td>Rp386.9 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2014</td>
<td>Rp386.9 T</td>
<td>Rp410.3 T</td>
<td>Rp401.3 T</td>
<td>Rp410.3 T</td>
</tr>
<tr>
<td>2015</td>
<td>Rp410.3 T</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THE 2015 STATE EXPENDITURE

State Expenditure
Rp 2,039.5 T

- Ministry/Agencies Expenditures: 647.3 T (32%)
- Transfer to the Regions: 638.0 T (31%)
- Village Fund: 9.1 T (9%)
- Other expenditures: 178.4 T (8%)
- Subsidies: 414.7 T (20%)
- Payment of Debt Interest: 152.0 T (7%)

**Payments of Debt Interest**
Central Government expenditure on the use of domestic and foreign debt. Calculated from the existing debt and new debt estimates, including costs related to debt management.

**Transfers to Regions**
Allocated to reduce the imbalance funding sources between central and regions, reduce the funding gap between local government affairs, reduce the gap of public services between the regions, to fund the implementation of regional autonomy and privileges.

**Ministry/Agency Expenditure**
Budget that is allocated through the Ministry/Agency to finance certain affairs in the government.

**Village Fund**
Funds from the APBN allocated for villages that is transferred through the district/town budget and used to finance the government administration, the implementation of development, coaching civic, and community empowerment.

**Subsidies**
Providing support in the form of budget allocations to the state enterprises, government agencies, or third parties based on the laws and regulations that apply to the supply of goods or services that are strategic or dominate the life of the people according to the ability of state finances.

**Other Expenditures**
State expenditures for payment of government obligations that are not included in the category of ministries/institutions expenditures, local transfers, subsidies, interest payments, and the village fund.
Public Service Function, among others, consists of Coaching, Financing and Health Insurance (Jamkes PBI Budget) Development, Development and Management of Irrigation Network, Wetlands and Other Irrigation Network, Management and Conservation of Reservoirs, Embung, Situ and Other Water Container Buildings, Provision and Management of Raw Water and entire Non Ministry/Agency expenditures (subsidies, Debt Interest Payments, other Expenditures);

Defense Function, among others, consists of Military Procurement, Creation of Internal Alutsista (Defense SystemPrimary Tools) Industries and Defense Industry pinak Development, Maintenance of Army, Navy and Air Force Personnel;

Order and Security Function, among others, consists of Regional Corrections Implementation, Development of Police Equipment, Improvement of Security Service and Public Safety in the Field of Traffic;

Economic Function, among others, consists of Area Expansion and Agricultural Land Management, Development, Rehabilitation and Maintenance of Airport Infrastructures, Development and management of Infrastructures and Facilities Supporting Railways, Development and Management of Infrastructures and Facilities of Road Traffic and Transport, Implementation of Preservation and Capacity Building of National Road;

Environment Function, among others, consists of Management, Development, Monitoring, and Implementation of Sanitation and Waste Development and Provincial Land Management;

Housing and Public Facilities Function, among others, consists of Facilitating the Indigenous Empowerment and Social Culture of the Society, Settings, Coaching, Supervision, and Implementation of the Water Supply System Development;

Health Function, among others, consists of Health Services Referral Guidance, Increased Availability of Public Drugs and Medical Supplies;

Tourism and Creative Economic Function, among others, consists of Community Empowerment in Tourism Destinations Area, Improved Foreign Tourism Promotion;

Religious Affair Function, among others, consists of Islamic Affairs Management and Development of Sharia, Management and Development of Religious Affairs for Christian, Catholic, Hindu, Buddhist;

Education Function, among others, consists of Assurance of Elementary, Junior High Education Services, and Improving Education Quality Assurance;

BUDGET FOR STATE MINISTRIES/AGENCIES

Ministry of Defense
- Revised Budget 2014: Rp83.3 T
- Budget for 2015: Rp96.9 T

Ministry of National Education
- Revised Budget 2014: Rp76.6 T
- Budget for 2015: Rp88.3 T

Ministry of Public Work
- Revised Budget 2014: Rp74.5 T
- Budget for 2015: Rp81.3 T

Ministry of Religious Affairs
- Revised Budget 2014: Rp51.6 T
- Budget for 2015: Rp56.4 T

Indonesian National Police
- Revised Budget 2014: Rp43.6 T
- Budget for 2015: Rp51.6 T

