



**BANK INDONESIA**  
BANK SENTRAL REPUBLIK INDONESIA

# **PUBLIC POLICY INOVATION: INDONESIAN ECONOMIC RECOVERY CENTRAL BANK DIGITAL TRANSFORMATION**

**Perry Warjiyo**

**Governor of Bank Indonesia**



*GraSPP Research Seminar*  
**8 December 2022**

# THE GLOBAL ECONOMY: SLOWER GROWTH, HIGH INFLATION, INCREASING UNCERTAINTY

PROLONGED  
RUSSIA – UKRAINE CONFLICT

US – CHINA  
TRADE WAR

LOCK DOWN IN CHINA  
CONTINUES

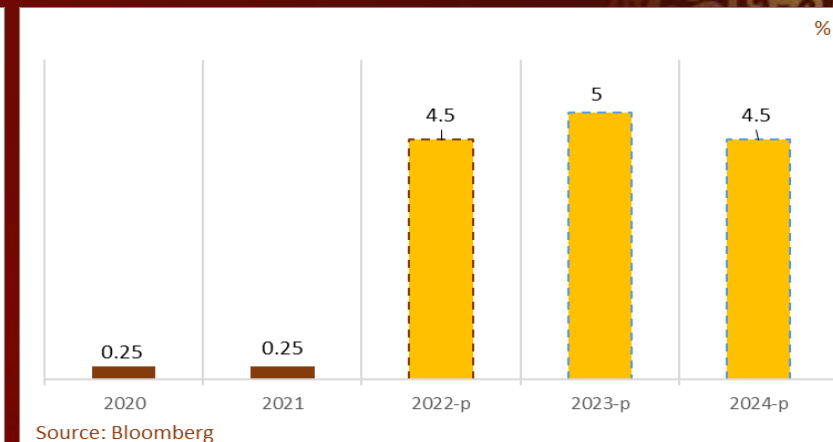
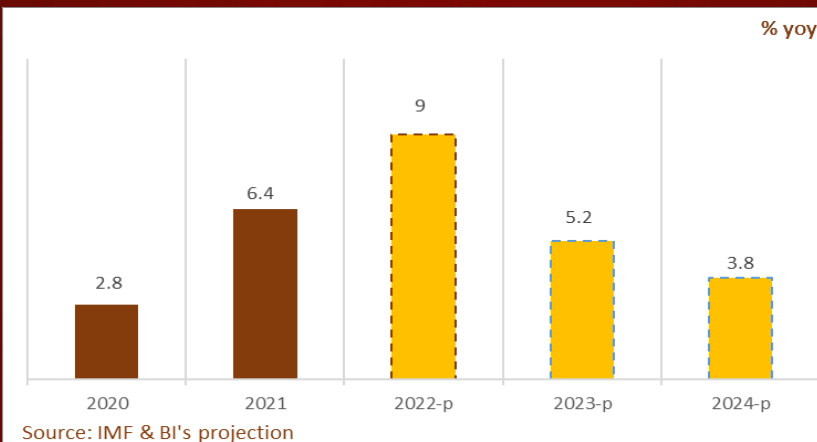
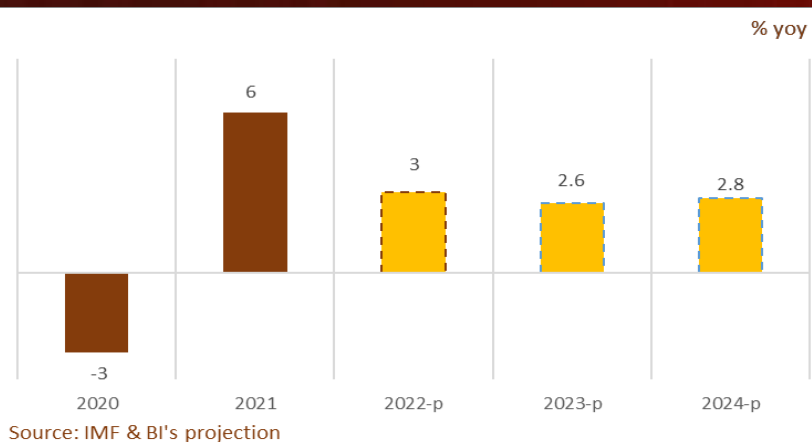
SUPPLY-CHAIN DISRUPTION

