



KEMENTERIAN KEUANGAN  
REPUBLIK INDONESIA

djppr 

# MEDIUM TERM DEBT MANAGEMENT STRATEGY 2023-2026

**KMK-381/KMK.08/2022**

# MEDIUM TERM DEBT MANAGEMENT STRATEGY



## Scope

- 1) Management of State Budget financing through debt, comprising of Government Securities (SBN) and Loans; and
- 2) Management of Government Guarantee

## Objectives

- 1) To meet the State Budget financing needs by raising debt at minimum cost and controlled risk level  
  
>> including: to provide funding for infrastructure developments by improving creative and innovative financing while taking into account fiscal sustainability
- 2) To support the development of deep, active, and liquid domestic markets for Government securities (SBN)

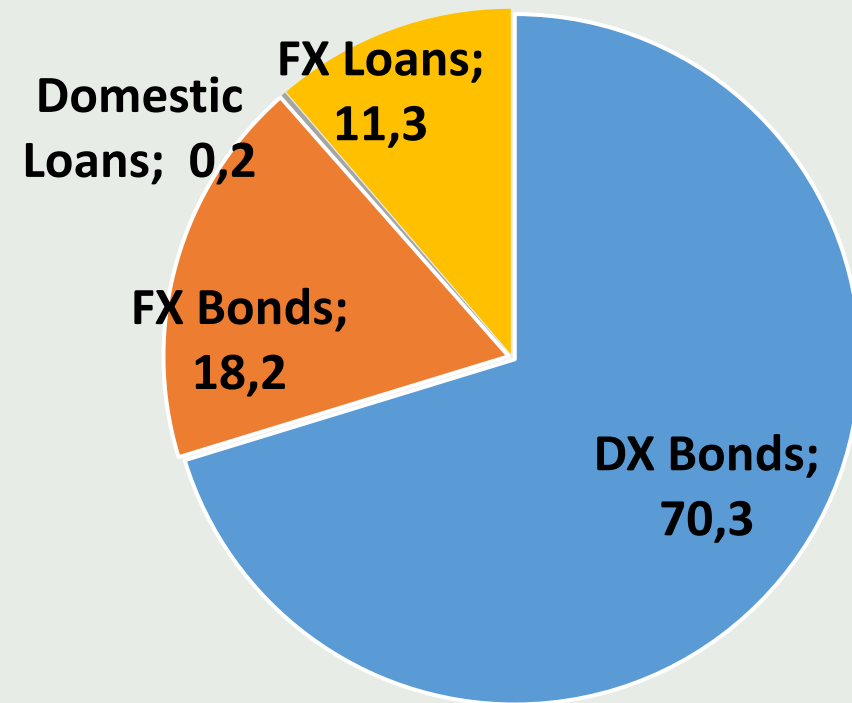
## Period of Evaluation

- Periodically monitored minimum 6 months after the implementation of MTDS
- Substances to monitor: inform progress on qualitative policies implementation & update on quantitative target using the latest economic, fiscal, and financial market conditions