Ministry of Health
- Revised Budget 2014: Rp47.5 T
- Budget for 2015: Rp47.8 T

Ministry of Transportation
- Revised Budget 2014: Rp36.0 T
- Budget for 2015: Rp44.8 T

Ministry of Finance
- Revised Budget 2014: Rp18.2 T
- Budget for 2015: Rp18.7 T

Ministry of Agriculture
- Revised Budget 2014: Rp13.6 T
- Budget for 2015: Rp15.9 T

Ministry of Energy and Mineral Resources
- Revised Budget 2014: Rp14.3 T
- Budget for 2015: Rp10.0 T

Ministries/Agencies Others
- Revised Budget 2014: Rp143.1 T
- Budget for 2015: Rp135.4 T
THE 2015 CENTRAL GOVERNMENT EXPENDITURE

INCREASED AVAILABILITY OF DRIVING INFRASTRUCTURES OF ECONOMIC GROWTH

Activities related to the development of infrastructure to support the management of strategic issues, which include strengthening national connectivity, encouraging growth, and diversifying of energy utilization.

**Infrastructure: Supporting Inter-Regional Connectivity**

Construction of a new road of 143 km in length, increase road capacity of 2,471.2 km, construction of new bridges of 1,171.6 m, and the construction of flyovers/underpasses of 1,213.3 m.

Construction of 265 km of new railway lines, including the double lines; and procurement of 48 units of locomotives, diesel trains (KRD), electric trains (KRL), tram, and railbuses.

Construction of weighbridge in 2 locations and development of bus rapid transit (BRT) as many as 50 units.

Construction of 5 new airports, development and rehabilitation of 51 airports, as well as 145 pioneering routes.

Construction of 59 pier infrastructure and development/improvement/rehabilitation of the pilot harbors in 26 locations.

**Energy Infrastructure and Others: Supporting Energy Security**

Construction of transmission lines of 519 KMS (on going) and 76.8 KMS (COD), a capacity of 2,680 MVA substation (on going) and 480 MVA (COD), as well as distribution substation capacity of 147.04 MVA.

Free electrical installations for fishermen and communities who can not afford as many as 93,323 RTS.

Oil and gas production/lifting, consisting of as much as 830-900 MBOPD petroleum and natural gas much as 1,235-1,260 MBOEPD.

The addition of gas network in two cities.

Increased electrification ratio to 83.18%.

**Infrastructure Housing and Settlements**

Construction of 120 twin block rusunawa (simple flats) for low-income communities (MBR), as well as facilitating and stimulating infrastructure, facilities, and utilities of self-help housing area of 20,000 units.

Ministry of Energy and Mineral Resources:
2014 revised APBN—Rp14.3 T
Budget for 2015—Rp10.0 T

Ministry of Public Work:
2014 revised APBN—Rp74.5 T
Budget for 2015—Rp81.3 T

Ministry of Transportation:
2014 revised APBN—Rp36.0 T
Budget for 2015—Rp44.9 T

Ministry of Public Housing:
2014 revised APBN—Rp4.0 T
Budget for 2015—Rp4.6 T

Note: The above targets are targets in the RKP (Government Work Plan) of 2015.
STRENGTHENING SOCIAL PROTECTION AND WELFARE OF THE PEOPLE

Affordable and Qualified Education

Improving educational level of the population by improving the quality, accessibility, relevance, and competitiveness of education through some programs, among others:

Continuing the School Operational Assistance (BOS) in order to complete the 9-year compulsory education for 30.1 million students of SD/SDLB/MI/Ula and 14.3 million junior high school students/SMPLB/MT/Wusta.

Continuing the implementation of Universal Secondary Education (PMU) for the population aged 16-18 years to continue their education to upper secondary level, through the provision of BOS for secondary education for approximately 10.6 million students of SMA/SMK/MA and the construction of new classrooms and rehabilitation of damaged classrooms.

Provide assistance to approximately 6.9 million poor students of SD/SDLB/MI, 2.9 million poor students of SMP/SMPLB/MTs, 1.3 million poor students of SMA/SMK/MA, and 194.8 thousand underprivileged students who receive Bidik Misi Assistance.

Strengthening the implementation of national education system, among others by improving curriculum, learning systems, and the literary world.

