



Republic of Indonesia
Strengthening Policy Synergy to Maintain Stability while Advancing the
Economy amid Escalating Uncertainty and Declining Global Growth

April 2023

About Investor Relations Unit of the Republic of Indonesia



Investor Relations Unit (IRU) of the Republic of Indonesia has been established as a joint effort between Coordinating Ministry of Economic Affairs, Ministry of Finance and Bank Indonesia since 2005. The main objective of IRU is to actively communicate Indonesian economic policy and to address concerns of investors, especially financial market investors.

As an important part of its communication measures, IRU maintains a website under Bank Indonesia website which is administered by International Department of Bank Indonesia. However, day-to-day activities of IRU are supported by all relevant government agencies, among others: Bank Indonesia, Ministry of Finance, Coordinating Ministry for Economic Affairs, Ministry of Investment, Financial Services Authority, Ministry of State-Owned Enterprises, and The Committee for Acceleration of Priority Infrastructure Delivery.

IRU also convenes an investor conference call on a monthly basis, answers questions through email, telephone and may arrange direct visit of banks/financial institutions to Bank Indonesia and other relevant government offices.

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What's New



Economic Recovery Program and Its Updates

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Prudent Pandemic Management and Continued Economic Recovery



Big but measured steps including a strong vaccination program



Synergy between institutions nationwide



Responsive and flexible Government Budget



Resilient economic performance

Continued National economic recovery momentum, reflected by 5.31% (yoy) economic growth in 2022, endured on the back of stronger domestic demand and persistently solid exports.

Affirmation of Investment Grade Sovereign Credit Rating

Rating Agencies	Rating (Outlook)
Fitch Ratings	BBB (Stable)
Moody's	Baa2 (Stable)
S&P Global	BBB (Stable)

Sources: Fitch, Moody's, S&P

Investment grade ratings affirmed by Fitch on December 14, 2022 recognizing macro stability and optimism on the growth prospect, as well as policy credibility in handling COVID-19 pandemic. Moody's has also emphasized in their Annual Credit Analysis by Moody's at 1st of March 2023 that Indonesia's GDP growth has returned close to its 2010-2019 pre-pandemic average of around 5%, driven by robust private consumption and investment, as well as strong commodity price. Meanwhile, the stable outlook that reflects the expectation that reform implementation will continue at a steady, gradual pace.

Overview



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Economic Recovery Program and Its Updates

4

External Factor:
Improved External Resilience

2

Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development

5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining
Fiscal Credibility

3

Economic Factor:
Improved Growth Prospects Supported by
Continued Economic Recovery Momentum

6

Monetary and Financial Factor:
Credible Monetary Policy Track Record
and Favorable Financial Sector



Section 1

Economic Recovery Program and Its Updates

Pandemic Control Is Key To Strong Economy



INDONESIA'S COVID-19 CASES CONTINUE TO DECLINE

Activity Restriction (PPKM) - Delta Varian (June 2021):

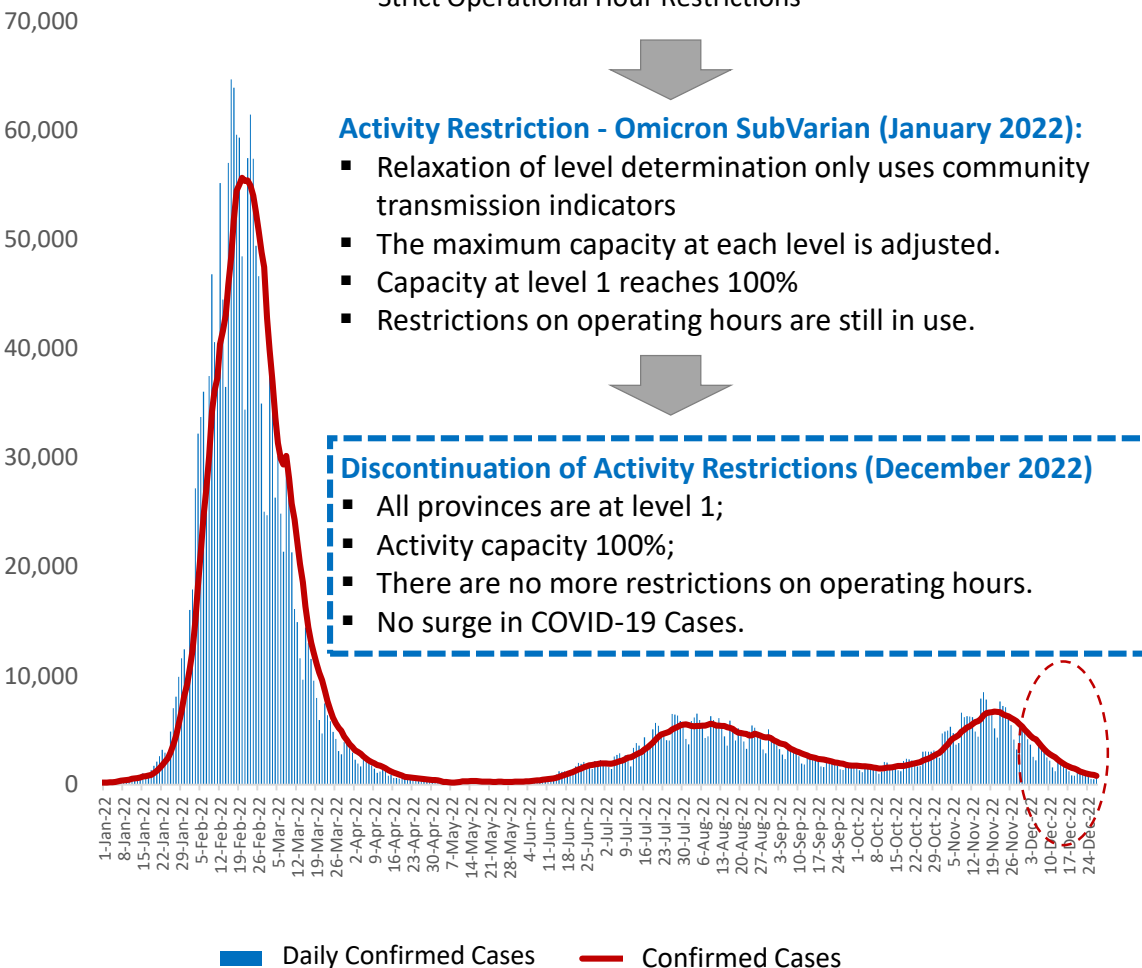
- Activity restriction level determination is rigorous
- Level 1 Maximum Capacity 75%, At Level 4 Many Activities Closed
- Strict Operational Hour Restrictions

Activity Restriction - Omicron SubVarian (January 2022):

- Relaxation of level determination only uses community transmission indicators
- The maximum capacity at each level is adjusted.
- Capacity at level 1 reaches 100%
- Restrictions on operating hours are still in use.

Discontinuation of Activity Restrictions (December 2022)

- All provinces are at level 1;
- Activity capacity 100%;
- There are no more restrictions on operating hours.
- No surge in COVID-19 Cases.



DOMESTIC VACCINE DEVELOPMENT

1.Vaccine Indovac (Bio Farma)



- EUA for primary vaccination (above 18 years old) have been issued on **24th September 2022**.
- 2022 Production: **20 million**
- Production Capacity: **98,4 million doses per year**
- EUL have been submitted to WHO on **7 September 2022**
- **On Progress**: EUA for booster above 18 years old, primary for 12-17 years old, primary and booster for children 6-11 years old

2.Vaccine Inavac (Airlangga Univ and Biotis)

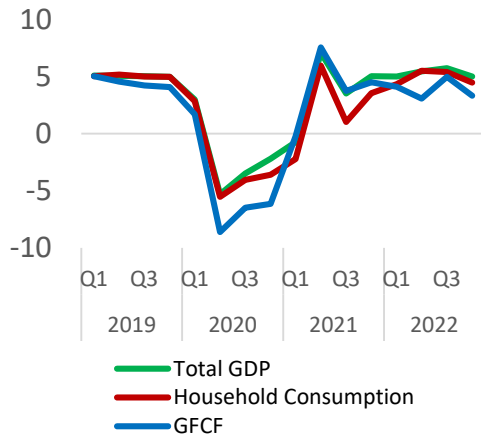


- Full Report Fase I and Fase II have been submitted to FDA on **3rd August 2022** as base for EUA issuance
- 2022 Production: **10,5 million doses**
- 2023 Production: **40 million doses**
- Emergency Use Listing (EUL): will be submit to WHO for export purposes
- **On Progress**: EUA for booster (adult) heterologous, clinical trial for teenager and children

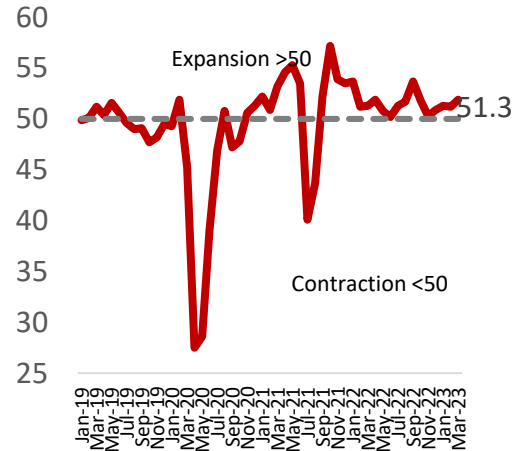
Indonesia's Economic Improvement Trend Continues



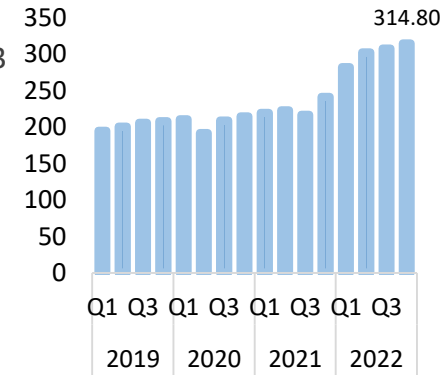
GDP Growth (%YoY)



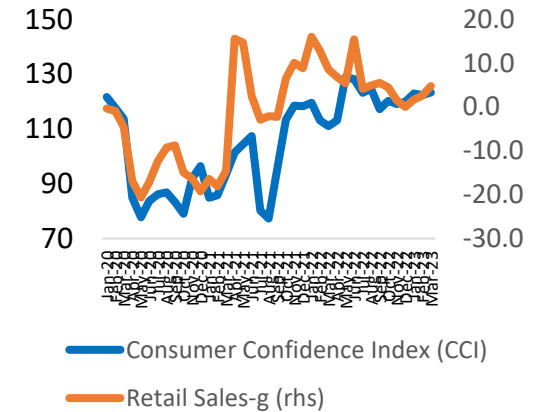
PMI Markit Indonesia



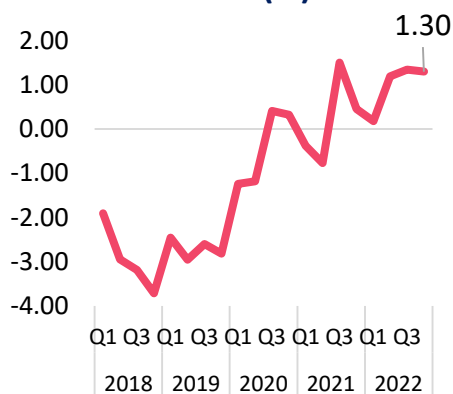
Total Investment (DDI+FDI) Rp Trillion



CCI & Retail Sales



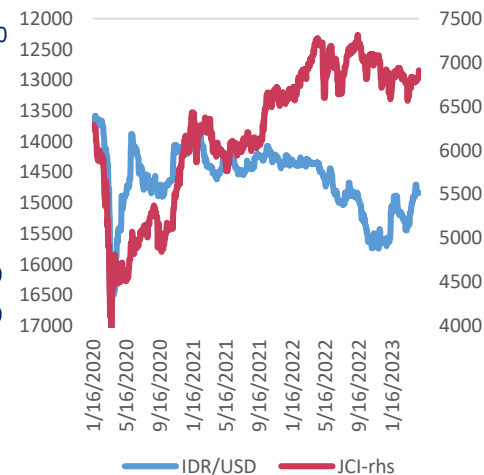
Current Account of GDP (%)



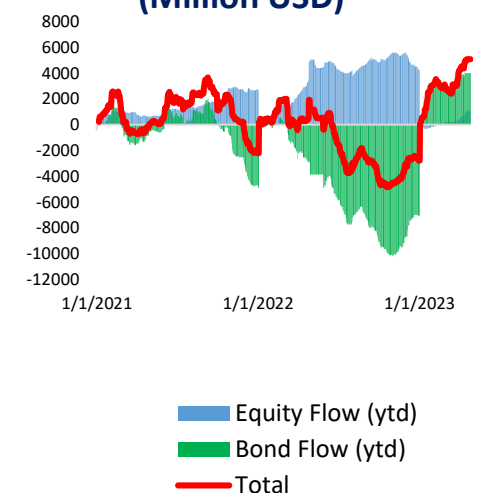
Trade Balance (Billion USD)



The Indonesian Rupiah and JCI



Net Capital flow (Million USD)



The Government Commit To Provide Assistance To The Most Vulnerable Populations



The National Economic Recovery Program 2022

Realization 2022 : IDR396,7 Trillion

Health Treatment (IDR61.3 T)

- Shopping Handling Covid-19
- Incentives/Compensation for Central and Regional Health Workers
- Health Tax Incentives
- Regional budget support for handling Covid in the regions

Social Protection (IDR152.0 T)

- Direct Cash Assistance for Fuel
- Family Hope Program (PKH)
- Cash Assistance to Street Vendors, Stall, and Fishermen (BT-PKLWN)
- Cash Direct Assistance of Cooking Oil
- Direct Village Fund Assistance
- Pre-Employment Card
- Non-cash food aid recipients (Sembako Card)

Strengthening Economic Recovery (IDR183.4 T)

- Labor Intensive Program
- Food security
- MSME support
- Business/Tax Incentives

The Direction of the National Economic Recovery Policy for 2023:

- As the Covid-19 Pandemic is under control and the Activity Restriction (PPKM) ends, **implementation of Health Management, Social Protection, and Economic Recovery Programs in 2023 will be according to the duties of each Ministry/Agency.**
- **The government will strengthen the Adaptive Social Protection Program** through various database improvements and program enhancements to anticipate the impact of economic turmoil and potential disasters that will occur in the future.

Pre-employment Card Is Committed To Boost Skill Development Program



Achievements

>45.1 mio Verified applicant registered on the Kartu Prakerja database

16.425.420 Total Beneficiaries (Batch 1-47)

IDR37.96 trillion Disbursed incentive fund

38 Province **514** District/City

Outcome

A. Improving Working Skills and Entrepreneurship Opportunity

87,2% The training help to improve skills and competence***

56% → 39,8%

Who previously unemployed are now getting jobs*

B. Accelerating Financial Inclusion

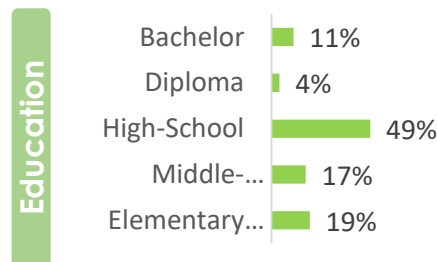
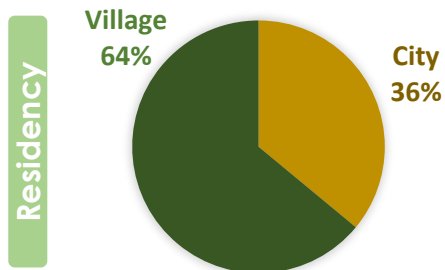
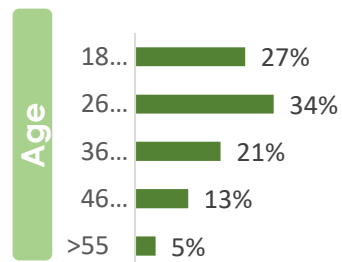
47% Beneficiaries who previously did not have access to financial services are now have bank account or e-wallet.

C. Improve Purchasing Power and SMES

% beneficiaries used the cash incentives for

95%	74%	70%	61%	64%	55%
Staple Food	Electricity/Water	Business Capital	Mobile Data	Fuel	Transportation

Statistical Demography



Source: Project Management Officer
Program Kartu Prakerja, Dec 2022

From Semi-bansos Scheme To Normal Scheme



In 2023, the Government will implement a normal scheme that focuses more on improving skills, through offline, online or mixed training. Thus, the Pre-Employment Card is no longer semi-social assistance

The membership requirements are the same as before

HOWEVER,
SOCIAL ASSISTANCE
RECIPIENTS/
GOVERNMENT ASSISTANCE
ALLOWED

SEMI-BANSOS SCHEME

TRAINING MODE
ONLINE

TRAINING BUDGET LIMIT
MAX. **Rp 1.000.000**

POST TRAINING INCENTIVES &
SURVEY
4 x Rp 600.000 & 3 x Rp 50.000

NORMAL SCHEME*

TRAINING MODE
ONLINE — MIX — OFFLINE

TRAINING BUDGET LIMIT
MAX. **3.500.000**

POST TRAINING INCENTIVES &
SURVEY
1 x Rp 600.000 & 2 x Rp 50.000

***AMOUNT OF AID AND TRAINING MODES HAVE BEEN DETERMINED IN KEPMENKO 251/2022 DATED DECEMBER 2, 2022**

* TOTAL TARGET RECIPIENTS: 1,000,000 PEOPLE

- The allocated budget for FY 2023 is 2.67 T for 595 thousand beneficiaries
- So that an additional budget of 1.7 T is needed for 405 thousand beneficiaries

Regarding preparations for the implementation of the Normal Scheme, MPPKP has also coordinated with the relevant Ministries/Institutions to involve higher education institutions and K/L Training Institutions that have the potential to join the Pre-Employment Card Program

KUR Program to Increase Access to Finance for Entrepreneurs and SMEs



The 2023 KUR ceiling is IDR 450 trillion or adjusted to the adequacy of the KUR subsidy budget in the 2023 State Budget, accompanied by the addition of new debtor targets and KUR distribution graduation target debtors



KUR Policy Returns to Before the COVID-19 Pandemic

1. KUR interest rate returns to 6% without additional KUR interest subsidy/margin of 3%
2. The target for KUR distribution in the production sector is again set at 60%.
3. The total return of the accumulated Small KUR ceiling is a maximum of IDR 500 million
4. Extending the KUR restructuring policy until March 31, 2024 (according to POJK)



KUR Policy Encouraging Graduation of KUR Debtors

- Reduction the Super Micro KUR **interest rate from 6% to 3%**
- **Maximum limit for Micro KUR access:**
 - Non-production sectors and non-agricultural production sectors, plantations, livestock and fisheries: a maximum of 2 (two) times Micro KUR access
 - Agricultural, plantation, livestock and fisheries production sectors: a maximum of 4 (four) Micro KUR access
- **Micro KUR and Small KUR interest rates/margins increase in stages (KUR interest subsidies slide/decrease in stages)**



KUR Policy to Expand Distribution and Encourage an Increase in KUR Debtors

- Confirmation of the implementation of KUR without additional collateral for the KUR ceiling up to. IDR 100 million by imposing non-payment sanctions and/or returning interest subsidies/margin subsidies.
- Affirmation of the requirements for prospective KUR Recipients to never receive commercial investment/working capital loans (except consumer loans which are excluded).
- Changes in provisions related to Employment BPJS, Small KUR Recipients and Special KUR with a ceiling of more than IDR 100 million have changed the phrase from before it can become mandatory to become BPJS Employment participants.
- Adding subrogation cooperation to the PKS online KUR guarantee system.
- The addition of new debtor targets and KUR distribution graduation target debtors, with a 2023 KUR ceiling of IDR 450 trillion or a ceiling according to the adequacy of the 2023 State Budget.
- Additional GWM incentives for KUR distribution

UMKM Indonesia



Fiscal Incentives Policy to Boost the Economy



The government facilitates fiscal incentives to create a conducive investment climate, especially for industry players. Through increased investment, it is hoped that it can strengthen the domestic industrial structure

TAX HOLIDAY & MINI TAX HOLIDAY

- The criteria are new investment, taxpayers including pioneer industries, and income received from the main business activities carried out.
- There are 18 eligible pioneer industries that consist of 169 KBLI. Pioneer industries are defined as industries possessing broad linkages, giving added value and high externality, introducing new technology, as well as possessing strategic value for the national economy.
- Income tax reduction are 100% & 50% (mini tax holiday) during the next 2 (two) years subsequent to the end of the CIT reduction periods above, the taxpayers are eligible for half of the CIT reduction percentages

As of December 2022 year to date):
Total Investment: Rp146.5 Trillion
Tax Payer: 20 Tax Payer
Location: 10 provinces
Origin of investment: domestic and 6 countries

TAX ALLOWANCE

- To increase direct investment activities for certain business fields and / or in certain areas.
- The facilities include a reduction in net income of 30% of the total investment for six years, accelerated depreciation and amortization, imposition of income tax on dividends paid to foreign tax subjects of 10% or lower and compensation for losses of up to 10 years.
- The criteria are having a high investment value or for export, a large absorption of labor; or have a high local content.

• Total Investment: Rp14.3 Trillion
• Tax Payer: 16 Tax Payer
• Approval: 19 Minister of Finance Decree
• Source: OSS December 2022

INVESTMENT ALLOWANCE

- To encourage investment in labor-intensive industries, support programs for job creation and absorption of Indonesian workers.
- Deduction from net income, of 60% of the amount invested in tangible fixed assets, including land, that are used for the taxpayer's main business activities. The deduction is spread over six years (10% annually), starting from the fiscal year the commercial production commences
- There are 45 labor-intensive industrial sectors and employ an average of 300 workers in 1 tax year.

• Total Investment: Rp368,3 Billion
• Investment: 2 activities
• Tax payer: 2 tax payers
• Source: OSS December 2022

SUPER DEDUCTION TAX

Super Deduction Vocational

- Engaging industry in vocational activities to provide knowledge and encourage the transfer of knowledge
- A maximum reduction of 200% gross income from costs in the context of providing work practice, apprenticeship, and / or learning activities.
- As per September 2022, there are 186 agreement for vocational activities (ytd)

R & D Super Deduction

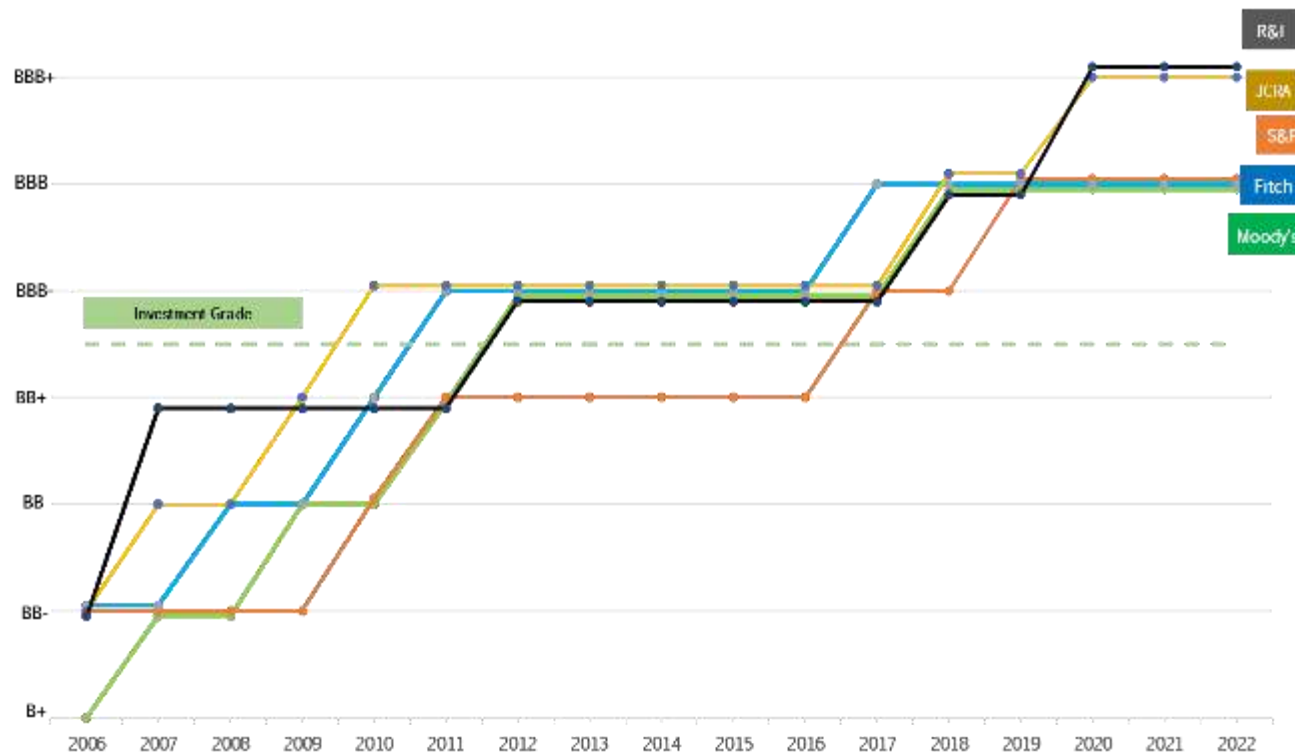
- Increase the role of industry in fostering innovation and the use of the latest technology in the production process
- Maximum gross income deduction of 300% over R&D costs carried out in Indonesia
- As per December 2022, there are 18 proposal for research and development activities (ytd), with estimated RnD cost up to Rp110.4 billions



Section 2

Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development

A Well Maintained of Indonesia's Sovereign Credit Rating in The Midst of Economic Recovery



FitchRatings

BBB / Stable

December 2022, Rating Affirmed at BBB/Stable

"Indonesia's rating balances a favourable medium-term growth outlook and low government debt/GDP ratio against weak government revenue and lagging structural features, such as governance indicators, compared with 'BBB' category peers."

S&P Global Ratings

BBB / Stable

April 2022, Outlook Revised To Stable; BBB Ratings Affirmed

"The stable outlook reflects our expectation that Indonesia's economic recovery will continue over the next two years, supporting the government's continued fiscal consolidation efforts. We expect the pace of the recovery to accelerate further this year."

Moody's

Baa2 / Stable

March 2023, Rating Affirmed at Baa2/Stable

"Indonesia's credit profile is supported by its large economy, low fiscal deficits and modest debt burden., balanced against low revenue mobilization, reliance on external funding and some economic concentration that leaves the economy vulnerable to commodity cycles."

R&I

BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

"In R&I view, Indonesia's economy that plunged in 2020 will likely return to a pre-coronavirus growth level in one to two years. The government's structural reform efforts are also expected to boost growth potential in the medium to long term. Despite the pressure on the fiscal side caused by policy responses, the government debt ratio remains relatively low. The economic resilience to external shocks is maintained thanks to flexible policy responses by the government and the central bank and ample foreign reserves"

JCR

BBB+ / Stable

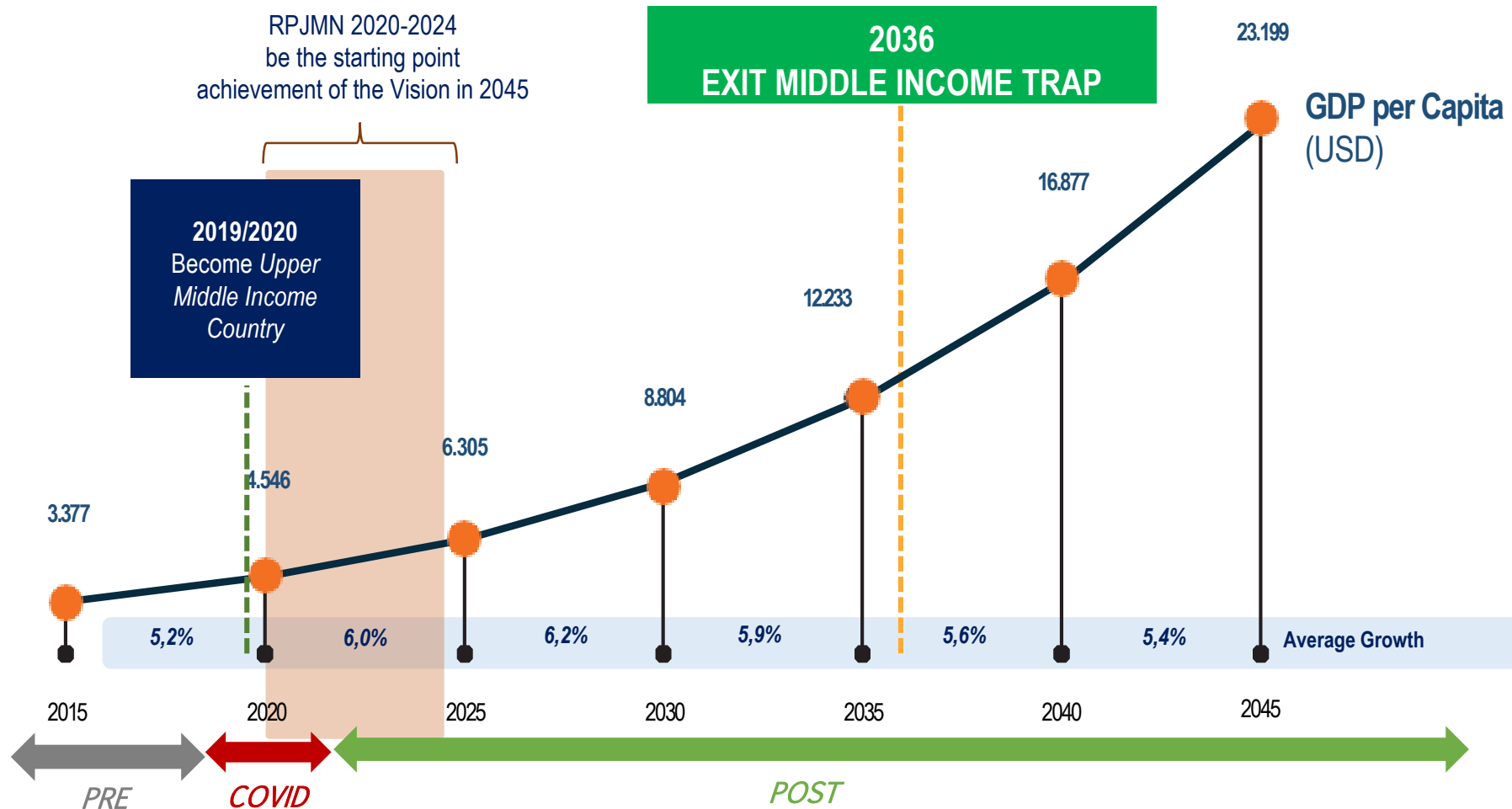
July 2022, Rating Affirmed at BBB+/Stable

"The ratings mainly reflect the country's solid domestic demand-led economic growth potential, restrained public debt and resilience to external shocks supported by accumulation of foreign exchange reserves. JCR holds that the debt will gradually decrease as the fiscal balance improves mainly increased revenue from economic growth and higher commodity prices"

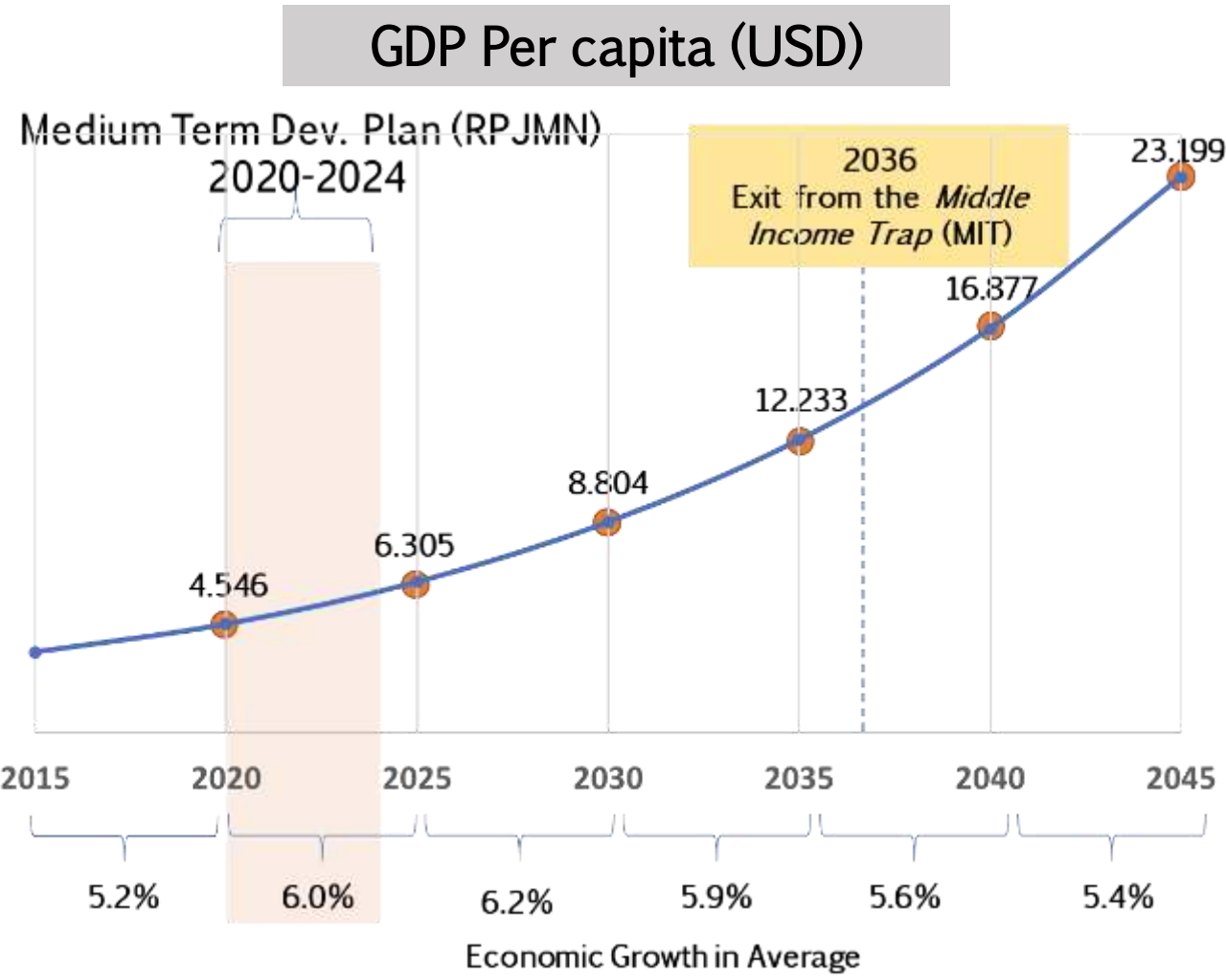
Structural Reform Towards “Indonesia Maju 2045” and Out of the Middle-Income Trap



2024 will be the fifth year of implementation of the 2020-2024 RPJMN. To achieve the 2045 vision, economic transformation is carried out supported by downstream by utilizing 1) Human Resources Development, 2) Infrastructure Development, 3) Regulatory Simplification, and 4) Bureaucratic Reform. And 2024 is encouraged for a High Recovery Acceleration.



Indonesia Vision 2045: “Indonesia Maju” A Developed Country



GDP Real 5.7%	GDP Real /Capita 5.0%
Year 2045 Target	
Developed economy and largest GDP rank-5 (USD 7,4 Trillion)	Contribution from eastern part of Indonesia %

Economic Transformation must start in 2020-2024 to provide a foundation for an Advanced Indonesia (Indonesia Maju)

Source: Bappenas: Medium Term Development Plan, 2020-2045.

Indonesia's Grand Strategy in Encouraging Sustainable Economic Growth



- ❑ Indonesia's economic fundamentals are solid and have been able to return to pre-pandemic levels, in line with increased mobility and leading indicators that show bright prospects.
- ❑ Furthermore, the government will continue to encourage accelerated growth with various strategies to achieve sustainable growth.