INVESTOR'S NEGATIVE RISK  
PERCEPTION

SLOWER GLOBAL GROWTH

HIGH GLOBAL INFLATION

FED FUND RATE - HIGHER FOR LONGER



STRONG US DOLLAR



CASH IS THE KING





# POLICY COORDINATION & INNOVATION FOR ECONOMIC RECOVERY

*The synergy and innovation of the national economic policy mix continues to be strengthened as the key to strengthening the resilience and the recovery of the national economy...*

## NATIONAL POLICY MIX: SYNERGY FOR STABILITY AND ECONOMIC RECOVERY

### 5 (FIVE) POLICY RESPONSES:

- 1 FISCAL-MONETARY COORDINATION
- 2 ACCELERATION OF FINANCIAL SECTOR TRANSFORMATION
- 3 ACCELERATION OF REAL SECTOR TRANSFORMATION
- 4 ECONOMY AND FINANCIAL SYSTEM DIGITALIZATION
- 5 GREEN & INCLUSIVE ECONOMY

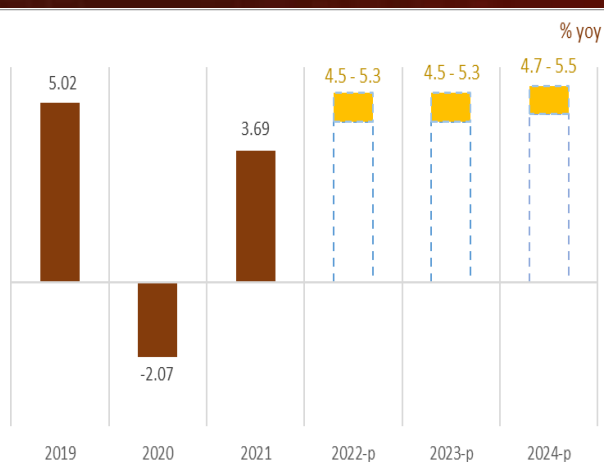


### OBJECTIVES:

- 1 **STABILITY:** SAFEGUARDING STABILITY FROM GLOBAL SHOCKS
- 2 **RECOVERY:** GROWTH MOMENTUM FROM DOMESTIC DEMAND
- 3 **RISE:** SUSTAINABLE MEDIUM-TERM HIGH ECONOMIC GROWTH

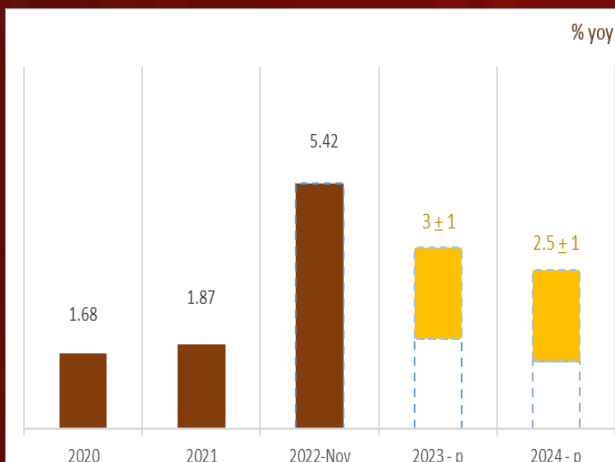
# INDONESIAN ECONOMY: ECONOMIC RECOVERY CONTINUES WITH SOLID FUNDAMENTALS AND ACCELERATED DIGITALIZATION