Poverty and Poverty Reduction

Poverty reduction programs, include:
• Cluster I: Assistance and Social Protection
• Cluster II: Community Empowerment
• Cluster III: Development of Micro and Small Enterprises
• Cluster IV: Pro-People Program Through Provision of Low-cost Infrastructure/Facilities

The main target in 2015 is reducing the poverty rate to about 9-10%, by means of poverty alleviation programs and activities, among others:

Family Hope Program (PKH) in the form of conditional cash assistance to approximately 3 million very poor households (RTSM) provided health check and meet the attendance of education for family members.

Improving the quality of 400 KUMKM (Micro, Small, Medium Enterprises Cooperatives) through classification and revitalization of cooperatives.
STRENGTHENING SOCIAL PROTECTION AND WELFARE OF THE PEOPLE

Low-cost Public Health

The percentage of infants aged 0-11 months who have received the complete primary immunization to be up to 91%.

Health centers that transform into health care centers in the border and the outermost small islands that meet the standards of primary health care in remote areas and very remote areas as many as 70 health centers.

The number of undernourished children who are handled is as many as 300,000 children under five.

Accredited hospitals and clinics are 61 hospitals and 50 health centers respectively.

Districts/cities that achieved malaria elimination are as many as 225 districts/cities.

Percentage of toddler who received a second dose of measles immunization of 90%.

Percentage of rural/urban neighborhoods implementing community-based total sanitation (STBM) of 35%.

Increased percentage of eligible medicine production of 97.5%.

Food Security for Price Stabilization and Meeting the Needs of People’s Food

Increased rice production that reaches 734 million tons of paddy.

Development of 60,000 ha of sugarcane, 4,850 ha of coffee, 5,050 ha of tea, 20,950 ha of cocoa, 1,650 ha of pepper, 3,300 ha of cotton, and 19,550 ha of rubber. Increased fish production to 13.5 million tons, 6.2 million tons of captured fisheries and 7.3 million tons of aquaculture.

Network development and optimization of water through construction/rehabilitation of farm level irrigation networks, village irrigation networks, and micro water management to support food crops, horticulture, livestocks, and plantation area of 350,000 ha.

Assistance for rice cultivation area of 350,000 ha, assistance for corn cultivation of 35,000 ha, as well as agricultural tools and machinery as many as 7,596 units.

Expansion of 40,000 ha of rice fields, and the expansion of horticulture/plantation/farm area of 25,000 ha.

Empowerment of 429 food-independent villages and 144 independent-food regions.

Improved quality of the environment

GHG emission reduction in agriculture, forestry, peat land, energy, and transport

Developing efforts for conservation and rehabilitation of biodiversity: forests, agriculture, marine and coastal, karst (in-situ and ex-situ) and traditional knowledge.

Note: The above targets are targets in the RKP (Government Work Plan) of 2015
INCREASING DEFENSE CAPABILITIES
AND CONSOLIDATING SECURITY

Improving defense capabilities and consolidating security are focused, among others, on improving the ability to monitor and detect threats of terrorism, as well as increasing efficiency of national defense industry in completing defense system primary tools for the Army and special material tools for the Police.

Stabilization of Homeland Security
Fulfillment of police to society ratio at 1: 582.

Percentage of improving the availability of the main tools and special tools for the police of 4.61%.

Decreased security threats toward the activities of the community who use marine transportation modes, coastal security, and national/international ports by 11%.

Increased clearance rate of criminal offenses in the regional police areas of 52%.

The achievement of 54,560 police partnership forum communities and community actively participating in 50 police stations to assist the police to maintain security and order together.

Upgrades Defense Capabilities in Enforcing Sovereignty and Integrity of the Republik of Indonesia

Modernization and improvement of defense system primary tools (Alutsista) of 40% integratively, Army (21%), Navy (21%), and the Air Force (17%).

Expanding the utilization of the national defense industry, and giving priority to the procurement of defense system primary tools produced domestically by 8%.

Note: The above targets are targets in the RKP (Government Work Plan) of 2015
THE 2015 SUBSIDIES

Policy Direction of 2015 Subsidies are:
- Stability of the prices of basic needs
- Purchasing power is maintained, especially for the underprivileged
- Availability of staples supplies
- Improved UMKM (Micro, Small and Medium Enterprises)’s competitiveness on production and access to capital.

Energy subsidies
The budget allocation channeled through companies/institutions that provide and distribute fuel, biofuel, LPG 3KG, LGV, and power so that the selling price is affordable by the community.