Current Conditions: Solid Economic Fundamentals

- ❑ Indonesia's economy is growing strong and has reached pre-pandemic levels
- ❑ Population mobility is starting to increase, in line with the controlled Covid-19 cases
- ❑ Leading indicators indicate a convincing economic outlook
- ❑ Resilient external sector

Grand Strategy



- ❑ Government and Society Prepare to Live With COVID-19



- ❑ Fiscal Policy as Shock-Absorber



- ❑ Price Stabilisation



- ❑ Omnibus Law on the Job Creation Act, including IKN development



- ❑ Downstreaming and industrialization of natural resources



- ❑ Optimization of clean energy sources and green economy



- ❑ Legal, social, political and economic protection for the people



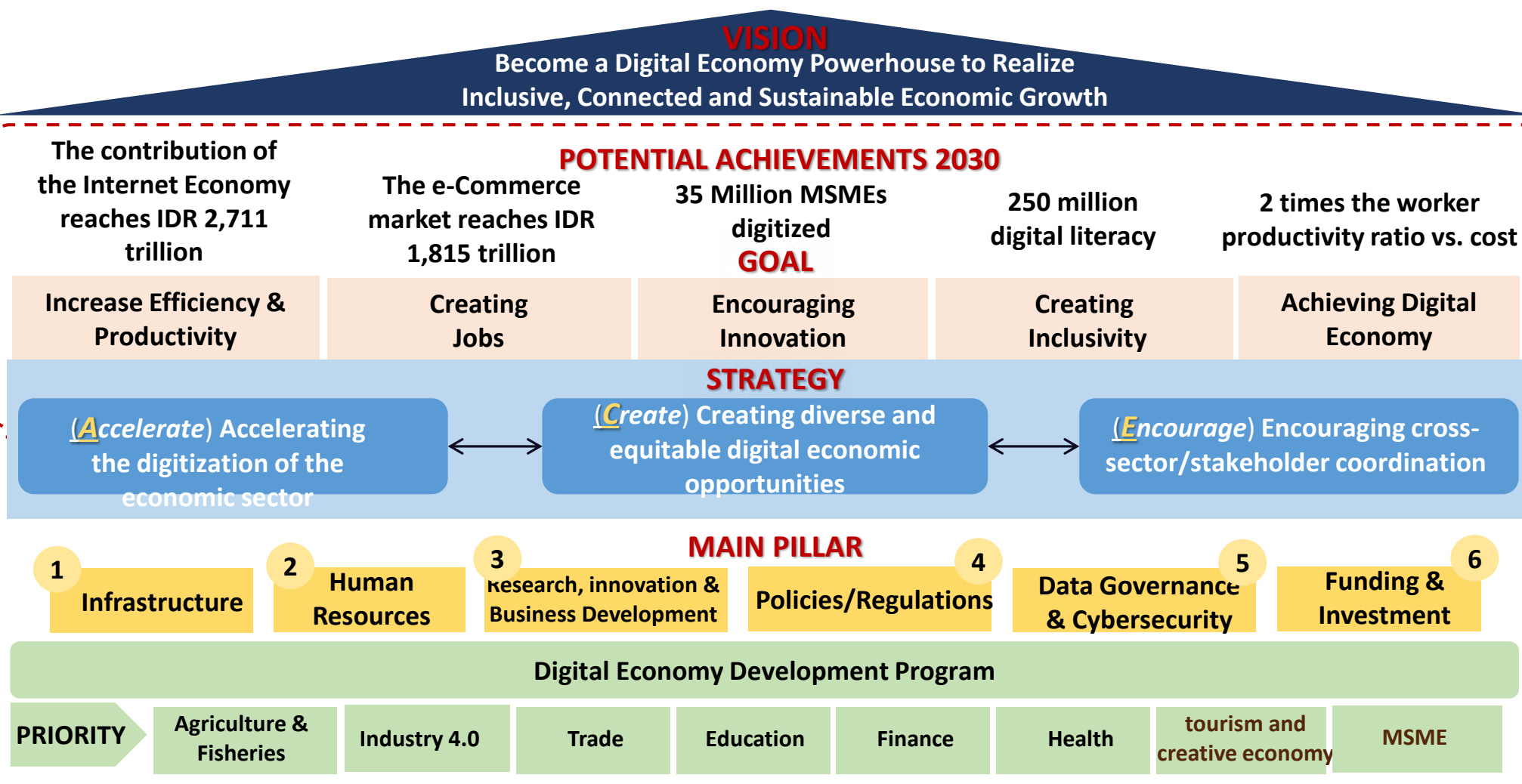
- ❑ MSME'S LEVEL UP



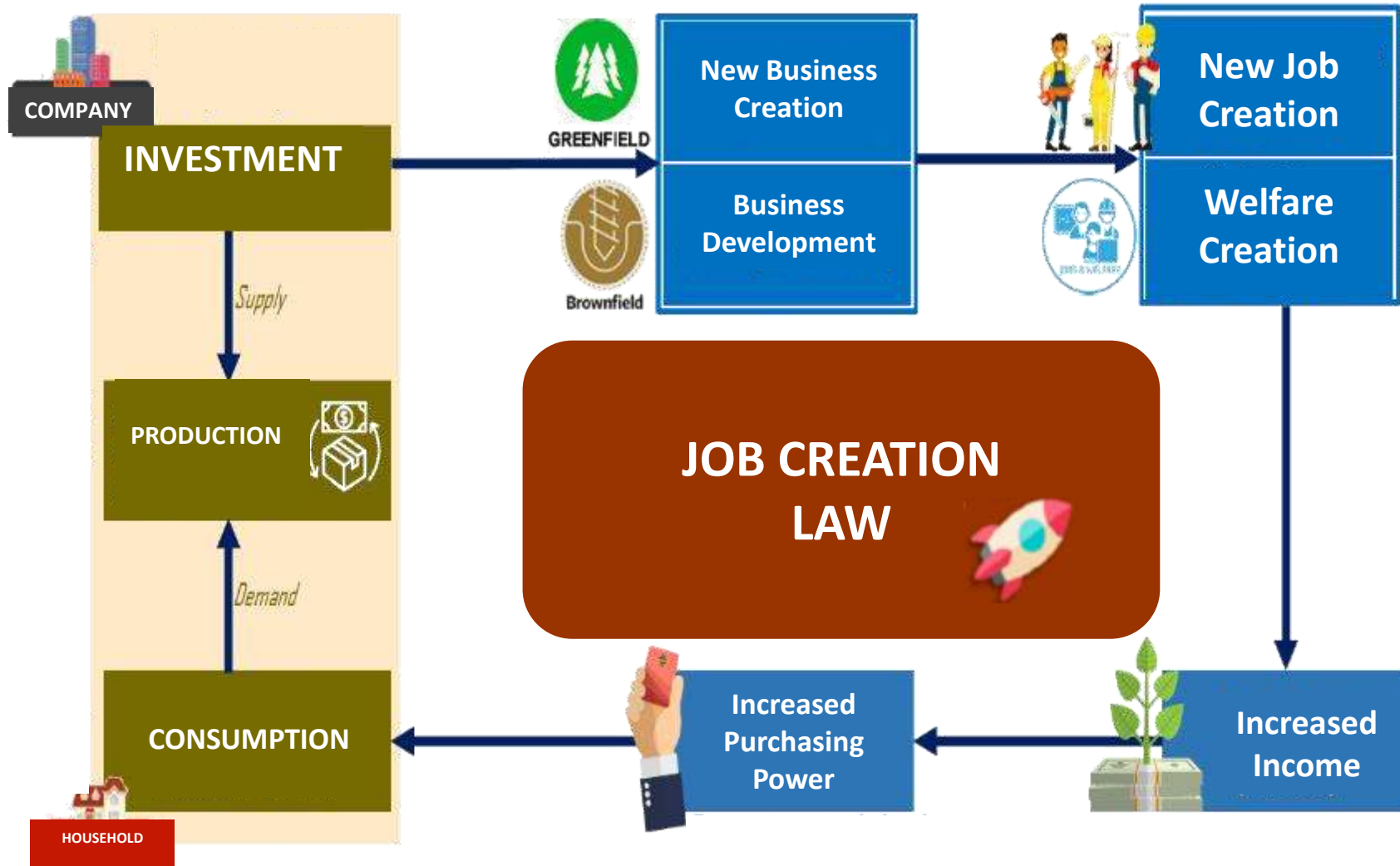
Goal

Achieving
Sustainable
Economic
Development

Indonesian Digital Economy Development Framework Concept (2021-2030)



The Framework of Job Creation Law





Perppu No. 2 of 2022 Concerning Job Creation Law Is An Improvement of The Previous Regulation

Constitutional Court

- ❑ The Constitutional Court (MK) stated that the Job Creation law was conditionally unconstitutional.
- ❑ The Job Creation law is still valid and asked the government to complete the revision within two years.



Follow-up

1. Setting the omnibus method in the Law on the Formation of Legislation (Law Number 13 of 2022)
2. Improvements to the Job Creation Law:
 - Use of the omnibus method
 - Meaningful increase in participation
 - Substantial study results: employment, land, environment and base



Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.

PERPPU NO. 2 OF 2022 (30 December 2022)

The contents of the Job Creation Perppu are generally the same as the contents of the Job Creation Law, however there are some major improvement to the content

Several Major Improvement are Related To Employment Regulation, Halal Certification, and Water Resource Management

Employment Regulation

1. Refinement of the setting of Regency/City Minimum Wage.
2. Changes to the formula for calculating the Minimum Wage which takes into account certain variables of Economic Growth, Inflation and Indices

Halal Product Assurance (Halal Certification)

1. Development of the BPJPH organization in the regions as needed.
2. The Halal Certificate is valid since issuance and remains valid as long as there is no change in the composition of the ingredients and/or PPH.
3. Halal certification for MSEs through a halal statement is free of charge.

Management of Water Resources

1. Implementation of water sources in the form of diversion of river channels based on approval by the Government
2. Criminal sanctions for intentionally violating water source activities include diverting the river channel without approval.
3. Imposition of administrative sanctions in the form of administrative fines.

Job Creation Law As A Tool For Long-term Structural Reform



PROGRESS OF THE JOB CREATION LAW

With the Omnibus Law method, 79 laws were revised and simplified to become the Job Creation Law (Law Number 11 2020) was promulgated on November 2, 2020

Derivative regulations of 54 Government Regulations/Presidential Regulations

The decision of the Constitutional Court on November 25, 2021

On June 16, 2022, Law No. 13 of 2022 concerning Amendments to Law No. 12 of 2011 concerning the Establishment of Legislation

- The government prepares improvements to the job creation law following the decision of the Constitutional Court, which involves the technical formation of the job creation law but does not change its substance.
- Preparation of academic manuscripts and draft law manuscripts
- It has expected to be completed in 2022.

Clusters in the Job Creation Law

1. Improving the Investment Ecosystem and Business Activities
2. Employment
3. Ease, Protection, and Empowerment of Cooperatives and MSME
4. Ease of Business
5. Research and Innovation Support
6. Land Procurement
7. Economic Zone
8. Central Government Investment and Acceleration of National Strategic
9. Projects Implementation of Government Administration
10. Imposition of Sanctions

- a) Revising Law 12/2011 to accommodate the Omnibus Law method
- b) Change the Job Creation Law based on the revision of Law 12/2011 within two years
- c) Review the substances that objection to the community

The subject matter in the revision includes:

- a) Omnibus method;
- b) Strengthen community involvement and meaningful participation;
- c) Regulatory digitalization
- d) Improve the technical error of writing in the draft law either that has been agreed upon or after the President receives the bill

- *The Job Creation Law and its implementing regulations are still in effect and no material on the Law has been annulled by the Constitutional Court.*
- *Thus, the implementation of the Job Creation Law, which concerns, among others, Business Licensing and OSS, Employment including provincial and district/city minimum wages, and facilities for MSMEs, still applies.*

The Job Creation Law Encourages Employment and Facilitates New Business Opening While Recovering the Post-Pandemic Economy



Under the Omnibus Law, **77 Indonesian Laws** have been revised through a single law which regulates various sectors.

Has simplified into



186 Article
dan **15 chapter**

11 Cluster



Investment Ecosystem and Business Activities



Business Licensing



Employment



SME and Cooperatives



Research and Innovation



Land Acquisition



Economic Zones



Ease of Doing Business



Government Investment & National Strategic Project (PSN)



Public Administration



Imposition of Sanctions

*The UUCK has been in effect since its promulgation on November 2, 2020. The Constitutional Court Decision No. 91/PUU XVIII/2020 dated November 25, 2021 which states that the Law of Job Creation is unconstitutional with the condition: remains in effect operational but must be formally revised within 2 years. The issuance of Ministerial Regulations/Regional Regulations/Regional Head Regulations which are technical in nature, operational can still be carried out, and the OSS System will continue to run as should be .

Source: Ministry of Investment (BKPM)



The Government Focuses On Regulations And Procedures For Ease of Doing Business



Improvement of regulations in the context of structural reforms to the Job Creation Law and its derivative regulations can provide legal certainty to business actors.

Streamlining Administrative Procedures and a Positive Investment Climate

Ease of Doing Business Policy



Law No. 11 of 2020 About Job Creation



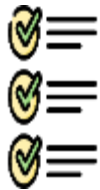
Latest update

PERPPU 2 of 2022 concerning Job Creation has been issued



Impact on ease of doing business

Providing legal certainty to business actors



Government Regulation No 5 of 2021



Revision of the Legal Draft and Appendix I/II



Improving risk-based licensing procedures (NSPK) and harmonization with other PPs



OSS RBA System

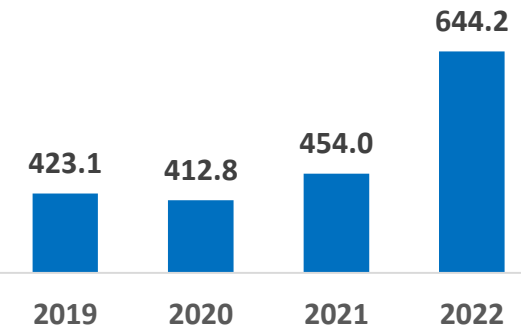


Assistance in conformity evaluation between Regulation and System

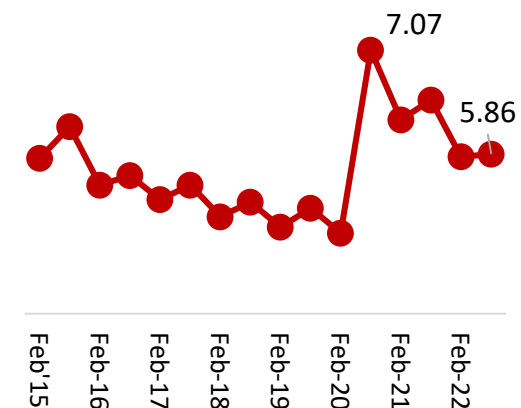


Better and smoother Business Licensing Services

FDI Realization (IDR Tn)



Unemployment Rate (%)



More Business Fields Are Open for Foreign Investment



Further provisions regarding investment requirements are regulated in a Presidential Regulation Number 10 Year 2021 Jo. 49 Year 2021



Pres. Regulation 44/2016
“Investment Negative List”

Pres. Regulation 10/2021 Jo. 49/2021
“Investment Business Fields”



Business Restriction
oriented



Encouraging the Development
of Priority Business Fields

The Regulation has
come into force since
4 March 2021
**(30 days after the
regulation enacted)**
(Article 15 Pres. Regulation
10/2021)

Positive Investment List: Improving the Investment Ecosystem in Indonesia



Changes in the licensing process and expansion of business fields for investment will be a game changer in accelerating investment and opening new jobs



Changes in the Regulation of the Investment Business Field

Presidential Regulation No 44 of 2016 "Indonesia Negative Investment List"	Presidential Regulation No. 49 of 2021 (PR 49/2021), which amends PR 10/2021 "Investment Business Field"
List of Business Fields Closed to Investment 20 business activities	Priority Business Activities 246 business activities
Business Activities Allocated for or Requiring Partnership with Cooperatives and MSMEs 145 business activities	Business Activities Allocated for or Requiring Partnership with Cooperatives and MSMEs 182 business activities
Business Activities that are Open with Certain Requirements 350 business activities	Business Activities that are Open with Certain Requirements 37 business activities

- In principle, all business fields are open to investment, except for business fields that are declared closed for investment or activities that the Central Government can only carry out.*
- Investment value for PMA > IDR 10 billion excluding the value of land and buildings. However, to encourage technology-based startups in the SEZ, the investment value of PMA can be ≤ IDR 10 billion, excluding the value of land and buildings*

Priority Business Activities with the following criteria:

National strategic project/program	Pioneer industry
Capital intensive	Export oriented
Labour intensive	Oriented in research, development, and innovation activities
High technology	



Fiscal Incentives

- Tax Incentives:
 - Tax Allowances
 - Tax Holidays
 - Investment Allowances
- Customs incentives in the form of import duty exemption for import of machinery and goods for industrial development and expansion

Non-Fiscal Facilities

- Ease of obtaining business licenses
- Provision of supporting infrastructure
- Guarantees on availability of energy
- Guarantees on availability of materials
- Immigration
- Manpower
- Other non-fiscal supports

The Latest Investment Business Field Arrangements



Presidential Regulation No. 44/2016 “Investment Negative List”

Presidential Regulation No. 10/2021 Jo. 49/2021 “Investment Business Fields”

Attachment I



Business Fields Closed for Investment
20 Business Fields



Priority Business Fields*
246 Business Fields

**Equipped with Tax Holiday, Tax Allowance, and Investment Allowance*

Attachment II



Business Lines Reserved for or Required for Partnerships With Cooperatives and SME

145 Business Fields/KBLI



Business Lines Allocated for or Required for Partnerships With Cooperatives and SME

182 KBLI in 106 Business Groups

Attachment III











Business Fields Opened with Conditions
350 Business Fields



Business Fields Opened with Conditions
37 Business Fields

Investment Focus Sectors



Sector	Industry	Sector	Industry
	Downstream Natural Resources		Import Substitution
	Nickel, Copper, Coal Smelting		Iron and Steel
	Export Oriented Industry		Tourism
	EV Battery, Automotive		Tourism operator, tourism supporting services, 10 new Bali
	Infrastructure		Labour Intensive Industry
	Toll road, Airports, Seaports		Furniture, Electronics, Textile, SME's
	Human Resources Development/ Education		Digital Economy
	Vocation, Higher Education/University		Data center, Start-ups, marketplace, e-commerce

BKPM Promotion Strategy

- 1 Encouraging Collaboration of Local Entrepreneurs with Foreign Investors
- 2 Encouraging Equitable Investment outside Java
- 3 Providing easy incentives based on investor needs



Encouraging Investment Through Priority Sectors That Have Value Added



Export Oriented – Labor Intensive industries



Pharmaceutical and Health Equipment



Automotive Industries



Electronic Industries



Infrastructure



Energy, especially renewable energy



Mining,
That creates added value products

Investment Policy Direction 2020 -2024:

Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth





Investment Realization Target 2020 to 2024

With the direction of President Jokowi to improve the economic growth, the investment realization target will be increased from IDR900T in 2021 to IDR1,200T in 2022

No	Strategic Goals and Key Performance Index BKPM 2020-2024	Units	2020	2021	2022	2023	2024
1	Investment Realization	Rp Trillion	817.2	858.5	968.4	1,099.8	1,239.3
2	Investment Realization in Secondary Sector	Rp Trillion	227.2	268.7	352.5	483.9	646.1
3	Quality Investment Distribution (outside Java)	%	48.3%	49.0%	49.7%	50.6%	51.7%
4	Investment Contribution from DDI including SME's	%	48.8%	49.7%	50.3%	51.9%	53.1%

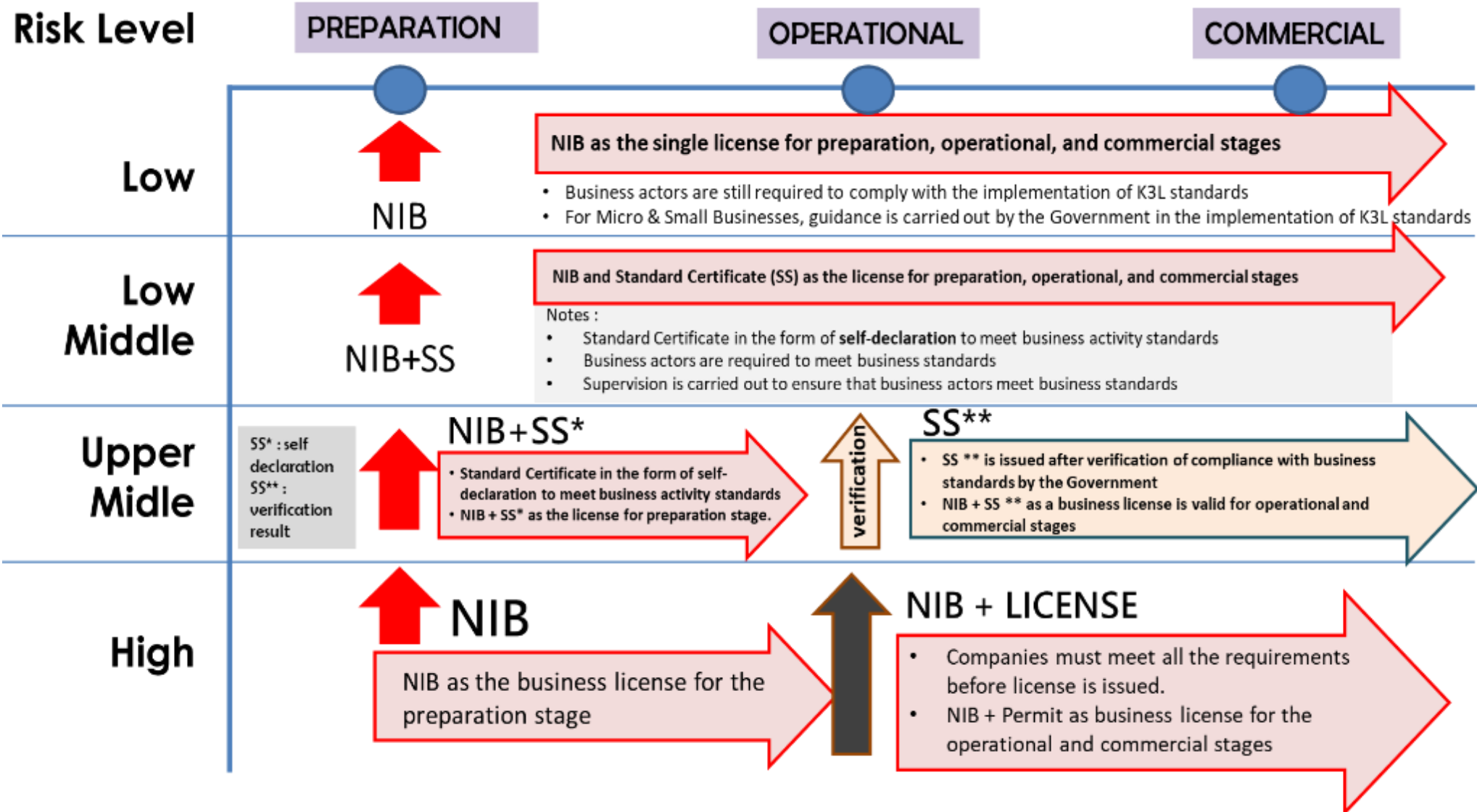
Total Investment
Realization Year 2015 to
2019
Rp. 3,381.9 T



Investment Realization
Target Year 2020 to 2024
Rp. 4,983.2 T

The increase in investment targets from President Jokowi is expected to come from quality investments, such as processing industries that provide added value

Risk-Based Licensing Approach



Risk-based Business Licensing Deregulation Measures To Encourage FDI



Ex-ante Licensing (satisfying all requirements in advance) is effectively replaced by **ex-post licensing** (the requirements are checked afterward), which will be particularly advantageous for low- and medium-risk businesses.

Starting a Business



The Government implemented OSS-RBA on **August 9, 2021**, based on Regulation 5 of 2021.

Low Risk

Medium Risk

High Risk

NIB Issued = 3.719.750

Period August 4, 2021 – February 28, 2023

Based on Business Actor:

- **Business Entity** = 487.986
- **Individual** = 3.231.764

Based on Investment Type:

- **FDI** = 13.366
- **DDI** = 3.706.384

Based on Business Scale:

- **Micro** = 3.531.836
- **Small** = 138.235
- **Medium** = 18.269
- **Large** = 31.410

Action Plans

Short - Medium-term

- Accelerate the reduction of Ex Ante licenses toward Ex Post compliance (Risk-Based Approach)
- Towards technical regulations for risk management – Third Party System
- Establish OSS as a national portal for business licenses with legal security

Long-term

Speed up better development approach (e.g., climate change, etc.)

Source: Coordinating Ministry for Economic Affairs

Doing Business

RISK-BASED TARGETING – Optimizing Effectiveness and Cost of Monitoring:

- Resource and time limitations
- Focus on critical hazards that are more likely to arise
- Consider random inspections because blanket inspections are not appropriate, resulting in excessively costly (for countries and businesses)

INSPECTION:

- Based on the risk
- Inspection is carried out to ensure the implementation of operational and commercial activities according to business standards
- exception in the implementation of supervision for Micro and Small Enterprises
- implementation of inspections can be carried out by certified professionals (third parties).

The Progress of Development Monitoring/Inspection Subsystem

Of the 44 modules in the monitoring (inspection) subsystem:

- 36 modules have been completed/embedded in the OSS RBA (go-live)
- 8 modules are still in the process of User Acceptance Testing (UAT)

Implementation of Risk-Based Business Licensing

Government Regulation Number 5 of 2021



To Start and Carry Out Business Activity

Basic Requirement for Business Licensing

Prior to Law 11/2020	After Law 11/2020
Location Permit	Suitability of Space Utilization Activities (KKPR)
Environmental Permit	Environmental approval
Building Permit (IMB) and Building Function Certificate (SLF)	Building Approval (PBG) and SLF

Risk Based Business Licensing (KBLI)

- Risk-Based Business Licensing based on KBLI regulated in PP 5/2021.
- The fulfillment of provisions, requirements and obligations is based on the Sector PP, Presidential Regulation, and Permen/Perban* derivatives of PP 5/2021.

Business Licensing to Support Business Activity (PB UMKU)

- Previously (OSS 1.1) was known as Commercial/Operational License
- PB UMKU services are carried out entirely through the OSS system
- PB UMKU is in the process of finalizing the system with Line Ministries and there is an agreement:
 - if the nomenclature and services have been accommodated in the line ministries system, first the system integration will be carried out,
 - however, if it has not been accommodated by the line ministries system, the priority is immediately planted in the OSS system.

*) Various requirements are regulated in 22 Candy/Bandages that must be accommodated and planted in the OSS system

Risk Based OSS System: Users and Features



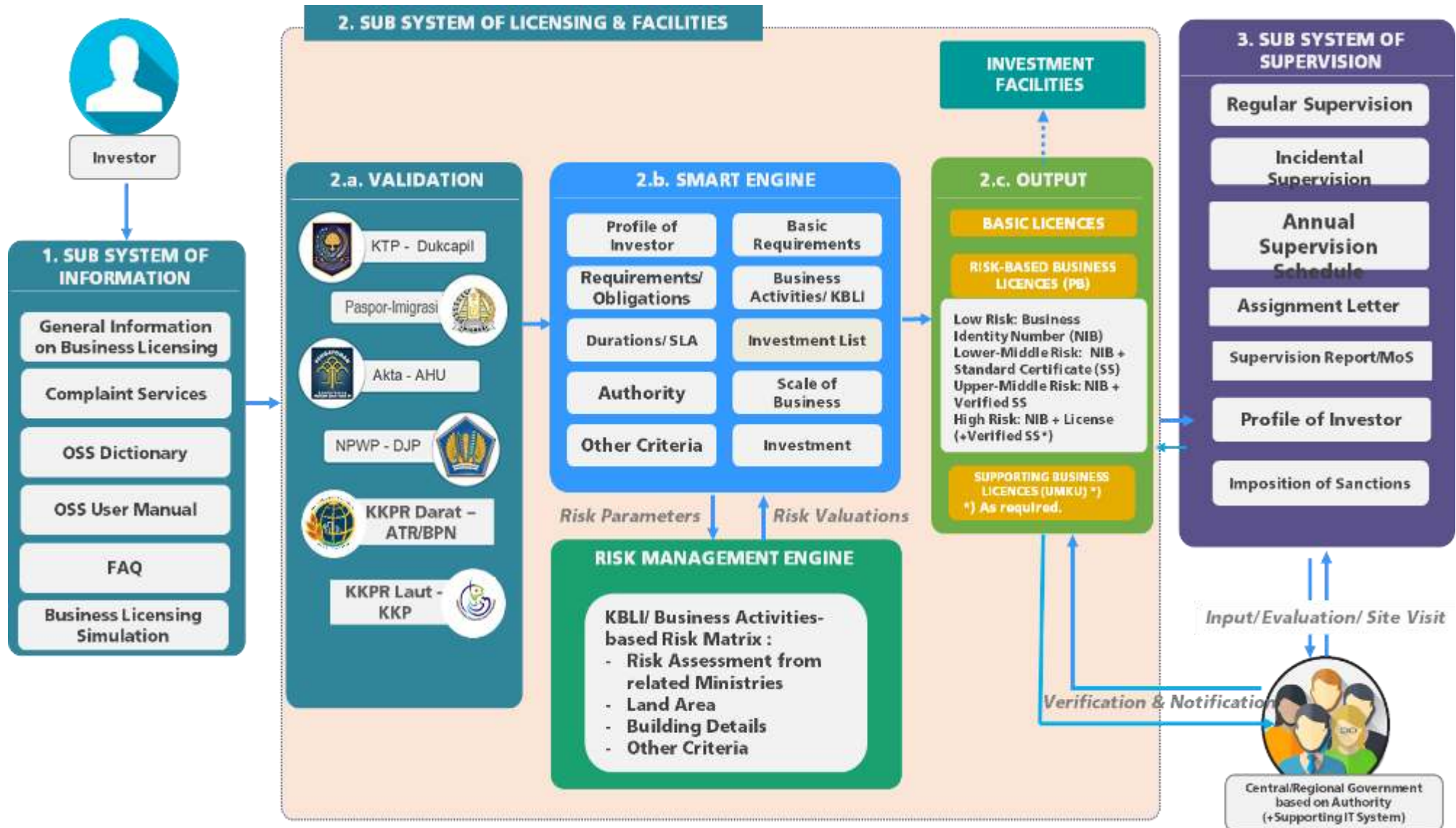
OSS System is Mandatory

Business/ Investor	Line Ministries	Regional Government	SEZ	KPBPB
SME	18 Line Ministries	34 Province	19 SEZ	5 KPBPB
Non SME		416 Regency		
		98 City		

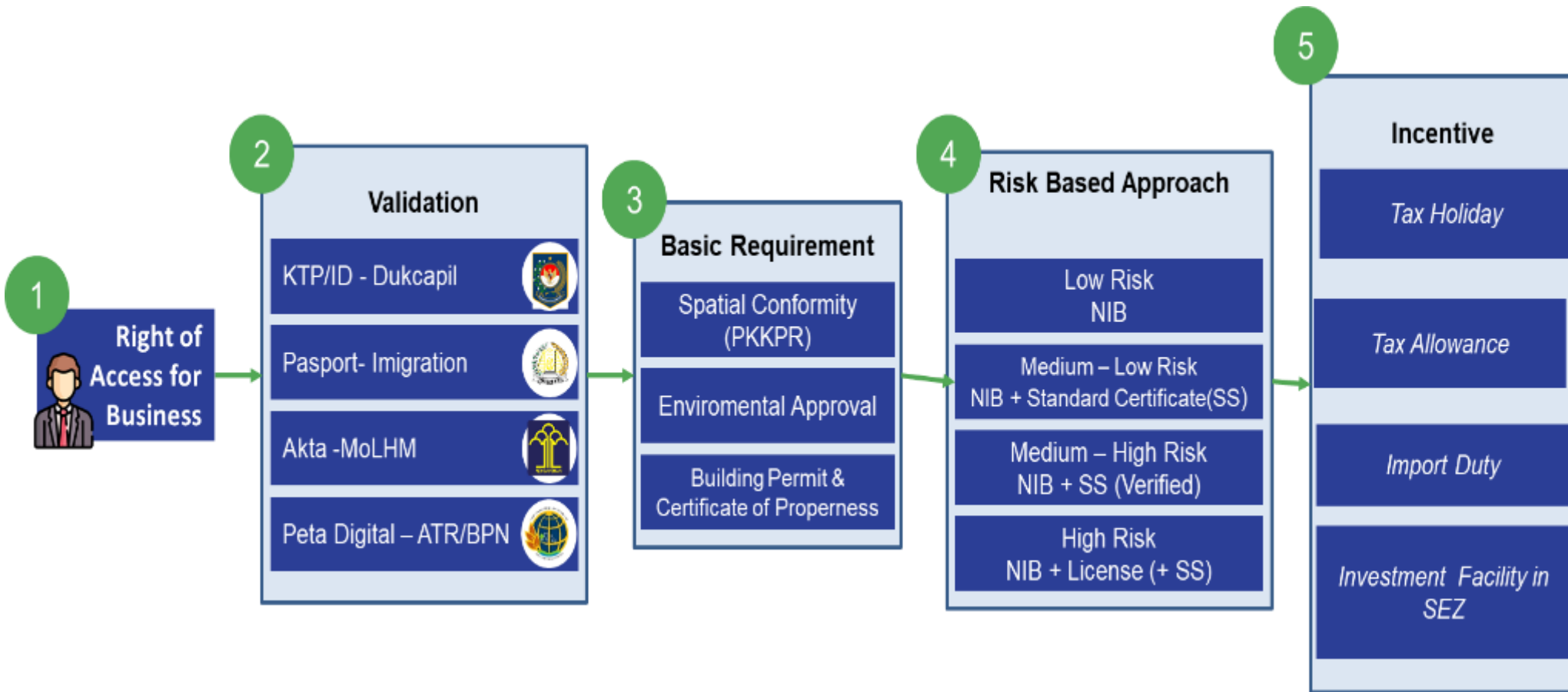
Features in OSS

- Information
- Business License and Facility
- Monitoring

Architecture of OSS System



Ease of Business Licensing and Investment Facility through the OSS System

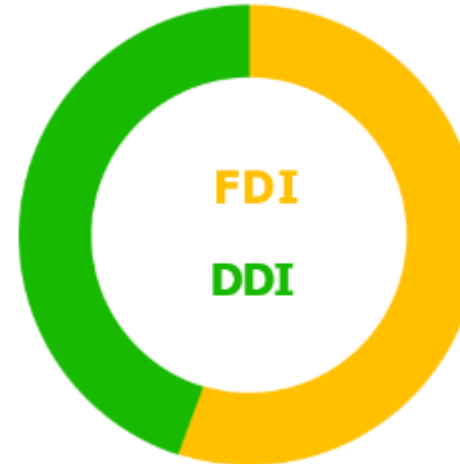


Investment Realization in 2022




 **Rp 1,207.2 Trillion**
(YoY :  **34.0%**)

Achieving Target of 1200 T
(100%) from President



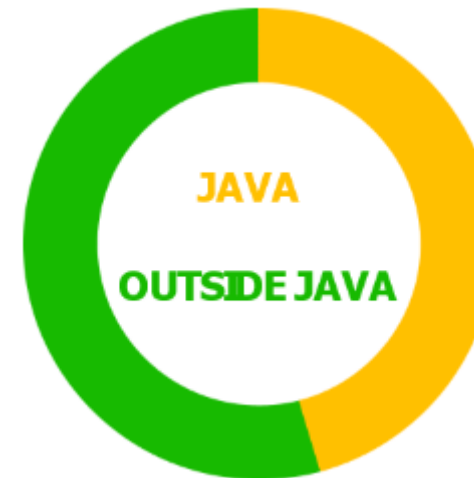
DDI
(Rp 552.8 T) 45.8%
(YoY :  **23.6%**)

FDI
(Rp 654.4 T) 54.2%
(YoY :  **44.2%**)




**Indonesian Labor
Absorption:**

1,305,001
people



OUTSIDE JAVA
(Rp 636.3 T) 52.7%
(YoY :  **35.9%**)

JAVA
(Rp 570.9 T) 47.3%
(YoY :  **31.9%**)

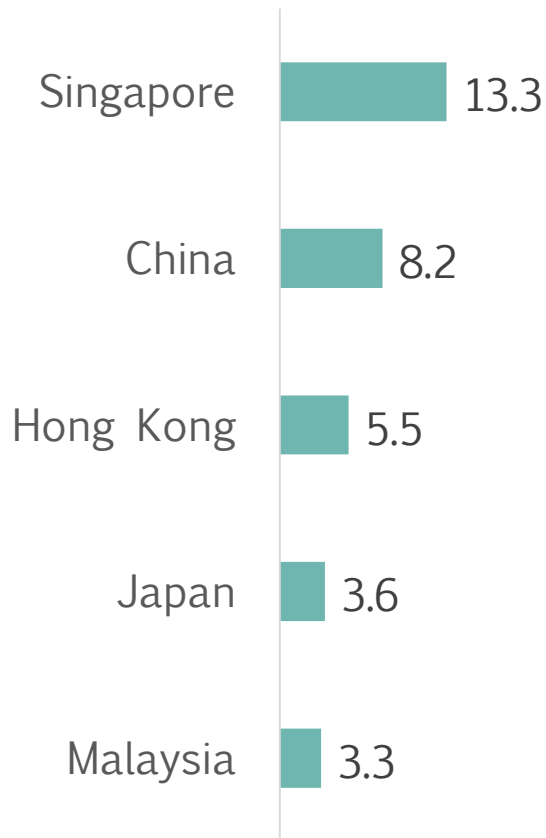
Investment Realization in 2022

(excluding the upstream oil and gas sector and financial services)



Top 5 Investors (by country)

(in USD billion)



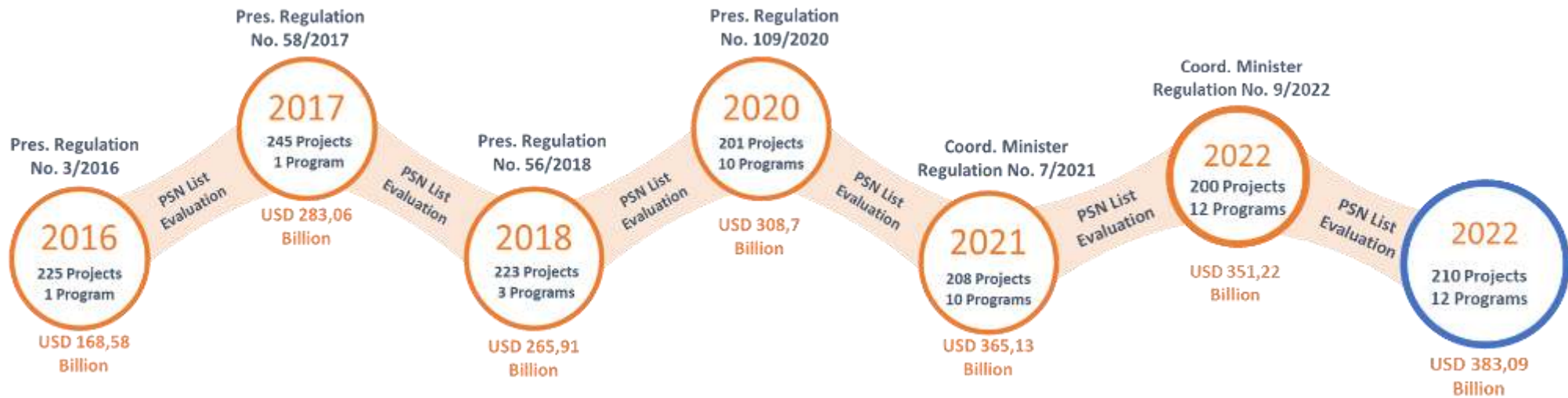
By Region

in IDR Trillion



DDI			FDI		
	Transportation, Warehouse, and Telecommunication	Rp 75.1 T - (13.6%)		Metal, Metal Goods, Except Machinery, and Equipment Industry	US\$ 11.0 B - (24.0%)
	Housing, Industrial Estate, and Office Building	Rp 66.2 T - (12.0%)		Mining	US\$ 5.1 B - (11.3%)
	Mining	Rp 62.5 T - (11.3%)		Chemical and Pharmaceutical Industry	US\$ 4.5 B - (9.9%)
	Food Industry	Rp 54.9 T - (9.9%)		Transportation, Warehouse, and Telecommunication	US\$ 4.1 B - (9.0%)
	Food Crops, Plantation and Livestock	Rp 38,9 T - (7.0%)		Electricity, Gas and Water Supply	US\$ 3.8 B - (8.3%)

National Strategic Project (PSN) list was established in 2016, and have undergone several amendments until recently stipulated under Coordinating Minister Regulation No.21/2022



Project included in the PSN List



Proposed project is evaluated by KPPIP and approved through High level Limited Meeting (Ratas)



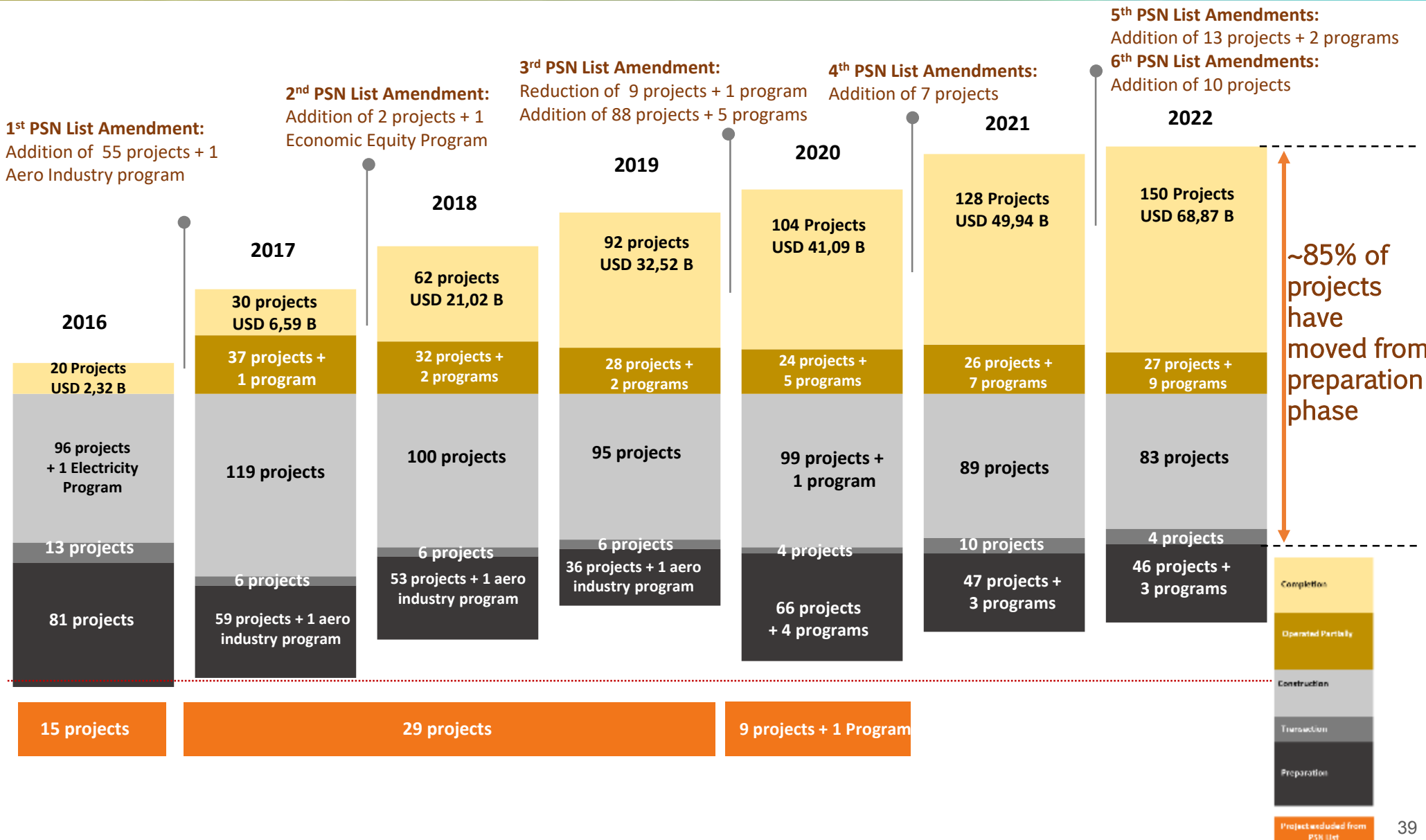
Ongoing project from the previous list and being pushed by the government

