



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA



MEDIUM-TERM DEBT MANAGEMENT STRATEGY 2024-2027

Minister of Finance Decree
No. 462 Year 2023





OBJECTIVES

PRINCIPLES

ASSUMPTIONS

GENERAL DEBT MANAGEMENT POLICY

**Government Securities (SBN)
Management Policy**

Loan Management Policy

**Government Guarantee
Management Policy**

QUALITATIVE STRATEGY 

Composition of New Debt Issuance

Targeted Risk Indicators

Monitored Risk Indicators

 QUANTITATIVE STRATEGY

**Government Guarantee
Maximum Limit**

Objectives, Principles, and Assumptions



Objectives

- ✓ To meet the state budget financing needs by raising debt at minimal costs and a tolerable level of risk, including supporting infrastructure financing needs through the development of creative and innovative financing, while still maintaining fiscal sustainability.
- ✓ To support the development of a deep, active, liquid, inclusive, and efficient domestic SBN market



Principles

- ✓ **Accelerative**
Encourage the use of debt as a growth catalyst and support the state budget's role as a shock absorber in maintaining growth momentum and accelerating economic transformation
- ✓ **Efficient**
Promote debt issuance at minimal costs through market development and deepening, as well as diversification of debt instruments
- ✓ **Balanced**
Strive to create a balance between costs and risks by developing an optimal debt portfolio, thereby supporting fiscal sustainability



Assumptions >>>

Medium-term projection on interest rates and exchange rates

Indication of debt financing needs

Indication of government guarantees needs

General Debt Policies

carried out within the framework of state financial risk management



Control debt-to-GDP ratio within a safe limit to support long-term fiscal sustainability, as well as other state financial risk parameters



Prioritize domestic financing sources and utilize external financing sources as a complement



Diversify debt instrument in an effort to deepen domestic financial markets and expand the alternative of debt financing sources



Expand the investor base by enhancing financial literacy within the framework of a holistic and structured communication strategy



Encourage the development of creative and sustainable financing to support growth financing, accelerate economic transformation, and fulfill state budget financing needs



Utilize debt liability management schemes and/or hedging instruments to achieve an optimal debt portfolio and/or control debt risk



Support the development of infrastructure projects and the implementation of strategic programs through **guarantees**



Increase transparency and accountability in debt management and guarantee through periodic publishing and active communication strategies

Government Securities (SBN) Management Policies



Supply Side

1. Prioritize Issuance in the domestic market
2. Use foreign denominated SBN as a complement, with a focus on hard currency
3. Actively manage the SBN portfolio (e.g., through cash buybacks and debt switches)
4. Diversify SBN to support market development and deepening, reduce fragmentation, and manage debt risk



Infrastructure Side

1. Optimize the role and capacity of SBN sales partners in the primary market
2. Support the development and optimization of the ETP to enhance liquidity, transparency, and surveillance
3. Further refinement of CMP & BSF
4. Improve the rules regarding SLF
5. Upgrade infrastructure for online SBN transactions



Demand Side

1. Carry out preparation & harmonization of holistic and structured communication strategies, along with active and dynamic education and outreach initiatives, including the strengthening of institutional cooperation programs
2. Enhance synergy and collaboration across authorities, as well as with academicians, investors, and other stakeholders

Loan Management Policies



Improve activities/project performance by strengthening synergy and coordination between the MoF, BAPPENAS, line ministries, and, if necessary, involving lenders

1. Improve the quality of planning, preparation, and procurement
2. Enhance the quality of budgeting
3. Conduct regular monitoring and evaluation



Expanding the scope of project loan utilization to support:

1. Accomplish national development goals
2. Development of physical infrastructure, energy resilience and independence, technological products that cannot be produced domestically, and defense security;
3. Promotion of the use of local products, with consideration for local content and technology transfer



Optimize program loans, with consideration for:

1. Lender's capacity and development goals
2. Availability of a policy matrix
3. Currency required by the state treasury
4. Cost and risk target






FX loan portfolio management, with consideration for

- Debt portfolio composition target
- Loan product structure

Quantitative Target 2024-2027





New Debt Issuance^{*)}

	IDR : Minimum 75%
	fixed Rate: Minimum 80%
	Pmedium – Long Term (>3y): Minimum 65%

^{*)}) The composition of new debt issuance may deviate from the target in the following circumstances:

1. State budget deviations that lead to significant changes in debt financing needs and sources;
2. Significant changes in financial markets resulting in turmoil in the SBN market, including auction failures.
3. Guarantee obligation claims with a significant value that cannot be covered by the guarantee reserve fund.
4. Acceleration of loan withdrawals to support national development financing.
5. Emergency conditions that could potentially disrupt the financing plan.

Targeted Risk Indicators^{**)}

	Foreign Currency to Total Outstanding (%)	Maximum 30,0%
	Variable Debt to Total Outstanding (%)	Maximum 20,0%
	Debt Maturity in 1 Year to Total Outstanding (%)	Maximum 12,5%
	Average Time to Maturity/ATM (year)	Minimum 7,0 years

Monitored Risk Indicators^{**)}

	Debt to GDP (%)	Around 40%
	Interest Payment to GDP (%)	Around 3%

^{**)} Established in the same trajectory for each year until 2027 and has accommodated the potential shock of the exchange rate

Policy on the Management of Government Guarantee Obligations



Conducted to manage fiscal risk in the context of guaranteeing the National Priority/Strategic Program

The issuance of guarantees is provided based on the provisions of the legislation to improve creditworthiness and/or increase the participation of business entities in the Government's strategic projects or programs.

