



2016

GROWTH STRATEGY

INDONESIA

Indonesia's 2016 Growth Strategy Update

A. Economic Context and Objective

Economic objectives

Indonesia's economic objective remains unchanged from the previous growth strategy. Current policies show that we formulate some breakthrough policies to support our economy. The Government remains committed to boosting balanced, inclusive and sustainable growth while maintaining stability through macroeconomic policy and structural reforms, and increased investment particularly in infrastructure.

Economic Challenges

Continuously volatile external economy has impacted emerging markets including Indonesia. Developed economies have not yet fully recovered from global moderation. Moreover, global trade has not yet improved driven by the weak performance of global commodity markets and China's economic rebalancing. The weak global growth has brought challenges and several risks to the national economy, particularly on the export side. In addition, uncertainty in the financial sector due to developed countries financial policies have made potential instability in term of capital inflow as well as exchange rate.

To navigate through this global economic turbulence authorities had to come up with various monetary and fiscal policy responses. In the short-term, the Government continues to pursue its path on increasing tax and non-tax revenues and improving the quality of the Government spending. This is conducted through fiscal reforms by pursuing better tax administration, targeting more budget allocation to productive investments, and improving the quality of regional fiscal transfers.

In the medium-term, higher growth will be pursued through accelerating the implementation of structural reforms and increased infrastructure investment. Accordingly, the Government has introduced a series of economic policy packages aimed at maintaining purchasing power and promoting higher investments. On the consumption side, the Government has reduced tax rates for luxury consumption goods while increased the threshold of non-taxable incomes. On the investment side, the Government has implemented policy that improves investment climates, including through providing higher tax incentives, developing more special economic zones, introducing bonded logistics parks, and reducing foreign negative investment lists.

Key risks to the medium-term outlook include:

- weaker than expected revenue collection. Following the low commodity prices and global uncertainties, the risk could potentially emerge. This might hinder the Government's spending plans. In addition, a further slowdown in major emerging markets (particularly China), anemic recovery in advanced countries, and a longer-than-expected period of low commodity prices would weigh on Indonesia's export revenue. In addition, global financial market volatility may spill over into volatility in the Rupiah, or increase the spread on Government bonds.
- failure of private sector investment to pick up. This is as the result of either public infrastructure boost (e.g., crowding in private investment) or delayed business climate reforms.

Both these fiscal reforms as well as the implementation of structural reforms are supported by more accommodative monetary policy stance pursued by Bank Indonesia as the country's monetary authority.

Economic outlook

Despite the challenges above, Indonesian economic growth remains optimistic to reach 5.2% in 2016 and the inflation is expected to remain within the target of $4\pm 1\%$. The realization of Indonesian economic growth in the first quarter of 2016 was encouraging, at 4.9% on a year on year basis. This achievement showed that

Indonesia economic growth remains on a steady path in spite of global growth instability. Stable household consumption, promising investment, and positive government consumption were some of the factors behind this achievement.

The investment in 2016 is forecasted to grow higher with construction as a major contributor. This strategy would be achieved as the result of a successful implementation of the Government infrastructure projects, especially in the area of basic infrastructure. On the fiscal side, the Government will continue to improve spending by increasing budget allocation to more productive expenditures, particularly in infrastructure and social program. Private investment is also predicted to grow higher along with the strengthening domestic demand supported by accommodative monetary, fiscal and macro prudential policy (policy mix).

Despite a continuous decline in exports due to low commodity prices and weak global demand, the revenues generated from export in 2016 is expected to be higher than the previous year, while import is projected not to differ significantly from the previous year. Most of the imports are still dominated by consumption goods and capital goods particularly to fulfill the need for infrastructure projects.

In the meantime, low commodity prices could provide an opportunity for Indonesia to shift its direction from being a commodity-based economy towards a higher value-added manufacturing economy. Currently, following the sharp decline in commodity windfall export revenues, boosting non-commodity exports—particularly higher value-add manufacturing exports—is one of the Government's priorities. The Government is pursuing this priority through a number of policies:

- The Government has announced the establishment of many special economic zones (SEZs), which could help to reduce immediately the regulatory burden for promising high value-add sectors and provide a hospitable environment to develop a supply base for large investors.
- The Government is committed to keeping inflation low. This helps keep the REER low which in turn supports the competitiveness of manufactured exports.
- As discussed in other sections, the Government is increasing investment in infrastructure. It is also addressing regulatory restrictions through the policy packages. The implementation of infrastructure and these policies will help to reduce logistics costs, reduce regulatory bottlenecks in the supply chain, and close gaps in logistics infrastructure. This in turn serves to reduce logistics costs and the costs of doing business, which supports the country's overall competitiveness, particularly in manufacturing exports.

This structural change is expected to provide benefits to most people through generating more employment opportunities and better sharing of prosperity among the country's low income groups. Moving workers to the formal sector is an important priority of the Government as it has a number of benefits:

- Productivity increases as formal business tend to be more productive than informal businesses—given their economies of scale, access to formal finance, etc. In turn, higher productivity workers are likely to earn higher wages.
- Workers in the formal sector have access to government health insurance and pension schemes (BPJS) meaning they are more resilient to adverse health shocks and are better able to plan for retirement.
- Workers in the formal sector are more likely to benefit from worker-protection measures concerning redundancy, work place safety, and sick leave, etc.

The Government is encouraging the formalization of labor through a wide range of mechanisms. These include:

- Measures to encourage small business to formalize. The result is expected that their workers also shift to the formal sector. Furthermore, formal businesses have better access to credit enabling them to grow and employ more workers. For example:
 - o measures to reduce the time and number of processes to register a formal business—various reforms in the policy packages
 - o measures under “SME empowerment” under Table 1.3 Past commitments no 18.
 - o measures under “Promote SMEs through fiscal and monetary policy supporting SMEs to get financial access easier”, in the Table 1.2 Brisbane key commitments no. 2
- Measures to encourage job creation in the formal sector. For example:
 - o measures under “Improving Female Participation”, under Table 1.3 Past commitments no 10
 - o measures to incentivize FDI—removing restrictions to FDI and reducing the negative investment list
- Labor market reforms to help workers find jobs in the formal sector. For example:
 - o measures under “Enhancing employment policy reform ”, in Table 2.1. The new or adjusted commitment put forward in 2016, no. 3.

Discussion of the demand side of the economy

The demand side of Indonesia’s economy remains stable. This condition occurs largely as the result of higher fiscal spending in late 2015 and investment in the first quarter of 2016. Furthermore, domestic demand still becomes the main source of economic growth with the household consumption is predicted to grow even higher in 2016. One of the driving factors of increasing domestic demand is infrastructure investment that provides more employment opportunity and increases productivity.

B. Macroeconomic Policy Actions to Support Growth

Fiscal policy

Indonesia has been able to maintain its strong fiscal stance for the last several years. The country’s fiscal deficit that is always maintained under the mandatory limit of maximum 3% of the GDP and a well under-controlled debt to GDP ratio imply a healthy fiscal outlook compared to its peer. Even though the fiscal deficit in 2015 was at 2.5% of GDP, higher than the projection of 1.9% in the 2015 revised budget, the deficit ended up as higher spending in public investment

In the short term, Indonesia has implemented a series of economic policy packages aimed to maintaining purchasing power and promoting investment as part of the country’s structural reform strategies. The largest contributor to Indonesia’s GDP is consumption and partly it continues to be achieved through stimulus fiscal policies. The policies include increase non-taxable income threshold, reformulation of minimum wage calculation, fuel and energy price adjustment and ensure the availability of medicine and medical tool to optimize the quality of the public health insurance.

The Government has also provided a number of stimulus to boost investment for business sector including tax holiday and tax allowance changes, more streamlined permit requirements, acceleration of power infrastructure, SME loan improvement, and relaxation of negative foreign investment list.

In the longer term, Indonesia continues to implement budget reforms to create sustainable and equitable economic growth. In 2015, Indonesia successfully implemented fuel subsidy reforms and reallocated inefficient fossil fuel subsidies to increase productive sector, particularly infrastructure and social welfare. The reform is still on-going by including revenue optimization that focuses on broadening tax base and

enhancing spending quality through productive spending, improvement in subsidy scheme and fiscal decentralization. The Government also maintains its sustainable financing by pursuing a more discipline debt portfolio management that is characterized by stable Debt to GDP ratio and well-diversified debt across tenors and currencies.

As will be discussed in Section C1 below, in terms of spending better, the government will continue its focus on improving spending quality, largely through removing fossil fuel subsidies and reallocating more spending to productive sectors, particularly infrastructure and social program. The Government will also better target its subsidy schemes and engage with local government to improve the amount of transfer, and quality of spending, in the regions. On top of that, the Government also direct the state budget to the village level to achieve more equitable growth across Indonesia. To enhance efficiency of transfers, the Government have prepared a scheme where regions that accumulate excess amount of cash will instead be transferred government bonds. This policy setting will provide better ensure transfers are productively and efficiently spent. In terms of collecting more, the Government has set out a tax policy reform agenda, aimed at broadening the tax base, easing administrative complexity, and reducing economic distortions and incentives for strategic behavior by taxpayers by simplifying tax structures. In addition, the 2016 budget also includes higher health and social spending. In the medium term, if economic growth is able to reach the projections in Table 3.2, this will create more room for fiscal spending while remaining under the fiscal deficit cap.

On the financing side, Indonesia optimizes its bilateral and multilateral financing. With the trend of negative interest rate in the global financial market, the Indonesia's local currency sovereign yields down by about 125 basis points in the year to April 28 for the 10-year bond. Indonesia also develops financing schemes for infrastructure financing through Public-Private Partnership (PPP) and other alternative financing, such as, SOEs and private sectors

Monetary policy

Bank Indonesia (BI) considers that the macroeconomic stability continues to improve. Lower inflation and the reduced global uncertainty enable BI to maintain a loose monetary policy stance. Hence, BI has started a process of gradually unwinding its tightening cycle. Effective in December 2015 BI reduced the primary reserve requirement in rupiah by 50 basis points to 7.5%. In January 2016 the policy rate was lowered by 25 bps to 7.25%, with the Deposit Facility Rate and Lending Facility Rate held at 5.25% and 7.75% respectively. In February and March 2016 Bank Indonesia lowered further the BI Rate gradually to 7% and 6.75%. Bank Indonesia also reduced the rupiah denominated primary reserve requirement by 1%, from 7.5% to 6.5%, effective from March 2016.