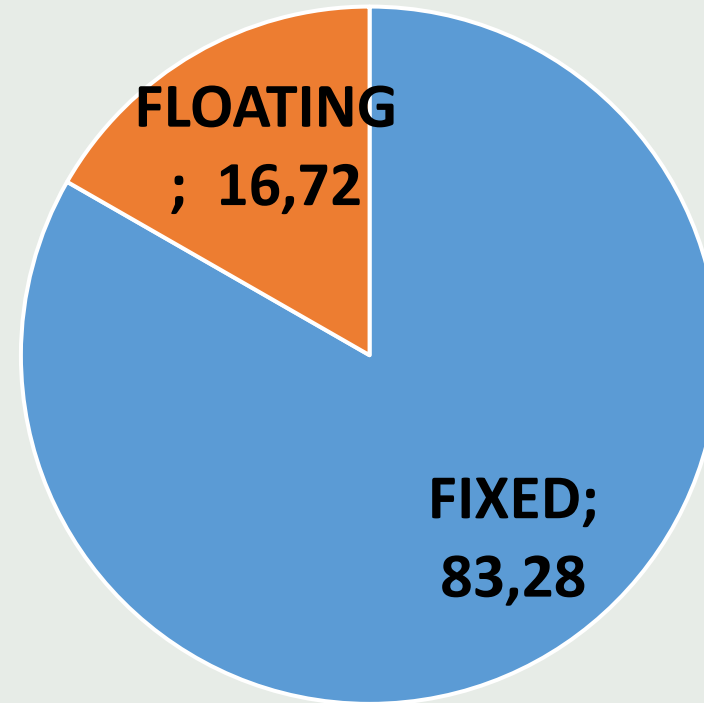


# CENTRAL GOVERNMENT DEBT PORTFOLIO\*)

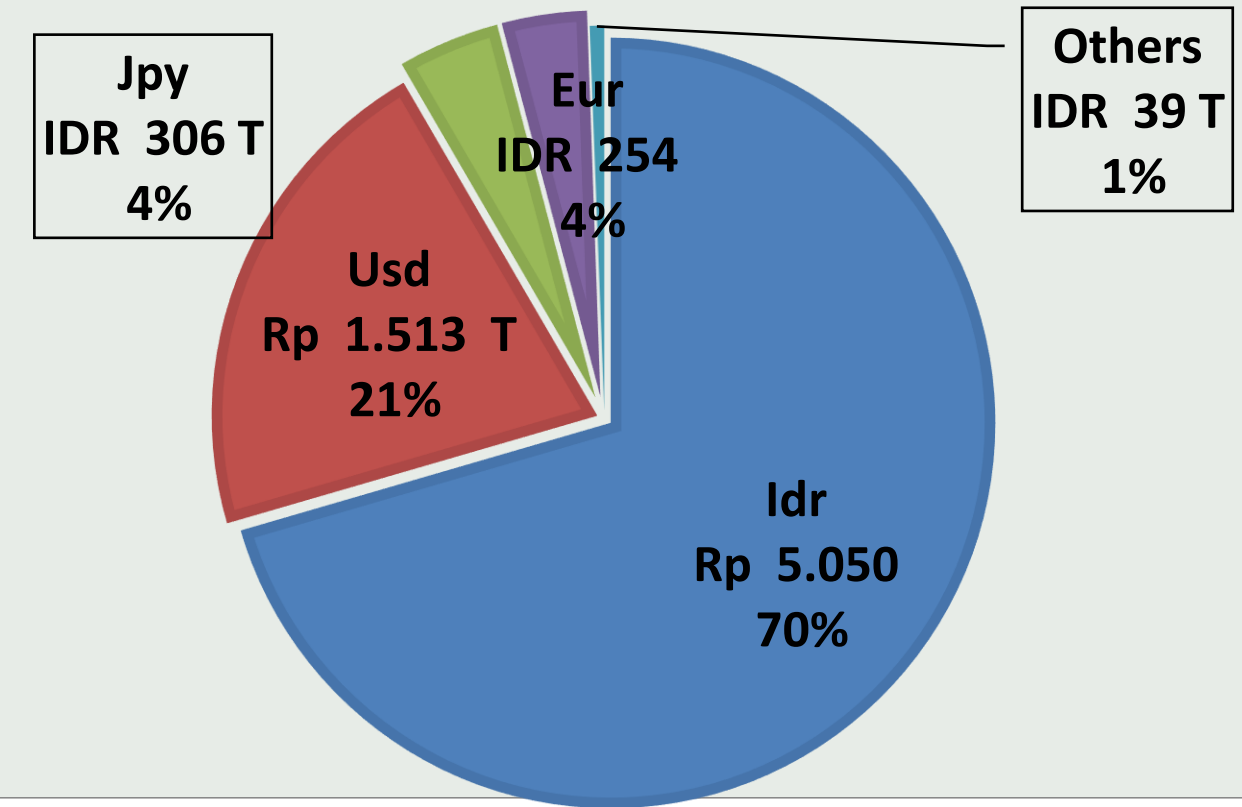
### By Instruments



### By Interest Rate Type



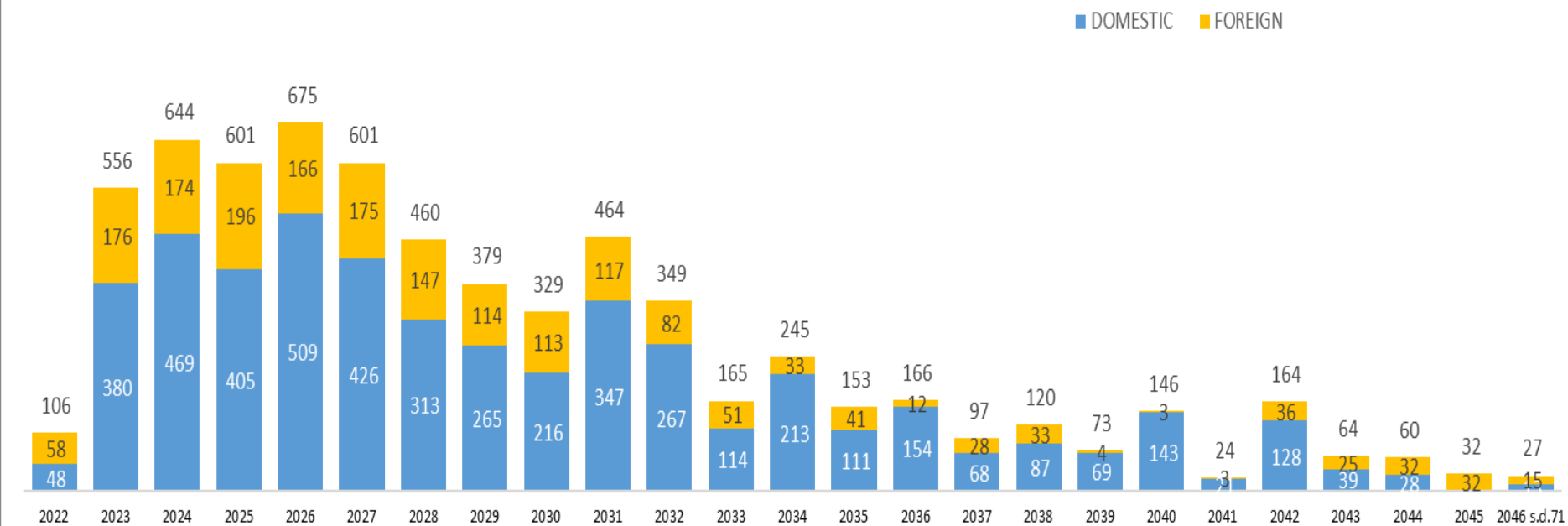