## DOMESTIC ECONOMY PROSPECT REMAIN INTACT



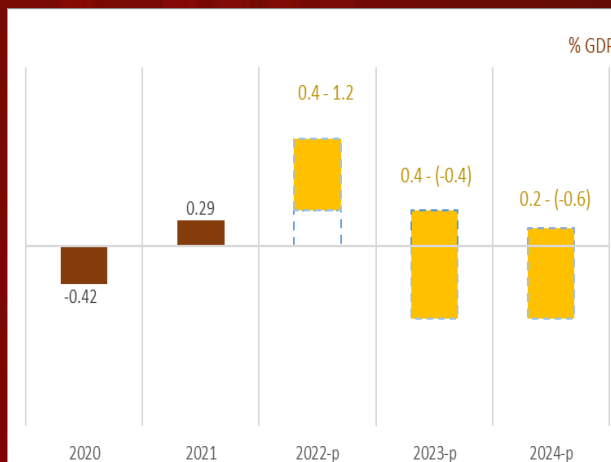
Source: BPS & BI Projection

## INFLATION WILL RETURN TO THE TARGET RANGE



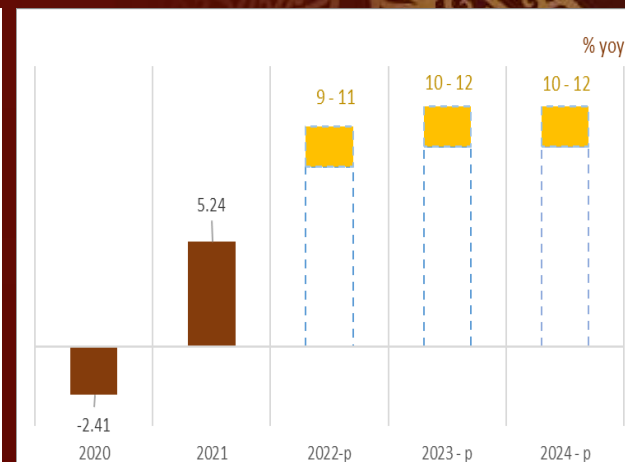
Source: BPS & BI Projection

## CURRENT ACCOUNT DEFICIT IS EXPECTED TO REMAIN MANAGEABLE



Source: Bank Indonesia

## BANK INTERMEDIATION CONTINUE TO IMPROVE



Source: Bank Indonesia

## DIGITAL ECONOMY AND FINANCE WILL CONTINUE TO EXPAND



E-COMMERCE



ELECTRONIC-MONEY



DIGITAL BANKING



# BANK INDONESIA POLICY MIX: MAINTAINING STABILITY, SUPPORTING ECONOMIC RECOVERY

## PRO-STABILITY

## PRO-GROWTH



PREPARATION FOR  
RELOCATION TO THE NEW  
CAPITAL

CLOSE COORDINATION WITH  
THE GOVERNMENT AND THE  
NEW CAPITAL AUTHORITY

### MONETARY



- Well-calibrated interest rate increase to drive core inflation within the  $3 \pm 1\%$  target in semester I-2023
- Rupiah exch. rate stabilization through spot and DNDF intervention and SBN (govt bonds) transactions in the secondary market.
- Inflation management through Central and Regional Inflation Control Teams (TPIP and TPID) and National Movement for Food Inflation Control (GNPIP)

### MACRO PRUDENTIAL



- 0% down payment remain in force and increase the reserve requirement incentives for banks in lending.
- Financial system stability committee coordination to increase financing for priority sectors, green and SMEs.
- Coordination with the government for small credit and national movement for local goods and tourism

### PAYMENT SYSTEM

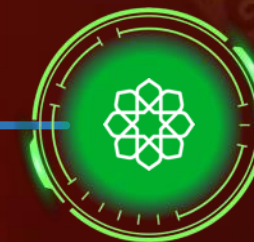


- Payment system digitalization acceleration: 45 million QRIS users, BI-FAST extensification, SNAP, payment infrastructure integration, regulation reformation.
- ASEAN-5 cooperation in payment system connectivity (QR, Fast payments, local currency transactions)
- Coordination with the government in electronification of social support distribution, local govt transaction and transportation.
- Digital Rupiah development through "Garuda Project" (conceptual design, infrastructure integration & technology)

### FINANCIAL MARKET DEEPENING



### GREEN & INCLUSIVE ECONOMY & FINANCE



# CENTRAL BANK DIGITAL CURRENCY: 3 KEY ISSUES, LESSONS LEARNED AND WAY FORWARD

6



**GARUDA PROJECT**



**DIGITAL RUPIAH**

**1**

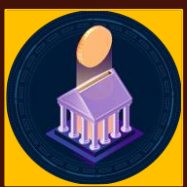
**CBDC DESIGN:** *The optimal design options of CBDC convergent towards digitalization of sovereignty public good to serve public interest as well as preserving central bank mandates and objectives*