The move is consistent with greater room to ease monetary policy on the back of solid macroeconomic stability, especially in terms of less intense inflationary pressures in 2016 as well as less uncertain global financial markets. The dual policy of lowering the BI Rate and primary reserve requirement is expected to strengthen efforts to boost the ongoing economic growth. In addition, Bank Indonesia will continue to strengthen coordination with the Government to control inflation, bolster growth stimuli and accelerate structural reforms, thereby supporting sustainable economic growth moving forward, while maintaining macroeconomic stability.

In 2016, Bank Indonesia's policy mix will remain focused on maintaining macroeconomic and financial system stability, while stimulating economic momentum. In the monetary sector, gradual monetary easing will remain consistent with efforts to maintain macroeconomic and financial system stability. Such policy will be supported by measures to maintain exchange rates in line with the economic fundamental, strengthen the position of reserve assets and manage capital flows. Furthermore, Bank Indonesia will maintain accommodative macro-prudential policy, while continuing financial market deepening. Payment system policy will be directed towards developing a more efficient domestic payment system industry, while

expanding payment system electrification. Bank Indonesia will bolster the various ongoing measures through closer coordination with the Government and relevant institutions in order to maintain macroeconomic stability, strengthen the economic structure and support sustainable economic growth.

Bank Indonesia has started to reformulate its policy rate from the BI Rate into the 7-day (Reverse) Repo Rate to improve the effectiveness of the monetary policy transmission. The enhancement does not imply a change to the prevailing monetary policy stance. The change in the policy rate will be effective on August 19th 2016. During the transition period until prior to August 19th 2016, the BI Rate will remain Bank Indonesia's policy rate. Within that timeframe, BI will start to announce BI 7-day Repo Rate as part of the term structure. The enhancement in monetary operation is a result of BI's in depth research, and is in line with international best practices at other central banks.

The enhancement of monetary operation framework has three objectives. First, improving policy signaling with the 7 day (Reverse) Repo Rate become the primary reference for interest rates in the financial market; second, strengthening the effectiveness of monetary policy transmission through its stronger impact on short term money market rates and bank rates; and third, supporting financial market deepening, especially in encouraging transactions and developing interbank rate structure for 3 month to 12 month. In order to do that, monetary operation enhancement will be complemented by measures to accelerate financial market deepening program.

In line with the enhancement, Bank Indonesia will also accelerate the implementation of financial market deepening program by pursuing the following steps: (i) Strengthening the role of Jakarta Interbank Offered Rate (JIBOR) in shaping the interest rate structure of the money market across tenors from overnight to 12 month; (ii) accelerating the Repo transactions in the money market by promoting banks participation in General Master Repo Agreement (GMRA); (iii) alleviating market segmentation and boosting the market's transaction capacity by encouraging banks to open more access to counterparty.

C. Structural Reform Priorities

The structural reform has been the main consideration in the Government's growth strategy. The reform includes, among others, increasing investment in infrastructure and ensuring that growth is balanced, inclusive and sustainable. The existing and new commitments discussed in this section are those key reforms that contribute directly to achieving this strategy.

C1. Implementation of Past Growth Strategy Commitments

This section discusses Indonesia's progress against existing key commitments.

Key commitment: Increase infrastructure projects for food security, energy sustainability, and connectivity with more focus on our maritime advantages (adjusted Brisbane commitment).

The Government has focused a lot of attention on meeting its commitment to increasing infrastructure investment in three priority areas: food security, energy sustainability, and connectivity. In this regards, Government spending will focus on the development of basic infrastructure projects such as arterial roads, railways, dams, irrigation, small seaports and local airports. At the same time, Government has also encouraged State Owned Enterprises (SOEs) and invited private sector to actively participate in the infrastructure development. The Government have provided a lot of support for private sector participation such as through Project Development Facility, Land Fund, Guarantee Fund and Viability Gap Fund.

In term of regulation, the Government has implemented a new law that regulates land acquisition processes. The Government has issued Law No. 2 of 2012 on Land Acquisition for Public Interest, with a purpose to provide certainty about the land acquisition duration for the Government Contracting Agencies and the Investors. The Law sets an estimated 583 days maximum time to complete the land acquisition

process. This law was successfully applied in the Palembang – Indralaya section of the Trans Sumatra Toll Road Project.

Other recent reforms have focused on accelerating power infrastructure development and combating high logistics costs. In respect to this, Presidential Regulation No. 4 of 2016 on the Acceleration of Development of Electricity Infrastructure has been issued to provide electricity on a fair and equal basis, so as to boost economic growth.

Indonesia now has 30 priority infrastructure projects within the pipeline that are progressing well. The table below shows the progress of these projects.

Table 1. The Status and Stages of the Past Commitments

No.	Priority Projects	Status	Stage
1.	Jakarta Sewerage System	Outline Business Case (OBC) Development	Preparation Stage
2.	Existing Refinery Upgrading Project (Cilacap, Balongan, Plaju, Dumai, dan Balikpapan)		
3.	New Port in Northern West Java		
4.	Inland Waterways/Cikarang – Bekasi – Laut		
5.	SPAM West Semarang	Ready for PPP Tender	
6.	Bontang Refinery		
7.	Tuban Refinery		
8.	Sumatera 500 kV Transmission		
9.	Panimbang-Serang Toll Road		
10.	High Voltage Direct Voltage Transmission	Permit and Land Acquisition	Implementation Stage
11.	1.000MW Indramayu Power Plant		
12.	Central-West Java 500 kV Transmission Line		
13.	National Capital Integrated Coastal Development		
14.	Karangates IV & V Power Plant (2x50MW)		
15.	Kesamben Power Plant (37MW)		
16.	Lodoyo Power Plant (10MW)		
17.	Bitung Port Development		
18.	East Kalimantan Railways		
19.	South Sumatera 8, 9, 10 (3.000 MW) Power Plant	Financial Close	
20.	Palapa Ring Broadband		
21.	Trans-Sumatera Toll Road	Construction	
22.	Makasar-Parepare Railway		
23.	SHIA Express Railway		
24.	MRT Jakarta		
25.	LRT Jabodetabek		
26.	LRT Palembang		
27.	Kuala Tanjung Int'l Hub Port		
28.	Manado-Bitung Toll Road		
29.	Balikpapan-Samarinda Toll Road		
30.	Batang 2.000 MW Power Plant		

Key commitment: Enlarge fiscal space to support prioritized programs and development agendas (infrastructure investment) through tax optimization and improvement of spending quality (adjusted Brisbane commitment).

The Government has implemented wide ranging fiscal reforms aimed at meeting its commitment to optimizing tax collection and improving spending quality.

The Government has set out an ambitious tax policy reform agenda, aimed at broadening the tax base, easing administrative complexity, and reducing economic distortions and incentives for strategic behavior by taxpayers by simplifying tax structures. Ongoing reforms include:

- Strengthening VAT administration for compliance management
- Increasing electronic filing of tax returns
- Establishing a unique and permanent Taxpayer ID system
- Improving the Government's access to taxpayer asset and financial data for audits
- Improving VAT, luxury goods sales tax and excise tax policy
- Introducing laws against base erosion and profit-shifting activities

In terms of regulation, currently The Government has submitted revision on three taxation laws, namely Tax Amnesty, amendment of General Tax Provisions and Procedures (UU KUP), and amendment Non Tax Revenues (UU PNBP). These new law are expected to help broadening tax coverage, improving tax compliance, and reducing tax leakage.

On the expenditure side, reforms have focused on improving spending quality, largely through removing fossil fuel subsidies and reallocating more spending to productive sectors, particularly infrastructure. The Government will maintain the state budget allocation heavily on productive avenues.

For fiscal year 2015, the Government implemented major fuel subsidy reforms and reallocated the savings to infrastructure, social programs and transfer to the region, especially rural funds in the revised 2015 Budget. Improvements in the allocation of the budget have been sustained through to the 2016 Budget.

To address long-standing budget execution and efficiency of spending challenges, in particular for infrastructure projects, the Government has taken a number of measures, including: revising the land acquisition regulation to accelerate the process; increasing the usage of early procurement for capital projects; issuing and revising regulations to ease constraints on PPPs and usage of multi-year contracts (also discussed under the "Improving infrastructure" heading).

The Government has also given relaxation in the budget disbursement process and started what so called, pre-funding policy to support acceleration of spending. Doing this, The Government has conducted the pre-auction for 2016 projects in November and December 2015 so that spending process can be done early in 2016. In order to support this, The Government has also conducted pre-funding to ensure enough resources available to start priority projects early in 2016.

The Government is continuing to strengthen the regulatory framework for public procurement to improve the efficiency of spending (i.e. how well resources are used as intended and translated into outputs). At the sub-national level, the Government continues to implement reforms to improve the quality of specific earmarked transfers (DAK) to the regions and of the rural funds.

The Government has also taken action to strengthen budget monitoring and management by completing the roll-out of the financial management information system (SPAN) to all regional treasury offices.

Key commitment: Improve market competition to support investment and trade activities (Antalya commitment).

Since the Antalya meetings, the Government has released 12 economic policy packages aimed at meeting its commitment to enhance people purchasing power and improve market competition to support investment and trade activities. The packages are comprehensive and wide-ranging, covering areas such as trade, energy, investment licenses, small- and medium-sized enterprises (SMEs), minimum wage setting, tax relief, special economic zones, land title registration, logistics, and investment liberalization. The packages are focused on micro-level regulations, aiming at dismantling unnecessary regulatory barriers for product markets in various sectors and for different types of businesses (foreign, domestic, large, and small).

