



Republic of Indonesia
Promoting Recovery:
Policy Synergy to Maintain Macroeconomic
Stability and Growth Momentum

August 2021

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, Investment Coordinating Board, Financial Services Authority, Ministry of Trade, Ministry of State Owned Enterprises, and Ministry of Energy and Mineral Resources.

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

Published by Investor Relations Unit – Republic of Indonesia

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This Presentation Book also can be downloaded from: <https://www.bi.go.id/en/iru/presentation/default.aspx>

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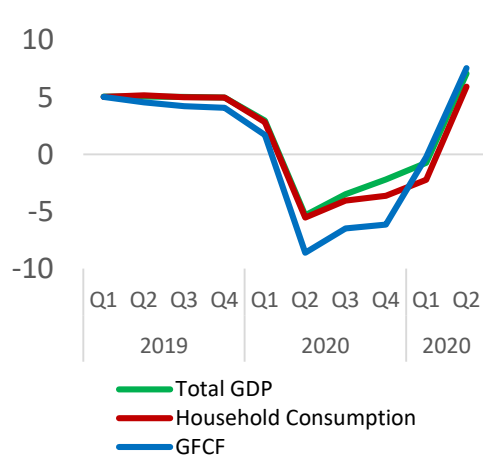
Section 1

Economic Recovery Program and Its Updates

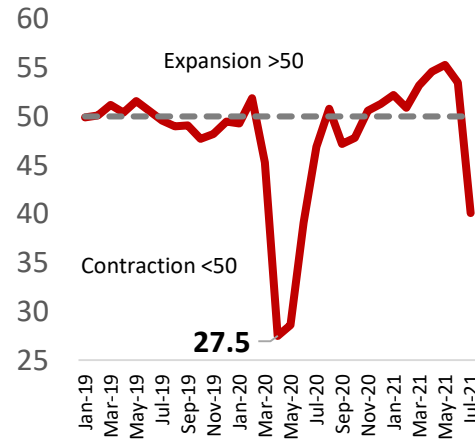
Indonesia's Economic Improvement Trend Continues



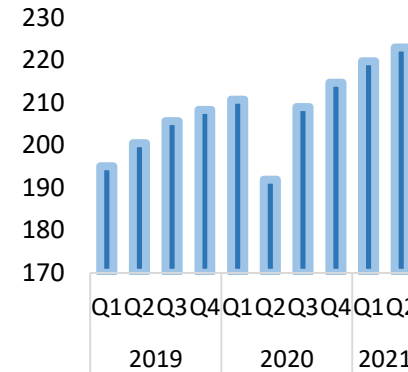
GDP Growth (%YoY)



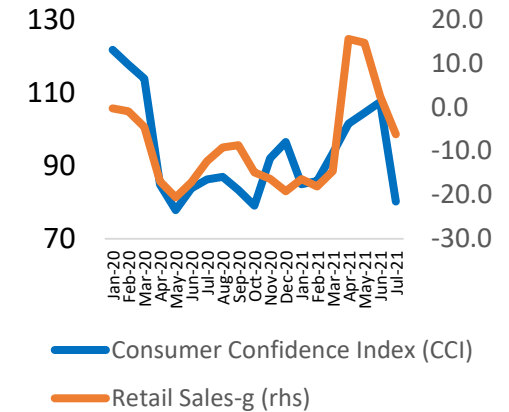
PMI Markit Indonesia



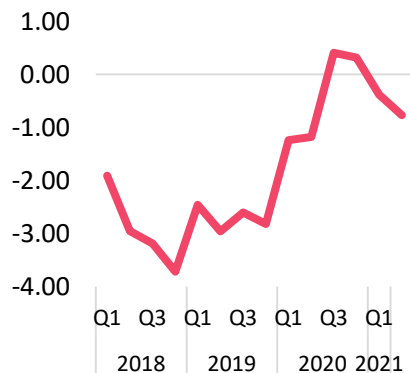
Total Investment (DDI+FDI) Rp Trillion



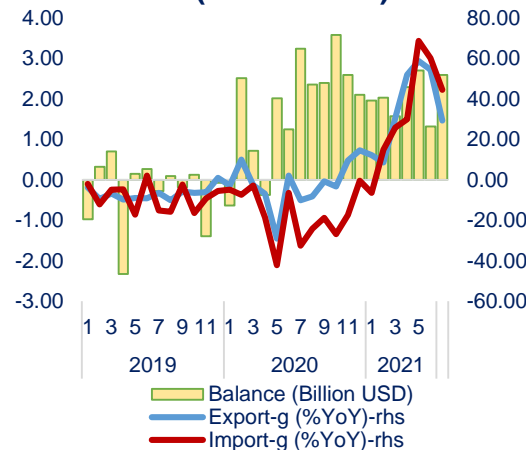
CCI & Retail Sales



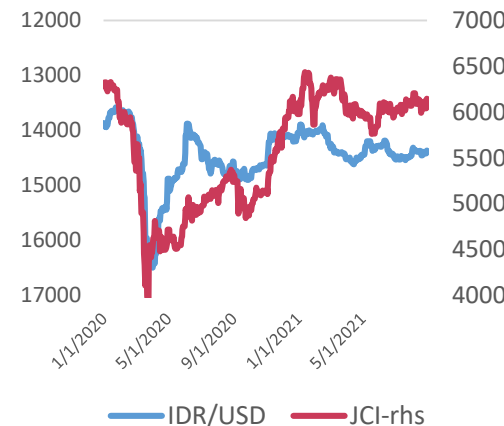
Current Account of GDP (%)



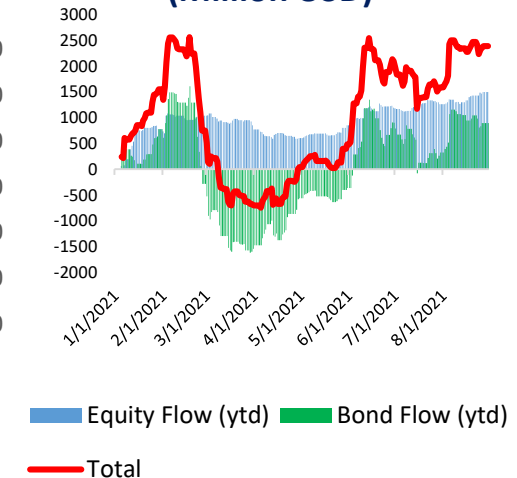
Trade Balance (Billion USD)



The Indonesian Rupiah and JCI



Net Capital Inflow (Million USD)



Government Measures to Mitigate Covid-19 Risk

Government Regulation In UU 2/2020, Previously Perppu No.1 2020



Regulates two topics: (1) State Financial Policy (2) Stability of Financial System

State Financial Policy

1. Relaxation Deficit exceeds 3%, but starting in 2023 it returns to the maximum level of 3%.
2. Relaxation is related to the allocation/reallocation of expenditure between institutions, between functions, and between programs and mandatory spending.
3. Relaxation of allocation / reallocation of Regional Government Expenditures.
4. Providing loans to the Indonesia Deposit Insurance Corporation ("IDIC")
5. Issuance of Government bond can be purchased by Bank Indonesia, SOEs, corporate investors and/or retail investors
6. Use of alternative budget sources for example ASL, education endowment funds, and funds managed by the Public Service Agency.
7. Taxation Policy:
 - a) Decrease in Corporate Income Tax Rates gradually to 20% starting in 2022;
 - b) Taxation Incentives in the Capital Market for public ownership <40%;
 - c) Taxation of Electronic Transactions;
 - d) Extension of tax administration time;
 - e) Customs facilities in the context of COVID-19.

Stability of Financial System

1. Improved Coordination among The Financial System Stability Committee ("FSSC") members
2. Provide the necessary authority to 4 institutions to prevent a crisis (forward looking) in the KSSK forum for example to issue instruments, BI buys government bond on the primary market, lending to "IDIC" and "FSA" may request a merger or consolidation of Financial Services Institutions.
3. Foreign exchange management (LLD) management for residents
4. Increase public confidence without causing moral hazard.

Government Measures to Mitigate Covid-19 Risk

Budget Refocusing Policy



- I. **Presidential Regulation No. 7/2020 on Taskforce to Manage COVID-19 Outbreak → Renewed through Presidential Regulation No. 9/2020**
 1. Answer to the President → Director (Chair: Coordinating Minister for Economic Affairs) and Implementer (Chair: Head of Indonesian National Board for Disaster Management), focusing on accelerating the mitigation of COVID-19 through synergy between ministries and government
 2. Funding comes from the state budget, regional budget, and other legal sources
- II. **Presidential Instruction No 4/2020 concerning Refocusing of Activities, Reallocation of Ministry/Agency Budget, and Procurement of Goods and Services in the Framework of Mitigating COVID-19 Outbreak and Ministry of Finance Circular (SE) No 6/2020 on Refocusing Activity and Reallocation of Ministry/Agency Budget in the Framework of Mitigating COVID-19 Outbreak**
 1. Minister / Head of Institution prioritizes the use of budget allocations for the acceleration of mitigating COVID-19 outbreak following COVID-19 Handling Protocol
 2. Done through a budget revision mechanism (done quickly and accountably)
- III. **Policy to support efforts to adjust regional allocations and relax transfers for handling Covid-19**
 1. Minister of Finance Regulation (PMK)19/2020 concerning Distribution and Use of Profit-Sharing Fund (DBH), General Allocation Fund (DAU), and Regional Incentive Fund (DID) budget year 2020 in the context of COVID-19 Countermeasures;
 2. Minister of Finance Decree (KMK) 6/2020 concerning Distribution of Physical Special Allocation Fund (DAK) on Health and Health Operational Assistance (BOK) in the framework of Prevention and/or Handling of COVID-19;
 3. Ministry of Home Affairs Regulation 20/2020 on the acceleration of COVID-19 Mitigation in the Scope of Regional Government
- IV. **Government Regulation No. 43 of 2020 concerning Amendments to Government Regulation No. 23 of 2020 concerning Implementation of the National Economic Recovery Program to support the country's financial policies for handling the 2019 Corona Virus Disease pandemic and/or facing threats that endanger the national economy and/or financial system stability and save the national economy**

Covid-19 Handling Fund and National Economic Recovery

Strategy to accommodate Health Facilities and Economic Recovery by Integrating Health and Economic Policies



Health Sector (COVID-19 Handling)

Health Protocol

- Health protocol based on 3 standards (standard of number, activity, and behavior)
- Implementation of PPKM Level 1-4
- Utilization of digital technology in the implementation of health protocols

Detection

- Increasing epidemiological vs screening tests.
- Increase tracked close contact rate
- Genomic surveillance in areas with the potential for a spike in cases.

Therapeutic

- Convert beds 30-40% of total hospital capacity
- Tighten hospital admission requirements
- Increase utilization of centralized isolation

Vaccination

- 50% vaccine allocation in areas with high cases & mobility.
- Vaccination centers in places that are easily accessible to the public
- Vaccination card requirements for travelers and in public spaces
- Acceleration of vaccination in vulnerable groups, including the elderly & people with comorbidities

Committee

(Chairman:
Coordinating Minister for Economic Affairs)

Vice Chairman

- Coord. Minister for Maritime and Investment
- Coord. Minister for Politics, Law, and Security
- Coord. Minister for Human Development and Culture
- Minister of Finance

Vice Chairman

- Minister of Health
- Minister of Home Affairs
- Executive Secretary I
- Executive Secretary II

Vice Chairman + Executive Team Leader
Minister of SOEs

COVID-19 Task Force
(Chairman:
Chairman of BNPB)

PEN Task Force
(Chairman: SOEs
Vice Minister)

Health and Economic Policies
need to Integrated to
Encounter Covid-19

Economy Sector (National Economic Recovery/PEN)

Intensification of National Economic Recovery Program

- Acceleration of government spending
- Labor-intensive program and the development of National Strategic Projects
- Strengthened support for the manufacturing sector
- Stimulate household consumption

PEN and Covid-19 Stimulus Budget	2020	2021 (as of 23 April 2021)	2021 (as of 21 July 2021)
TOTAL	IDR 695,2 T (Realization: IDR 579,8 T)	IDR699,43 T	IDR744,75 T
Health	IDR63,51 T	IDR175,5 T	IDR214,95 T
Social Protection	IDR220,39 T	IDR150,88 T	IDR187,84 T
Business Incentives	IDR56,12 T	IDR56,72 T	IDR62,83 T
Support for MSMEs and Corporations	IDR173,17 T	IDR191,13 T	IDR161,20 T
Priority Program	IDR66,59 T	IDR125,17 T	IDR117,94 T

Illustration of Health And Economic Recovery In One Wheel



Brake

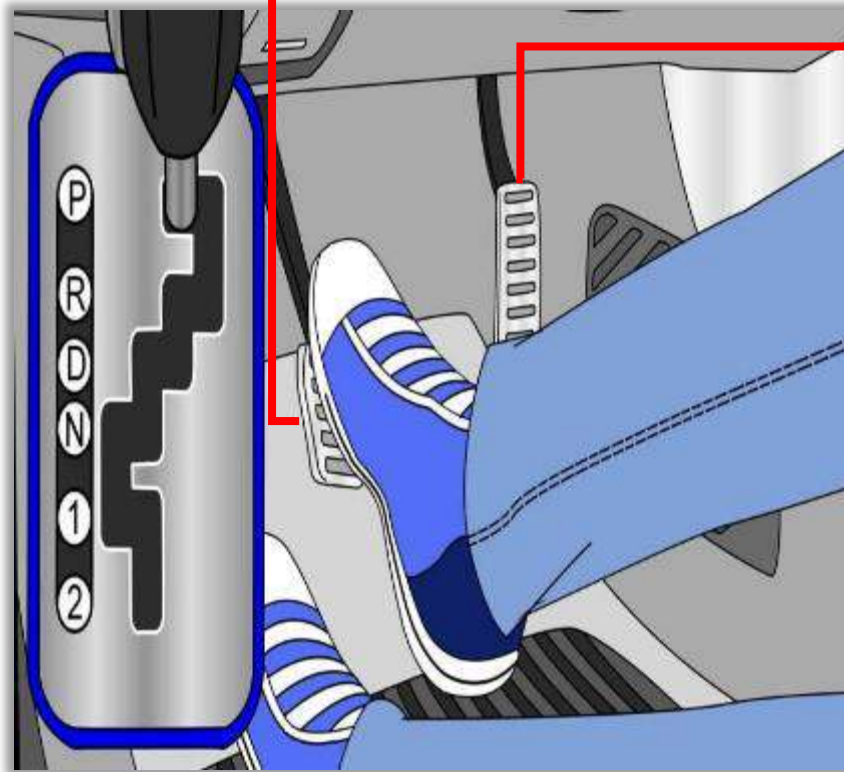
- Health Safety Net
- Need to step on the brakes to suppress (contain) the covid-19 contagion

Need: **Brake fluid**

- Medicine
- Health Workers
- Vaccine



**Strong
Brake**



SEATBELT: Driver safety while driving

- Financial Sector Safety Nets

Gas Pedal

- Social Safety Net
- Real Sector Safety Net

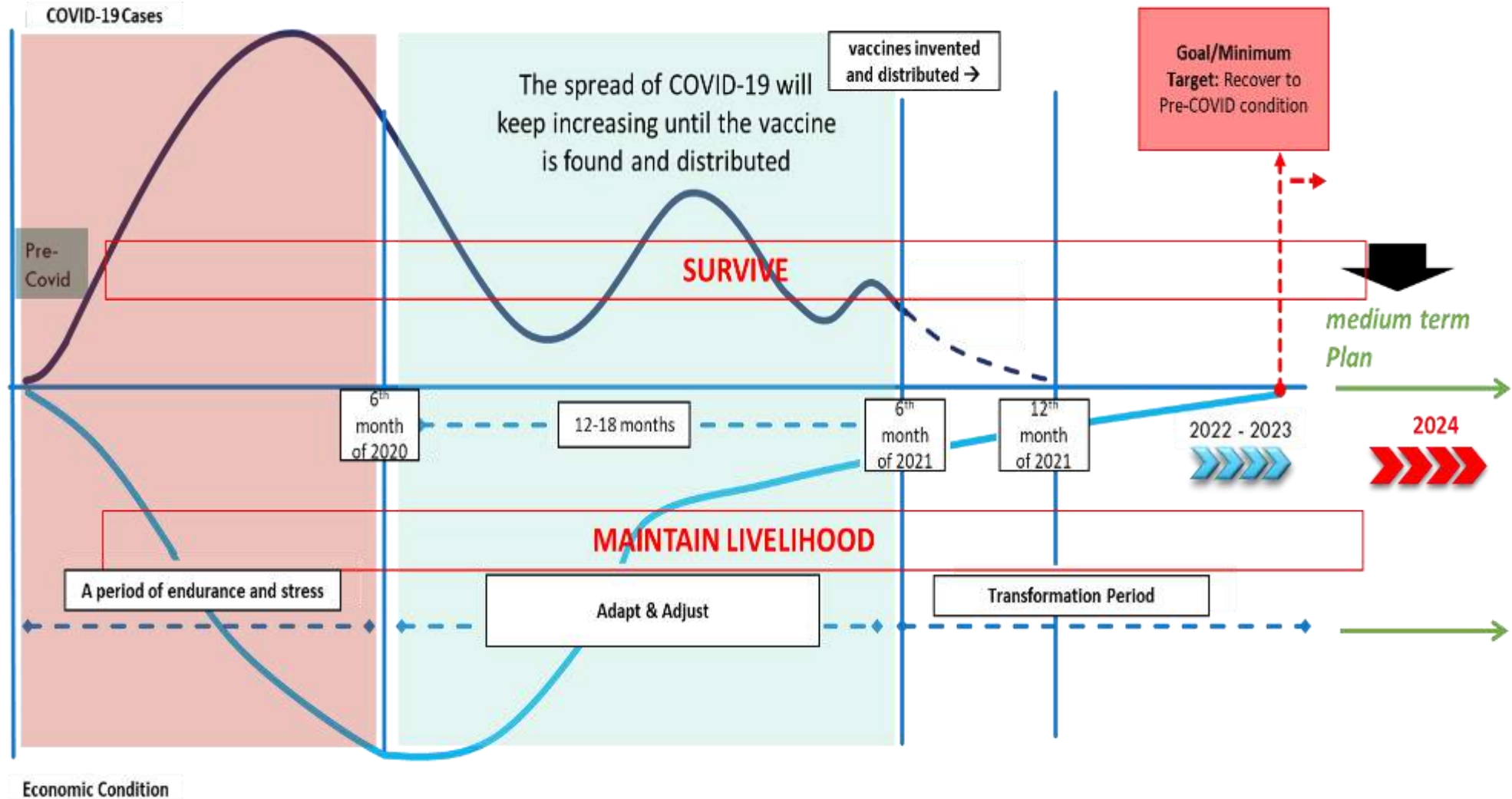
Oil/Gas

- Source of funding
- Make sure the drain is smooth and doesn't leak



Step on The Gas!

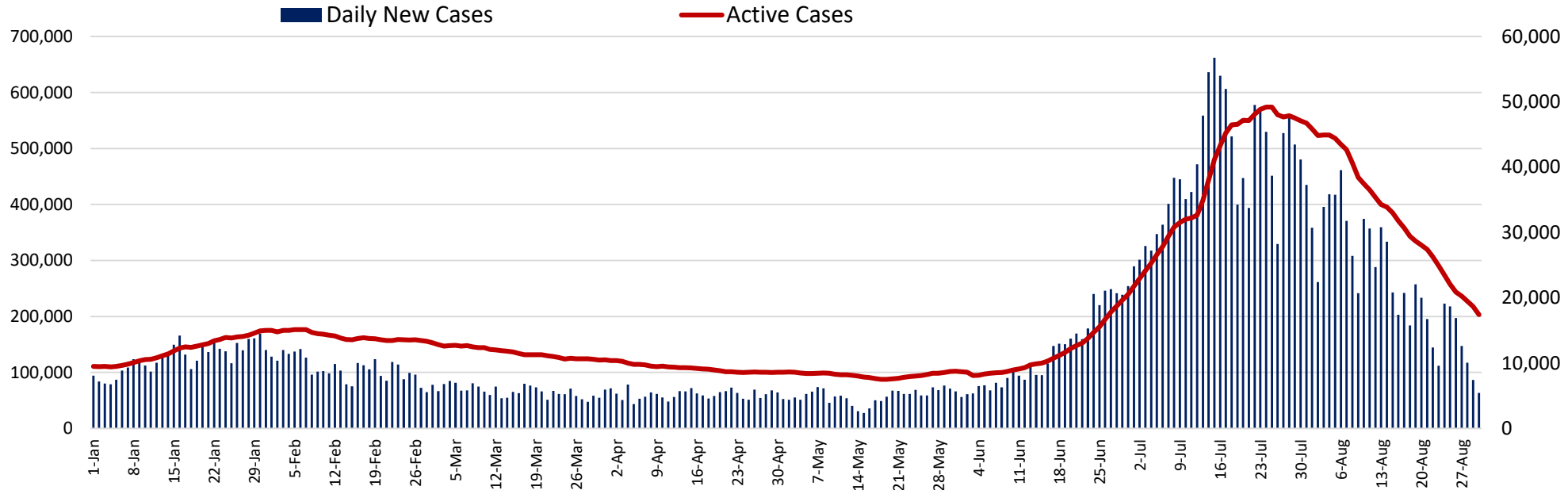
Economic Recovery and Covid-19 Handling Requires a Medium-Term Plan (up to 2023/2024)



Indonesia Daily Covid-19 Continues to Trend Down



Progress of Daily Confirmed Cases & Active Cases of Covid-19



Provinces	Total Cases		Total Recovered		Total Deaths		Active Cases		Δ Active Cases 9 - 30 Aug
	Total	% Share	Total	RR	Total	CFR	Total	%Share	
Sumatera	591.361	14,50%	516.732	87,38%	19.795	3,35%	54.834	27,00%	-42,17%
Jawa & Bali	2.775.184	68,03%	2.591.622	93,39%	93.964	3,39%	89.598	44,12%	-62,69%
Nusa Tenggara	84.918	2,08%	78.557	92,51%	1.890	2,23%	4.471	2,20%	-65,36%
Kalimantan	326.525	8,00%	293.308	89,83%	10.108	3,10%	23.109	11,38%	-51,72%
Sulawesi	220.876	5,41%	197.498	89,42%	5.485	2,48%	17.893	8,81%	-47,34%
Maluku & Papua	80.403	1,97%	65.999	82,09%	1.249	1,55%	13.155	6,48%	-29,90%
NATIONAL	4.079.267	100,00%	3.743.716	91,77%	132.491	3,25%	203.060	100,00%	-54,73%

Source: Coordinating Ministry for Economic Affairs

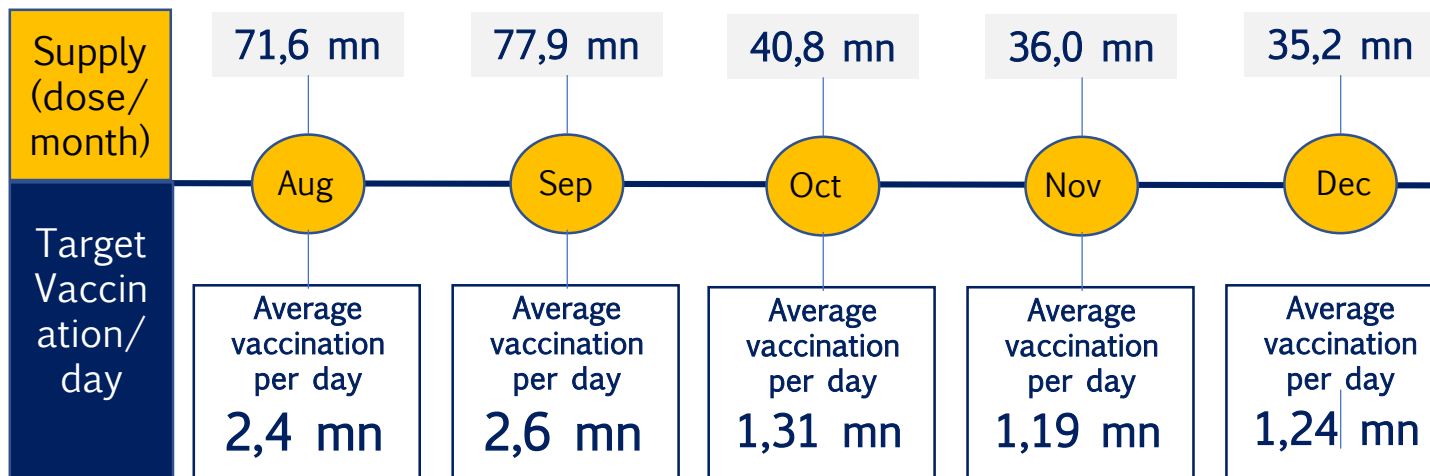
Covid-19 Vaccination Will Boost Public Confidence



Vaccination Targets & Needs

 **208.3** million people

Covid-19 Vaccination Roadmap



Total additional vaccine supply until the end of 2021:
261.7 million doses

Vaccination Target with achievements:

- dose 1: 100%
- dose 2: 70% (7 Agglomeration Java*, Bali, Kepri)

*)Agglomeration Area: Jabodetabek, Bandung Raya, Semarang Raya, Solo Raya, DI Yogyakarta, Surabaya Raya, Bali

Vaccination Stages:

1

HEALTH WORKERS

Vaccinations are carried out for health workers in 34 provinces

1.5 M

2

PUBLIC OFFICERS

17.3 M

ELDERLY

21.6 M

3

VULNERABLE COMMUNITIES

Communities in areas with a high risk of transmission

141.2 M

4

TEENAGER

With a cluster approach according to vaccine availability

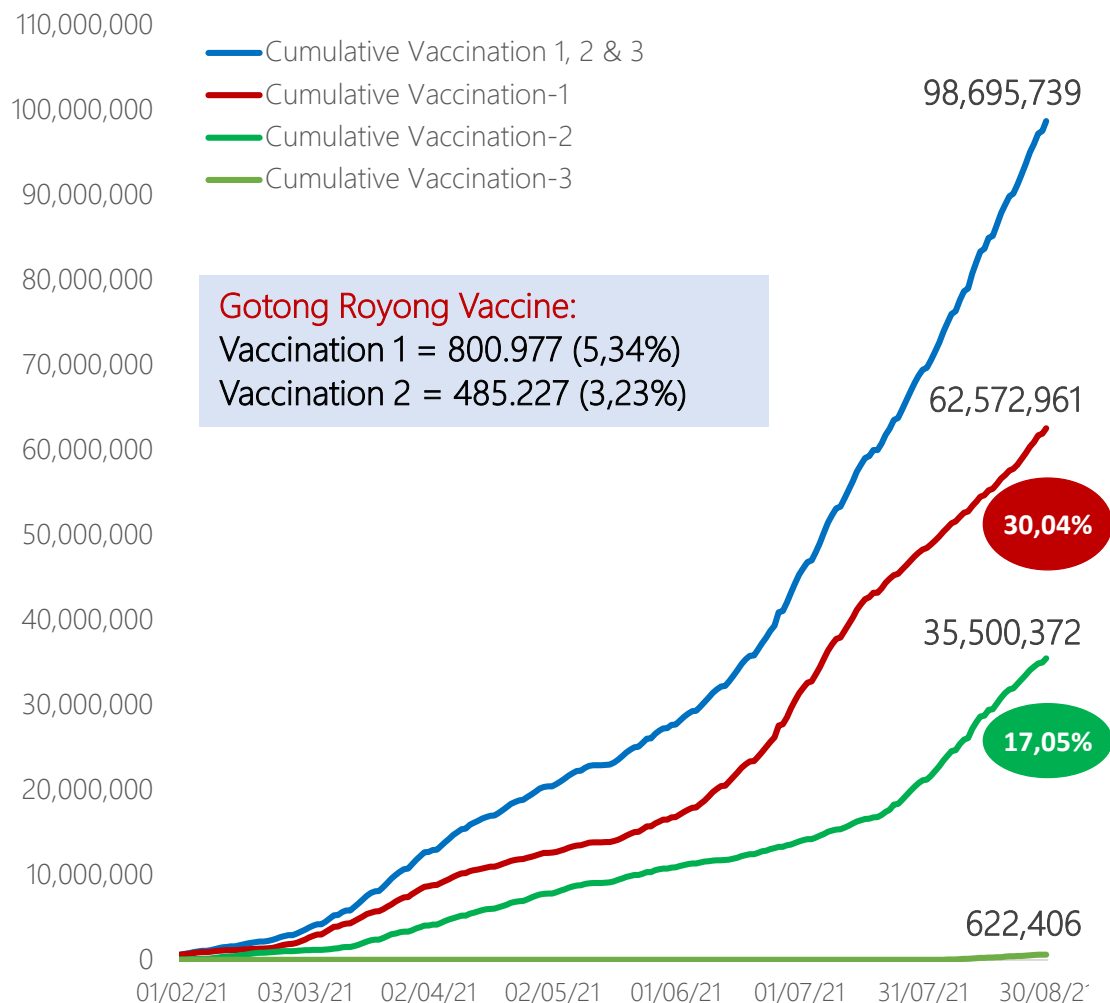
26.7 M

Progress of Vaccination Implementation



Vaccination has been carried out since January 2021. As of August 30, 2021, the 1st vaccination dose was 62.57 million people (30,04%), and the 2nd dose vaccination was 35.50 million people (17,05%).

Vaccination Target		Vaccination Progress	
TOTAL		208.265.720	
1	HEALTH WORKER	Vaccination 1 1.647.936 (112,20%)	Vaccination 2 1.527.041 (103,97%)
2	PUBLIC OFFICERS	Vaccination 1 32.853.390 (189,61%)	Vaccination 2 18.999.942 (109,65%)
3	ELDERLY	Vaccination 1 5.262.699 (24,42%)	Vaccination 2 3.735.589 (17,33%)
4	COMMUNITY AND VULNERABLE	Vaccination 1 19.368.757 (13,72%)	Vaccination 2 9.040.282 (6,40%)
5	TEENAGER	Vaccination 1 2.636.547 (9,87%)	Vaccination 2 1.714.510 (6,42%)
Total Target (1+2+3+4+5) 208.265.720		62.572.961 (30,04%)	35.500.372 (17,05%)



Community Activity Restriction (PPKM) as a Support for Government Vaccination Program



The purpose of the micro PPKM is to suppress positive cases of covid-19 as a precondition for success for handling Covid-19 and for national economic recovery

- Large-Scale Social Restriction (PSBB)
April 2020
- PSBB Transition
October 2020
- Community Activities Restriction Enforcement (PPKM)
11 Jan – 8 Feb 2021
- Micro-Scale PPKM
9 Feb – 2 Jul 2021
- The Emergency PPKM
3 Jul – 20 Jul 2021
- PPKM Level 1 to 4
21 Jul – 9 Sept 2021

In line with the implementation of PPKM, government support for the community and small businesses is strengthened through social protection assistance and economic assistance for MSMEs

Assessment of the Covid-19 Pandemic Situation Level

transmission level		→	response capacity		→	pandemic situation level			
Level 0		Level 1		Level 2		Level 3		Level 4	
Situation without local transmission		a situation where transmission does not occur but there are limitations to preventing transmission		situations with low community incidence		a community transmission situation with limited response capacity and a risk of inadequate health services		uncontrolled transmission with insufficient response capacity	

Micro-Scale PPKM aims to suppress the spread of covid-19 from the smallest level which is divided by zone

Red	Orange	Yellow	Green
Higher Community Transmission	Moderate Community Transmission	Low Community Transmission	No Active Cases
> 5 houses in a neighborhood that have positive confirmed cases during the last 7 days	If there are 3-5 houses in a neighborhood that have positive confirmed cases during the last 7 days	If there are 1-2 houses in a neighborhood that have positive confirmed cases during the last 7 days	If there are no house in a neighborhood that have positive confirmed cases during the last 7 days

Breakthroughs to Strengthen Support for Corporate Loans and the Hotel, Restaurant, and Cafe Sector by 2021



- The Government provides support for Corporate Business People in the form of Government Guarantees to protect, maintain, and increase the economic capacity of Business Actors from the real sector and the financial industry in carrying out their business.
- The government also provides incentives for businesses affected by the COVID-19 pandemic, such as the hotel, restaurant and cafe sector



**Relaxation on the Terms of
Corporate Credit Guarantee
Program**
PMK 32/2021

**Affirmation of relaxation of
restructuring and new loans
from Financial Services
Authority (OJK)**



**Change of Guarantee
Process**
Simplify the terms and stages
of Credit Guarantee

**Hotel, Restaurant and Café
Sector Incentives**
Fund Placement and
Guarantee Schemes for
Hospitality SMEs credit
schemes and guarantees for
restaurants and cafes



Policy Synergy in the Property and Automotive Sector



The government, together with BI and OJK, have provided a stimulus to the property and automotive sectors to encourage public consumption and at the same time improve the performance of the business sector.



Government



Bank Indonesia



OJK

1



Automotive Sector

Giving VAT Incentives on Luxury Goods Borne by the Government for Motor Vehicles through PMK No. 77 of 2021 which amend PMK No 20 of 2021

- Car which produced with local purchases > 60%.
- The PPnBM Discount stimulus is given in stages:
 - For 4x2 Type (<=1500 cc): 25% during Sep-Dec 2021
 - For 4x2 Type (>1500 cc, <= 2500 cc): 25% during Sep-Dec 2021
 - For 4x4 Type (>1500 cc, <=2500 cc): 12,5% during Sep-Dec 2021.

Relaxation of down payment requirements on automotive loans/financing to minimum 0% for all new motor vehicles, while maintaining prudential principles and risk management as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.

Letter of the Chief Executive of Banking Supervision and Non-Bank Financial Institutions :

- Relaxation of Risk Weighting Policy for Credit Risk Weighted Assets / Motor Vehicle Financing
- Exemption from the Maximum Credit Lending Limit to Battery-Based Electric Motor Vehicle Manufacturers

2



Property Sector

Giving Government-Borne VAT Incentives Borne by the Government for the Submission of Landed Houses and Apartment Residential Units through PMK 103 of 2021 which amend PMK No. 21 of 2021

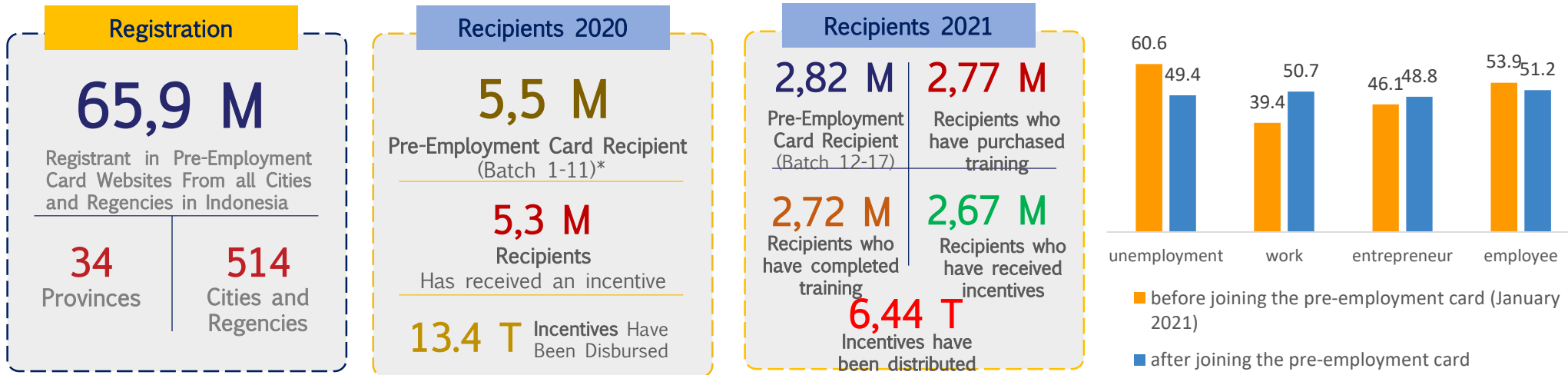
Relaxation of Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property, while maintaining prudential principles and risk management, as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.

Relaxation of Risk Weighted Assets for Credit / Mortgage Funding Depends on the LTV / FTV Ratio through the Letter of the Chief Executive of Banking and IKNB Supervision.

The Pre-Employment Card Program Successfully Helped Indonesian Workers During the Pandemic Period

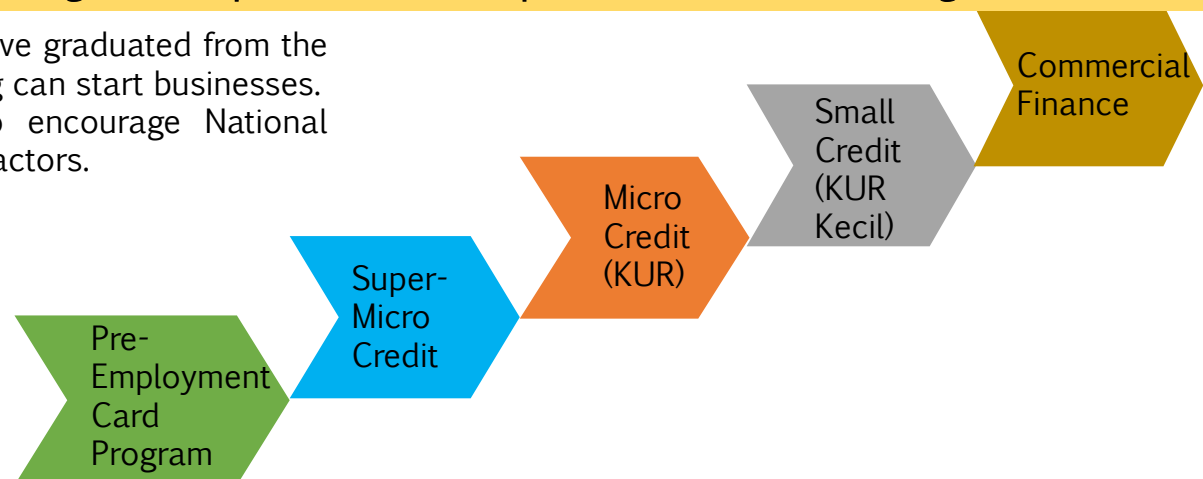


The Pre-employment Card is a program from the government for job seekers to workers affected by Covid-19 to improve skills through training as well as get incentives.

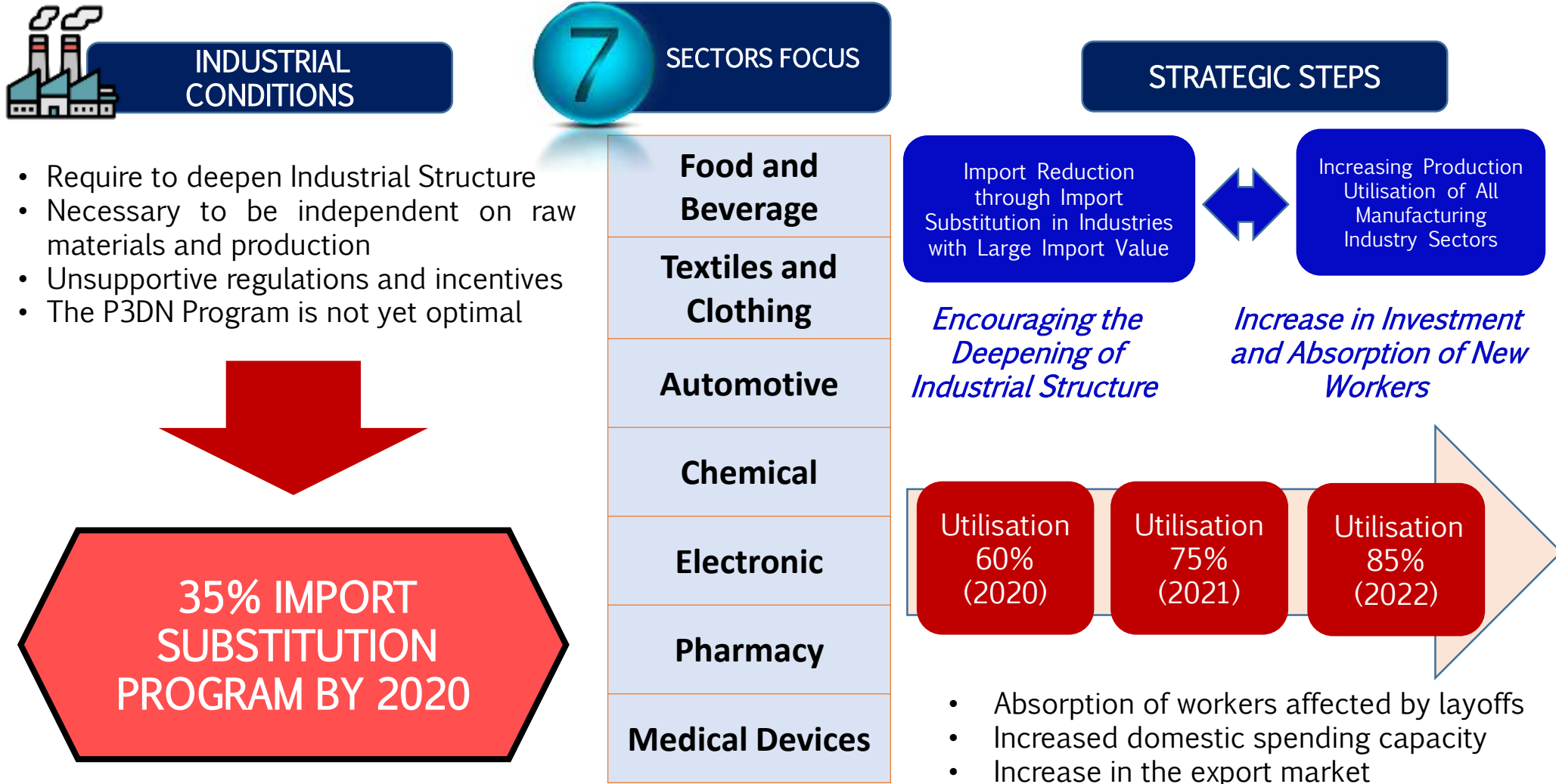


Graduation Stages for Pre-Employment Card Program Recipients to the People's Business Credit Program (KUR)

Through business financing support, people who have graduated from the Pre-Employment Card Program and received training can start businesses. The integration of this program is expected to encourage National Economic Recovery through strengthening the SME actors.



