



The World Bank In Indonesia

Having maintained political stability, Indonesia is one of East Asia Pacific's most vibrant democracies, emerging as a confident middle-income country.

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Overview

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The largest economy in Southeast Asia, Indonesia – a diverse archipelago nation of more than 300 ethnic groups – has charted impressive economic growth since overcoming the Asian financial crisis of the late 1990s.

Today, Indonesia is the world's fourth most populous nation and 10th largest economy in terms of purchasing power parity. Further, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to under 10 percent in 2019 before the COVID-19 pandemic hit.

Indonesia is pursuing a 20-year development plan, spanning from 2005 to 2025. The plan is segmented into 5-year medium-term development plans called RPJMN (*Rencana Pembangunan Jangka Menengah Nasional*), each with a different set of development priorities. The current plan, the last phase of the 20-year vision, aims to further strengthen Indonesia's economy by improving the country's human capital and competitiveness in the global market.

Indonesia successfully concluded the G20 Presidency in November 2022 and held the ASEAN chairmanship in 2023, showcasing leadership in representing developing nations' interests and a capacity to play a more active and strategic role in working together with developed countries to achieve sustainable post-pandemic recovery and grow stronger amid global uncertainties.

In July 2023 Indonesia regained upper-middle group according to the [World Bank's income classification status](#) after falling out in 2020 due to the impact of COVID-19 on the economy. With a post-pandemic recovery underway, poverty reduction has received a boost. [As of March 2023](#), Indonesia's poverty rate was at 9.36 percent, after having risen to 10.2 percent in September 2020.

According to the World Bank's [October 2023 economic report](#), Indonesia's economic growth is underpinned by a pick-up in private consumption and positive terms-of-trade. GDP growth is projected at 5.0 percent in 2023 and to an average of 4.9 percent over the medium term in 2024-2026. Nevertheless, downside risks from the global economic environment are high and could weigh on Indonesia's growth if they materialize.

Indonesia achieved a notable success in reducing its stunting rate from 37 percent in 2013 to 21.6 percent in 2022. However, more work remains to be done to ensure strong and productive human capital development.

A [World Bank study](#) revealed that the loss of learning caused partly by the closing down of schools during the COVID-19 pandemic would be equivalent to about 11 months of loss in language and math among fourth grade students, and would have repercussions for Indonesia's next generation if the losses are not remediated.

In Indonesia, climate change is likely to impact water availability, health and nutrition, the ability to manage disaster risk, and urban development, particularly in coastal zones, with implications for poverty and inequality. Indonesia represents the third largest tropical rainforest in the world (94.1 million hectares) and is home to the world's largest tropical peatlands (14.9 million hectares) and mangrove forests (3.36 million hectares). These natural resources store vast amounts of carbon that mitigate climate change impacts, are crucial to sustain the livelihoods of Indonesians, and support the country's long-term development.

The World Bank supports Indonesia's climate mitigation and adaptation measures to deliver impactful climate action in the sectors of land use, oceans, and energy, and by mobilizing climate finance. The World Bank's activities include support for the government's National Mangrove Program and the design and implementation of carbon pricing instruments, which can play a critical role in increasing financing for climate action.

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A new World Bank Group Country Partnership Framework (CPF) for Indonesia to focus on economic recovery and long-term growth.

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