The project has been declared Complete and there are no issues that need to be resolved
The project no longer requires PSN facilities



Project excluded from the PSN List

Since 2016, 141 National Strategic Projects have been fully operational, and most of the projects have been expedited to move from preparation phase



All National Strategic Projects have been given a special facility to ease each of the project's implementation as stipulated in the Pres. Regulation No. 109 /2020



PSN Facility

Land transfer fee waiver for PSN

Local content utilization

Debottlenecking

Electronic permit licensing

Government guarantee

Procurement acceleration

Spatial planning

IT Monitoring system by KPPIP

Law settlement assistance

Land aquisition

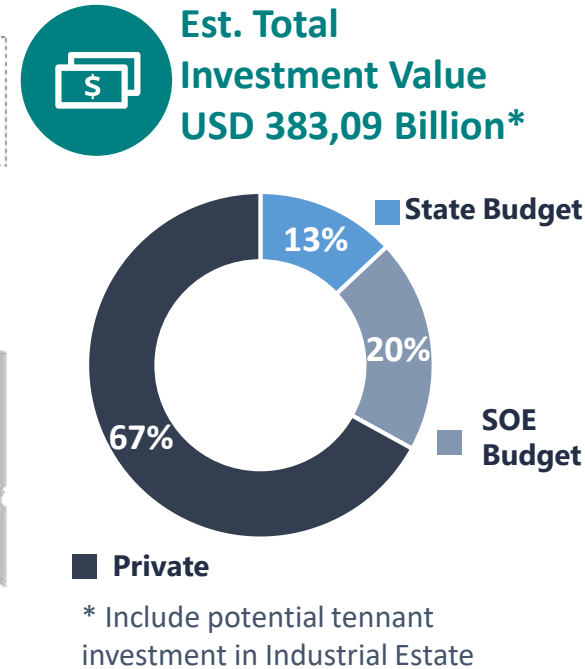
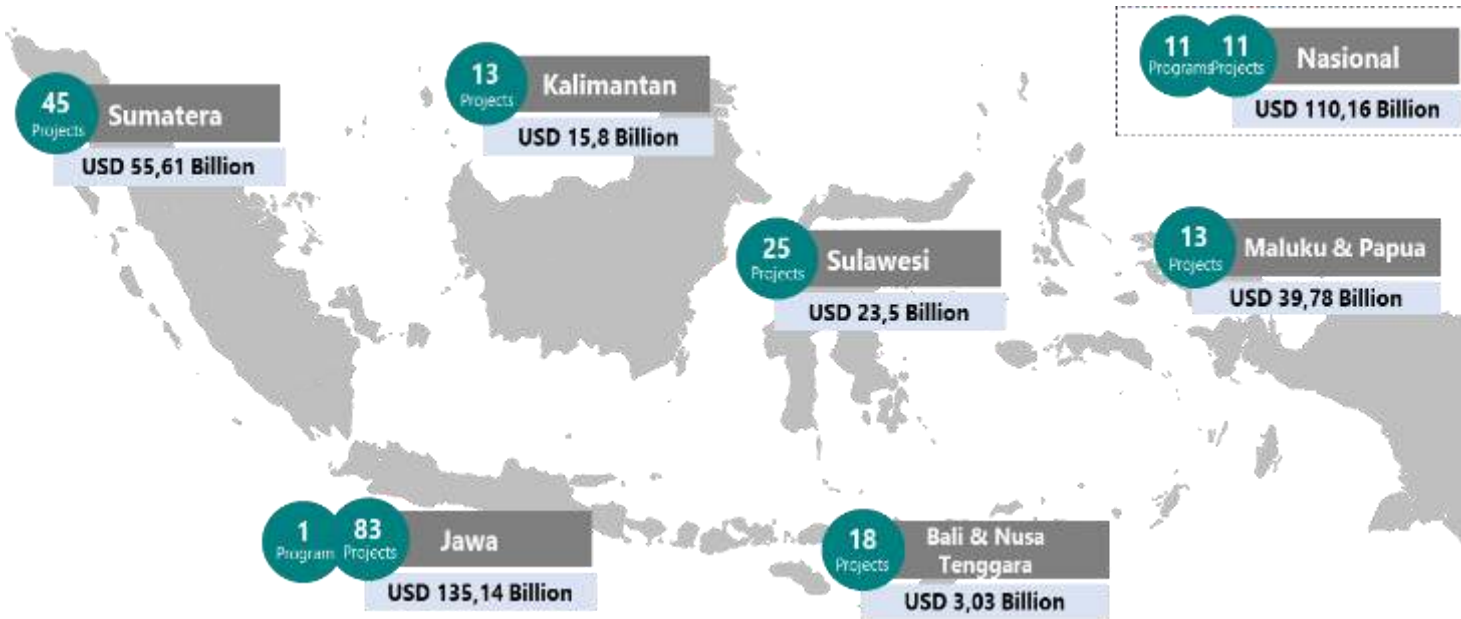
SOE appointment

Project acceleration for private investment

Existing

New norm on Presidential Regulation No. 109/2020

Currently, there are 210 Projects and 12 Programs under the National Strategic Project list in which more than 60% of total investment value are expected to come from private sectors



* Est. 1USD=15.000 IDR

PSN list covers 14 sectors on project level and 12 Program level



Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (1/2) Electricity Program with focus on Renewables



1

Electricity Infrastructure Development (PIK)
(which contains projects listed in RUPTL 2021-2030);

2

National Rooftop Solar Power Plant

3

Large-scale Solar Power Plant in Riau Islands

Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (2/2)

EV Battery end-to-end Development Plant

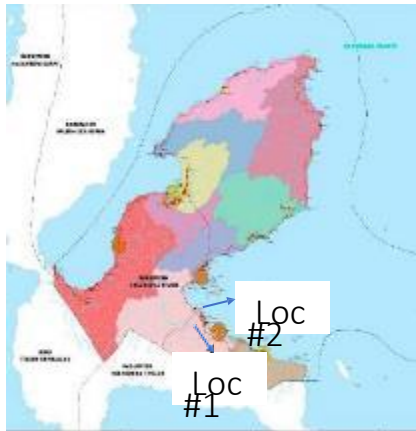


The Electric Vehicle Battery Industry is one of the Government's priorities

In the next five years, the President's direction is that the government wants to focus on the downstream industry of nickel ore, considering that Indonesia has the largest reserves in the world.

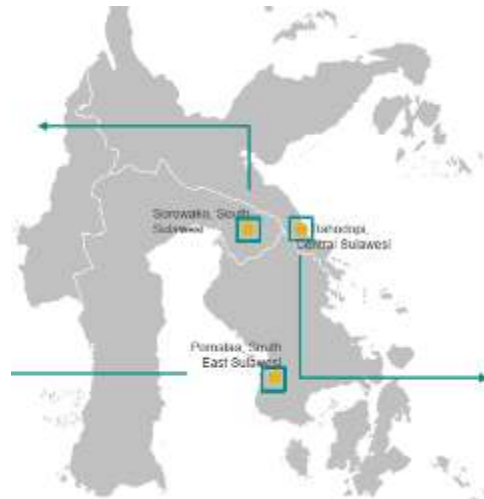


Electric Battery Development Program as part of new PSN List in 2022



1. Nickel Smelter in East Halmahera PT Indonesia Battery Corporation in East Halmahera

A joint venture project with the LGES consortium to support the supply of nickel for the electric vehicle battery industry in Indonesia at the Batang Integrated Industrial Estate



2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

Contributing the downstreaming of electric battery precursor products up to 40,000 tons/year

Highlighted PSN Projects which provide substantial benefit to private investor - Special Economic Zones Development (KEK) on 18 Location in Indonesia



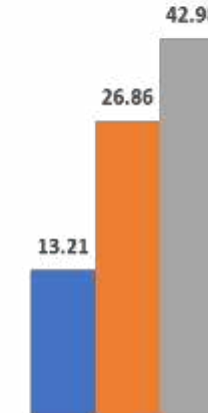
19 SEZs AND ITS PRIMARY ACTIVITIES



SUMMARY OF THE 19 SPECIAL ECONOMIC ZONES PERFORMANCE *)

Investment Realization
(IDR Trillion)
2019 - 2021

■ 2019 ■ 2020 ■ 2021



Investment
Commitment

IDR 116.4 Trillion

27,800
Numbers of
Employment



IDR 5.2 Trillion

Export Value in 2021



IDR 64.8 Trillion
Investment Realization
(Tenant & Developer)



*) up to December 2021

MAIN TARGET OF SEZs

Increasing Export

Focusing on industries which have
GVC (fashion, automotive, furniture,
etc.)

Speed Up Development
of Industry 4.0

Focusing on industry with automation

Developing Under-
Developed Regions

Giving added value to raw materials
such as mining or farming

Develop Potential
Service Industry

Development industry in the field of IT,
financial services, education &
healthcare

Improve Indonesia
Balance of Trade

Import substitution Industries, such
as chemical, pharmaceutical,
machinery & electronics

Highlighted PSN Projects which provide substantial benefit to private investor

– Various facilities and Modalities for SEZ investors



Investment Opportunities as Tenant

- Invest in SEZ Business Sectors (Industry: palm oil, rubber, petrochemical, agro, fishery, manufacturing, logistic, tourism, etc)



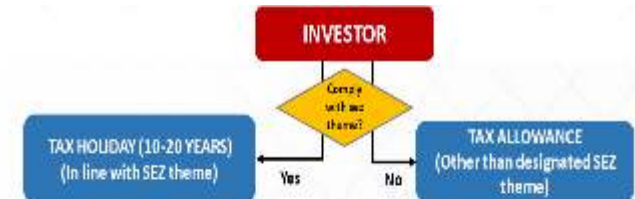
Investment Opportunities as Developer

- Joint Venture with the SEZ Developer in operating and managing SEZ



Investment Opportunities as Infrastructure Provider

Provide SEZ Infrastructures:
On-site infrastructure (power plant, water treatment plant, waste-water treatment plant, etc)



Government of Indonesia has set various initiatives to drive private sector participation in Infrastructure sector especially for National Strategic Projects



1



Public Private Partnership (PPP)

2



Limited Concession Scheme (LCS)

3



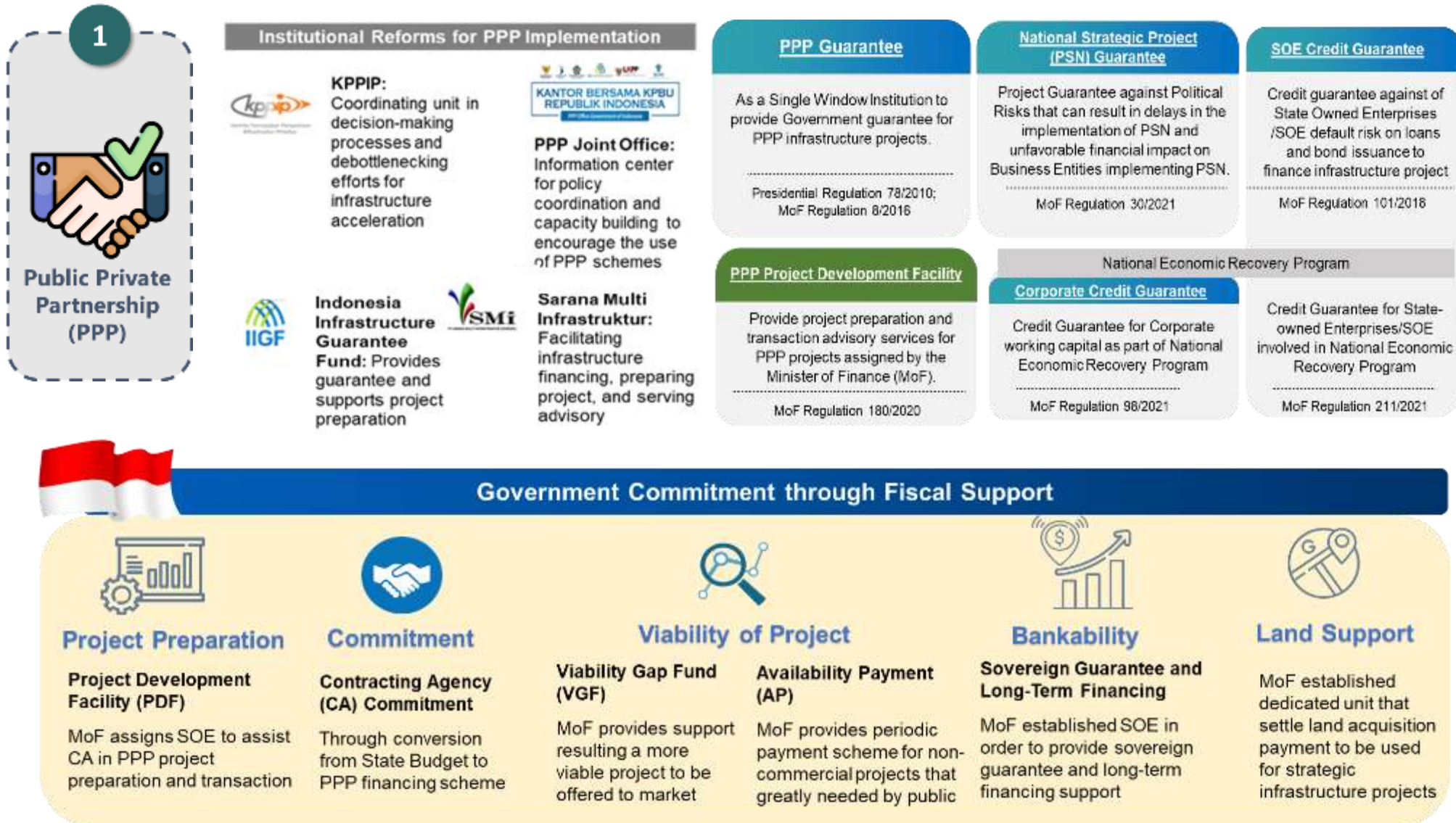
Land Value Capture (LVC)

4



Other Creative Financing for Infrastructure

Government of Indonesia has conducted institutional reforms to establish a conducive PPP ecosystem...




Government Commitment through Fiscal Support



Project Preparation

Project Development Facility (PDF)

MoF assigns SOE to assist CA in PPP project preparation and transaction



Commitment

Contracting Agency (CA) Commitment

Through conversion from State Budget to PPP financing scheme



Viability of Project

Viability Gap Fund (VGF)

MoF provides support resulting a more viable project to be offered to market



Viability of Project

Availability Payment (AP)

MoF provides periodic payment scheme for non-commercial projects that greatly needed by public



Bankability

Sovereign Guarantee and Long-Term Financing

MoF established SOE in order to provide sovereign guarantee and long-term financing support



Land Support

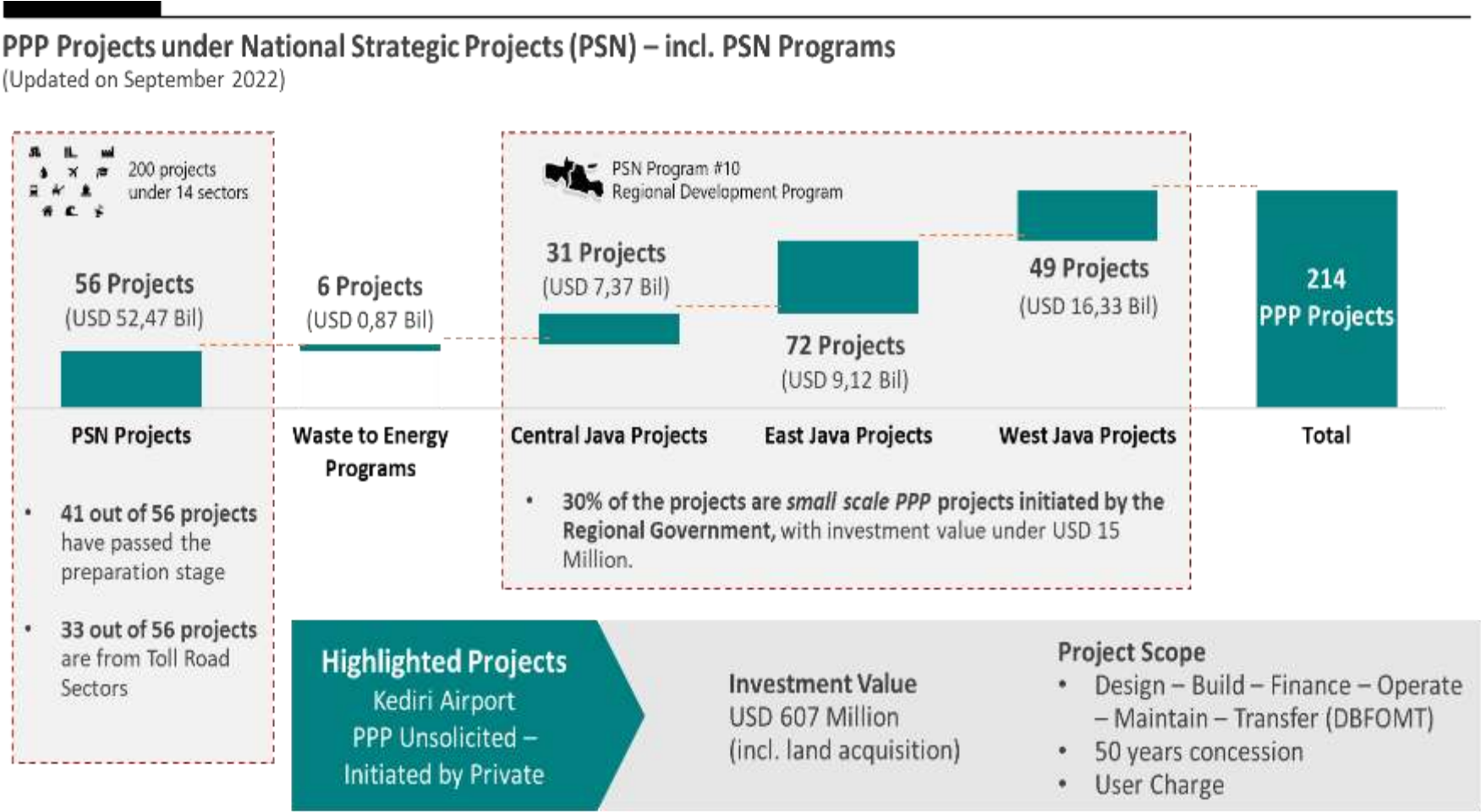
MoF established dedicated unit that settle land acquisition payment to be used for strategic infrastructure projects

Under National Strategic Project (PSN) there are 214 projects identified to be delivered through Public Private Partnership (PPP) with various project scales and sectors



1

Public Private Partnership (PPP)



Government of Indonesia has stipulated Limited Concession Scheme as an asset recycling scheme for brownfield infrastructure asset



2



Limited
Concession
Scheme (LCS)

Limited Concession Scheme (LCS) is a concession agreement, **that includes asset operations and development**, between Government and Private Entities for 20+ years of concession period.

LCS Concept

Government can get:

- **Upfront payment** that can be received at the time of Financial Close, and/or
- **Annuity payment** during the concession period
- Additional incentives in the form of **revenue sharing**

All future CAPEX will be borne fully by the concessionaire, thus easing the burden of Government's budget

Government guarantees the issuance of permits and licenses

Flexible operations allow **private sector to innovate and increase revenue**



LCS Principles

- ✓ **LCS transfers concession rights** from brownfield asset owned by the Government and/or SOEs to private sector to operate, maintain, and develop the assets;
- ✓ As the rewards, Government and/or SOE will receive **upfront payment or annuity payment** during the concession period
- ✓ **Future CAPEX during the concession period** will be borne by the concession holder to ease the Government and SOE budget burdens



Technical Criteria for the LCS assets

- ✓ The asset has been fully **operated** for minimum **2 years**
- ✓ The asset needs to **improve operation** efficiency based on international standard
- ✓ Asset's useful life minimum is **10 years**
- ✓ For the **SOE's asset**, the asset must have **positive cash flow** for minimum 2 years in a row and has been audited at least 3 years in a row
- ✓ For **Government asset (BMN)**, the asset should be on the Ministry Financial report that has been audited based on the Government Accountancy Standard in the previous period

Government of Indonesia try to implement LVC Scheme in order to alleviate government burden on infrastructure development



3



Land Value
Capture (LVC)

A policy approach that enables communities to recover and reinvest economic value increases and increases in economic productivity that result from public investment and other government actions.
(Lincoln Institute of Land Policy)



Tax based LVC

Land and Property Tax

Betterment Levies and
Special Assessment

Tax Increment Financing
(TIF)

Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

LVC Benefit

- Local revenue from tax and levy
- Better city planning and development
- Regional growth
- Distributed development in urban area

Triple Win LVC

Better
Urban
Mobility

Reducing
Subsidy

Creating
Fiscal
Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

Government of Indonesia is exploring the potential of pilot project on LVC to encourage Regional Government in implementing LVC Scheme



- Coordinating Ministry of Economic Affairs in partnership with **The World Bank** and **DFAT- Australia** has formulated **Piloting Project study (Demo Project)** for Land Value Capture initiatives in 5 Cities



MRT Station
Harmoni,
DKI Jakarta

Value Capture
Instrument:

- FAR (Floor Area Ratio) Compensation
- Betterment Levy**



TOD
Jurangmangu,
Tangerang,
Banten

Value Capture
Instrument:

- Concession Fee
- Betterment Levy**



Gedebage Area,
Bandung,
Jawa Barat

Value Capture
Instrument:

Betterment Levy



TOD
Tawang Station,
Semarang, Jawa
Tengah

Value Capture
Instrument:

- Concession Fee
- Betterment Levy**



Sekanak - Lambidaro
Area Development,
Palembang,
Sumatera Selatan

Value Capture
Instrument:

Betterment Levy

SDG Indonesia One is launched by PT SMI as an integrated funding platform for private investor



Profile of PT SMI

- PT SMI is a SOEs' non-bank financial institution with 100% of its shares owned by the Indonesian government.
- The first financial institution in Southeast Asia accredited by Green Climate Fund (GFC)

SDGs Initiative

- The platform was launched in October 2018
- The Pipeline Projects comprise public transportation sector, health care, renewable energy, tourism and drinking water supply system

Impact toward SDGs: Increase funds availability for infrastructure projects and project appropriateness.



Source: PT SMI, 2019



Focuses on 15 out of 17 components in SDGs
which are related to infrastructure development

Other Financing Scheme and Modality – Indonesia Investment Authority (INA) as an Alternative Source of Economic Development Financing



4



*Other Creative
Financing for
Infrastructure*

Legal basis

- PP Number 73 of 2020 concerning Initial Capital for Indonesia Investment Authority
- PP Number 74 of 2020 concerning Indonesia Investment Authority
- PP Number 49 of 2021 concerning Tax Treatment of Transactions Involving Indonesia Investment Authority and/or Entities Owned
- PP Numbers 110 and 111 of 2021 concerning the Addition of PMN to the Capital of Investment Management Institutions

Development

- The Supervisory Board has been formed based on Presidential Decree No. 6/P of 2021
- The Board of Directors has been formed based on the Decree of the INA Council Number 1 of 2021
- An initial capital of IDR 15 T has been allocated in 2020, and an additional capital of IDR 15 T from PMN and from the transfer of shares amounting to IDR 45 T
- There have been discussions with more than 50 companies to become strategic partners, and several countries have expressed a desire to partner with INA

Main Sectors of Investment



Toll Road



Airport



Health Services



Industrial Area



Seaports



Digital Infrastructure



Renewable Energy



Traditional Energy



Plantation

Development of INA's Progress

- ☐ The total investment opportunity commitment received up to June 2022 reached >USD 20 billion.
- ☐ At least two investment opportunities are expected to be closed in 2022-2023: Toll Road and Seaport.
- ☐ Current cooperation agreements secured are:
 - **Toll Road:** Investment platform with ADIA, CDPQ, and APG for USD 3,75 billion. Hutama Karya's opportunity is expected to close in December 2022, while ADIA is reevaluating the Waskita Karya opportunity.
 - **Seaports:** Alliance agreement with DP World to develop ports and support infrastructure amounting to USD 7.5 billion throughout the concession period.
 - **General:** USD 10 billion investment framework agreement with ADG for various sectors in Indonesia
- ☐ Investment opportunity that has been completed: Digital infrastructure: Mitratel's IPO with ADIA, ADG, and GIC for a total of USD 770 million

Other Financing Scheme and Modality – Capital/Secondary Market that have contribution as an alternative infrastructure financing instrument (example)



Other Creative
Financing for
Infrastructure

Limited Mutual Fund

(RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

- Capital Market Instrument in a form of Mutual Fund that is offered to limited investors
- Since 2018, there are already more than 50 products of RDPT with approximate value of IDR 16 Trillion and USD 125 Million
- Most of the sector offered is on Toll Road Sector

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

MARKET - Donald Banjarnahor, CNBC Indonesia

18 November 2019 12:00

1

Example on RDPT Financing

Summary of TPJT

TPJT is located at East Java where it connects the area of **Pasuruan and Probolinggo**. The Toll Road will potentially attract traffic from western part of Java going across Surabaya, Probolinggo and Banyuwangi for tourism.

TPJT is a subsidiary of PT Waskita Transjawa Toll Road ("WTTR").

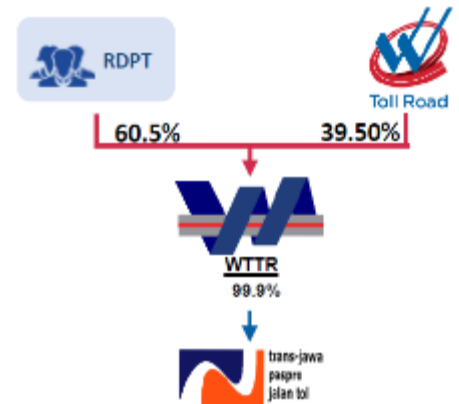
Location: East Java

Summary of KKDM

KKDM was established on December 20, 1996. KKDM obtained the Toll Road Concession Rights for Bekasi-Cawang-Kampung Melayu Toll Road section ("**Becakayu**") with concession period of 40 years (start concession period: 2016). It is planned to **connect to Jakarta Inter Urban Toll Road ("JIUT")**.

Location: Greater Jakarta

Ownership Structure



Ownership Structure



Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning



Government Guarantee Program

Credit Guarantee	<ul style="list-style-type: none"> Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*. Clean Water – Guarantee for 70% of PDAM's debt principal payment obligations. Toll road – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads. Infrastructure - Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing. Public Transportation (Light Rail Transit) – Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.
Business Viability Guarantee (BVG)	<ul style="list-style-type: none"> Power (Electricity) – Guarantee for PT PLN's obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*
PPP Guarantee	<ul style="list-style-type: none"> Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements
Political Risk Guarantee	<ul style="list-style-type: none"> Infrastructure – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

Contingent Liabilities from Government Guarantee as of Q4 2022**

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program	5	USD 0.28
2	Clean Water Supply Program	5	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	11	USD 2.58
4	Sumatra Toll Road	10	USD 2.78
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 4.00
6	Public-Private Partnerships (PPP)	7	USD 6.32
7	Regional infrastructure financing	1	USD 0.19
8	Public Transportation (Light Rail Transit)	2	USD 0.91
9	Electricity Infrastructure Fast Track Program (35	6	USD 6.23
Total		54	USD 23.29

From 2008 to Q3-2022**, the government has issued 94 guarantee documents with total value of USD41.59 billion, there were 40 guarantee documents worth USD9.20 billion have been expired.

The Maximum Guarantee Limit for the period 2022-2025 is set at 6% of GDP. Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

*) MOF provides both credit guarantees and BVGs for 35GW program

**) Currency conversion of IDR15,247.00/USD1 and IDR14,716.42/EUR1 (as of end September 2022)

The Domestic Component Level (TKDN) Implementation



“Domestic Component Level (TKDN) represents the quantity of domestic components in goods, services and combination of goods and service”

TKDN Value (goods) consist of:

- Raw materials;
- Direct Labor;
- Factory overhead

TKDN Value (services) consist of:

- Labor;
- Working Facility/Machinery;
- General Services

The Domestic Component Level (TKDN)

- ☐ Electronics
- ☐ ICT
- ☐ Medical Devices

Government Procurement

- ☐ State budget
- ☐ Regional budget
- ☐ State-owned company
- ☐ Regional-owned company

Non Government Procurement



WTO Rules (Compliance)

- Government procurement by the Government for electronics, ICTs and medical device prioritize domestic product with minimum TKDN + Company Benefit Weight (BMP) > 40%.
- Government procurement is funded by state budget, regional budget, state-owned company budget, and regional-owned company budget.



Non-governmental procurement is not prioritizing product's TKDN

The government constitutes the Increased Use of Domestic Products (P3DN) National Team

P3DN Team tasks:

- coordinate, supervise, and evaluate the implementation of Increased Use of Domestic Products (P3DN) in their respective environments;
- provide a final interpretation of the dispute of the TKDN value between the producer of the goods/services provider and the goods/services procurement team;
- Other tasks and liaisons related to P3DN



Improving National Logistics System Resiliency: “Key Priorities In Encouraging The Investment”



The government established an integrated logistics system through The National Logistic System Development Policy (SISLOGNAS). This system aims to facilitate the flow of goods to fulfill the community's basic needs and increase the competitiveness of national products.



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

This focus aims to ensure the availability and reliability of logistics services to support the smooth distribution of goods at the district and city levels.

Increasing efficiency and effectiveness of export/import flows of national leading products and imports of priority industrial raw materials.

This focus aims to improve the smooth flow of exports and imports, both goods and documents, to increase Indonesian products' competitiveness in the global market.

1

Commodity-based improvement framework

1. Specify a specific commodity.
2. Identify demand patterns, supply patterns and logistics costs.
3. Set logistics efficiency targets for these commodities, for example:
 - a. Lead time for domestic goods delivery;
 - b. Lead time at the port for import-export goods.

2

Strengthen Key-Enabler

1. Mapping and collaborating stakeholders and off-takers to implement the action plans.
2. Establish a responsible organization to ensure the implementation of action plans to support the achievement of logistics efficiency targets.

3

Organizing action plans based on 6 key drivers

Preparing action plans based on the six key drivers to achieve efficiency in national logistics and the effectiveness of export/import flows.

6. Regulations, Rules and Legislation

5. Human Resource Management

4. ICT

3. Logistics Service Provider

1. Main Commodity

2. Transportation Infrastructure

Competitiveness and Social welfare

Sources: RPJMN 2020-2024; Presidential Regulation No.26/2012 Concerning Blueprint of National Logistics System Development

Key Drivers: Logistic Action Plan

Transportation Infrastructure → There are ±90 projects of infrastructure development spread across Indonesia, such as toll roads, ports, airports and railways, to support the improvement of the logistics process

Logistics Service Provider → Through Government 5/2021, of the total 81 standard classifications of business field in overall logistics sectors, 72 (around 89%) required NO LICENSE but only identification business number and/or standard certificate. Furthermore, through Presidential Regulation 10 /2021, there are relaxations toward foreign investment requirements. In the logistics sectors, the relaxations take form in the allowability of foreign investment equity to fully own a business.

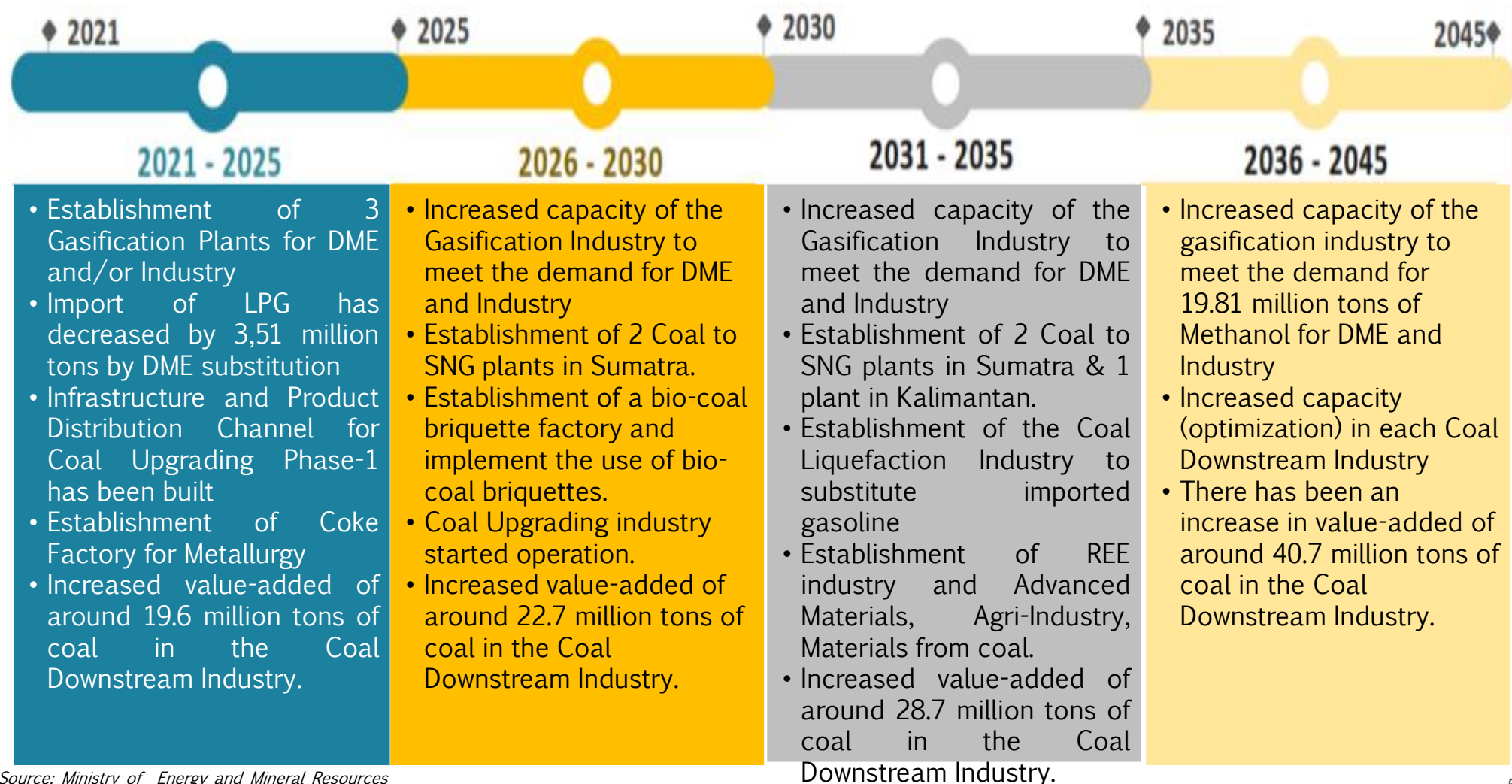
ICT → NLE is a system to provide one-stop services for the transmission of data, trade logistics documents, and secure and reliable information to serve G2G, G2B, and B2B transactions for domestic and international trade

Human Resource Management → Some programs include (a) The establishment of the National Occupational Map for Logistics and Supply Chain (b) Legalization of the Indonesian National Occupation Competency Standards

Government Continues to Support the Development of Downstream Industries



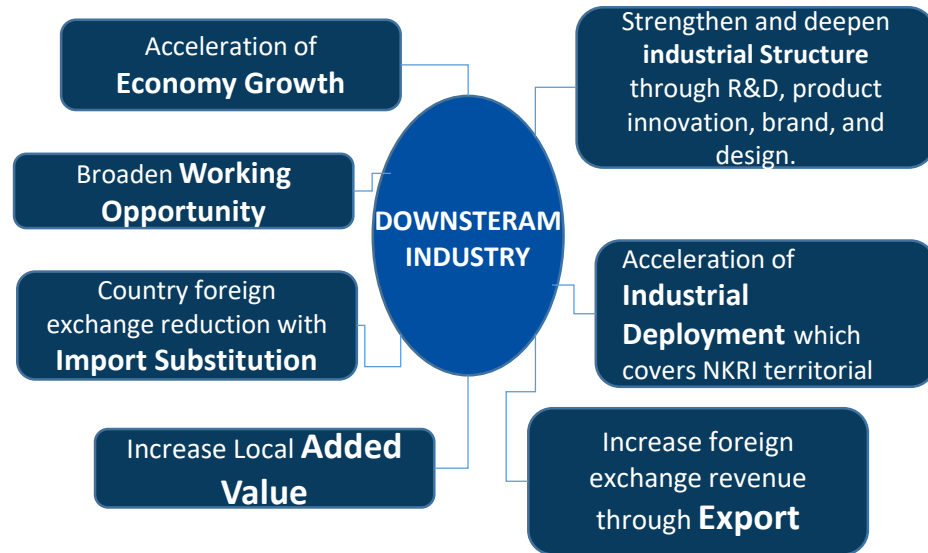
Indonesia's Coal Gasification Roadmap until 2045



Encouraging The Downstream Industry To Increase Value-added Commodities



Downstream Industry Policy



Supporting Policy For Downstream Industry

Provide Industrial Infrastructure / Development of sufficient Industry Area or SEZ (port, energy, land, natural gas, etc.)

Create a conducive industrial business environment (Job Creation Law, risk-based business licensing, OSS, etc.)

Fiscal incentive and disincentive

Technology provision, building advanced human resources, and industrial machinery.