### By Currency



\*) Based on Debt Data as of July 2022, outstanding IDR 7.163,1 T

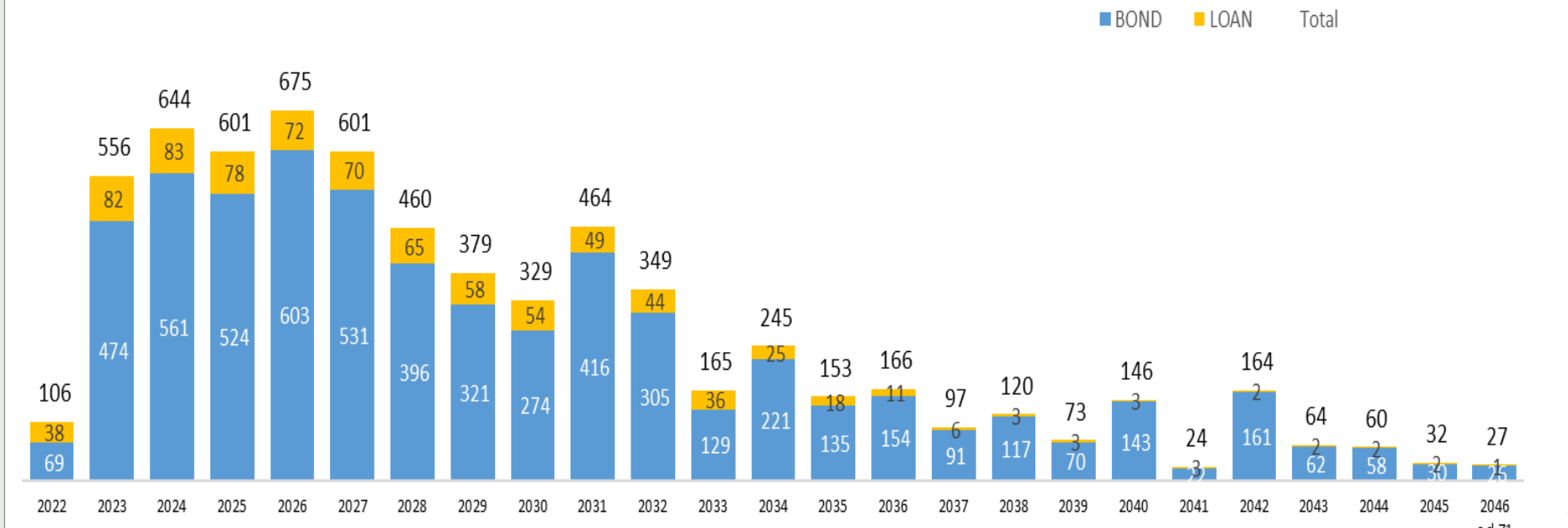
### Maturity Profile Based on Currency (triliun Rp)