Non-energy subsidies
The budget allocation channeled through companies/institutions that produce and/or sell goods and/or services specified by the Government in addition to energy products.
DEVELOPMENT OF SUBSIDIES FROM 2004-2015

IN TRILLION RUPIAH

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy Subsidies</th>
<th>Non-energy Subsidies</th>
<th>Percentage toward State Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Rp71.3 T</td>
<td>Rp20.2 T</td>
<td>21%</td>
</tr>
<tr>
<td>2005</td>
<td>Rp104.4 T</td>
<td>Rp16.3 T</td>
<td>24%</td>
</tr>
<tr>
<td>2006</td>
<td>Rp94.6 T</td>
<td>Rp12.8 T</td>
<td>16%</td>
</tr>
<tr>
<td>2007</td>
<td>Rp116.9 T</td>
<td>Rp33.3 T</td>
<td>20%</td>
</tr>
<tr>
<td>2008</td>
<td>Rp223.0 T</td>
<td>Rp52.3 T</td>
<td>28%</td>
</tr>
<tr>
<td>2009</td>
<td>Rp94.6 T</td>
<td>Rp43.5 T</td>
<td>15%</td>
</tr>
<tr>
<td>2010</td>
<td>Rp140.0 T</td>
<td>Rp52.8 T</td>
<td>18%</td>
</tr>
<tr>
<td>2011</td>
<td>Rp255.6 T</td>
<td>Rp39.7 T</td>
<td>23%</td>
</tr>
<tr>
<td>2012</td>
<td>Rp306.5 T</td>
<td>Rp39.9 T</td>
<td>23%</td>
</tr>
<tr>
<td>2013</td>
<td>Rp310.0 T</td>
<td>Rp45.1 T</td>
<td>22%</td>
</tr>
<tr>
<td>REvised Budget 2014</td>
<td>Rp350.3 T</td>
<td>Rp52.7 T</td>
<td>21%</td>
</tr>
<tr>
<td>Budget 2015</td>
<td>Rp344.7 T</td>
<td>Rp70.0 T</td>
<td>20%</td>
</tr>
</tbody>
</table>
ENERGY SUBSIDIES FOR 2015

Energy Subsidies Rp 344.7 T

Fuel Subsidy: Rp 276.0 T

Power Subsidy: Rp 68.7 T

Improving the efficiency of the fuel subsidy.

Reducing the consumption of subsidized fuel gradually.

Continuing conversion of oil fuel to gas fuel.

Continuing control of subsidized fuel (Decree of the Minister of Energy and Mineral Resources No. 1/2013).

Supporting the development of new and renewable energy.

Improving the efficiency of the electricity subsidy and target accuracy.

Increasing electrification ratio. Reducing network losses.

Lowering the composition of fuel consumption in power generation.

Increasing the capacity of geothermal power plants.

Premium Fuel Volume: 29.5 million KL
Kerosene Volume: 0.8 million KL
Diesel Fuel Volume: 15.7 million KL
LPG 3Kg Volume 5.8 metric ton

mainly used for households, micro businesses, fisheries and transportations

mostly for 450-900 VA customer categories
DEVELOPMENT OF ENERGY SUBSIDIES FROM 2004-2015

IN TRILLION RUPIAH

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil fuel, LPG 3 Kg, and LGV</th>
<th>Power/Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Rp71.3 T</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Rp104.4 T</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Rp94.6 T</td>
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<tr>
<td>2007</td>
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</tr>
<tr>
<td>BUDGET 2015</td>
<td>Rp344.7 T</td>
<td></td>
</tr>
</tbody>
</table>

VOLUME OF SUBSIDIZED FUZEL CONSUMPTION FROM 2004-2015

IN MILLION KILO LITER

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>54.6</td>
<td>59.7</td>
<td>37.5</td>
<td>38.7</td>
<td>38.1</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>38.2</td>
<td>41.8</td>
<td>45.0</td>
<td>46.2</td>
<td>46.0</td>
<td>46.0</td>
</tr>
</tbody>
</table>

23
NON-ENERGY SUBSIDIES FOR 2015

Subsidy for Food: Rp18.9 T
Provision of rice at a redeem/selling price of Rp1,600/kg to 15.5 million RTS @ 15 Kg/RTS for 12 months.

Subsidy for Fertilizers: Rp35.7 T
Helping farmers to meet the needs of fertilizer and seeds at affordable prices, as well as supporting efforts to improve food security.