Total Number and Investment Smelter 2021-2024

Commodity	Number of Smelter			Total Investment (mn \$)	Investment Realization (mn \$)
	Existing	Plan	TOTAL		
Nickel	11	19	30	7619.3	5508.4
Bauxite	2	6	8	7138.9	2979.5
Iron	1	1	2	53.7	47.2
Copper	2	2	4	4693.3	1046.9
Mangan	1	1	2	23.9	12.5
Lead and Zinc	0	2	2	28.8	22.0
TOTAL	17	31	48	19557.9	9616.6

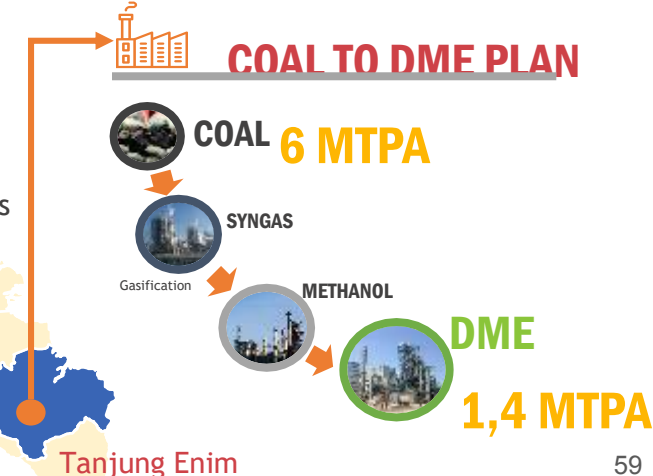
Coal Development Project

The development of the Coal to DME Project aims to increase national energy security by reducing LPG imports.



The project in Tanjung Enim will become a Special Economic Zone (SEZ) so that facilities and incentives will support it.

With 6 million tons of coal annually, this project can produce 1.4 million DME to reduce LPG imports by 1 million tons annually.



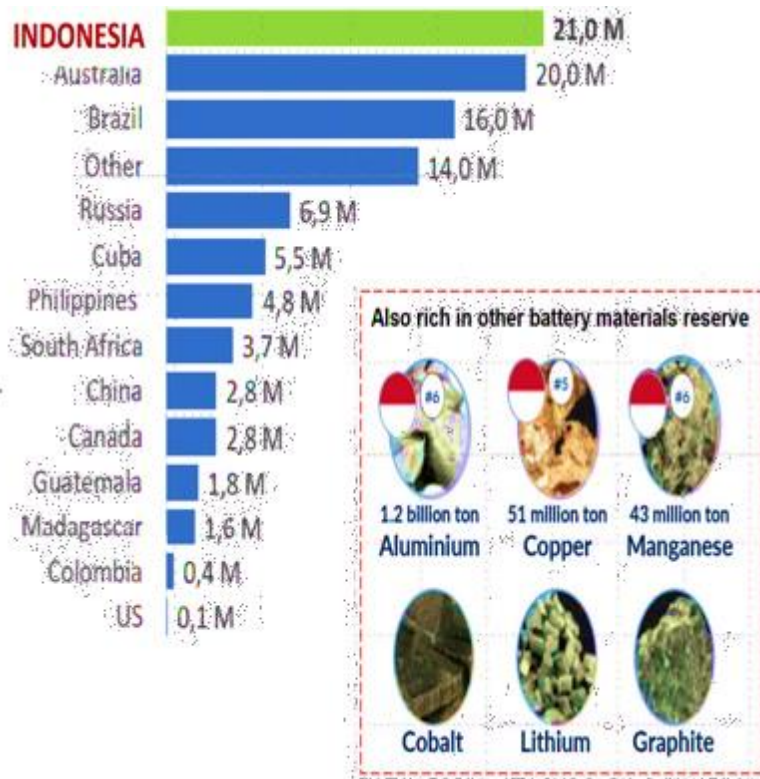
Indonesia Encourages Downstreaming of Commodities

One of which is Encouraging the Development of Nickel-Based Industries to Become a Global Battery and EV Supplier



1. Potential: Indonesia's Nickel Reserves Are Abundant

Global Nickel Reserve





Indonesia's nickel reserves are the largest reserves in the world reaching **21 million nickel ore** or with a share of **23.7% of all world reserves**.

Source: Coordinating Ministry for Economic Affairs

2. Strategies

A. The ban on nickel ore exports maintains the availability of raw materials for downstream industries

Commodity	Export Value (Million USD)			Indonesia and the Main Exporting Country
	2019	2020	2021	
Nickel Ore (HS 2604)	1.097	Prohibited → 0	Prohibited → 0	  1 st
	600	1.056		

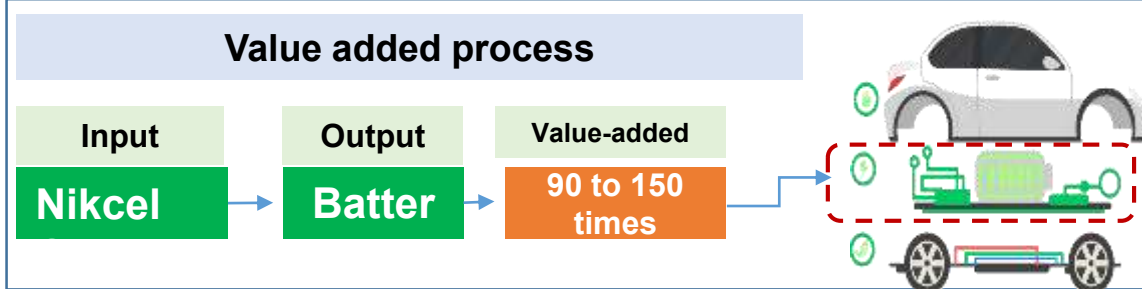
B. Invest in End-to-end EV Battery value chain development

- Estimated total investment of USD 15.3 Billion*) to build End-to-end value chain EV Batteries with a capacity of 140 GWh

C. Supporting Regulation

- Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021 - Accelerated Development of BEV

3. Benefits and Added Value of Nickel Downstream



Economic Transformation from Primary Sector Industries to Value-Added Industries



Export Ban of unprocessed minerals



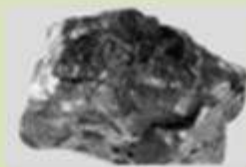
Nickel (2020)



Bauxite (2022)



Copper (2023)

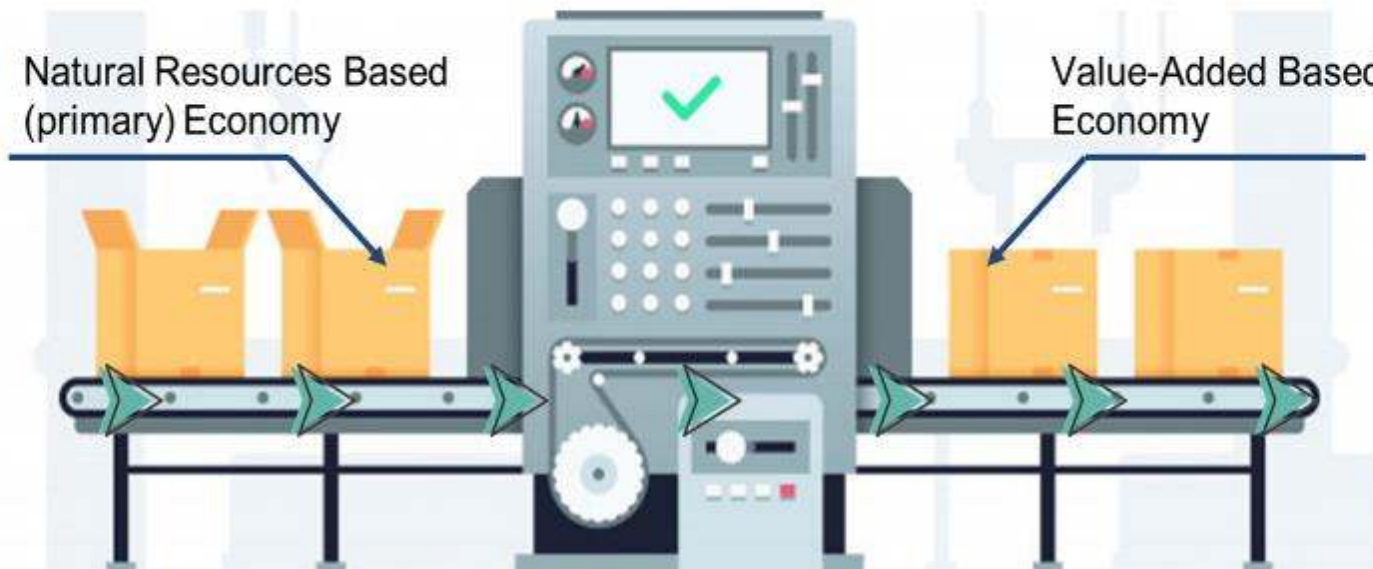


Tin (2023)



Natural Resources Based
(primary) Economy

Focus on Natural
Resources, such
as nickel



Value-Added Based
Economy

Focus on
Downstream
Industries

The Benefit of Downstreaming on Nickel Product Added Value



Added Value of Nickel Derivative Products



Nickel Downstreaming makes Indonesia the World Production Hub for Electric Vehicle



Implementation of the Second Phase
of the Electric Battery Industry
Batang, 8 June 2022

Investment Plan:

- LG : Integrated Battery Industry US\$9,8 Billion
- CATL : Integrated Battery Industry US\$5,2 Billion
- Foxconn : Electric Battery Industry, Electric Vehicle Industry (4wheel, 2wheel, E-Bus), and Supporting Industry (including charging station, R&D, and training) US\$8 Billion
- BritishVolt: Battery and electric vehicle industry, US\$2 Billion

In addition to downstreaming, investment also creates big impact: through collaboration with SOE (MIND ID, Pertamina, PLN), national entrepreneurs, especially MSMEs, high use of domestic component (TKDN), and large absorption of local manpower.

Indonesia will become an exporter of high value-added commodities



Natural Resource Downstreaming Has Become a Value-Added Commodity



Processing of Nickel to make the battery for electric vehicles

Investment Collaboration with State-Owned Enterprise and National Private Sector in the precursor, cathode, and electric batteries industries

Location:

Central Sulawesi, North Maluku, Central Java

Commodity:



Nickel

Gasification of Coal into Dimethyl Ether (DME)

Investment plan in collaboration with State-owned And National Private Sector in Coal gasification industry and its derivatives

Location:

Tanjung Enim, South Sumatra

Commodity:



Coal

Processing natural gas into methanol and Fertilizer

State-owned and National Private Sector investment in the natural gas processing industry into Methanol and Fertilizer in Fakfak, West Papua and Bojonegoro, East Java

Location:

West Papua and East Java

Commodity :



Natural gas

Industrialization Downstreaming for Food Sector

The food sector is able to create many new jobs and also create new economic growth areas.

Location:

Eastern Indonesia

Commodity :



Food

Visioning Nusantara – New Capital City Of Indonesia



Vision

The National Capital City (IKN) is a milestone in a new era of regional development and new economic centers in the Regions, as well as a **big push strategy to accelerate growth and equal distribution of the national economy.**

Recent Progress

1. The financing for land acquisition proposed by the Minister of PUPR is IDR9.09 T until 2023, where in 2022, it was allocated through DIPA PUPR of IDR 500 M.
2. The Minister of Finance requested that the 2023 land procurement proposed by PUPR of IDR8.45 T be accommodated through LMAN.
3. The DJA has approved the construction budget from PUPR for 2022 of Rp. 5 trillion.
4. The need for the 2023 Construction budget is IDR23.6 T, including proposals from 5 Ministries / Agencies.

New Capital City Planning Scheme



- The IKN proposal as National Strategic Project (NSP) is approved and included in the Regional Development Program as a Subprogram.
- The inclusion of IKN as NSP will refer to the Presidential Decree No.63/2022 and the draft One Map - One Planning - One

New Capital City of Nusantara Development



The Important Role of Establishment of IKN

- In February 2022, the Government of Indonesia enacted Law Number 3 of 2022 concerning the State Capital.
- The relocation of the National Capital City is based on the concentration of economic activities in Jakarta and Java Island, so it causes economic disparities between Java and Outside Java.



Indonesia's New
Economic
Driver

GDP of **USD180 Billion**
3 Million New Jobs
7+ Million Residents of IKN,
Balikpapan, and Samarinda

Composition of Financing for the Capital of the Archipelago

Funding for the Development of the Capital of the Archipelago (IKN) is obtained from the State Budget, PPP, SOEs, and Private Investment.

Private Investment Cooperation

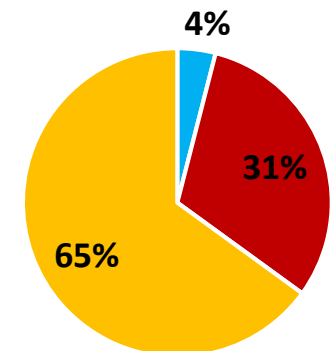
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant, hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

65% of the total estimated need for facilities and infrastructure in 2022-2024* will be implemented through the PPP scheme.

State Budget

Palace, basic infrastructure (non-cluster), defense and security, costs of transferring Government worker reforestation, costs of operating authority

Composition of Financing schemes



Development Stages of the National Capital City



2020-2024

Initial transfer to IKN

- Critical basic infrastructure is completed and
- operational (eg water, energy, rail) for residents in the initial stages
- Build central infrastructure (e.g. Presidential Palace, MPR/DPR Building) and housing in the Main IKN area
- Transfer of early-stage ASN (eg TNI, Polri, K/L ASN)
- Initiation of priority economic sectors

2025-2035

Building IKN as a Resilient Area

- Developing the next phase of the city (e.g., innovation and economic centre)
- Completed the transfer of the IKN government centre
- Develop priority economic sectors
- Implement an incentive system for priority economic sectors
- Achieving the goals of the Sustainable Development Goals (SDGs)

2035-2045

Building the entire infrastructure and ecosystem of 3 cities to accelerate the development of East Kalimantan

- Expand urban development and complete connectivity between and within cities
- FDI Destination No. 1 for priority economic sectors in Indonesia
- Top 5 top destinations in Southeast Asia for global talent
- Encouraging sustainable utility networks by implementing circular economy enablers
- Developing a center for innovation and talent development

2045-onwards

Strengthening reputation as a "World City for All"

- To be the leading city in the world in terms of competitiveness
- Top 10 livable cities in the world
- Achieving net zero-carbon emissions and 100% renewable energy at installed capacity – the first city in the world with >1 million inhabitants to reach this target

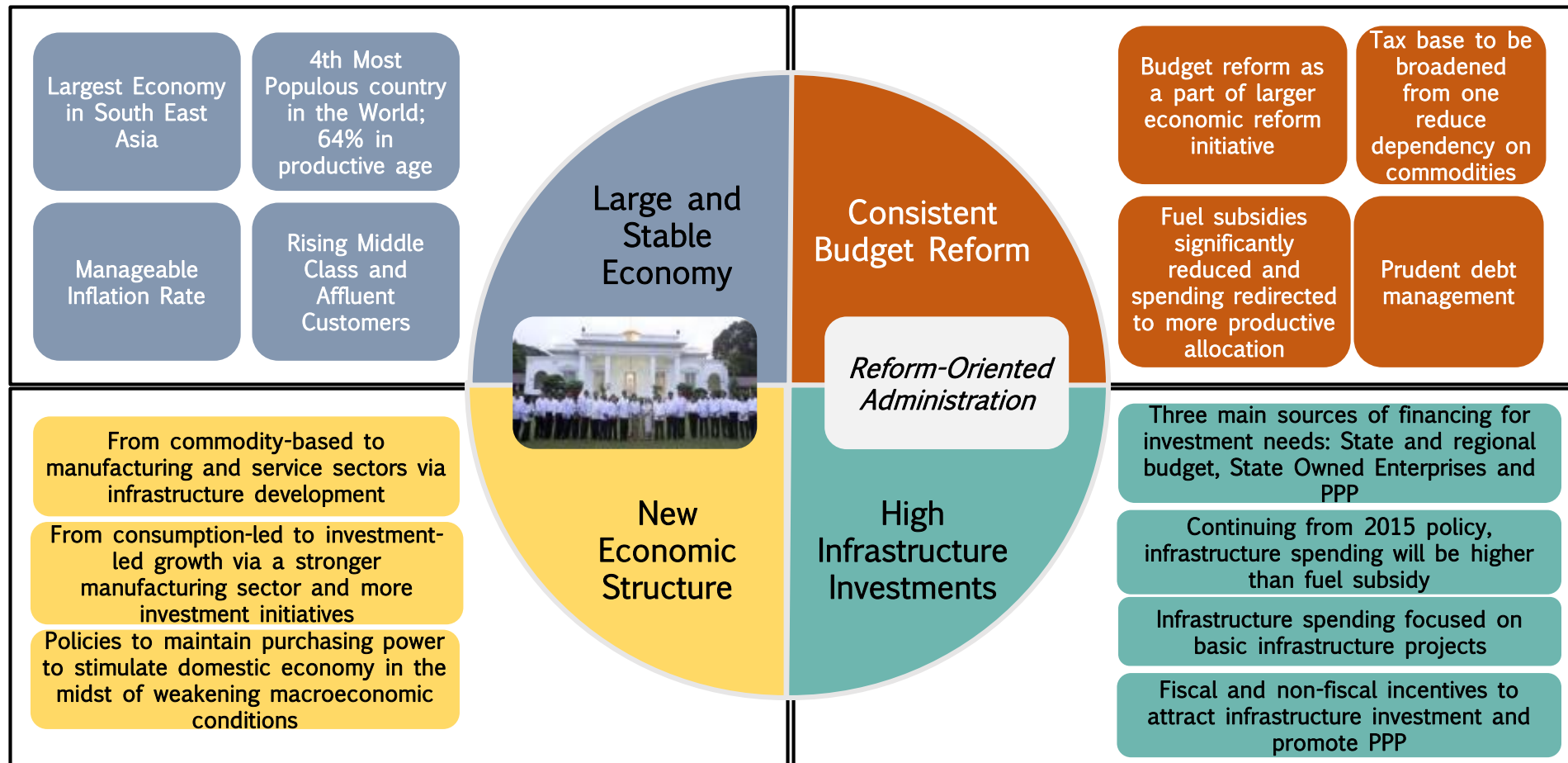




Section 3

Economic Factor:
Improved Growth Prospects
Supported by Continued Economic
Recovery Momentum

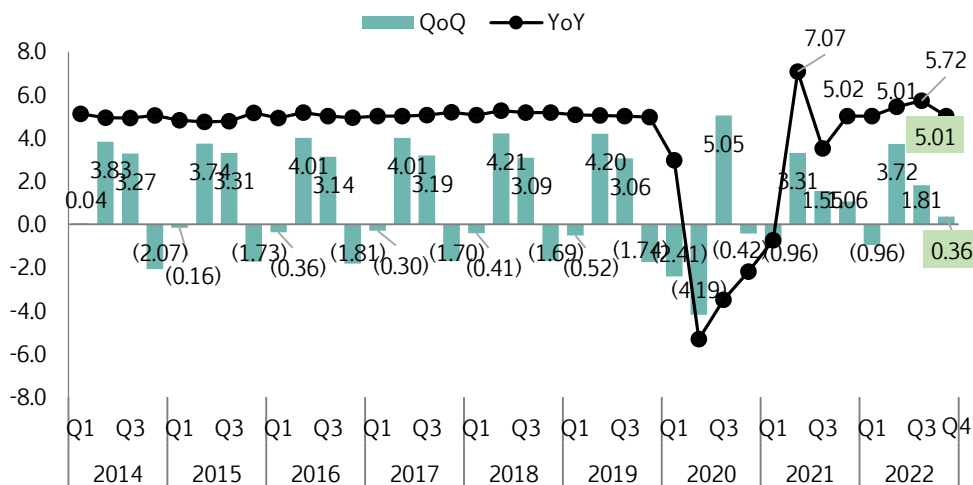
Conductive Environment Underpinning Improved Growth Fundamentals Amid Temporary Moderation



National Economic Recovery Continue to Accelerate



Strong GDP Growth¹

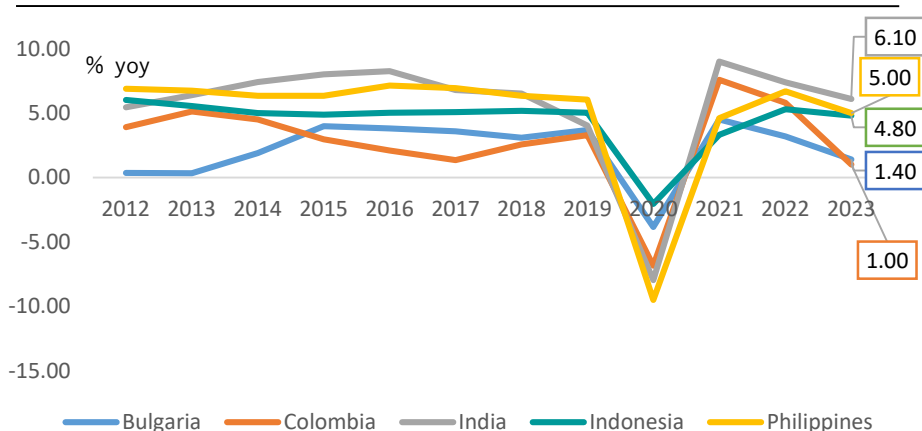


Indonesia's economic recovery momentum has continued in 2022, with the economy growing 5.31% (yoy), up significantly from 3.70% (yoy) in 2021. Solid economic growth in 2022 was supported by improving domestic economic activity along with the increase in social mobility which further boost consumption and investment, as well as strong export performance. Looking ahead, robust economic growth in 2023 is projected in the 4.5-5.3% range on the back of increasing domestic demand in the form of household consumption and investment. The latest projection is in line with increasing public mobility after the Government fully repealed community activity restrictions (PPKM), a promising business outlook, increasing foreign direct investment inflows, as well as the ongoing completion of national strategic projects.

In terms of spending, solid economic growth was supported in the reporting period by nearly all GDP components. Household consumption grew 4.93% (yoy) in response to greater mobility compared to 2021 (2.02% yoy). after the Government gradually eased the community activity restrictions (PPKM). Export growth remained strong at 16.28% (yoy) compared to 17.95 growth in 2021, driven by continued strength of demand from Indonesia's major trading partners, notwithstanding the limited effect of geopolitical tensions between Russia and Ukraine. In the meantime, investment growth has slowed by 3.07% year on year due to a decline in building investment, despite strong non-construction investment performance.

Economic improvements remained strong in nearly all economic sectors in 2022. The growth is primarily driven by the Manufacturing Industry, Transportation and Warehouse, as well as Wholesale and Retail Trade. Spatially, solid national economic growth in 2022 was supported by all regions, led by Sulawesi-Maluku-Papua, followed by Java, Bali-Nusa Tenggara, Kalimantan and Sumatra.

Favourable GDP Growth Compared to Peers²



2023 Growth Projection *)

Institutions	GDP growth
2023 Budget	5.3
Bank Indonesia	4.5-5.3
Consensus Forecast (March 2023)	4.5
World Bank (GEP, January 2023)	4.8
IMF (WEO, January 2023)	4.8
ADB (Asian Development Outlook, April 2023)	4.8

1. Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
2. Source: World Economic Outlook Database - January 2023; * indicates estimated figure

*) Consensus Forecast number will be given later

GDP Growth Breakdown



GDP Growth Based on Expenditures (% , YoY)¹

Economic Growth by Expenditure	2018	2019	2020	2021					2022					Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	
GDP Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	
Private Consumption	5,14	5,16	(2,67)	(2,25)	5,92	1,06	3,55	2,01	4,37	5,49	5,40	4,50	4,94	53,04
Household Consumption	5,05	5,04	(2,63)	(2,21)	5,96	1,02	3,56	2,02	4,34	5,51	5,39	4,48	4,93	51,87
NPI Serving Households Consumption	9,15	10,62	(4,21)	(3,65)	4,06	2,87	3,20	1,62	5,90	5,02	5,97	5,70	5,64	1,17
Government Expenditure	4,82	3,27	2,12	2,57	8,22	0,65	5,29	4,24	(6,62)	(4,63)	(2,55)	(4,77)	(4,51)	7,66
Gross Fixed Capital Formation	6,68	4,45	(4,96)	(0,21)	7,52	3,76	4,49	3,80	4,08	3,09	4,98	3,33	3,87	29,08
Building	5,41	5,37	(3,78)	(0,74)	4,36	3,36	2,48	2,32	2,58	0,92	0,07	0,11	0,91	21,49
Nonbuilding	10,44	1,83	(8,44)	1,44	18,50	4,96	10,40	8,42	8,63	9,71	19,32	12,11	12,53	7,60
Export	6,51	(0,48)	(8,42)	2,17	28,41	20,74	22,24	17,95	14,22	16,40	19,41	14,93	16,28	24,49
Import	12,14	(7,13)	(17,60)	5,21	33,20	31,08	32,61	24,87	16,04	12,72	25,37	6,25	14,75	(20,90)

Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption

GDP Growth by Sector (% , YoY)

Economic Growth by Sector	2018	2019	2020	2021					2022					Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	
Economic Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	
Agriculture, Forestry, and Fishery	3,88	3,61	1,77	3,48	0,56	1,44	2,33	1,87	1,16	1,68	1,95	4,51	2,25	12,40
Mining and Quarrying	2,16	1,22	(1,95)	(2,02)	5,22	7,78	5,15	4,00	3,82	4,01	3,22	6,46	4,38	12,22
Manufacturing	4,27	3,80	(2,93)	(1,38)	6,58	3,68	4,92	3,39	5,07	4,01	4,83	5,64	4,89	18,34
Construction	6,09	5,76	(3,26)	(0,79)	4,42	3,84	3,91	2,81	4,83	1,02	0,63	1,61	2,01	9,77
Wholesale and Retail Trade	4,97	4,60	(3,79)	(1,28)	9,50	5,12	5,54	4,63	5,73	4,43	5,37	6,55	5,52	12,85
Transportation and Warehousing	7,05	6,38	(15,05)	(13,09)	25,10	(0,72)	7,93	3,24	15,79	21,27	25,80	16,99	19,87	5,02
Information and Communication	7,02	9,42	10,61	8,72	6,90	5,54	6,24	6,82	7,15	8,06	6,95	8,75	7,74	4,15
Financial and Insurance Services	4,17	6,61	3,25	(2,97)	8,33	4,29	(2,59)	1,56	1,64	1,50	0,87	3,76	1,93	4,13
Other Services	6,18	6,66	(1,24)	(2,51)	9,83	(0,84)	3,43	2,35	3,33	4,03	7,88	4,95	5,04	16,75

Source: Central Bureau of Statistics of Indonesia (BPS)

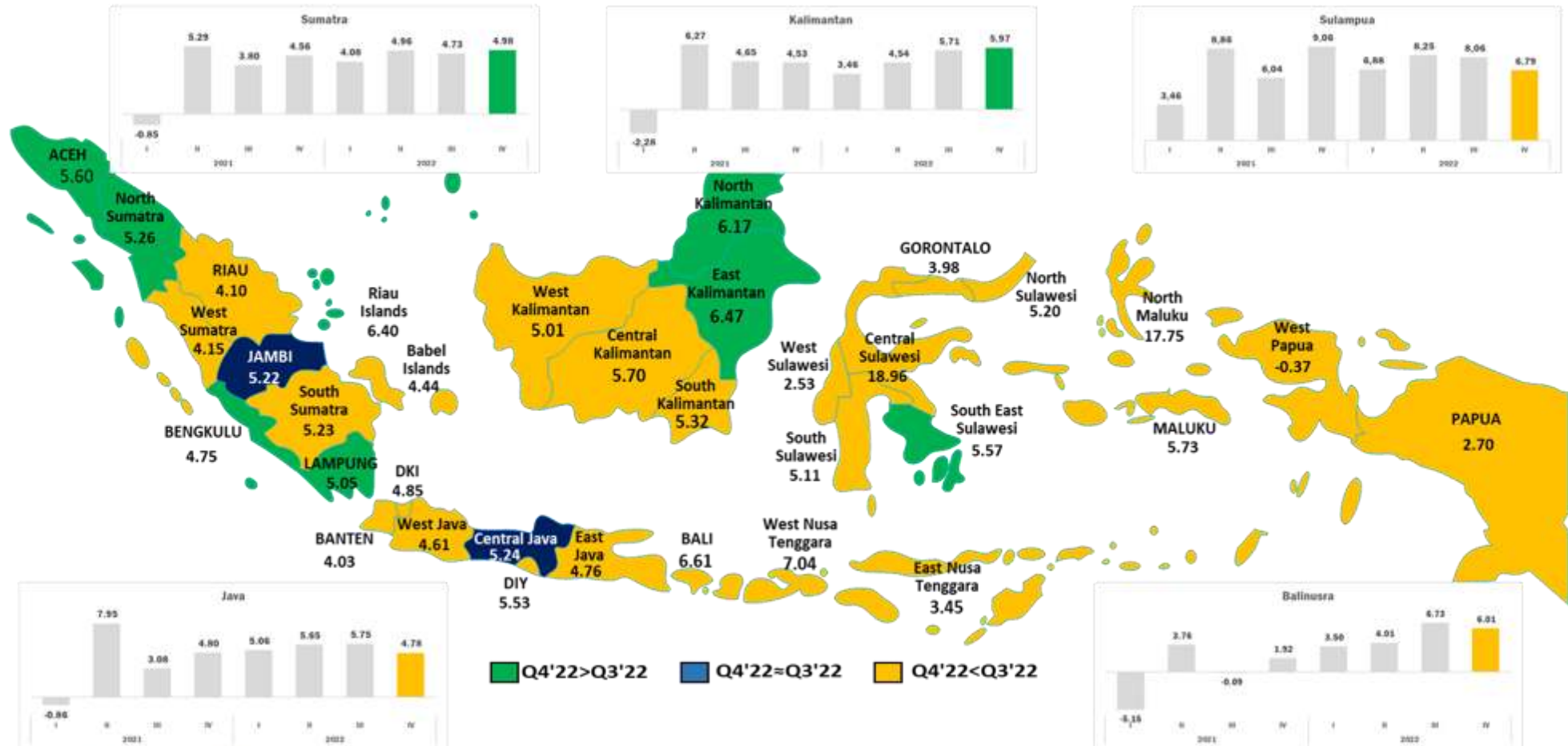
*Other services consist of 10 sectors (according to Standard National 2008)

Economic Performance Improved In Almost All Regions



Strong domestic economic growth in 2022 in line with increasing public mobility..

Realization of PDRB Quarter IV 2022 (% , yoy; compared to Quarter III 2022)



Source: BPS, calculated

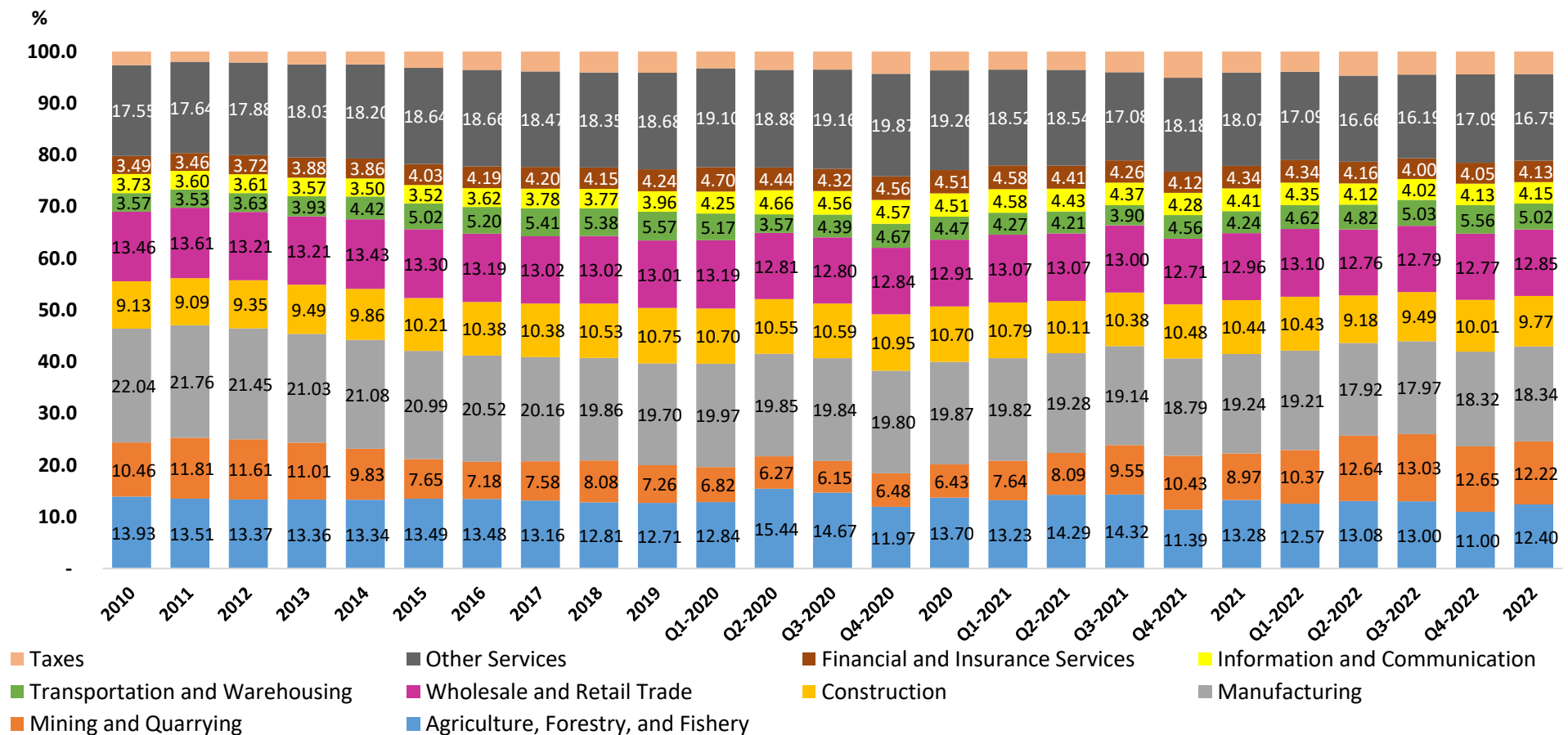
Source: Central Bureau of Statistics of Indonesia (BPS), calculated

Economic Performance in Most Sectors Continue to Improve

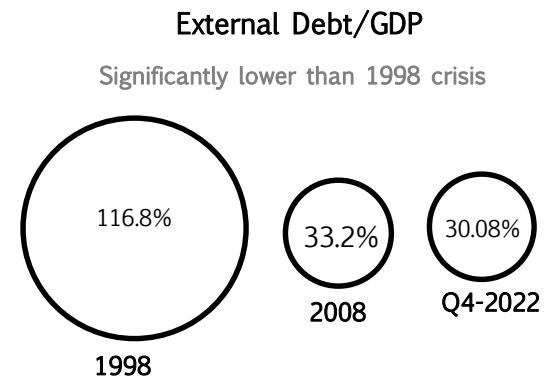
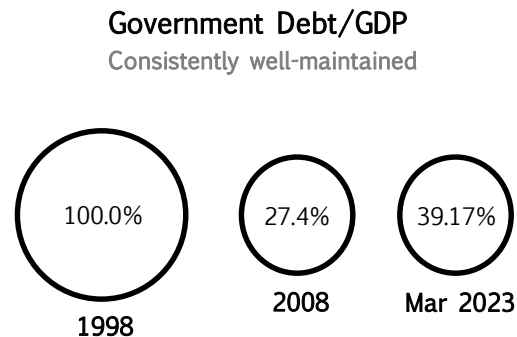
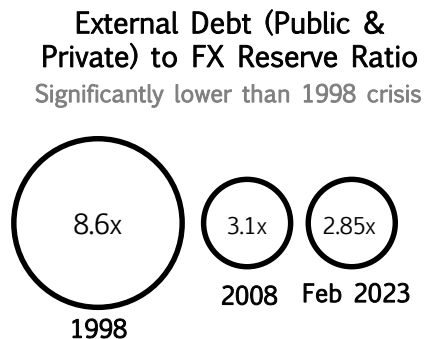
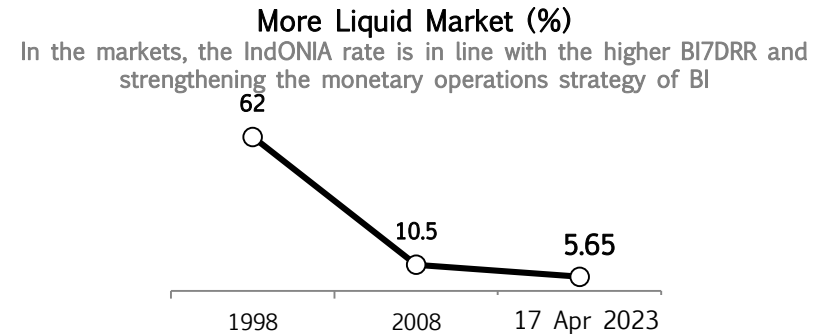
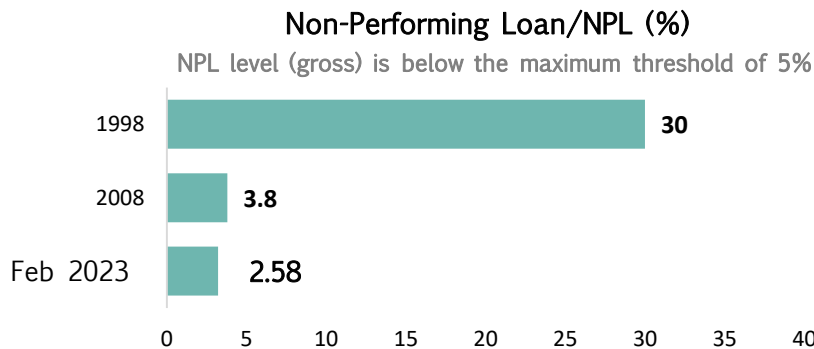
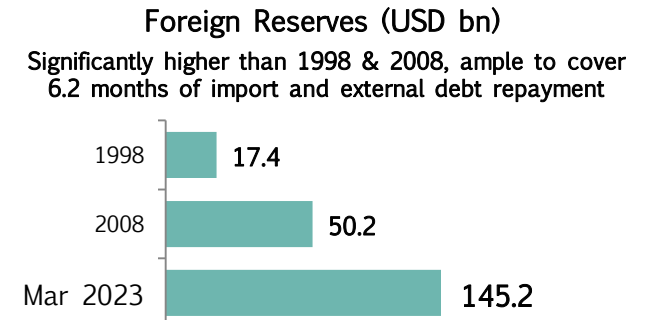
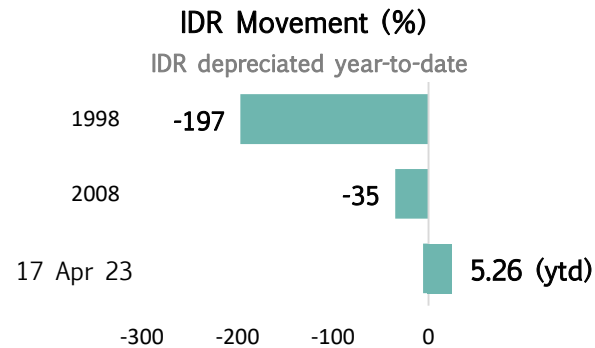
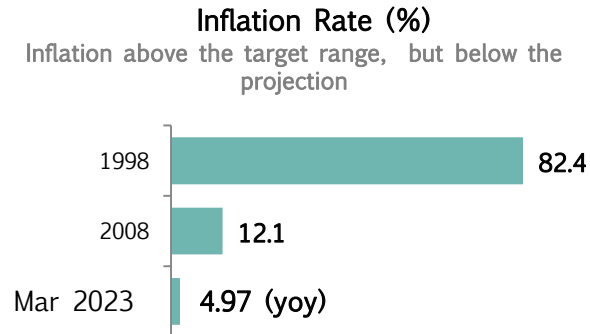


In terms of production, Indonesia's economy is mainly supported by services sector, manufacturing, and primary sector. Services sector (wholesale and retail trade, information and communication, financial and insurance service) has expanded the last five years, while primary sector (mining and quarrying) has benefited from higher commodity prices in 2022.