Table 2. Summary of the stimulus packages

Package	Unveiled	Main Measures
1st	9 September 2015	<ul style="list-style-type: none"> • Boost industrial competitiveness through deregulation • Curtail red tape • Enhance law enforcement & business certainty
2nd	30 September 2015	<ul style="list-style-type: none"> • Interest rate tax cuts for exporters • Speed up investment licensing for investment in industrial estates • Relaxation import taxes on capital goods in industrial estates & aviation
3rd	7 October 2015	<ul style="list-style-type: none"> • Cut energy tariffs for labor-intensive industries
4th	15 October 2015	<ul style="list-style-type: none"> • Fixed formula to determine increases in labor wages • Soft micro loans for >30 small & medium, export-oriented, labor-intensive businesses
5th	22 October 2015	<ul style="list-style-type: none"> • Tax incentive for asset revaluation • Scrap double taxation on real estate investment trusts • Deregulation in Islamic banking
6th	5 November 2015	<ul style="list-style-type: none"> • Tax incentives for investment in special economic zones
7th	4 December 2015	<ul style="list-style-type: none"> • Waive income tax for workers in the nation's labor-intensive industries • Free leasehold certificates for street vendors operating in 34 state-owned designated areas
8th	21 December 2015	<ul style="list-style-type: none"> • Scrap tax for 21 categories of airplane spare parts • Incentives for the development of oil refineries by the private sector • One-map policy to harmonize the utilization of land
9th	27 January 2016	<ul style="list-style-type: none"> • Single billing system for port services conducted by SOEs • Integrate National Single Window system with 'inaportnet' system (an information system for Indonesian ports) • Mandatory use of Indonesian rupiah for payments related to transportation activities • Remove price difference between private commercial and state postal services

10th	11 February 2016	<ul style="list-style-type: none"> • Removing foreign ownership cap on 35 businesses sectors • Protecting small & medium enterprises as well as cooperatives
11th	29 March 2016	<ul style="list-style-type: none"> • Lower tax rate on property acquired by local real estate investment trusts • Harmonization of customs checks at ports (to curtail dwell time) • Government subsidizes loans for export-oriented small & medium enterprises • Roadmap for the pharmaceutical industry
12th	28 April 2016	<ul style="list-style-type: none"> • Condensed processes and reduced time required for obtaining construction permits and starting a business • Made taxes payable online • Simplified lawsuit settlements

C2. New Structural Reform Measures

This section discusses the Government’s new high-impact structural reform actions. This section also explains key adjustments to measures put forward in Indonesia’s Brisbane and Antalya Growth Strategy. The details of new and adjusted measures are explained in table 2.1, which contains two new commitments and three adjusted ones from Brisbane and Antalya Growth Strategy.

New measure: Strengthening the financial system

The Government is undertaking various reforms to strengthen the financial system and facilitate the financing of investment and attract foreign direct investment. In particular, the Government is focused on revitalizing the venture capital industry.

The Government will expand access to financing that meets the needs of startups and SMEs. To date, such businesses have only been able to access bank financing with principle and interest payments that do not match their cash flows. The Government is also facilitating the growth of venture capital by allowing limited partnerships (CV) to invest in venture capital; previously, only limited (Ltd.) companies could provide this service.

The Government has also relaxed the requirements for banks to provide foreign currency deposits. These reforms now enable the branch office of foreign banks to deposit and manage foreign currency or business trusts in national banks. Such measures are designed, among other things, to attract foreign investment.

The Government has issued the Law on Crisis Financial System Prevention and Mitigation. This law provides guidance on how to prevent and mitigate a financial market crisis including making the roles of different institutions very clear. The new law has been designed to prevent the use of taxpayer money to help insolvent banks. The law requires controlling shareholders to contribute additional capital before government support in the event of a bank failure in order to minimize the moral hazard. In summary, the law puts forward the Bail-In concept, rather than Bail-Out. This concept pushes banks to solve their liquidity problem when financial crisis occurs with their own resources.

New measure: Promoting more inclusive growth

The Government is promoting inclusive growth through various policy measures including:

- Set better targeting subsidy schemes and engaged local government involvement in the nation development through higher allocation of transfer to the regions, including rural funds.

- Launching an insurance scheme for rice farmers. In collaboration with the consortium of insurance companies, the Government offers insurance to rice farmers. The insurance is subsidized by government through the payment of 80% premium. This policy aims to minimize the loss suffered by the farmers due to weather uncertainty, and help farmers access formal credit.
- Developing more affordable housing for low income group. Some programs is also targeted to the development of SMEs by improving housing facilities in industrial areas, as explained in table 1.3.
- Expanding the Micro Credit Program (KUR) to include families (not only businesses) and cutting interest rate.
- Providing fiscal incentives for investment in special economic zones in marginal areas.
- Direct the state budget to village level in a hope to achieve more equitable growth across Indonesia. Encouraging infrastructure development in rural areas through rural transfers, accelerating power infrastructure development, and improving rural-urban logistics. The Government increased the rural transfer fund to IDR47 trillion (USD3 billion) in the 2016 Budget.
- Providing better access to water resources to improve living conditions, particularly for the poor by developing of Government regulation on water resource utilization and drinking water provision and establishing a new mechanism to avoid water monopolies.

Adjusted measure: Enhancing employment policy reform (Adjusted Brisbane Commitment)

The Government, in one of the policy packages, introduced a minimum wage formula which aims to increase the transparency and predictability of the wage-setting process.

The Government has also set policy priority for improving skills of workers as seen in table 2.1, through:

- Enhancing coordination with corresponding ministries, education and training institutions, and companies to develop and implement National Working Competency Standard of Indonesia (SKKNI);
- Focusing on revitalizing vocational training center through improving quality of training programs, means, and instructors;
- Maintaining the quality of training institutions through implementing accreditation system; (d) conducting competency-based training;
- Issuing certificate of competency for instructors, training graduates, and experienced workers;
- Increasing domestic and international apprenticeship programs, both in terms of quantity and quality;
- Intensifying Improving National Productivity Action; and
- Optimizing role played by National Productivity Institution.

D. Investment

Investment in Indonesia is still attractive for foreigners. Total fixed investment grew by 5.6 percent year-on-year in the first quarter of 2016, and 6.9 in the last quarter of 2015. Foreign direct investment into Indonesia grew 17.1 percent year-on-year in the first quarter of 2016 (in Rupiah terms) and 2.5 percent (in US dollar terms). This investment growth is significantly contributed by the Government's implementation of investment reforms. These reforms are discussed below with reference to the themes of the G20 investment strategies, as key adjustments to measures in Brisbane and Antalya Growth Strategy (see table 2.1 below).

Indonesia plans to have 104 strategic projects on connectivity infrastructure. The priorities infrastructure projects are: maritime connectivity across archipelago and broadband connectivity, named as the Palapa Ring Broadband. The maritime connectivity projects include, among others, the development of sea-toll which is also expected to support the inclusiveness of economic growth. The sea toll plan consists of development and expansion of 24 strategic ports including 5 hub ports and 19 feeder ports. The plan needs

an investment around USD 50.4 billion for all supporting infrastructure and around USD 17.6 billion for the sea ports. As Indonesian islands spread over archipelago from the west to the east, with Java Island as the center, the government aspires to connect all people in those islands using communication and broadband technology. Therefore, the Palapa Ring Broadband plan is built based on the three corridors: the west, center, and east corridors. The plan need an investment around USD 230.6 million and connecting 57 cities and regencies by using 8,478 km length of cable. The two corridors (the west and center) have been initiated using PPP agreement.

Adjusted measure: Improving infrastructure investment policy framework (Adjusted Brisbane Commitment)

The Government has taken a number of significant steps to accelerate the delivery of infrastructure projects. The Government has established KPPIP / Infrastructure Acceleration Committee (IAC) under the Coordinating Ministry of Economic Affairs to resolve bottlenecks at the inter department level.

The Government has removed barriers to multi-year contracts for Government procurement. Multi-year contracts are generally more efficient than a series of single year contracts for large, multi-year infrastructure projects. It enables higher economies of scale for contractors thereby lowering average total project costs, increases project quality through better design and implementation, and increases efficiency by reducing procurement processes.

A number of policies have been issued to increase early procurement for capital projects in the 2016 State Budget. By starting the procurement process earlier line ministries should be in a position to sign contracts shortly after the Budget is approved. Earlier procurement should reduce the heavy back loading of capital spending and reduce risks to implementing projects in the budget year. In this regard, the Government has also implemented pre-funding policy to provide earlier financing for project development.

Adjusted measure: Improving market competition to support investment and trade activities (Adjusted Antalya Commitment)

With the enactment of Presidential Regulation Number 44 of 2016 concerning the list of closed business fields and opened business fields with conditions in the field of investment or commonly referred to Negative Investment List (DNI), The Government continues to encourage FDI. Details of the policy are shown in Table 2.1. Some recent relaxations of the list include:

- Opening additional sector to 100% foreign ownership (Movie Production Services, Cold Storage, Restaurant, Medicine Material, Toll-Road, Waste Processing, Direct Sales, Telecommunication Laboratories)
- Maximum 70% for ASEAN countries ownership for selected sectors
- 30 Sectors & 70 Subsectors raised to 67% foreign ownership from initially under 50%

By encouraging foreign investment in Indonesia, these reforms aim to create more jobs and improve local companies' competitiveness in innovation, creativity, and the ability to absorb new technology.

Annex 1. Past commitment – Brisbane and Antalya commitments

Table 1.1. Antalya Key Commitments (the new or adjusted from Brisbane Commitment) - Detailed implementation path and status

1. Increase infrastructure projects for food security, energy sustainability, and connectivity with more focus on our maritime advantages. (adjusted Brisbane commitment)		
Interim Steps for Implementation	Deadline	Status
<p>Improve land transportation efficiency through building new roads and railways: 2,650 kms roads 1,000 kms toll roads 2,159 km railways</p>	2019	<p>In Progress <u>Preparation Stage</u> Ready for PPP tender: Panimbang - Serang Toll Road (Rp12 T) <u>Implementation Stage</u> a. Permit and Land Acquisition: Kalimantan Timur Railways (Rp72 T) b. Construction - Trans-Sumatera Toll Road (>Rp 31T) - Makasar-Parepare Railway (Rp 6,4 T) - SHIA Express Railway (Rp2,7 T) - MRT Jakarta (Rp 25 T) - LRT Jabodetabek (Rp 11,9 T) - LRT Palembang (Rp11,5 T) - Manado-Bitung Toll Road (Rp 4,3 T) - Balikpapan-Samarinda Toll Road (Rp13,1 T)</p>
<p>Improve electricity capacity by building new power plants : Building 35,000 MW power plants</p>		<p>In Progress <u>Preparation Stage</u> a. Permit and Land Acquisition - High Voltage Direct Voltage Transmission (Rp20 T) - 1.000 MW Indramayu Power Plant (Rp20 T) - Central-West Java 500 kV Transmission Line (Rp7,64T) - Karangates IV & V Power Plant (2x50MW) - Kesamben Power Plant (37MW) - Lodoyo Power Plant (10MW) b. Ready for PPP Tender : Sumatera 500 kV Transmission (Rp6,71 T) <u>Implementation Stage</u> a. Construction : Batang 2.000 MW Power Plant (Rp40 T) b. Financial Close : Sumsel 8, 9, 10 (3.000 MW) Power Plant (Rp 54 T)</p>
<p>Improve agriculture infrastructure for food security program: Build 49 new dams for irrigation</p>		<p>Dam East Java (Bendo), Central Java (Gondang, Pidekso), North Sulawesi (Lolak), NTT (Raknamo), NTB (Mila), Banten (Karian)</p>
<p>Enhance islands connectivity:</p>		<p>Port and Harbour</p>