Subsidy for Seeds: Rp0.9 T

Subsidy for PSO: Rp3.3 T
Provided to passengers of rail transport, passengers of economic class transport ships, and the provision of public information.

Subsidy for Loan Interest Program: Rp2.5 T
Supporting the development of UMKM, enhancing food security, and energy diversification program.

Subsidy for DTP (Tax): Rp8.7 T
Supporting the price stability of basic needs and the development of strategic industries.
DEVELOPMENT OF NON–ENERGY SUBSIDIES FROM 2004-2015

IN TRILLION RUPIAH

2004

Rp20.2 T

2005

Rp16.3 T

2006

Rp12.8 T

2007

Rp33.3 T

2008

Rp52.3 T

2009

Rp43.5 T

2010

Rp52.8 T

2011

Rp39.7 T

2012

Rp39.9 T

2013

Rp45.1 T

REVISED BUDGET 2014

Rp52.7 T

BUDGET 2015

Rp70.0 T
Debt financing has a consequence of interest payment that is allocated in 2015 APBN as much as Rp152,0 trillion, consists of interest payments on domestic debt of Rp138,0 trillion and Foreign debt Rp14,0 trillion.

Fulfilling the Government’s obligation to maintain the financing credibility and sustainability;

Maintaining efficiency, among others, through the selection of the composition of debt instruments and considering the implementation of value protection.
TRANSFER TO REGIONAL GOVERNMENTS AND VILLAGE FUND 2015

**Balancing Fund**

- Special Allocation Fund: Rp35.8 T (7%)
- Revenue Sharing Fund: Rp127.7 T (24%)
- Public Allocation Fund: Rp352.9 T (69%)

**Transfer to Regions and Village Funds**

- Rp104.4 T (16%)
- Rp9.1 T (1%)
- Rp0.5 T (1%)
- Rp16.6 T (3%)

**Balancing Fund**

- Rp516.4 T (80%)

**Total Budget**

- Rp647.0 T
DEVELOPMENT OF TRANSFER TO REGIONAL GOVERNMENTS AND VILLAGE FUND FROM 2004-2015

IN TRILLION RUPIAH

2004
- Rp129.7 T
- Balancing Fund: 122.9
- Special Autonomy Fund: 5.2
- Other Transfer Funds: 1.5
- Village Funds: 1.5

2005
- Rp150.5 T
- Balancing Fund: 143.2
- Special Autonomy Fund: 1.8
- Other Transfer Funds: 0.6
- Village Funds: 0.6

2006
- Rp226.2 T
- Balancing Fund: 222.1
- Special Autonomy Fund: 3.5
- Other Transfer Funds: 5.3
- Village Funds: 0.6

2007
- Rp253.3 T
- Balancing Fund: 244.0
- Special Autonomy Fund: 4.0
- Other Transfer Funds: 6.2
- Village Funds: 0.6

2008
- Rp292.4 T
- Balancing Fund: 278.7
- Special Autonomy Fund: 7.5
- Other Transfer Funds: 11.8
- Village Funds: 0.6

2009
- Rp308.6 T
- Balancing Fund: 287.3
- Special Autonomy Fund: 9.5
- Other Transfer Funds: 18.9
- Village Funds: 1.8

2010
- Rp344.7 T
- Balancing Fund: 316.7
- Special Autonomy Fund: 9.1
- Other Transfer Funds: 53.7
- Village Funds: 1.8

2011
- Rp411.3 T
- Balancing Fund: 347.2
- Special Autonomy Fund: 104.0
- Other Transfer Funds: 57.4
- Village Funds: 1.8

2012
- Rp480.6 T
- Balancing Fund: 411.3
- Special Autonomy Fund: 120.0
- Other Transfer Funds: 1.1
- Village Funds: 1.8

2013
- Rp511.3 T
- Balancing Fund: 430.4
- Special Autonomy Fund: 13.4
- Other Transfer Funds: 69.3
- Village Funds: 0.5

REVISED BUDGET 2014
- Rp596.5 T
- Balancing Fund: 491.9
- Special Autonomy Fund: 16.1
- Other Transfer Funds: 87.9
- Village Funds: 0.5

BUDGET 2015
- Rp647.0 T
- Balancing Fund: 516.4
- Special Autonomy Fund: 16.6
- Other Transfer Funds: 104.4
- Village Funds: 1.8

Balancing Fund | Other Transfer Funds | Village Funds
Special Autonomy Fund | Special Privilege Fund for DIY
TRANSFER TO REGIONAL
GOVERNMENTS AND VILLAGE FUND
POLICY FOR 2015

Improving local fiscal capacity in order to conduct governance which becomes Regional authority.