Indonesia's GDP Share (%)



Stronger Fundamentals Facing the Headwinds






Outlook of Domestic Economy Remains Robust

...the domestic economic recovery is continued to strengthen in 2023



2023 Economic Outlook

- Bank Indonesia projects economic growth in 2023 continue to accelerate to the range of 4.5-5.3% in 2023.
- Bank Indonesia is confident core inflation will remain at the 3.0%±1% target during the first semester of 2023 and CPI inflation will return to the 3.0%±1% target in the second semester of 2023
- Bank Indonesia projects BOP outlook for 2023 is good, with a manageable current account maintained in the range of a 0.4% of GDP surplus to a 0.4% of GDP deficit
- Bank Indonesia projects credit growth in 2023 will accelerate to 10.0-12.0%

	 Economic Growth	π Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realization	5.17%	3.13%	2.98%	11.75%
2019 Realization	5.02%	2.72%	2.71%	6.08%
2020 Realization	-2.07%	1.68%	0.4%	-2.4%
2021 Realization	3.69%	1.87%	surplus 0.3%	5.24%
2022 Realization	5.31%	5.51%	surplus 1.0%	11.35%
2023	4.5-5.3%	3.0±1%	surplus 0.4% - deficit 0.4%	10-12%



Section 4

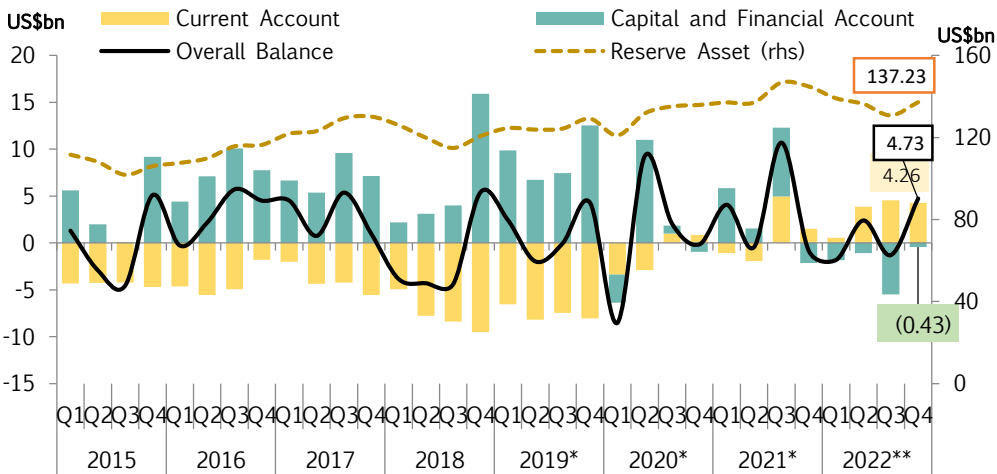
External Factor:
Improved External Resilience

External Sector Remains Resilient

... Supported by Adequate Reserves and Sound Balance of Payments

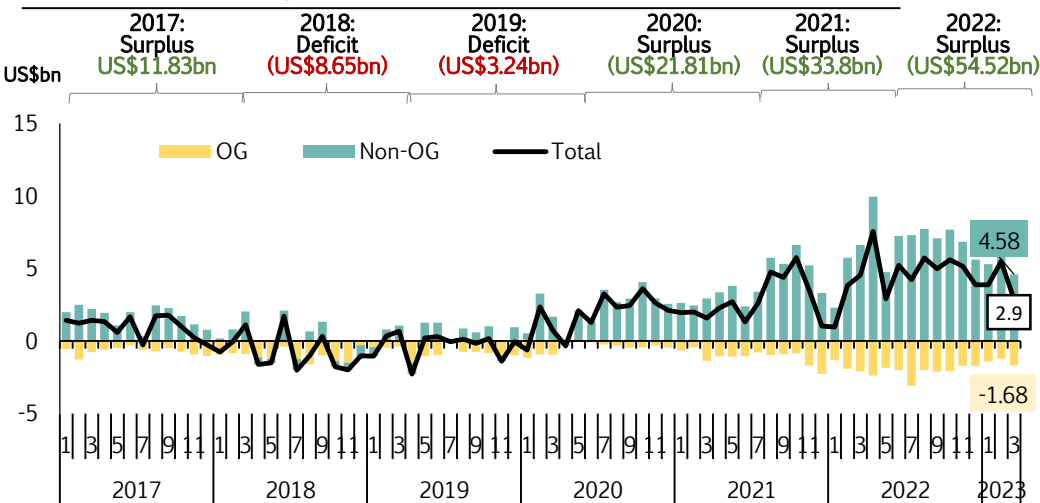


Balance Of Payment Remains Solid



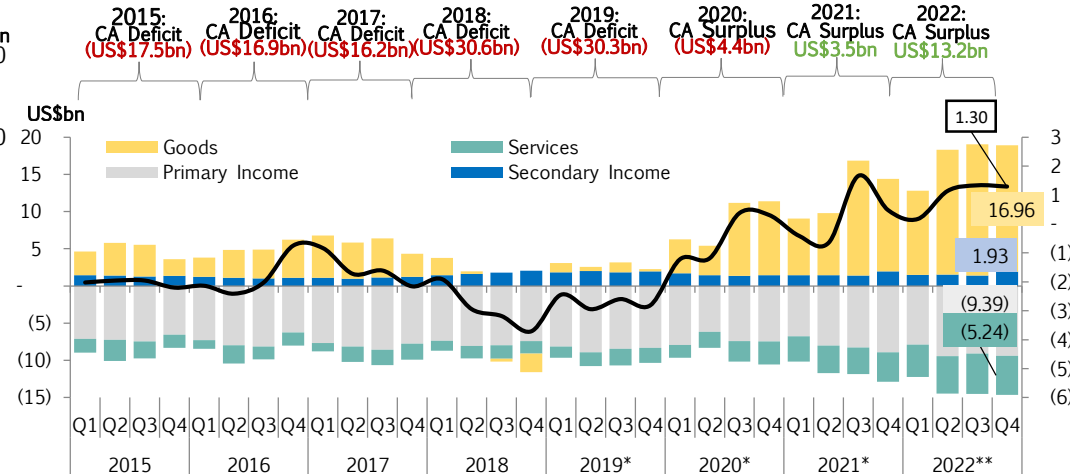
Source: Bank Indonesia

Trade Balance Surplus Continues



Source: BPS * Preliminary Figure ** Very Preliminary Figure

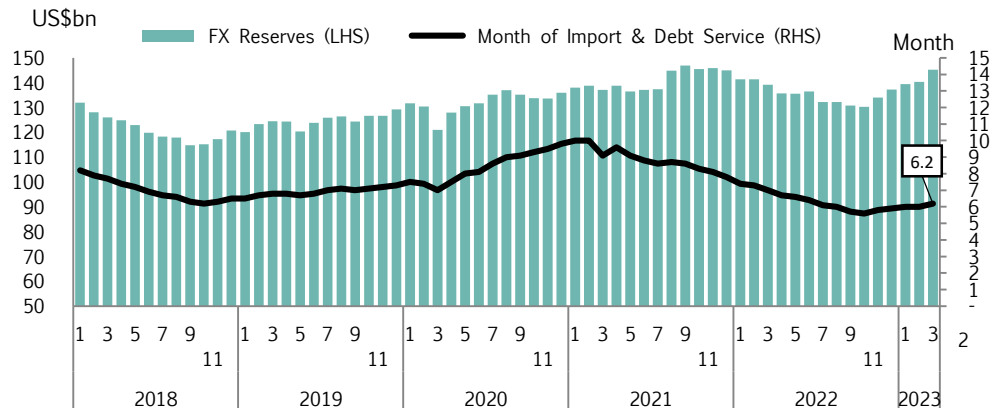
Current Account Recorded Surplus



Source: Bank Indonesia

Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of March 2023: US\$145.2bn
(Equiv. to 6.2 months of imports + servicing of government debt)

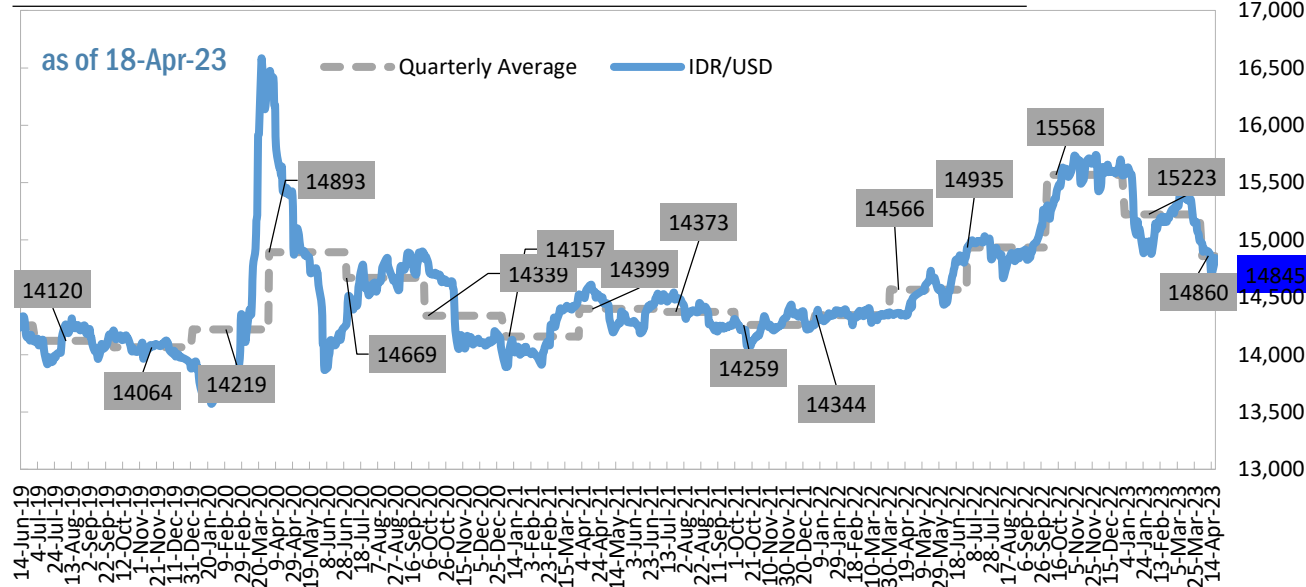


Source: Bank Indonesia

Exchange Rate In Line with Fundamentals



Movement of Rupiah

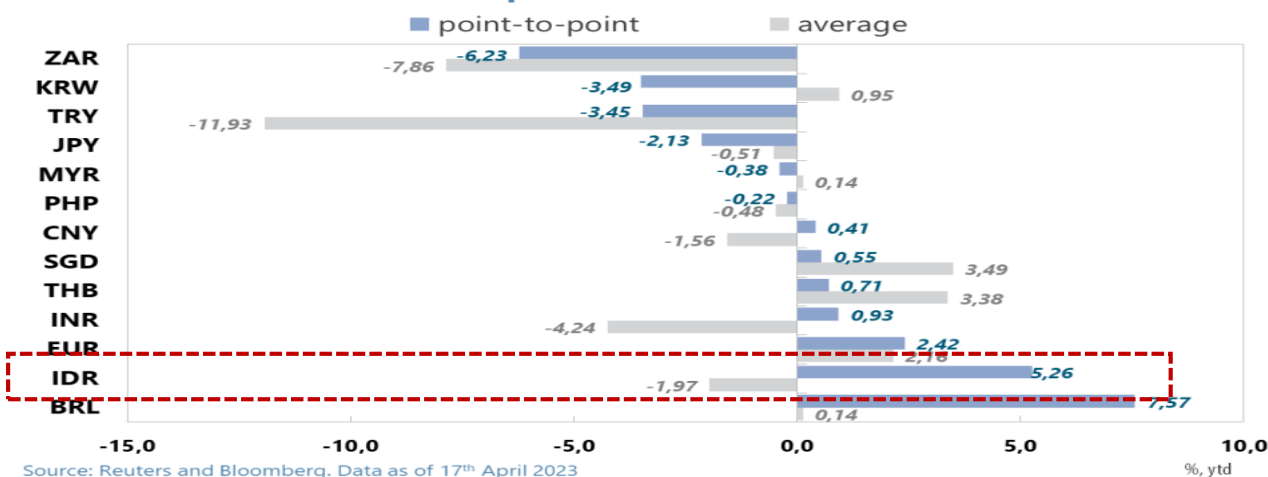


The rupiah appreciated line with BI stabilisation measures.

The rupiah appreciated 1.38% (ptp) in value as of 17th April 2023 compared with the level at the end of March 2023, boosted by strong foreign capital inflows of portfolio investment. Year-to-date, the rupiah gained 5.26% on the level recorded at the end of December 2022, thus exceeding the rupee (0.93%), baht (0.71%) and peso (0.22%). Moving forward, Bank Indonesia expects to maintain rupiah stability in line with the current account surplus and maintained foreign capital inflows, given the promising domestic economic growth outlook, low inflation and attractive yields on domestic financial assets for investment. Furthermore, Bank Indonesia will continue strengthening rupiah stabilisation policy to control imported inflation and mitigate the contagion effect of global financial market uncertainty on rupiah exchange rates. Rupiah stabilisation policy has also been strengthened by DHE management through the implementation of foreign currency term deposits (TD) in accordance with market mechanisms

Rupiah Exchange Rate Volatility

Rupiah 2023 vs 2022



Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of March 2023: **US\$145.2 bn**

Swap Arrangement

Bilateral

Japan

- Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2021
- The facility is available in USD and JPY

Singapore

- Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 1000 tn (equivalent) in November 2022

China

- Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 250 bn / IDR 550 tn (equiv.) in January 2022

Malaysia

- Established a 3 year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022

Australia

- Renewed a 3 year A\$/IDR swap arrangement with a size up to A\$10 billion or IDR 100 trillion in February 2022

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

- Entitled to a maximum swap amount of US\$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement
- Came into effect in 2010 with a pool of US\$120 bn
- Doubled to US\$240 bn effective July 2014

Global

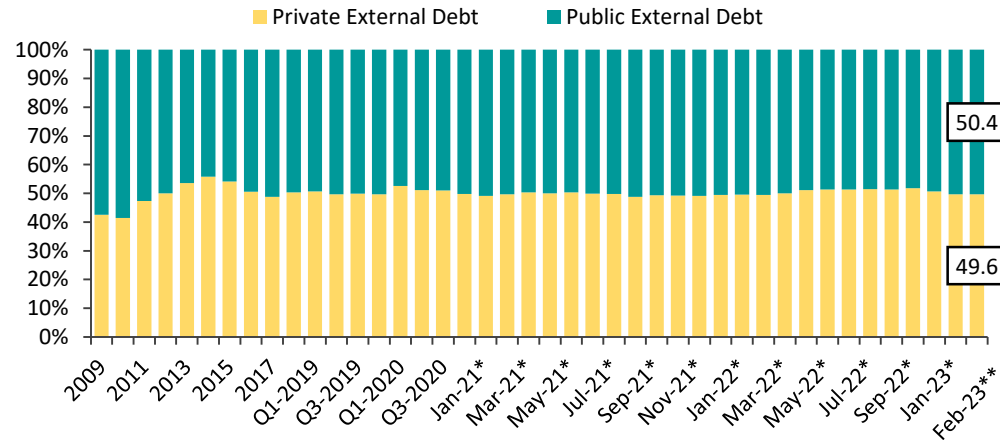
IMF Global Financial Safety Net - GSFN

- Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem
- Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

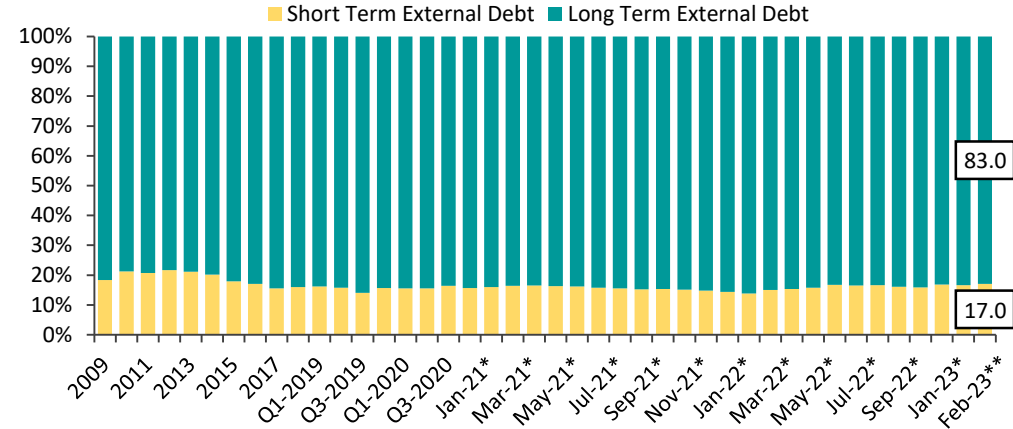
Healthy External Debt Profile



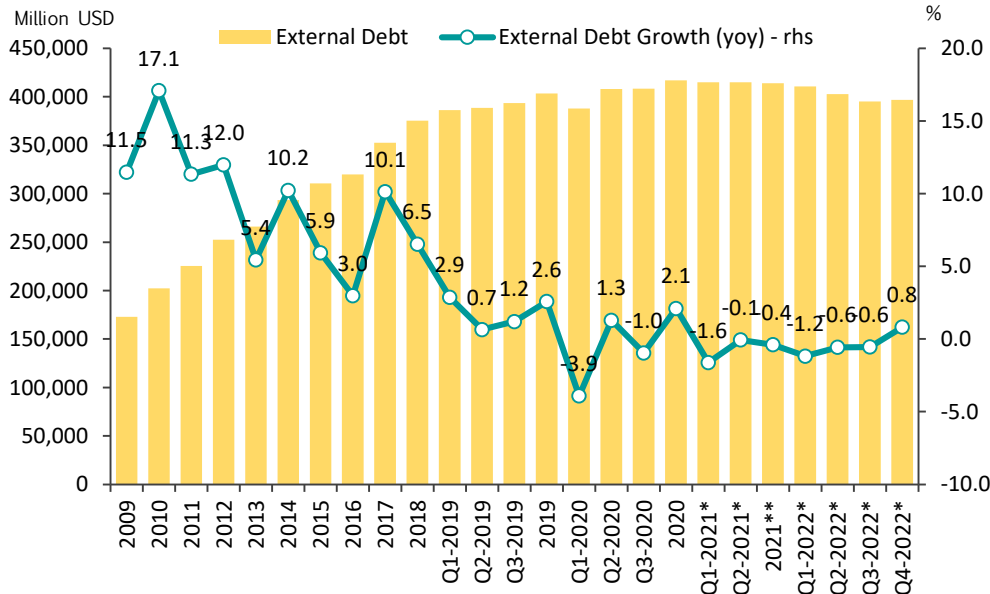
External Debt Structure



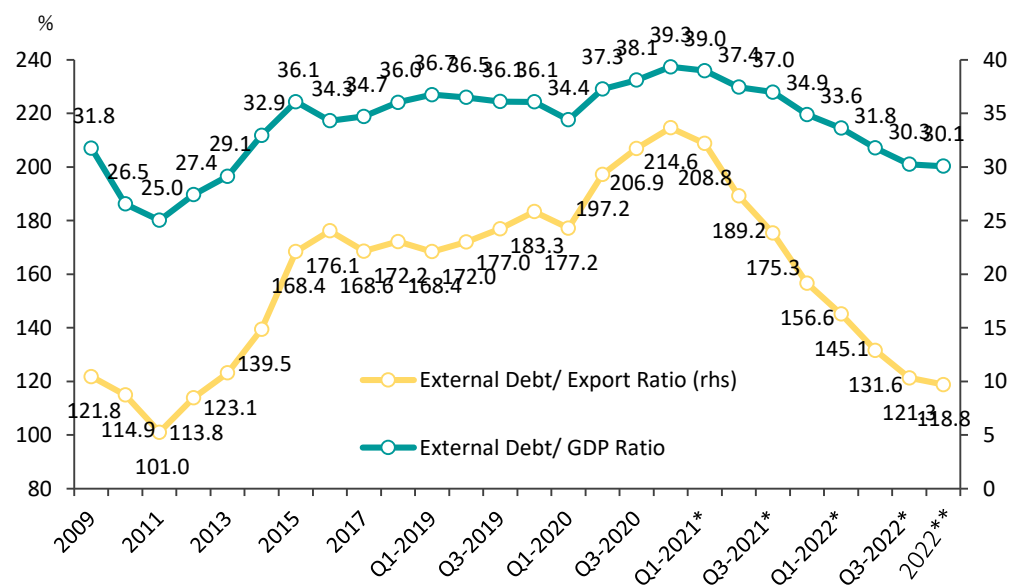
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



External Debt to GDP Ratio & Debt to Export Ratio



Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures

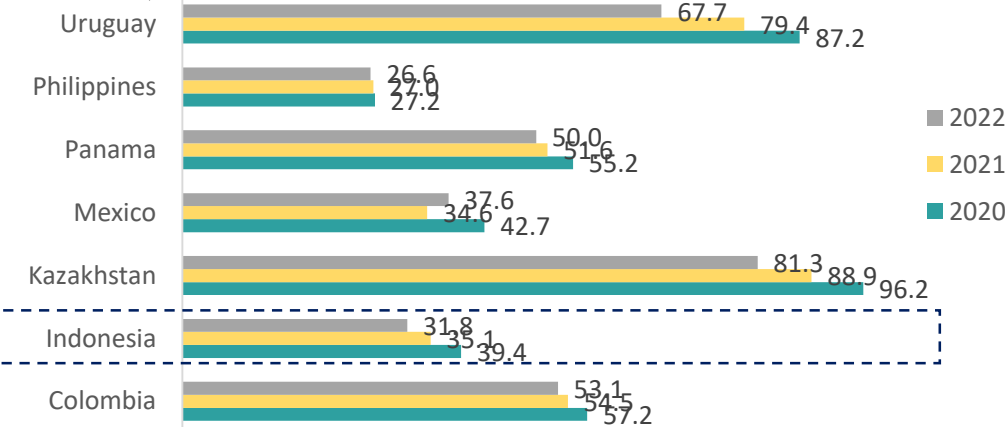
**Very Provisional Figures

Strengthened Private External Debt Risk Management



Debt Burden Indicator (External Debt/GDP) Remains Comparable to Peers Rating Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio

External Debt/GDP (%)



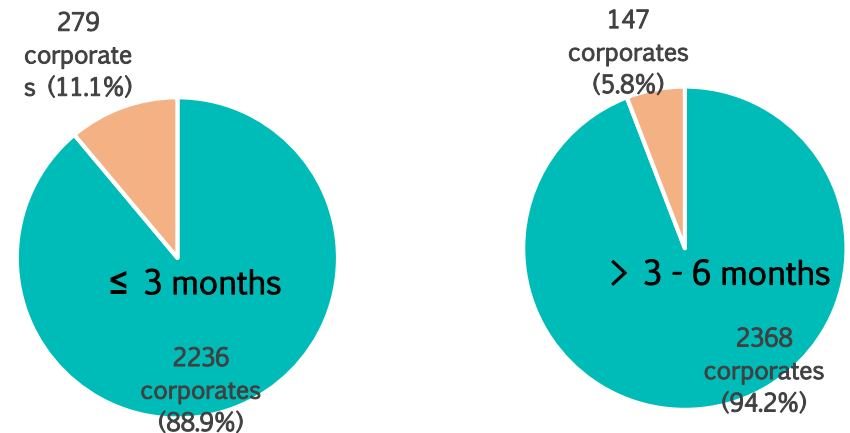
Source: Moody's Credit View Fundamental Data, September 2022

Regulation on Prudential Principle in Managing External Debt

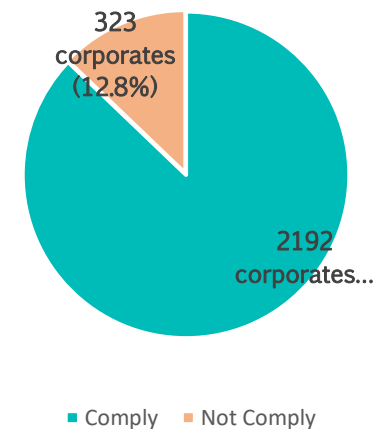
Regulation Key Points	1 Jan 17 & beyond
Object of Regulation	Governs all foreign currency Debt
Hedging Ratio	
≤ 3 months	25%
> 3 – 6 months	25%
Liquidity Ratio (≤ 3 months)	70%
Credit Rating	Minimum rating of BB- (State-owned Enterprises)
Hedging transaction to meet hedge ratio	Must be done with a bank in Indonesia
Sanction	Applied

Source: Bank Indonesia

Hedging Ratio*



Liquidity Ratio*



*Data as of Q3-2022, with total population 2,515 corporates

Source: Bank Indonesia



Section 5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility



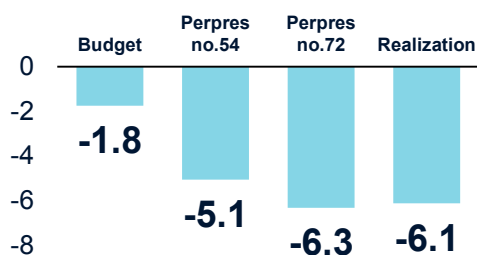
Fiscal Policy Works Hard, Responsive, and Flexible During Pandemic

Covid-19 measures, accelerating recovery, and supporting reforms

2020 EXTRAORDINARY POLICY

- Law No.1/2020 → Law No.2/2020
- Stimulus for handling Covid-19 and the PEN Program
- The Fiscal deficit widened by 6.34% of GDP

Budget Deficit 2020 (% GDP)

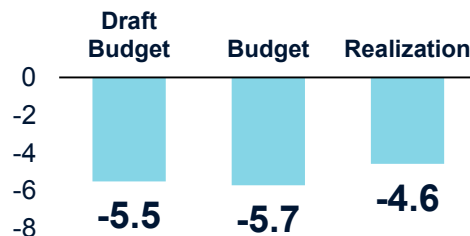


PEN Program (IDR T)	405.1	695.2	575.9
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2021 PANDEMIC HANDLING & RECOVERY

- Focus on handling the pandemic (vaccination and health protocols)
- Economic recovery, flexible and accountable PEN
- Momentum of reform (Tax Reform, Financial Relations between the Central and

Budget Deficit 2021

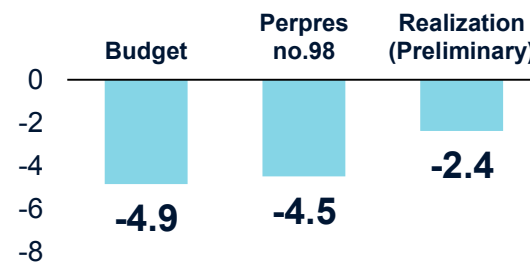


403.9	744.8	655.1
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2022 ACCELERATE RECOVERY & REFORM POLICY

- Strengthening pandemic handling (accelerating vaccination to achieve communal immunity)
- Accelerating economic recovery (PEN sustainability)
- Reform effectiveness

Budget Deficit 2022

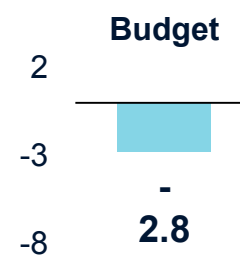


396.7

2023 HIGH QUALITY FISCAL CONSOLIDATION

- Returns a maximum deficit of 3% of GDP
- Primary balance towards positive
- Debt ratio is attempted to decrease
- Debt controlled risk

Budget Deficit 2023

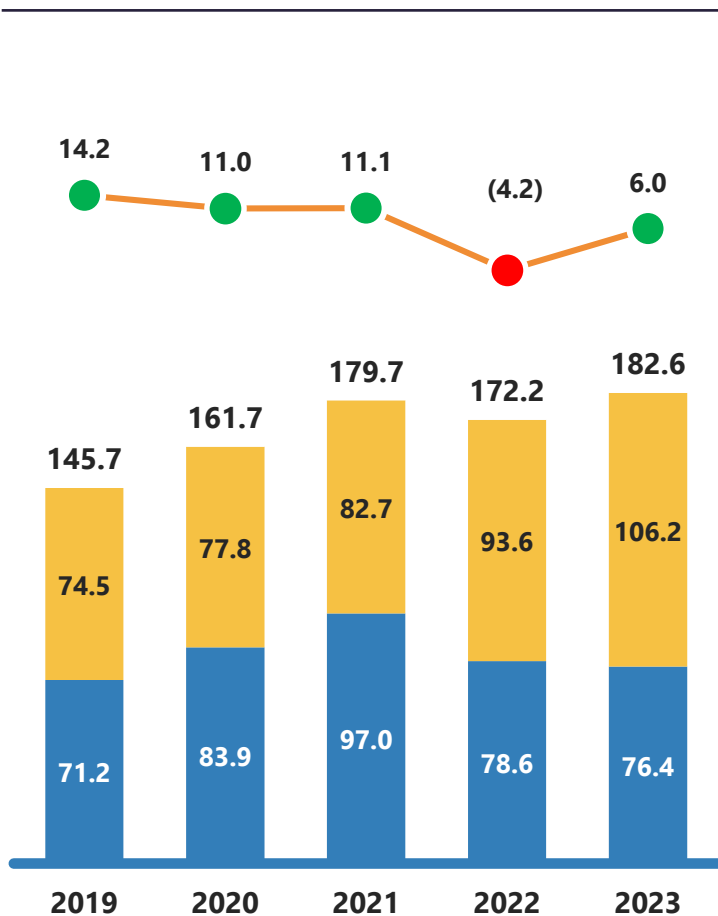


FISCAL DISCIPLINE FOR LONG TERM SUSTAINABILITY

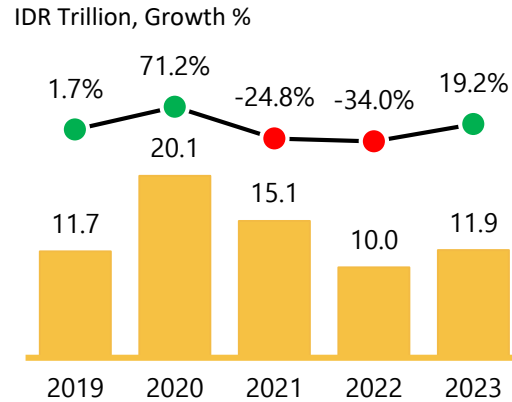
Government Maintains Focus on Priority Spending



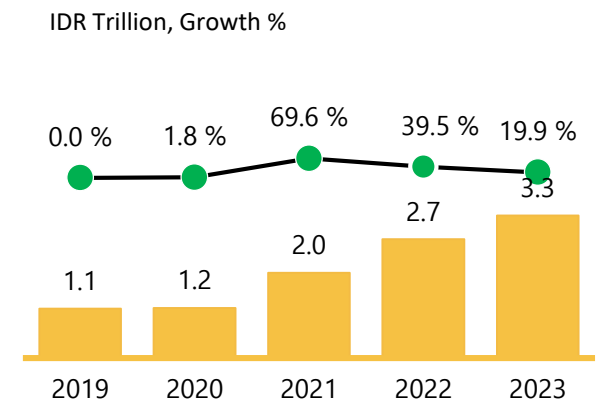
Central Government Spending



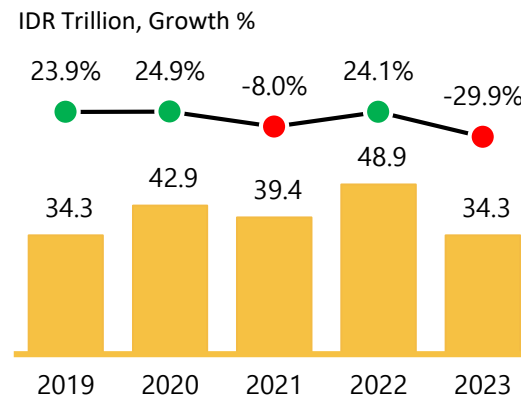
Health Spending



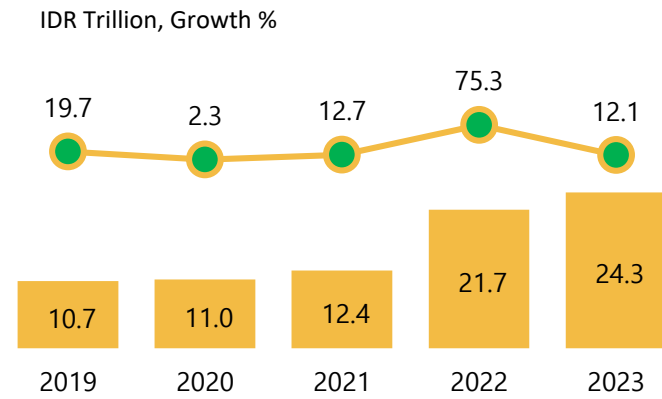
Food Security Spending



Social Protection Spending



Subsidy Spending



Column1
 ■ Non-Line Ministries Spending (IDR T)
 ● Growth (%)

Fiscal Policy Focus 2023



Human Resources



Infrastructure



Bureaucratic Reform

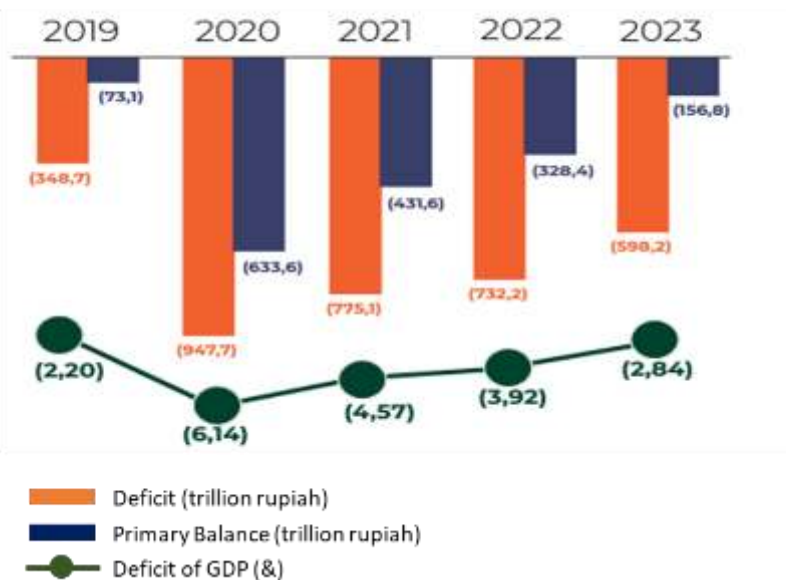


Industrial Revitalization



Green Economy

The 2023 State Budget supports consolidation to maintain fiscal sustainability



Strengthening the Role of the APBN and Continuing Quality Fiscal Consolidation

Revenue Mobilization

Quality Expenditure

Innovative Financing

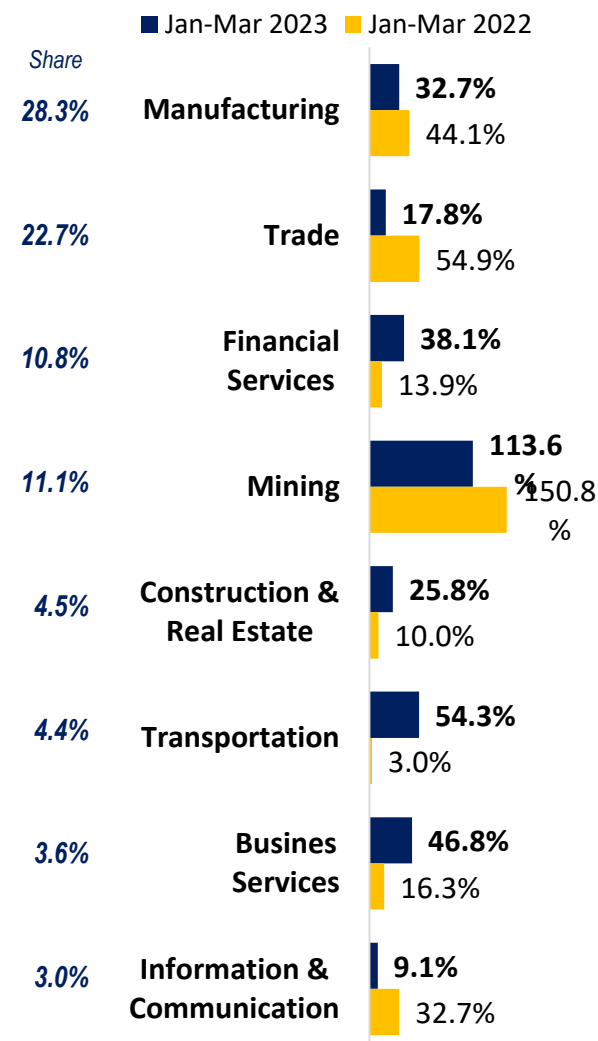
Budget Outturn Up To March 2023 Showed Positive Sign

Economic Activities and the HPP Law Drive Revenue Despite Commodity Price Normalization



Account (IDRtn)	2022			2023			
	Real. as of 31 March	% to Revised Budget	Growth (%)	Budget	Real. as of 31 March	% to Budget	Growth (%)
A. Revenue	501.8	22.1	32.3	2,463.0	647.2	26.3	29.0
I. Tax Revenue (DG Tax & Custom-Excise)	402.4	22.6	38.6	2,021.2	504.5	25.0	25.4
1. Tax	323.1	21.8	41.6	1,718.0	432.2	25.2	33.8
2. Custom & Excise	79.3	26.5	27.3	303.2	72.2	23.8	(8.9)
II. Non-Tax Revenue	99.2	20.6	12.0	414.4	142.7	32.3	43.7
B. Expenditure	490.7	15.8	(6.2)	3,061.2	518.7	16.9	5.7
I. Central Government	314.2	13.7	(10.2)	2,246.5	347.3	15.5	10.5
1. Line Ministries Spending	150.0	15.9	(25.6)	1,000.8	166.9	16.7	11.3
2. Non-Line Ministries	164.2	12.1	10.6	1,245.6	180.3	14.5	9.8
II. Regional Transfer & Village Funds	176.5	21.9	2.0	814.7	171.4	21.0	(2.9)
C. Primary Balance	95.5	(22.0)	246.3	(156.8)	228.8	(145.9)	139.6
D. Surplus (Deficit)	11.1	(1.3)	107.7	(598.2)	128.5	(21.5)	1,058.4
% to GDP	0.06			(2.84)	0.61		
E. Financing	139.8	16.6	(58.0)	598.2	203.7	34.1	45.8

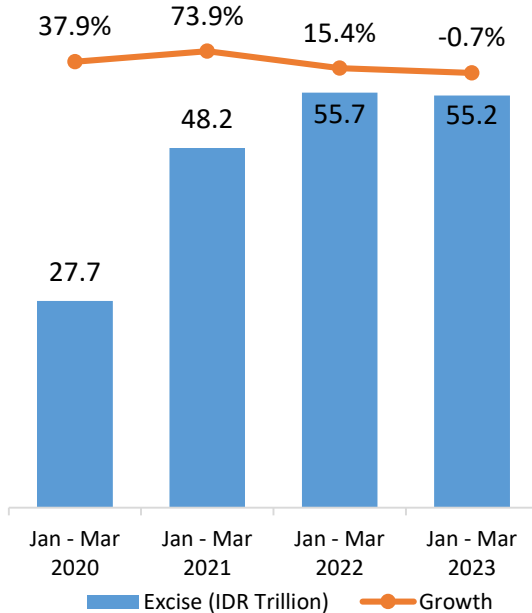
Positive Growth in Main Sector Tax Revenue