■ DOMESTIC ■ FOREIGN

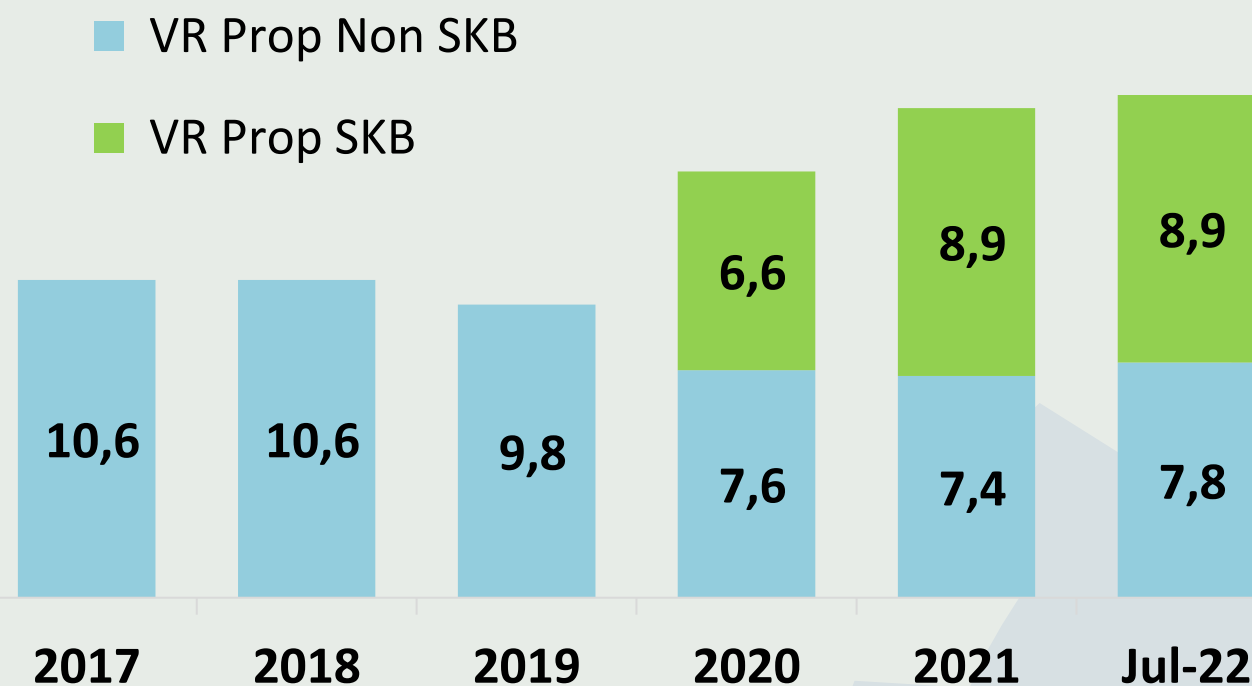


### Maturity Profile Based on Instrument (triliun Rp)