Reducing inequality of government funding sources between central and regional and reducing government funding gap between regions.

Increasing the quantity and quality of local public services and reducing the public services gap between regions. Prioritizing the provision of basic services in disadvantaged, the outermost, isolated, leading, and post-disaster areas.

Encouraging economic growth through the development of basic infrastructure.

Encouraging improvement of financial management quality to be more efficient, effective, transparent, and accountable.

Improving the quality of transfers to regions allocation with regard to accountability and transparency.

Improving the quality of monitoring and evaluation of transfer funds to regions.

Establishing Village Fund allocation in accordance with the mandate of Law No. 6 of 2014 on villages through the reallocation of central government’s village-based expenditure with a transfer mechanism to district/city based on the number of villages and regarding the population, poverty level, area width, and geographic difficulty level.

BALANCING FUND

REVENUE SHARING FUND
Rp127.7 T

Allocated to regions based on the APBN revenues to fund the needs of the region in the implementation of decentralization. DBH (Revenue Sharing Fund) includes underpayment settlement of Rp 11.9 T.
Public Allocation Fund

Rp352.9 T

allocated as an equity instrument of financial capability among regions and reducing fiscal disparities among regions.
Special Allocation Fund
Rp35.8 T

Allocated for regional affairs and in accordance with national priorities in order to accelerate regional development and the achievement of national objectives which consists of 14 fields. DAK (Special Allocation Fund) is allocated for the entire region that meet the general criteria, specific criteria, and technical criteria (Rp33.0 T).

Additional DAK to continue affirmative policy for disadvantaged areas, to fund activities in the field of transport infrastructure, irrigation infrastructure, water infrastructure and sanitation infrastructure (Rp2.8 T).

- Special Allocation Fund for Agriculture Rp10.0 T
- Special Allocation Fund for Health Rp3.4 T
- Special Allocation Fund for Irrigation Infrastructure Rp2.4 T
- Special Allocation Fund for Drinking Water and Sanitation Infrastructure Rp2.5 T
- Special Allocation Fund for Transportation Rp8.7 T
- Special Allocation Fund for Rural Energy Rp0.7 T
- Special Allocation Fund for Regional Government Infrastructure Rp0.6 T

Other Transfer Funds
Rp104.4 T

Allocated to:
Regional PNS (Civil Servant) Teacher Professional Allowances of Rp70.3 T for certified teachers; and Rp1.1 T for additional income for Regional non-certified civil servant teachers.

School Operational Assistance (BOS) Rp31.3 T to stimulate the provision of education budgets in the region.

Regional Government Projects and Decentralization (P2D2) Fund Rp0.1 T is allocated as an incentive to the pilot area of Local Government and Decentralization Project.

Regional Incentive Fund Rp 1.7 T is given to the area of achievement. DID (Regional Incentive Fund) is given that the region seeks to manage their finance better indicated by the acquisition of WTP/WDP opinion from Supreme Audit Agency on the financial statements of local governments and set budgets in a timely manner.
SPECIAL AUTONOMY FUND

Special Autonomy Fund

Rp16.6 T

Allocated for Papua Province Rp4.9 T, Rp2.1 T for West Papua province, Aceh Province Rp7.0 T, as well as additional funds for Infrastructure Autonomy for Papua Rp2.0 T and West Papua Rp 0.5 T. Additional Special Autonomy funds be used to accelerate infrastructure development and maintenance of infrastructure in Papua and West Papua Provinces.

SPECIAL PRIVILEDGE FUND FOR DIY (DAERAH ISTIMEWA YOGYAKARTA)

Special Privileged Fund for DIY (Daerah Istimewa Yogyakarta)

Rp547.5 billion

for organizing the affairs of the privilege of Yogyakarta Special Region.

VILLAGE FUND

Rp9.1 T

Allocated to finance the development and empowerment of rural communities. Village Fund distribution is done through the mechanism of transfer with respect to the total population, poverty level, area width, and geographic difficulty level.