Customs And Excise Revenues Are Slightly Slow But On-track

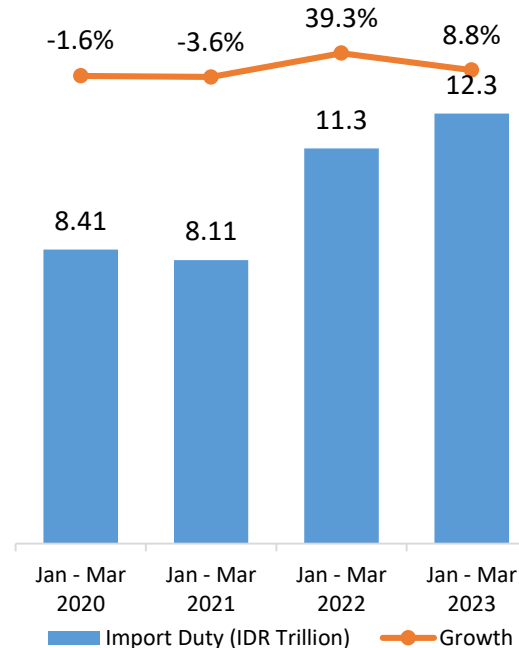


Excise Revenue



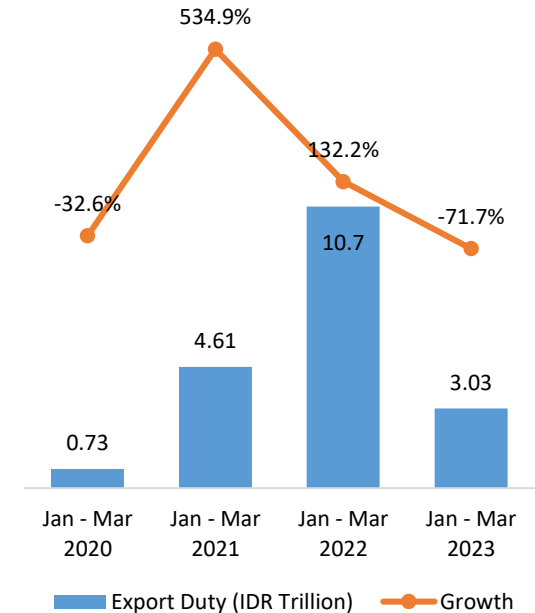
Tobacco excise tax revenue decreased slightly, due to the decline in January 2023 production

Import Duty Revenue



The growth of import duty is driven by the import of main commodities that are still increasing and the weakening of the rupiah currency

Export Duty Revenue

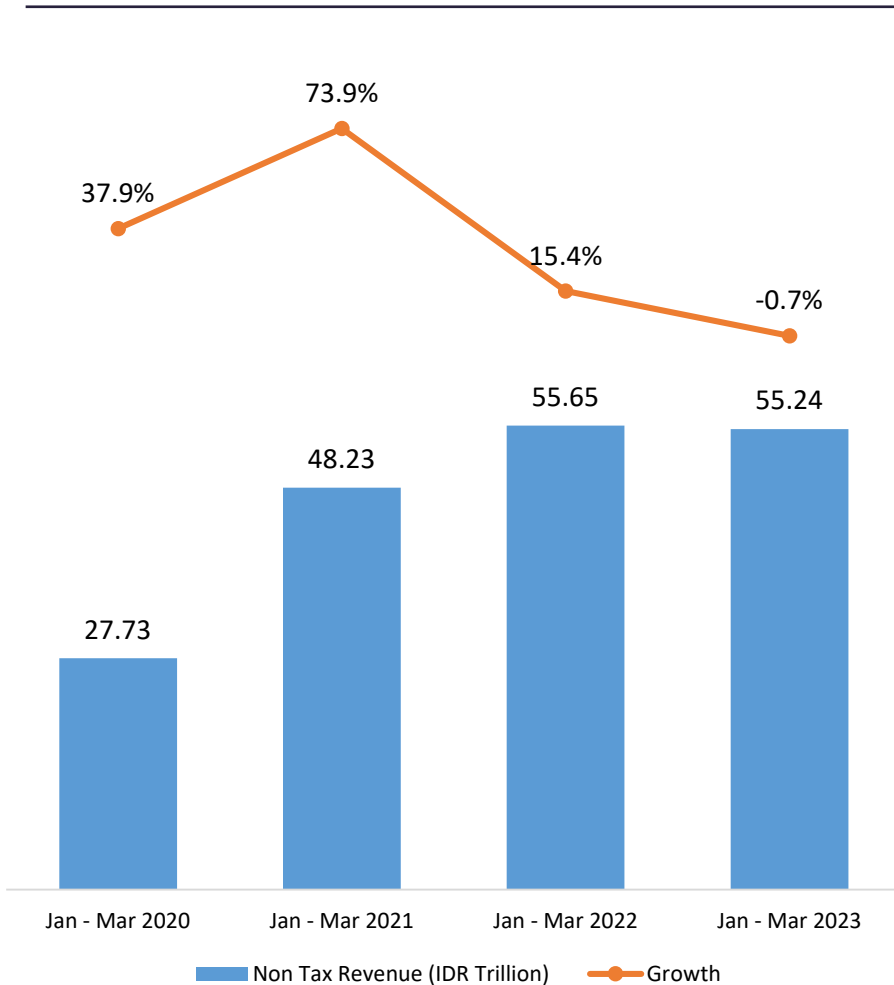


The performance of export duty is declining due to moderated prices of crude palm oil and the decrease in export volume of mineral commodities

The Realization Of Non-tax State Revenue Continues To Experience Growth

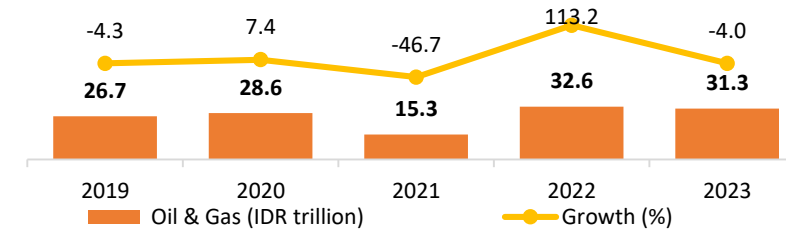


Non-Tax Revenue

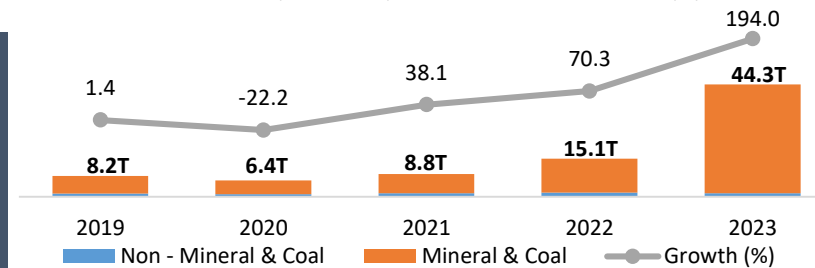


YTD 31 March 2023

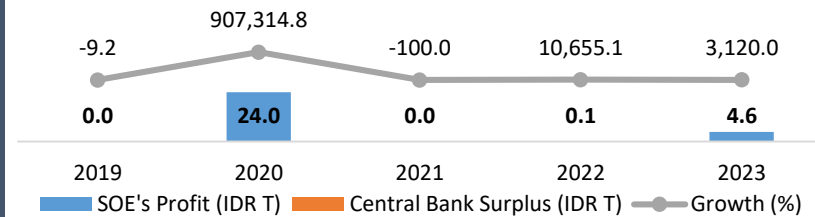
Oil & Gas Revenue



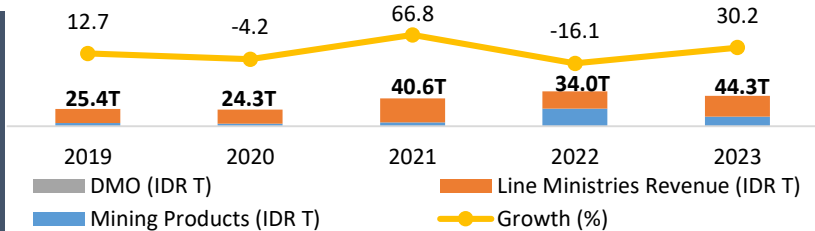
Non-Oil & Gas Revenue



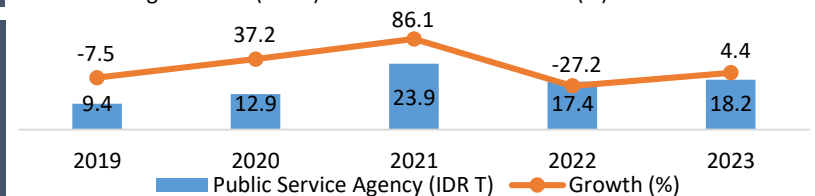
SOE's Revenue



Other Non-Tax Revenues



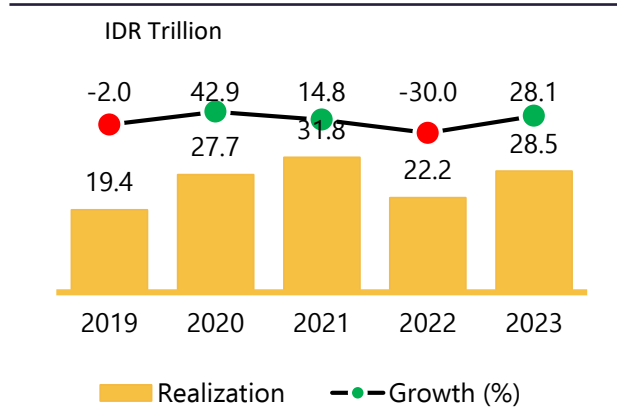
Public Services Agency (BLU) Revenue



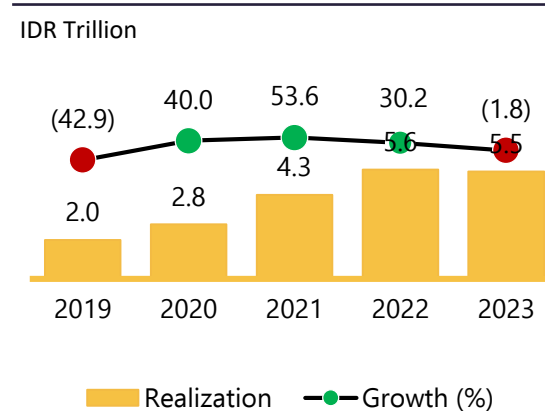
Government Maintains Focus on Priority Spending



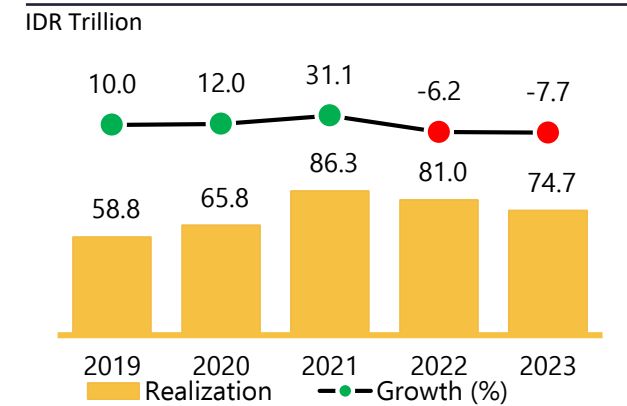
Health Spending



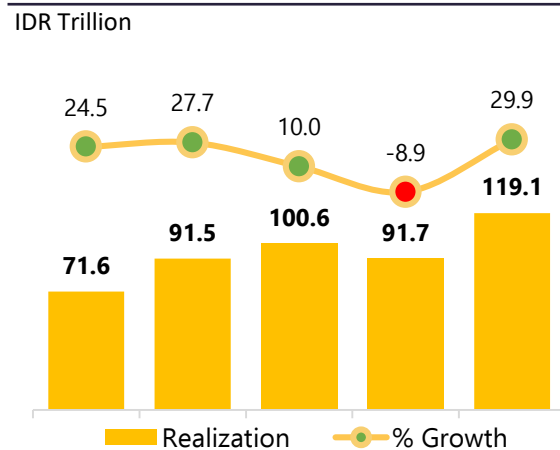
Food Security Spending



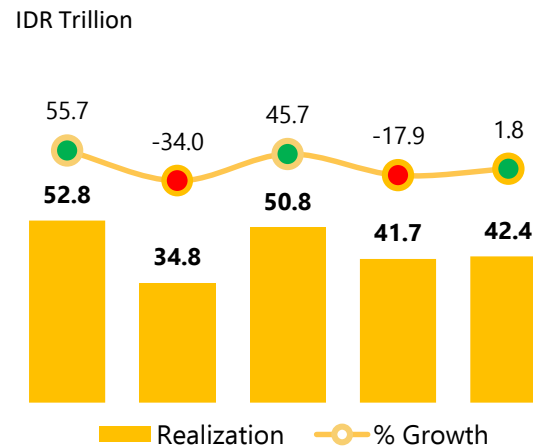
Social Protection Spending



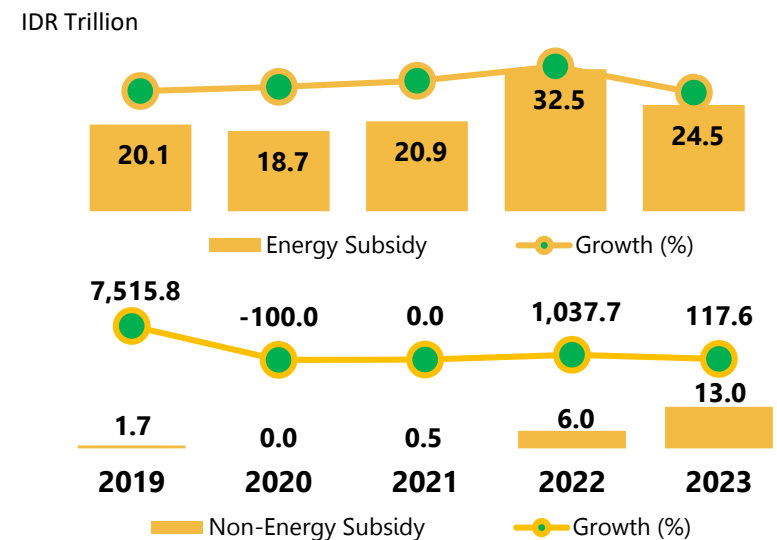
Education Spending



Infrastructure Spending



Energy Subsidy Spending

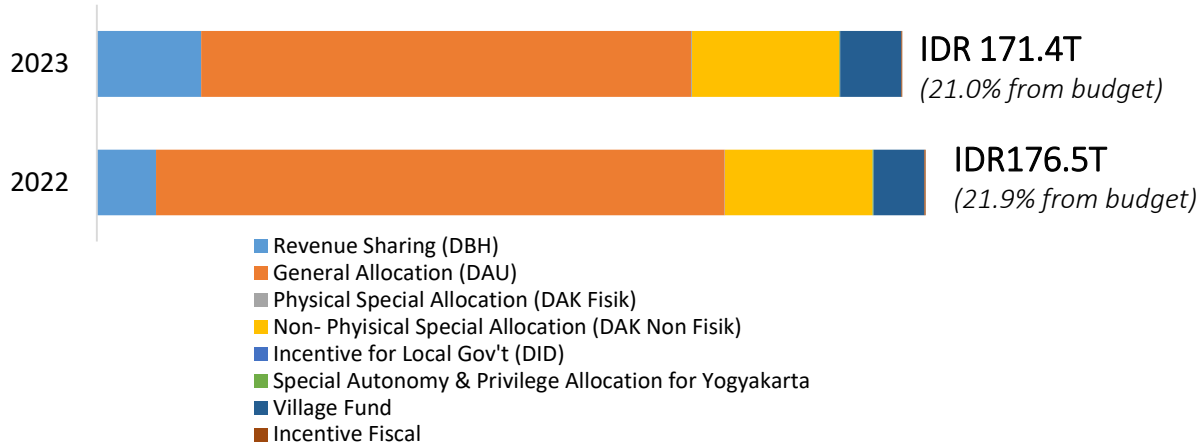


The Performance Of Transfers To The Region Requires Improvement



Transfer to Region Fund

(January – March)

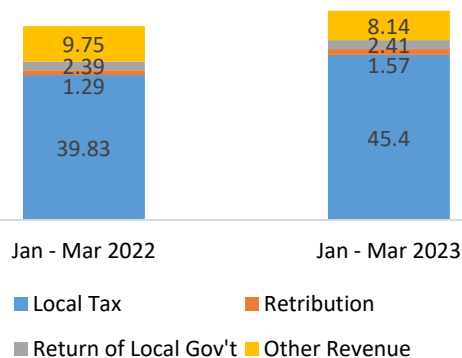


- The distribution of transfers to regions in the Indonesian government budget decreased by 2.9% in nominal terms as of 31 March, 2023.
- The total disbursement was IDR 171.4 T (21.0%), slightly lower than the disbursement in FY 2022 of IDR 176.5 T (21.9%).

Local Government Performance

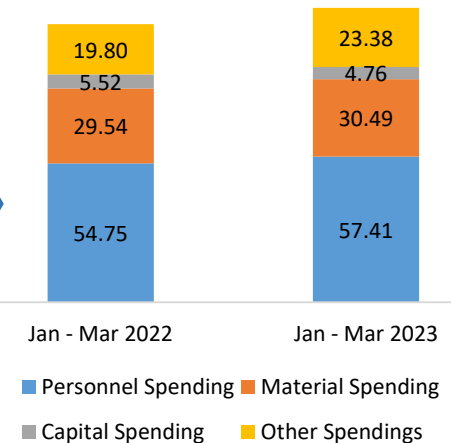
REVENUE

Regional Tax performance in February 2023 grew 14.0% (y.o.y), driven by growth in the realization of consumptive taxes, indicating that the economic activities of the people in the regions are continuing to improve.



SPENDING

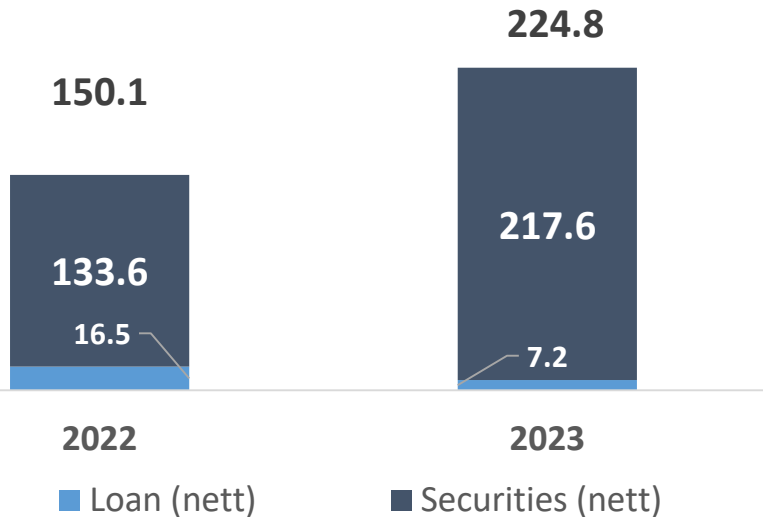
Up to March, local Gov't spending grew by 5.9% (yoy) contributed by Personnel and Other Spending.



Budget Financing Apply Prudent, Flexible, And Opportunistic Principle



Financing Realization Up To 31 March



Domestic Loan (Nett) IDR (0.36 T)

- Domestic Loan Withdrawal (Gross) **IDR 0.11T**
- Domestic loan principal installment financing **IDR (0.47T)**

Foreign Loan (Nett) IDR 7.56 T

- Foreign Loan Withdrawal (Gross) **IDR 27.84T**
- Foreign loan principal installment financing **IDR (20.28T)**

PLAN & REALIZATION OF INVESTMENT FINANCING AS OF 31 MARCH 2023



Housing Financing Liquidity Facility
IDR 85.8T*

- IDR 6T disbursement for The Low Income People's Housing Financing
- 46,233 Housing under FLPP financing valued at IDR 5,17T



Education Fund Management Agency (LPDP)
IDR 8T*

- Total Endowment Fund as of 31 March 2023
IDR 134.11T



International Development Cooperation Fund (LDKPI)
IDR 8T*

- Financing LDKPI by IDR 2T

* 2023 Target Fund

2023 Budget Financing

Increasing productivity for an inclusive and sustainable economic transformation



Description (IDR Trillion)		Budget 2023
A. State Revenue		2,463.0
1.	Tax Revenue	2,021.2
2.	Non-tax Revenue	441.4
3.	Grants	0.4
B. State Expenditure		3,061.2
1.	Central Government Expenditure	2,246.5
2.	Regional Transfer & Village Fund	814.7
C. Primary Balance		(156.7)
D. Surplus (Deficit)		(598.2)
	% of GDP	(2.84)
E. Financing		598.2

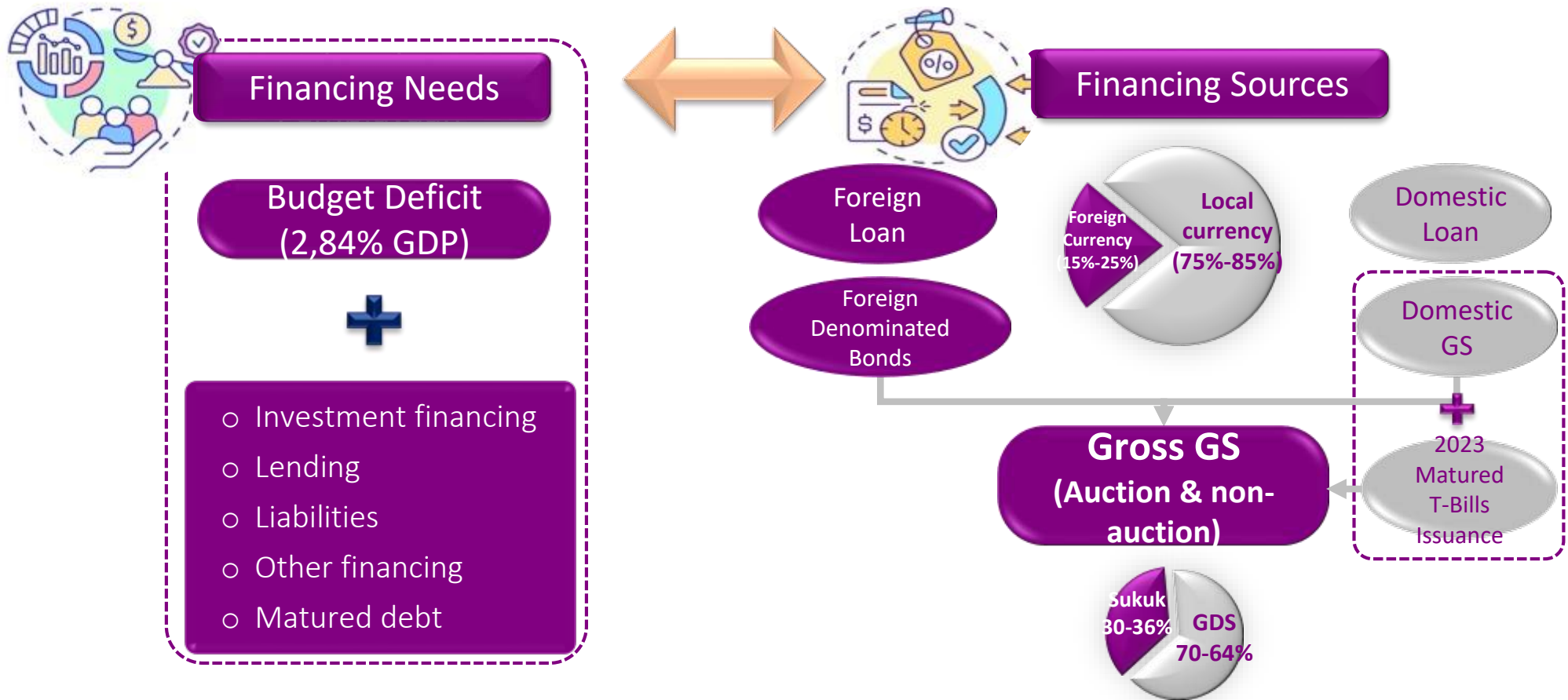
Macroeconomic Assumption for 2023 Budget



2023 Development Target



2023 Financing Needs





Our Debt financing policies encourage flexible and sustainable debt management to support economic transformation. Amidst increasing global risks, fiscal pressures, and moderating domestic SBN demand, we will optimize non-debt financing sources considering the high financing needs and choosing the right timing for issuance.

General debt policy direction



Management of prudent and sustainable debt financing by controlling debt risk at a safe and credible level



Prioritizing domestic sources of financing to increase financial independence



Procurement of foreign debt as an effort to mitigate the crowding out effect.



Flexibility in debt financing, both in terms of timing and composition, to obtain the most favorable costs and risks for the government.



Utilizing cash loans within the framework of financing flexibility to ensure the fulfillment of financing, while the choice of cash loan currency takes into account cash requirements and debt portfolio management

DEBT FINANCING

As of Mar 31st, 2023



Budget Financing continues to well risk-controlled, among others through optimal composition, good related to currency, interest rates, and maturity

Debt Financing Realization

Rp **224.8 (32.3%)**

Government Securities
(Net)

Rp**217.6 (96.8%)**

Loan
(Net)

Rp**7.2 (3.2%)**

Foreign Loan (Net)
Rp**27.8**

Note :

1. all numbers in trillion Rupiah
2. The percentage is the percentage of budget ceiling from National Budget year 2023

GS Financing Realization 2023

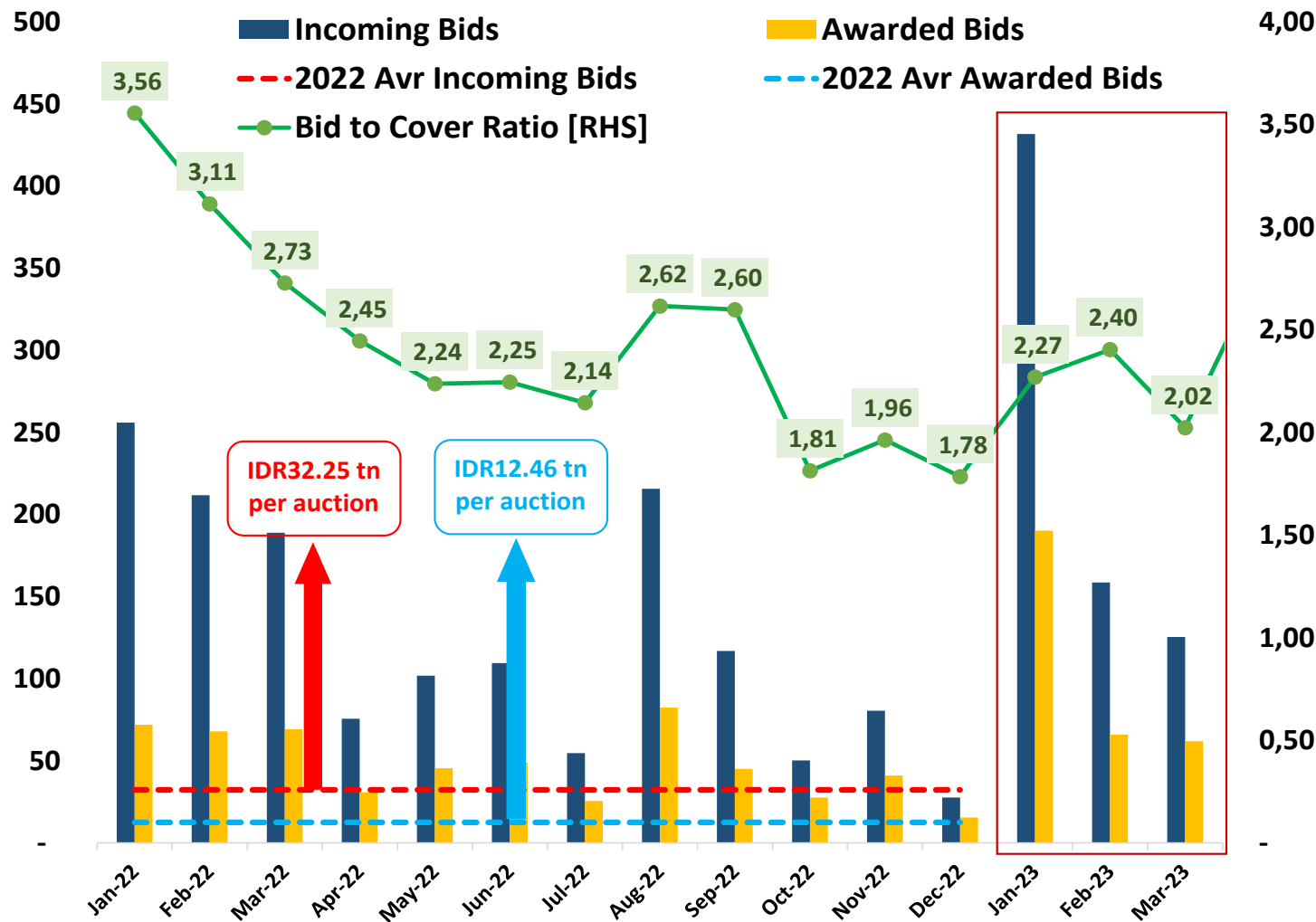


	(Trillion IDR)
	Realization (ao. Mar 31, 2023)
Government Securities (GS) Nett	219,95
Government Securities (GS) Gross	295,45
Government Debt Securities (GDS)	219,00
IDR Denominated GDS	171,51
- Coupon GDS	125,40
- Conventional T-Bills	19,80
- Private Placement (+ Voluntary Disclosure Program)	4,12
- Retail Bonds	22,18
Foreign Denominated Bonds	47,49
- SEC USD-EUR (- Buyback LM)	46,77
- Samurai Bond	0,00
- SDG Bonds	0,00
- Valas Voluntary Disclosure Program	0,72
Sovereign Sharia Securities (Sukuk)	76,46
Domestic Sovereign Sharia Securitoes	76,46
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	76,00
- Retail Sukuk	0,00
- Private Placement	0,46
Global Sukuk	0,00

Primary Market Performance 2022 – 2023



Government Securities (GS)



In 2023:

- average incoming bid = **IDR37.28 tn/auction**
- average awarded bid = **IDR17.02 tn/auction**

Ownership Of Tradable Domestic Government Securities



Description	Dec-19		Dec-20		Dec-21		Dec-22		Mar-23	
Banks*	581,37	21,12%	1.375,57	35,54%	1.591,12	34,01%	1.697,43	31,97%	1.754,80	31,93%
Govt Institutions (Bank Indonesia**)	262,49	9,54%	454,36	11,74%	801,46	17,13%	1.020,02	19,21%	1.004,23	18,27%
Bank Indonesia (gross)	273,21	9,93%	874,88	22,60%	1.220,73	26,09%	1.453,58	27,38%	1.425,28	25,93%
GS used for Monetary Operation	10,72	0,39%	420,51	10,86%	419,27	8,96%	433,57	8,17%	421,05	7,66%
Non-Banks	1.908,88	69,34%	2.040,83	52,72%	2.286,40	48,87%	2.591,98	48,82%	2.737,10	49,80%
Mutual Funds	130,86	4,75%	161,32	4,17%	157,93	3,38%	145,82	2,75%	165,04	3,00%
Insurance Company and Pension Fund	471,67	17,13%	542,82	14,02%	655,24	14,00%	873,03	16,44%	926,76	15,34%
Foreign Holders	1.061,86	38,57%	973,91	25,16%	891,34	19,05%	762,19	14,36%	818,53	14,89%
Foreign Govt's & Central Banks	194,45	7,06%	178,31	4,61%	233,45	4,99%	203,11	3,83%	205,59	3,74%
Individual	81,17	2,95%	131,21	3,39%	221,41	4,73%	344,30	6,48%	345,84	6,29%
Others	163,32	5,93%	231,57	5,98%	360,47	7,70%	466,65	8,79%	480,93	8,75%
Total	2.752,74	100%	3.870,76	100%	4.678,98	100%	5.309,43	100%	5.425,54	100%

**68.05
%**

Portion of foreign ownership in the mid & long term sector (≥ 5 years)

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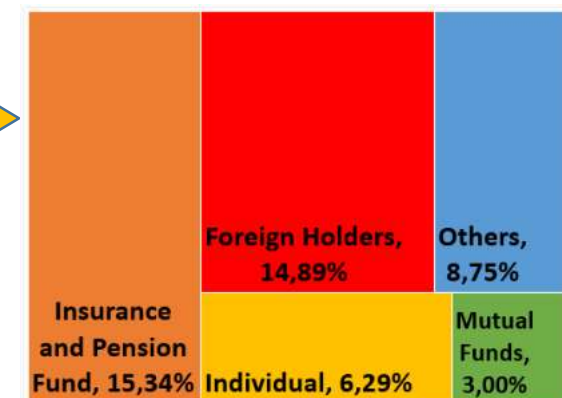
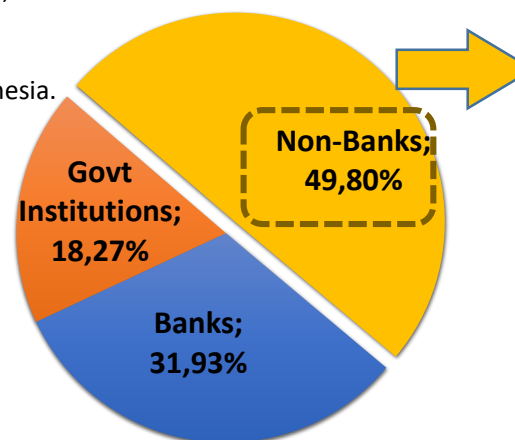
on January 24, 2020, foreign holders reach a record high in nominal terms

1) Non Resident consists of Private Bank, Fund/Asset Manager, Securities Company, Insurance Company, and Pension Fund.

2) Others such as Securities Company, Corporation, and Foundation.

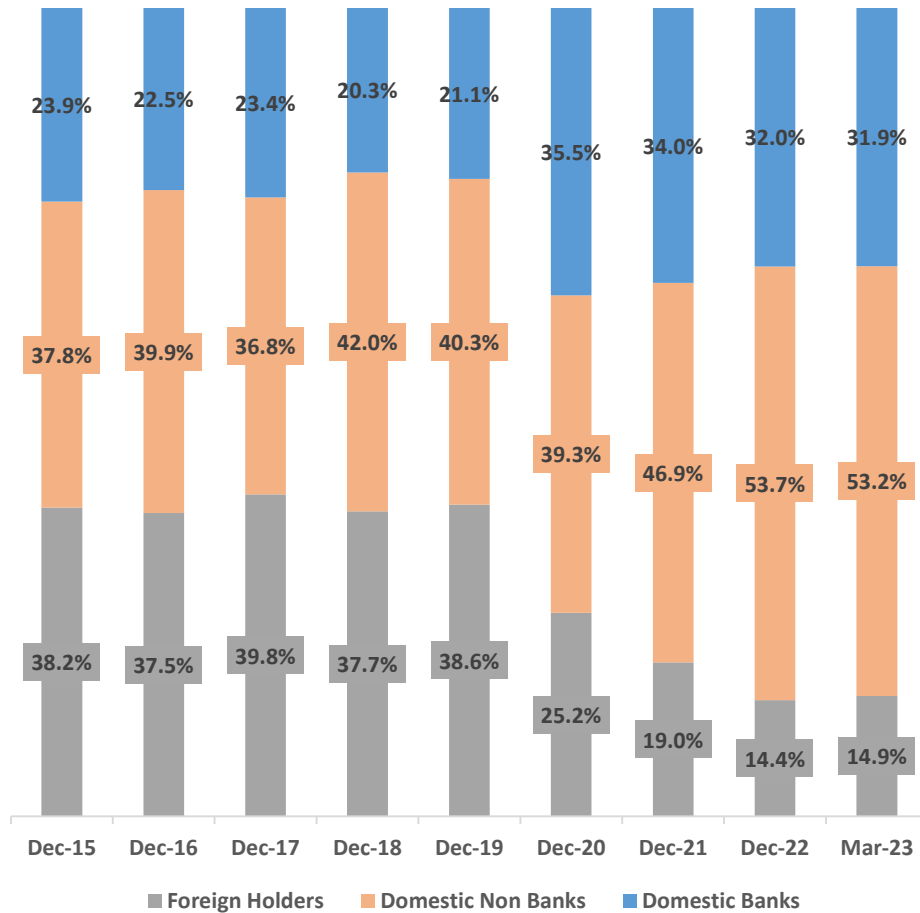
*) Including the Government Securities used in monetary operation with Bank Indonesia.

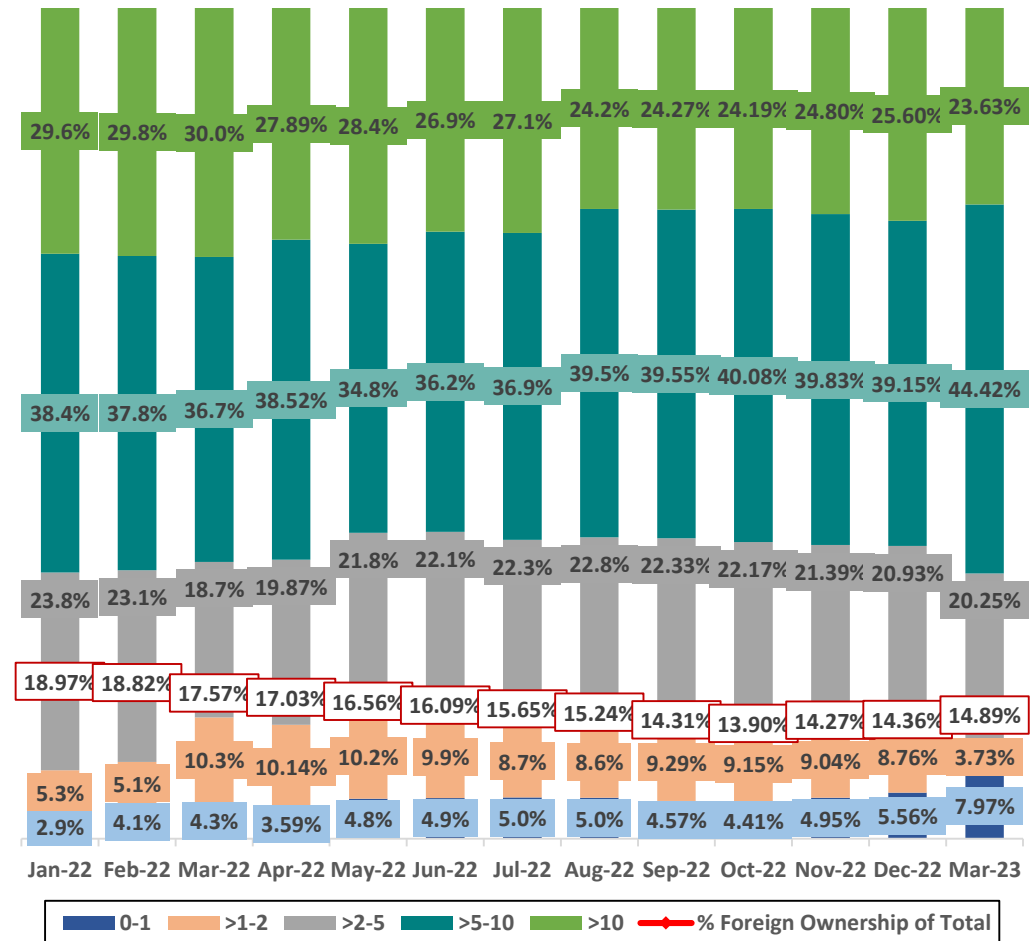
**) net, excluding Government Securities used in monetary operation with Banks.