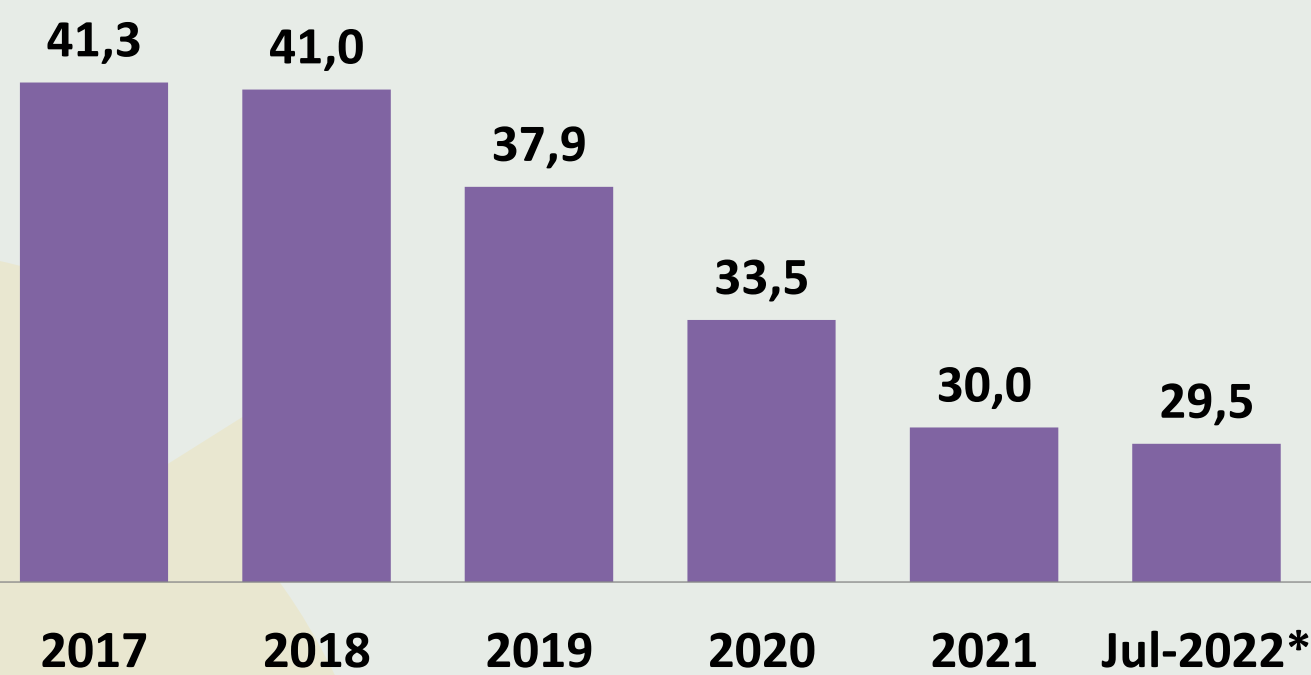
■ BOND ■ LOAN Total



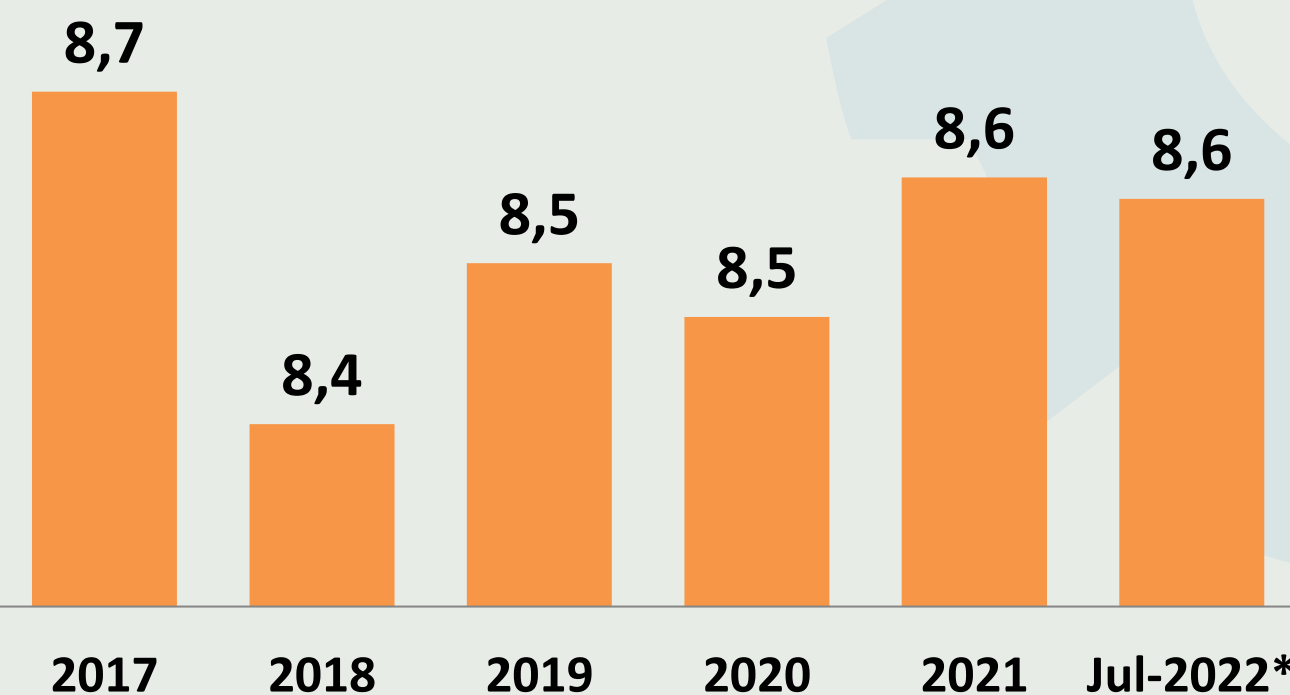
### Interest Rate Risk (%)