In addition to the village fund, each village also received an allocation of funds from the district/city budget such as:

a. Share of local taxes and local retribution (PDRD) of district/city of at least 10%;
b. village fund allocation (ADD) at least 10% of the balancing funds received by district/city after deducting the special allocation fund;
c. financial assistance from the provincial budget and district/city budget.
2015 BUDGET FINANCING

BUDGET FINANCING

Rp245.9 trillion

DEBT

Rp254.9 trillion

NON DEBT

SBN (Government Securities) include government securities (GS) and Islamic Based Government Securities (SBSN)

Net domestic debt is all withdrawals from domestic loan lender reduced by repayments of domestic principal debt

Net foreign debt is all the withdrawal of foreign loans in form of program loans and project loans and reduced by the subsidiary loan and principal repayments of foreign debt.

Non-debt financing from banks is derived from the subsidiary loan repayment installment payments.

Non-debt financing of non-bank consists of proceeds from asset management and investment return receipts, reduced by financing expenses for the state capital investment, revolving funds and guarantee obligations.

A negative number on the net foreign debt, non-debt, and non-banking shows that the value of expenditure components in it is greater than the component of acceptance.
2004-2015
BUDGET FINANCING

Decreased budget financing in 2005 and 2010 were due to adjustment to declining realization of the APBN deficit from the target set.
2015 BUDGET FINANCING

2015 DEBT FINANCING POLICY

Controlling the ratio of debt to GDP.

Giving priority to debt financing from domestic sources.

Directing the use of debt to productive activities, among others, through a project-based Islamic Based Government Securities issuance.

Utilizing foreign loans selectively, especially for infrastructure and energy, and maintaining the negative net flow policy.

Optimizing community participation (financial inclusion) and deepening the domestic government securities market.

Performing active debt management within the framework of asset liabilities management (ALM).

2015 NON-DEBT FINANCING POLICY

Using SAL (Excess Budget Balance) as a budget financing source and fiscal buffers to anticipate the impact of the global economic crisis that is still uncertain.

Allocating PMN (State Capital Investment) to SOEs to accelerate infrastructure development and capacity building efforts of SOEs.

Allocating PMN to international financial organizations/institutions (IFIs) and other business entities which is intended to meet the obligations of Indonesia as a member and retain a percentage of capital ownership.

Allocating a revolving fund for the provision of financing facilities in order to meet the availability of low-cost housing for low-income communities (MBR) and to provide a stimulus for KUMKM in form of capital strengthening.

Continuing national education development fund program.

Optimizing the subsidiary loan repayment installment receipts.

Allocating and managing obligation funding for the government guarantee to accelerate development of power plants which use coal energy, accelerating the provision of drinking water, and infrastructure projects by means of public private partnership (PPP) scheme.
2015 BUDGET FINANCING EXPENDITURE

STATE CAPITAL INVESTMENTS

PT PAL Indonesia Rp1.5 T is used to build the infrastructure of the Navy's submarines in order to support the development of the defense industry.

PT Sarana Multigriya Finansial (SMF) Rp1.0 T is used to strengthen the capital structure and support housing finance for low-income people.

PT Sarana Multi Infrastruktur (SMI) Rp2.0 T is used to increase the capacity of businesses in the field of infrastructure financing.

Lembaga Pembiayaan Ekspor Indonesia (LPEI) Rp1.0 T is used to strengthen the capital structure and improve access to finance in the financial markets.

REVOLVING FUND

LPDB KUMKM Rp1.0 T is used to provide a stimulus for Cooperatives, Micro, Small, and Medium Enterprises (KUMKM), in the form of capital strengthening.

Pusat Pembiayaan Perumahan Rp5.1 T is used to finance the Housing Finance Liquidity Facility (FLPP) which provides loans to low-income communities with low and fixed interest rates for the loan duration.

GUARANTEE LIABILITY

PT PLN Rp1.1 T is allocated to the provision of government guarantees to support the accelerated development of 10,000 MW power plant and government cooperation projects with enterprises through business entity of infrastructure guarantee.

PT PDAM Rp2.2 M is used for drinking water supply acceleration program

SUBSIDIARY LOAN

PT PLN Rp3.2 T is used to provide the infrastructure in the field of electrical energy.

PT Pertamina Rp0.7 T is used to increase energy generation from renewable geothermal resources and reduce environmental impacts.

Pemprov DKI Jakarta Rp0.3 T is used to improve flood control.