Balanced Ownership In Terms of Holders and Tenors



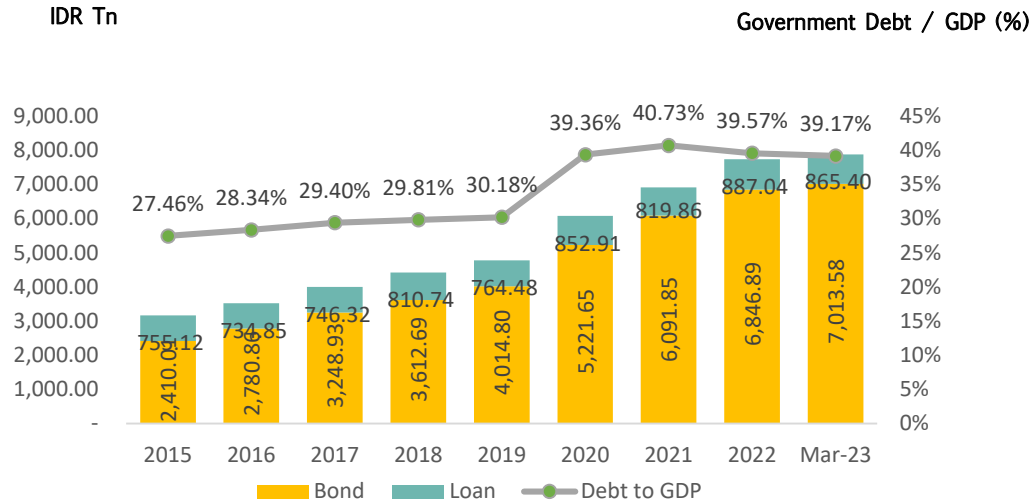




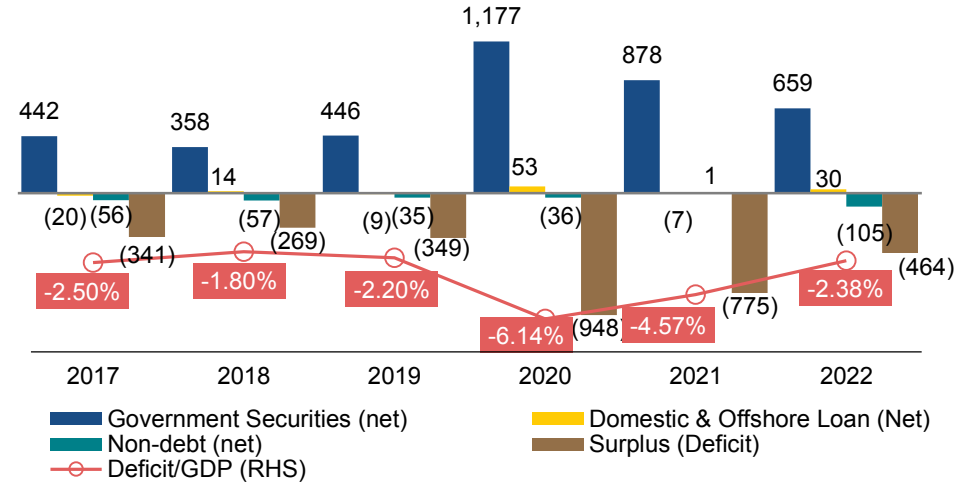
Disciplined and Advanced Debt Portfolio Management



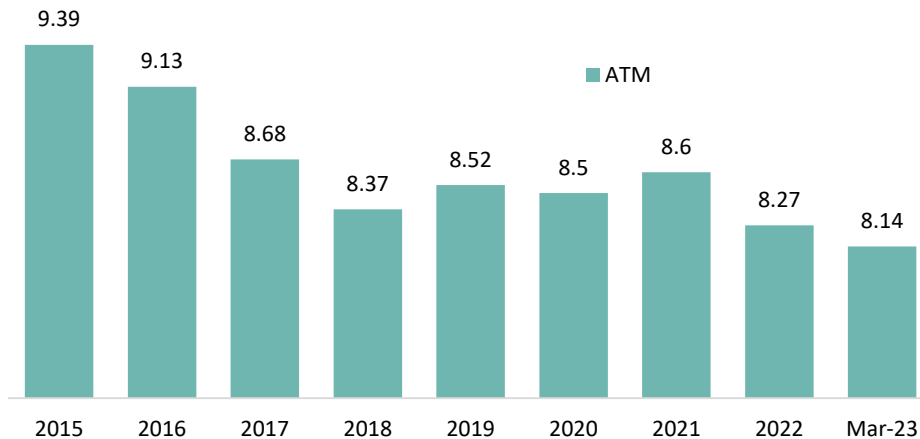
Stable Debt to GDP Ratio Over the Years



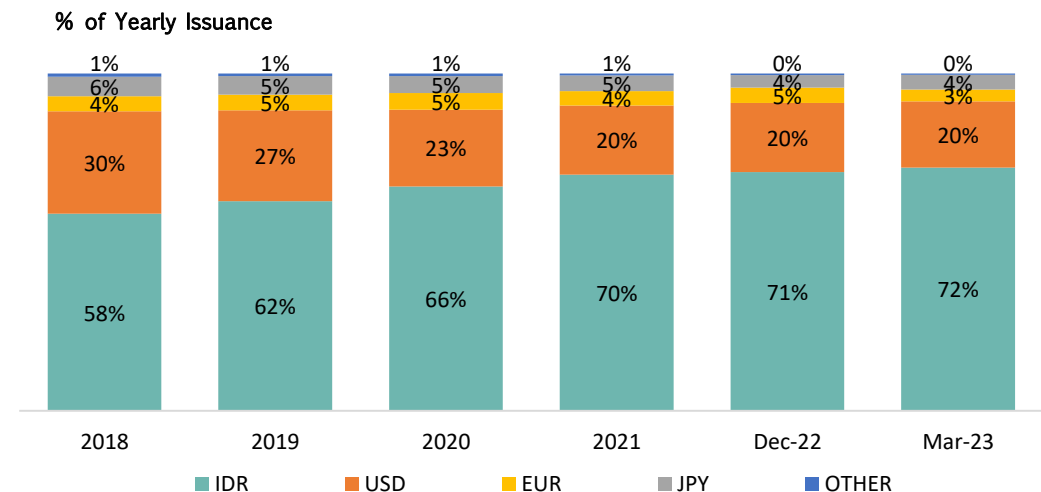
Prudent Fiscal Deficit



Weighted Average Debt Maturity



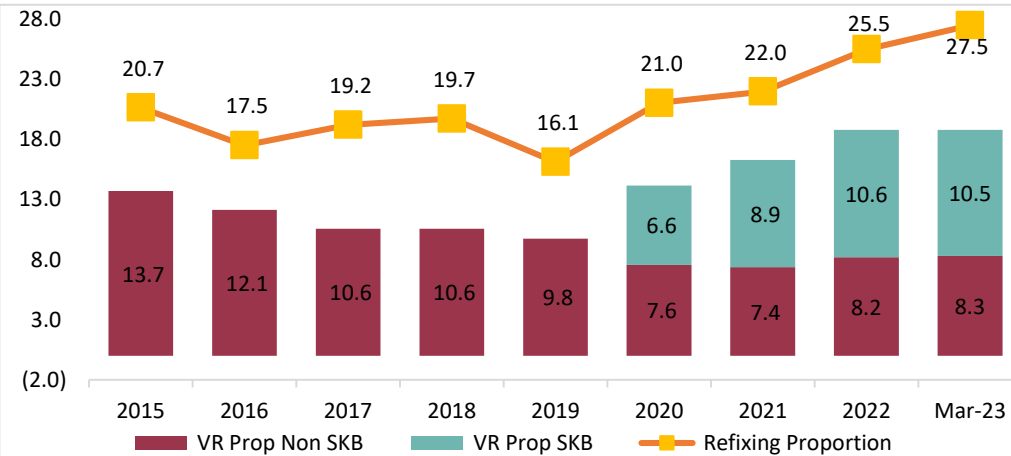
Well Diversified Across Different Currencies



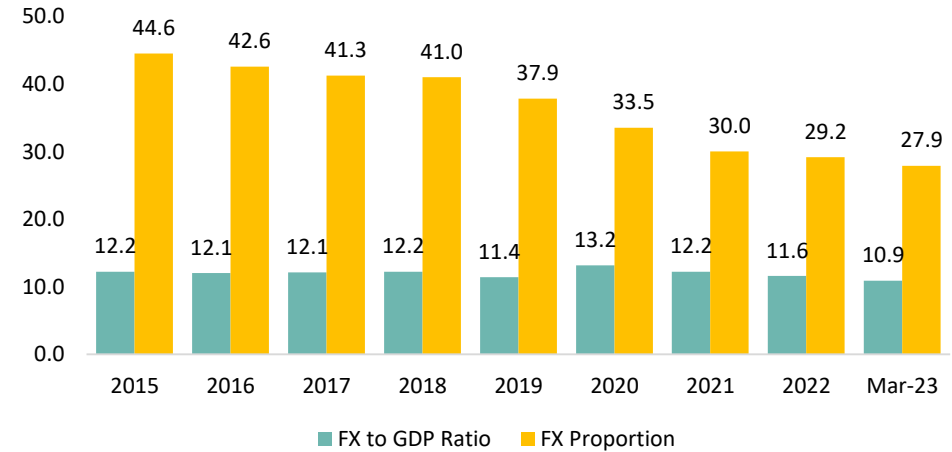
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



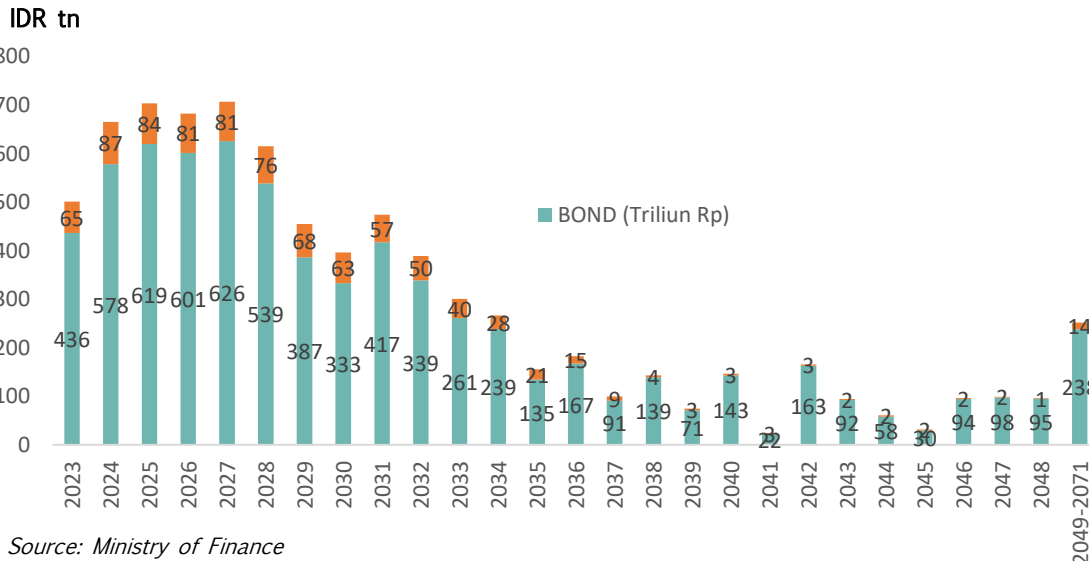
Interest Rate Risks (%)



Declining Exchange Rate Risks (%)

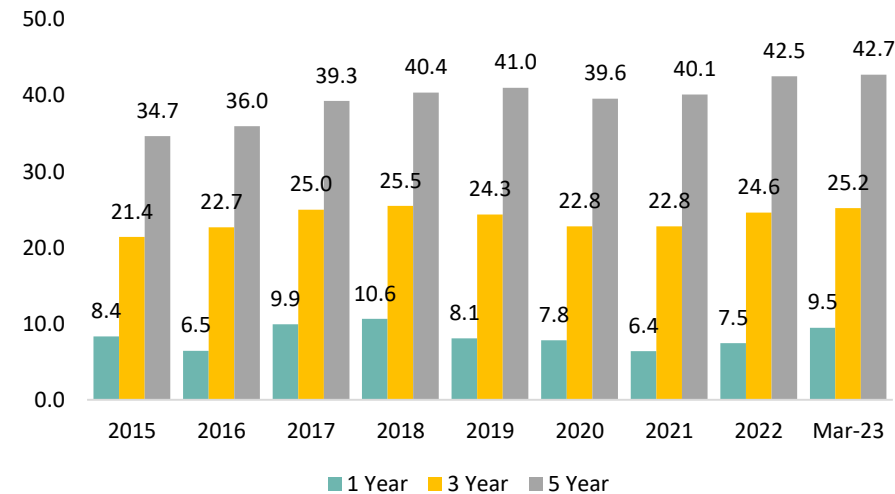


Debt Maturity Profile



Source: Ministry of Finance

Upcoming Maturities (Next 5 Years)



Republic of Indonesia USD3 bn Global Bonds Issuance

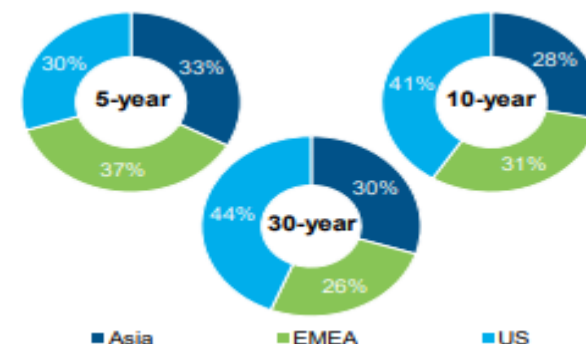


Issuer	Republic of Indonesia		
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Negative) BBB Fitch (Stable)		
Format	SEC-Registered Notes Offering		
Pricing Date	January 5, 2023		
Settlement Date	March 11, 2023		
Issue Size	USD3 bn		
Tenor	5year	10year	30year
Maturity	January 11, 2028	January 11, 2033	January 11, 2053
Tranche Size	USD1,0 bn	USD1,25 bn	USD750 milion
Coupon (p.a.)	4.550%	4.850%	5.650%
Price	98.900%	98.061%	98.678%
Yield (p.a.)	4.800%	5.100%	5.750%
JLM	BofA Securities, DBS Bank Ltd., HSBC, Mandiri Securities and Standard Chartered Bank		
Listing	Singapore, Frankfurt Stock Exchange		
Use of Proceeds	Net proceeds from the sale of the Bonds will be used for the general purposes of the Republic		

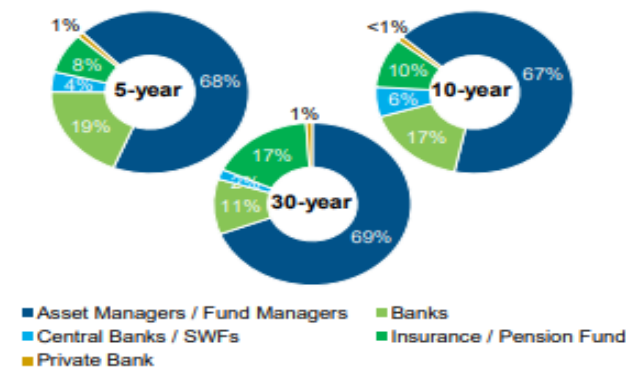
Transaction Highlight

- The first Emerging Asian sovereign issuer in 2023 and marks the Republic's thirteenth successful SEC-registered US\$ transaction since 2018.
- A low new issuance concession for the transaction, which was also one of the lowest amongst the transactions launched on the same day

Investor Breakdown by Region



Investor Breakdown by Investor Type





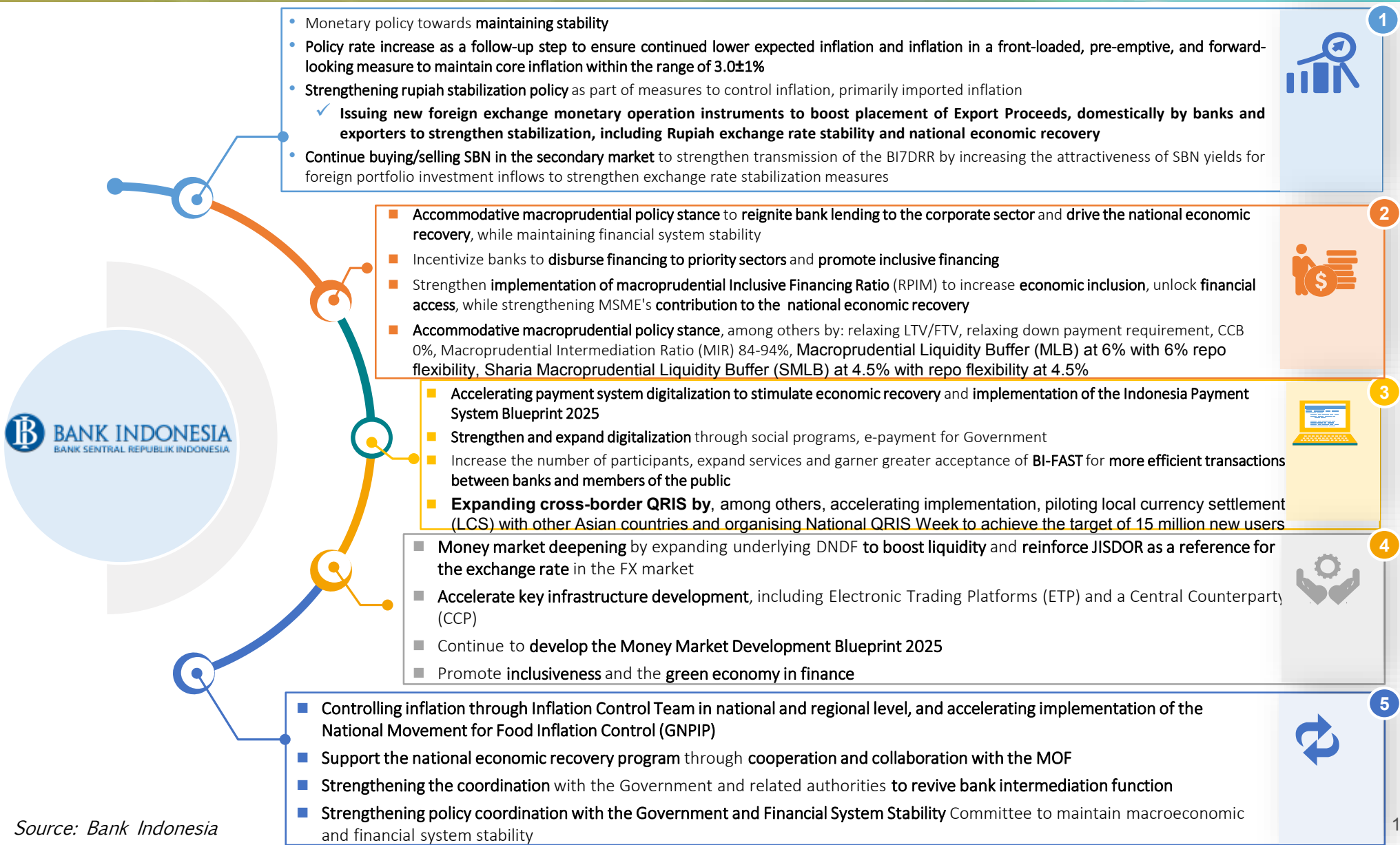
Section 6

Monetary and Financial Factor:
Credible Monetary Policy Track Record
and Favourable Financial Sector



Bank Indonesia's Policy Mix Direction in 2023

Maintaining Stability, Accelerating Economic Recovery



Bank Indonesia Policy Mix: April 2023



The BI Board of Governors agreed on 17th and 18th April 2023 to hold the BI 7-Day Reverse Repo Rate at 5.75%, while also maintaining the Deposit Facility (DF) rate at 5.00% and Lending Facility (LF) rate at 6.50%.



Hold the
BI 7-Day
Reverse
Repo
Rate at
5.75%



Strengthening
monetary
operations to
increase the
effectiveness
of monetary
policy
transmission.



- Strengthening rupiah stabilisation policy as part of the measures to control inflation, particularly imported inflation, through foreign exchange market intervention, including spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying/selling government securities (SBN) in the secondary market.
- Continuing the twist operation by selling short-term SBN in the secondary market to increase the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen rupiah stabilisation measures.



- Maintaining accommodative monetary policy by holding: (a) the Countercyclical Capital Buffer (CCyB) at 0%, (b) Macroprudential Intermediation Ratio (MIR) in the 84-94% range, and (c) Macroprudential Liquidity Buffer (MPLB) at 6% with 6% repo flexibility and the Sharia MPLB at 4.5% with 4.5% repo flexibility.
- Increasing the macroprudential policy incentives to revive bank lending to priority sectors and Slow Starters, including People's Business Loans (KUR) and green finance, effective from 1 April 2023:
- Increasing the total macroprudential incentive as available to banks from 200bps to 280bps, comprising incentives for lending to priority sectors up to a maximum of 1.5%, a twofold increase in the incentives for extending People's Business Loans (KUR) and MSME loans/financing up to 1%, and incentives for disbursing green finance up to 0.3%.
- Reallocating the target of macroprudential incentives to Slow Starters by maintaining a low credit growth threshold at a minimum of 1%, while raising the threshold for Growth Drivers and Resilient subsectors from 1% to 3% and 5% respectively.
- Continuing prime lending rate (PLR) transparency policy with a focus lending rates in sectors associated with downstreaming



- Strengthening payment system digitalisation policy to improve transaction efficiency as well as the economic-financial digital ecosystem by: (i) implementing cross-border QRIS payment interconnectivity between Indonesia and Malaysia, and (ii) rolling out the physical domestic government credit card in close coordination with the Government and Indonesia Payment System Association (ASPI) to coincide with the Indonesia Digital Economy and Finance Festival (FEKDI) at the beginning of May 2023.
- Strengthening payment system policy during the holy fasting month of Ramadan and Eid-ul-Fitr 1444 H.



Strengthening international cooperation with other central banks and authorities in partner countries, while promoting trade and investment in priority sectors in synergy with relevant institutions. In addition, Bank Indonesia is continuing to collaborate with relevant government ministries/agencies to ensure a successful ASEAN Chairmanship in 2023, particularly in terms of the finance track.

Monetary Policy will focus on stability

to stabilize Rupiah and manage inflation towards the target corridor, as part of mitigation measures against the impact of global spillovers.



MITIGATING THE IMPACT OF GLOBAL SHOCK SPILLOVER

STAGNATION - RECESSION -
HIGH INFLATION

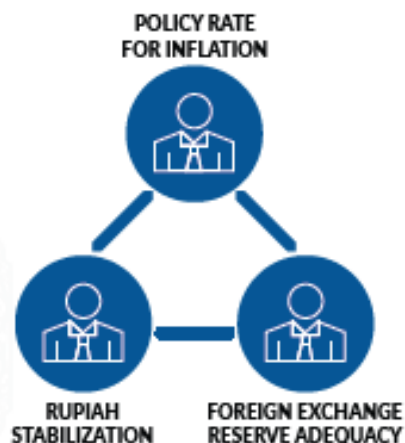
GLOBAL POLICY RATE
"HIGHER FOR LONGER"

STRONG US DOLLAR AND WEAKENING
CURRENCY ACROSS THE WORLD

HIGH RISK PERCEPTION AND
"CASH IS THE KING"

Monetary Policy "Pro Stability" : Front Loaded, Pre-emptive, Forward Looking

MONETARY POLICY TRILEMMA



1

TARGET	CORE INFLATION WITHIN TARGET $3 \pm 1\%$ ON THE FIRST HALF OF 2023 AND RUPIAH EXCHANGE RATE STABILIZATION POLICY
Policy Rate BI7DRR	On a front loaded, pre-emptive and forward looking basis to lower inflation expectation and core inflation earlier, in the first half of 2023
Exchange Rate Stabilization	Stabilization of Rupiah exchange rate to control inflation, particularly imported inflation, through spot intervention, DNDF, and SBN transaction in secondary market
Twist Operation	SBN sale/purchase in secondary market to maintain the attractiveness of SBN yield to draw foreign portfolio investment in order to strengthen the stabilization of Rupiah exchange rate

2

COORDINATION WITH GOVERNMENT

1. Inflation control with TPIP/TPID and GNPIP
2. Fiscal-Monetary coordination
3. Development of priority sector



STRENGTHEN THE STRATEGY
OF INTEGRATED MONETARY POLICY
MANAGEMENT

OPTIMIZATION OF FOREIGN
EXCHANGE RESERVE MANAGEMENT

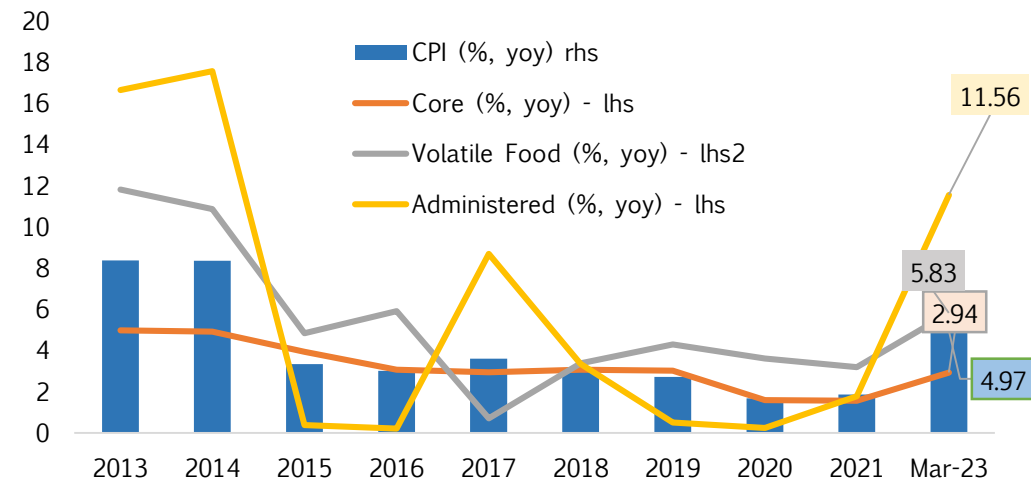
RUPIAH AND FOREIGN
CURRENCY MONEY MARKET DEEPENING

SYNERGY AND COORDINATION

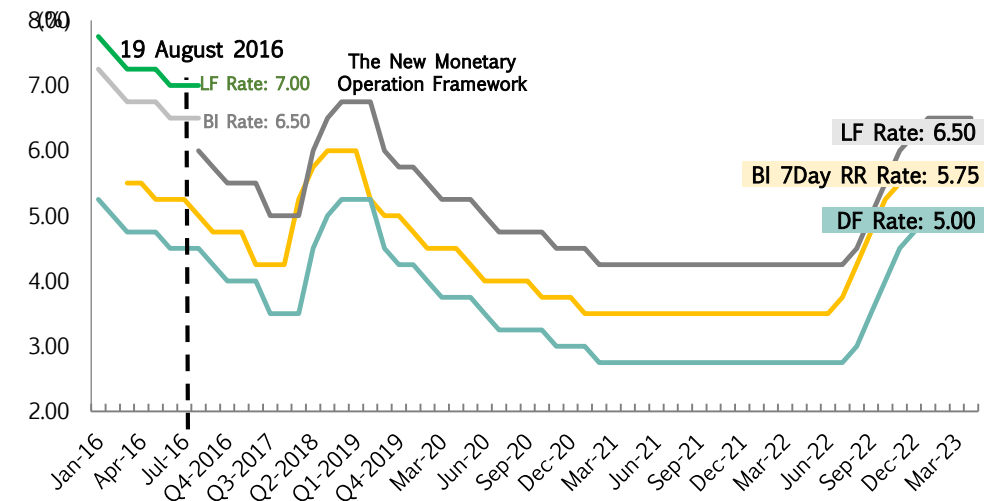


Manageable Monetary Environment amid Heightened Global Uncertainty

Well Maintained Inflation Ensured Price Stability

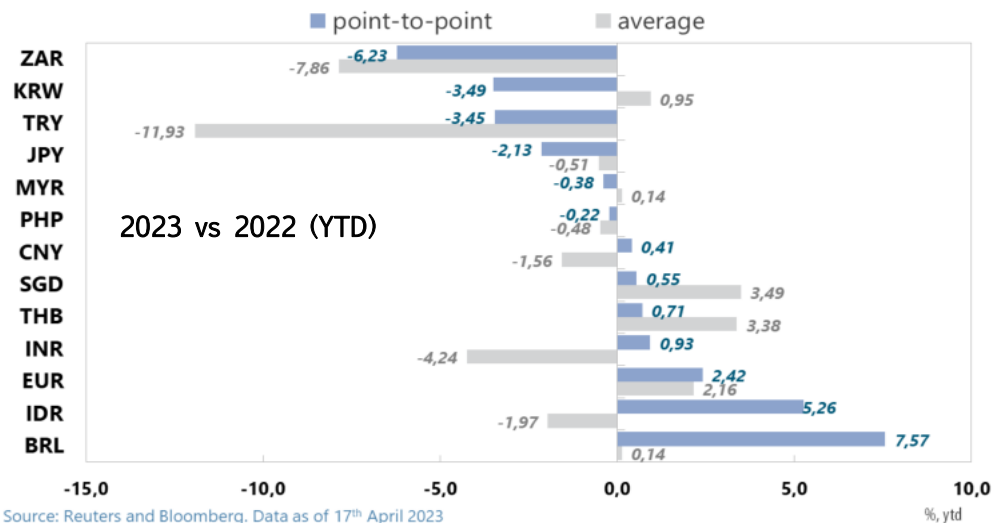


Strengthened Monetary Policy Framework

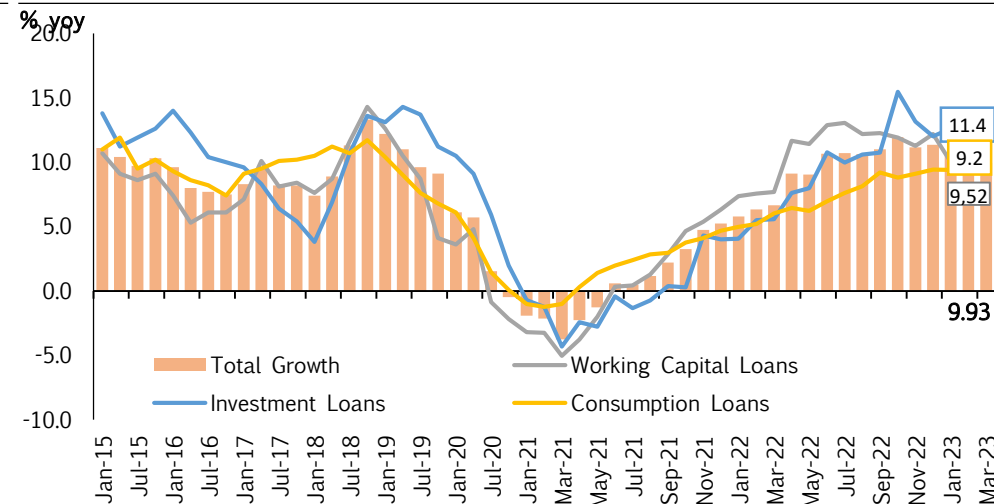


Rupiah Exchange Rate Fared Relatively Well Compared to Peers

Rupiah 2023 vs 2022



Credit Growth Profile

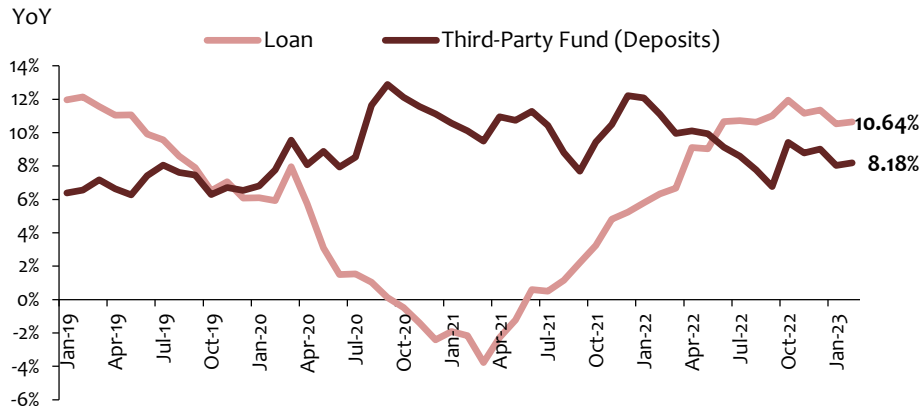


Banking Intermediation

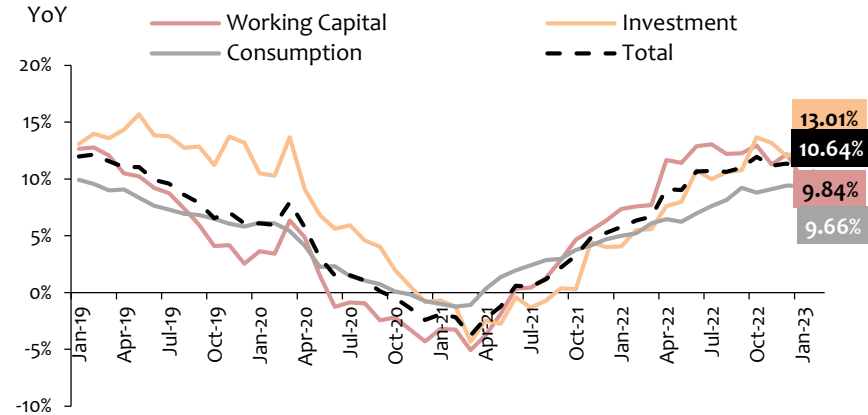
Bank loans continued to grow, driven by investment and business lending, despite the difficult global economic environment, with relatively stable growth in funding.



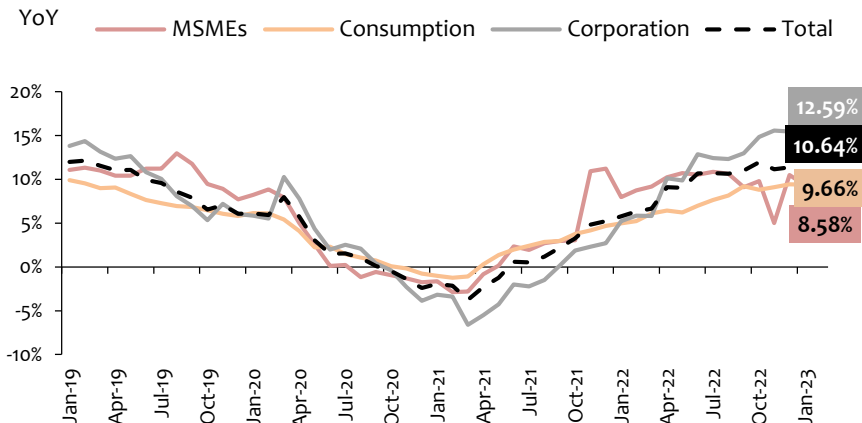
In **February 2023**, bank loans grew by **10.64% (yoy)**, while Third-Party Funds (Total Deposits) grew at a steady pace by **8.18% (yoy)**.



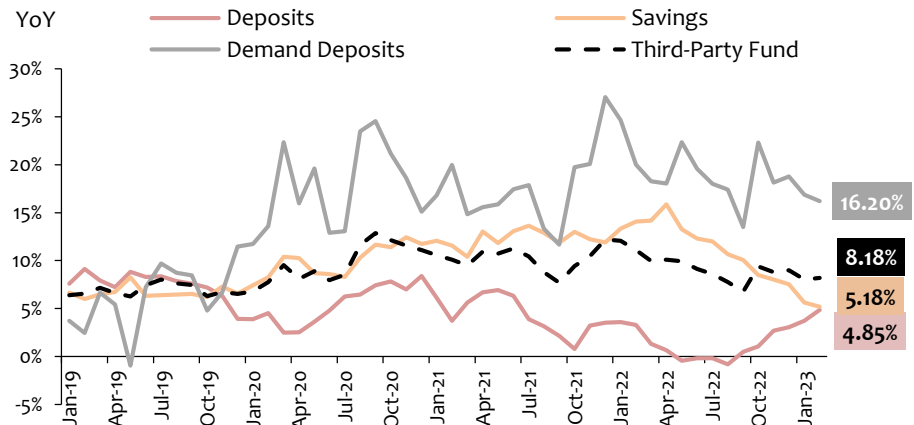
Majority types of loans continued their positive trend, particularly **Investment** loans, which grew by **13.01% (yoy)** in **February 2023**



Loan growth by segmentation continued to improve in **February 2023**, driven by **Corporation** loans, which grew by **12.59% (yoy)**.



Third-Party Funds (Total Deposits) grew stable in **February 2023**, mainly supported by **Demand Deposits** growth, which increased by **16.20% (yoy)**, respectively.

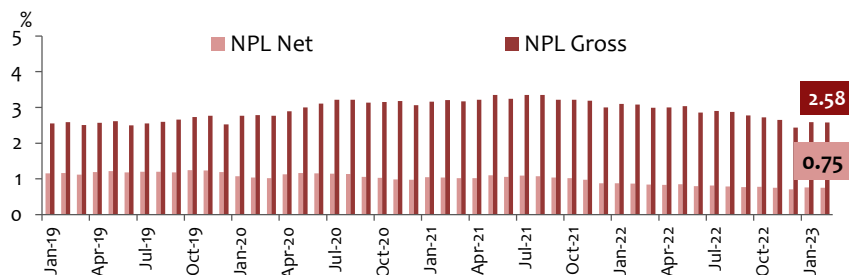


Banking Risk Profile and Profitability

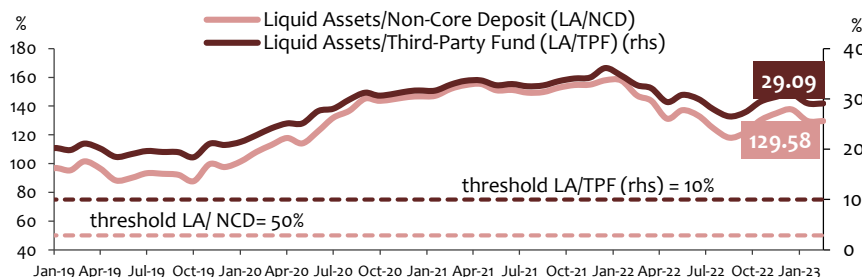
The banking industry has ample liquidity, robust capitalization, and manageable credit risk. Profitability is consistently maintained at a steady level.



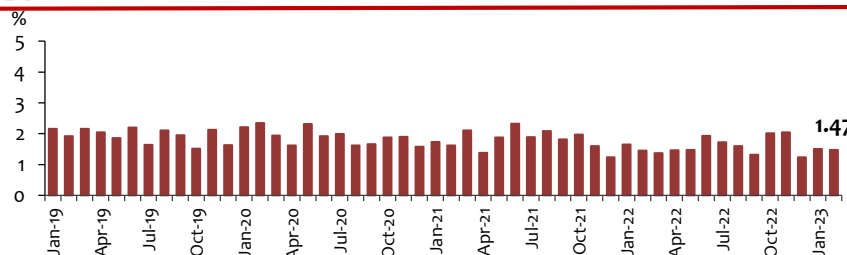
The banking NPL ratio continued to further decline to **2.58% gross** and **0.75% nett** as of **February 2023**, significantly below the threshold.