Build 24 new ports Increase the number of large vessels (cargo, boat and ferry)		East Kalimantan (Maloy), Jakarta (Kalibaru), South Sulawesi (Makassar New Port), Central Sulawesi (Parigi) <u>Preparation Stage</u> OBC Development : New Port in Northern West Java (TBA) <u>Implementation Stage</u> Permit and Land Acquisition: Bitung Port Development (Rp34T) Construction: Kuala Tanjung Int'l Hub Port (Rp 30 T)
Build up digital connectivity: Increase broadband coverage to 100% in city areas.		Implementation Stage : Financial Close: Palapa Ring Broadband (Rp6T)
Impact of measures: Full Scenario		
It is the most optimistic scenario under which Indonesia reach middle income country standard by 2020. As per this scenario, Indonesia requires investment of at least IDR 5,619 trillion		
2. Enlarge fiscal space to support prioritized programs and development agendas (infrastructure investment) through tax optimization and improvement of spending quality (adjusted Brisbane commitment)		
On the revenue side, a number of policies are being prepared (some of them have been in lace) to increase tax revenue significantly both through intensification and intensification measures. Modernizing tax administration is one of critical steps to improve tax compliances. E-filing and E-facture are two examples that have been in place to improve compliances on individual income tax and VAT, respectively. Other key measures to improve tax compliances are the improvement of taxpayer's profile database through single identification system and law enforcement.	2019	In progress
3. Improve labor productivity and standard competency through cross sector – cross regional – cross country cooperation and business partner, partnership between government and business industry (Incentive), the optimization of public vocational training and training funding pattern in order to spur innovation and technology development (adjusted Brisbane commitment).		
Increase certification process for highly skilled workers from 8.4% to 14% and intermediate skilled workers from 30% to 42%.	2019	The Government targets an increase in the certification process for training graduates in 2016. It is expected that 47,233 graduates will receive such certification, a sharp surge compared to 2015, in which only 4,432 graduates were certified.
Improve the performance of government training institution to become a competency-based training institution from 5% to 25%.	2019	The Government has issued regulation no. 8 year 2014 regarding Guidelines for Organizing Competency-based Training (CBT). In 2015, graduates of the CBT reached 96,327. The Government targets a 12 percent growth in graduates to 108,286 in 2016.
4. Improve market competition to support investment and trade activities.		
Issue policy recommendations to improve conducive business climate to support exports and technology development.	2019	1. Commission Regulation No. 01 Year 2015 on the Procedures for Monitoring the Implementation Partnership (June 2015)

<p>Conduct a number of policy research to identify regulations that hamper market competition.</p> <p>Strengthen cooperation between Business Competition Supervisory Commission (KPPU) and other law enforcement agencies to enhance law enforcement.</p> <p>Increase the effectiveness of anti-monopoly policy to support trade and investment activities. The World Economic Forum calculates annually and publishes in the Global Competitiveness Report the effectiveness of anti-monopoly policy index using a scale between 1 [indicates that antitrust policy is considered lax and not effective at promoting competition] and 7 [indicates that antitrust policy is effective and promotes competition]. In 2014, the scoring for Indonesia is 4.49).</p>		<p>2. Commission Regulation No. 03 of 2015 on the Procedures for Case Management Implementation Partnership (September 2015)</p>
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Table 1.2. Brisbane Key Commitments

1. Improve infrastructure investment perspective by establishing infrastructure body and PPP centre		
Interim Steps for Implementation	Deadline	Status
Establish infrastructure body	December 2014	<p>Completed</p> <p>Establishment of KPIP as an infrastructure body in July 2014 (President Regulation No. 75 2014 – dated 21 Juli 2014).</p> <p>KPIP has started to be fully operational in April 2015. It has set 22 priority infrastructure projects in 2015. Four of those projects are being constructed, such as toll road in North Sumatera, railway in South Sulawesi, water power plant in Java and dams in Jakarta.</p>
Establish PPP Centre	December 2014	<p>Completed</p> <p>PDPI (Directorate of Government Support on Infrastructure Financing) as a PPP Centre was established on December 2014.</p> <p>Currently, PDPI is fully operated to formulate and to implement policy and technical standardization in the area of infrastructure financing.</p> <p>Indonesia has improved the PPP scheme in order to accelerate private sector contribution for national infrastructure development through the land fund, project development fund, government guarantee, viability gap fund, availability payment, and infrastructure fund. The prioritized projects to be conducted under the PPP Scheme are long-term profitable projects with high</p>

		<p>risk and complexity. (Government Regulation No.38/2015 on PPP for infrastructure and</p> <p>Presidential Decree 82/2015 on guarantees for infrastructure financing through international financial institutions to SOEs)</p>
<p>Impact of Measure: The establishment of infrastructure body and PPP Centre will improve coordination between the planning, prioritization and financing of infrastructure. This will encourage efficiency and effectiveness of the infrastructure projects and also encourage private sector involvement.</p>		
<p>2. Promote SMEs through fiscal and monetary policy supporting SMEs to get financial access easier</p>		
Issue regulation on electronic money and digital financial services	December 2014	<p>Completed</p> <p>Bank Indonesia has issued regulation on Electronic Money, which also included regulation on Digital Financial Services (Bank Indonesia Regulation No. 16/8/PBI/2014 dated 8 April 2014).</p>
Enhance public awareness in particular SMEs, about less cash society,	Continuous Program	<p>Indonesia officially launched the Non-Cash National Movement in Jakarta on 14th August 2014.</p> <p>Memorandum of Understanding (MoU) between Bank Indonesia and other government agencies (the Coordinating Ministry for the Economy, the Ministry of Finance, provincial governments and as provincial government associations throughout the Indonesian archipelago has been signed as a form of commitment to support the Non-Cash National Movement.</p>
Increase a number of Digital Financial Services Agents	<p>Continuous Program</p> <p>Target in 2015: 10,000 agents</p>	<p>As of March 2016, number of DFS reached 83,982 agents (individual and legal entity agents). This achievement has exceed the target.</p>
<p>Impact of Measure: The digital financial services programme as part of the National Financial Inclusion will benefit the Government through greater efficiency, transparency and accountability in disbursing social assistance. In addition, this national economic model will also increase SMEs' access to the formal financial sector. Hence, it will support improvement in national economic efficiency.</p>		

3. Boost foreign investment by reducing administrative burden for foreign entities to establish a business in Indonesia		
Operating Online Single Window for Investment	December 2015	<p>Completed</p> <p>Online Single Window for Investment has been introduced on 15th December 2014. (https://online-spipise.bkpm.go.id/).</p> <p>Currently, this system has been fully operated and since the establishment of Online Single Windows 2015 there are more than 1,265 companies submitted online applications. Until April 2016, there were 43 companies obtained 3 hours services</p> <p>This window has been developed to increase bureaucratic efficient in licensing services. The INSW is a single electronic window for services in completing export-import process. It allows a single submission, single processing and single synchronous decision making principle for export-import document processing. It is also expected to be implemented in the ASEAN region in the future.</p>
<p>Impact of Measure: Online Single Window and One Stop Services will simplify business licensing processes. This system is expected to increase investment activities both from foreign and domestic investors.</p>		
4. Improve job market by encouraging the private sector to provide training for those seeking jobs through tax incentives		
Issue Government regulation on Tax Incentive to private sectors whom conduct research and development program	December 2015	<p>Completed</p> <p>Related regulation has been issued (Government Regulation No. 18, May 2015).</p>
<p>Impact of Measure: Government provides tax incentives to attract investors, both domestic and foreign investors to invest and build R&D facilities in Indonesia.</p>		
5. Address "behind the border" issues by implementing the WTO Trade Facilitation Agreement		
<ol style="list-style-type: none"> 1. Commitment categorization and notification to WTO. 2. Ratify WTO Trade Facilitation Agreement 3. Establish a National Trade Facilitation Committee (Komite Nasional Fasilitasi Perdagangan), in accordance with Article 23.2 WTO - TFA 	2016	<ol style="list-style-type: none"> 1. Indonesia has conveyed A category commitment in 31 July 2014. Indonesia has a national position regarding category B commitment, and will be conveyed in WTO entry into force. 2. Ministry of Trade is in the process of composing academic script will be used to ratify WTO TFA. Ratification process will be started at March 2016 (will be included in the National Legislative Process next year) 3. Establishment of National Committee of Trade Facilitation that will be coordinated by The Coordinating Ministry of Economic Affairs.
<p>Impact of Measure: This trade facilitation will improve competition through increasing efficiency and reducing trade cost.</p>		

Table 1.3. Other Non-key Commitments

1. Establishment of Regional Investment Relation Unit		
Interim Steps for Implementation	Deadline	Status
<p>Regional Investment Relation Unit (RIRU) is tripartite cooperation between Bank Indonesia, Provincial/Regional Government, and the Chamber of Commerce to promote investment activity, trade, and financing.</p> <p>The establishment of RIRU is aimed to to enhance regional competitiveness and to accelerate regional development.</p> <p>This program is expected to be launched at the end of 2015.</p>	<p>The establishment of RIRU in West Java at the end of 2014</p> <p>The establishment of pilot project of RIRU in 3 province in 2015</p> <p>The establishment of RIRU in other province in 2016-2019</p>	<p>Completed for 2014.</p> <p>West Java Incorporated (WJI) has established in December 2014.</p> <p>WJI is a forum consists of several parties related to the West Java economic development. This is to synergize each party's role in creating a conducive environment to enhance economic productivity, competitiveness, positive perceptions, regional export performance and market access for the West Java businesses and enterprises into the global economy.</p> <p>http://www.westjavainc.org/west-java-inc/</p>
2. Increasing Domestic Saving by "My Savings" ("TabunganKu") Program		
<p>TabunganKu is a savings scheme with more affordable requirements, - no charge for administrative costs, low minimum deposit, low minimum required balance.</p> <p>This program is a part of the financial inclusion program that aimed to improve the culture of saving and financial planning, especially for the middle to low income society.</p>	<p>Multi years</p>	<p>Until the end of March 2016, there are additional 781,136 of savings accounts from 12.667.065 accounts on December 2015.</p> <p>Until the end of March 2016, there are additional 2,498,848 of saving accounts from 34,314,795 accounts on December 2015.</p>
Impact of Measure: Increasing of private deposit from Rp 4,335.3trillion on the end of 2015 to Rp4,353.1 trillion in March 2016.		
3. Reduce the fuel subsidy		
<p>The government has committed to slowly reduce the subsidy over the next few years and reallocate the funds to more productive spending such as infrastructure.</p>	<p>Multi years</p>	<p>Government has cut gasoline subsidy on November 2014 and will reduce other types of fuel subsidies gradually.</p>
Impact of Measure: Indonesia will generate saving of more than IDR 200 T from implementation of gasoline subsidy cut and diesel fixed subsidy. Most of this saving will be reallocated to boost infrastructure development, support food security and rural development fund.		
4. Support the development of new and renewable energy through: the conversion of biofuels and gas with some programs, such as, development of biomass power plan which utilize corn barges as the main energy source; and simplify the licensing procedure on electricity of water supply.		
<p>Contribute 36% energy saving of the total energy use of electronic appliances in the household, business/commercial, and industrial sectors.</p>	<p>Increase biodiesel content in fossil fuel from 10 % in 2015 to</p>	<p>As of April 2015, Biodiesel content has reached 15%. This will reduce the fossil fuel (diesel) consumption hence reduce the subsidy for diesel and increase fiscal space.</p>