**2**

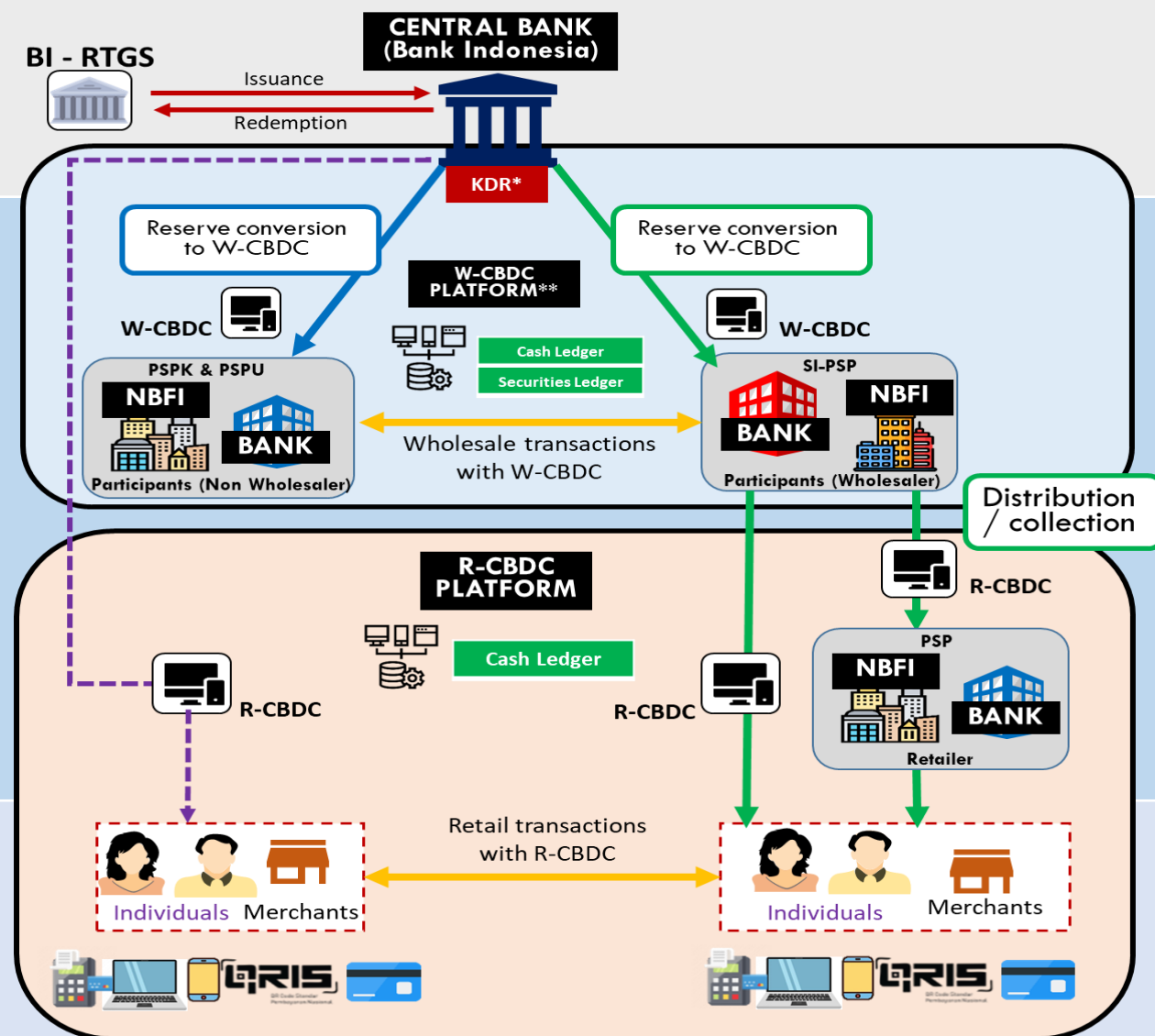
**CBDC & FINANCIAL INCLUSION:** *Acceleration of payments system digitalization for promoting effective financial inclusion and as prelude to CBDC issuance*

**3**

**CBDC & CROSS BORDER PAYMENTS:** *Enhancing cross-border payments with CBDC requires collaborative governance policies to minimize macro-financial risks e.g. regulation of forex, capital flows, operational risk, market supervision towards spillover*



## DIGITAL RUPIAH: INTEGRATED WHOLESALE AND RETAIL CBDC



\*KDR = Khasanah Digital Rupiah (or Digital Asset Depository)

\*\*W-CBDC platform comprises of cash ledger (CBDC) and securities ledgers (tokenised securities) which will support delivery-versus-payment settlements

### Two Tier CBDC

- Distribution and Collection R-CBDC via:
- 1) wholesaler – end user
  - 2) wholesaler – retailer – end user (via BI-FAST)

### One Tier CBDC

- W-CBDC issuance to wholesale members
- CBDC issuance directly to end-user (future development)
- Validation and settlement of W-CBDC dan R-CBDC transactions are carried out in the platform by accessing via web, application, and wallet (offline/online functionality)

- The Digital Rupiah design could **promote financial inclusion and end-to-end innovation & efficiency**
- In the event that private companies are unable to provide services in underdeveloped areas, **Bank Indonesia could distribute CBDC directly to end-users.**





# DIGITAL RUPIAH AND FINANCIAL INCLUSION

- Wholesale CBDC as starting point in Digital Rupiah might take longer in speeding up Financial Inclusion, but more benefit for monetary and financial stability.
- Indonesia has already started the Financial Inclusion initiative breakthrough under the Indonesian PS Blueprint 2025.