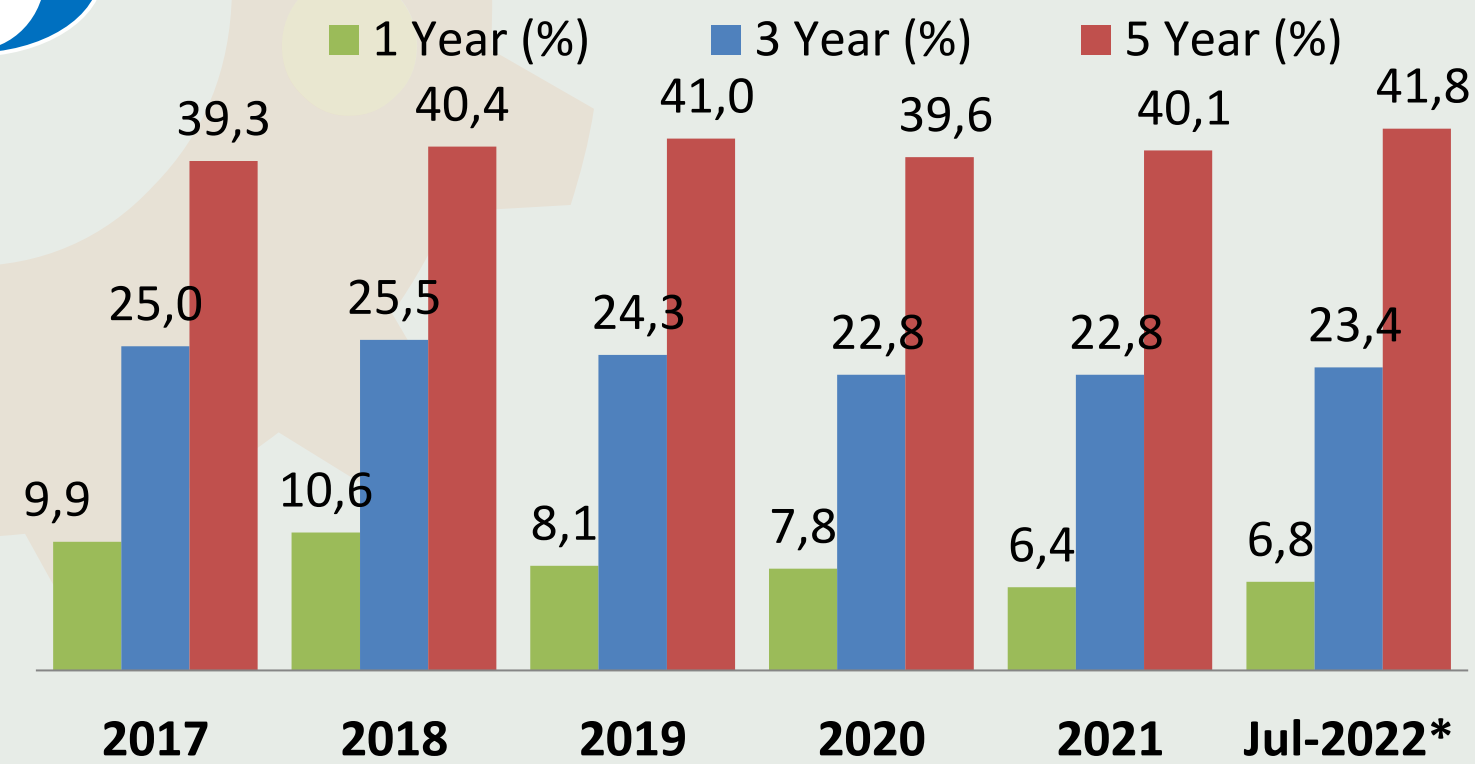
### Exchange Rate Risk (%)