<p>Provide more fiscal policy space and more budget allocation to the other more sectors that have significant public interest. Encourages planning efforts and funding development of forest-based bioenergy energy.</p>	<p>30% in 2025. (Regulation of Ministers of Energy and Minerals No.12, year 2015)</p>	
<p>5. Boosting Job Creation Through Infrastructure Development</p>		
<p>Building roads, harbours/airports, telecommunication, railways, etc. in the rural and outskirts areas to help local resources create jobs and improve local economic activities.</p>	<p>2014</p>	<p>Completed Development in rural areas through infrastructure labor intensive program in 2014, including 149 packages in 25 provinces and 110 districts, such as: 1. Building bridges (4 provinces in 5 districts) 2. Building roads (33 provinces) 3. Building reservoirs 4. Establishing traditional markets 5. Establishing drainage</p>
<p>6. Supporting SMEs in fostering high economic growth and employment especially labour absorption</p>		
<p>Open market should be developed by providing facilities, incentive policies and conducive environment for private sector running its business. Indonesia supports SMEs financing as they are an important factor in fostering high economic growth and employment especially labour absorption.</p>	<p>2014-2019</p>	<p>Continuous program Indonesia promoted conducive business climate through improving employment regulation, i.e. issuance of Government Regulation No.33 Year 2013 regarding Job Opportunity Expansion Indonesia increased job market information provision through developing employment placement service in 33 provinces. The Ministry of Employment collaborate with the Ministry of Public Work and Housing to improve housing facilities for labour. With the fund from the budget of Ministry of Public Works and Housing, the government develops flats and housing for labour in industrial region.</p>
<p>7. Technical Assistances for SMEs</p>		
<p>Promote entrepreneurship to empower labour force to create job. This endeavour is conducted through entrepreneurs program for university graduates who have entrepreneurial passion and productivity orientation. Bank Indonesia (BI) also contributed by launching entrepreneurship program in 2012 as a part of the national Entrepreneurship Movement program to promote entrepreneurship and to increase employment.</p>	<p>Continuous Program</p>	<p>On Progress Bank Indonesia, the Coordinating Ministry of Economic Affairs, and Bappenas have worked together to create better entrepreneurship circumstances in Indonesia and enhance synergy to implement the entrepreneurship program, including identifying the entrepreneurship program in several ministries and institutions. <u>Goal on 2016 :</u> 1. Identify the target provisions and work programs of entrepreneurship development in the ministries</p>

		<p>2. Develop business incubators through boarding schools and colleges.</p> <p><u>Progress on 2016 :</u></p> <ol style="list-style-type: none"> 1. Mapping of economic potential of sharia-based Islamic boarding school in North Sumatra. 2. Synergy with the university (IPB) to support the development of business incubators 'Sabisa Farm-IPB' in agribusiness. 3. The BI Entrepreneur development program participated in various activities, including: Tasikmalaya Creative Festival, Gorontalo Expo, Bandung Wubi Fest, Jember Fashion Carnaval, Kaltim Expo, Padang Fair and Sharia Fair. <p>Ministry of Employment has been doing some technical assistances for SMEs, such as:</p> <ul style="list-style-type: none"> •Entrepreneur training in 2014 as amount of 6,475 trainees •Labour training, including internship in 2014 as amount of 6,780 trainees. Domestic internship target for 2015-2019 as amount of 41,650 trainees and for foreign internship as amount of 11,000 trainees
8. Optimizing of public vocational training centres and encourage private sector to provide training		
<p>The empowerment and optimization of public vocational training centres. It is aimed to improve the quality and productivity of labour force.</p> <p>The government will also encourage the private sector to provide training for those seeking jobs. It is expected to reduce labor mismatch.</p> <p>This strategy will be accomplished through tax scheme by treating cost of training spent by companies as deductible for income tax.</p>	2014-2019	<p>Continuous program</p> <p>Establishment of "KIOS 3 in 1" in public vocational center owned by government. This program includes training, certification, and placement. In order to increase the role of industry in labor training to avoid labor mismatch, Ministry of Employment has developed job-training system through both domestic and abroad internships.</p>
9. Human capital investment		
<p>The government will: (1) Maintain the constitutional requirement of 20% allocation of our state budget for education; (2) Provide tax incentives for companies which relocate their Research and Development process in Indonesia; and (3) Provide variety of tax-related incentives, such as, tax incentives for labor-intensive businesses, and increase in non-taxable income.</p>	Continuous program	<p>There are four of 2015 MDG targets have been achieved, namely improvement of primary education, gender equality and the empowerment of women, reduction in child mortality, and to build a global partnership for development.</p>
10. Improving Female Participation		
<p>Increase the 2014 budget for the sub---function for the empowerment of women riding around Rp192.7 billion or 2.8 percent.</p>	2014-2019	On Progress

<p>Enhance the efforts to boost female labour force in high level political system.</p> <p>Increase the number of policies / programs / activities in the field of gender responsive to Political, Social and Legal. These programs will be implemented by ministries, Institutions and Local Government. The main target is 11 line ministries and 26 provinces.</p> <p>Improving the equality of women participation in SMEs, industry, and trade activities with the main area target in 3 provinces;</p> <p>Increase women participation in agriculture, forestry, fisheries, marine, food security and agribusiness. This is a coordinated programs of 3 line ministries and 3 provincial governments.</p>		<p>Empowerment of women labor through debriefing and provision of business support Increasing job opportunity for women in formal sector</p> <p>Establishment of equal employment opportunity taskforce involving related ministries and institutions in order to eliminate labor discrimination</p> <p>Provision of career guidance</p> <p>Organizing job expo</p> <p>Law enforcement in employment sector related to women labor protection</p> <p>Government ratification for discrimination in job and position, equal salary between men and women labor</p> <p>Granting awards to company supporting women participation</p>
11. Education Reform		
Interim Steps for Implementation	Deadline	Status
<p>As stipulated in the Law no. 20/2003 regarding National Education System, the Government shall allocate 20% of its annual budget to education sector through: providing scholarships to fresh graduates of senior high schools to pursue their higher education; allocate vocational training and develop school and university curriculums that support entrepreneurship.</p> <p>The measures include: (1) developing employment competency standards by increasing the number of guidelines for administration and management development of Vocational Training Institution (LPK) and the number of formulated and established Indonesia National Skill Competency Standards; and (2) developing competency based training and apprenticeship by increasing the number of licensed Professional Certification Institutions (LSP) (1st/2nd/3rd party), more people in the labor workforce receiving competency based training, increasing the number of Competency Test Assessors with improved capacity; and increasing the number of trainers with better competency</p>	2014-2019	Draft regulation regarding budget allocation to education sector for public vocational training has been initiated by Ministry of Education and Culture.
12. Improvement of the human resources quality to be ready compete in the global market.		
<p>Increase the ratio of Indonesia's productive age to decrease dependency rate and future purchasing power for strengthening growth.</p>	2014-2019	<p>Continuous program: (1) Revitalizing education and vocational training through optimizing public vocational training owned by local and central government; and (2) Improving educational program and training through technology utilization.</p>