National Economic Recovery Strategy Through Import Substitution Program (35% Reduction) in 2022



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

- The criteria are new investment, taxpayers including pioneer industries, and income received from the main business activities carried out.
- Pioneer industries are defined as industries that have broad linkages, provide added value and high externalities, introduce new technologies, and have strategic value for the national economy.
- There are 18 industrial sectors that fall within the scope of pioneer industries

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 based on a tax treaty, and compensation for losses of up to ten years.
- The criteria are having a high investment value or for export, a large absorption of labor; or have a high local content.

INVESTMENT ALLOWANCE

- To encourage investment in labor-intensive industries, support programs for job creation and absorption of Indonesian workers.
- Incentives in the form of facilities to reduce net income by up to 60% for labor-intensive sectors
- There are 45 labor-intensive industrial sectors and employ an average of 300 workers in 1 tax year.

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

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

Updated: 31 Dec 2020

- 82 Taxpayers; 14 countries investors
- Investment plan of IDR 1,356 trillion
- Realization of IDR 204 Trillion
- Business locations in 24 provinces
- Workforce of 112 thousand



Government Support for MSMEs During the Covid-19 Pandemic

In the form of relaxation of asset quality assessments, postponement of principal & interest subsidies, low-interest working capital loans guaranteed by Askrindo and Jamkrindo, tax incentives for MSMEs borne by the government, and Productive Presidential Assistance for Micro Enterprises

MSMEs CREDIT RESTRUCTURING

1 ASSET QUALITY ASSESSMENT

According to POJK No. 11/POJK.03/2020 & 14/POJK.05/2020

Asset Quality Arrangement:

Loans ≤ IDR 10 billion can be based only on the accuracy of principal / interest payments

Restructurisation:

The credit quality for affected debtors is determined to be current since restructuring

The restructuring is carried out without a ceiling limit / type of financing

2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

KUR Super Mikro : Loan up to IDR 10 million

- Interest subsidy will be 19% consist of additional interest subsidy 6% and regular interest subsidy 13%, debtors pays 0% interest from Aug – Dec 2020.

KUR MKM (SMEs):

Loan up to IDR 10 million up to IDR 500 million

- Postponement of installments and 6% additional interest subsidy for the period from Apr-Dec 2020 to 0%.

KUR MSME Credit, non-KUR:

Loan > IDR 500 million up to IDR 10 billion

- Postponement of installments and interest subsidies 3% for the first 3 months and 2% for the next 3 months

UMi, Mekaar, Pegadaian (Pawnshop)

- Postponement of principal installments and interest subsidies for 6 months from Apr-Sep 2020
- Fintech Loan, Co-op, Farmers, LPDB, LPMUKP, UMKM PEMDA**
- Relaxation is given a 6% interest subsidy for 6 months

Based on Coordination Meeting held by Financing Policy Committee for MSME on December 28, 2020, KUR implementation in 2021 are as follows:

- Additional interest subsidy 3% for 6 months, debtors pays 3% interest.
- Increase the ceiling of KUR in 2021 to IDR 253 trillion.

WORKING CAPITAL CREDIT

3 LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

4 GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

OTHER SUPPORT

5 Income Tax for MSMEs is borne by Government

MSMEs receive a final PPh rate of 0.5% (PP 23/2018) borne by the government (DTP).

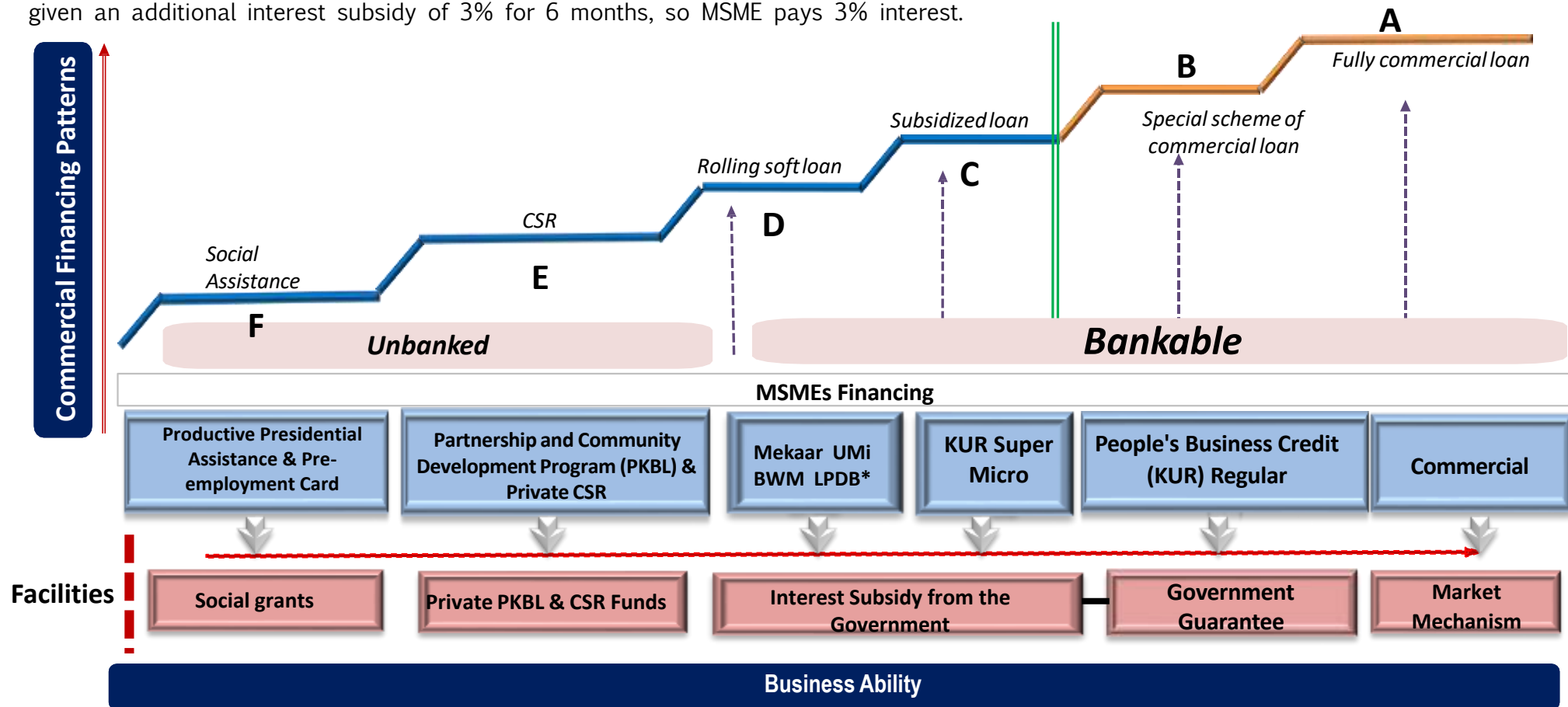
6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

Direct assistance to 13 million Micro Enterprises and 1 million street vendors in the amount of IDR 1.2 million per recipient



Integration of Various Types of Social Assistance and Financing for Super Micro and MSMEs is Continually Encouraged

- The Government has begun to empower super micro, micro and small businesses that are un-bankable through Productive Presidential Assistance & Pre-Work Card programs, while the BUMN through the partnership and community development program (PKBL) and private parties with CSR.
- Based on KUR Super Micro scheme, people could have loans with 0% interest until December 31, 2020. Meanwhile, People's Business Credit (KUR) for micro small and medium enterprises (MSME) is given an additional interest subsidy of 6% until 31 Dec 2020. For 2021, MSME is given an additional interest subsidy of 3% for 6 months, so MSME pays 3% interest.





Section 2

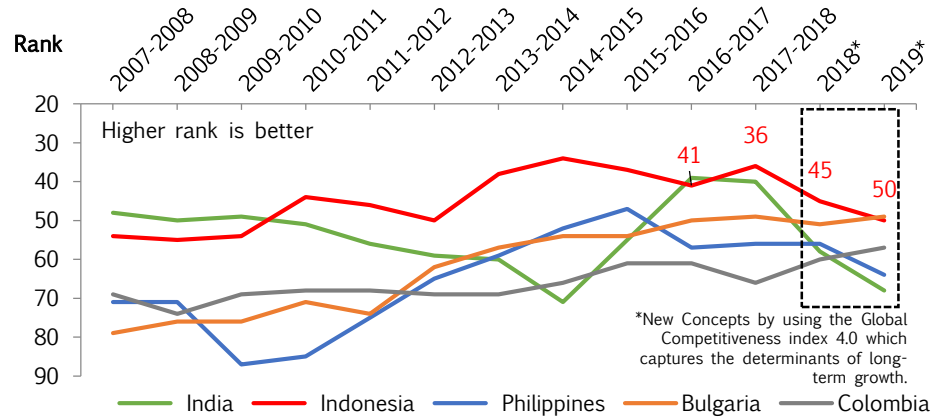
Institutional and Government Effectiveness:
Accelerated Reforms Agenda with
Institutional Improvement

Improving Global Perception

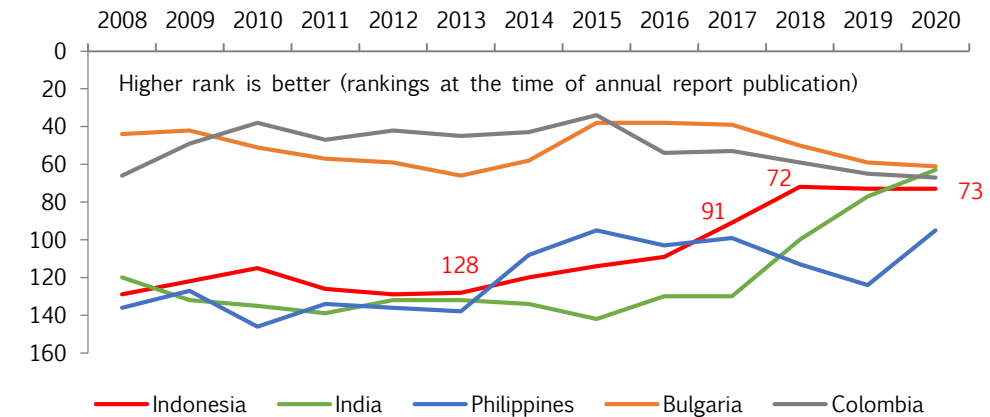
...with recent improvements on governance effectiveness



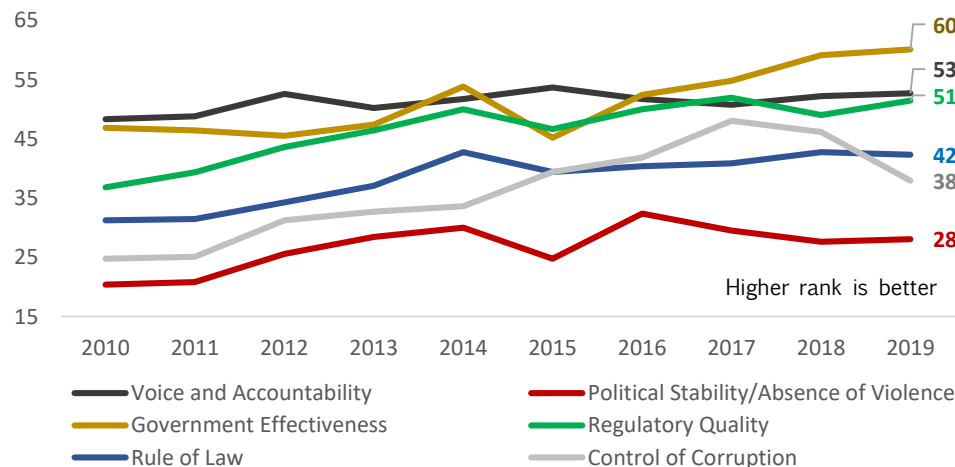
Global Competitiveness Index¹



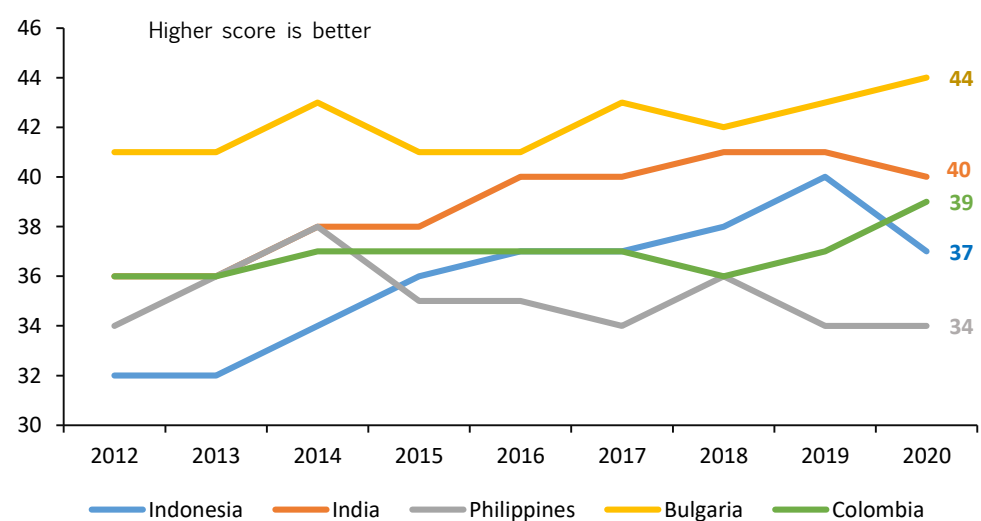
Ease of Doing Business²



Worldwide Governance Indicators³



Corruption Perception Index⁴



- Source: World Economic Forum - The Global Competitiveness Report 2019;
- Source: World Bank - Doing Business 2020 Report;
- Source: World Bank - The Worldwide Governance Indicators 2020 Update;
- Source: Transparency International - Corruption Perceptions Index 2020 Report

Continuous Improvement of Investment Climate

...another leap on Indonesia's Rank on Ease of Doing Business (EODB)*

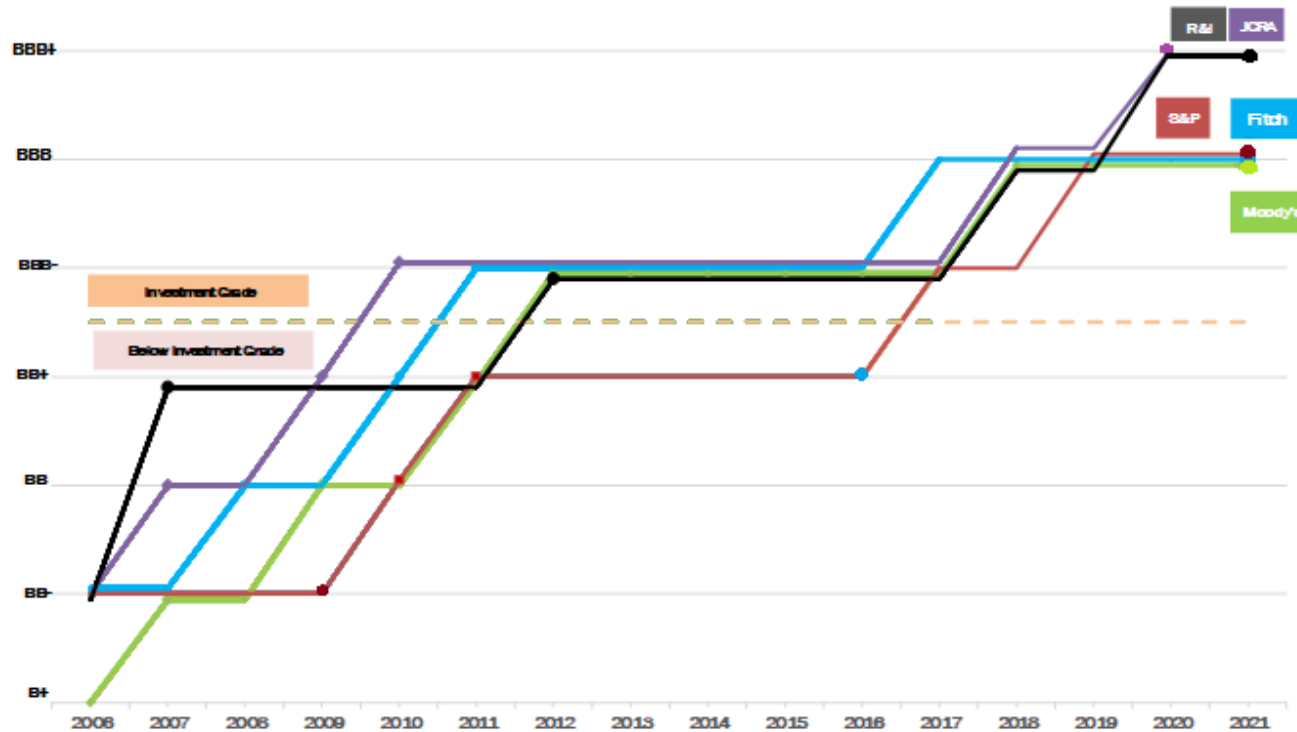


	EoDB 2020 Rank	EoDB 2019 Rank	Change in Rank	EoDB 2020 Points	EoDB 2019 Points	Change in Points
Overall	73	73	= 0	69.6	68.0	↑ 1.6
Starting a business	140	134	↓ 6	81.2	81.2	= 0.0
Dealing with Construction Permits	110	112	↑ 2	66.8	66.6	↑ 0.2
Getting Electricity	33	33	= 0	87.3	86.4	↑ 0.9
Registering Property	106	100	↓ 6	60.0	61.7	↓ 1.7
Getting Credit	48	44	↓ 4	70.0	70.0	= 0.0
Protecting Minority Investors	37	51	↑ 14	70.0	63.3	↑ 6.7
Paying Taxes	81	112	↑ 31	75.8	68.0	↑ 7.8
Trading Across Borders	116	116	= 0	67.5	67.3	↑ 0.2
Enforcing Contracts	139	146	↑ 7	49.1	47.2	↑ 1.9
Resolving Insolvency	38	36	↓ 2	68.1	67.9	↑ 0.2

* Higher rank is better, EoDB 2020 was published in October 2019

- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB
- Structural reforms will continue including in the budget and real sectors

Indonesia Has Been Rated as Investment Grade Country since 2017



Fitch Ratings

BBB / Stable

March 2021, Rating Affirmed at BBB/Stable

"The affirmation of the rating is underpinned by a favorable medium-term growth outlook and a still low, but rising, government debt burden compared with "BBB" category peers".

S&P Global Ratings

BBB / Negative

April 2021, Rating Affirmed at BBB/Negative

"The affirmation reflects Indonesia's solid economic growth prospects and historically judicious policy dynamics. The negative outlook reflects our expectation that Indonesia will face sustained fiscal and external pressures related to the COVID-19 pandemic over the next 12-24 months".

Moody's

Baa2 / Stable

Feb 2020, Rating Affirmed at Baa2/Stable

"The affirmation of the ratings is underpinned by a number of credit strengths – including Indonesia's robust and stable growth rates and a low government debt burden, preserved by consistent fiscal discipline and emphasis on macroeconomic stability – as well as persistent credit challenges."



BBB+ / Stable

April 2021, 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".



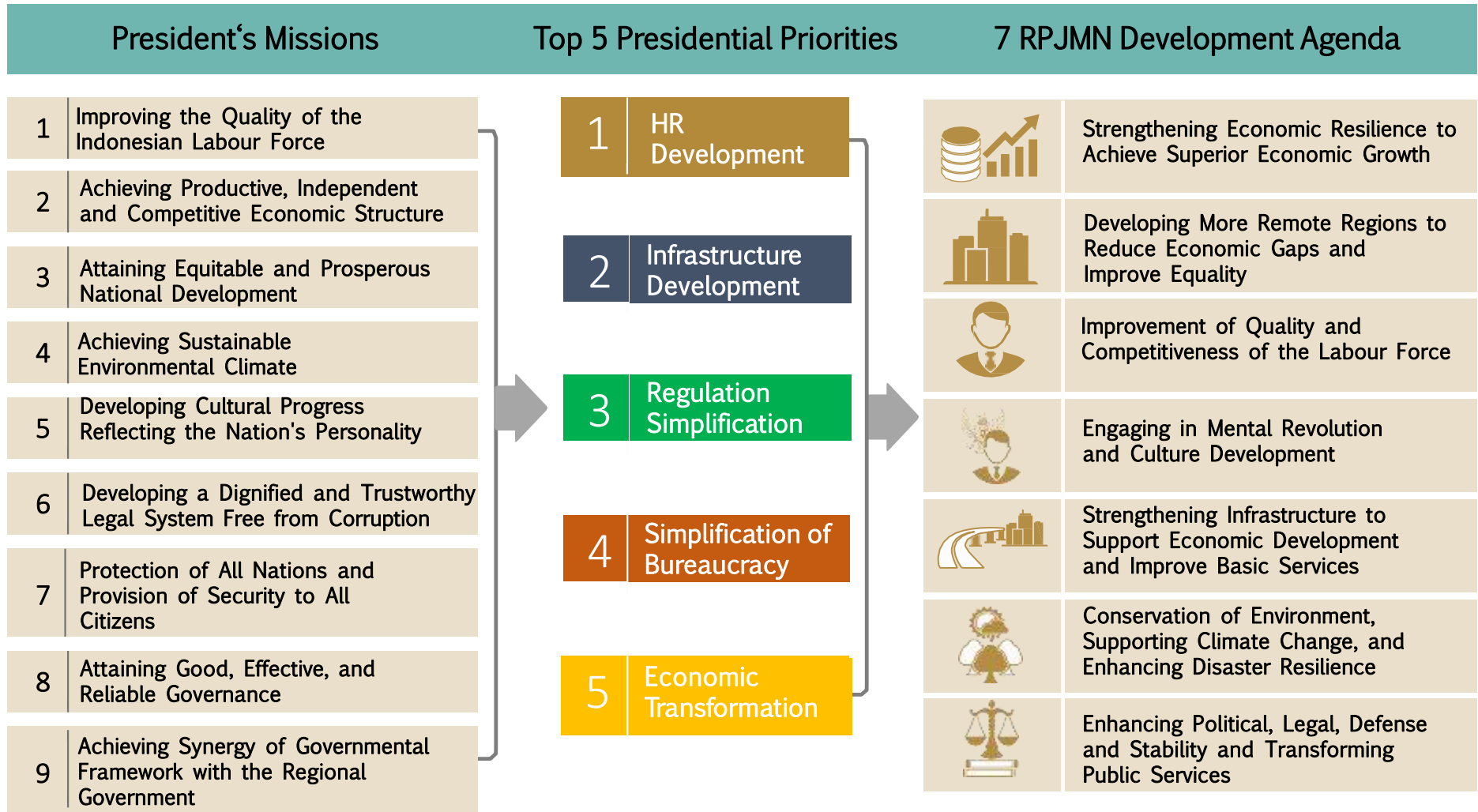
BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

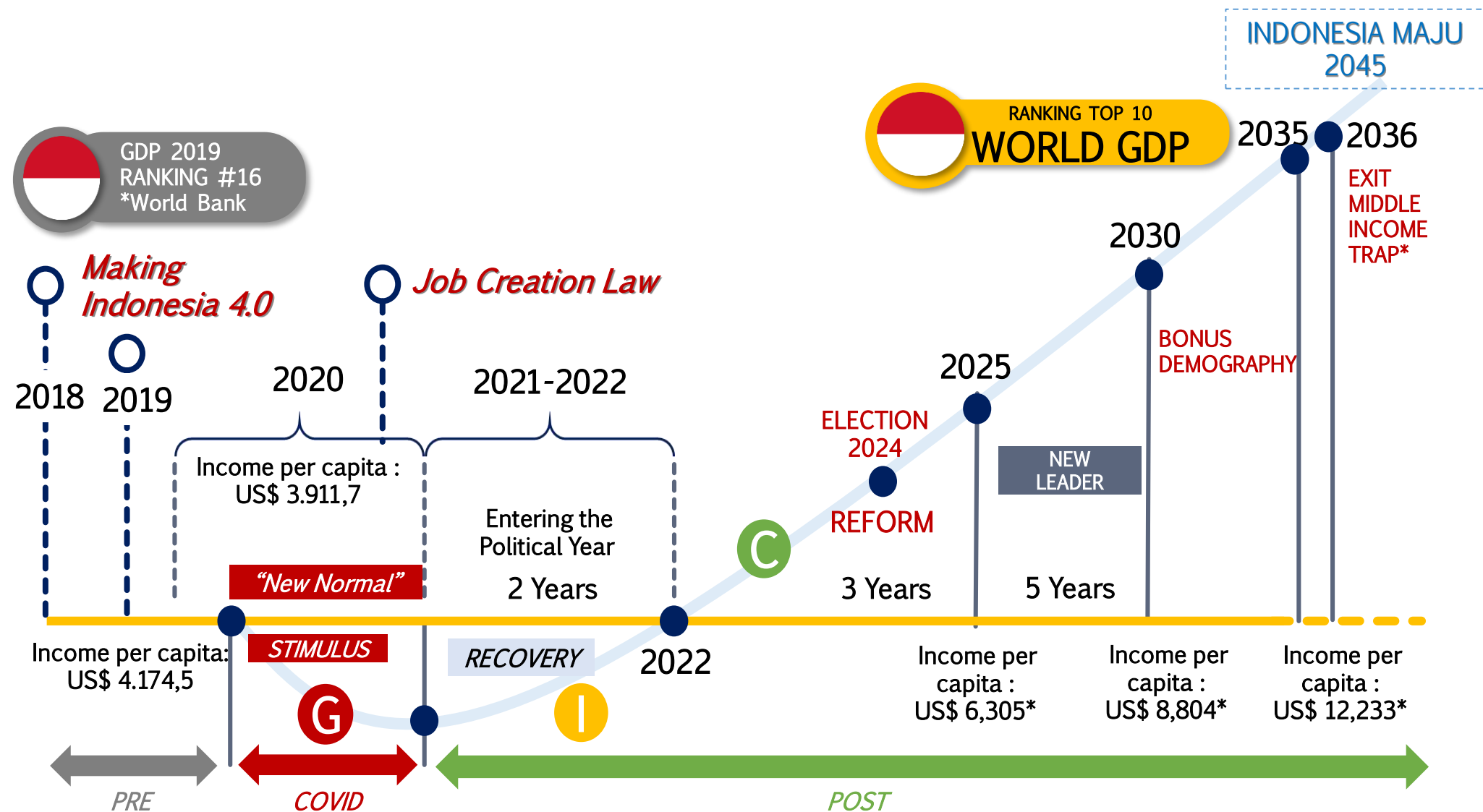
"The ratings mainly reflect the country's solid domestic demand-led economic growth potential, restrained public debt, and resilience to external shocks supported by flexible exchange rate and monetary policies and accumulation of foreign exchange reserves. Additionally, the government has been maintaining the momentum of economic structural reforms even amid the pandemic, as evidenced by the enactment of the "Omnibus Law on Job Creation".

Medium-Term National Development Plan (RPJMN) 2020-2024

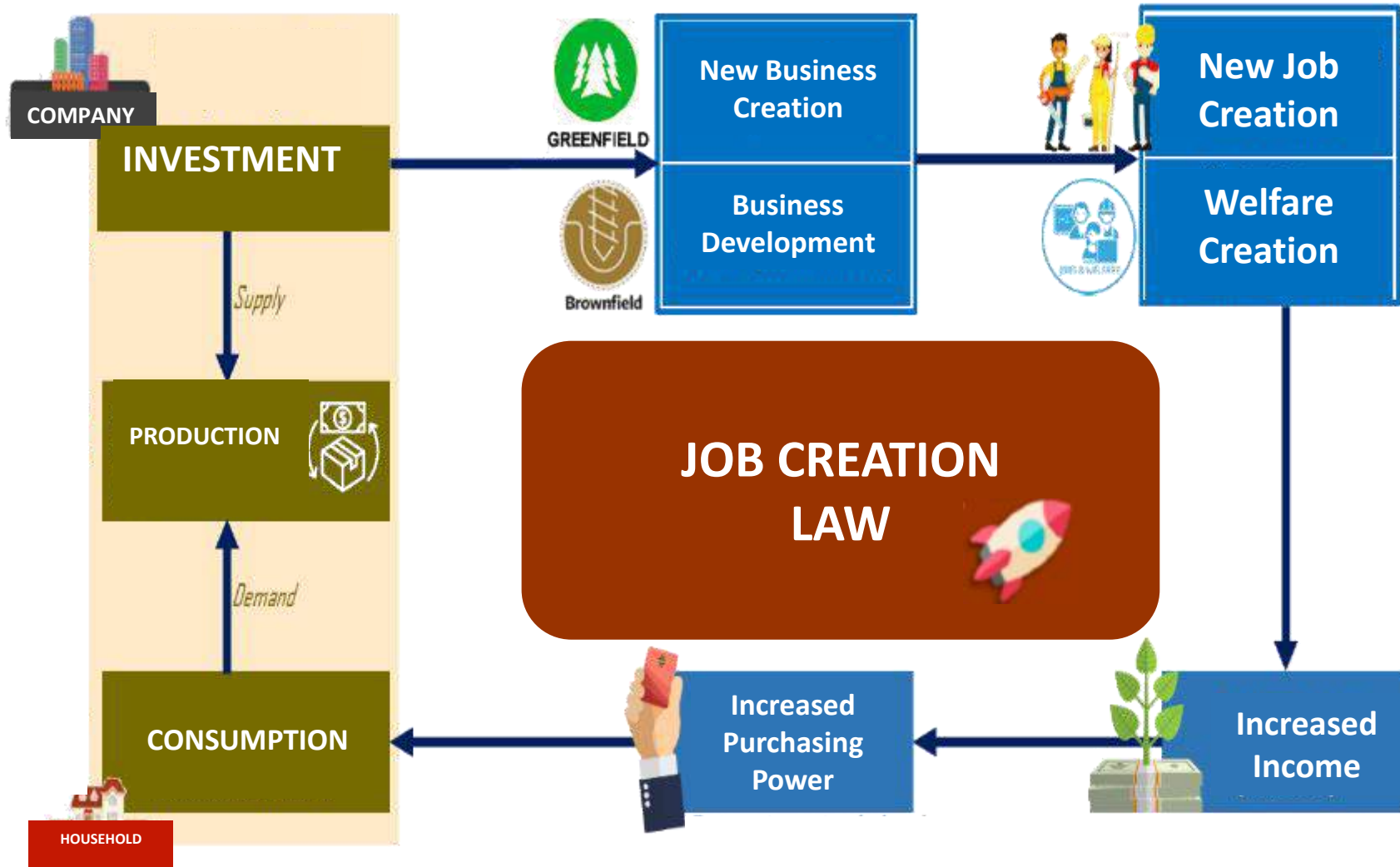
President's Vision: "The Establishment of an Advanced Sovereign, Independent and Personality Based on Mutual Cooperation".



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



The Framework of Job Creation Law



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



The Job Creation Law is an effort to reform regulations that can make it easier to do business to increase investment and productivity, as well as an effort to get Indonesia out of the middle-income trap



Through the Omnibus Law method, 79 laws were revised and simplified

The Job Creation Act (Act Number 11 of 2020 on Job Creation)

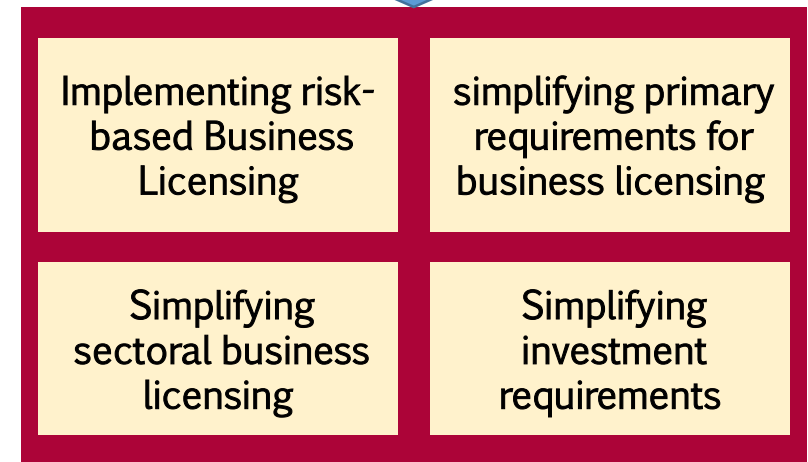
186 Articles dan 15 Chapters

51 Implementing Regulations

Clusters in the Job Creation Law

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

Improving the Investment Ecosystem and Business Activities



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 can only be carried out by the Central Government.*
- Investment value for FDI > IDR 10 billion. However, to encourage technology-based startups in SEZs, FDI investment value can be ≤ IDR 10 billion*

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 and materials
- Immigration
- Manpower
- Other non-fiscal supports

Implementing Regulation on Risk-Based Licensing



A new paradigm in accelerating the licensing process to improve Indonesia's investment competitiveness

Ease of Doing Business



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.

There are 16 sectors in which the Gov Regulation No 5/2021 covers licensing:

1. Marine & fisheries;
2. Agriculture;
3. The environment & forestry;
4. Energy & mineral resources;
5. Nuclear energy;
6. Industry;
7. Trading;
8. Public works and housing;
9. Transport;
10. Health, medicine and food;
11. Education and culture;
12. Tourism;
13. Religion;
14. Post, telecommunications, broadcasting, electronic systems and transactions;
15. Defense & safety;
16. Employment.

Risk-based Business License



Risk Based Business Licensing aiming to simplify the procedure to obtain a business license based on risk analysis and determination of the scale of a business (whether it is a small or a big business)

Low Risk

Only required to obtain a Business Identification Number

Medium Risk

Business Identification Number + Standard Certificate

High Risk

Business Identification Number + License + Standard Certificate issued by either the central or regional government



Online Single Submission (OSS) – Risk Based Approach (RBA) will be implemented starting **August 9, 2021** in all regions of Indonesia

51 Regulations for Job Creation Law (Substance Grouping)



Spatial

1. Government Regulation No. 21 of 2021 concerning the Implementation of Spatial Planning
2. Government Regulation No. 43 of 2021 concerning Settlement of Inconsistencies in Spatial Planning, Forest Areas, Permits, and / or Land Rights
3. Government Regulation No. 45 of 2021 concerning the Implementation of Geospatial Information
4. Presidential Regulation No. 11 of 2021 concerning Cooperation between the Central Government and State-Owned Enterprises in Providing Basic Geospatial Information

Land and Land Rights

1. Government Regulation No. 18 of 2021 concerning Management Rights, Land Rights, Apartment Units and Land Registration
2. Government Regulation No. 19 of 2021 concerning Implementation of Land Acquisition for Development for Public Interest
3. Government Regulation No. 20 of 2021 concerning Control of Neglected Areas and Lands
4. Government Regulation No. 23 of 2021 concerning Forestry Implementation
5. Government Regulation No. 24 of 2021 concerning Procedures for Imposing Administrative Sanctions and Procedures for Non-Tax State Revenues Derived from Administrative Fines in the Forestry Sector

Environment

1. Government Regulation No. 22 Year 2021 concerning Implementation of Environmental Protection and Management

Construction and Housing

1. Government Regulation No. 12 of 2021 concerning Amendments to Government Regulation No. 14 of 2016 concerning Implementation of Housing and Settlement Areas
2. Government Regulation No. 13 of 2021 concerning the Implementation of Flats
3. Government Regulation No. 14 of 2021 concerning Amendments to Government Regulation No. 22 of 2020 concerning Implementation Regulations of Law No. 2 of 2017 concerning Construction Services
4. Government Regulation No. 15 of 2021 concerning Implementation Regulations of Law No. 6 of 2017 concerning Architects
5. Government Regulation No. 16 of 2021 concerning Implementation Regulations of Law No. 28 of 2002 concerning Buildings
6. Presidential Regulation No. 9 of 2021 concerning the Agency for the Acceleration of Housing Management

Cooperatives and SMEs

1. Government Regulation No. 34 of 2021 concerning the Use of Foreign Workers
2. Government Regulation No. 35 of 2021 concerning Specific Time Work Agreements, Transfer, Working Hours and Breaks, and Termination of Employment
3. Government Regulation No. 36 of 2021 concerning Wages
4. Government Regulation No. 37 of 2021 concerning the Implementation of the Job Loss Guarantee Program

51 Regulations for Job Creation Law (Substance Grouping)



Investment

1. Government Regulation No. 42 of 2021 concerning the Ease of National Strategic Projects
2. Government Regulation No. 44 of 2021 concerning Implementation of the Prohibition of Monopolistic Practices and Unfair Business Competition
3. Government Regulation No. 48 of 2021 concerning Third Amendment to Government Regulation No. 31 of 2013 concerning Implementation Regulations of Law No. 6 of 2011 concerning Immigration
4. Presidential Regulation No. 10 of 2021 concerning the Investment Business Field
5. Government Regulation No. 73 of 2020 concerning Investment Management Institutions².
6. Government Regulation No. 74 of 2020 concerning Authorized Capital for Management Institutions Investment

Fiscal

1. Government Regulation No. 9 of 2021 concerning Tax Treatment to Support Ease of Doing Business
2. Government Regulation No. 10 of 2021 concerning Regional Taxes and Regional Levies in the Framework of Supporting Ease of Doing Business and Regional Services
3. Government Regulation No. 49 of 2021 concerning Taxation Treatment of Transactions Involving Investment Management Institutions and / or Entities They Own

Employment

1. Government Regulation No. 34 of 2021 concerning the Use of Foreign Workers
2. Government Regulation No. 35 of 2021 concerning Specific Time Work Agreements, Transfer, Working Hours and Breaks, and Termination of Employment
3. Government Regulation No. 36 of 2021 concerning Wages
4. Government Regulation No. 37 of 2021 concerning the Implementation of the Job Loss Guarantee Program

Economic Zone

1. Government Regulation No. 40 of 2021 concerning the Implementation of Special Economic Zones
2. Government Regulation No. 41 of 2021 concerning the Implementation of Free Trade Zones and Free Ports

Government Goods / Services

1. Presidential Regulation No. 12 of 2021 concerning Amendments to Presidential Regulation No. 16 of 2018 concerning Government Procurement of Goods / Services

51 Regulations for Job Creation Law (Substance Grouping)



Licensing and Sector Business Activities

1. Government Regulation No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing
2. Government Regulation No. 6 of 2021 concerning the Implementation of Business Licensing in Regions
3. Government Regulation No. 25 of 2021 concerning the Implementation of the Sector of Energy and Mineral Resources
4. Government Regulation No. 26 of 2021 concerning the Implementation of the Agricultural Sector
5. Government Regulation No. 27 of 2021 concerning the Implementation of the Marine and Fisheries Sector
6. Government Regulation No. 28 of 2021 concerning the Implementation of the Industrial Sector
7. Government Regulation No. 29 of 2021 concerning the Implementation of the Trade Sector
8. Government Regulation No. 30 of 2021 concerning Implementation of the Road Traffic and Transportation Sector
9. Government Regulation No. 31 of 2021 concerning the Implementation of the Shipping Sector
10. Government Regulation No. 32 of 2021 concerning the Implementation of the Aviation Sector
11. Government Regulation No. 33 of 2021 concerning the Implementation of the Railway Sector
12. Government Regulation No. 38 of 2021 concerning Accompanying Accounts for Umrah Travel Expenses
13. Government Regulation No. 39 Year 2021 concerning Implementation of the Halal Product Guarantee Sector
14. Government Regulation No. 46 of 2021 concerning Post, Telecommunication and Broadcasting
15. Government Regulation No. 47 of 2021 concerning the Implementation of Hospitalization



Investment Priority List in the Presidential Regulation No.10 of 2021 for the Investment Business Sector

The government provides positive sentiment to the business world by establishing policies for regulating business sectors that are more open (positive) and prioritized

PRESIDENTIAL REGULATION OF INVESTMENT BUSINESS FIELDS

245 PRIORITY
BUSINESS FIELDS

given fiscal incentives
and
and non-fiscal, a.l. Tax
Allowance and Tax
Holiday

89 AREAS OF
BUSINESS FIELDS
OR PARTNERSHIP
WITH
COOPERATIONS
AND MSMEs

46 BUSINESS
FIELDS WITH
SPECIFIC
REQUIREMENTS

> 1700
BUSINESS
FIELDS OPEN
FOR
INVESTMENT

- With a positive approach, the Government provides assurance that in principle all business fields are open to investment, unless otherwise stated as covered by law. The investment value for Mandatory PMA is > IDR 10 billions.
- This openness takes into account the protection and empowerment of MSMEs.
- The government also provides information on the direction of investment policy in Indonesia by determining business fields that are Government's priorities.