### Average Time to Maturity (ATM - Years)



### Debt Maturity (%)



**DEVELOPMENT OF RISK INDICATORS\*)**

\*) Based on Debt Data as of July 2022



## ASSUMPTIONS: MEDIUM TERM PROJECTION ON MARKET RATES

### Variable interest rates for loans

Alternative Reference Rate (ARR) USD LIBOR, ARR JPY LIBOR, EURIBOR, dan JIBOR using **Cox, Ingersoll, dan Ross (CIR) Model**

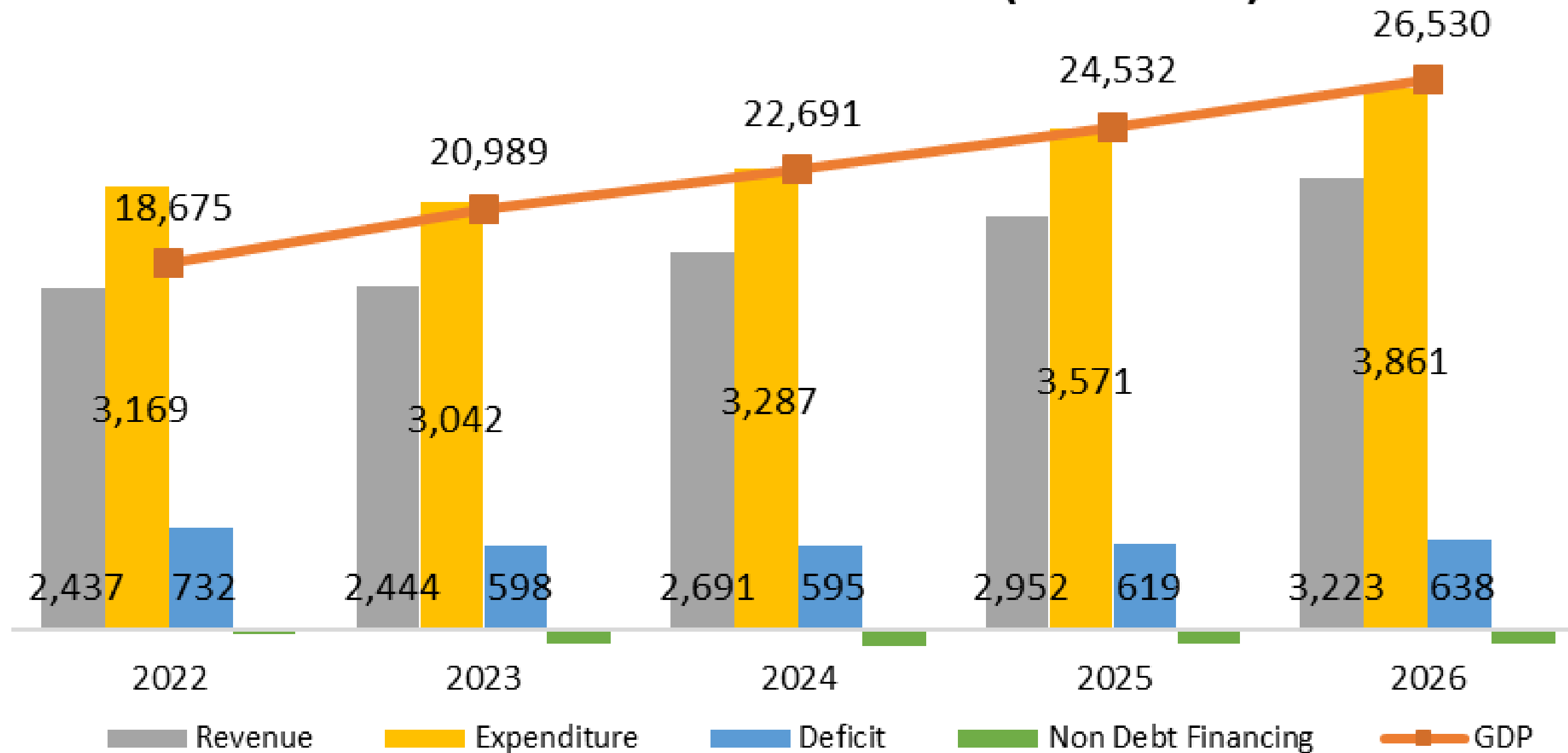
### Fixed interest rate for government securities

Using **Diebold-Li model**

### Exchange rates

**Medium Term Fiscal Framework  
2023-2026**

Medium Term Fiscal Framework (Trillion IDR)



Deficit budget as the consequence on government's expansionary fiscal policy, within safe limits and tends to continue to decline against GDP