13. Improvement of Institutional Exports

<p>Developing and strengthening overseas marketing/representative, such as: ITPC (Indonesian Trade Promotion Centre), Commercial Attaché, and Indonesia's Overseas Representatives (KDEI)</p> <p>Improving the quality of marketing agencies/management representatives through Key Performance Indicator (KPI) of each institution, service standards, standards promotion and promotional materials</p> <p>Strengthening the consumer protection institution through facilitation of or Settlement Body of Consumers Dispute (Badan Penyelesaian Sengketa Konsumen/BPSK)</p> <p>Strengthening the Institute for Consumer Self Protection (Lembaga Perlindungan Konsumen Swadaya Masyarakat / LPKSM)</p> <p>Facilitating National Consumer Protection Agency (Badan Perlindungan Konsumen Nasional / BPKN).</p> <p>Developing distribution facilities through synergy market development, revitalization of traditional markets facilitation in order to improve the competitiveness of traditional market, development of distribution facilities particularly for border regions and remote areas in order to accelerate economic activities and trade growth.</p> <p>Improving and diversifying export markets and destinations through: (a) improving and strengthening the prime/traditional market (European Union, United States, Japan, South Korea, and Singapore); and (b) developing potential/non- traditional market, among others: the PRC and the Asian region, Africa, the Middle East, Eastern Europe, and Latin America.</p>	<p>2014-2019</p>	<p>Indonesia has had 19 ITPC offices across the world (Vancouver, Los Angeles, Chicago, Mexico City, Sao Paolo, Santiago, Hamburg, Budapest, Lyon, Milan, Barcelona, Dubai, Jeddah, Lagos, Johannesburg, Chennai, Busan, Osaka, and Sydney).</p> <p>Key Performance Indicator of Commercial Attaché and ITPC official was developed through integrated Employee Performance System; which comprises list of activities and achievements of trade promotion target, as well as Indonesia trade volume in country that Commercial Attaché and ITPC official are assigned to.</p> <p>BPSK has been established in 171 cities/municipalities. Various Technical Guidances have been conducted and the implementation will be increased to 4 times a year for all BPSK members.</p> <p>Indonesia has development and revitalization program for 5,000 traditional markets for 5 years, with 1,000 target each year. Some of revitalization program will be conducted in 7 integrated transboundary post, following the Presidential Instruction No. 6 of 2015 regarding Acceleration of Development in 7 Integrated Transboundary Post and Infrastructure Supporting Frontier Regions.</p> <p>The Indonesia-Japan Partnership</p> <p>Indonesia and Japan have ratified <i>Indonesia-Japan Economic Partnership Agreement (IJ-EPA)</i>, which covers several sectors: trade in goods, investment, trade in services, movement of natural persons, IPR, cooperation, competition policy, energy and mineral resources, government procurement, custom procedures, improvement of business environment, dispute avoidance and settlement.</p> <p>The Indonesia-European Union Partnership</p> <p>According to the President's direction, Indonesia re-negotiates a Free Trade Agreement with its main export markets, through Comprehensive Economic Partnership Agreement between Indonesia and the EU.</p> <p>The Indonesia-United States Partnership</p> <p>Indonesia and the US held a 14th <i>Trade and Investment Framework Agreement - Trade and Investment Council (TIFA-TIC) meeting</i> on</p>
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		<p>September 18-19, 2015 in Washington, DC. The two countries discussed trade opportunities and trade barriers. Issues on trade and investment were also discussed, namely GSP, SVLK, IUU Fishing, NODA for Palm Oil. Additionally, the Ministry of Trade's deregulation and debureaucratization package was conveyed in the meeting, and appreciated by the US. The package would play an important role in enhancing trading partnership between two countries.</p> <p>In order to diversify export market, Ministry of Trade is actively engaged with Plurilateral Organizations which involve the non-traditional export markets, namely Developing Eight and Organisation of Islamic Cooperation. Indonesia has signed a tariff reduction agreement with Asian, African, and Middle-east countries through partnership framework of <i>Preferential Trade Agreement of the D-8 (PTA D-8)</i> and <i>Trade Preferential System of the Organization of Islamic Cooperation (TPS-OIC)</i>.</p>
14. Encouraging trade openness		
<p>Commitment in ASEAN Economy Community (AEC) will be implemented from 2015 according to AEC timeline and score card. The AEC aims to bring the ASEAN countries toward ASEAN single market and production base, comprising five core elements. Those are: (i) free flow of goods; (ii) free flow of services; (iii) free flow of investment; (iv) free flow of capital; and (v) free flow of skilled labour. In addition, the single market and production base also include two important components, namely, the priority integration sectors, and food, agriculture and forestry.</p>	2014-2019	<p>Implementation of AEC Blueprint is measured by AEC scorecard mechanism:</p> <p>The new baseline of 506 measures, of which 54 are high-priority measures (hpm). As of end-July 2015, ASEAN members have achieved implementation rate of 91.5% - 43 hpm are still pending and accomplished by the end of 2015.</p> <p>Indonesia as an individual country has implemented 93.1% of the Blueprint with pending 35 high-priority measures – of which 20 are to be completed this year. At the end of 2015, the implementation rate is expected to grow to 97.03%.</p> <p>The remaining measures which are deemed not being able to be completed this year, will be implemented in 2016 within post-2015 AEC agenda.</p>
15. Encourage information technology in trade sector		
<ol style="list-style-type: none"> 1. Increasing in collection of information/data from a trade representative office, TPO (Trade Promotion Office); 2. Systematic dissemination of updated information; 3. Increasing inquiry services; 4. Periodical maintaining and updating the website; 5. Increasing the activities of public relations and publications; 6. Increasing business consulting for SMEs. 	2014-2019	<p>Directorate General for National Export Development of Ministry of Trade has developed a website which provides updates on the following.</p> <ul style="list-style-type: none"> • Trade expo/export forum • Export performance of Indonesia • Export regulation of Indonesia • Product information <p>Relevant information to exporter and buyer</p>

		At the recruitment stage for promotion program, Ministry of Trade cooperates with experts to choose the selective products. The experts give some advices to the participants on product design, material quality, market target, product packaging.
16. Improving Investment Climate		
<p>Simplification, acceleration, and transparency of investment and business procedures, as well as providing information assurance costs;</p> <p>An increase in the harmonization and simplification of regulations related to investment and economic efforts to reduce the high cost and uncertainty of business;</p> <p>Accelerating the development and implementation of the functions of special economic zones (KEK/Kawasan Ekonomi Khusus) in the economic corridor that has been established in MP3EI;</p> <p>The development and improvement of license and online facilities for export and import activities as well as investment and business licenses; implementation of wage policy toward a system that can accept flexibility in order to improve the labour market efficiency</p>	2014-2019	<p>The Government has added 3 licenses into mandatory online trade licensing (submitted through INATRADE system) in 2015; namely Registered Importer of Forestry Products, Importer Producer of Forestry Products, and Import Approval of Forestry Products, according to Minister of Trade Regulation 78/M/DAG10/2014. This will result in total numbers of mandatory online licensing by the end of 2015, to be 99 licenses.</p> <p>Minimum wage functions as safety net and applies to labor with less than a year of service. It applies to all business variances and sectors and to all Indonesia regions.</p> <p>Giving the critics from businesses and stakeholders, Ministry of Employment is conducting a study regarding minimum wage formulation that is predictable, fair, and simple. This formula is to be accepted by all parts, labor and business.</p> <p>Wage above the minimum is determined by negotiation between business and labor.</p>
17. Financial Deepening Program		
<p>Financial Deepening. FX Market: Focus will be to relax some regulation in order to support efficiency in FX transactions, increase market volume, and develop derivative transactions and instruments; this regulation is in the pipeline to be amended.</p> <p>Focus will be looking at the possibilities to develop instruments to provide market with alternative source of fund and liquidity instrument, looking at the possibilities to implement FX special deposit accounts, with special rate to attract export proceeds to be placed in domestic accounts.</p> <p>Focus will be on enriching sharia money market instruments by developing interbank repo market with coordination of national Sharia Board.</p>	2014-2019	<p>Continuous Program</p> <p>Amendment PBI No.16 / 16 / PBI / 2014 and PBI No.16 / 17 / PBI / 2014 which regulates Forex trading / IDR Bank with domestic and foreign parties on October 2, 2015 which is to increase the threshold forward selling to \$ 5 million.</p> <p>Publishing PBI No.18 / 2 / PBI / 2016 on Hedging Transactions Sharia on February 24, 2016.</p> <p>The signing of the MoU between BI Deepening Financial Markets, FSA, and the Ministry of Finance which includes the establishment of the Coordination Forum for Development Financing through the Financial Markets (FK-first-aid) dated 8 April 2016</p>

		Completion of the market code of conduct (CoC) which is used in the financial markets so that it complies with international CoC April 29th, 2016.
18. SMEs empowerment		
Government has undertaken to promote small-medium enterprises' access to financing through Government Regulation number 46 year 2013. The purpose is to simplify the taxpayers pay their income tax both personal and company taxpayers, which have the sales turnover not more than IDR 4,8 billion (approx. USD 400,000) to comply their obligation with single tariff of 1% income tax per year. The obligation to register the business and pay income tax in single tariff will obviously encourage huge number of business to move from informal sector to formal sector.	2014-2019	Completed Simplification of tax administration for SMEs. SMEs inclusion in national taxation system will categorize them as formal sector. This could ease SMEs to access bank financing
19. Reducing tariff barrier		
1. To close the development gap both domestically and regionally, Indonesia develop concrete and realistic steps: 2. Reducing the Tariff Measures. Indonesia has implemented a tariff system based on HS 2012 which covers 10,025 tariff lines (previously it covered 8,755 tariff lines). The implementation is based on Minister of Finance Regulation (PMK) No. 213/PMK.011/2011 and amended by Minister of Finance Regulation No. 133/PMK.011/2013 FMD. The tariff commitments in several free trade agreements have been converted from HS 2010 to HS 2012.	2014-2019	The tariff commitments in several free trade agreements have been converted from HS 2010 to HS 2012.
20. Reducing Non-Tariff Barrier		
Reducing Non-Tariff Measures to improve the importing process of certain products, to support the implementation of ASEAN Harmonized Tariffs Nomenclature, to provide business certainty, to create conclusive business climate and increase effective implementation of the international trade provisions, through the implementation of the Minister of Trade Regulation HS 2010 to HS 2012.	2014-2019	<ul style="list-style-type: none"> - ASEAN is to publish Non-tariff Measures (NTMs) database on ASEAN Trade Repository (ATR)/National Trade Repository (MTR), and notify NTMs periodically through Coordinating Committee on ATIGA (CCA)/Senior Economic Officials Meeting (SEOM) to the Secretariate. - ASEAN is to eliminate Non-tariff Barriers (NTBs) and report the result to AFTA Council through SEOM after being approved by CCA, ACCSQ, ACSPPS, and DG Customs. - ASEAN is to update Work Programme NTMs at Regional and National Level.

		<ul style="list-style-type: none"> - ASEAN is to optimize the website of ASEAN Solutions and Settlements for Investments, Services, and Trade (ASSIST) as a platform to solve NTMs/NTBs dispute - Indonesia NTMs has been published and updated regularly by relevant Ministry and Institution on Indonesia National Trade Repository website. - Solution of Indonesia NTMs: Economic Policy Package <ul style="list-style-type: none"> • Target on September 2015: to revise Minister of Trade Regulation in order to eliminate Surveyor Report on exports of timber, rice, and non-pharmaceutical precursor. • Target on October 2015: to revise Minister of Trade Regulation in order to eliminate Surveyor Report as a pre-clearance document for cosmetics product and eliminate Ministry of Industry recommendation on sugar import. • Deregulation has been conducted up to county-level regulation and licensing. • This package has been reinforced by Indonesia National Single Window (INSW) system. • The export-import licensing process will be mandatorily done by online with a digital signature in October 2015. <p>Evaluation will be conducted semesterly by Trade Deregulation Team for Ministry of Trade, in coordination with The Coordinating Ministry for Economic Affairs.</p>
21. Establishing National Logistic System		
Improving services sector to support logistic performance, especially for the distribution for trade, through the implementation Minister of Trade Regulation.	2014-2019	<ul style="list-style-type: none"> - National Logistic System development is based on 6 key drivers: key commodities, logistics actors and service providers, transport infrastructure, information and communication technology, human resources and management, laws and regulation.