### 5 MAIN INITIATIVES OF IPS BLUEPRINT 2025

#### 3 Policy essence

PS industry  
restructurisation  
in digital era

Interoperable &  
interconnected  
PS infrastructure

Public policy  
on payment  
data

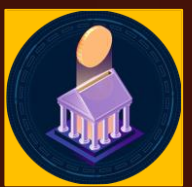
#### 5 Main initiatives

STANDAR OPEN API	SP RITEL 24/7 MURAH, MUDAH, REALTIME	FMI & SP	DATA DAN DIGITALISASI	REGULATORY REFORM
Satu standar koneksi Bank- Fintech	Infrastruktur BI-FAST	BI-RTGS	Payment ID	Entry Policy/ Exit Policy
	Apps IPT	SSSS	Data Hub	Sandbox 2.0
	ORIS Pembayaran Digital	ETP		Data Policy
		TR		Cyber Security Framework
		CCP		Framework Pengawasan

#### KEY DRIVER OF DIGITAL RUPIAH

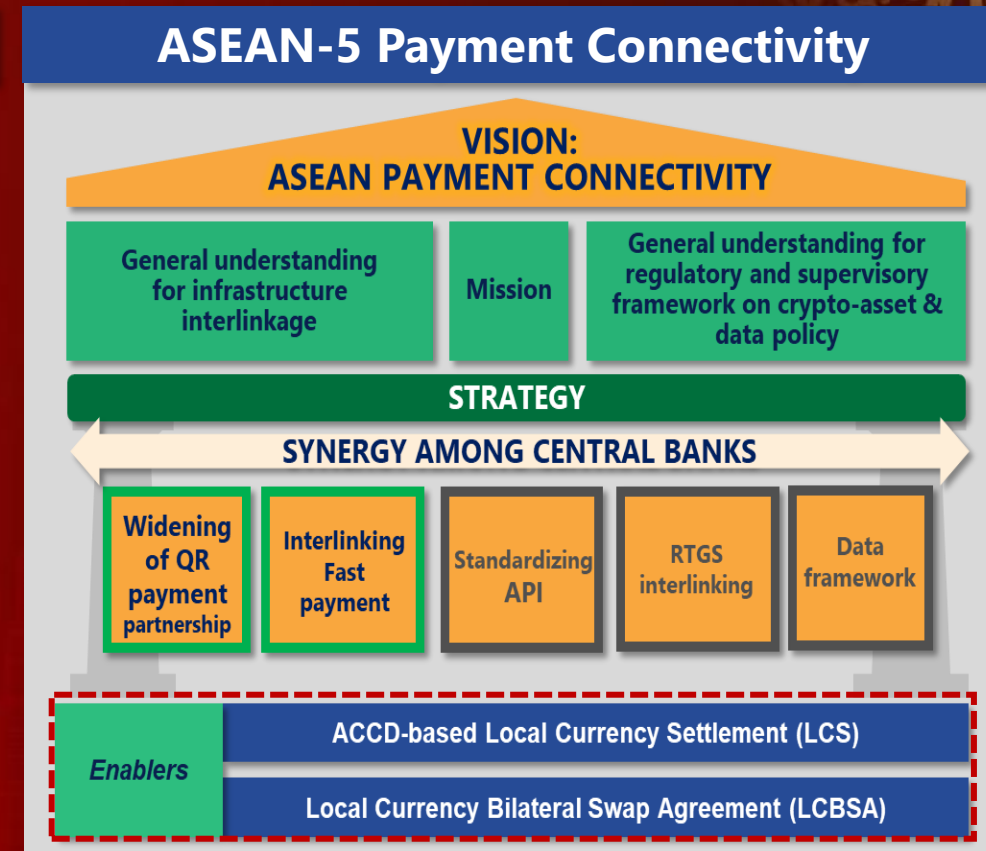
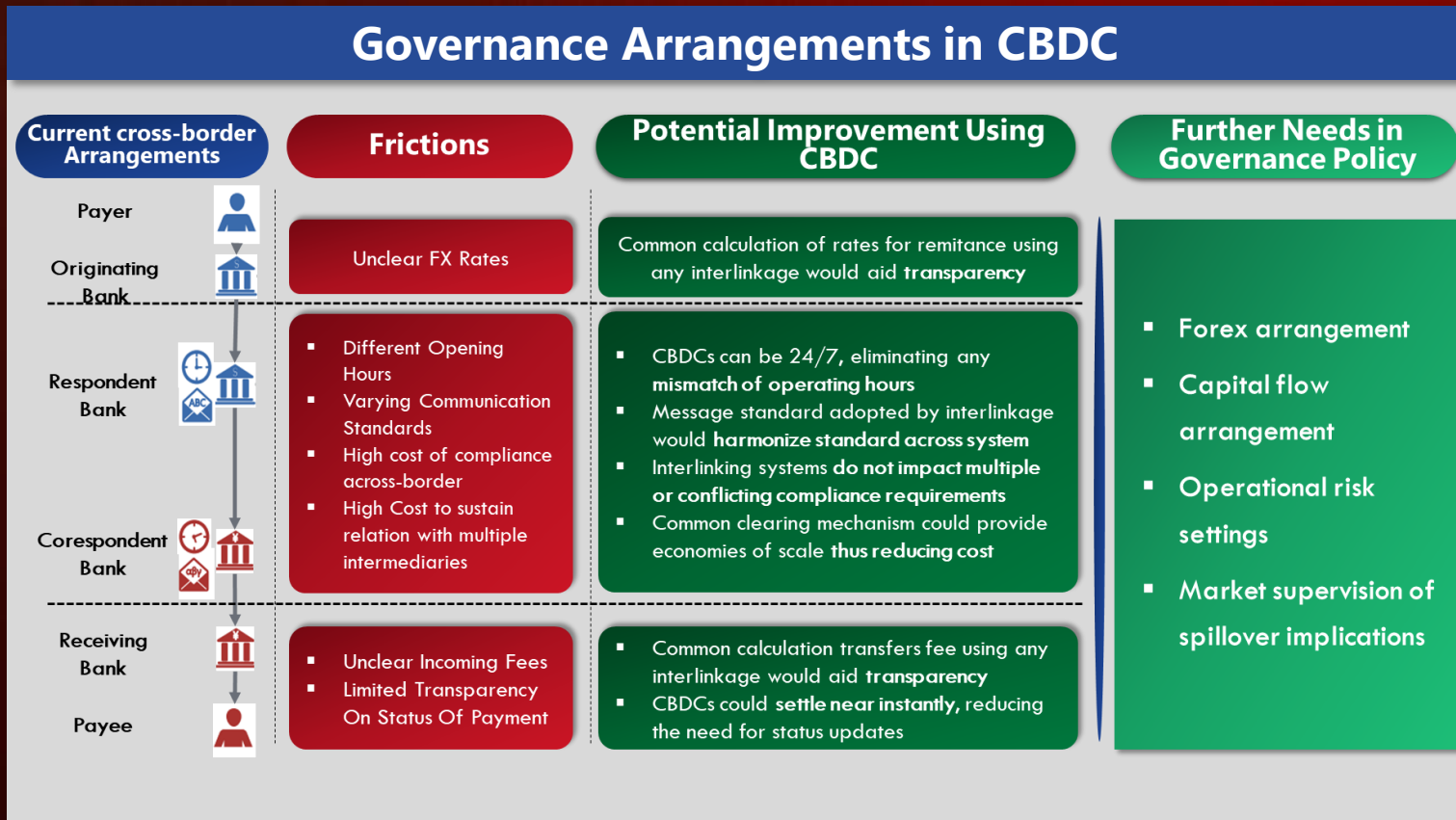
- Changing demands on retail payments with a shift towards digital payments
- A growing number of potential innovations involving private digital currencies, which are triggering shadow banking, shadow currency & shadow central banking
- Accelerate digital finance and economic integration in order to secure national interests in each jurisdiction.





## GOVERNANCE ARRANGEMENT IN CROSS-BORDER PAYMENTS

- While CBDCs have the potential to address key challenges in cross-border payments, the need to collaborate both bilaterally and multilaterally on governance arrangements such as currency arrangement is also an important factor in cross-border payments.
- ASEAN-5 Payment Connectivity experience shows that governance arrangements are as important as technical arrangements for cross-border payments





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