Priority Business Field Criteria

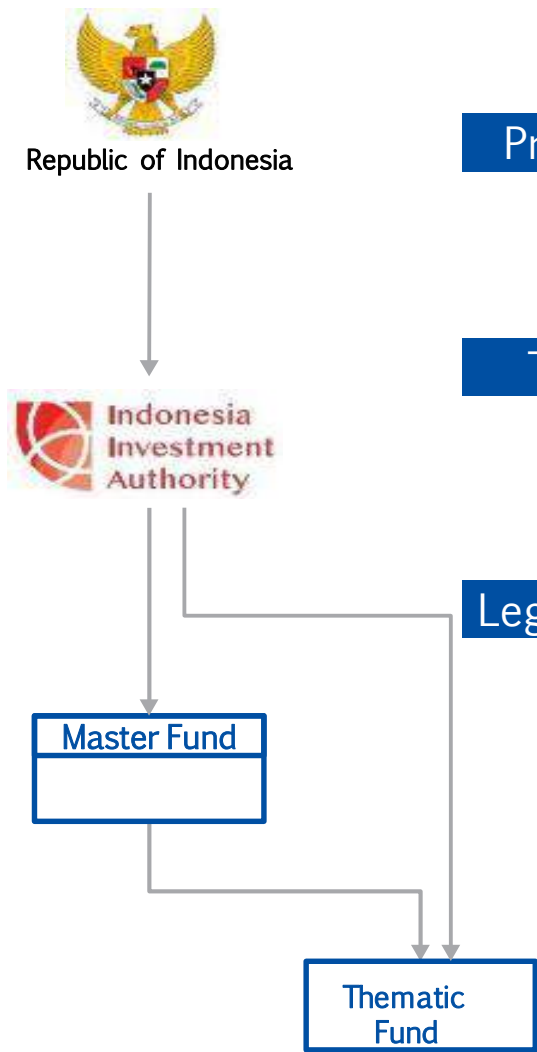
- National Strategic Programs / Projects;
- Capital Intensive;
- Labor intensive;
- High technology;
- Pioneer Industry;
- Export Orientation; and / or
- Orientation in Research, Development and Innovation Activities.



Incentives provided

- **Tax Incentives:**
 - Tax Holiday;
 - Tax Allowance;
 - Investment Allowance
- **Customs and excise incentives** (free of import duty on industrial construction machinery and materials)
- **Non-fiscal incentives** (ease of business licensing, provision of supporting infrastructure, guaranteed energy availability, raw materials, immigration, labor, etc.)
- **Other incentives according to regulations**

Indonesia Investment Authority (INA) as an Alternative Source of Economic Development Financing



Progress

- The Supervisory Board was established based on Presidential Decree No. 6/P 2021
- The Board of Directors was formed based on LPI Board Decree Number 1 of 2021
- An initial capital of Rp15 T has been allocated in 2020 and a non-cash PMN of IDR60 T in 2021
- There have been discussions with more than 50 companies to become strategic partners, and several countries have expressed a desire to partner with LPI

Target



Legal Basis

- GR Number 73 of 2020 concerning Initial Capital for Investment Management Institutions
- GR Number 74 of 2020 concerning Investment Management Institutions
- GR Number 49 of 2021 concerning Tax Treatment of Transactions Involving Investment Management Institutions and/or Entities Owned

Top SWF in ASEAN with its total assets:

- GIC Private Limited → USD 744 billion
- Temasek Holdings → USD 283 billion
- Khazanah Nasional Berhad → USD 31 billion

Top SWF in Global with its total assets:

- Norway Gov → USD 1,3 trillion
- China Inv. Co. → USD 1,2 trillion
- ADIA → USD 686 Billion

Source: Global SWF, August 2021

Investment Facilitation Services During COVID-19 Pandemic



1

Companies Operation Support

Optimizing facilitation for companies that accelerate the development and operation of business activities through the issuance of letters of support to companies while still observing the COVID-19 protocol



2

Visa Recommendations for Company Leaders

Providing Visa recommendations for foreign companies' leader visit to related to their industry exploration /relocation and company operations. Including to obtain an entry permit / visit visa during large scale social restriction (PSBB).



3

Visa recommendations for foreign skilled workers

Providing Visa recommendations for foreign skilled workers who will enter the country related to their investment realization / implementation



4

Managing Existing Investment Realization

Conduct visits to companies (for example visiting Hyundai and Bonded Zone) to spur existing investment in addition to fiscal incentive facilitation



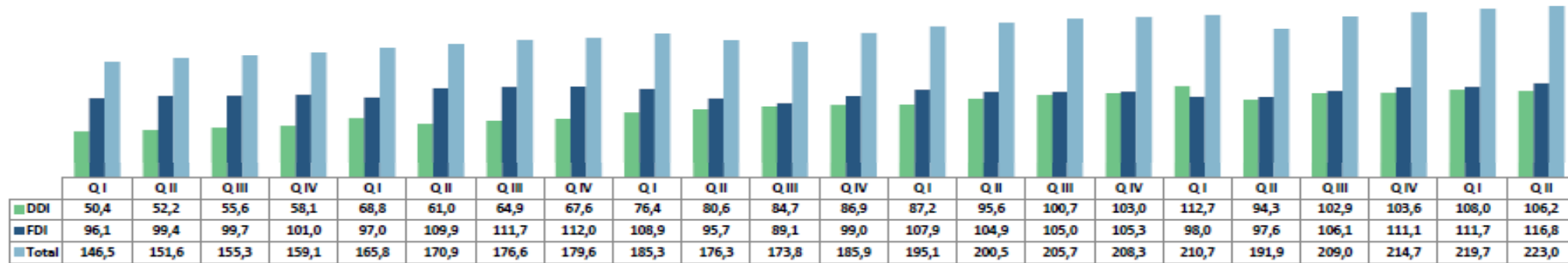
5

Optimization of Business Licensing Services

BKPM continues to provide business licensing services amid the COVID-19 Pandemic. The average business license issued during the pandemic both online and offline is 4000-5000 permits per day.




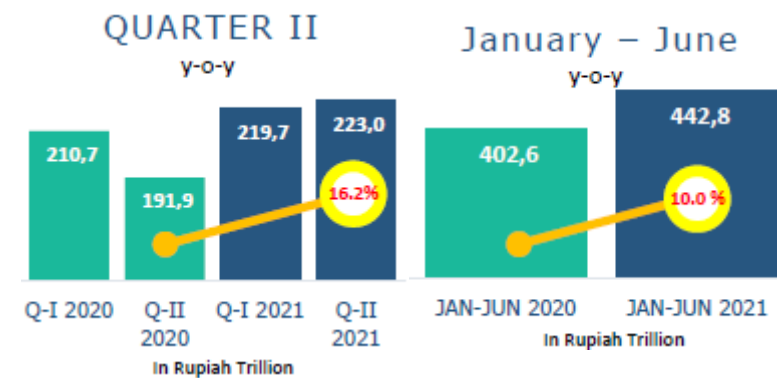
Investment Realization in Q2-2021



DDI: Domestic Direct Investment
FDI: Foreign Direct Investment

*) The achievement of investment realization in period of January-June 2021 is a rounding numbers

	2020		2021			Q-II 2021		TARGET 2021**	ACHIEVEMENT ***
	Q-I	Q-II	Q-I	Q-II		Y-O-Y	Q-O-Q		
DDI	112.7	94.3	108.0	106.2		12.7%	-1.6%	430.2	49.8%
FDI	98.0	97.6	111.7	116.8		19.6%	4.5%	469.8	48.6%
TOTAL	210.7	191.9	219.7	223.0		16.2%	1.5%	900.0	49.2%
DDI	JANUARY – JUNE 2020		JANUARY – JUNE 2021			JANUARY – JUNE 2021 Y-O-Y		 Indonesian Labor Absorption Q II 2020: 263.109 Indonesian Labor Absorption Q II 2021 : 311.922 (18.5%, y-o-y)	
	207.0		214.3			3.5%			
FDI	195.6		228.5		16.8%				
TOTAL	402.6		442.8*		10.0%				



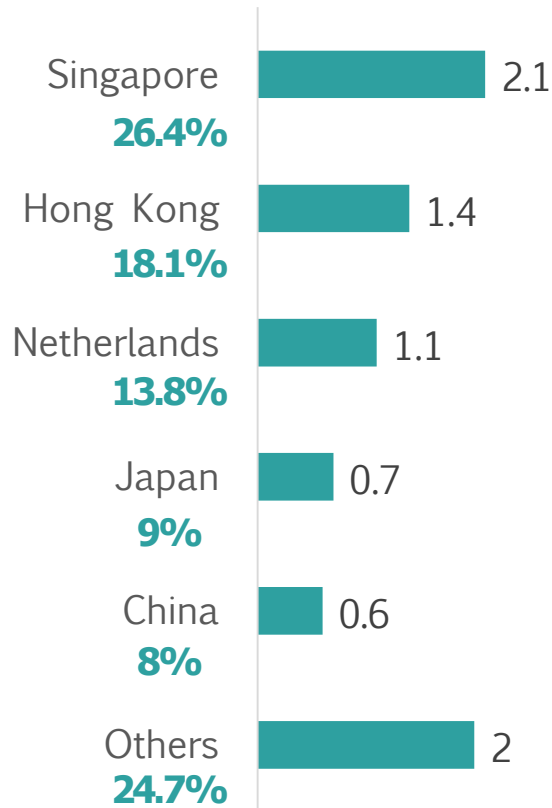
Investment Realization in Q2-2021

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

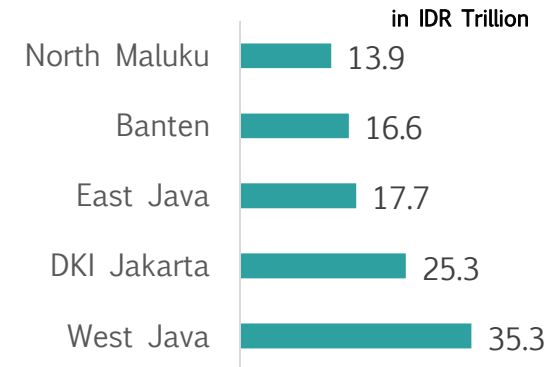
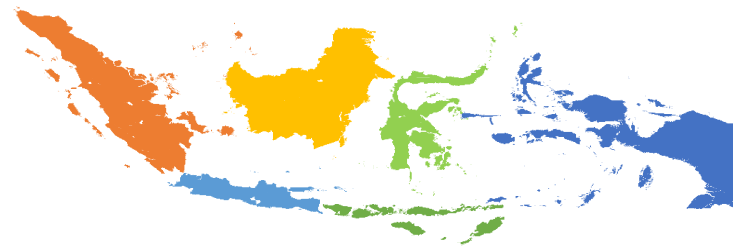


Top 5 Investors (by country)

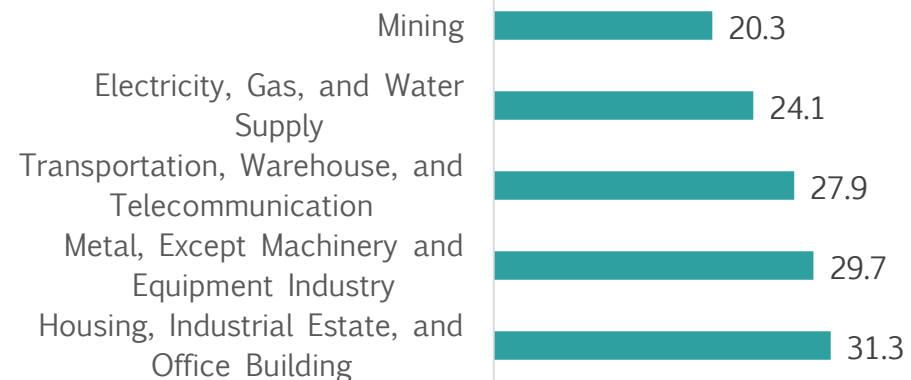
(in USD billion)



By Region



By Sector



Investment Realization in Q2-2021

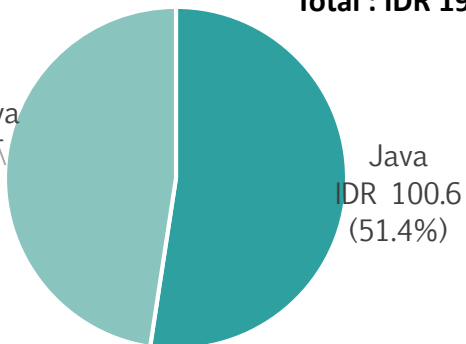
(excluding the upstream oil and gas sector and financial services)



Q2 - 2020

Total : IDR 191.9 T

Outside Java
IDR 91.3 T
(48.6%)



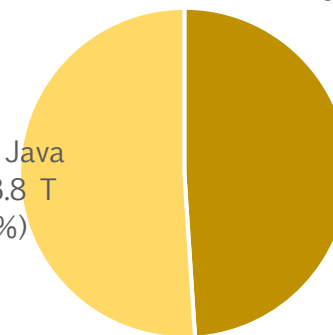
Java
IDR 100.6
(51.4%)

Realization	y-o-y
Java	8.6%
Outside Java	24.6%
TOTAL	16.2

Q2 - 2021

Total : IDR 223.0 T

Outside Java
IDR 113.8 T
(52.1%)



Java
IDR 109.2 T
(47.9%)

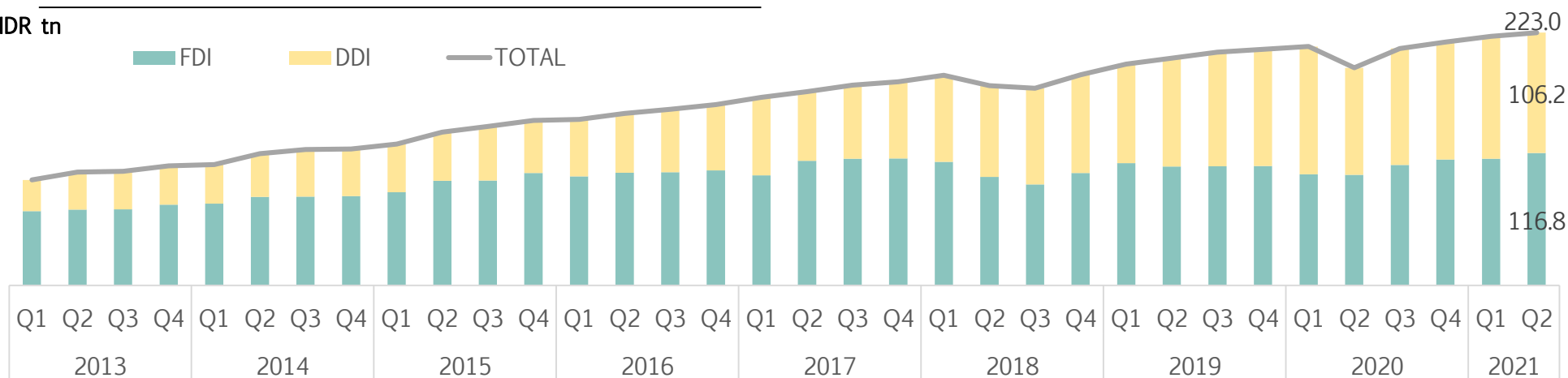
Direct Investments

IDR tn

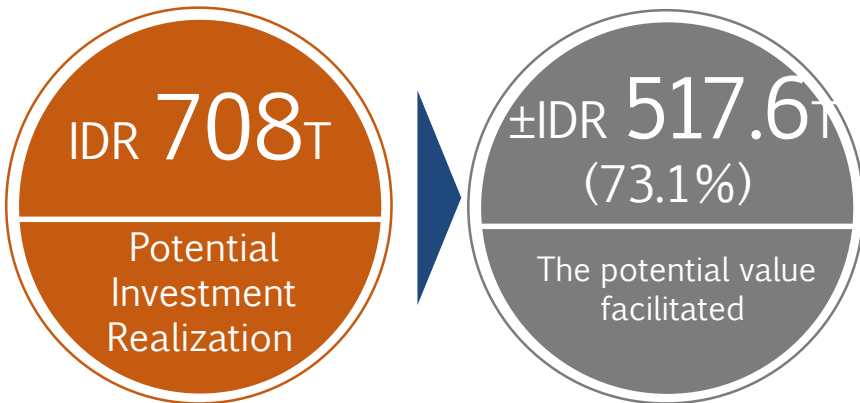
FDI


DDI

TOTAL



Potential Investment Realization Reaches IDR 708 T



 Solving stalled investment issues is one strategy to attract investors

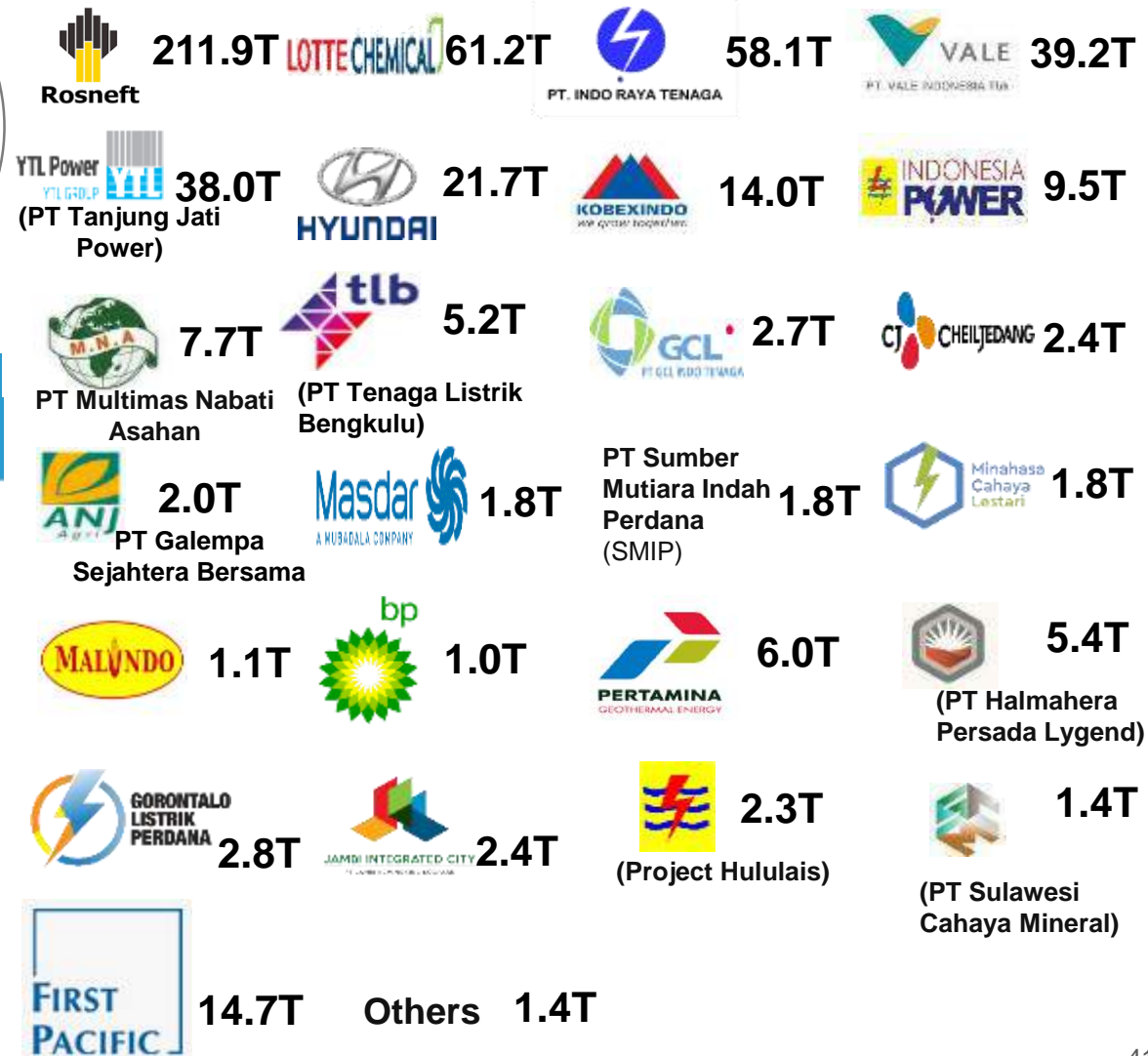


Klaten, Central Java

Dumai, Riau

Indonesian government does not only facilitates large investment issues, but also medium & small investments

Companies that had been facilitated:



Enhancing Business License Service Standard

Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014



Policy Goals

Improve efficient, streamlined, & integrated business license service standards



Provide business licensing process assurance in terms of the costs and lead times



Overcome the barriers to doing business in Indonesia



Accelerate the business licensing process

Increase coordination & synergy between central & regional government

Implement integrated licensing process (single submission)

Main Policy

1st Phase



Forming a Task Force to identify & overcome the end-to-end licensing barriers



Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones



Utilizing data sharing

2nd Phase



Business license regulatory reforms



Implementation of the Single Submission system

Note: 1st and 2nd Phase are implemented in parallel

Improving Investment Climate

...Bonded Logistic Center launched in 2016 to Improve Indonesia's Competitiveness

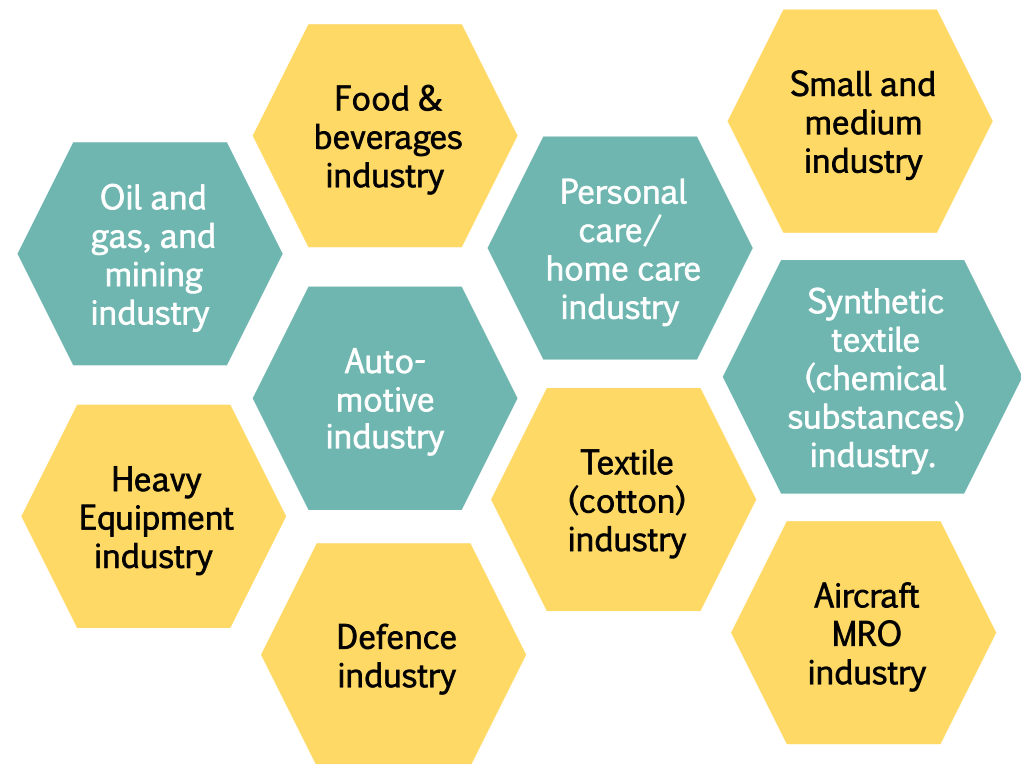


Bonded Logistic Center

(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 1st Economic Policy Package, launched on March 2016

PLB facility aims to improve efficiency and reduce the cost of transportation and logistics in Indonesia; support the growth of the domestic industry, including small and medium industries; increase investment; and to make Indonesia to become a logistics hub in Asia Pacific.

To date, 52 Bonded Logistic Center has been launched to support various industries.

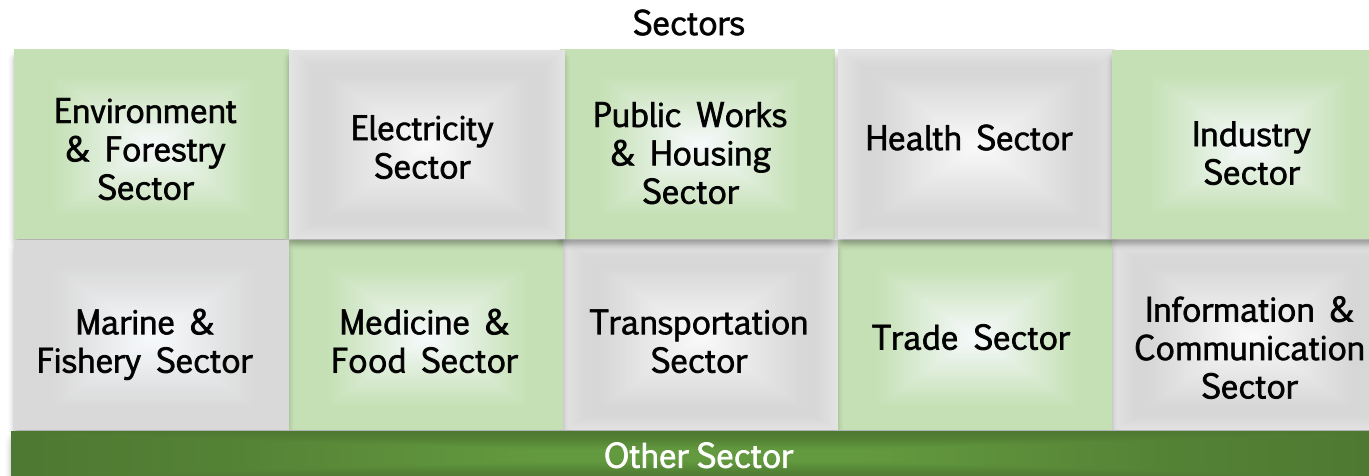


Improving Investment Climate

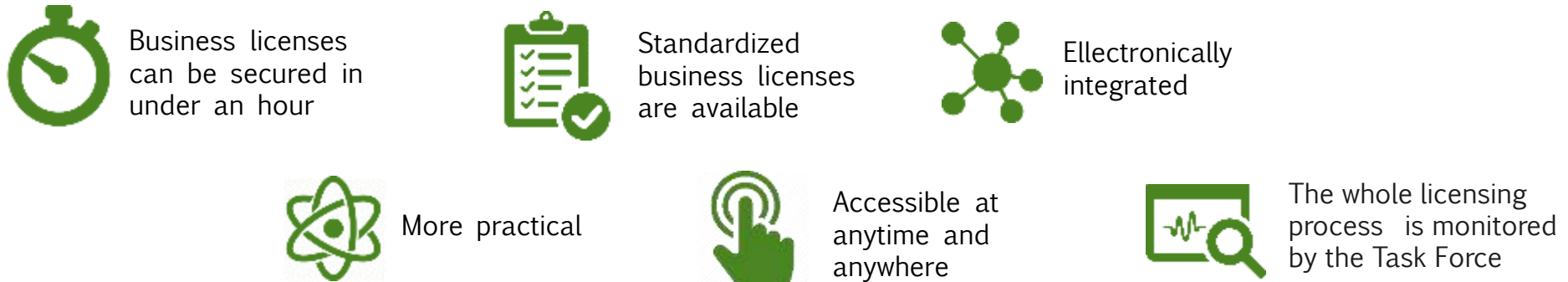
Online Single Submission (OSS) Has Been Launched in 2018



OSS is a web-based business licensing system intended to cut the red tape involved in obtaining business permits and integrated between the central government and regional administrations



The Advantage of Using OSS

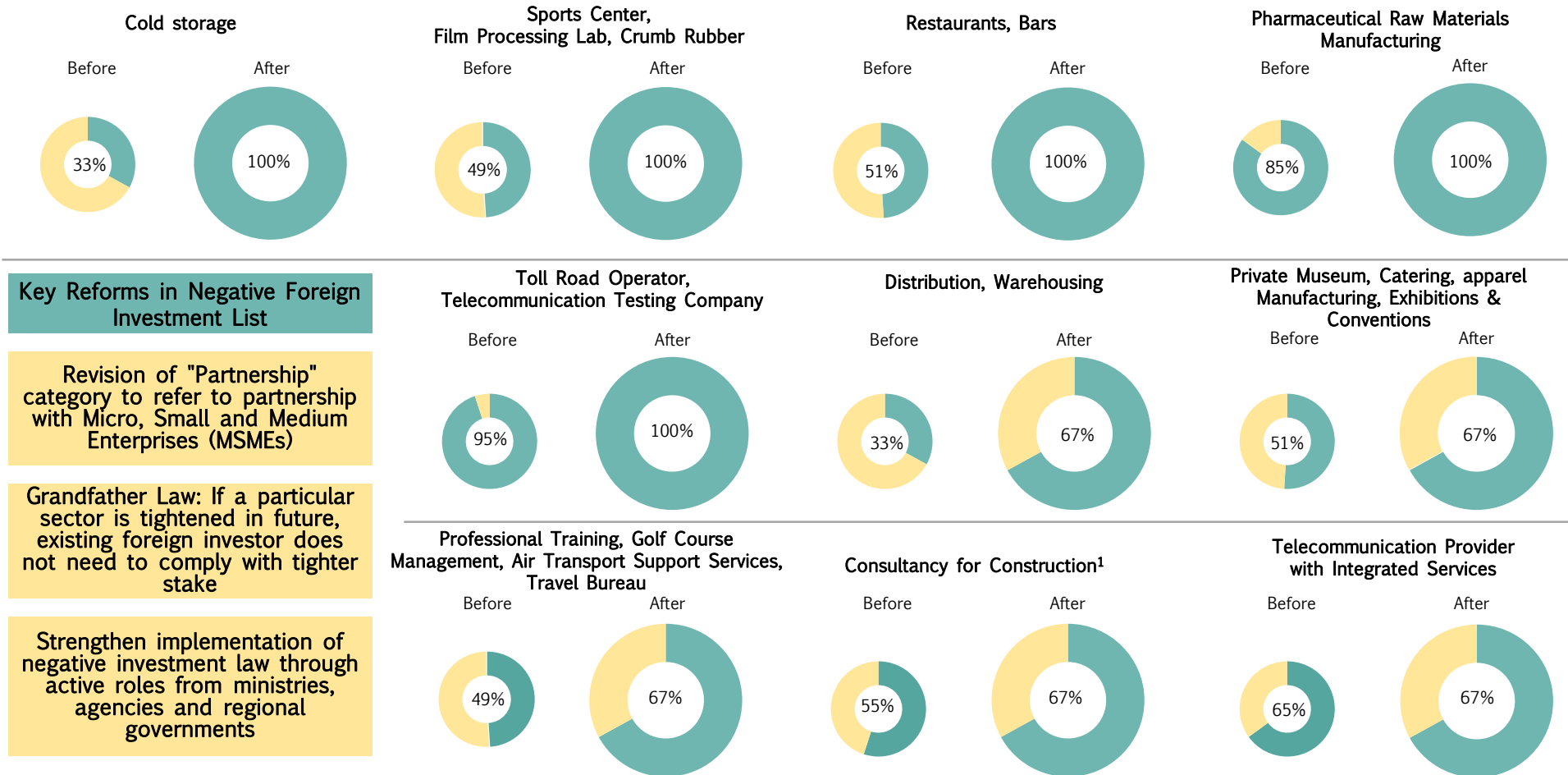


Improving Investment Climate

...revision of the Negative Investment List in 2018



Introduction of New Foreign Ownership Regulation for Strategic Sectors



¹ For total project value of IDR10bn and above

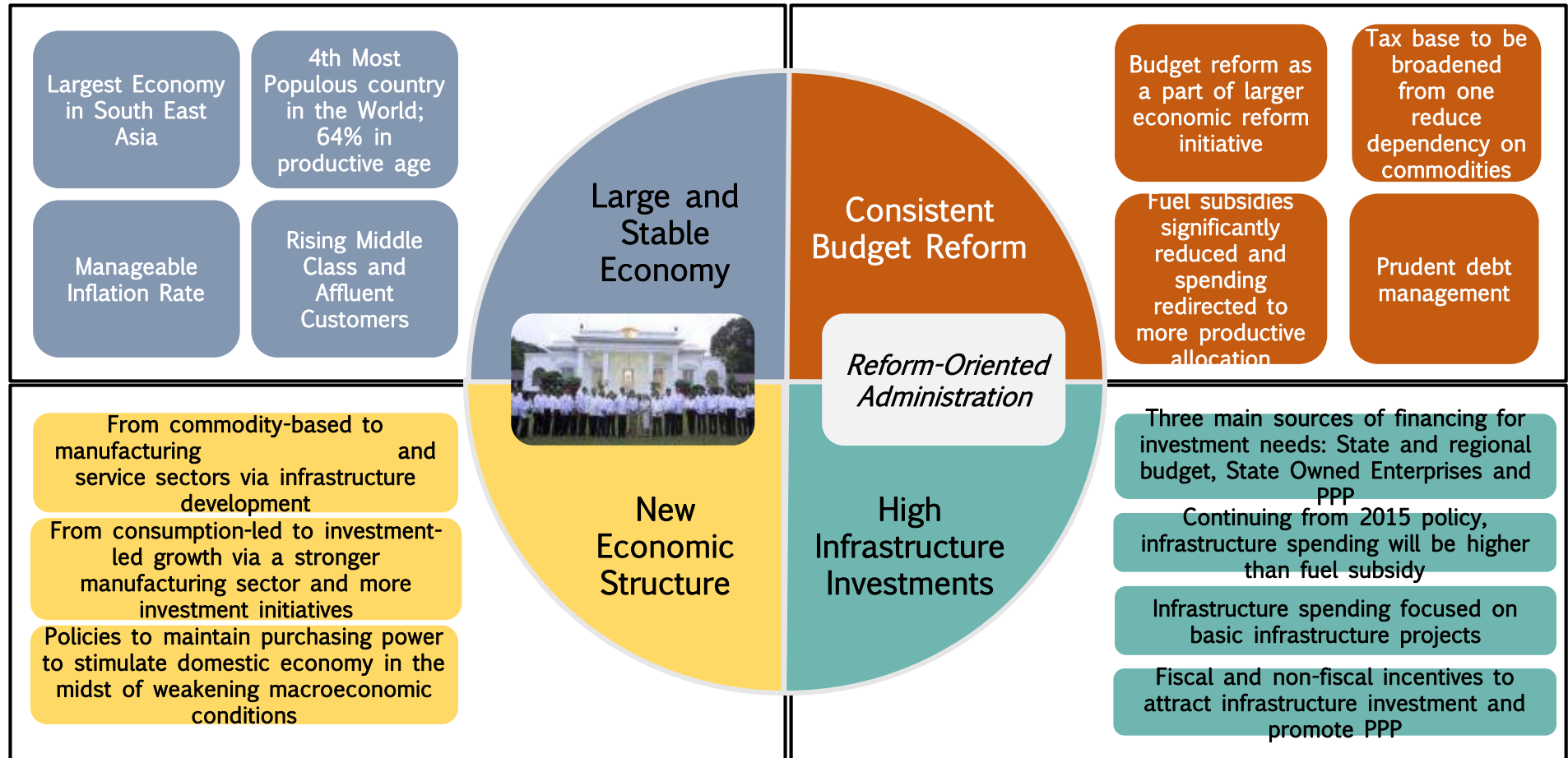


Section 3

Economic Factor:
Stable Growth Prospects
Amid Temporary Moderation

Conductive Environment

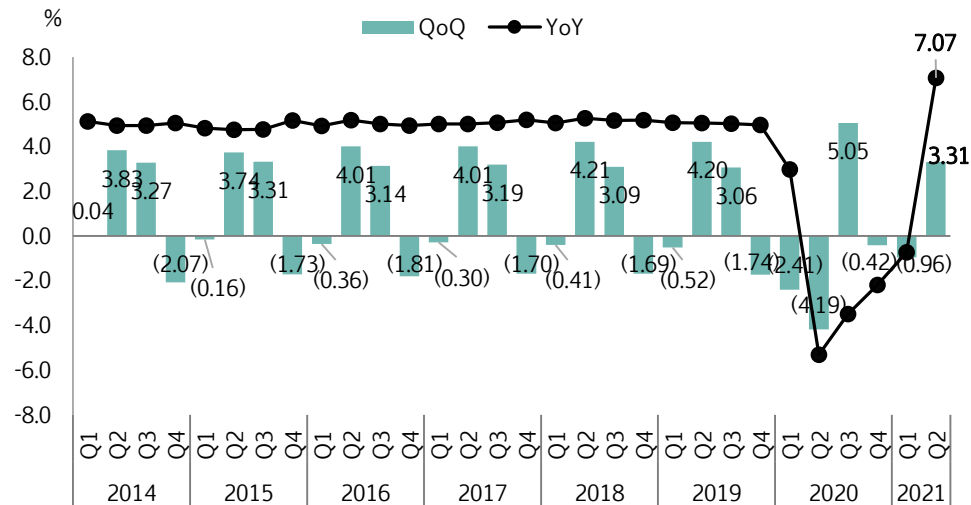
Underpinning Stable Growth Fundamentals Amid Temporary Moderation



National Economic Growth Improved



Strong GDP Growth¹

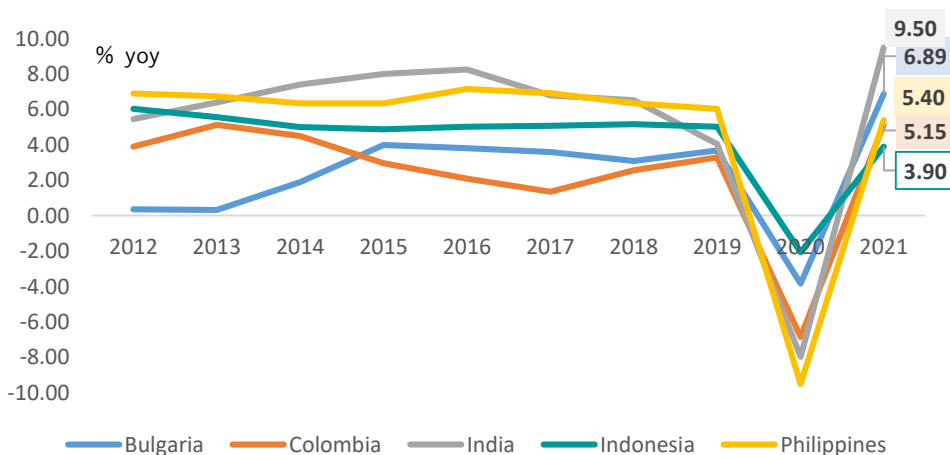


Indonesia's national economy in the second quarter of 2021 moved into positive territory for the first time since the Covid-19 outbreak at the beginning of 2020, achieving 7.07% (yoy) growth. Recent economic expansion builds on the previous improvements through to the first quarter of 2021 and represents the fastest pace of growth since the fourth quarter of 2004 (7.16% yoy). Consequently, real GDP in the second quarter of 2021 surpassed that recorded prior to the Covid-19 pandemic in the fourth quarter of 2019. All demand components and economic sectors have contributed to upward economic momentum. Moving forward, Bank Indonesia will continue to increase policy coordination with the Government and other relevant institutions, including monetary-fiscal policy coordination, export stimuli as well as economic and financial inclusion, to nurture further economic gains, while accelerating the vaccination rollout and adhering to stringent health protocols.