		<ul style="list-style-type: none"> – According to LPI survey from World Bank, Indonesia logistics performance index improved in Global Rankings 2014, raised by 6 levels to no. 53, compared with 2012. – According to Frost & Sullivan, the estimate of Indonesia logistics business value reached IDR 2,100 trillion in 2014, with 14,7% growth over the last 3 years. This showed great business opportunities in logistics service area. – Indonesia has committed distribution services to Asean Framework Agreement on Services (AFAS), ASEAN-Japan Comprehensive Economic Partnership (AJCEP), and Indonesia-Japan Economic Partnership Agreement (IJEPA). – While for transport services, Indonesia has committed it to all international trade negotiation forum.
22. Address "Across the border" issues by implementing ASEAN Economic Community		
<ol style="list-style-type: none"> 1. Continue working with other ASEAN countries to realize the ASEAN Economic Community by 2015 and ensure that the Community is functioning well. 2. Promote the participation of SMEs in regional and global trade by inter alia assisting SMEs participation in trade fairs, expo and exhibitions in targeted countries. 	2014-2019	<ul style="list-style-type: none"> – Across the border issues continue to be discussed in Senior Economic Officials Meeting, such as e-commerce and issuance of ASEAN Business Travel Card; both aim to support SMEs development in ASEAN. – The Philippines has asked for ASEAN support to co-sponsor its paper on <i>Fostering the Participation of MSMEs in Regional and Global Market</i>, which will be proposed in 10th WTO meeting. In principle, Indonesia supports the idea, considering the emerging countries' interest in integrating SMEs into the global and regional value chain. – ASEAN has discussed SMEs development in post-2015 agenda: <ul style="list-style-type: none"> • Promoting productivity, technology, and innovation; • Facilitating their access to finance by finance inclusion and literacy; • Enhancing market access and internationalisation by promoting integration of SMEs into global supply chain; • Enhancing SMEs policy and regulatory environment;

		<ul style="list-style-type: none"> • Promoting entrepreneurship and human capital development; • Regarding realization of ASEAN Economic Community by 2015, ASEAN Integration Monitoring Office (AIMO) is to monitor its economic integration rate and reports to ASEAN Economic Ministers and SEOM. <p>– During 2011-2015, Ministry of Trade has facilitated 1634 businesses to participate in foreign expo, 534 in the domestic, 296 in trade mission programme to 39 countries, and 31 in buying mission programme, involving buyers from 15 countries.</p> <p>– Total promotion programmes Ministry of Trade has participated during 2011-2015 are 83 foreign expo, 46 domestic expo, 24 trade mission, and 18 buying mission.</p> <p>– Ministry of Trade will have more promotion programme for non-traditional markets in 2016. This aims to increase exports to such countries. Nevertheless, Indonesia remains to keep traditional market and Asia as their main export destination.</p>
23. Address "at the border" issues by improving infrastructure		
<p>Improve the hard infrastructure, including sea and airports.</p> <p>Make effective the application of the National Single Window, including by expanding the regime to other regional ports across the archipelago.</p> <p>Expand the implementation of e-certification of origin, including its socialization amongst the SMEs.</p>	2014-2019	<p>– Application of Indonesia National Single Window is determined in President Regulation No. 10 of 2008, in compliance with Article 10.3 TFA: Single Window.</p> <p>– Implementation of Article 6.3 TFA: Penalty Disciplines is regulated in Government Regulation No. 28 of 2008 and Law No. 17 of 2006 concerning Amendment of Law No. 10 of 1995 on Customs.</p> <p>– Implementation of Article 7.1 TFA: Pre-arrival Processing is regulated in Article 17A Law No. 17 of 2006 concerning Amendment of Law No. 10 of 1995 on Customs, Minister of Finance Regulation No. 144/PMK.04/2007 Article 3 Paragraph (6), Customs Regulation No. P-42/BC/2008.</p> <p>– Implementation of Article 10.6 TFA: Use of Custom Brokers is regulated in Article 29 Paragraph (2) Law No. 17 of 2006 concerning Amendment of Law No. 10 of 1995 on Customs, Minister of Finance Regulation No. 65/PMK.04/2007, and DG of Customs and Excise Regulation No. 25.</p>

		<ul style="list-style-type: none"> - Implementations of Risk Management using chanel system (Red, Yellow, Green) and introduction of main partner chanel are in compliance with Article 7.4 TFA. - Implementation of Article 9 TFA: Freedom of Transit is regulated in Article 10A Paragraph (6) and (7) Law No. 17 of 2006 concerning Amandment of Law No. 10 of 1995 on Customs. - Indonesia Electronic Certificate of Origin (e-COO) has been implemented in 86 issuing agencies and can be accessed by all businesses and SMEs integrated into INSW (Indonesia National Single Windows) - Directorate of Export and Import Facilitation for Ministry of Trade conducts technical guidance on e-COO system yearly for all issuing agencies.
24. Address "behind the border" issues by promote e-commerce and SMEs empowerment		
<p>Promote the use of e-commerce, and in parallel putting in place the necessary measures to protect the rights of users and consumers.</p> <p>Mainstream the development of services sectors deemed to function as lubricants for other sectors to grow faster in support of Global Value Chain narratives.</p> <p>Deepen and expand work on financial inclusion, especially in support of SMEs, and women and young entrepreneurs.</p> <p>Promote investment in infrastructure to develop and improve the domestic connectivity (to narrow price differences between regions, and open up more links between regional entry points and international markets)</p>	2014-2019	<ul style="list-style-type: none"> - As of Trade Facilitation National Committee establishment process, negotiation team for trade facilitation has been formed based on Presidential Instruction No. 6 of 2013 concerning Amandment of Presidential Instruction No. 28 of 2005 concerning National Team Establishment for International Trade Facilitation, in compliance with Article 23.2 TFA. - Regulation on trade and trade facilitation are published on www.kemendag.go.id and www.beacukai.go.id. - To Draft E-commerce Regulation, as mandated by Law No. 7 of 2014 concerning Trade. - To Draft Academic Paper on Draft Government Regulation Draft of E-commerce. <p>ASEAN is concerned about some issues on GVC development, among others:</p> <ul style="list-style-type: none"> • Regional branding, roadshow and other joint marketing strategies; • Trade facilitation initiatives focusing on both import and export; • Harmonisation to international standards and support for standard compliance capacity building; • Better information sharing;

		<p>Greater focus on connectivity, lessening the trade restrictive effect and cost of NTMs and domestic regulatory reform.</p> <ul style="list-style-type: none"> - Issues on ASEAN connectivity are handled by ASEAN Connectivity Coordinating Committee (ACCC), which comprises permanent representatives from ASEAN member state. - ACCC continues discussing implementation of Master Plan on ASEAN Connectivity (MPAC), of which only ASEAN Single Telecommunication Market has been agreed to be a measure on post-2015 agenda. - ACCC also continues discussing PPP scheme development for ASEAN connectivity. The connectivity development is supported by ASEAN partner countries, namely China, EU, India, Japan, and South Korea.
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Table 1.4. Investment Strategy Commitments

Please provide a general overall assessment on the status of implementation of investment strategies as below.

	Facilitators	Safeguards
Investment Ecosystem	<p>Supporting Improvements in Investment Climate and Promoting Private Investment :</p> <ul style="list-style-type: none"> • Facilitate FDI • Anti – corruption policies: Strengthen or creation of National Anti - Corruption Authorities • Stabilising Capital Flow <p>Facilitating Financial Intermediation :</p> <ul style="list-style-type: none"> • Promote Financial Inclusion 	<p>Appropriate legal and Institutional Setting:</p> <ul style="list-style-type: none"> • Adequate Regulatory Framework
Infrastructure	<p>Supporting Improvements in investment climate:</p> <ul style="list-style-type: none"> • Increasing public investment in infrastructure and investment plans: Committee for the acceleration of priority infrastructure provision in Indonesia. • Expanding support to PPP: Government guarantee in PPP in Indonesia. <p>Facilitating Financial Intermediation:</p> <ul style="list-style-type: none"> • Tax incentives 	
SMEs	<p>Facilitating Financial Intermediation</p> <ul style="list-style-type: none"> • Promoting financial inclusion : youth credit programme, Provide easy access to financial institutions • Reduce informality: Government regulation 46 of Indonesia 	

Annex 2. New and Adjusted Policy Commitments since Antalya

Table 2.1. The new or adjusted commitment put forward in 2016

1. Improving infrastructure investment policy framework (Adjusted Brisbane Commitment)		
Removal of barriers to multi-year contracts for Government procurement	2016	The Government has removed barriers to multi-year contracts for Government procurement. Multi-year contracts are generally more efficient than a series of single year contracts for large, multi-year infrastructure projects. It enables higher economies of scale for contractors thereby lowering average total project costs, increases project quality through better design and implementation, and increases efficiency by reducing procurement processes.
Increase in early procurement for capital projects in the 2016 State Budget	2016	By starting the procurement process earlier line ministries should be in a position to sign contracts shortly after the Budget is approved. Earlier procurement should reduce the heavy back loading of capital spending and reduce risks to implementing projects in the budget year.
2. Improving market competition to support investment and trade activities (Adjusted Antalya Commitment)		
A revision of the Negative Investment List	2016	<p>The policy is intended to remove barriers in Indonesia's market in order to attract more foreign investment, as discussed in Section D.</p> <p>Recent relaxations of the list include:</p> <ul style="list-style-type: none"> • Opening 29 business fields (e.g., crumb rubber and cold storage) to 100 percent foreign ownership • Raising the foreign equity limit to 67 percent for 29 business fields (e.g., one- and two-star hotels, warehousing, and loading/unloading cargo) • Opening 19 business fields (e.g., passenger land transport, electricity installation), previously closed to foreign owners, to foreign investment with some restrictions.
International Trade Negotiations	Continuous program	The Indonesian Ministry of Trade (MOT) will expand its market access by accelerating trade negotiation through FTA-CEPA cooperation with European Union, EFTA, Australia and Turkey. Moreover, Indonesia will also continue to increase our engagement in ASEAN Economic Community (AEC) as an export destination market, deepening existing regional supply chains and creating job opportunities.
Good export-import facilitation	Continuous program	The MOT has essential role to achieve it through the following strategies: (1) Simplifying the bureaucratic culture, changing it into culture of service and development; (2) Focusing on product development for global market and business services and facilitations, including e-commerce and the development of traditional market; (3) Implementing INATRADE e-licensing to support Indonesia National Single Window (INSW); (4) Applying Self-