General Principles of Government Guarantee Management

- Conducted in accordance with the provisions of laws and regulations
- Meets the principles of transparency, accountability, and fiscal sustainability.
- The total amount of guarantees does not exceed the maximum guarantee limit.

- Government guarantees are provided for the financial obligations of Ministries/Institutions, Regional Governments, SOEs, Regional-Owned Enterprises, and/or other guaranteed parties for national economic emergencies in accordance with laws and regulations.
- The government, as the guarantor, may impose a guarantee fee



Medium-Term Macro Assumption 2024-2027

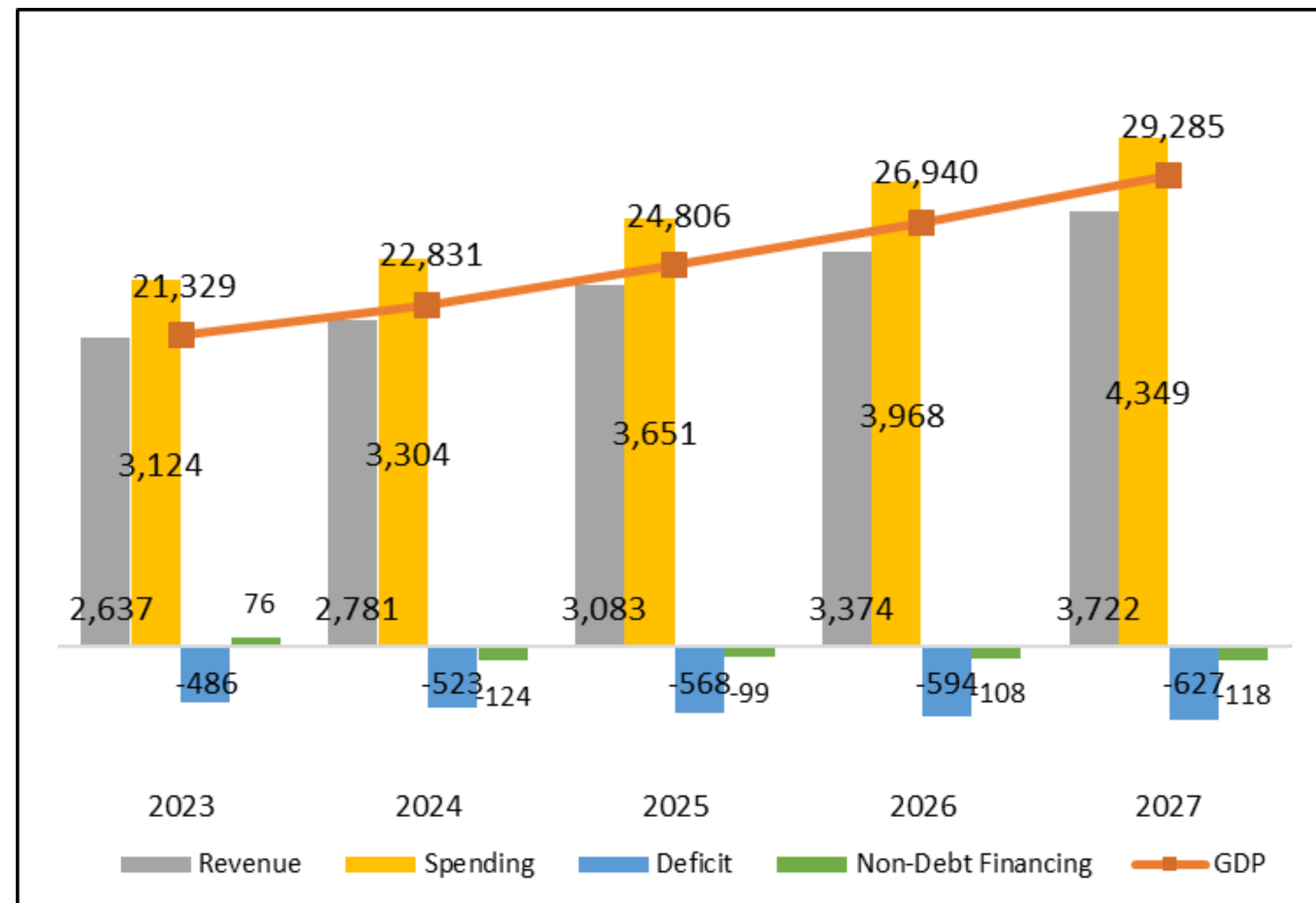
Macro Indicators	2023		2024	2025	2026	2027
	State Budget	Outlook	State Budget Plan	Projection	Projection	Projection
Growth (%yoy)	5,3	5,0-5,3	5,2	5,5-6,0	5,6-6,3	5,7-6,4
SBN 10y (%)	7,9	6,6-6,9	6,7	6,3-7,5	6,3-7,5	6,3-7,5
USDIDR	14.800	15.000-15.250	15.000	14.800-15.200	14.700-15.200	14.600-15.000

Sources: Ministry of Finance



The government's fiscal policy remains expansionary with a deficit budget, but within safe limits and efforts are being made to gradually decrease it as a percentage of GDP.

Medium-Term Fiscal Framework 2024-2027



Sources: Ministry of Finance



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