On the demand side, second-quarter economic performance was boosted primarily by higher exports, household consumption, investment and government consumption. In the reporting period, exports soared 31.78% (yoy) on the back of growing demand in Indonesia's trading partner countries. Furthermore, household consumption charged into a positive zone for the first time since the second quarter of 2020 at 5.93% (yoy), thus reversing the -2.22% (yoy) contraction recorded in the first quarter of 2021. Household consumption continues to increase in response to fewer mobility restrictions, ongoing stimuli in the form of a luxury tax holiday and macroprudential policy, as well as the seasonal boost afforded by recent national religious holidays (HBKN). Investment growth has also moved into an expansionary phase at 7.54% (yoy), underpinned by stronger non-building investment. Finally, government consumption expanded 8.06% (yoy) in the reporting period, driven by the accelerated realisation of fiscal stimuli in the form of procurement and capital spending, specifically relating to the national economic recovery program, as well as personnel expenditure. Consistent with higher exports and domestic demand, import growth also surged to 31.22% (yoy).

All economic sectors expanded in the reporting period, primarily led by the Manufacturing Industry, Trade, Transportation and Storage as well as Accommodation and Food Service Activities. Spatially, national economic momentum has been buoyed by all regions of the archipelago, dominated by Sulawesi-Maluku-Papua (Sulampua), Java and Kalimantan.

Favourable GDP Growth Compared to Peers²



Growth Prospect

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	3.5-4.3
IMF (WEO, July 2021)	3.9
World Bank (Global Economic Prospects, June 2021)	4.4
ADB (ADO, July 2021)	4.1
Consensus Forecast (August 2021)	3.5

1. Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
 2. Source: World Economic Outlook Database - July 2021; * indicates estimated figure

GDP Growth Breakdown



GDP Growth Based on Expenditures (% , YoY)¹

By expenditure	2015					2016					2017					2018					2019					2020					2021	
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2
HH. Consumption	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5	5,2	5	5,1	5,1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0	-3,6	-2,6	-2,2	5,9
Non profit HH. consumption	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8,1	8,8	8,7	11	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-2,0	-2,1	-4,3	-4,0	4,1
Government consumption	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,8	-6,9	9,8	1,8	1,9	2,3	8,1
Gross Fixed Cap. Formation	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7,9	5,8	6,9	6,1	6,7	5,0	4,6	4,2	4,1	4,5	1,7	-8,6	-6,5	-6,2	-4,9	-0,2	7,5
Exports	(0.6)	(0.3)	(1.0)	(6.4)	(2.1)	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5,8	7,4	8,3	4,6	6,5	-1,5	-1,8	0,1	-0,4	-0,9	0,4	-12,0	-11,7	-7,2	-7,7	7,0	31,8
Imports	(2.6)	(7.1)	(6.5)	(8.6)	(6.2)	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	13	15	14	7,4	12	-6,5	-6,7	-8,3	-7,9	-7,4	-3,6	-18,3	-23,0	-13,5	-14,7	5,5	31,2
GDP	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5,2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1

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

GDP Growth by Sector (% , YoY)

By sectors	2015					2016					2017					2018					2019					2020					2021	
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2
Agriculture, forestry, and fishery	3.7	6.5	2.9	1.6	3.8	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	3,3	0,4
Mining and Quarrying	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.0	0.2	1.4	0.9	(1.3)	2.1	1.8	0.0	0.7	1,1	2,6	2,7	2,2	2,2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3	-1,2	-2,0	-2,0	5,2
Manufacturing	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4,6	3,9	4,4	4,2	4,3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3	-3,1	-2,9	-1,4	6,6
Construction	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7,4	5,7	5,8	5,6	6,1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5	-5,7	-3,3	-0,8	4,4
Wholesale and Retail Trade, Repair of Car and Motorcycle	3.8	1.6	1.4	3.5	2.5	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,6	-7,6	-5,0	-3,6	-3,7	-1,2	9,4
Transportation and Storage	6.3	6.0	7.0	7.5	6.7	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8,5	8,7	5,7	5,5	7	5,4	5,9	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,0	-13,1	25,1
Information and communication	9.7	9.3	10.6	9.2	9.7	7.6	9.3	8.9	9.6	8.9	10.5	11.1	8.8	8.3	9.6	7,8	5,1	8,1	7,1	7	9,1	9,6	9,2	9,8	9,4	9,8	10,8	10,7	10,9	10,6	8,7	6,9
Financial service	8.6	2.6	10.3	12.8	8.6	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4,3	3,1	3,1	6,2	4,2	7,2	4,5	6,2	8,5	6,6	10,6	1,1	-0,9	2,4	3,2	-3,0	8,3
Other Services*	5.1	6.5	4.8	5.5	5.4	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4.6	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,2	-1,4	-1,7	-1,2	-2,7	9,7
GDP	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5,2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1

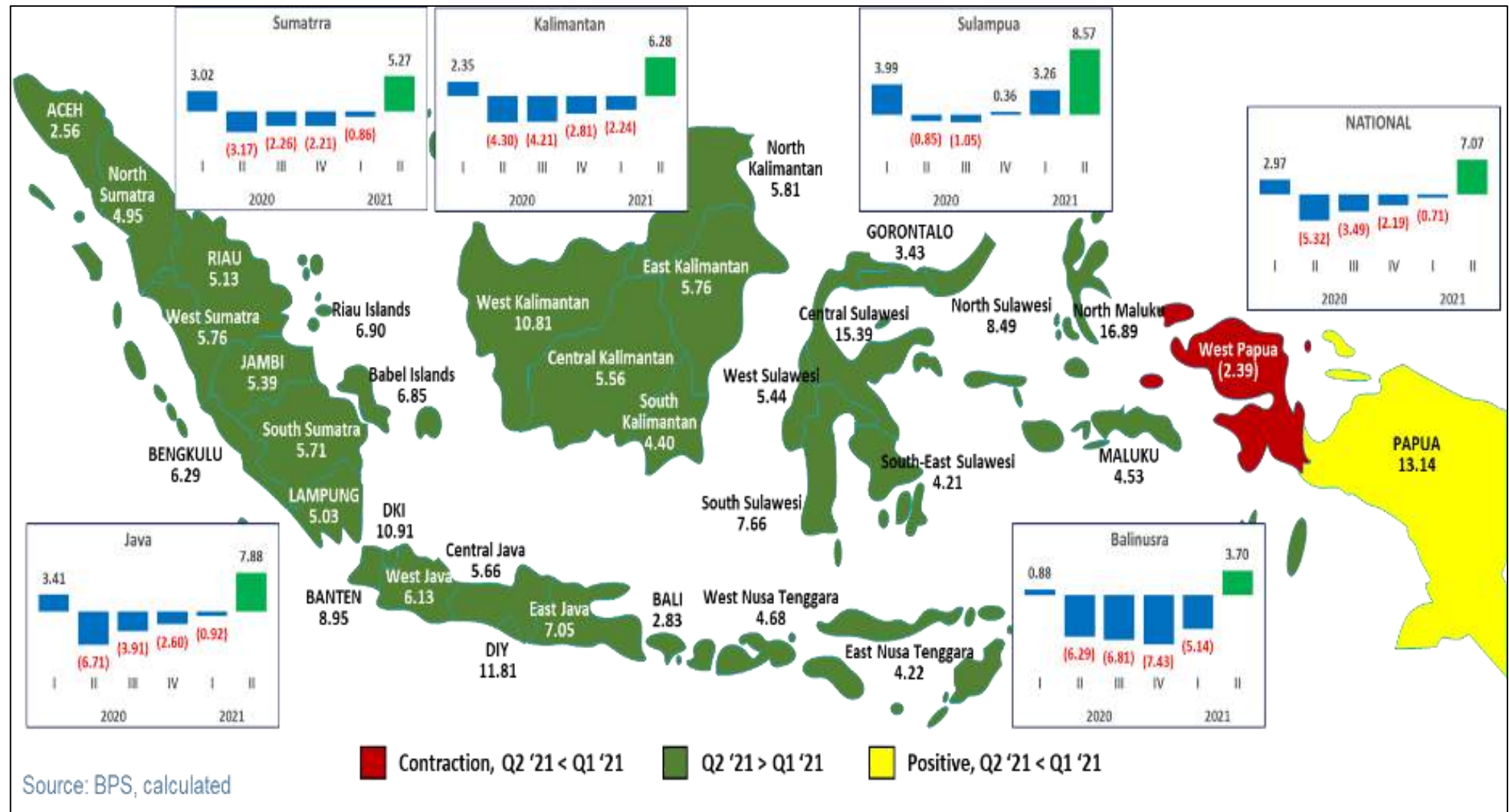
Source: Central Bureau of Statistics of Indonesia (BPS)

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

Economic Performance Improved In Almost All Regions



Regional GDP of The Second Quarter of 2021 (% , yoy)



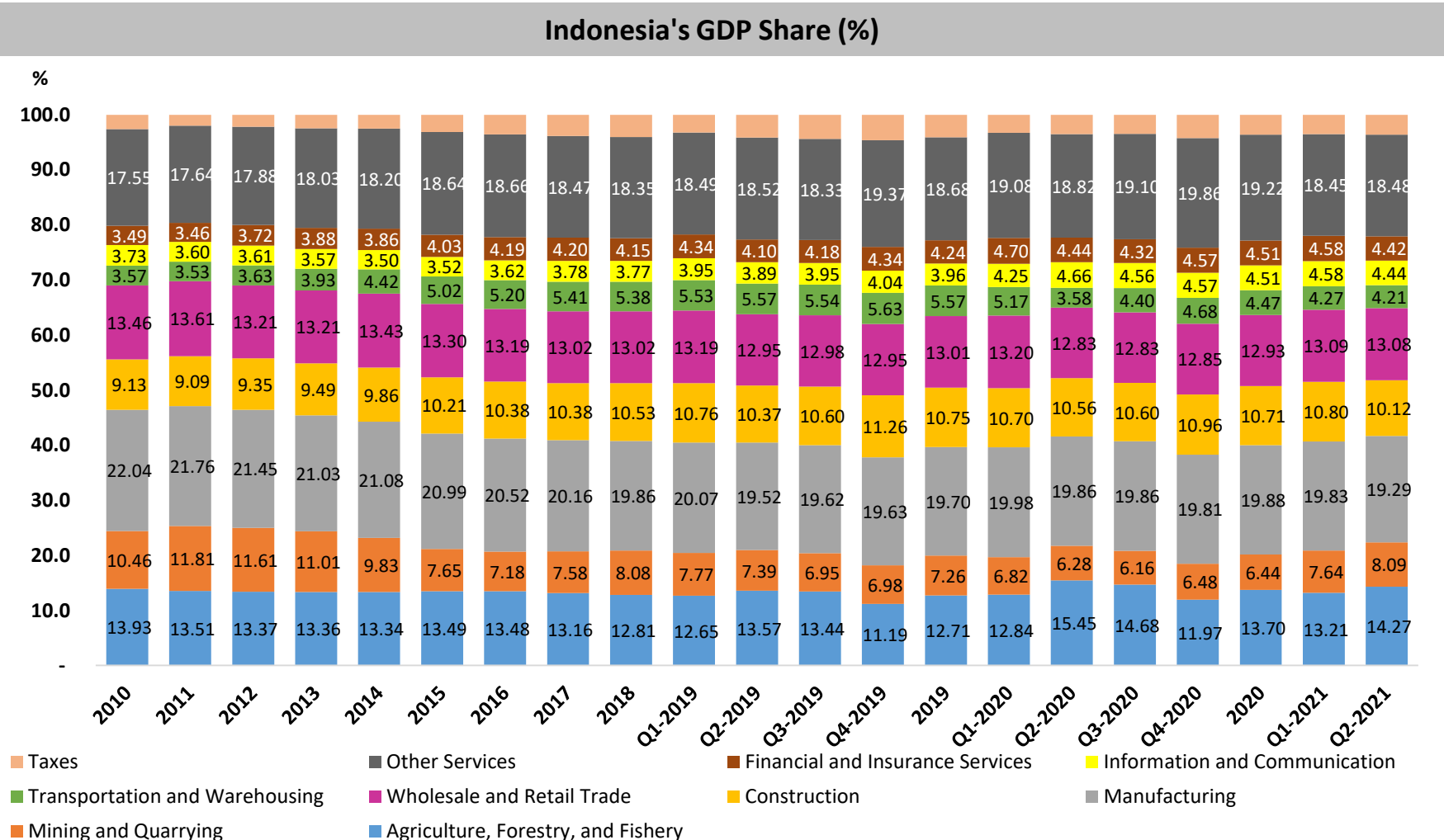
Source: BPS, calculated

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

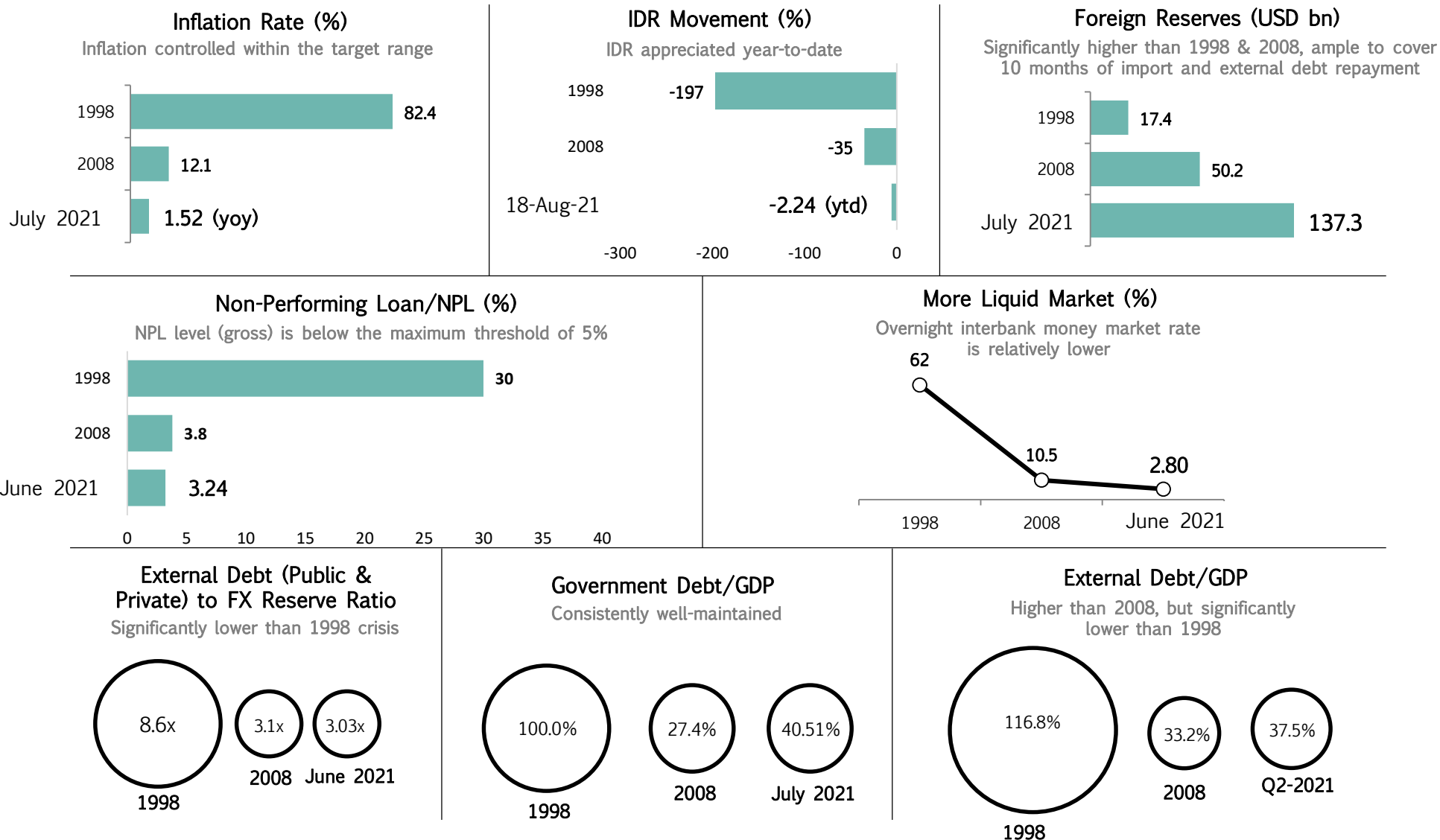
Economic Performance in Most Sectors Starting to Improve



Most economic sectors are seeing improvements and back to positive zone, led by manufacturing industry, trade, as well as transportation and warehousing. In addition, accommodation and food service activities, and also health and business services continue to improve inline with the increasing of people mobility.



Stronger Fundamentals Facing the Headwinds






Outlook of Domestic Economy Remains Robust

...domestic economic growth is predicted to rebound in 2021



2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 3.5-4.3%.
- Bank Indonesia projects Inflation in 2021 to remain under control and within the 3.0%±1% target corridor.
- Bank Indonesia projects the current account deficit at 0.6-1.4% of GDP in 2021, thereby supporting external sector resilience in Indonesia.
- Bank Indonesia projects credit growth in 2021 will be around 4.0-6.0%

	 Economic Growth	π Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021	3.5-4.3%	3.0±1%	0.6-1.4%	4.0-6.0%



Section 4

External Factor:
Improved External Resilience

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



US\$bn

Current Account

Capital and Financial Account

Overall Balance

Reserve Asset (rhs)

US\$bn

Q1 2013 Q2 2013 Q3 2013 Q4 2013 Q1 2014 Q2 2014 Q3 2014 Q4 2014 Q1 2015 Q2 2015 Q3 2015 Q4 2015 Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020 Q4 2020 Q1 2021 Q2 2021

2013 2014 2015 2016 2017 2018 2019* 2020* 2021**

Source: Bank Indonesia

Quarter	Current Account (US\$bn)	Capital and Financial Account (US\$bn)	Overall Balance (US\$bn)	Reserve Asset (rhs) (US\$bn)
Q1 2013	-6.5	8.5	-2.0	105
Q2 2013	-10.0	4.5	-3.0	95
Q3 2013	-8.5	8.5	-0.5	90
Q4 2013	-4.5	6.5	2.0	95
Q1 2014	-10.0	14.5	2.0	100
Q2 2014	-7.0	14.5	6.0	105
Q3 2014	-6.0	9.5	2.0	100
Q4 2014	-4.5	5.5	1.0	95
Q1 2015	-4.5	2.0	-1.0	85
Q2 2015	-5.0	0.0	-5.0	80
Q3 2015	-4.5	9.0	4.5	85
Q4 2015	-4.5	4.5	0.0	85
Q1 2016	-5.5	7.0	1.0	95
Q2 2016	-5.5	10.0	4.5	105
Q3 2016	-4.5	7.5	3.0	110
Q4 2016	-2.5	5.5	3.0	115
Q1 2017	-4.5	9.5	5.0	120
Q2 2017	-4.5	7.0	2.0	130
Q3 2017	-5.5	7.0	1.0	135
Q4 2017	-4.5	2.0	-3.0	135
Q1 2018	-7.5	3.0	-4.5	120
Q2 2018	-8.0	4.0	-4.0	110
Q3 2018	-9.5	16.0	6.5	115
Q4 2018	-7.0	9.5	2.5	120
Q1 2019	-7.5	7.0	-0.5	120
Q2 2019	-7.5	7.5	0.0	125
Q3 2019	-8.0	4.5	-3.5	130
Q4 2019	-8.5	13.0	4.5	115
Q1 2020	-9.0	11.0	2.0	120
Q2 2020	-1.5	0.0	-1.5	145
Q3 2020	-1.5	-1.5	-3.0	150
Q4 2020	1.92	0.45	2.23	150
Q1 2021	137.09	1.92	0.45	150
Q2 2021	137.09	1.92	0.45	150

[illegible]

US\$bn

2015: Surplus (US\$7.59bn)

2016: Surplus (US\$8.83bn)

2017: Surplus (US\$11.83bn)

2018: Deficit (US\$8.65bn)

2019: Deficit (US\$3.24bn)

2020: Surplus (US\$21.81bn)

2021: Surplus (US\$14.42bn)

OG Non-OG Total

3.38

2.59

-0.79

Source: BPS

FX Reserves as of July 2021: US\$137.3 bn
(Equiv. to 8.6 months of imports + servicing of government debt)

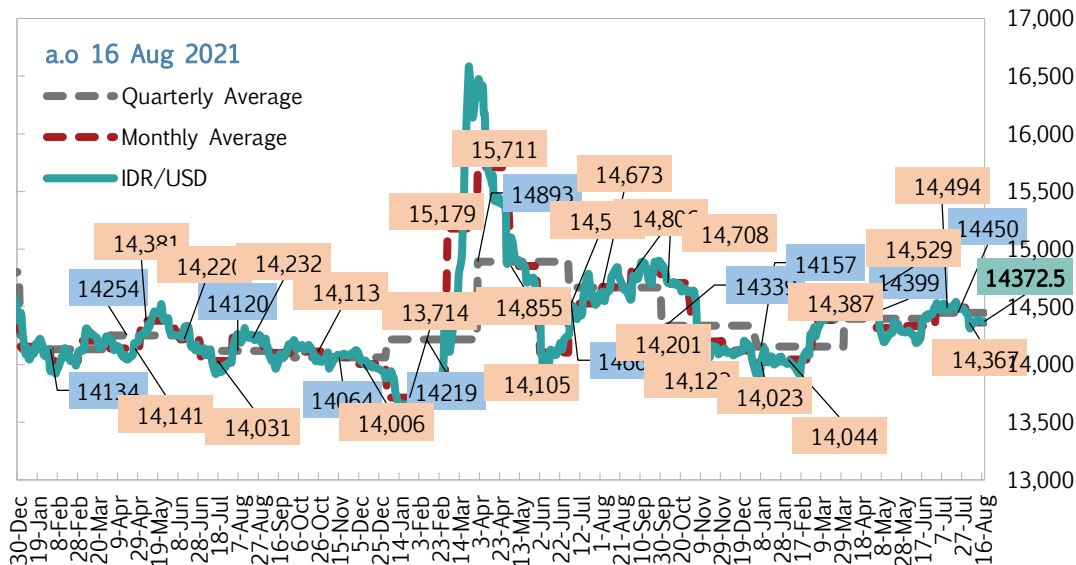
The chart displays two data series over time from 2015 to 2021. The left Y-axis (LHS) represents FX Reserves in billions of US dollars, ranging from 0 to 150. The right Y-axis (RHS) represents the number of months of imports and debt service, ranging from 0 to 15. The X-axis shows time in quarters, with labels for 1, 4, 7, and 10 of each year. The legend indicates that the teal bars represent FX Reserves (LHS) and the black line represents the Month of Import & Debt Service (RHS). Both metrics show a general upward trend, with a significant peak in 2021. The final data point for July 2021 is highlighted with a callout box showing 137.3 for FX Reserves and 8.6 for the Month of Import & Debt Service.

Year	Quarter	FX Reserves (LHS) in bn	Month of Import & Debt Service (RHS)
2015	1	~100	~8.0
2015	4	~100	~8.0
2015	7	~100	~8.0
2015	10	~100	~8.0
2016	1	~100	~8.0
2016	4	~100	~8.0
2016	7	~100	~8.0
2016	10	~100	~8.0
2017	1	~100	~8.0
2017	4	~100	~8.0
2017	7	~100	~8.0
2017	10	~100	~8.0
2018	1	~100	~8.0
2018	4	~100	~8.0
2018	7	~100	~8.0
2018	10	~100	~8.0
2019	1	~100	~8.0
2019	4	~100	~8.0
2019	7	~100	~8.0
2019	10	~100	~8.0
2020	1	~100	~8.0
2020	4	~100	~8.0
2020	7	~100	~8.0
2020	10	~100	~8.0
2021	1	~100	~8.0
2021	4	~100	~8.0
2021	7	~100	~8.0
2021	10	~100	~8.0
2021	1	137.3	8.6

Exchange Rate In Line with Fundamentals

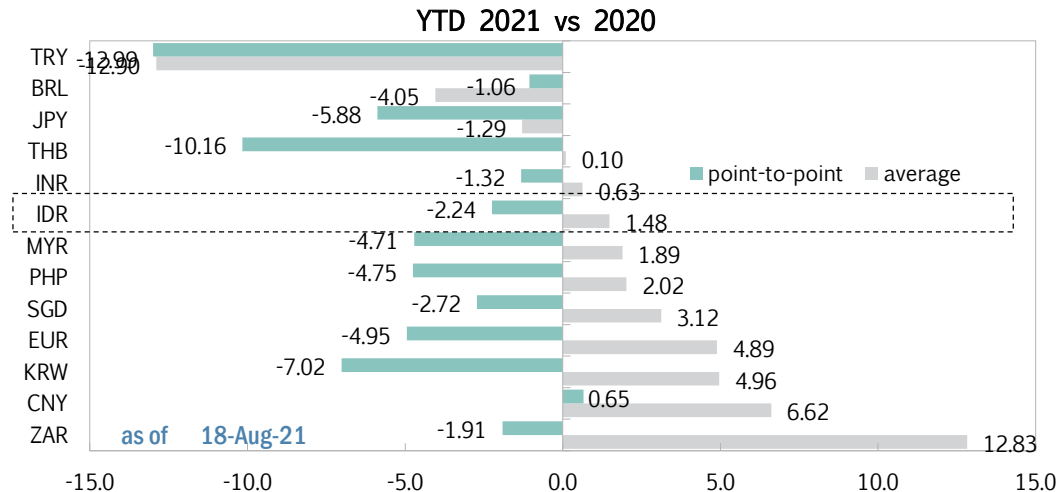


Movement of Rupiah

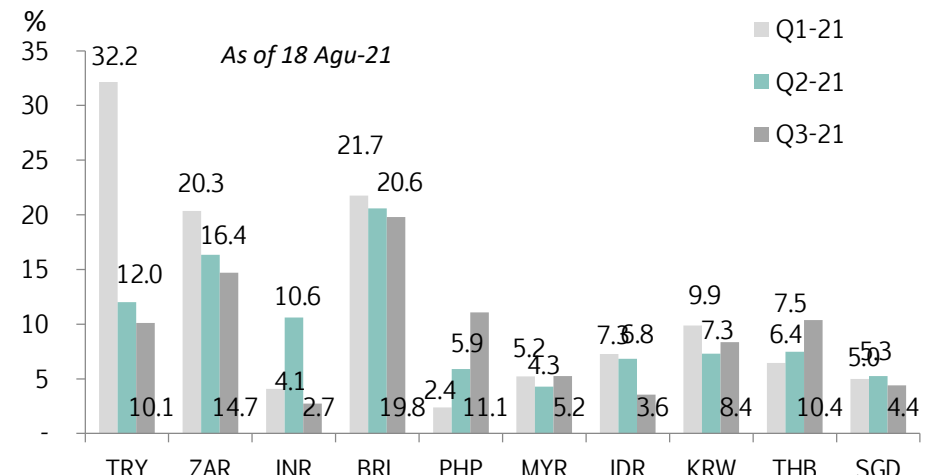


The Rupiah is strengthening in response to Bank Indonesia's stabilisation measures and maintained foreign capital inflows to domestic financial markets. As of 18th August 2021, the rupiah appreciated 0.89% on average and by 0.63% (ptp) on the July 2021 level. The stronger rupiah is supported by increasing foreign capital inflows to domestic financial markets in line with lower global financial market uncertainty and the positive perspective of investors concerning the domestic economic recovery. As of 18th August 2021, therefore, the rupiah recorded 2.24% (ytd) depreciation on the level recorded at the end of 2020, which is lower than depreciation in several other peer countries, including the Philippines, Malaysia and Thailand. Bank Indonesia constantly strengthens rupiah exchange rate stabilisation measures in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Rupiah Exchange Rate Volatility



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 July 2021: **US\$137.3 bn**

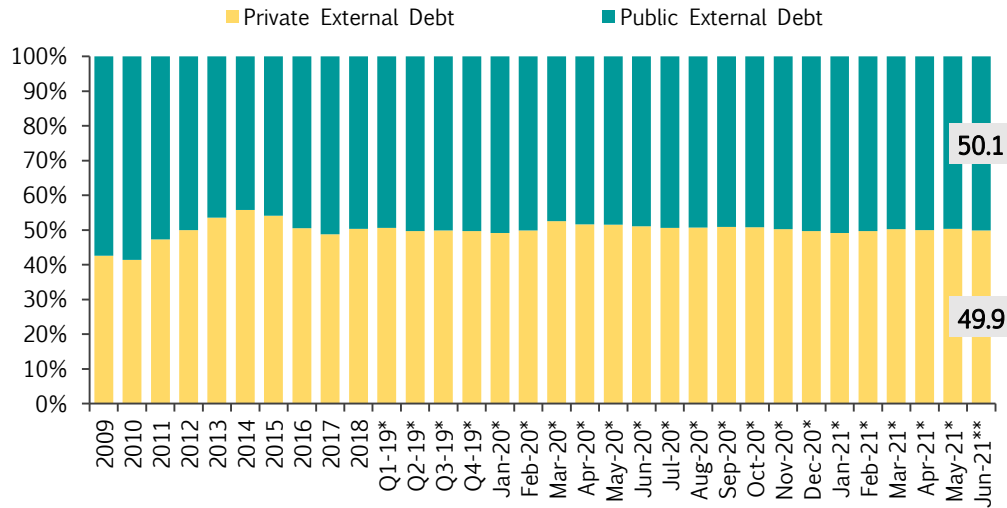
Swap Arrangement

Bilateral	Japan	<ul style="list-style-type: none"> • Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2018 • The facility is available in USD and JPY
	Singapore	<ul style="list-style-type: none"> • Renewed a one year SGD/IDR swap arrangement with the size up to USD7 bn (equivalent) in November 2020
	China	<ul style="list-style-type: none"> • Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018
	Malaysia	<ul style="list-style-type: none"> • Established a 3 year RM/IDR swap arrangement with a size up to USD2 bn (equivalent) in September 2019
Regional	ASEAN Swap Arrangement (ASA)	<ul style="list-style-type: none"> • Entitled to a maximum swap amount of USD600 million under ASA • The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million • Increased in size to U.S.\$2 billion in 2005
	Chiang Mai Initiative Multilateralization (CMIM) Agreement	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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)

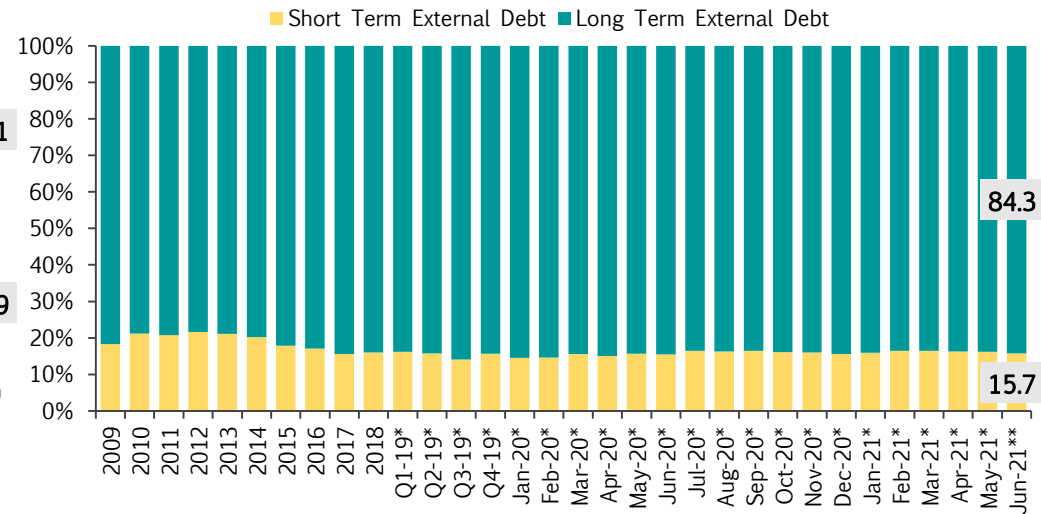
Healthy External Debt Profile



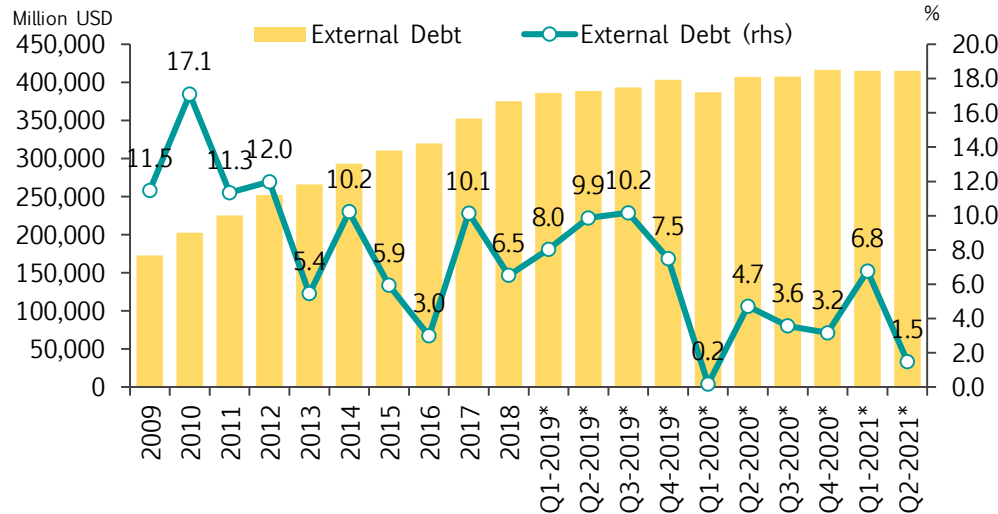
External Debt Structure



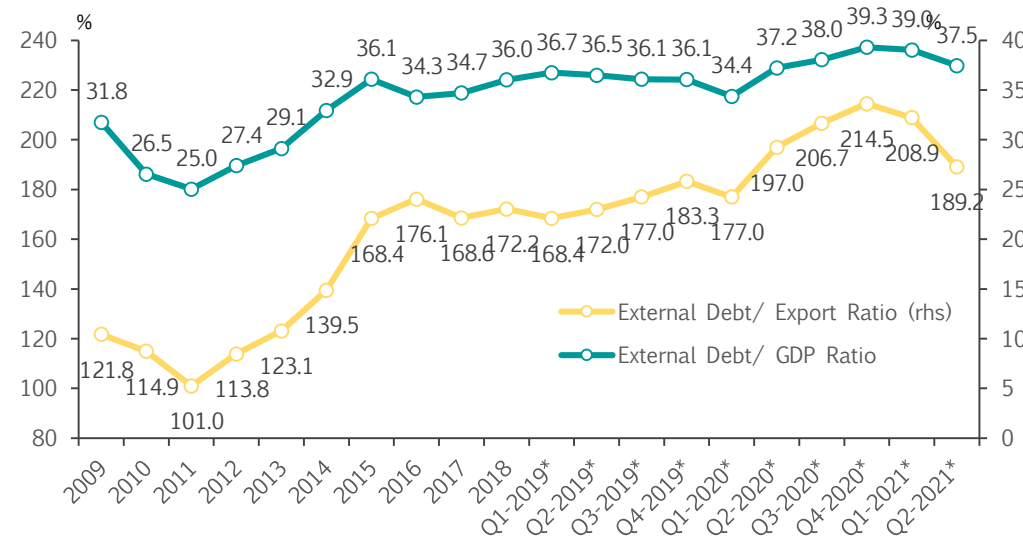
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable

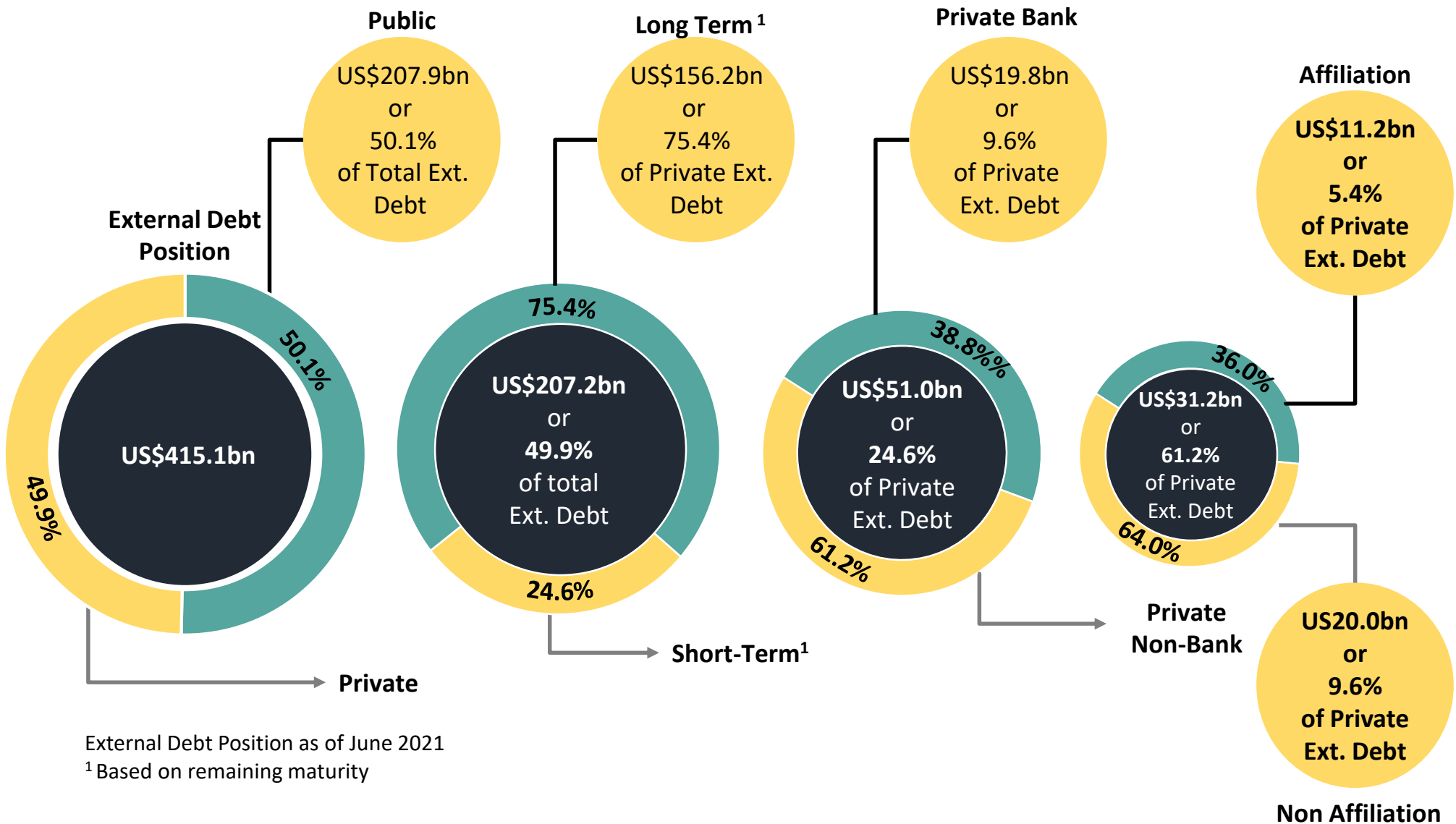


External Debt to GDP Ratio & Debt to Export Ratio



Manageable External Debt Profile

Short term non-bank corporate debt (non affiliation) represents only 4.8% of total external debt