		Certification by officially appointing 15 exporters to attend the Self-Certification pilot project scheme under ASEAN Trade in Goods Agreement (ATIGA); and (5) Introducing 'Ease of Import Facilities for Export Purposes (Kemudahan Impor untuk Tujuan Ekspor/KITE)' to enhance the level of competitiveness of Indonesian products by reducing imports of raw materials.
Trade in Services	Continuous program	The Government has set priority to create more skilled workers in hospitality, pilot services, cruise industry, automobile services and finance sector.
Infrastructure of domestic trade	Continuous program	The target is to keep the inflation stable. Thus, staple food price needs to be continuously monitored to ensure its supply in the market.
De-bureaucratization and Deregulation	Continuous program	<p>Following the deregulation and de-bureaucratization packages, MOT has simplified the process for applying licenses by: issuing 28 Trade Minister Regulations by truncating 28.9% of the permits, from the total of 169 types of export-import documents reduced into only 120. This simplification is intended to solve the impediment in export-import activities, including: scarcity of goods; decrease price disparity; lower inflation; and broaden business opportunity.</p> <p>The government views that strategic and productive management of imports can support the domestic export industry. Therefore, deregulation and de-bureaucratization are expected to create a favorable climate for business and investment in Indonesia. The details about this simplification are explained as follows:</p> <ul style="list-style-type: none"> • The Government will trim regulations, simplify varies licensing procedures, minimize irrelevant requirements and eliminate unnecessary checking. All of which have been stipulated by 15 ministries/institutions or 18 license-issuing units. • Deregulation for exports will be done by way of eliminating mandatory Surveyor Verification (Laporan Surveyor/LS) on exports (timber, rice, non-pharmaceutical precursors, oil and gas, CPO, and process and purified mining products). • Deregulation in imports process includes: eliminating the process of mandatory surveyor verifications (LS) for various imported goods (iron/steel and ozone depleting substances); removing recommendation requirements (forestry products, sugar, textile and textile products, Sodium Tripolyphosphate, iron/steel, coiling system based products, rice, horticultural products, batik and textile with batik pattern, raw materials, color multifunction peripheral, industrial salt); and simplifying requirements for several products (textile and textile product, cloves and pearls). • MOT will: ease procurement of raw materials (non-hazardous and/or toxic waste); revoke several import provisions (tires, mandatory SNI products, Letter of Admission of Goods, labels and optical disc); revise regulations

		(importers' Registration Number/Angka Pengenal Impor, modern stores); and eliminate registered importers. Twenty Six regulations have been successfully revised (revocation/ simplification/ amendment) <ul style="list-style-type: none"> • The President of the Republic of Indonesia targets to bolster Indonesia's World Bank's "ease of doing business" rank to the 40th next year. This will encourage the Government to continue working on the momentum of the rationalization and simplification programs that have been starting from September 2015.
Export Financing	2016	The Government has implemented a number of policies aimed at improving export financing in order to improve investment in the export sector. These include: <ul style="list-style-type: none"> • Cutting interest rate tax for exporters, to attract exporters to keep their proceeds in domestic banks • Granting soft micro loans for more than SMEs, export-oriented, labor-intensive business • Subsidizing loans for export-oriented small & medium enterprises
Digital revolution	Continuous program	The government sets priorities for digital revolution by simplifying trade regulations. This simplification requires reforming the government services and shifting the trade process from paper-based to online-based. This transformation creates more transparent and efficient services. Furthermore, digital technology and e-commerce will help SMEs, as the fundamental sector in Indonesia, to better integrate to formal economy without having to deal with long bureaucratic stages. Considering vast development in digital technology, the service sector (the sector that is most affected) is expected to be the leading sector in the near future. In this regard, MOT encourages Trade Attaches, ITPC, and provincial and local government to learn more about the social media. The use of this media is not only for a source of entertainment, but also for reaching a broader exposure to promote the products and services. The application of internet in trade sector allow us to reduce the physical distance in the trade negotiations. Therefore, we can open our access to the global market.
3. Enhancing employment policy reform (Adjusted Brisbane Commitment)		
Better wage-setting process	Continuous program	In one of the policy packages, the Government introduced a minimum wage formula which aims to increase the transparency and predictability of the wage-setting process.
Improving skills of workers	Continuous program	The Government has set policy priority for improving skills of workers by: (a) enhancing coordination with corresponding ministries, education and training institutions, and companies to develop and implement National Working Competency Standard of Indonesia (SKKNI); (b) focusing on revitalizing vocational training center through improving quality of training programs, means, and instructors; (c) maintaining the quality of training institutions through implementing accreditation system; (d) conducting competency-based training; (e) issuing certificate of competency for instructors, training graduates, and experienced workers; (f) increasing domestic and international apprenticeship programs, both in terms of quantity and quality; (g) intensifying Improving National Productivity Action; and (h) optimizing role played by National Productivity Institution.

Improve quality of placement service and labor empowerment	2014-2019	In regard to labor market reforms, the Government has taken policy actions to improve quality of placement service and labor empowerment through: (a) Expanding job creation – the success criteria is the availability of 10 million job opportunities per year with a target of 2 million workers receiving placement facilities and labor empowerment; (b) empowering society through labor intensive program – the success criteria is the absorption and empowerment of 70,000 unemployed and half unemployed labors, and the poor per year, with a target of 73,000 unemployment absorbed by the program; and (c) empowering society through independent labor program – the success criteria is the absorption and empowerment of 42,360 unemployed and half unemployed labors, and the poor per year, with a target of 42,000 unemployment absorbed by the program.
4. Strengthening the financial system (New Commitment)		
Expansion of access to financing of startups and SMEs	2015-2019	To date, such businesses have only been able to access bank financing with principle and interest payments that do not match their cash flows. The Government will expand access to financing that meets the needs of startups and SMEs
Permission for limited partnerships (CV) to invest in venture capital	2016	The Government is facilitating the growth of venture capital by allowing limited partnerships (CV) to invest in venture capital; previously, only limited (Ltd.) companies could provide this service
Relaxation of requirements for banks to provide foreign currency deposits	2016	These reforms now enable the branch office of foreign banks to deposit and manage foreign currency or business trusts in national banks. Such measures are designed, among other things, to attract foreign investment.
Issuance of the Law on Crisis Financial System Prevention and Mitigation	2016	The law is crucial for Indonesian government to maintain a high propensity to provide support for large banks during times of stress. The new law has been designed to prevent the use of taxpayer money to help insolvent banks. The law requires controlling shareholders to contribute additional capital before government support in the event of a bank failure in order to minimize the moral hazard. In summary, the law puts forward the Bail-In concept, rather than Bail-Out. This concept pushes banks to solve their liquidity problem when financial crisis occurs with their own resources.

5. Promoting more inclusive growth (New Commitment)		
Insurance scheme for rice farmers	2016	In collaboration with the consortium of insurance companies, the Government offers insurance to rice farmers. The insurance is subsidized by government through the payment of 80% premium. This policy aims to minimize the loss suffered by the farmers due to weather uncertainty, and help farmers access formal credit.
More affordable housing for low income group	Continuous program	Some programs is also targeted to the development of SMEs by improving housing facilities in industrial areas
Micro Credit Program (KUR) Expansion	Continuous program	Expanding the Micro Credit Program (KUR) to include families (not only businesses) and cutting interest rate.
Fiscal incentives for investment	2015-2019	Providing fiscal incentives for investment in special economic zones in marginal areas
Rural transfers	Continuous program	Encouraging infrastructure development in rural areas through rural transfers, accelerating power infrastructure development, and improving rural-urban logistics.
Better access to water resources	2015-2019	Providing better access to water resources to improve living conditions, particularly for the poor by developing of Government regulation on water resource utilization and drinking water provision and establishing a new mechanism to avoid water monopolies.

Annex 3. Past commitment – St. Petersburg fiscal commitment

Please include the overall assessment of the 2010 Toronto commitments.

Please update the tables as follows:

Table 3.1 Medium-term projections, and change since last submission

	Estimate Projections						
	2014	2015	2016	2017	2018	2019	2020
Govt Debt (% per GDP)	24.7 ¹⁾	26.8 ¹⁾	27.0 ¹⁾	23.7	22.6	21.1	NA
<i>ppt change</i>							
Net Debt							
<i>ppt change</i>							
Deficit (% per GDP)	-2.33 ²⁾	-2.53 ²⁾	-2.15 ³⁾	-2.1	-1.7	-1.2	
<i>ppt change</i>							
Primary Balance (% per GDP)	-1.0	-0.8	-0.9	-0.8	-0.6	-0.2	
<i>ppt change</i>							
CAPB	NA	NA	NA	NA	NA	NA	NA
<i>ppt change</i>							

¹⁾ Source: DJPPR

²⁾ Real.

³⁾ APBN 2016

Table 3.2. Assumptions for growth for the debt-to-GDP ratio and deficit projections

	Estimate Projections						
	2014*)	2015*)	2016**)	2017	2018	2019	2020
Real GDP growth (%)	5.0	4.8	5.3	7.1	7.5	8.0	
<i>ppt change</i>							
Nominal GDP growth	10.7	9.2	9.5	9.5-10.1	9.2-10.3	9.8-11.2	10.2-11.4
<i>ppt change</i>							

*) Real.

***)APBN 2016

Note:

Source: RPJMN 2015-2019



Annex 4. Pre-Brisbane commitments

The purpose of these tables is to monitor the implementation of members' Pre-Brisbane commitments.

Table 4.1 Pre-Brisbane Commitments

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane.

Commitment	
<i>[State commitment]</i>	
Structural reform/monetary & exchange rate policies <i>[Select area]</i>	Action Plan <i>[From which Action Plan is this commitment?]</i>
Rationale for carrying forward	<i>[Identify how this commitment contributes to strong, sustainable and balanced growth]</i>
Update on Progress	<i>[Update on progress made on original commitment, and whether revisions have been made to the original commitment. Include qualitative and quantitative measures to assess progress, where relevant.]</i>

Annex 5. Key Economic Indicators

Please update table of key indicators as follows:

Table 5.1. Key Indicators

	2015***	2016	2017	2018	2019	2020
I. Macroeconomic Indicators						
Real GDP (% yoy) ¹⁾	4,8	5,3	5,3-5,9	5,5 – 6,6	6,1 – 7,4	6,5 – 7,6
Nominal GDP (% yoy) ¹⁾	9,2	9,5	9,5-10,1	9,2-10,3	9,8-11,2	10,2-11,4
Output Gap (% of GDP)*	NA	NA	NA	NA	NA	NA
Inflation (% yoy) ¹⁾	3,351)	4,0	3,0 – 5,0	3,5±1	3,5±1	3,0±1
Fiscal Balance (% of GDP)**						
Unemployment (%) ²⁾	6,181)	5,6 – 5,9	5,3 – 5,6	4,6-5,1	4,0-5,0	-
Savings-Investment (% of GDP) ³⁾	(1,6)	(0,4)	0,4	1,0	1,3	-
Investment (% of GDP)	NA	NA	NA	NA	NA	NA
Public Fixed Capital Investment (% GDP)						
Private Fixed Capital Investment (% GDP)						
Total Fixed Capital Investment (% GDP)	33,2	34,2	35,1	35,8	36,7	38,1
Current Account Balance (% of GDP)	-2.0	-2.2	-2.7	-2.8	-2.6	-2.6

*A positive (negative) gap indicates an economy above (below) its potential.

**A positive (negative) balance indicates a fiscal surplus (deficit).

*** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.

Source:

- ¹⁾ KEM PPKF 2017
- ²⁾ RPJMN 2014-2019 with adjustment from KEM PPKF 2017
- ³⁾ RPJMN 2014-2019