\* MTFF – Fiscal Agent ao Aug 2022 (middle point)



# GENERAL DEBT POLICIES



**Controlling the debt-to-GDP ratio** at a safe level, considering economic and financial markets condition through prudent management



**Optimize domestic Financing sources** and external debt sources as complement



**Diversify debt instruments,** considering target on cost and risk & market demand



**Expand investor base** through financial education and literacy as well as utilization of investor database



**Utilize hedging and/or liabilities management** to control debt risk and/or achieve optimum debt portfolio



Coordinate debt and risk management within the **framework of State Financial Risk management**



Supporting the development financing and/or PEN Program through the **provision of guarantees** taking into account fiscal risk



**Develop creative financing through blended financing** and development of sources, schemes, and non-debt financing instruments



**Transparency** in debt and guarantee liabilities management through publishing periodical publicity

# DEBT FINANCING POLICIES BY INSTRUMENTS (1)

## Government Securities (SBN) Management Policy

### *Supply Side*

1. Prioritize SBN Issuance in the **domestic market**;
2. **FX Bonds issuance as a complement** by prioritizing hard currency;
3. **Managing SBN portfolio** in an active and scheduled manner; and
4. **Diversifying** SBN instruments

### *Demand Side*

1. **Optimize the role and capacity of SBN sales partners in the primary market**
2. **Actively participating** in the development of ETP and government role on market surveillance
3. **Continuing development** of crisis management protocols & BSF
4. **Improving** SLF's rule
5. **Developing** online transaction infrastructure

### *Infrastructure Side*

1. **To prepare and harmonize** the communication strategies, education and socialization, as well as institutional cooperation programs and financial literacy
2. **Building synergies** with the academics and other stakeholders
3. **Intensifying coordination and cooperation** with monetary authorities, capital market authorities, markets, and other stakeholders

# DEBT FINANCING POLICIES BY INSTRUMENTS (2)

## Loans Management Policy

### Improving Project Performance

1. **Strengthening the coordination** of MoF, BAPPENAS, Line Ministries, as well as involving lenders to improve project preparation quality;
2. **Strengthening synergy** through monitoring & evaluation and implementation of reward and punishment
3. **Cancellation** of loan activities/projects that have poor performance

### Expanding scope of project loan's utilization

1. **Supporting** national development
2. **Supporting** development of physical infrastructure, energy resilience and independence, technological products that cannot be produced domestically and defense security;
3. **Supporting the use of local product, considering Local Content and technology transfer**

### Optimize Program Loans, Considering

1. Capacity, and lenders development goals;
2. Availability of a policy matrix;
3. Currency required by the state treasury;
4. Cost and risk target

### Loan Portfolio Management, considering

1. Debt portfolio composition target
2. loan product structure

The limit for government guarantees is set at maximum **1,5% GDP per Year** for new guarantees issuance period 2023-2026

Issuance of new guarantees from 2023 to 2026 estimated to reach Rp 1,421.13 trillion

  
**GOVERNMENT  
GUARANTEE**

## Minister of Finance Decree Number 55/KMK.08/2022 on Government Guarantee Management

### Objectives of Government Guarantee Management:

1. Calculating maximum guarantee limit;
2. Assessing the risk of underwriting that could potentially burden the APBN;
3. Monitor and mitigate government guarantee risks; and
4. Ensuring the accuracy and completeness of data for reporting and accounting purposes.

**The scope of government guarantee issuance** is a strategic project or program assigned by Government covering both infrastructure and non-infrastructure





# QUANTITATIVE TARGET 2023-2026

## Composition of new Debt

IDR : **Minimum** 75,0%

Fixed rate : **Minimum** 80,0%

Medium-Long term(>3y): **Minimum** 65,0%

\*) The composition of debt issuance is allowed to differ from the target, when there is:

- a. Deficit widening;
- b. Auction failure;
- c. SBN Market turmoil;
- d. guarantee obligation claim with a significant value and cannot be fulfilled from the guarantee reserve fund;
- e. acceleration of loan withdrawals in order to support national development financing, and/or
- f. emergency condition which may potentially disrupt financing plan

## TARGETED RISK INDICATOR\*)

**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 COST INDICATOR\*)

**Debt to GDP (%)**

**Range 40%**

**Interest Payment to GDP (%)**

**Range 3%**

\*) set at the same trajectory for each year **until 2026** and have been accommodated to the possibility of exchange & interest rate shock



# *Thank You*