External Debt Position as of June 2021

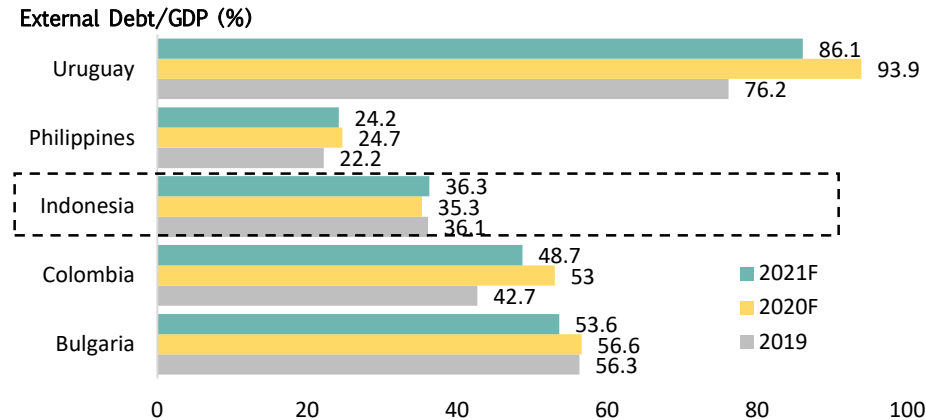
¹ Based on remaining maturity

Source: External Debt Statistics of Indonesia, August 2021

Strengthened Private External Debt Risk Management



Debt Burden Indicator (External Debt/GDP) Remains Comparable to Peers Rating



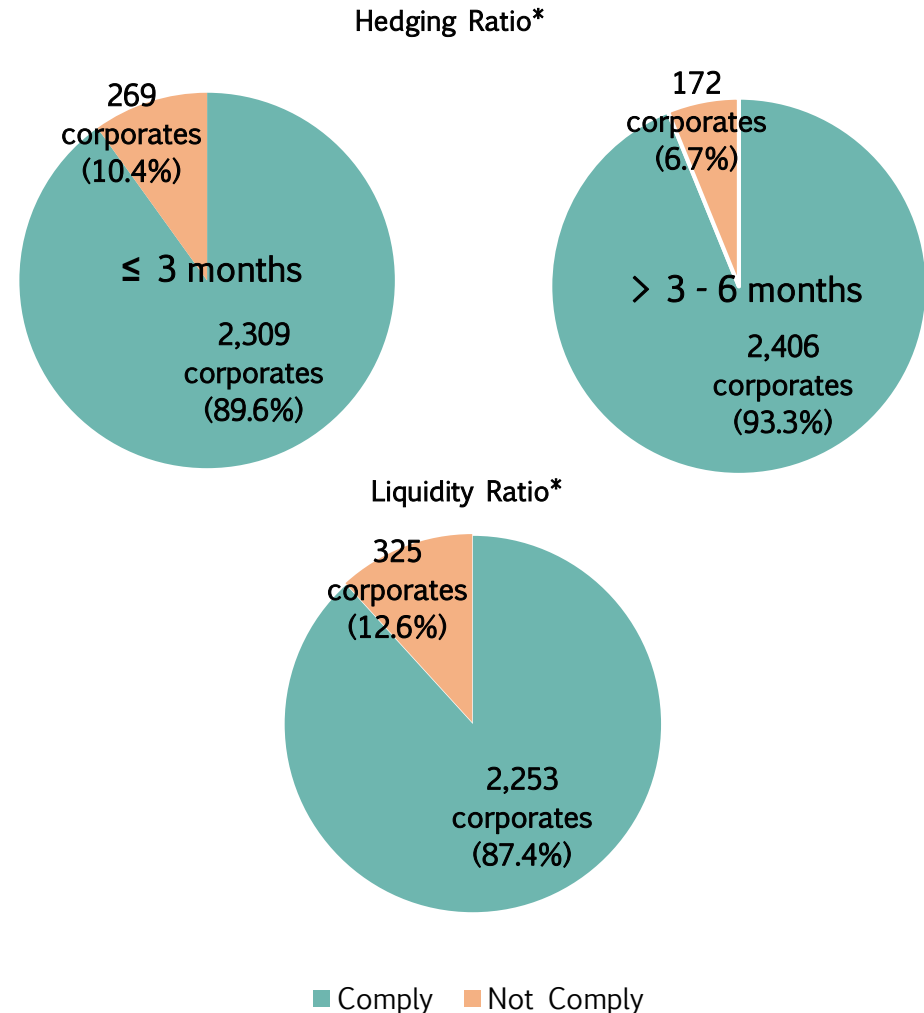
Source: Moody's Credit View Fundamental Data, July 2020

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

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



*Data as of Q4 2020, with total population 2,578 corporates
Source: Bank Indonesia

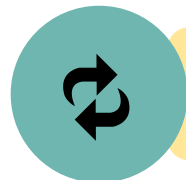
Solid Policy Coordination In Managing Financial Markets Volatility



The enactment of Law No. 9/2016 regarding Prevention and Mitigation of Financial System Crises as a legal foundation for the government to serves at the time of financial crisis in the form of **Financial System Stability Committee (KSSK)**



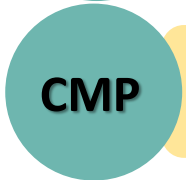
KSSK members: the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the Deposit Insurance Corporation



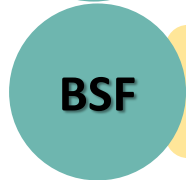
Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)



Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

- **Indicators:**
 - Yield of benchmark series;
 - Exchange rate;
 - Jakarta Composite Index;
 - Foreign ownership in government securities
- **Policies** to address the crisis at every level :
 - Repurchase the government securities at secondary market
 - Postpone or stop the issuance

Bond Stabilization Framework

First Line of Defense

State's Budget	Buyback fund at DG of Budget Financing and Risk Management
	Investment fund at Public Service Agency (BLU) (min. level Aware)
State Owned Enterprises (BUMN)'s Budget	Related SOEs (min. level Aware)
Social Security Organizing Agency (BPJS)'s Budget	BPJS (min. level Aware)

Second Line of Defense

State's Budget	State General Treasury Account (Rekening KUN) (min. level Alert)
	Accumulated cash surplus (SAL) (min. Level Crisis)



Section 5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility

Indonesia Fiscal Policy Responses During Covid-19 Pandemic

COVID-19 handling, recovery acceleration and reforms pave way towards economic transformation



EXTRAORDINARY POLICY

Extraordinary policy to respond the impact of the COVID-19 pandemic

IMMEDIATE RESPONSE:

- Perpu No.1/2020 → UU No.2/2020
- Increasing the budget deficit to address COVID-19 and economic recovery program's (PEN)



REOPENING POLICY

Commitment to COVID-19 handling and economic recovery

FISCAL STIMULUS TO SUPPORT REOPENING

- Accelerating Covid-19 containment,
- Providing jump start for the economy,
- Commencing national economic recovery program



RECOVERY & REFORM POLICY

Commitment to continuing reforms

ACCELERATING RECOVERY & COMMITTING REFORMS

- Improving and strengthening human & physical capital
- Institutional & regulatory Reform
- Transforming the economy



FISCAL CONSOLIDATION

Smooth fiscal consolidation

FISCAL DISCIPLINE TOWARDS LONG TERM SUSTAINABLE BUDGET

- Deficit 3% of GDP in 2023;
- Manageable debt risk

2020

2021-2022

2023



Expansion of The Social Protection Programs

Protecting People from Covid-19 and Reduce Incredible Economic Pressure

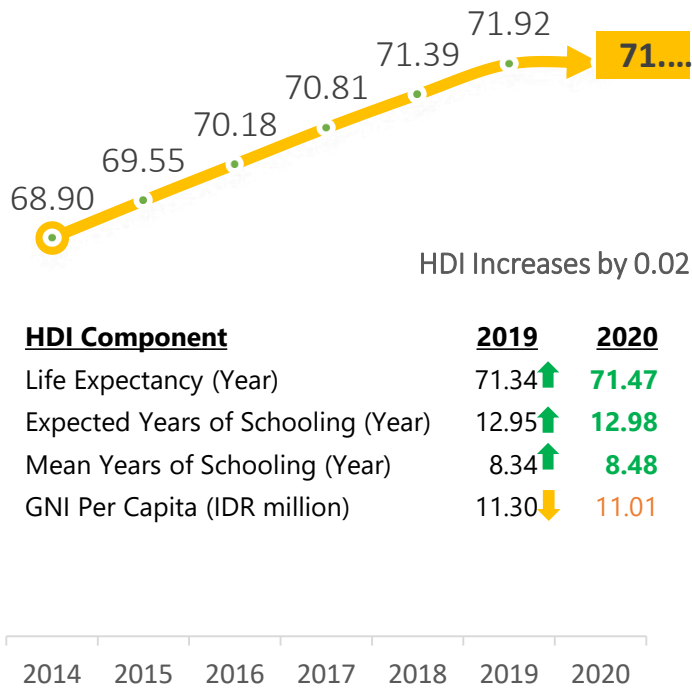
The Social Protection Policy since 2020 and expanded today, plays a very important role in **protecting the poor and vulnerable**

Hardship Support	Family Hope Program (PKH) 10 million families
	Cash Transfer 10 million families
	village funds unconditional cash transfers) 8 million families Electricity Discount 32.6 million beneficiaries
Food and Education Support	Staple Food Card 24.7 million families
	Rice Assistance 28.8 million families
	Internet Quota Subsidy for Online Learning 38.1 million people
Support to the Workforce	Pre-Employment Card 5.9 million people
	Wage Subsidy 8.8 million workers

Note: the figure above is the 2021 target as of July 2021, the number of basic food card recipients is a combination of 18.8 million regular staple food card recipients and an additional 5.9 million recipients during the restriction mobility period
source: Statistic Indonesia, Ministry of Finance

The quality of human resources is maintained through the provision of **health services and adequate education** even during the pandemic

Source: Statistics Indonesia



HDI Component	2019	2020
Life Expectancy (Year)	71.34↑	71.47
Expected Years of Schooling (Year)	12.95↑	12.98
Mean Years of Schooling (Year)	8.34↑	8.48
GNI Per Capita (IDR million)	11.30↓	11.01

The impact of the pandemic on people's welfare **can be restrained** and begin to **gradually recover**

OPEN UNEMPLOYMENT RATE (TPT)

February 2021
6.26% (TPT)
8.75 million ppl

Declining rate on Feb 21 compare to Aug 20
0,81 p.p
1.02 million ppl

The economic recovery has created 2.61 million new jobs in the period Sept 20 – Feb 21

POVERTY RATE

March 2021
10.14%
27.54 million ppl

Declining rate on Mar 21 compare to Sept 20
0,05 p.p
0,01 million ppl

The reduction in poverty and inequality levels is driven by improved job opportunities and the sustainability of the National Social Security Policy for 2021



State Budget Keeps Supporting Pandemic Handling and Economic Recovery

- In line with economic activity improvement and government support in Covid-19 pandemic handling and economic recovery

Account (IDR T)	2020				2021			
	Budget ¹	Realized ²	% of Budget ³	YoY (%)	Budget	Realized ⁴	% of Budget	YoY (%)
Revenue	1,647.8	922.5	54.3	(12.3)	1,743.6	1,031.5	59.2	11.8
Tax Revenue	1,072.1	602.0	50.2	(14.7)	1,229.6	647.7	52.7	7.6
Customs & Excise	213.0	109.1	53.0	3.7	215.0	141.2	65.7	29.5
Non Tax Revenue	343.8	209.0	71.1	(13.5)	298.2	242.1	81.2	15.8
Expenditure	2,595.5	1,252.4	45.7	1.3	2,750.0	1,368.4	49.8	9.3
Central Government Expenditure	1,833.0	793.6	40.2	4.2	1,954.5	952.8	48.7	20.1
Regional Transfer & Village Funds	762.5	458.8	60.1	(3.4)	795.5	415.5	52.2	(9.4)
Primary Balance	(633.6)	(147.1)			(633.1)	(143.6)		
Surplus (Deficit)	(947.7)	(329.9)			(1,006.4)	(336.9)		
<i>% to GDP</i>	<i>(6.14)</i>	<i>(2.14)</i>			<i>(5.70)</i>	<i>(2.04)</i>		
Financing	1,193.3	502.7	48.4	115.2	1,006.4	447.8	44.5	(10.9)
Budget Surplus (Deficit)	245.6	172.9				110.9		

Revenue

- Tax Revenue grew positively in line with improving economic activity and international trade.
- Non-tax revenue increased in line with the upward trend in commodity prices, especially oil, minerals, coal, and CPO.
- Fiscal incentives are optimized for the handling of the Covid-19 pandemic and support for the business.

Expenditures

- Government spending is accelerated to support Covid-19 handling and national economic recovery at the central and regional levels.
- The 2021 APBN Law provides flexibility for the management of state expenditures through refocusing and reallocating the budget.

Financing

- The Budget Deficit and Financing is in line with the countercyclical policy implemented by the government

(1) LKPP Audited 2020, (2) As of July 31, 2020, (3) % to Presidential Regulation 72/2020, (4) As of July 31, 2021



Economic Recovery Policy Framework 2021

Social Protection Programme For bottom 40 and the vulnerable group:
PKH, Sembako card, BST, BLT DD,
Pre employment, electricity discount,
internet subsidy

**SURVIVAL
AND
RECOVERY
KIT**

Maintaining Business Continuity

- Support for SMEs and cooperation
- Priority programs to support job creation



Through the Job Creation Law to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)



**STRUCTURAL
REFORM**

**HEALTH
INTERVENTION**



**GAME
CHANGER
2021**



NATIONAL ECONOMIC RECOVERY

- **Free Vaccination** → for 181.5 million people to achieve herd immunity
- **Encouraging 3M 3T**
- **Other intervention** → Health facilities, Health Protective Equipment

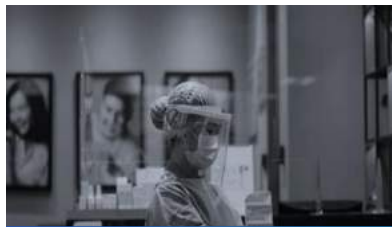


The State Budget Has Remained Flexible And Responsive To Give Full Support

As of August, the realization of PEN amounted IDR 326.74 T or 43.9% of the budget



The allocation of the 2021 PEN programme (IDR774.75 T) increased compared to the realization of the 2020 (IDR575.2 T)



HEALTH SECTOR

Budget: **IDR214.96 T**
Realization: **IDR77.18T**
(**35.9%**) of budget

- Vaccine Procurement
- Medical Facilities and Infrastructure
- Health Care Claim Costs
- Medical Personnel Incentives and death compensation
- BPJS Contribution Assistance for PBPU / BP



SOCIAL PROTECTION

Budget: **IDR186.64 T**
Realization: **IDR99.33T**
(**53.2%**) of budget

- PKH 9.9 million beneficiaries (KPM)
- Basic Food/SEMPAKO Card
- Pre-Employment Card
- Cash Transfer - Village Fund
- Cash Social Assistance 10 million KPM
- Internet Subsidy
- Electricity Discount
- Job Loss Guarantee Contribution



SMEs SUPPORT

Budget: **IDR162.40 T**
Realization: **IDR48.02T**
(**29.6%**) of budget

- KUR and non- KUR interest subsidy
- Micro business assistance (BPUM)
- Loss Limit Guarantee for MSMEs & Corporation
- Guarantee services (IJP) of MSMEs and cooperatives
- Placement of Funds



PRIORITY PROGRAMMES

Budget: **IDR117.94T**
Realization: **IDR50.25T**
(**42.6%**) of budget

- Tourism Supports
- Food Security/Food Estate
- Loan to Regions
- Labor Intensive Program
- Other Priority Programs



BUSINESS INCENTIVES

Budget: **IDR62.83T**
Realization: **IDR51.97T**
(**82.7%**) of budget

- Government-Borne Income Tax
- Income Tax Exemption on Import
- VAT Refund
- Government-Borne Income Tax for MSMEs
- Incentives on sales tax of luxurious good for motor vehicle
- VAT Incentives for property sector

Significant Progress on Social Protection and Health Cluster

Realization of pen 2021 until august 20 reached IDR 326.74 T or 43.9% of budget DR744.77 T



HEALTH

Budget IDR214.96 T
Realization IDR77.18 T (35.9%)

Real until Q2: Rp47.71 T

Benefit

- Use for Pondok Gede Hajj Dormitory Emergency Hospital
- Distribution of Medicine Packages for Public
- Treatment costs for 426.94 Thousand Patients
- Health worker incentives for 861.9 thousand health workers and Death Compensation for 278 health workers
- Procurement of 81.42 million doses of vaccine
- National Health Insurance (JKN) Contribution Assistance for 19.15 million people

SOCIAL PROTECTION

Budget IDR186.64 T
Realization IDR99.33 T (53.2%)

Benefit

Real until Q2: Rp66.43 T

- Family Hope Program (PKH) for 9.9 million family beneficiaries (KPM) and Sembako Card for 16.1 million KPM
- Cash Assistance Beneficiary (BST) for 10 million KPM and BLT Desa for 5.51 million KPM
- Pre-Employment Card for 2.82 million people
- Internet Quota Assistance for 35.95 million beneficiaries
- Electricity Subsidy for 32.6 million beneficiaries
- Wage Subsidy Assistance (BSU) for 2.09 million workers
- Rice assistance for 28.8 million KPM

MSME AND CORPORATE SUPPORT

Budget IDR162.40 T
Realization IDR48.02 T (29.6%)

Benefit

Real until Q2: Rp51.27 T*

- Micro Business Aid (BPUM) 11.84 million businesses
- Guarantee Service Fee (IJP) for MSMEs for 2.04 million MSMEs
- IJP for Corporate for 26 Corporates
- Placement of Funds with banks with total credit disbursement since 2020 has reached Rp417.57 T to 5.31 million debtors
- Interest Subsidy for KUR and Non-KUR for 4.47 million debtors

* reduced due to maturity of the outstanding fund placement

PRIORITY PROGRAM

Budget IDR117.94 T
Realization IDR50.25 T (42.6%)

Benefit

Real until Q2: Rp41.83 T

- Line Ministries Work-Intensive for 928.2 thousand health workers
- Tourism such as Tourism DAK (such as connectivity and accessibility of destinations) as well as CHSE certification and health workers accommodation in order to improve the hospitality industry
- Food Security such as for the construction of dams and food estates
- Regional Loan Facility Rp10 T through PT. SMI

BUSINESS INCENTIVES

Budget IDR62.83 T
Realization IDR51.97 T (82.7%)

Benefit

Real until Q2: Rp45.07 T

- Income Tax Art 21 Borne by Government (PPH 21 DTP) for 76,025 Employer
- MSME Final Income Tax DTP for 125,198 MSMEs
- Exemption of Income Tax Art 22 for Import for 9,305 taxpayers
- Installment reduction of Income Tax Art 25 for 56,858 taxpayers
- VAT Preliminary Refund for 1995 taxpayers
- Lowering of Benefit Corporate Income Tax Rates for all taxpayers
- VAT DTP Property for 574 Sellers for 7,069 Buyers
- Luxury Goods Tax for Car Sales for 6 Sellers for 89.05 Thousand Units

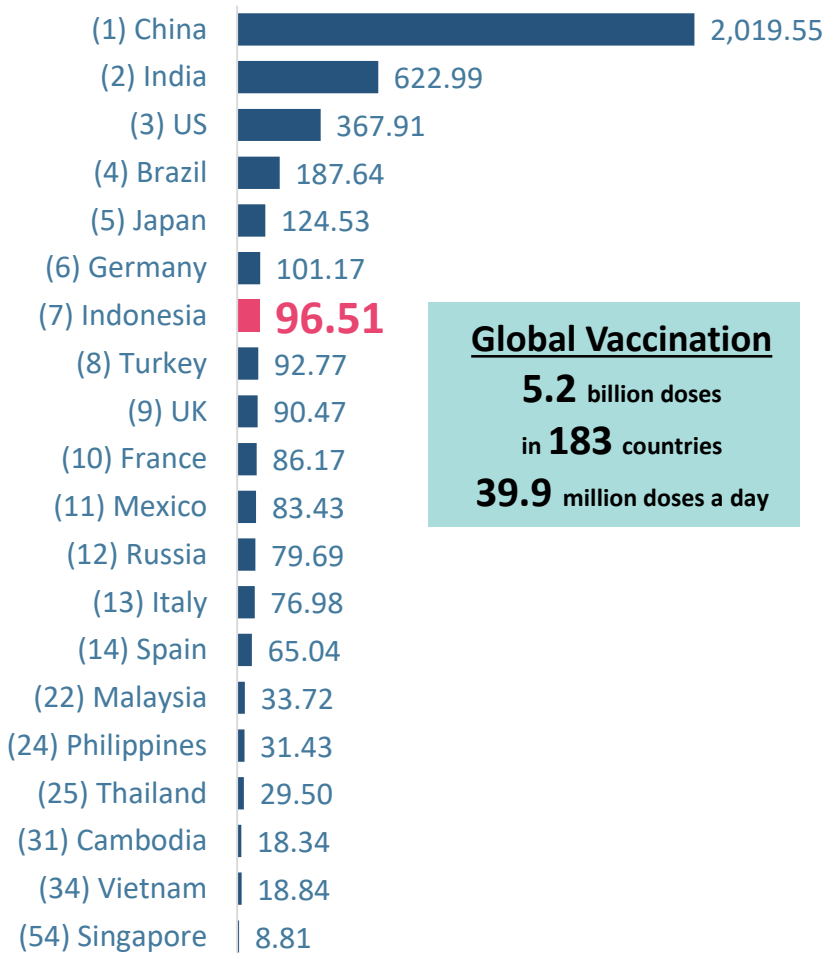


Vaccination Keep Progressing

Continue to be accelerated as one of the main efforts in controlling the pandemic

COVID-19 Cumulative Vaccination Number (Doses)

As Of 29 August 2021



Global Vaccination

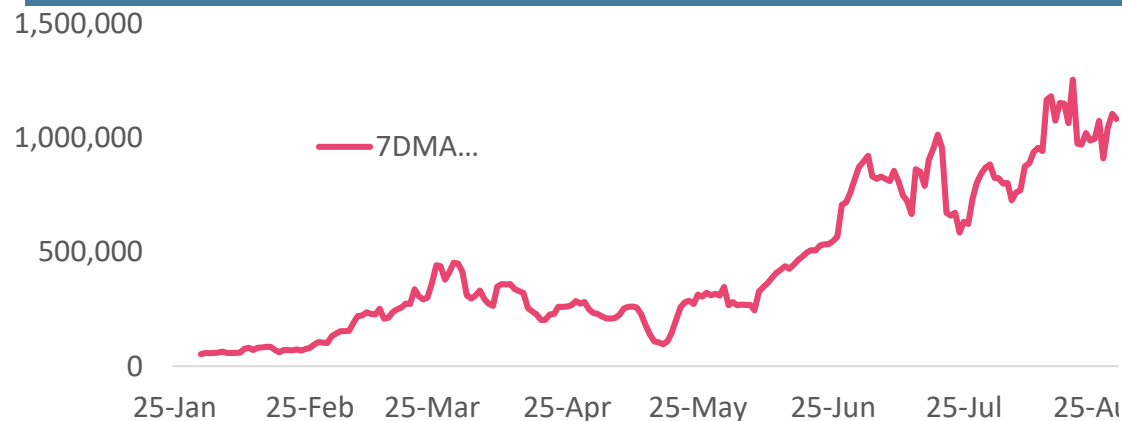
5.2 billion doses

in **183** countries

39.9 million doses a day

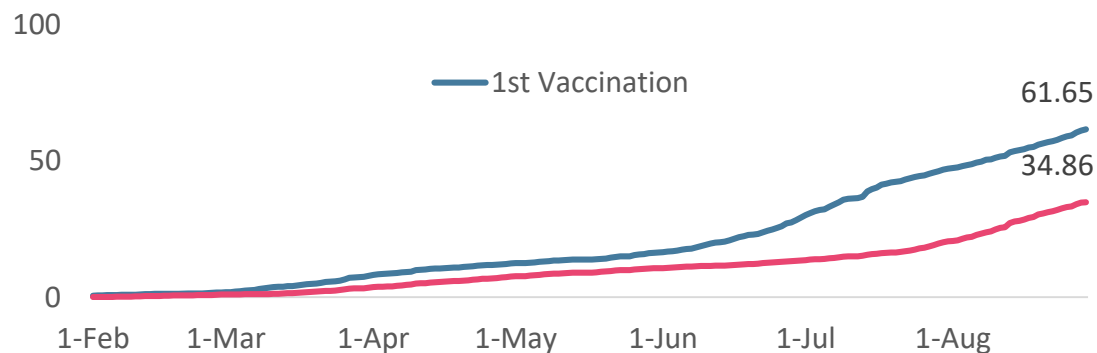
Indonesia 7DMA Daily Vaccination

As Of 29 August 2021



Cumulative Realization, 1st and 2nd Doses (Million Doses)

As of 29 August 2021





The Collaboration of Government, Central Bank, OJK, IDIC In Supporting Economic Stability And Recovery

INTEGRATED MEASURES BY INDONESIAN FINANCIAL SYSTEM STABILITY BOARD (KSSK)

Central Bank

- **Monetary:** stabilizing exchange rate, participation in gov't bond primary market, lowering policy rate, QE
- **Macroprudential:** Sectoral RIM, relaxing reserve requirement rates
- **Payment system:** accelerating electronic transaction system, fintech

Indonesia Deposit Insurance Corporation

- Lowering premium
- Relaxing payment period for insurance premium and reporting schedule of single customer view system

Government

Cash flow support: Tax expenditures, tax incentives, electricity bills discount

Financing support: Interest subsidy for MSME loan, guarantee of working capital loan

Recovery programs: Labor intensive programs, support for tourism

Financial Services Authority

- Relaxing loan restructuring regulation
- Relaxing maximum limit of credit exposure on certain sectors
- Relaxing risk-weighted assets for property and automotive loan

- Policies with direct implication to the economy in both supply and demand side
- Stimulating banks' role as intermediary agent in providing financing facility for businesses to jump-start or expand with lower financing cost

Stronger and more sustainable economic recovery

Enablers:

- Accelerated vaccination
- Implementation of Job Creation Law

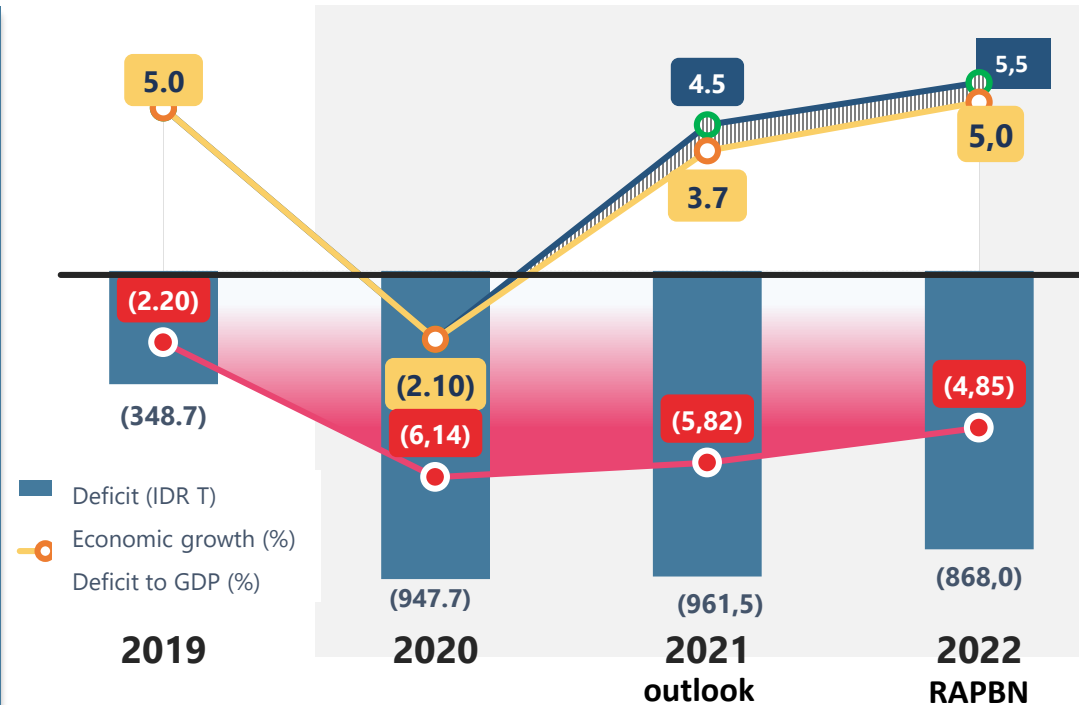
2022 Proposed State Budget Focused On Supporting Economic Recovery And Structural Reform



Fiscal consolidation is carry on while anticipating the uncertainty



- Covid-19 handling and vaccination are the key for the economic recovery
- The dynamics of the Covid-19 pandemic in 2021 and the risk of uncertainty in 2022 need to be anticipated in the implementation of 2021 budget and the 2022 fiscal policy
- The theme of the 2022 Fiscal Policy is to continue support for the Economic Recovery and Structural Reform
- The 2022 proposed budget will focus on health sector and strengthening community protection while remaining flexible in anticipating the uncertainty



- In 2023 fiscal deficit at <3% of GDP according to the mandate of Law 2/2020.
- In 2022 proposed budget, the deficit is maintained at around 4.85% of GDP to give smooth trajectory for fiscal consolidation process.



2022 PROPOSED BUDGET POSTURE

Deficit of 4.85% of GDP with flexibility to anticipate the uncertainty

Account (IDR T)	2019	2020		2021		2022	
	Audited	Audited	Growth(%)	Outlook	Growth(%)	Proposed Budget	Growth (%)
State Revenue*	1,960.6	1,647.8	(16.0)	1,735.7	5.3	1,840.7	6.0
Tax Revenue	1,546.1	1,285.1	(16.9)	1,375.8	7.1	1,506.9	9.5
Non Tax Revenue	409.0	343.8	(15.9)	357.2	3.9	333.2	(6.7)
State Expenditure	2,309.3	2,595.5	12.4	2,697.2	3.9	2,708.7	0.4
Central Government Expenditure	1,496.3	1,833.0	22.5	1,927.0	5.1	1,938.3	0.6
Regional Transfer & Village Funds	813.0	762.5	(6.2)	770.3	1.0	770.4	0.02
Primary Balance	(73.1)	(633.6)	766.8	(595.3)	(6.0)	(462.2)	(22.4)
Surplus (Deficit)	(348.7)	(947.7)	171.8	(961.5)	1.5	(868.0)	(9.7)
<i>% to GDP</i>	<i>(2.20)</i>	<i>(6.14)</i>		<i>(5.82)</i>		<i>(4.85)</i>	
Financing	402.1	1,193.3	196.8	961.5	(19.4)	868.0	(9.7)

State Revenue IDR 1,840.7 T

- ☐ Tax Revenue is projected at IDR 1,506.9 T supported by recovery and optimization policies.
- ☐ Non-tax revenue IDR 333.2 T due to not recurring non-service revenue and optimization government share of oil and gas revenue.

State Expenditure IDR 2,708.7 T

Directed to support policies synergies in health care, community protection and economic recovery

- ☐ Central government expenditure IDR 1,938.3 T include:
 - Expenditure reserves IDR 61.8 T
 - Health spending and vaccination in PEN Programme IDR 44.0T
- ☐ Transfer to Region and Village Funds IDR 770.4 T

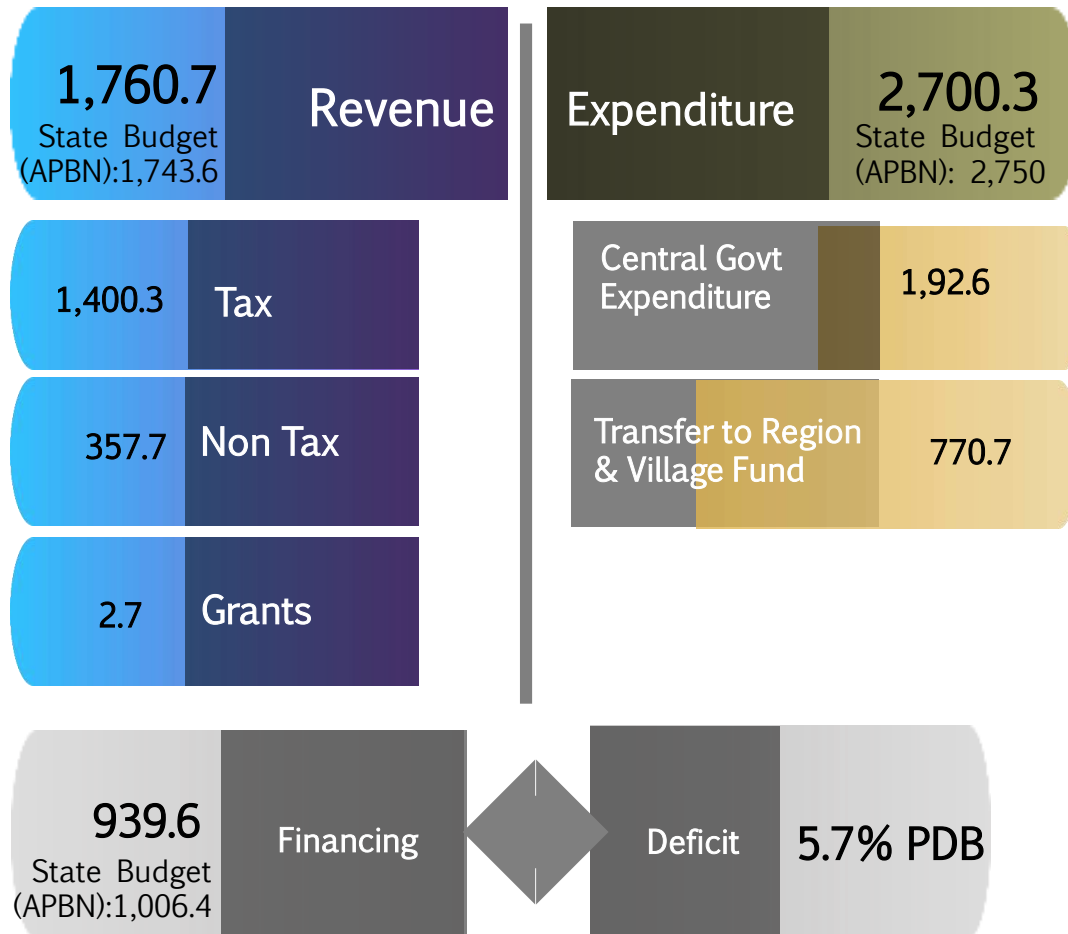
Deficit and Budget Financing IDR 868.0 T (decreased by 9.7%)

- ☐ Fiscal deficit ratio 4.85% of GDP
- ☐ With efficient and prudent financing sources, including the use of budget surplus (SAL)

2021 Budget Financing



Macroeconomic Assumption for 2021 Budget	Economic Growth 5%	Inflation 3%	Exchange Rate 14.600 IDR/USD	10 years T-Bills Rate 7.29%	ICP US\$ 45 per barrel	Oil Lifting 705 thousand barrel/day	Gas Lifting 1.007 thousand barrel of oil equivalent/day
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STATE REVENUE POLICY

- Supporting national economic recovery by providing tax incentives selectively and prudently calculated
- Cutting the red tape to accelerate national economic recovery
- Improving public services to optimize non-tax revenue

EXPENDITURE FOCUS

- Handling COVID-19 and supporting health programs
- Continuing social safety net to lay a solid foundation of inclusive economic recovery
- Expanding access to capital for MSMEs and cooperatives through interest subsidy
- Supporting programs activities for impacted sectors (e.g. Tourism)

FINANCING STRATEGY

- Supporting the restructuring of SOEs, PSA, Sovereign Wealth Fund (SWF)
- Increasing access to financing for MSMEs and housing for low-income household
- Continuing to support higher education,, research and cultural activities

2021 Financing Needs

Include National Economic Recovery (PEN) program funding



Budget Deficit 2021

IDR939,6 T

(5,7% of GDP)



- Investment financing
- Lending
- Liabilities
- Other financing
- Matured debt

Government Securities (GS)

Domestic GS	80 – 85%
Foreign Denominated Bonds	12-15%
Retail GS	3-6%

GS Policy:



Optimization of medium-long tenor domestic GS to mitigate refinancing risk



Foreign GS as a complement to avoid the crowding out effect



Retail GS to increase participation public in financing development



Measurable private placements, consider needs financing and state treasury conditions



Coordination with BI in fulfillment GS issuance target

Loan

Domestic Loan	IDR2.7 T
Foreign Loan - Project	e.q US\$ 2 bio
Foreign Loan - Program	e.q US\$ 5 - 6 bio

Loan Policy:



Program loans can be optimized up to USD6 billion at capacity lenders with consideration cost and risk



USD2 billion project loan according to implementing capacity project



Flexibility of use program loan with target issuance of foreign GS

2021 Financing Strategy

Opportunistic, Measured, and Prudent Financing Strategies to support counter cyclical policies



Debt is used as an instrument to support counter cyclical policy; managed in prudent manner, measurable and opportunistic

Debt Policy

1

Manage debt by maintaining the debt over GDP ratio within the safe limit

2

To adopt a flexible debt management which is responsive in supporting the countercyclical policy, while prudently manage the cost and risk

3

To achieve an efficient debt cost, by doing market deepening exercises:

- investor base widening
- improving the infrastructure in the SBN market
- debt instrument diversification eg. SDG bond issuance and municipal bond/sukuk issuance

4

To maintain macro stability by managing debt portfolio composition optimally.