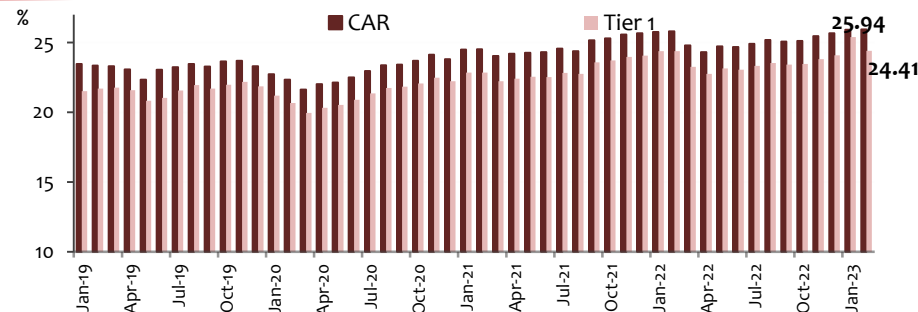
Liquid Assets to Non-Core Deposits and Liquid Assets to Third-Party Funds (Total Deposits) remained well above the thresholds.



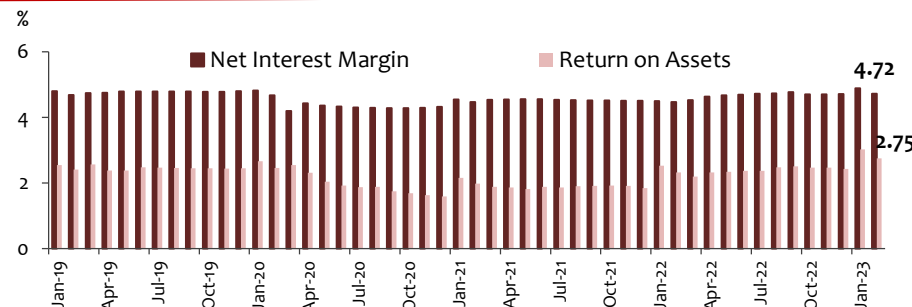
Net Open Position was maintained well below the maximum limit of 20% and stood at **1.47%** in **February 2023**.



The banking sector's Capital Adequacy Ratio (CAR) was steadily high with a value of **25.94%** and Tier-1 capital stood at **24.41%** as of **February 2023**.



The banking industry's Net Interest Margin and Return on Assets remained steady at **4.72%** and **2.75%**, respectively, as of **February 2023**.



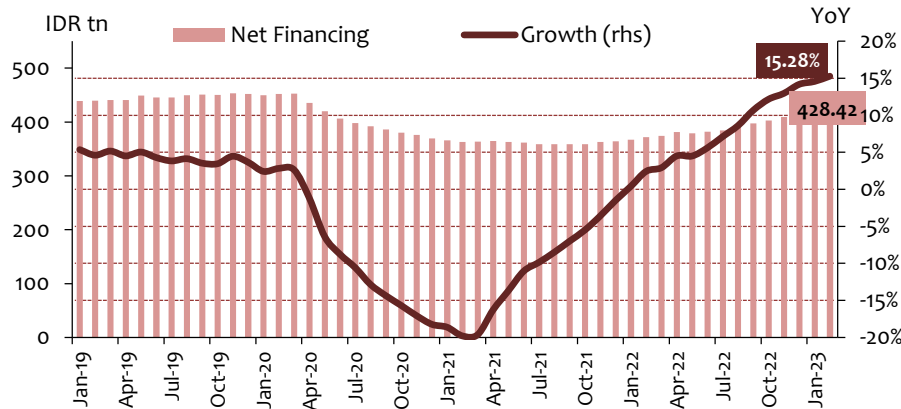
*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

Multi-finance Companies

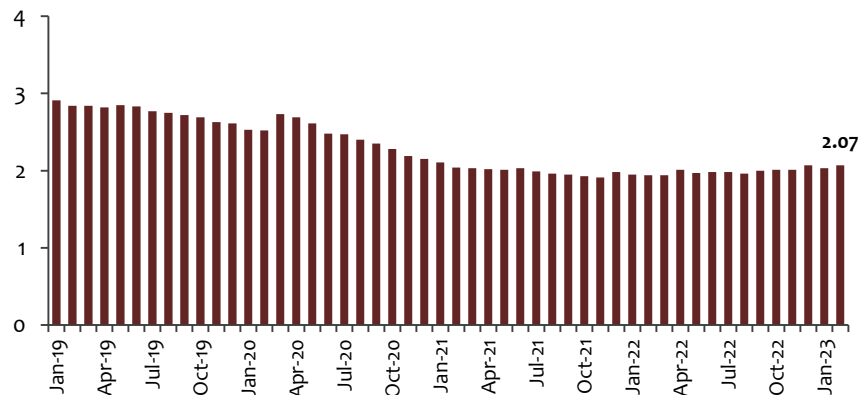
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable Non-Performing Financing (NPF) ratio, and a stable gearing ratio.



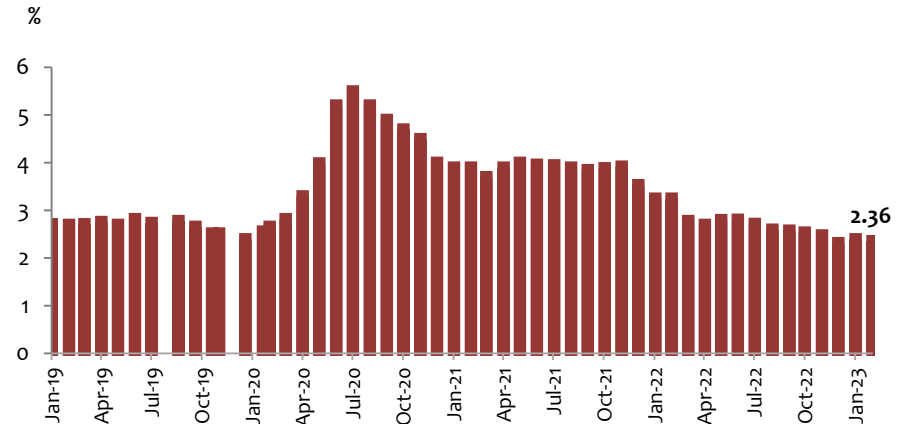
In **February 2023**, net financing continued its increasing trend and stood at **IDR428.42 Tn** or growing by **15.28%** yoy.



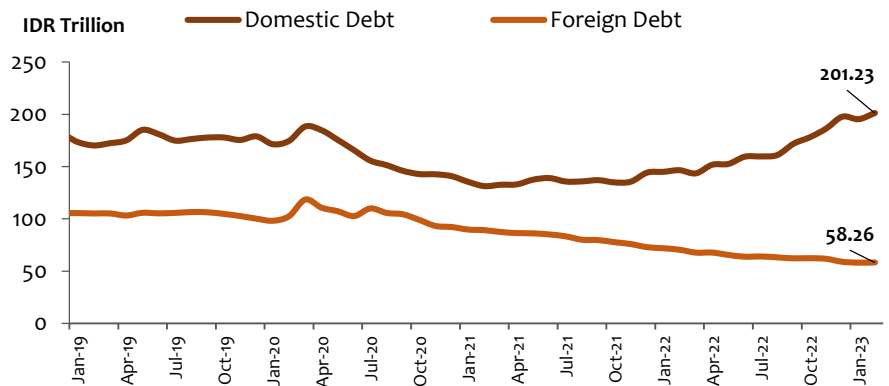
The gearing ratio of multi-finance companies remained stable at **2.07** times or well below the threshold in **February 2023**.



The Non-Performing Financing ratio of multi-finance companies improved as shown by a decrease to **2.36%** in **February 2023**, well below the 5% threshold.



Multi-finance companies' exposure to domestic debt experienced an increase whereas exposure to foreign debt continued its declining trend in **February 2023**.



*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

Source: Financial Services Authority (OJK)

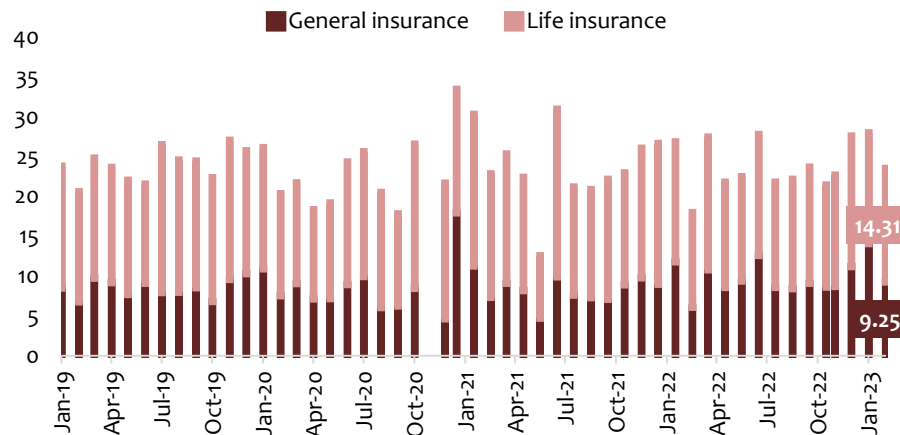
Insurance and Pension Funds

Insurance and pension funds continue to improve, shown by adequate performance and manageable risks.



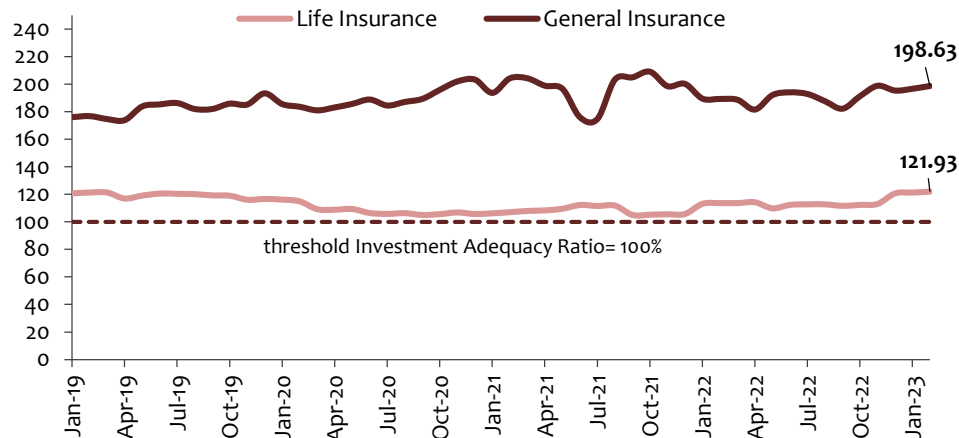
In **February 2023**, insurance premiums marked a total increase of **IDR23.56 Tn** (mtm) with General and Life insurance added premiums at **IDR9.25 Tn** and **IDR14.31 Tn**, respectively.

IDR Tn

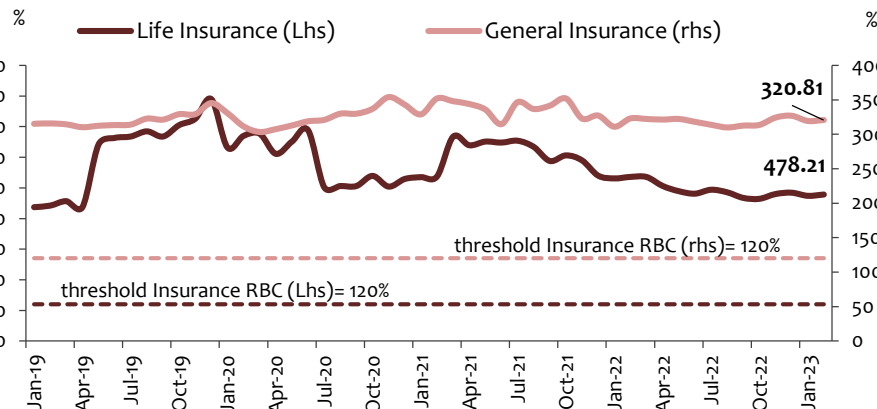


In **February 2023**, the Investment Adequacy Ratio of both Life Insurance and General Insurance stayed well above the threshold at **121.93%** and **198.63%**, respectively.

%

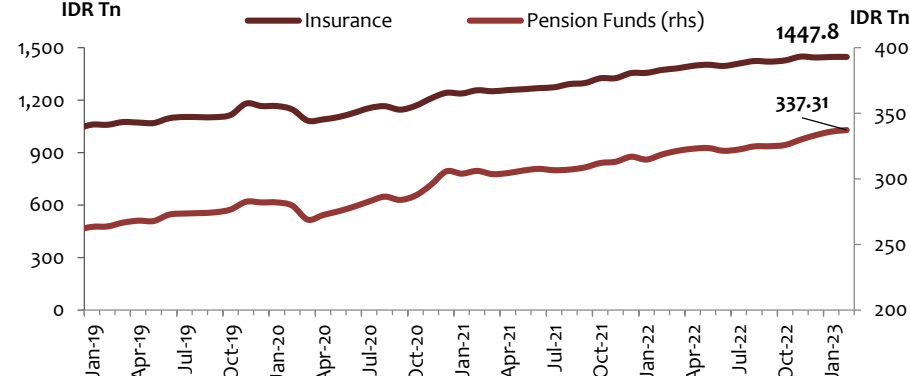


Risk-Based Capital (RBC) of the insurance industry remained well above the minimum threshold with **Life Insurance at 478.21%** and **General Insurance at 320.81%** in **February 2023**.



In **February 2023**, pension fund investment values continued the upward trend and stood at **IDR337.31 Tn**, whereas insurance investment values remained steady at **IDR1,447.80 Tn**, respectively.

IDR Tn



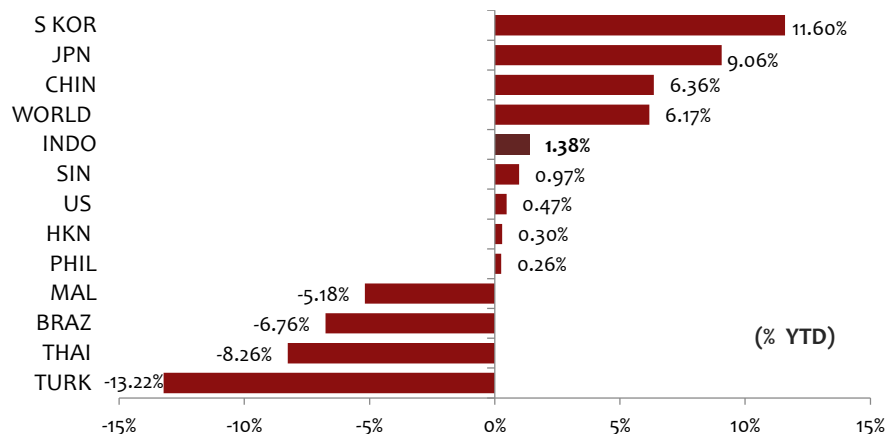
Domestic Capital Market Performance

Indonesia's capital market has maintained its stability despite global challenges

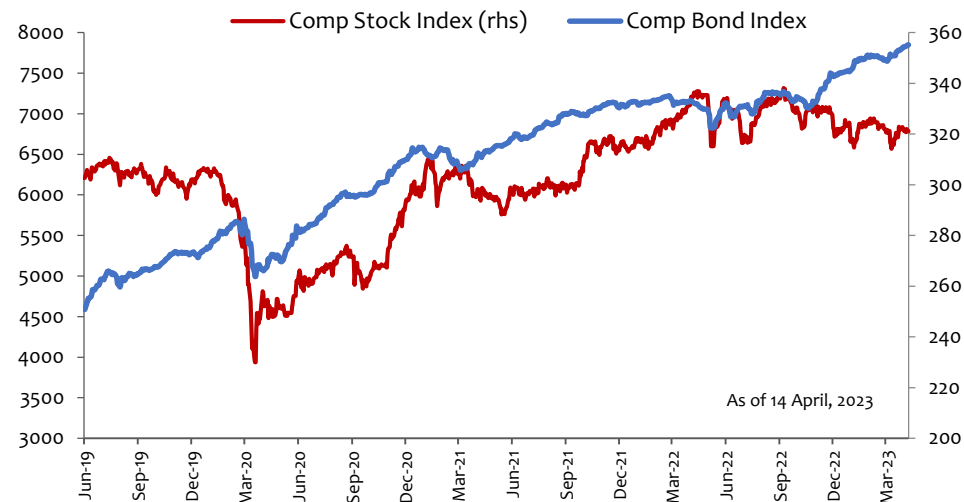


The banking turmoil has impacted the movement of global stock indices, resulting in a number of emerging markets slipping into negative territory

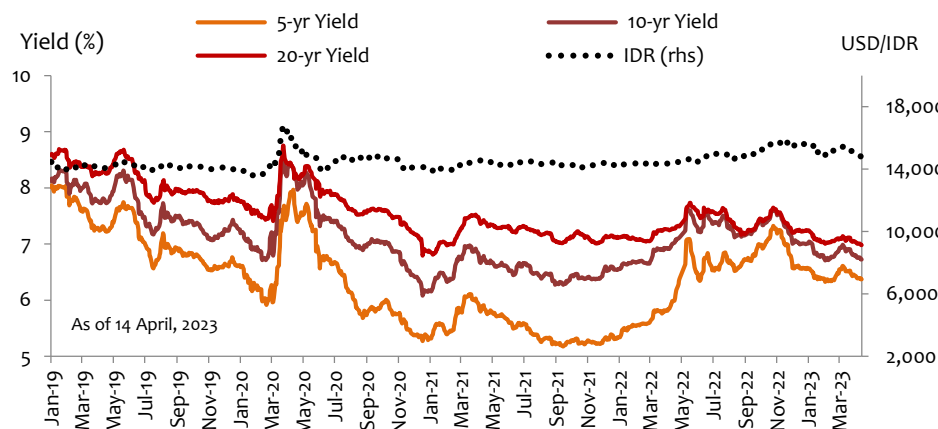
Stock Index Performance as of 27 April 2023 (compared to 30 Dec'22)



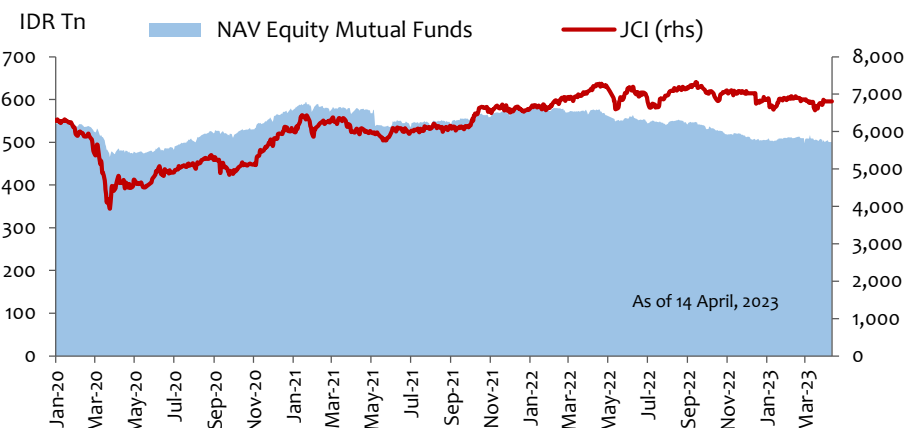
The domestic capital market showed a mixed performance with composite bond maintained its positive trend since the beginning of the year.



Government bond yields remained competitive, followed by a stable rupiah as the risk premium was maintained.



The Net Asset Value (NAV) of equity mutual funds was stable with low volatility, reflecting a steady movement in the capital market.

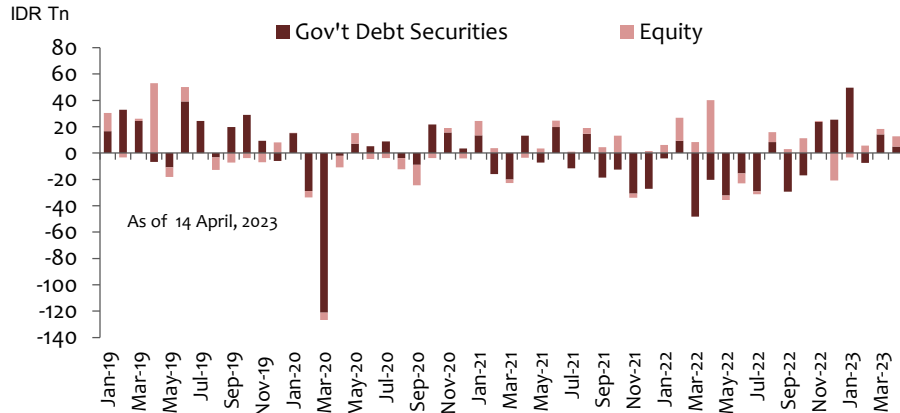


Domestic Capital Market Performance

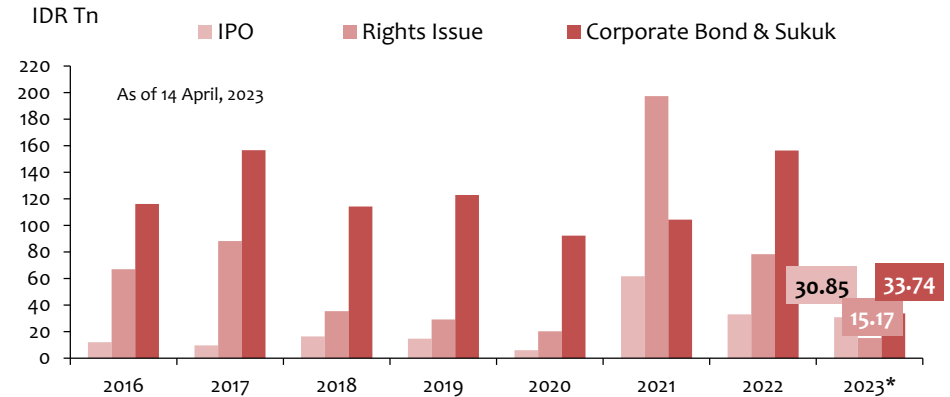
Several capital market indicators recorded positive performance and remained stable.



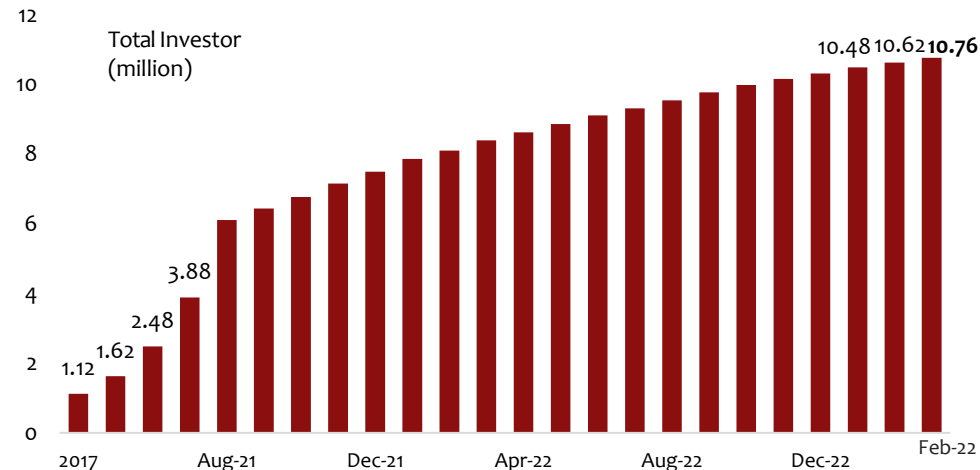
Non-resident portfolios of equity and government bonds recorded a **net buy of IDR61.35 Tn (YTD)**, while the equity market recorded a **net buy of IDR14.29 Tn (YTD)** as of 14 April 2023



Total securities issuance reached IDR79.75 Tn (YTD) as of 14 April 2023.



Capital Market Investors continued to grow to **10.76 million** by the end of **March 2023**, representing a **28.25% (yoy)** increase.



Fintech (Peer to Peer Lending and Securities Crowdfunding)

Crowdfunding

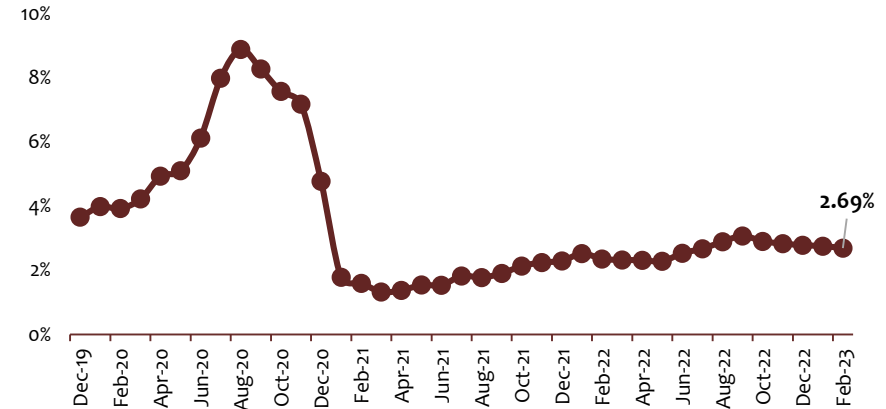
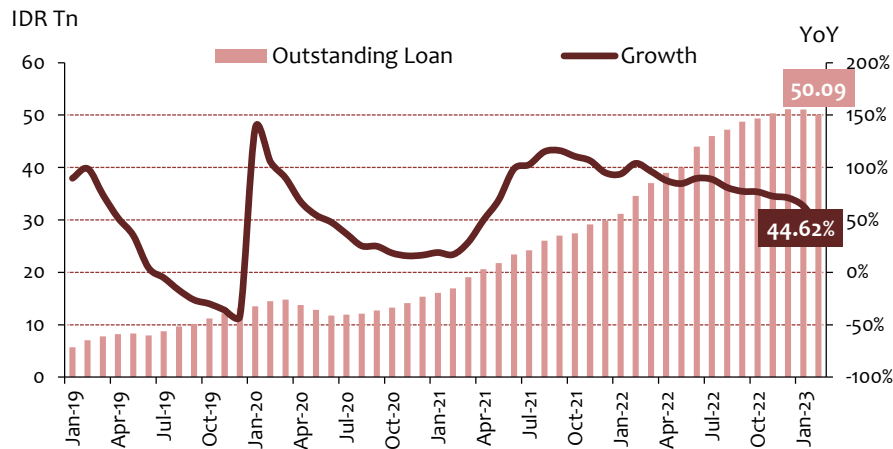
Peer to Peer Lending (P2PL) Fintech intermediation grows with a manageable NPL ratio and Securities Crowdfunding fundraising continues to rise.



The outstanding loan of P2PL Fintech remained steady and stood at **IDR50.09 Tn** or grew by **44.62%** (yoy) as of **February 2023**.



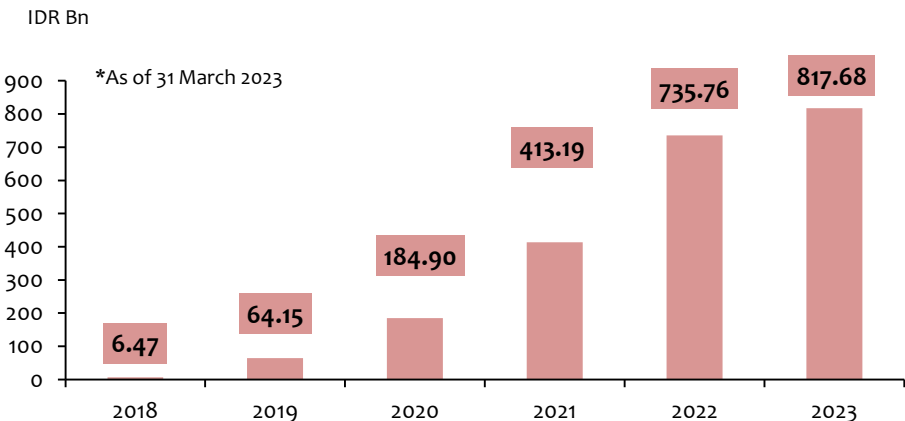
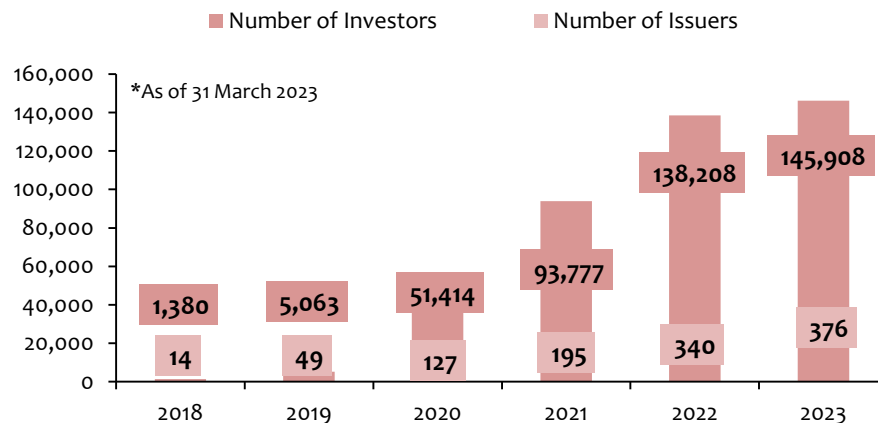
The Non-Performing Loan ratio of P2PL Fintech decreased from 2.75% to **2.69%** in **February 2023**.



The total number of investors and issuers in Securities Crowdfunding increased and stood at **145,908** and **376**, respectively, as of 31 March 2023.



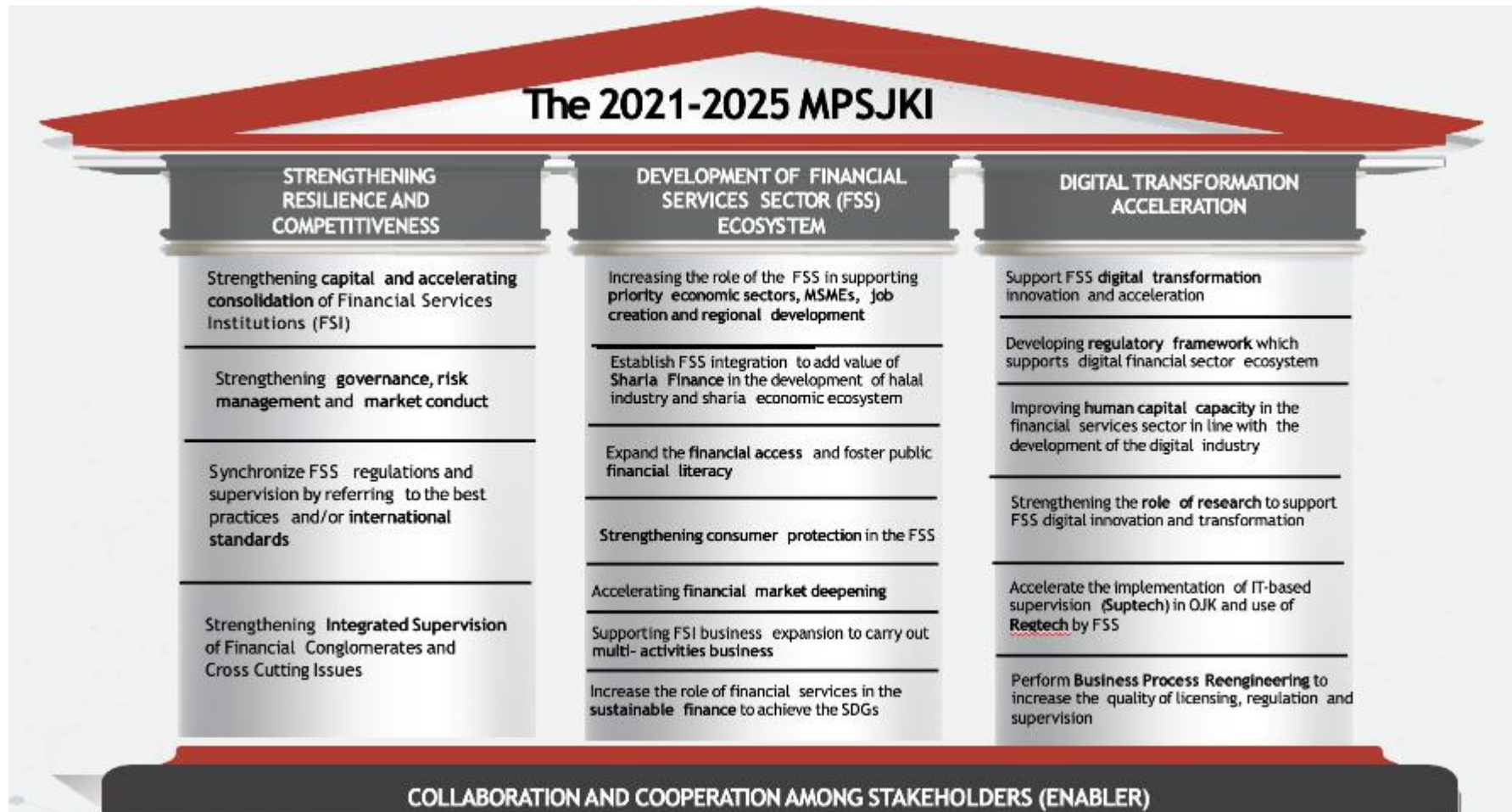
Continuing the positive trend, the total value of SCF fundraising stood at **IDR817.68 billion** as of 31 March 2023.



The Indonesian Financial Services Sector Master Plan (2021-2025)



Enhancing Financial Services Sector's Resilience and Competitiveness



Macroprudential Policy remains accommodative in 2023

to increase bank lending to support the national economic recovery, while maintaining financial system stability



MACRO-FINANCIAL LINKAGES: OPPORTUNITIES AND CHALLENGES

ECONOMIC GROWTH AND INFLATION-
PERFORMANCE OF CORPORATE
AND HOUSEHOLD

NORMALIZATION OF FISCAL
AND MONETARY POLICY

EXCHANGE RATE VOLATILITY
AND FOREIGN DEBT

INCREASE OF SBN YIELD AND MARKED
TO MARKET BALANCE SHEET

MACROPRUDENTIAL POLICY "Pro Growth"

Balanced Intermediation, Sound and Resilience Financial System,
Economic-Financial Inclusion

MACROPRUDENTIAL POLICY TRILEMMA

BALANCED INTERMEDIATION



1

TARGET	CREDIT GROWTH AT 10-12%, MAINTAINED FINANCIAL SYSTEM STABILITY'S RESILIENCE AGAINST RISKS, AND GROWING MSMEs
Accommodative Macroprudential Policy	Loosening all instrument of macroprudential policy and providing incentive on credit/financing provision to banks
Macro systemic surveillance on financial system stability	Strengthening systemic surveillance on banks' resilience against liquidity risks, market risks (exchange rate and SBN yield), and credit risks
Economic and Financial Inclusion Policy	Expanding MSMEs Go Export and Go Digital program, as well as strengthening financial literacy and consumer protection on products under Bank Indonesia's licensing

2

FINANCIAL SYSTEM STABILITY COMMITTEE (KSSK)

1. Strengthening resilience and financial system stability risk's prevention
2. Increasing credit/financing to real sector
3. Financial sector reform



Bank Indonesia's Comprehensive Financial Deepening Program

Strengthening the Effectiveness of Monetary Policy Operations and Transmission, integrated with the modern and efficient money market to support the financing of the economy



Money Market Deepening Policy "Pro-Growth" : Integrated, Modern, Efficient



1	
TARGET	INTEGRATION OF MODERN AND EFFICIENT MONEY MARKET WITH MONETARY MANAGEMENT TO IMPROVE MONETARY OPERATION TRANSMISSION AND ECONOMIC FINANCING
PARTICIPANT	Consolidation of monetary operation participants and market participants having classification primary dealer (PD) into systemic, critical, and general in line with SIFIs, cross-border and future "wholesalers"
PRODUCT	Accelerating the development of strategic money market instrument for effective monetary policy instrument, rupiah stability, hedging and short term financing
PRICING	Developing efficient market mechanism to support interest rate structure formation (IndONIA and Repo), exchange rate (DNDF), and hedging (interest rate swap and exchange rate)
INFRASTRUCTURE	Infrastructure of monetary operation, money market and payment system which are 3I (integrated, interoperable, interconnected) as pre-requisite for CBDC

2	
COORDINATION FORUM FOR DEVELOPMENT FINANCING THROUGH FINANCIAL MARKETS (FK-PPPK)	
<ol style="list-style-type: none"> 1. Stabilization of Financial Market 2. Development of Economic Financing Instruments 3. Financial Literacy and Consumer Protection 	



Bank Indonesia's Continue to Expand Payment System Digitalization in 2023

..to accelerate payment system digitalization for further integration in the national economic-financial digital ecosystem, developing Digital Rupiah, as well as expanding cross-border payment system cooperation.

NATIONAL DIGITAL FINANCE AND ECONOMY : OPPORTUNITIES AND CHALLENGES

- CLEAR VISION AND POLICY ON THE DIGITALIZATION OF THE NATIONAL PAYMENT SYSTEM
- ACTIVE INDUSTRY PARTICIPATION IN THE DIGITALIZATION OF FINANCIAL SERVICES AND PAYMENTS TO CONSUMERS
- ACCELERATION OF PUBLIC ACCEPTATION OF FAST, CONVENIENT, AFFORDABLE, SECURE, AND RELIABLE DIGITAL PAYMENT TRANSACTIONS
- DIGITAL TECHNOLOGY SPACE VS HIGH INVESTMENT COSTS, HUMAN RESOURCE SCARCITY, AND CYBER RISK
- PENETRATION OF GLOBAL DIGITAL FINANCE PLAYERS, THE NEEDS FOR INTERNATIONAL COOPERATION

“Pro-Growth” Payment System Policy: National Digital Economic-Financial Integration, Digital Rupiah

POLICY TRILEMM PAYMENT SYSTEM



1	
TARGET	ACCELERATION OF NATIONAL DIGITAL ECONOMIC-FINANCE INTEGRATION, RUPIAH DIGITAL DEVELOPMENT, INTERNATIONAL PAYMENT COOPERATION
Strong, Competitive, and Innovative of Payment System Industry	Acceleration of regulatory reform and end-to-end consolidation of the payment system industry to build Indonesian unicorns that are strong, competitive, innovative, and ready to become Digital Rupiah "wholesalers"
3i Payment System Infrastructure (Integrated, Interoperable, Interconnected)	Development of 3i (Integrated, Interoperable, Interconnected) retail and wholesale payment system infrastructure to accelerate national digital economic-financial integration and Digital Rupiah issuance
Efficient, Healthy, Transparent of Payment System Pricing Policy	Efficient, pro-business, and transparent payment system Pricing Policy in accordance with payment service clusters to support national interests, consumers, and industrial competitiveness nationally and regionally
Digital Rupiah Design, Process, & Technology	Finalization of conceptual design, development of business models and wholesaler participants, development of the Digital Rupiah technology platform

- #### 2 SYNERGY AND COORDINATION
1. BANK INDONESIA-GOVERNMENT: ELECTRONIFICATION OF SOCIAL ASSISTANT AND GOVERNMENT FINANCE
 2. BANK INDONESIA-INDUSTRI: IMPLEMENTATION OF BSPI 2023 AND RUPIAH DIGITAL DEVELOPMENT
 3. BANK INDONESIA-OKR: STRENGTHENING OF ITS REGULATION AND SUPERVISION (DIGITAL FINANCIAL INNOVATION)
 4. BANK INDONESIA-INTERNATIONAL: INTERNATIONAL PAYMENT COOPERATION AND DEVELOPMENT OF CEOC





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