Overall Funding Strategy

1

Non-debt funding source optimization, including SAL utilization

2

Targeting Loan Program from Development Partners, for both bilateral and multilaterals, i.e. World Bank, ADB, KfW, JICA, EDFC, and AIIB

3

A well targeted SBN (Government Bond) issuance by optimizing all available sources

- Targeting domestic/onshore bond issuance (including retail bond) for up to IDR 80 tn
- Targeting Foreign Currency/Global Bond issuance amount at 12-15% from total SBN funding (subject to market conditions)
- Private Placement from specific institutions

4

Support from Bank Indonesia as the funding of the last resort / back stop

Government Securities Financing Realisation

(a.o July 30, 2021)



	(Trillion IDR)
	Realization (ao. July 30, 2021)
Government Securities (GS)	839.39
Government Debt Securities (GDS)	601.47
IDR Denominated GDS	495.87
- Coupon GDS	405.13
- Conventional T-Bills	38.25
- Private Placement	19.00
- Retail Bonds	33.50
Foreign Denominated Bonds	105.60
- SEC USD-EUR REG SHELF TAKE-DOWN	92.41
- Samurai Bond	13.18
- SEC USD REG SHELF TAKE-DOWN	0.00
- USD Onshore Bonds	0.00
Sovereign Sharia Securities (Sukuk)	237.92
Domestic Sovereign Sharia Securitoes	195.13
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	169.15
- Retail Sukuk	16.73
- Private Placement	9.25
Global Sukuk	42.79

Note:
including GSO transaction

Republic of Indonesia - Dual Currency USD3bn and EUR1bn



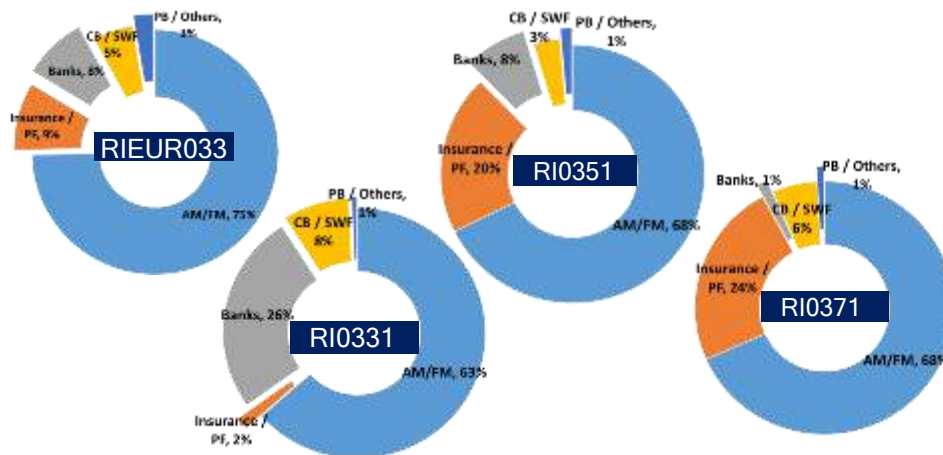
Issuer	Republic of Indonesia			
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)			
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	SEC Registered			
Issue	Senior unsecured fixed rate notes off US SEC Shelf			
Pricing Date	January 5, 2021			
Settlement Date	January 12, 2021			
Currency	USD		Euro	
Size	US\$1.25bio	US\$1.25bio	US\$0.5bio	€1bio
Tenor	Long 10-year	Long 30-year	Long 50-year	Long 12-year
Maturity	March 12, 2031	March 12, 2051	March 12, 2071	March 12, 2033
Coupon (p.a.)	1.850%	3.050%	3.350%	1.100%
Yield	1.900%	3.100%	3.400%	1.174
Price	99.538%	99.020%	98.794%	99.165%
Listing	Singapore, Frankfurt Stock Exchange			
Use of Proceeds	The net proceeds are for general purposes of the Republic of Indonesia, including its Covid-19 relief efforts			

Transaction Highlights

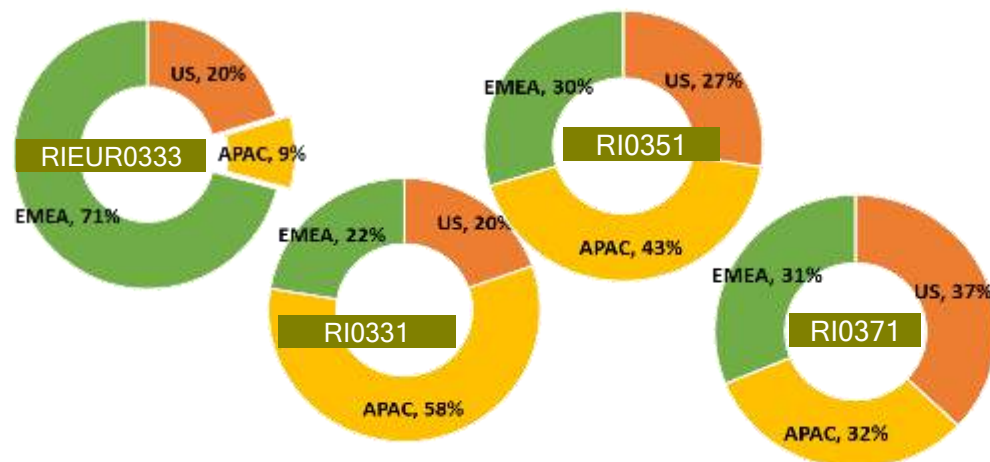
- The lowest yields and coupons throughout the issuance of Indonesian Global Bonds for all tenors and currencies
- All tranches priced inside of the Republic's existing credit curve with negative new issue premium and at the tightest levels for every one of the tranches
- The transaction was well-executed and competitively priced, with final pricing across all tranches pricing 45bps inside of initial price guidance for USD and 40bps inside of initial price guidance for EUR

Source: Ministry of Finance

Investor Breakdown by Investor Type



Investor Breakdown by Geography

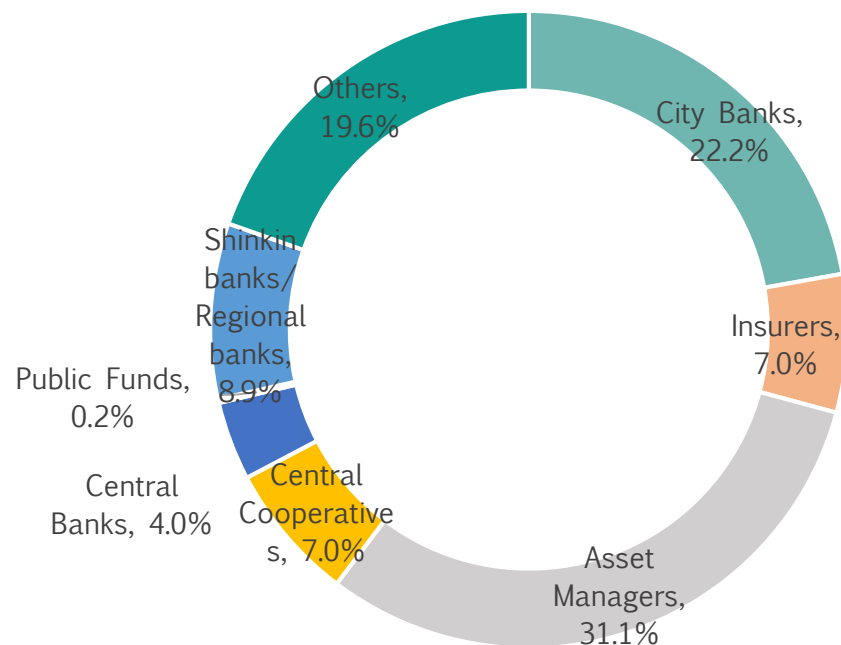


Republic of Indonesia – Samurai Bond JPY100bn



Issuer	Republic of Indonesia			
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)			
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	Samurai Bond (Public Offering)			
Pricing Date	May 21, 2021			
Settlement Date	May 27, 2021			
Deal Size	JPY100bn			
Size	JPY29.0bn	JPY46.8bn	JPY1.2bn	JPY18.2bn
Tenor	3-year	5-year	7-year	10-year
Maturity	May 27, 2024	May 27, 2026	May 26, 2028	May 27, 2031
Coupon	0.33%	0.57%	0.70%	0.89%
Re-offer Spread over Yen Mid Swap (YMS)	YMS+35	YMS+56	YMS+65	YMS+76
Joint Lead Managers	Daiwa/Mizuho/Nomura/SMBC			

Investor Breakdown by Investor Type



Transaction Highlights

- RoI's seventh consecutive year accessing this market with JPY 100 billion or larger sized benchmark transactions since 2015.
- This benchmark sized transaction has been achieved with the lowest JPY spreads and coupon levels in comparison with RoI's past Samurai deals, maintaining a fairly low premium over its USD secondary curves
- The lowest coupon in the history of the issuance of Samurai Bonds for a tenor of 10 years, amounting to 0.89%. This coupon is even lower when compared to the issuance of 10-year Samurai Bonds with JBIC guarantee in 2015 which was at the level of 0.91%.
- RoI successfully issued mid to long tenured tranches (5-year and above) for more than 70% of the total issuance with the lowest ever dependency on 3-year tenor. This significant demand shift from 3-year tranche to longer tenors reflected investors' confidence on RoI's fundamentals.

Republic of Indonesia – Global Sukuk USD3bn



Issuer	Republic of Indonesia		
Issue Format	144A/Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate (“Sukuk”) issued under a USD\$25billion Trust Certificate Issuance Program		
Issuer Rating	Baa2 Moody’s (Stable) / BBB S&P (Neg) / BBB Fitch (Stable)		
Pricing Date	02 June 2021		
Issue Date	09 June 2021 (T+5)		
Tenor	5-year Sukuk	10-year Sukuk	30-year Green Sukuk
Maturity	9-Jun-26	9-Jun-31	9-Jun-51
Tranche Size	USD1.25B	USD1.00B	USD750M
Profit Rate	1.5% fixed, semiannual, 30/360	2.55% fixed, semiannual, 30/360	3.55% fixed, semiannual, 30/360
Re-Offer Price	100.00%	100.00%	100.00%
Re-Offer Spread	UST +70.4bps	UST +95.7bps	UST +125.5bps
Listing	SGX-ST and Nasdaq Dubai		
Joint Bookrunners	CIMB, Citigroup, Dubai Islamic Bank, HSBC, SCB (B&D)		
Co-Managers	PT BRI Dana Sekuritas, PT Trimegah Sekuritas Indonesia Tbk		

Transaction Highlights

- Republic of Indonesia marked their annual return to the Sukuk market with the issuance of Global Sukuk which was very well received by investors by generating a total order book in excess of USD 10.3 billion reflecting an oversubscription of more than 3.43x.
- The transaction was carried out in line with the 2021 financing strategy, including accommodating the needs of the state budget in handling the impact of the Covid 19 pandemic.
- The USD 3 billion issuance also included a Green Tranche. The Green tranche was issued under the 30 year tenor for the first time, which is also the first in the world, after consistently issuing Green Sukuk with a 5 year tenor every year since its debut in 2018. This aptly demonstrates the Republic's dedication and long term commitment to Green and sustainable finance, as well as pioneering financing methods in the fight against climate change.

Source: Ministry of Finance

Investor Breakdown by Investor Type



Investor Breakdown by Geography



Achievement

- Lowest ever 5, 10 and 30 year yield, spread over UST and profit rate achieved by the Republic of Indonesia for global Sukuk issuance,
- First ever 30 year Green Sukuk issuance in the world,
- Robust investor orderbook allowed pricing below fair value across all tranches.

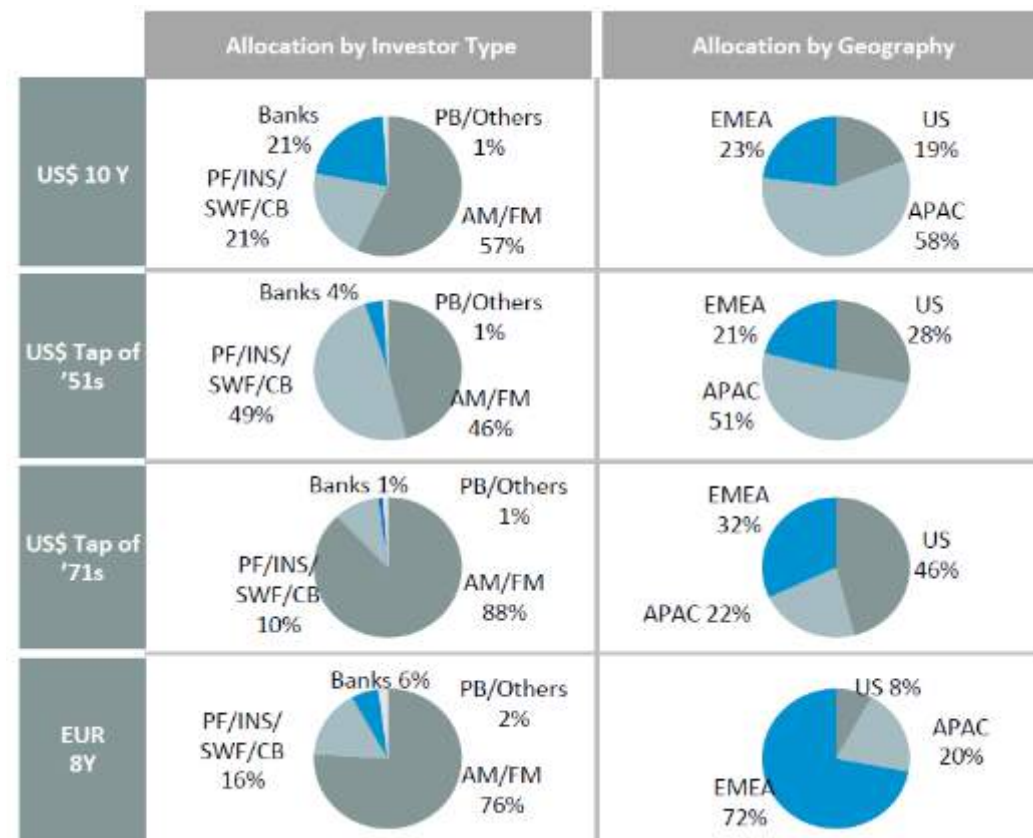
Challenges

- Global financial market conditions are very volatile and still affected by the Covid 19 pandemic
- Performed under WFH conditions
- No roadshow.

Republic of Indonesia – Dual Currency USD1,65bn and EUR500mio



Issuer		Republic of Indonesia	
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)		
Format	SEC Registered		
Pricing Date	July 21, 2021		
Settlement Date	July 28, 2021		
Currency	USD		
Series	RI0731	RI0351 (Reopening)	RI0371 (Reopening)
Issue Size	US\$600 million	US\$750 million	US\$300 million
Tenor	10-year	30-year	50-year
Maturity	July 28, 2031	March 12, 2051	March 12, 2071
Coupon (p.a.)	2,150%	3,050%	3,350%
Yield	2,200%	3,100%	3,350%
Price	99,553%	99,031%	99,995%
Listing	Singapore, Frankfurt Stock Exchange		
Use of Proceeds	General Purposes, Including Covid-19 relief efforts		



Transaction Highlights

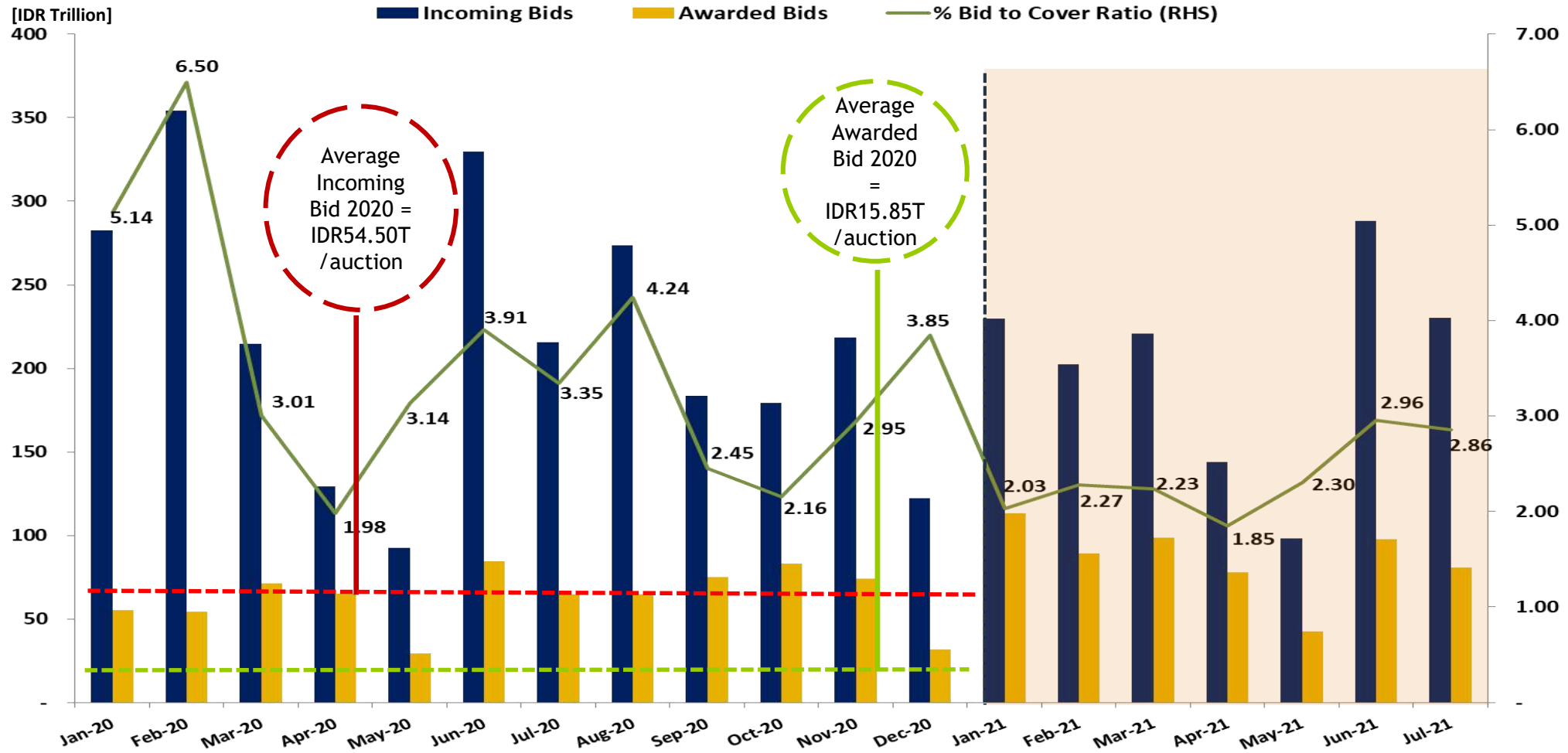
- Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date (Implied spread of +90.8bps over 10Y UST)
- Tightest ever spread and yield achieved by ROI for a EUR 8Y transaction
- Achieved negative new issue concessions across all 4 tranches despite UST volatility and a crowded primary market on the day of bookbuild
- For the USD tranches, garnered total orders of >US\$4.7 bn at reoffer – representing oversubscription of 2.8x. For EUR, garnered orders of >€1.2bn at reoffer – representing oversubscription of 2.4x
- The transaction marks one of the larger global offering by the Republic and as such demonstrates the Republic's ability to respond swiftly to markets and capture favorable issuance windows

GS Primary Market Performance 2020 - 2021

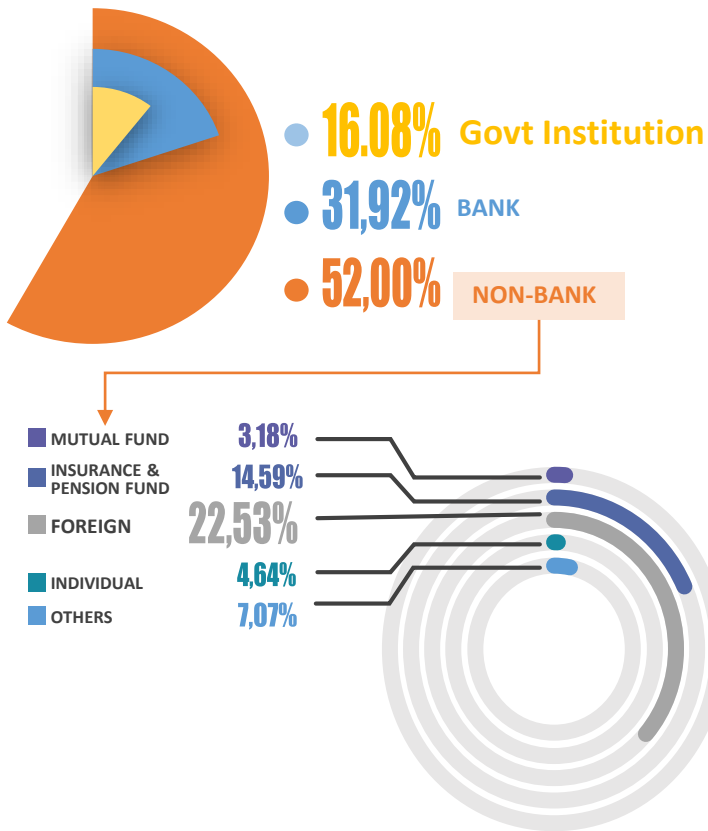
Through Auction



In 2021, average incoming bid = IDR52.35 tn/auction while average awarded bid = IDR22.20 tn/auction



Ownership of IDR Tradable Government Securities (a.o July 30, 2021)



(IDR tn)										
Description	Dec-17		Dec-18		Dec-19		Dec-20		July 30, 2021	
Banks*	491.61	23.41%	481.33	20.32%	581.37	21.12%	1375.567	35.54%	1,368.45	31.92%
Govt Institutions (Bank Indonesia**)	141.83	6.75%	253.47	10.70%	262.49	9.54%	454.3606	11.74%	689.52	16.08%
Bank Indonesia (gross)	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.875562	22.60%	989.53	23.08%
GS used for Monetary Operation	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.514938	10.86%	300.01	7.00%
Non-Banks	1,466.33	69.83%	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%	2,229.18	52.00%
Mutual Funds	104	4.95%	118.63	5.01%	130.86	4.75%	161.321131	4.17%	136.19	3.18%
Insurance Company and Pension Fund	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.817373	14.02%	625.30	14.59%
Foreign Holders	836.15	39.82%	893.25	37.71%	1,061.86	38.57%	973.91	25.16%	965.78	22.53%
Foreign Govt's & Central Banks	146.88	6.99%	163.76	6.91%	194.45	7.06%	178.3111	4.61%	240.62	5.61%
Individual	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.210288	3.39%	198.90	4.64%
Others	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.572274	5.98%	303.01	7.07%
Total	2,099.77	100%	2,368.45	100%	2,752.74	100%	3,870.76	100%	4,287.16	100%

IDR
1.092,02T

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

69,91%

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

Note:

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.

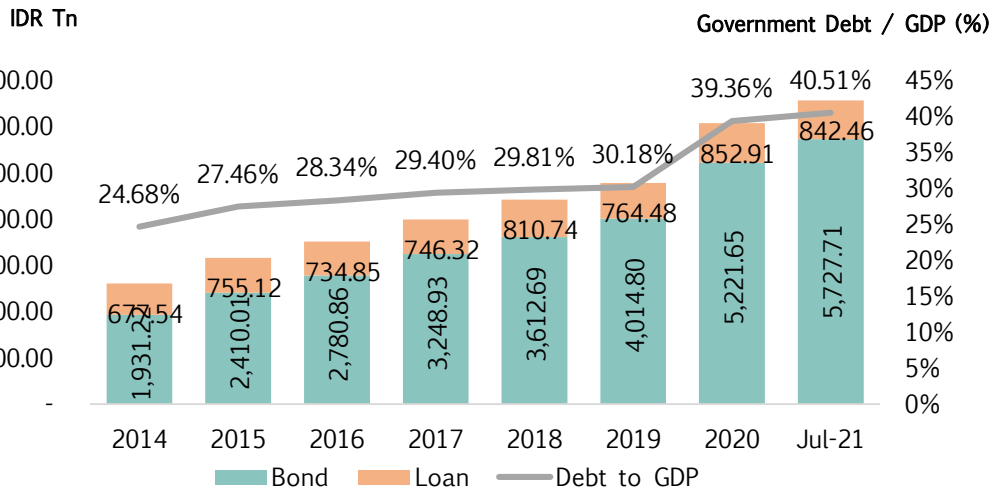
*) Including the Government Securities used in monetary operation with Bank Indonesia.

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

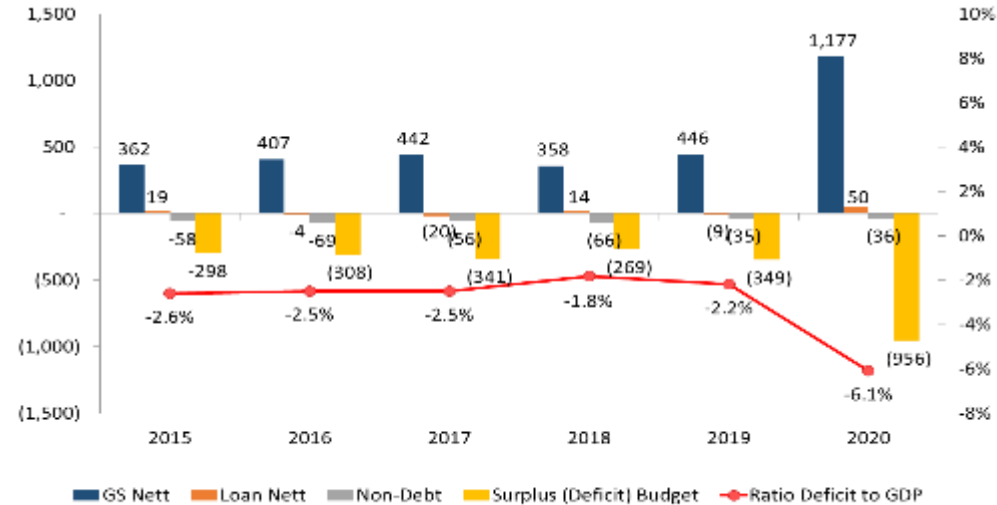
Disciplined and Advanced Debt Portfolio Management



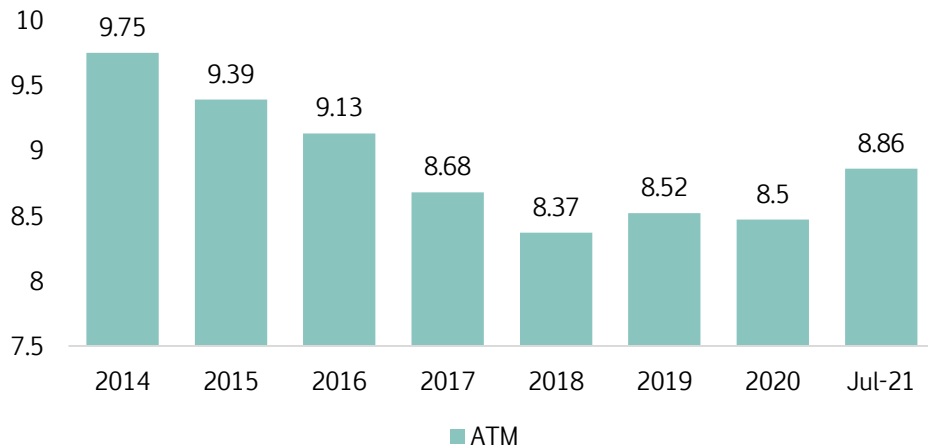
Stable Debt to GDP Ratio Over the Years



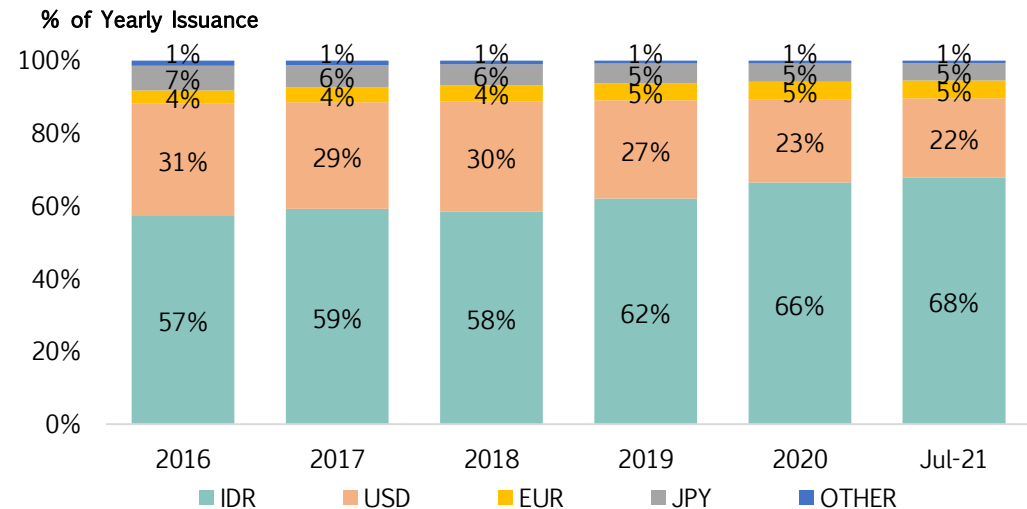
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.86 Years



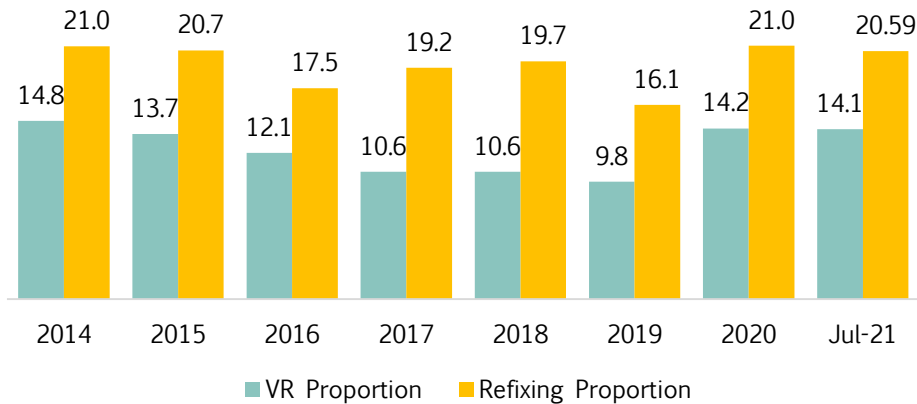
Well Diversified Across Different Currencies



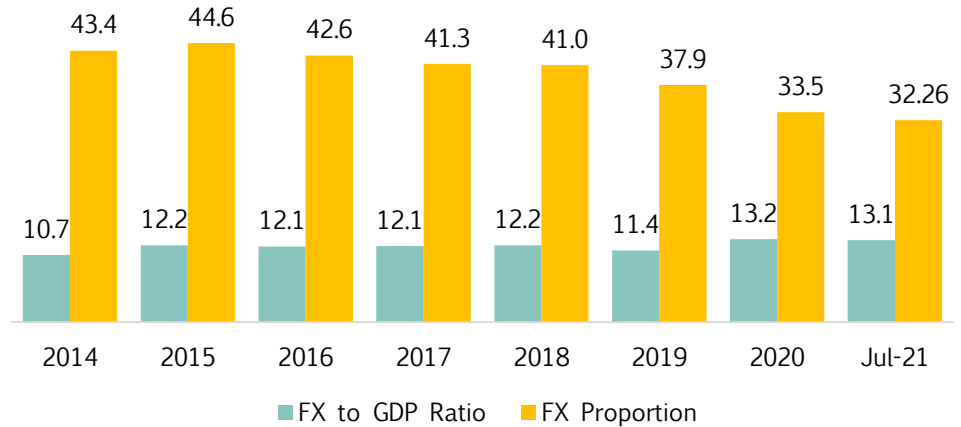
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



Interest Rate Risks (%)

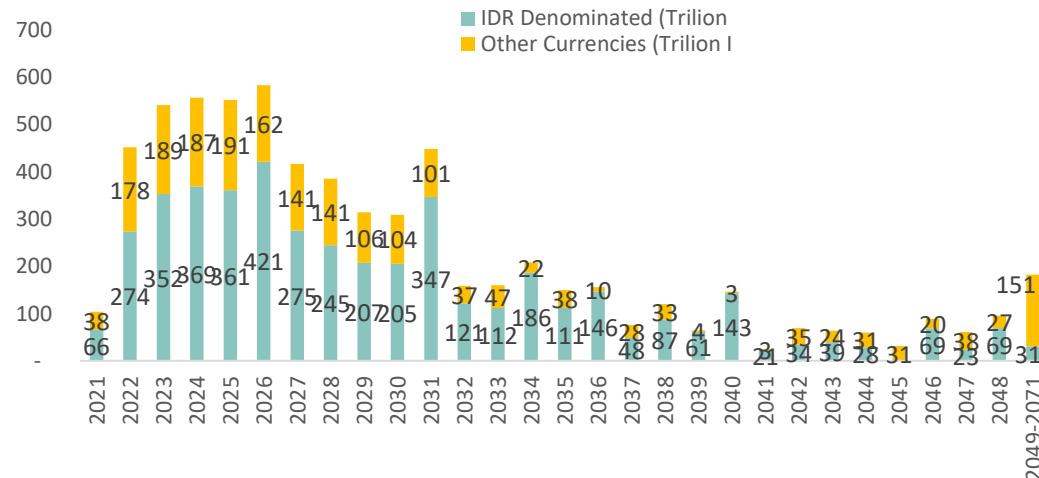


Declining Exchange Rate Risks (%)

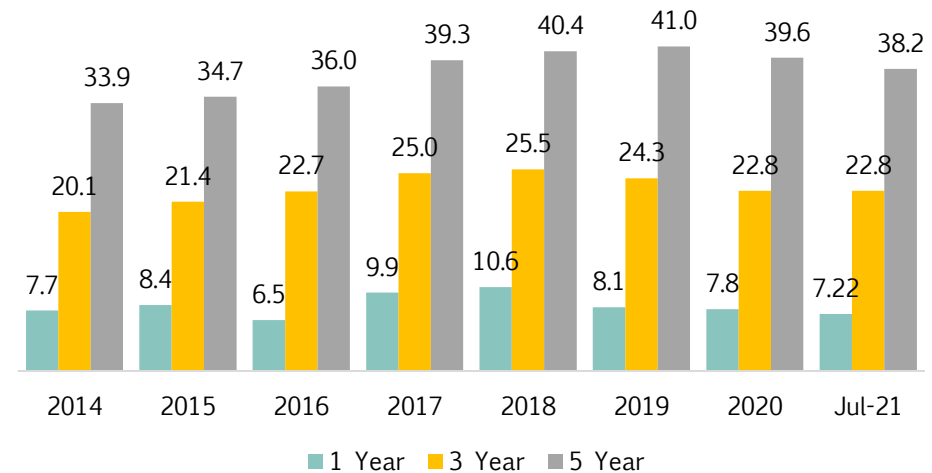


Debt Maturity Profile

IDR tn

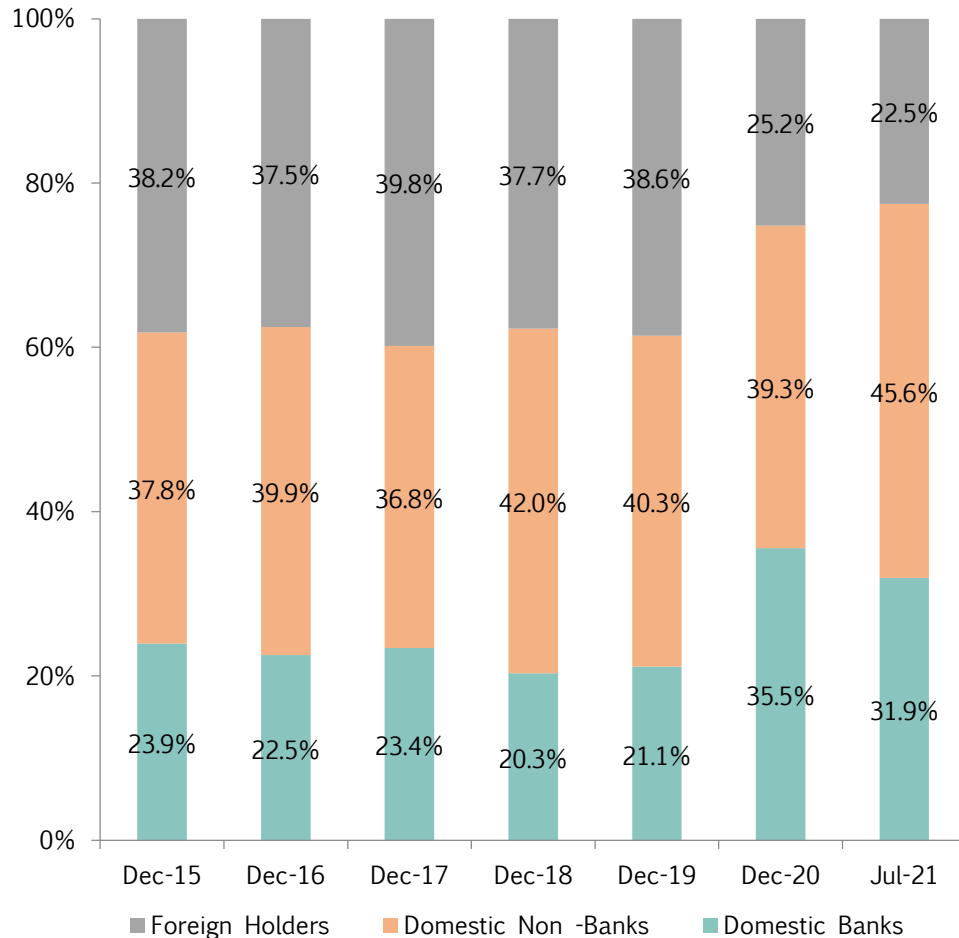


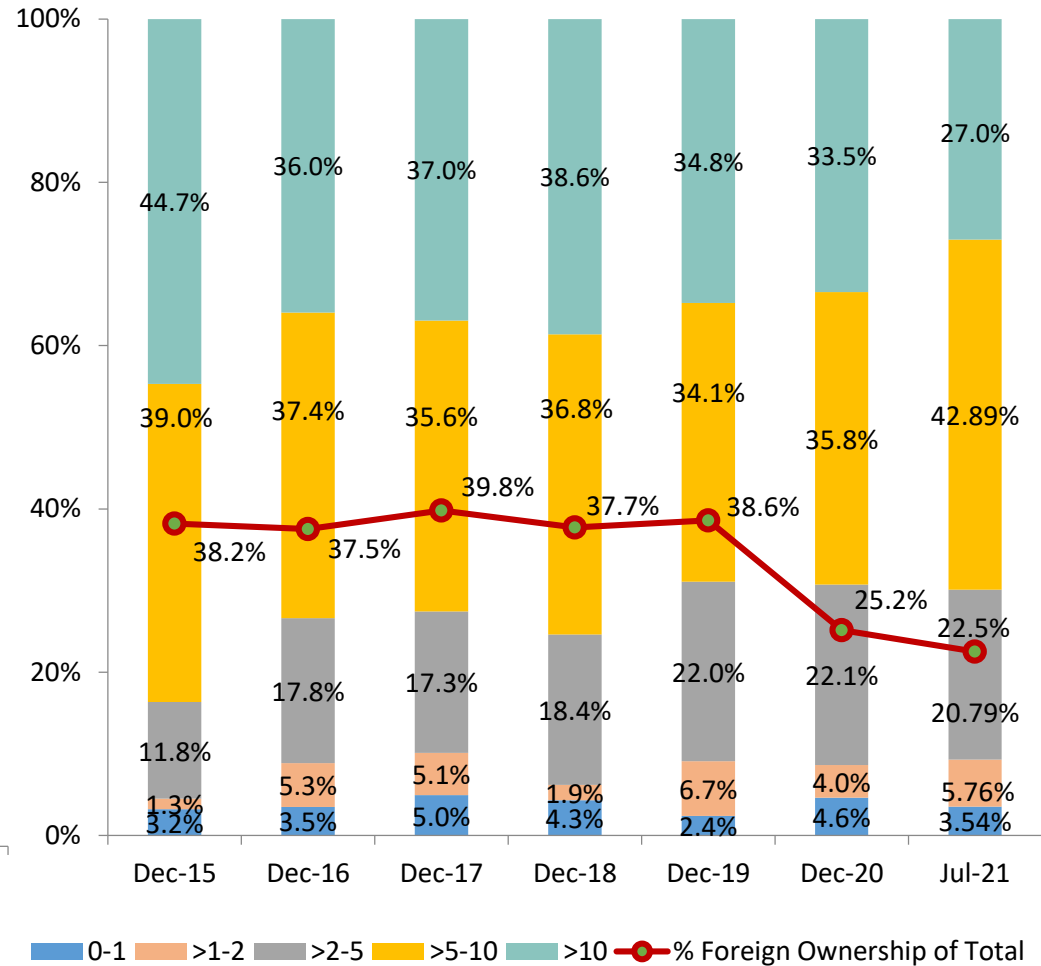
Upcoming Maturities (Next 5 Years)



Balanced Ownership In Terms of Holders and Tenors







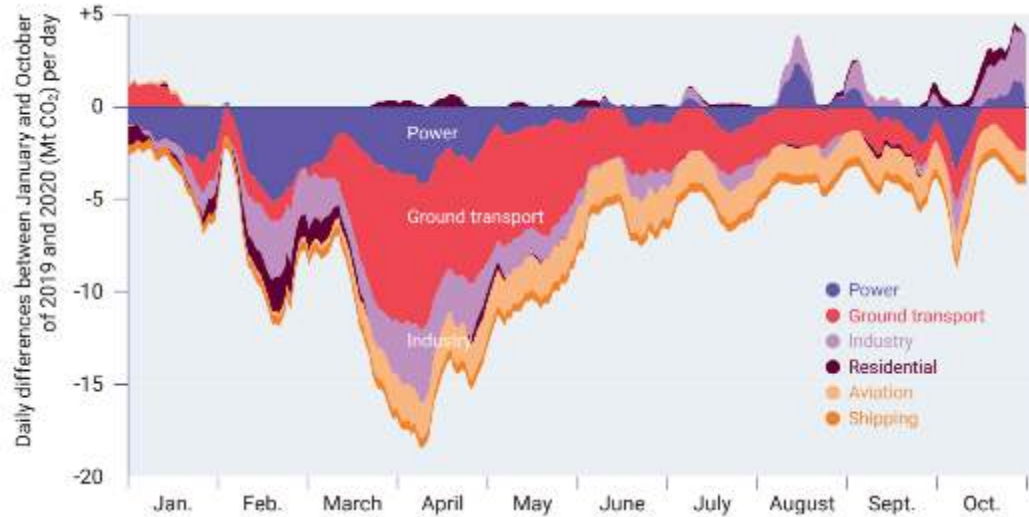


Section 6

Commitment to Sustainability and
Preserving the Environment

Anticipating the Rise of Emissions After the COVID-19 Pandemic

As global economy recovered, the emissions is predicted to increase



- During the COVID-19 pandemic, global CO₂ emissions have contracted due to a decrease in economic activity and human mobility. However, slowly emissions are crawling up as human mobility policies loosen in some countries.
- It should be of mutual concern that, in the midst of the challenges facing the COVID-19 pandemic that has not yet ended, the economy is slowly starting to enter the recovery phase and it is pushing back the level of global carbon emissions.
- Therefore, the government should not be off guard because the risk of rising carbon emissions can threaten economic sustainability and people's well-being through the impacts of climate change.



Photo: kanalkalimantan.com & BPBD Prov. Kalsel



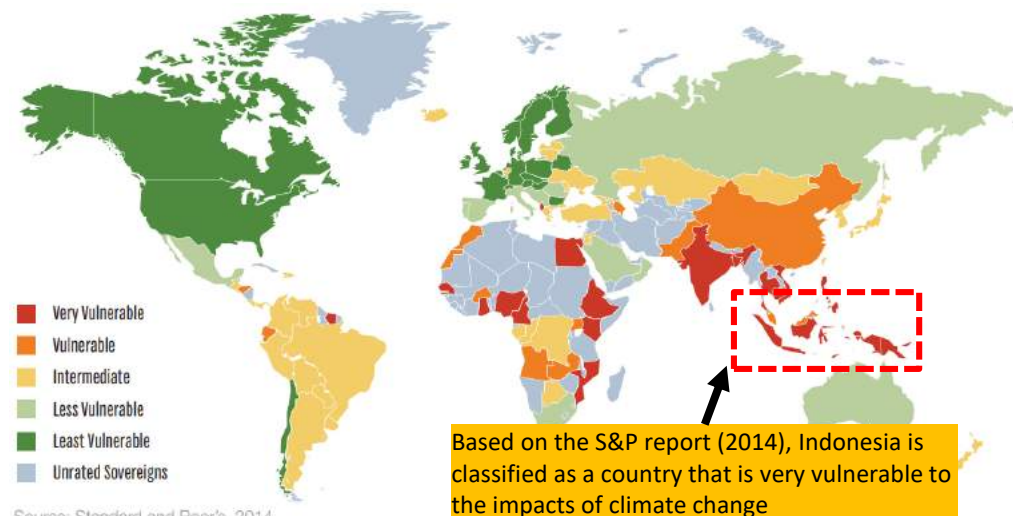
Photo: Bayu Pratama

- Pandemic is not over yet, and Indonesia were faced by flood disasters in several provinces. This disaster needs to be of concern to the central and local governments in managing forest and land areas so that the ecosystem of water absorption areas can be maintained.



Climate Change Risk on Indonesia

Indonesia is classified as a country that is vulnerable to the impact of climate change



Source: Standard and Poor's, 2014

CLIMATE CHANGE RISK



WATER SECURITY

Increased levels of flooding and severe drought will exacerbate the scarcity of clean water..



FOOD SECURITY

Changes in the production of biomes and ecosystems can lead to food scarcity for all creatures..



HEALTH

Floods can cause the spread of vector-borne diseases and death from drowning. Rise in temperature can cause death from heat stroke



DESTRUCTION OF LAND, SEA, AND COASTAL ECOSYSTEMS

It is scientifically predicted that severe forest fires will occur. This can lead to loss of ecosystems, biodiversity, and changes in Biomass. Rising sea surface temperatures cause the extinction of coral reefs, seaweed, mangroves, some biodiversity and marine ecosystems.

Indonesia is an archipelagic country that has **>17,000** islands and it is vulnerable to climate change risks such as the sea-level rise

From 2010-2018, national GHG emissions experienced an increasing trend of around **4.3%** per year..

source Data: KLHK (2020), data diolah

Indonesia experienced a sea-level rise of **0.8-1.2 cm/year** and around **65%** of the population lives in coastal areas

source: Bappenas (2021)

From 1981-2018, Indonesia experienced a temperature increase trend of around **0.03 °C** per year

source: BMKG (2020)





ESTIMATED COST LOSS and MITIGATION COST

Reference	Scope	Estimated Cost/Impact
IPCC (2014)	If each country's NDC target is achieved, the global temperature rise can be limited to below 2.0°C	Continue to suffer economic losses of up to 0.2% - 2.0% of global GDP per year
Second Biennial Update Report, KLHK (2018)	Cost of mitigating climate change to achieve NDC	Cumulative mitigation costs reach IDR 3,461 trillion by 2030
Roadmap NDC Mitigasi Indonesia, KLHK (2020)	Cost of climate change mitigation to achieve NDC (using mitigation action cost approach)	Cumulative mitigation costs from 2020-2030 reach IDR 3,779 trillion (IDR 343.6 trillion per year)
Roadmap NDC Adaptasi Indonesia, KLHK (2020)	Potential economic losses if not adapting to climate change (sectors analyzed: agriculture, water, health, and energy)	Potential economic losses reach 0.66% - 3.45% of GDP in 2030



Global Trends Strengthening Attention to Climate Change

UNFCCC-COP26 GOALS

 01 Secure global net zero by mid-century and keep 1.5 degrees within reach	 02 Adapt to protect communities and natural habitats	 03 Mobilise finance	 04 Work together to deliver
<ul style="list-style-type: none">• accelerate the phase-out of coal• curtail deforestation• speed up the switch to electric vehicles• encourage investment in renewables	<ul style="list-style-type: none">• protect and restore ecosystems• build defences, warning systems and resilient infrastructure and agriculture	<ul style="list-style-type: none">• developed countries mobilise at least \$100bn in climate finance per year by 2020.• International financial institutions unleashing the trillions in private and public sector finance	<ul style="list-style-type: none">• finalise the Paris Rulebook• collaboration between governments, businesses and civil society.

Countries will be encouraged to achieve Net Zero Emissions by 2050 in COP26

G20 FORUM

The G20 has encouraged countries' commitments on the issue of climate change, including phasing out subsidies on fossil fuels.

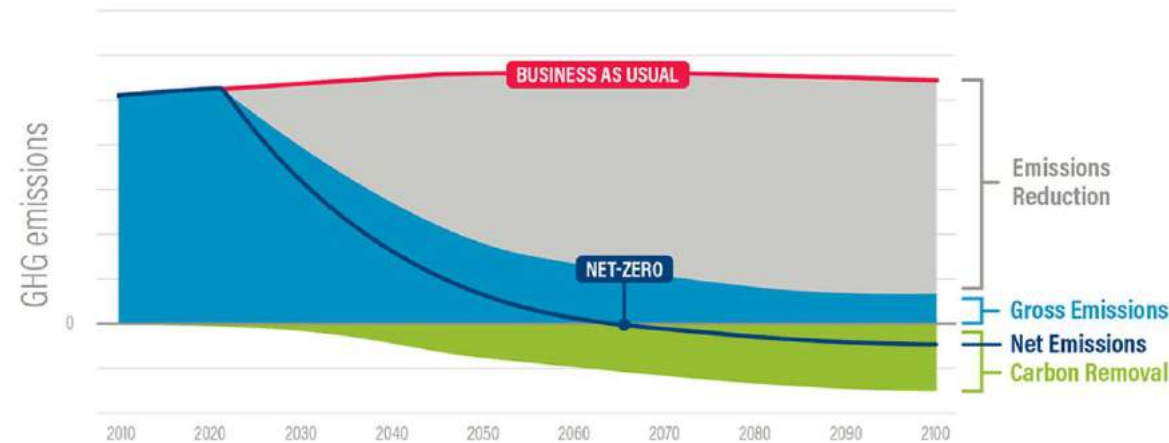
EUROPEAN UNION

The European Union is discussing a Border Carbon Arrangement policy (part of the EU Green Deal) or the imposition of import taxes on goods that produce emissions according to the amount of emissions produced

INTERNATIONAL FINANCE INSTITUTIONS

- Global financial institutions such as Goldman Sachs, have committed to start reducing and even stopping financing for projects related to fossil fuels.
- The global trend of ESG funds (funds that pay attention to ESG principles in their investment activities) has been increasing rapidly since 2020.

Net Zero Emission (NZE)



Source: World Resource Institute



Net Zero Emission is a more ambitious Long Term Strategy to keep the global temperature rate below 1.5 degrees.



In 2018, the **Special Report on Global Warming of 1.5°C**, the Intergovernmental Panel on Climate Change (IPCC) stated the importance of achieving the NZE by 2050 or earlier to prevent the worst effects of climate change.



10 Key Solutions to Achieve NZE 2050

- 1.** **PHASE OUT** coal plants
- 2.** **INVEST** in clean energy & efficiency
- 3.** **RETROFIT** buildings
- 4.** **DECARBONIZE** cement, steel & plastics
- 5.** **SHIFT** to electric vehicles
- 6.** **INCREASE** public transport
- 7.** **DECARBONIZE** aviation and shipping
- 8.** **HALT** deforestation & **RESTORE** degraded lands
- 9.** **REDUCE** food loss and waste
- 10.** **EAT** more plants & less meat

Sumber: World Resource Institute

Long Term Strategy was mandated in Paris Agreement Article 4.19

"All Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies...."

Indonesia's Net Zero Emission



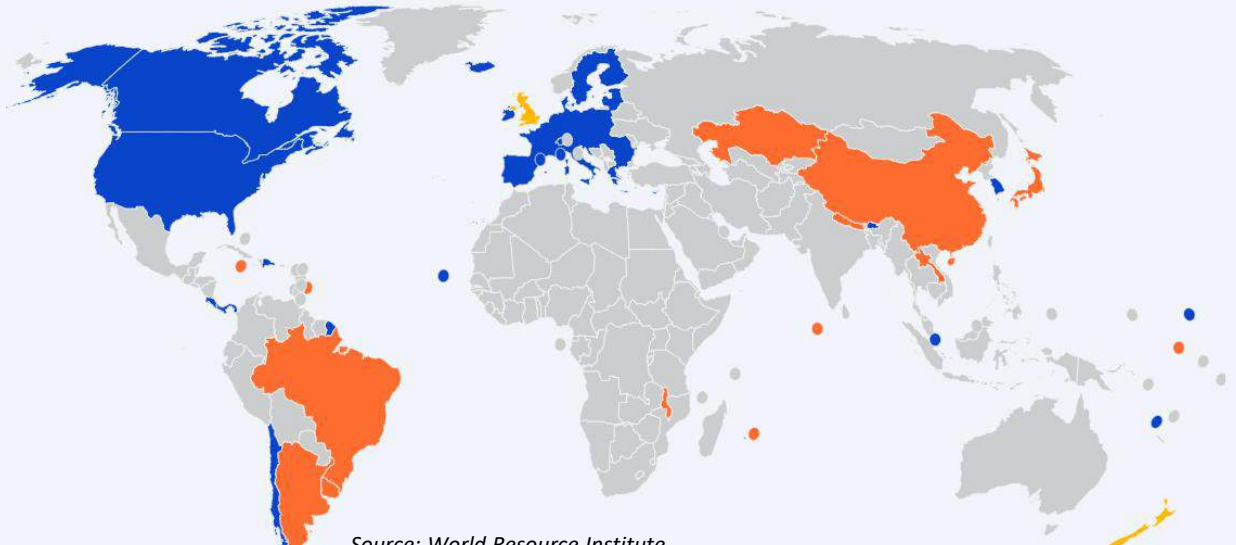
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



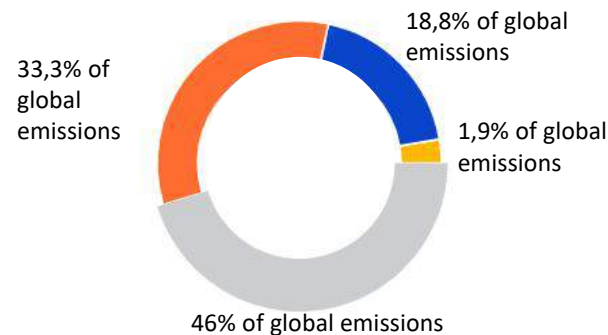
Indonesia and 148 other Parties (with a global emission share of 46%) have not submitted the document



The Government of Indonesia is drafting the Long Term Strategy on **Low Carbon and Climate Resilience 2050 (LTS-LCCR)** document and sectoral strategies to support the commitment to Net-Zero Emission 2050.



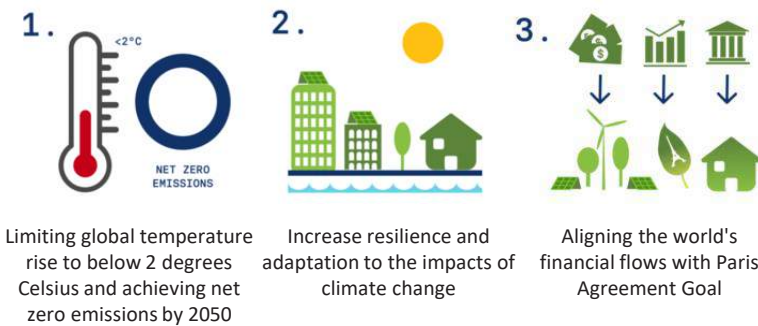
Source: World Resource Institute



Paris Agreement & NDC Indonesia



Indonesia has ratified the Paris Agreement into UU No. 16/2016

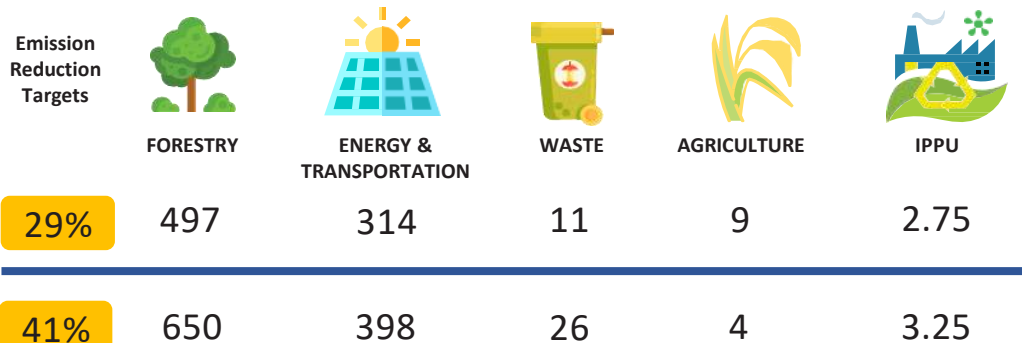


Submission of Nationally Determined Contribution (NDC) to UNFCCC

Through the NDC, Indonesia is committed to reducing GHG emissions from BaU levels in 2030 by:

29% through national efforts
and
41% with International Support

Emission Reduction Targets by Sector (Mton CO₂e)



source: NDC Indonesia, KLHK (2016)

Climate Change Mitigation Financing Needs

sector	Second Biennial Update Report (Rp trillion)	Roadmap NDC Mitigasi (Rp trillion)
Forestry	77,82	93,28
Energy dan Transportation	3.307,20	3.500,00
IPPU	40,77	0,92
Waste	30,34	181,40
Agriculture	5,18	4,04
Total	3.461,31	3.779,63

source: Second Biennial Update Report (2018) & Roadmap NDC Mitigasi (2020)

Commitment to Sustainability and Climate Change Mitigation

Republic of Indonesia's Commitment to Sustainability which Includes Climate Change Mitigation



Background of Commitment

Commitment to Sustainability

Successfully implemented the Sustainable Development Goals by achieving the 2030 development agenda introduced by the United Nations (UN). The Indonesia's Presidential Regulation no. 59/2017 concerning the implementation of SDGs in Indonesia mandated the Ministry of National Development Planning to provide the Roadmap of SDGs in Indonesia

Combining public and private funds to support Sustainable Development Goals (SDGs)

The Government of Indonesia through the Ministry of Finance and PT Sarana Multi Infrastruktur (SMI) seeks to achieve the SDGs through the establishment of an integrated platform called "SDG Indonesia One"¹ which combines public and private funds through blended finance schemes to be channeled into infrastructure projects related to the achievement of SDGs

The President's *Nawacita* Programme

The **Nine Agenda Priorities** of the President's priority actions. Shifting to a low-carbon and climate-resilient development path is an integral part of this mission and is integrated in development policies, strategies and programs



Environment Commitment and Objectives

Mitigation

- Based on the Paris Agreement and Indonesia's NDC, **Gol has committed to reduce greenhouse gas emission** by 29% in 2030 on unconditional mitigation scenario using self-financing, and by 41% in 2030 on conditional mitigation scenario using international financing support
- Based on National Energy Policy, **increase New Renewable Energy to 23%** of national energy mix by 2025
- Strengthen the Core Actions** through strengthening the policy framework, human and institutional capacity, socializing, and researching
- With regards to forestry, the actions should include deforestation prevention, forest degradation prevention, conservation, and others

Adaptation

- Climate Change:** Significant risks for Indonesia's natural resources that will impact the production and distribution of food, water, and energy
- National Action Plan on Climate Change Adaptation:** National framework for adaptation initiatives mainstreamed into the National Development Plan
- Medium-term Goal of Indonesia's climate change adaptation strategy:** reduce risks on all development sectors by 2030 through local capacity strengthening, improved knowledge management, convergent policy on climate change adaptation and disaster risks reduction

Biodiversity

- Indonesia is the world's largest archipelago comprising over 16,056 islands with unique ecosystems containing a large number of diverse species.
- Contains the world 3rd largest area of rainforests
- Biodiversity Strategy and Action Plan 2015-2020 was launched to provide an outline on how biodiversity could be utilized sustainably to improve economic and development opportunities.

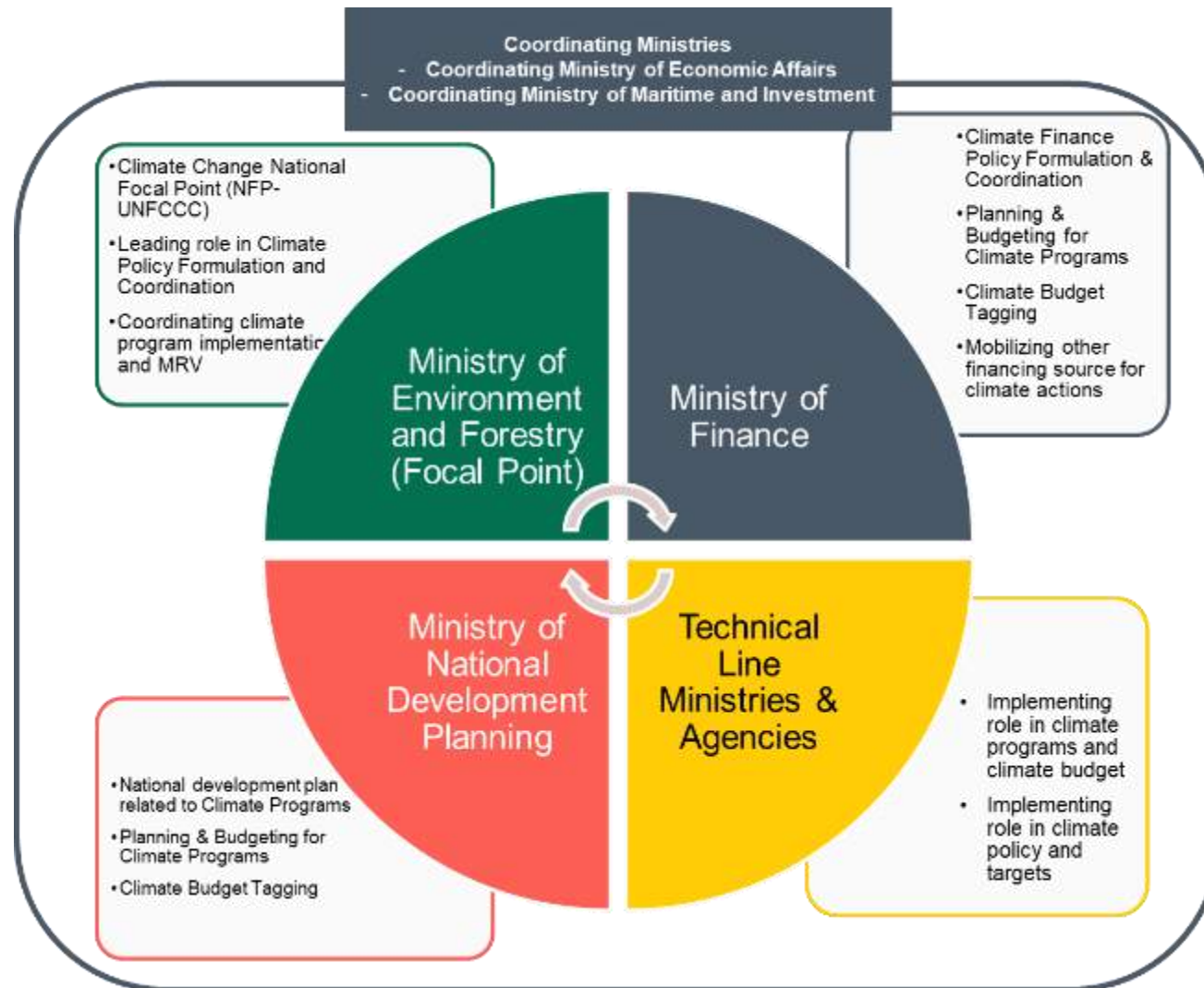
Note: ⁽¹⁾ SDG Indonesia One, PT Sarana Multi Infrastruktur

Climate Governance in Indonesia



Ministry of Finance is responsible for climate fiscal policy

Ministry of Finance c.q. The Fiscal Policy Agency is also the National Designated Authority of the Green Climate Fund (NDA-GCF) as the core interface between the country and the GCF



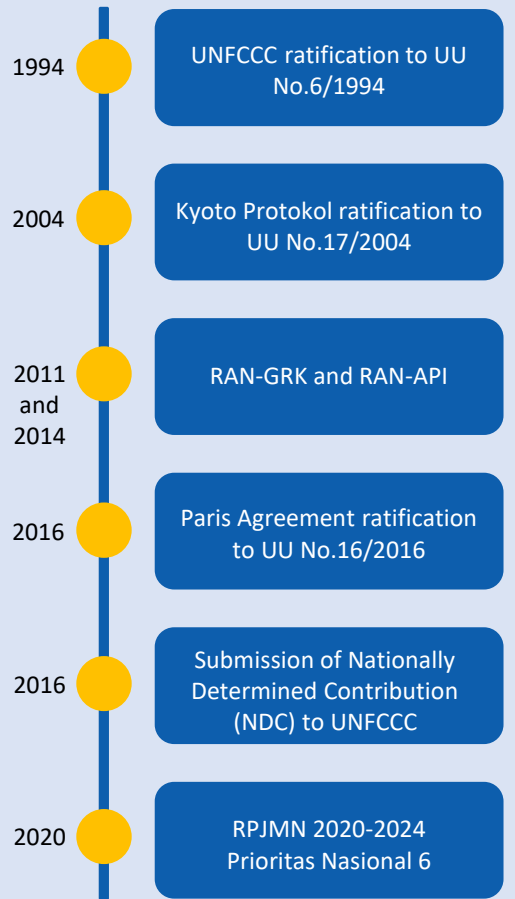
Central Bank and Financial Sector Authority

Also coordinating with Central Bank (BI) and FSA (OJK) to promote green and resilience development through fiscal, monetary, and financial policy mix

Commitment to Handling Climate Change



NATIONAL CLIMATE CHANGE POLICY TIMELINE

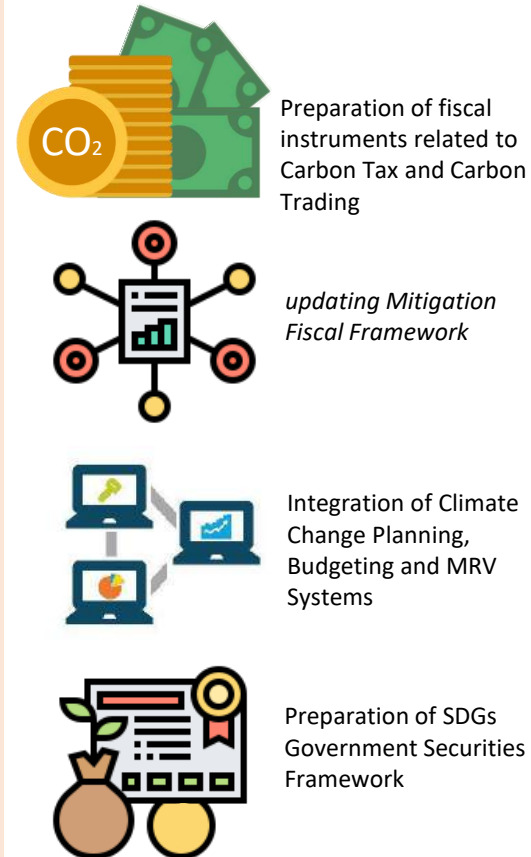


FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

A vertical list of six red boxes containing fiscal policy responses to climate change issues, with a large blue arrow pointing from the timeline to this section.

- Mitigation Fiscal Framework
- Tax Incentives for NRE and clean technology development
- Revocation of Fuel Subsidy
- Implementaion of Climate Budget Tagging
- Indonesia's Green Bond/Sukuk Framework
- Mainstreaming Climate Budget Tagging in local government budget
- Ecology-based Fiscal Transfer

NEXT STEP OF CLIMATE RELATED FISCAL POLICY



AGENDA PERUBAHAN IKLIM NASIONAL DAN GLOBAL



Nationally Determined Contribution (NDC)



SDGs 13: Climate Action



Low Carbon Development Planning in RPJMN 2020-2024



Agenda Net-Zero Emission

National Climate Financing



Funding support to achieve the targets of the climate agenda can come from the public, private and international sectors towards “a *just and affordable transition*”

SOURCE OF FINANCING

DOMESTIC

STATE BUDGET

- Carbon Tax/Excise
- Central Government Expenditure
- TKDD Expenditure
- Financing (Green Sukuk, SDGs Bond)

NON-STATE BUDGET

- Carbon Trading
- Private Investment and CSR
- BPDLH
- SDG Indonesia One
- ICCTF

- Financial Services sector (Bank and Non Bank)
- Capital market
- Philanthropy
- State Owned Enterprises

INTERNASIONAL

BILATERAL

- Government
- Private

MULTILATERAL

- Green Climate Fund
- Global Environment Facility
- Adaptation Fund
- MDBs
- IFIs

CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



Limited fiscal space

Strengthening the fiscal reform agenda and fiscal consolidation will be the key to fiscal sustainability onward.



Optimal mobilization of non-state budget climate change funding sources.



Ensure that the economic recovery and transition to a green economy is **Just and Affordable**.



Strengthen the **viability** of green projects so that they can be financed by the financial sector and receive international support.



The current market mechanism has not been able to reflect the price difference between the Green and non-Green sectors. Currently, it is still limited to Green Financing, it is necessary to strengthen **Greening the Finance** in order to support the sustainable development agenda.

State Expenditure for Climate Change



the average climate change budget allocation in the 2018-2020 State Budget is

Rp102,65 trillion per year

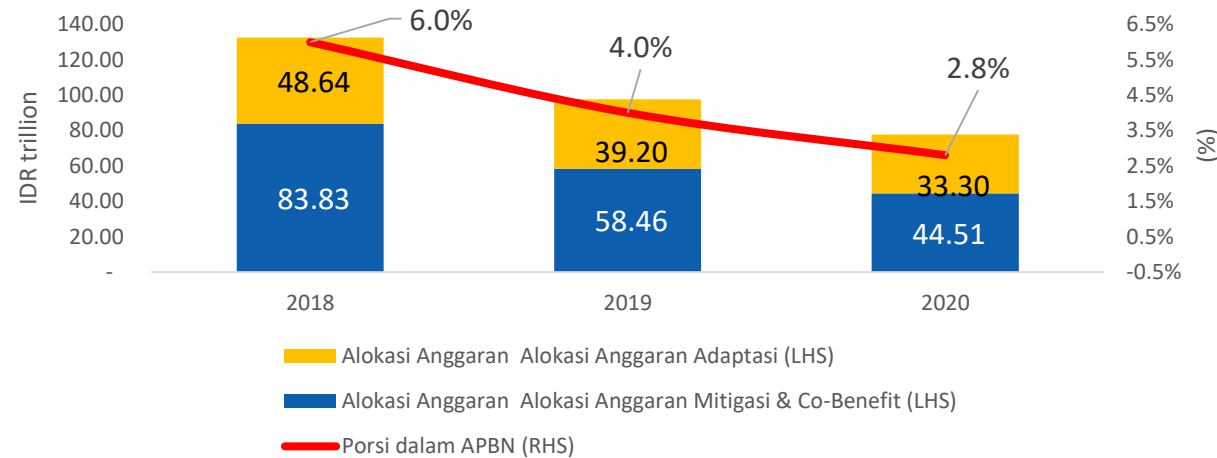
the average mitigation and co-benefit budget reached

62,7 trillion per year

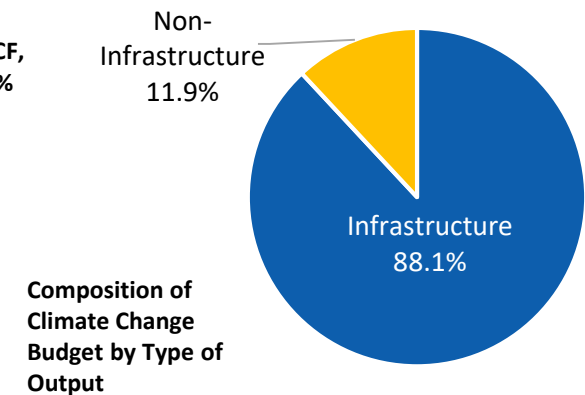
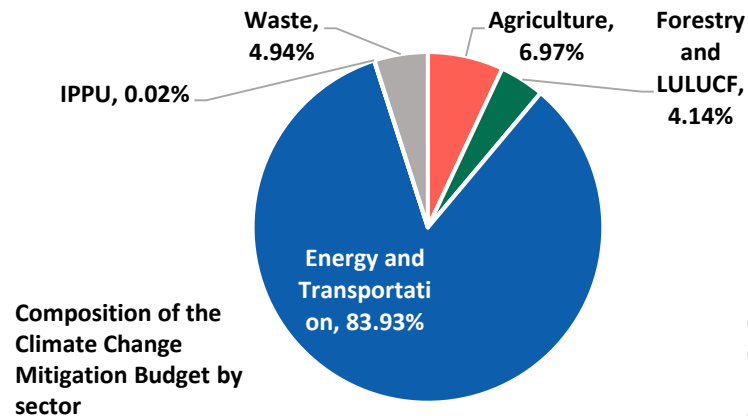
the average adaptation budget reaches

40,4 trillion per year

- Around 88% is used to finance green infrastructure.
- Approximately 12% is used to finance supporting activities such as regulations and policies, R&D, capacity building, and community empowerment.
- The share of the climate change budget in the APBN has a downward trend. It is necessary to strengthen climate change commitments in the work plans of the Ministries/Agencies in the future.



source: Kementerian Keuangan, data diolah (2020)



Role of The Ministry of Finance in Mobilizing Funds From Non-State Budget



- The GCF is the implementing entity for the UNFCCC financial mechanism which was established by the Conference of Parties (COP) in 2010.
- Has the potential to help Indonesia achieve its Nationally Determined Contribution (NDC) target without burdening the state budget.
- The world's largest climate change fund.
- Intended for developing countries.
- Have a variety of financial instruments.
- Have a balanced target between mitigation and adaptation



- SDG Indonesia One is an integrated funding cooperation platform managed by PT. SMI by combining public funds and private funds through a blended finance scheme to be channeled into infrastructure projects in Indonesia related to the achievement of the SDGs.
- SDG Indonesia One funding sources come from the private sector, donors/philanthropy, financial institutions, institutional investors, and bilateral and multilateral institutions.



- BLU BPDH or Indonesia Environment Fund (IEF) is a merger between the BLU of the Center for Forest Development Financing and the environmental conservation program of the Ministry of Environment and Forestry.
- IEF manages and provides the funds needed for environmental and forestry protection, preservation and conservation, biodiversity management, and climate change mitigation and adaptation.
- IEF not only manages funds in the environmental & forestry sector, but also in the fields of energy, agriculture, transportation, marine & fisheries, and industry.

GCF Approved Indonesian Projects/Programs



1

GCF Readiness Programs I and II for NDAs and Nationally Accredited Agencies



Grants :
Readiness I USD850.000
Readiness II USD998.000

2

Project Preparation (PPF) for Bus Rapid Transit Development in Semarang



Grant :
USD788.000

3

Result-based Payment (RBP) REDD+ Indonesia (2014-2016)



RBP :
USD103,8 m

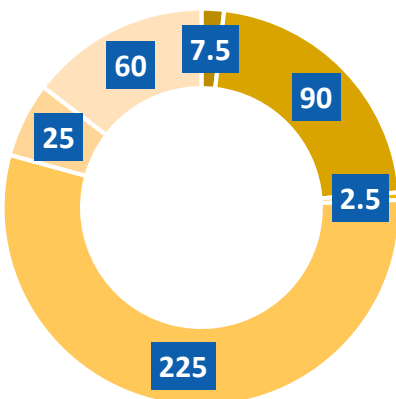
4

Geothermal Resource Risk Mitigation Facility (GREM)

Funding Scheme (in million USD)



- GCF - Loan
- GCF - Reimbursable Grant
- GCF - Grant
- IBRD - Loan
- Ministry of Finance/ PT. Sarana Multi Infrastruktur



GCF Funding: USD100 m;
Co-financing: USD310 m.

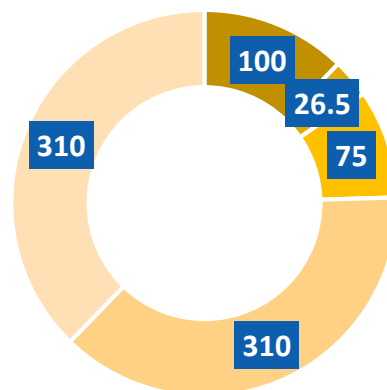
5

Climate Investor One (CIO)

Funding Scheme (in million USD)



- GCF - Reimbursable Grant
- Co-Financing - Development Fund (Grant)
- Co-Financing - CEF Tier 1 (Grant)
- Co-Financing - CEF Tier 2 (Equity)



GCF Funding: USD100 m;
Co-financing: USD721,5 m.

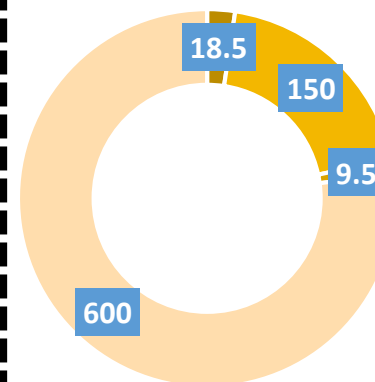
6

Global Subnational Climate Finance (SnCF)

Funding Scheme (in million USD)



- GCF - Grant
- GCF - Equity
- IUCN - Grant
- Pegasus Capital Advisors - Equity



GCF Funding: USD168,5 m;
Co-financing: USD609,5 m

Achievements of SDG Indonesia One



Achievement of SDG Indonesia One Quarter 1 2021

Blended Finance Project (Indicative)

19 Projects

consists of 4 financing projects and 15 project development activities

Ecosystem Enabler

9 Activities

Consists of capacity building activities and sharing sessions

Funds Mobilization

USD791 m

Support for grants, de-risking and loans as stated in the agreement with the donor

Sustainability Promotor



PLN

Technical Assistance on Green Finance Facility



Technical Assistance on Global Green Bond Issuance

On-Going Programs



Solar Rooftop Program



Clean Water Program



Renewable Energy Program

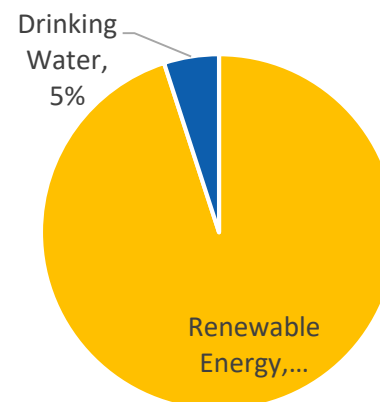


Urban Infrastructure Program

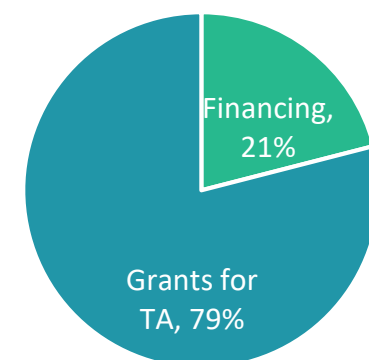


Disaster Area Rehabilitation Program

Sectors



Supports



Indonesian SDG Performance One had been supporting the following SDGs Target





Indonesia Environment Fund /BPDLH

13 PRIORITY PROGRAMS

In accordance with the Regulation of the Minister of Finance No. 124 of 2020 concerning Procedures for Management of Environmental Funds



1. Climate change control (including the REDD+ program)



2. Sustainable forest management (including the REDD+ framework)



3. Forest and land fire control and peatland restoration (including the REDD+ framework)



4. Social forestry and environmental partnership (including the REDD+ framework)



5. Forest and land rehabilitation activities and other supporting activities (including the REDD+ framework)



6. Conservation of biodiversity and ecosystem (including the REDD+ framework)



7. Control of pollution and/or environmental damage (including the REDD+ framework)



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



10. Use of environmentally friendly and low-carbon materials and technologies



11. Increasing the application of energy efficiency, NRE, and social energy conservation and environmental partnership



12. Reducing disturbances, threats, and violations of environmental and forestry laws



13. Other environmental protection and management activities

Climate Change Fiscal Framework (CCFF) Indonesia



What is CCFF?

Framework for formulating **fiscal policy options** and strategies for **mobilizing climate finance**

The Urgency of CCFF



Strengthening the function of fiscal policy in controlling climate change and sustainable development



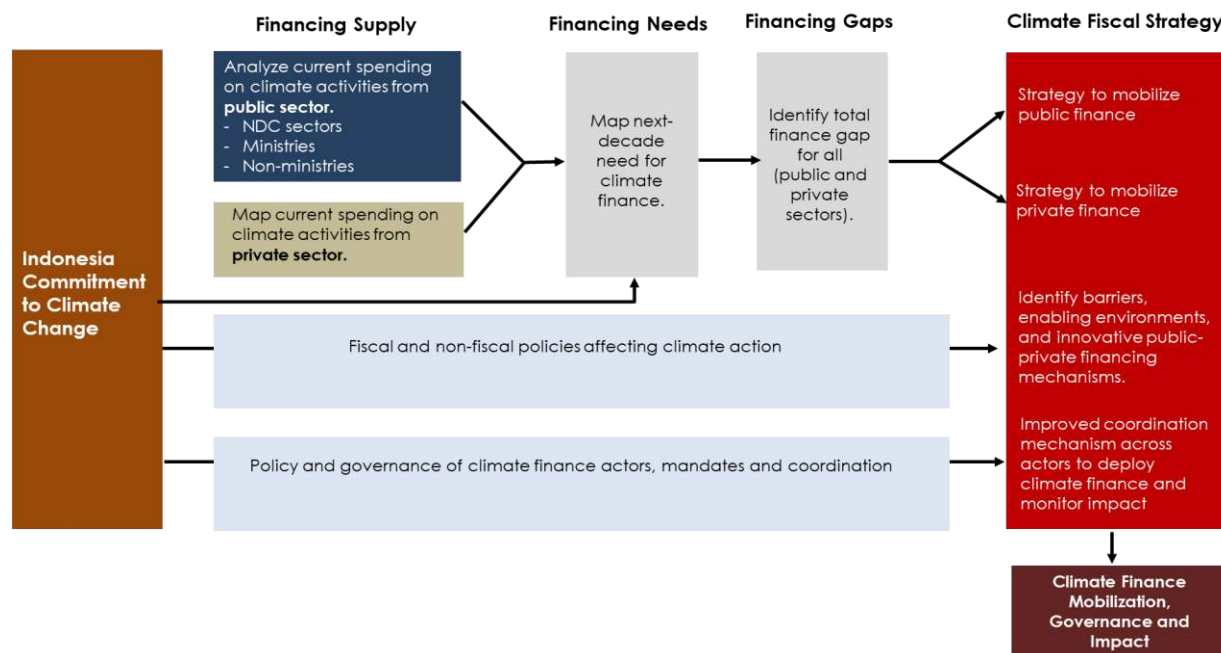
Support national commitments related to climate change (NDC, SDGs, RPJMN)



Mobilization of public and private funds that have not been optimal.



Strengthening the institutional framework for national climate change funding



Strategic Partners



Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Technical Advisor

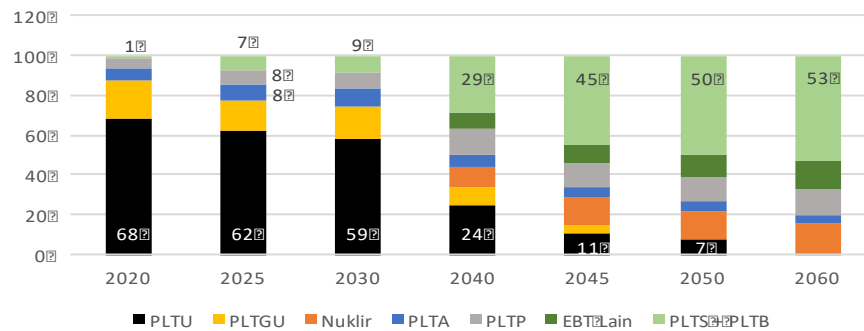


CLIMATE
POLICY
INITIATIVE

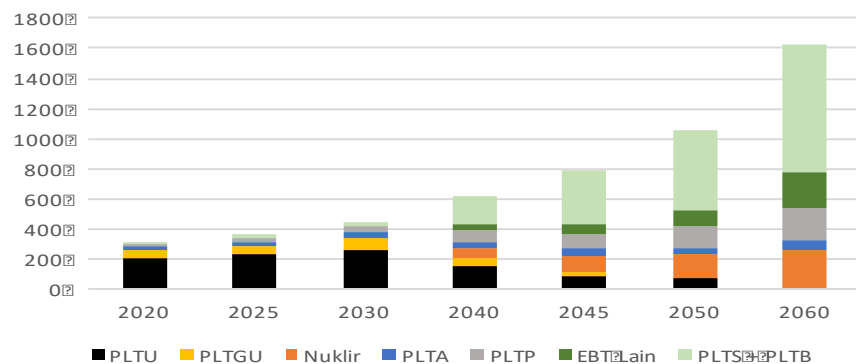
Phasing Out Coal Scenario



Skenario Zero Carbon 2060 (%)



Skenario Zero Carbon 2060 (TWh)



In 2060 All Power Plants in Indonesia are Using Clean Energy

1. The market size utility in 2060 is 1,800 TWh, currently electricity production is 300 TWh plus the launch of 120 TWh from the 35 GW program, so there is room for 1,380 TWh for additional New Renewable Energy (NRE) generating capacity.
2. From 2020 onwards, the portion of PLTU capacity will be reduced (in the graph, it can be seen from the decreasing black color).
3. Efforts to retire fossil power plants will start in 2030 and significantly decrease in number by 2040, following the completion of the power plant contract.
4. Nuclear plants will enter in 2040 to maintain system reliability as nuclear technology becomes more secure.
5. Phase out all coal-fired power plants in 2056, because they have been replaced by NRE.
6. Meanwhile, the development of NRE power plants will experience a massive increase starting in 2028 due to the advancement of battery technology which is getting cheaper. Then it will increase exponentially starting in 2040. And by 2045, the portion of NRE will already dominate the total power plant. The next decade, all power plants in Indonesia came from NRE.

Carbon Pricing Policy



CARBON PRICING POLICY UNDER DISCUSSION

- Aims to **reduce national GHG** emissions.
- Become a **policy intervention** to overcome “market failure”.
- The practice of “**polluters-pay-principle**”
- **Encouraging** a low-emissions business and business ecosystem.
- Can be an **alternative source of financing** for sustainable development programs.
- Government, currently, is **preparing Regulation** on Carbon Pricing.
- Implementation of **international carbon trading** will consider the discussion of **Article 6** Paris Agreement at COP 26

Carbon Pricing Instruments

1

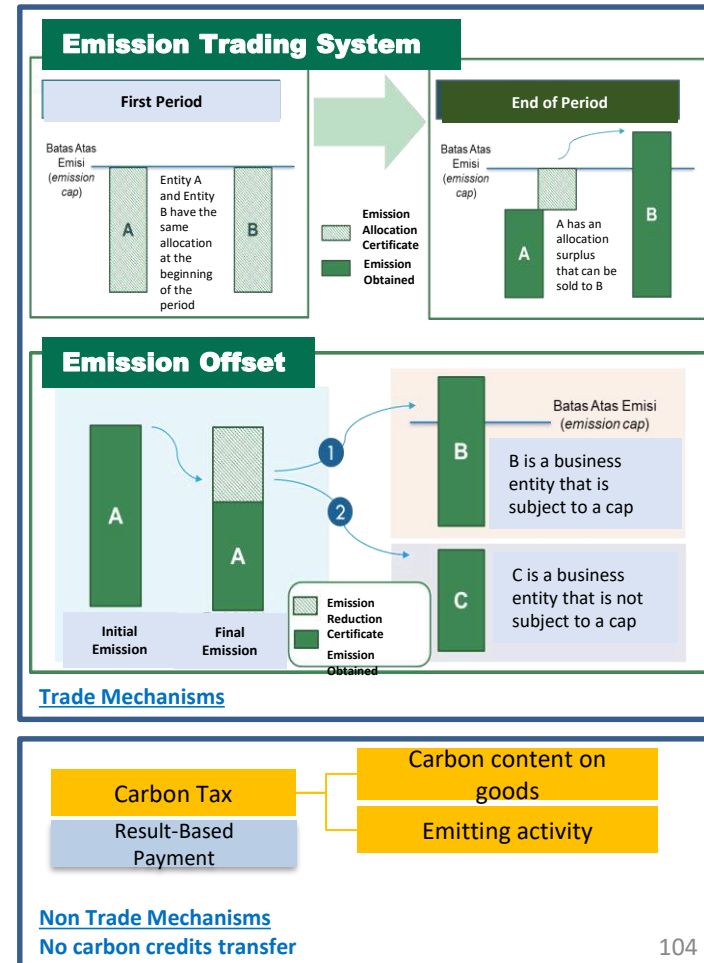
Trading Instruments

- Emission Trading System/ ETS:** an entity that emits more buys an emission permit than one that emits less (cap and trade)
- Emission Offset (Crediting Mechanism):** Entities undertaking emission reduction activities can sell their carbon credits to entities requiring carbon credits.

2

Non-Trade Instruments

- Carbon tax:** imposed on carbon content or carbon emitting activity.
- Result Based Payment:** payments are made for the results of emission reductions.





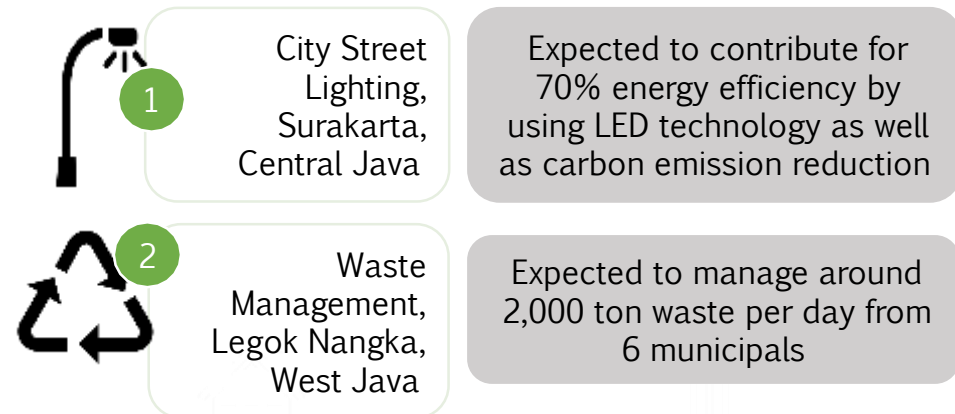
Indonesia's Green Project Priority Sector

- ❑ Indonesia realizes that investments in green and sustainable infrastructure are becoming increasingly important in post-pandemic.
- ❑ Regarding the NDC target in reducing the carbon emission, Indonesia has established the PPP priority sector of 2020-2024, which two sectors are related to climate issue, respectively:
 - Urban Transport, and
 - Waste Management

PPP Focused Sectors 2020-2024



PPP Green Project



The Role of Fiscal Policy in Green Economic Transformation



State **revenue** policy is directed to support the development of **renewable energy** as well as **environmentally friendly business areas**

The Ministry of Finance provides tax facilities in the form of tax holiday, tax allowance, import duty exemption, VAT reduction, government borne income tax, and reduction of property tax to support the development of geothermal and other renewable energy

State **expenditure** policy is directed to support **low-carbon and climate-resilient government spending** (spending better).

The Ministry of Finance implements the Mechanism of **Climate Budget Tagging** at the national and regional levels to determine the contribution of the State Budget and Sub-National Budget to tackle climate change. Implementation of climate budget tagging in the region in collaboration with the Ministry of Home Affairs and Local Government.



Financing policy is directed to support expansive fiscal policy through the development of innovative financing instruments

The Ministry of Finance issues **Sovereign Green Sukuk (Green Islamic Bond)** both **global green sukuk** and **green sukuk retail** to finance climate mitigation and adaptation projects.





Several tax incentives to promote green private investment.

Instruments

Tax Holiday	100% tax discount for Up to 20 years depends on the amount of investment for 17 pioneer industries.
Income Tax Facility	Tax Allowance for geothermal businesses, renewable energy generators, and bioenergy industries. The exemption of article 22 income tax on imported goods for geothermal business activities.
VAT Facility	VAT exemption on imported goods for geothermal activities.
Import Tax Facility	Import tax exemption on geothermal activities.
Property Tax	Property tax deduction up to 100% for exploration stage.

Fiscal Transfer

Strengthening the capacity of sub-national governments in tackling climate change.

Profit Sharing Fund on Natural Resources (DBH SDA)

- DBH SDA Forestry
- DBH SDA Geothermal

Special Allocation Fund for Physical Development (DAK Fisik):

- DAK Fisik Agriculture & Irrigation Development
- DAK Fisik Environment Development
- DAK Fisik Forestry Development
- DAK Fisik Marine & Fisheries Development

Non Physical Special Allocation Fund (DAK Non Fisik)

- DAK Non Fisik for Waste Management (for tipping fee support)

Incentive Fund (DID)

- DID on Waste Management

Fiscal, Monetary, and Financial Sector Policy Mix for Green Economy



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Fiscal Policy:

1. Mitigation Fiscal Framework
2. Implementation of Govt. Expenditure for Climate Change
3. Tax Facilities
4. Republic of Indonesia's Green Bond/Sukuk Framework
5. Sustainable Finance Platform: SDG Indonesia One, Green Climate Fund, BPD LH
6. Development of Climate Change Fiscal Framework



BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Central Bank Policy:

1. Macroprudential Policy that encourages financing in green building and environmentally friendly vehicles
2. Technical Assistance/Capacity Building to increase awareness about sustainable and green finance
3. International Cooperation Forum (Network for Greening the Financial System/NGFS)



OTORITAS
JASA
KEUANGAN

Financial Sector Authority Policy:

1. Roadmap of Sustainable Finance,
2. Regulation of Sustainable Finance Implementation,
3. Green Bond/Sukuk Regulation,
4. Capability Enhancement to market participants with support from the International Finance Corporation (IFC) and the Sustainable Banking Network (SBN)



Sustainable Finance Roadmap (2021-2025)

7 components of Indonesia Sustainable Finance Ecosystem



OJK Strategic Initiative on Sustainable Finance

- 1 Development of a green taxonomy**
which aims to classify sustainable financing and investment activities in Indonesia
- 2 Implementation of ESG aspects**
into risk management with the aim of increasing resilience and mitigating environmental and social risks that may affect financial industry's business processes
- 3 Scalable Green Program Development**
to present success stories of innovative green scheme development to be replicated so as to enhance the role of the financial industry in sustainable financing
- 4 The innovation of sustainable financial products and services**
to accelerate financial industry's transition towards sustainability is carried out by developing innovative schemes of sustainable project financing/funding
- 5 A national campaign for sustainable Finance**
that aims to build an understanding of the importance of activities that take into account environmental, social, and governance aspects

Innovative Financing: Sovereign Green Sukuk and Planned SDGs Bond

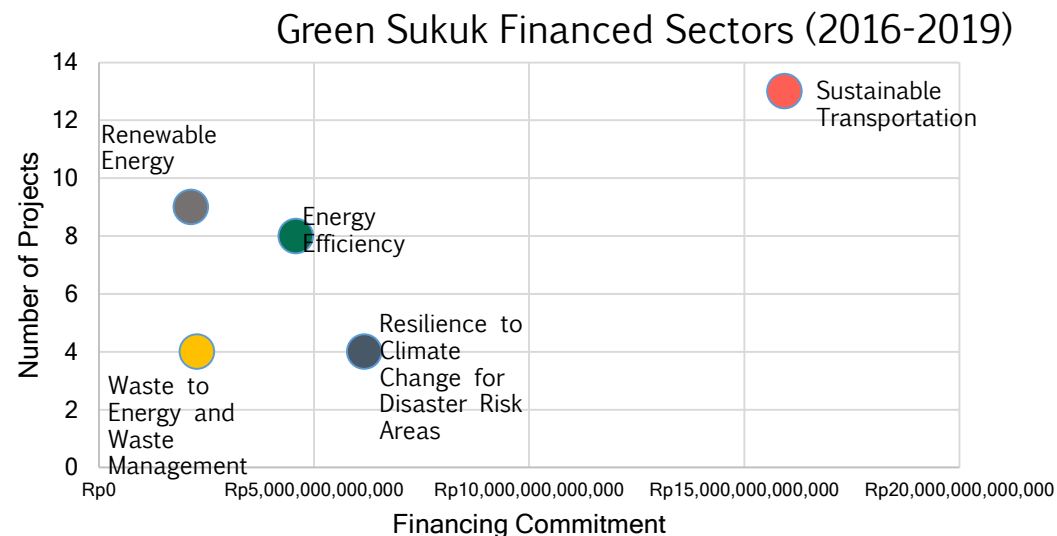


Sovereign Green Sukuk and Planned SDGs Bond

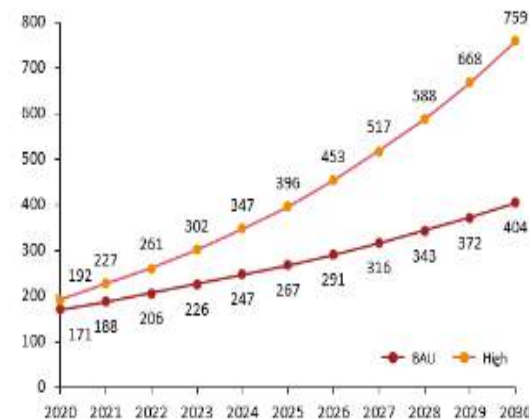
No	Issuance	Value
1	Global Green Sukuk (Mar 2018)	USD 1,25 billion
2	Global Green Sukuk (Feb 2019)	USD 750 million
3	Green Sukuk Retail (Nov 2019)	IDR 1,46 trillion
4	Global Green Sukuk (Jun 2020)	USD 750 million
5	Green Sukuk Retail (Nov 2020)	IDR 5,42 trillion
6	Global Green Sukuk (Juni 2021)	USD 750 million

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: **USD 3.5 billion**
- Total green sukuk retail financing: **IDR 6.88 trillion**
- Green sukuk has financed various projects in 5 sectors and mostly for transportation projects.
- MoF is planning to issue SDGs Bond

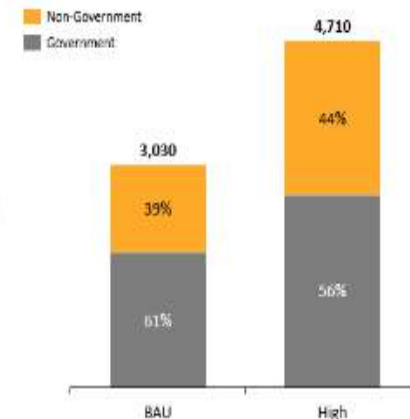
Source: Ministry of Finance



SDGs Financing Needs in Indonesia
In USD Billion, 2020 – 2030



Est. SDGs Financing Distribution
In USD Billion, 2020-2030



Source: BAPPENAS, SDGs Roadmap, 2018



Indonesia's Existing Green Bond and Sukuk Framework

Existing Green Bond and Sukuk Framework under which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects

1

Use of proceeds of Green Bond and Green Sukuk

Eligible Green Projects must fall into one of the nine eligible sectors

2

Project Evaluation and Selection

Review and approval process by Ministry of Finance and National Development Planning Agency

Project selection will utilize the Climate Budget Tagging (CBT) mechanism

3

Management of Proceeds Management – Ministry of Finance

The Green Bond and Green Sukuk proceeds will be credited to a designated account of relevant ministries for funding exclusive projects as previously defined. Allocation is managed by Ministry of Finance

Line Ministries

The line ministries utilizing the proceeds shall track, monitor and report to Ministry of Finance, on the environmental benefits of the Eligible Green Projects

4

Reporting

Ministry of Finance will prepare and publish a Green Bond and Green Sukuk annual report on the list of projects, amounts of proceeds allocated to such projects and estimation of beneficial impacts



The Framework has received a second opinion from the Centre for International Climate Research (CICERO) and is awarded medium green shading, which allows the possibility of light, medium and dark green project types. This shade also shows that eligible listed projects are representing the country ongoing efforts towards the long-term vision in carbon emission reduction

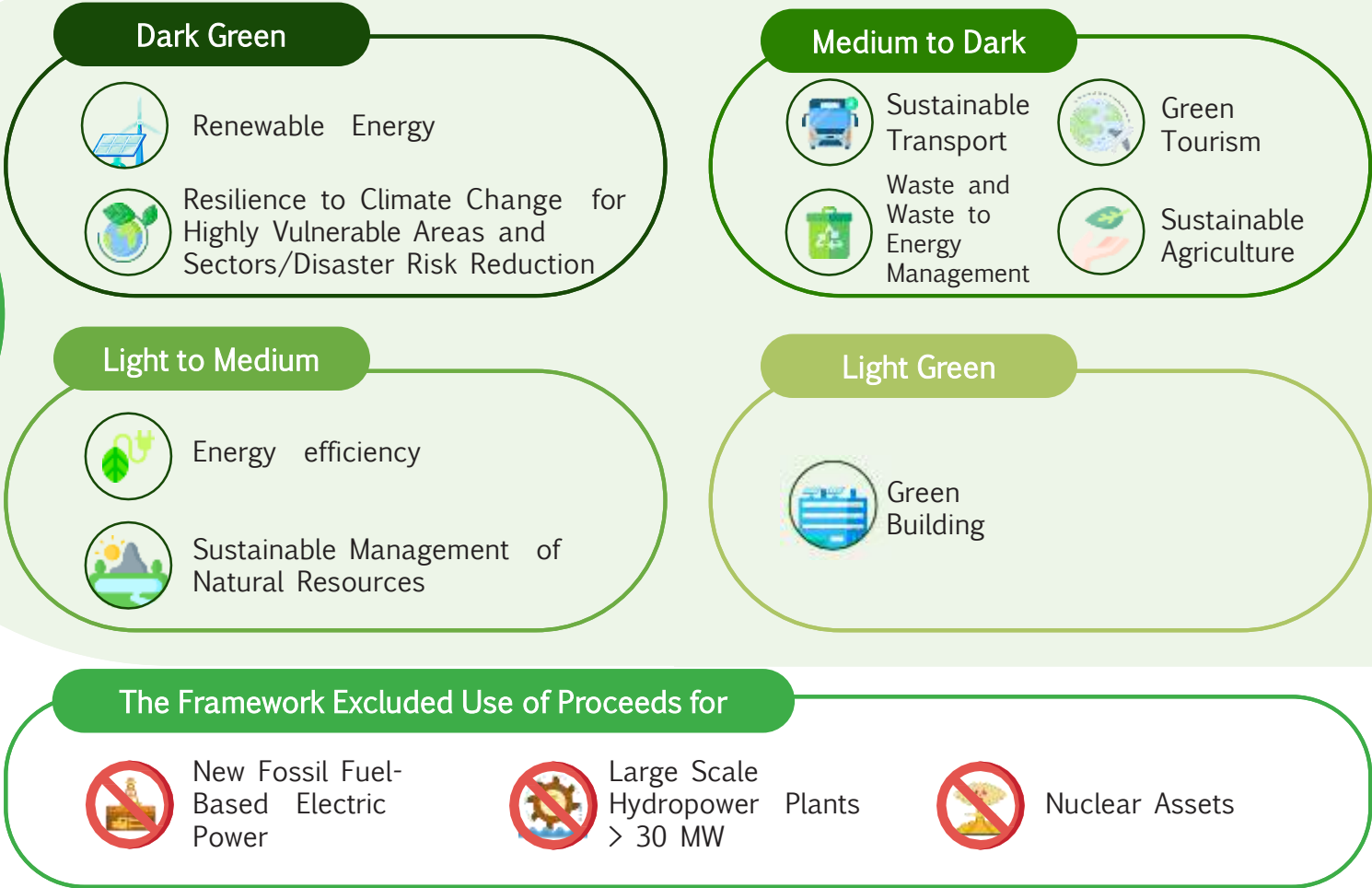


Indonesia's Existing Green Bond and Sukuk Framework (cont'd)

Existing Green Bond and Sukuk Framework under which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects

Eligible Sectors

Green Shading according to CICERO's second-party opinion





Indonesia's Green Initiatives: Financing Green Projects

Indonesia's Green Projects Financed by a Combination of Green Sukuk and Other Funding Sources

The Government of Indonesia has issued four sovereign global green sukuk, consecutively in March 2018, February 2019 and June 2020 & 2021, with the total amount of **USD 3.5 Billion**

2021 Issuance	2020 Issuance	2019 Issuance	2018 Issuance
USD 750 million	USD 750 million	USD 750 million	USD 1.25 billion

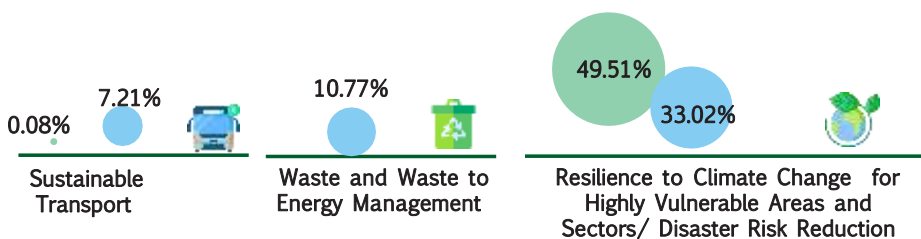
In 2019-2020, the Government of Indonesia issued two retail green sukuk in November 2019 and November 2020, with the total amount of **USD 490.1 million** (IDR 6.86 trillion)

Use of Proceeds

2020 Global Green Sukuk Issuance

The 2020 Global Green Sukuk Issuance comprised of

51% refinancing existing projects and 49% financing new projects

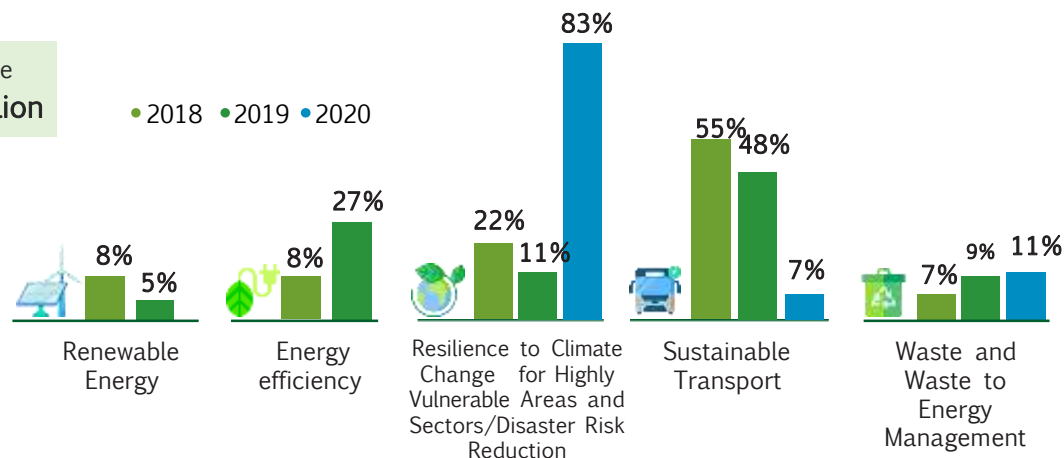


Financing of 2020 new projects
Refinancing of 2018 projects

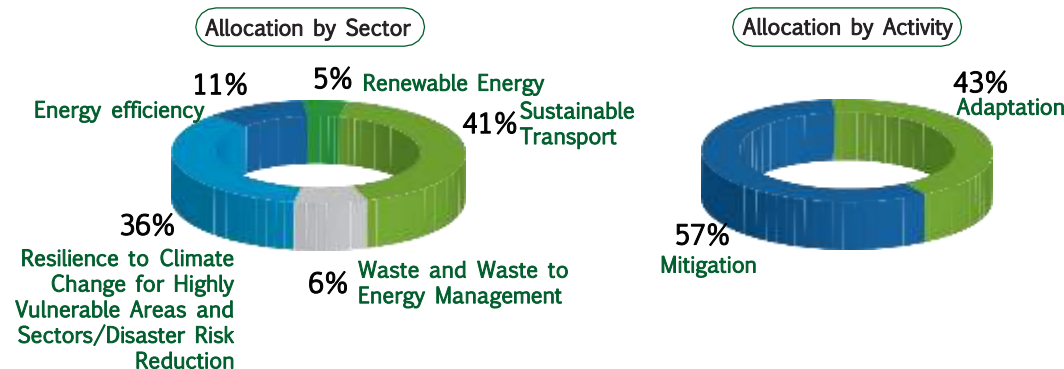
Project Owner

- Ministry of Public Works and Housing
- Ministry of Transportation
- Ministry of Agriculture

Global Green Sukuk Proceeds Allocation by Sector (in percentage)



Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



Note:

Information extracted from Green Sukuk Issuance Allocation and Impact Report (May 2021), which has obtained a limited assurance statement from EY. Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.



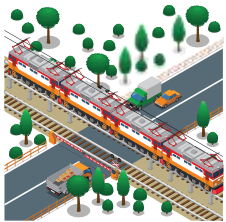
Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2020 Global Green Sukuk

Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

Sustainable Transport



- Expected to:
- Reduce **1,415,718 tCO₂e** of GHG emission
 - Reduce travel time by **30 minutes on average**
 - Increase passengers-km by **1.3 times** (over 2.5 billion passengers are expected to shift from private mode of transportation)

Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction



- Expected to:
- Fulfill raw water supply needs for drinking water of **275.5 m³**
 - Protect **1,920.4 Ha** of areas from flooding
 - Rehabilitate **134,700 Ha** of tertiary irrigation network
 - Develop **1,071 units** of other water source
 - Benefit **1,236,000 people**
 - Create and revitalize **12,000 Ha** of rice field

Waste to Energy and Waste Management



Expected to benefit **2,059,094 households** due to the improved waste management

**SUSTAINABLE
DEVELOPMENT
GOALS**

7 AFFORDABLE AND
CLEAN ENERGY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



13 CLIMATE
ACTION





Tangible Results from Indonesia's Green Sukuk Initiatives

Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance in 2020

Proceeds from Indonesia's Green Sukuk Initiative has been successfully deployed to a range of eligible Green projects



Resilience to Climate Change



Sustainable Transport



Waste and Waste to Energy Management

Locations	Across the country	Jakarta, Java, Banten	All provinces except Banten
Amount Committed to Finance 2020 New Projects	USD 371.3 million	USD 0.6 million	-
Amount Committed to Refinance 2020 Projects	USD 247.7 million	USD 54.1 million	USD 80.8 million
Impacts Social / SDGs			
Project Examples Financed / Refinanced	<p>Management of Dam, Lake and Other Water Retention Facilities (Financing)</p> <ul style="list-style-type: none"> Development of water retention units, i.e. water retention basins (<i>embung</i>), dams, and lakes in 22 provinces across Indonesia. These projects provided solutions for the local community to access the groundwater. Locations: 22 provinces across Indonesia <p>Expansion and Preservation of Agricultural Lands (Refinancing)</p> <ul style="list-style-type: none"> Implementation of rice-field opening and revitalization project in areas highly vulnerable to climate change impacts which may threaten food security. Locations: Potangoan Village of Buol Regency in Central Sulawesi 	<p>Development and Management of Railway Transport and Supporting Facilities (Refinancing)</p> <ul style="list-style-type: none"> Upgrade of South Line Java Railways Network from single to double track connecting Cirebon City in West Java Province to Jombang Regency in East Java Province. The upgrade of double-track lines becomes a significant part in the effort to improve the role and efficiency of the railroad mode in Java, minimizing the transport burden of road networks. Furthermore, the goal is to improve interregional connectivity to reduce the regional disparity. 	<p>Supervision and Development of Settlement Sanitation (Refinancing)</p> <ul style="list-style-type: none"> While municipal solid waste management focuses to reduce number of waste disposed to landfill by applying 3R principles, the Ministry of Public Works and Housing priorities to develop regional landfill for 3-4 cities, and improve the carrying capacity and management from open dumping to sanitary landfills Locations: All provinces except Banten

Note:
 *Micro-hydro is of <100 kW and mini-hydro is of 100 kW-10 MW
 Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (May 2021), which has obtained a limited assurance statement from EY
 Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.



Section 7

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

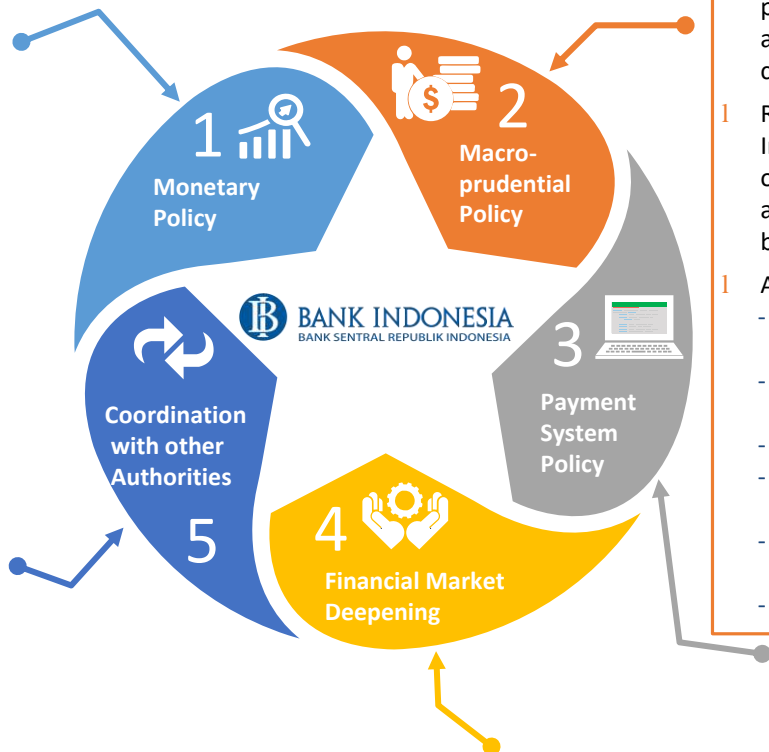


Bank Indonesia's Policy Mix

Synergy to Build Economic Recovery Optimism

- 1 Maintaining accommodative monetary policy stance (lowering policy rate 125bps in 2020, and 25ps in February 2021).
- 1 Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms.
- 1 Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
- 1 Focusing on the quantity channel by providing liquidity to stimulate economic recovery

- 1 Controlling inflation through Inflation Control Team in national and regional level.
- 1 Supporting the 2020 state budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability.
- 1 Supporting national economic recovery program thru Burden Sharing Scheme with the MOF
- 1 Promoting lower lending rates through close supervision and public communication in coordination with OJK.
- 1 Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability.



- 1 Strengthening accommodative macroprudential policy to stimulate growth of loans/financing allocated to priority sectors, incl. SMEs, and inclusion of export L/C as a financing component to stimulate bank lending to the corporate sector and export-oriented businesses.
- 1 Refining the MSME credit ratio into the Macroprudential Inclusive Financing Ratio (RPIM) by expanding the scope of bank partners to disburse inclusive financing as well as through inclusive financing securitisation and other business models.
- 1 Accommodative macroprudential policy stance by:
 - Relaxing the Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing
 - Relaxing down payment requirements on automotive loans/financing
 - Holding the countercyclical buffer (CCB) at 0%,
 - Macroprudential Intermediation Ratio (MIR) in the 84-94% range,
 - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility,
 - Relaxing credit card policy

- 1 Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the forex market
- 1 Accelerating infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
- 1 Developing Money Market Development Blueprint 2025

- 1 Accelerating digital transformation payment system policy and faster implementation of Indonesia Payment System Blueprint 2025
- 1 Strengthening and expanding electronification: Social program, e-payment for Government
- 1 Expanding of QRIS (QR Indonesia Standard) acceptance

Bank Indonesia Policy Mix: August 2021



The BI Board of Governors agreed on 18th and 19th August 2021 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25% .



Hold the
BI 7-Day
Reverse
Repo
Rate at
3.50%



- Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of accommodative monetary policy.
- Nurturing intermediation by strengthening prime lending rate (PLR) transparency with an emphasis on the risk premium and its impact on setting interest rates for new loans across various credit segments



Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.



Maintaining a seamless and reliable payment system, while supporting government programs through collaborative trials of social aid program (bansos) digitalisation and the Government Transaction Electronification program.



Accelerating Quick Response Code Indonesia Standard (QRIS) uptake, including cross-border QRIS, and implementing the National Open API Payment Standard (SNAP) towards broader digital economic and financial integration.

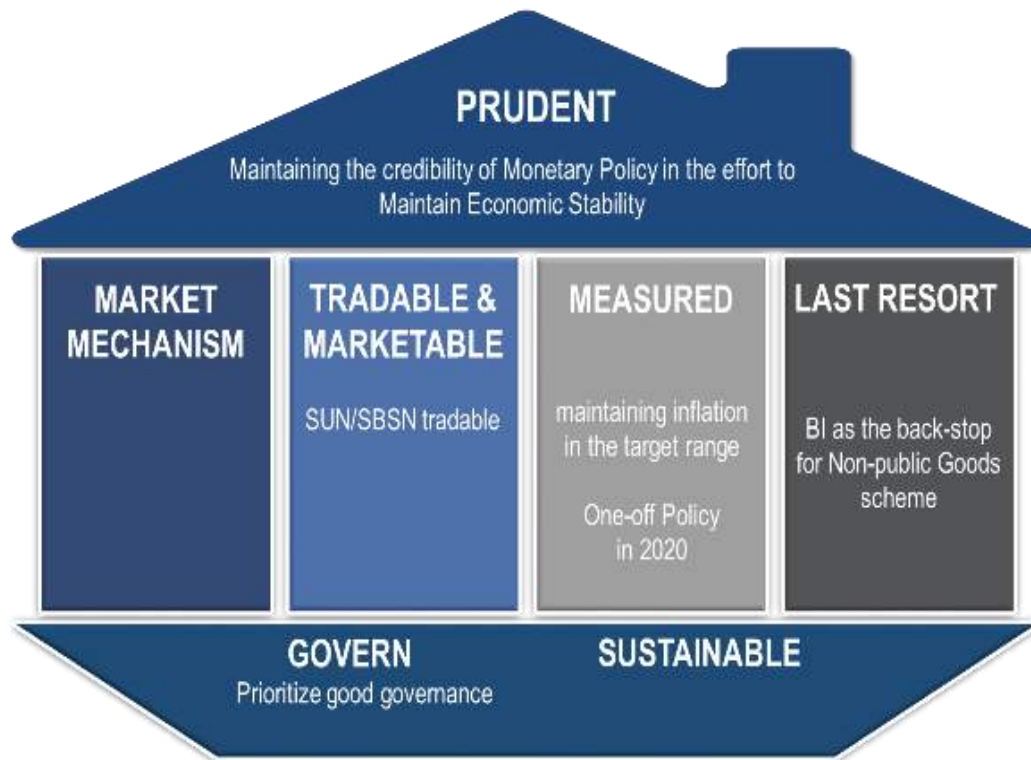


Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions. In August and September 2021, Bank Indonesia will promote trade and investment in the United Arab Emirates, China, Australia, Sweden, UK, Singapore and Malaysia.

Liquidity Remain Loose In Line with Accommodative Monetary Policy Stance to Support the Economic Recovery



PRINCIPLES OF FUNDING AND BURDEN SHARING



- Bank Indonesia has injected liquidity through quantitative easing to the banking industry totalling Rp114.15 trillion in 2021 (as of 16th August 2021)
- In addition, Bank Indonesia continues to purchase SBN in the primary market is an integral part of policy synergy between Bank Indonesia and the Government to fund the 2021 State Revenue and Expenditure Budget (APBN). As of 16th August 2021, SBN purchases in the primary market stood at Rp131.96 trillion, consisting of Rp56.50 trillion through primary auction and Rp75.46 trillion through greenshoe options (GSO)
- The expansive monetary policy stance supports loose liquidity conditions in the banking industry, as reflected in July 2021 by a ratio of liquid assets to deposits of 32.51% and deposit growth of 10.43% (yoy)
- Liquidity in the economy has also increased, as indicated by narrow (M1) and broad (M2) money supply aggregates, which grew 14.9% (yoy) and 8.9% (yoy) respectively in July 2021. The primary drivers of money supply growth are expansive fiscal and monetary policies as well as positive growth of outstanding loans disbursed by the banking industry. Moving forward, increasing lending activity is expected to expand the contribution of liquidity in terms of driving economic recovery through a higher velocity of money in the economy

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix



BGM 20-21 JAN, 17-18 FEB AND 17-18 MARCH 2021

1. Hold BI7DRR at 3.75% in Jan, lower it to 3.50% in Feb and Hold it in March.
2. Accelerating money market deepening by strengthening JISDOR (methodology, transaction monitoring period and publication schedule) as IDR reference rate against USD
3. Relaxing down payment requirements on automotive loans/financing to min 0% for all new motor vehicles and relaxing the LTV/FTV ratio on housing loans/financing to maximum 100% on all residential property for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property. Both effective from 1 Mar until 31 Dec 2021.
4. Publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry" in February
5. Strengthening Prime Lending Rate (SBDK) transparency in the banking industry, while coordinating with the Government and other relevant authorities to: (i) accelerate monetary policy transmission to lending rates in the banking industry; and (ii) stimulate lending/financing to the corporate sector.
6. Strengthening MIR/Sharia MIR policy through the inclusion of export L/C as a financing component, while incrementally introducing regulatory disincentives in the form of MIR related reserve requirement, to stimulate bank lending to the corporate sector and export-oriented businesses
7. Supporting the Regional Digitalisation Acceleration and Expansion Teams (TP2DD) to stimulate innovation, accelerate and expand Electronification of Regional Government Transactions (ETP) and integrate the digital economy and finance.
8. Supporting development of an inclusive and efficient digital economy & finance ecosystem, by:
 - Extending the QRIS 0% MDR for micro enterprises until 31st December 2021;
 - Expanding QRIS acceptance to 12mil merchant

BGM 19-20 APRIL, 24-25 MAY AND 16-17 JUN 2021

1. Hold BI7DRR at 3.50%
2. Expanding the use of (SukBI) for tenors of 1 week to 12 months, effective from 16th April 2021.
3. Maintaining accommodative macroprudential policy by holding the CCyB at 0%, the MPLB at 6% with repo flexibility at 6%, as well as Sharia MPLB at 4.5% with repo flexibility also at 4.5%.
4. Expanding money market deepening efforts by accelerating the establishment of a Central Counterparty (CCP) as well as standardising repo transactions for clearing via the CCP.
5. Lowering the upper limit on credit card interest rates from 2% to 1.75% per month, effective 1st July 2021
6. Extending the National Clearing System (SKNBI) pricing policy of IDR1 from BI to banks and a maximum of IDR2,900 from banks to customers from 30th June 2021 previously until 31 Dec 2021
7. Extending policy of lower late payment penalties on credit cards at 1% of the outstanding balance, or max of IDR 100,000, until 31 Dec 2021, to encourage the use of credit cards as a private consumption buffer to support the national economic recovery.
8. Strengthening PLR transparency in the banking industry with an emphasis on suppressing higher interest rates on new loans, the affecting factors (increasing risk perception and profit margin) as well as PLR analysis at individual banks
9. Accelerating the money market deepening program by strengthening the corresponding regulatory framework and implementing the Multi-Matching ETP, specifically targeting the Rupiah money market and FX market.
10. Strengthening QRIS policy by:
 - Raising the QRIS transaction limit from IDR 2 mil to IDR 5 mil, effective from 01/05/21
 - Lowering the MDR for Public Services Agencies (BLU) and Public Service Obligations (PSO) 0.7% to 0.4% effective from 01/06/21

BGM 21-22 JUL 2021

1. Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
2. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of accommodative monetary policy.
3. Nurturing intermediation by strengthening prime lending rate (PLR) transparency with an emphasis on the risk premium and its impact on setting interest rates for new loans across various credit segments (appendix).
4. Strengthening the payment system ecosystem through PBI PJP/PIP implementation to simplify a more efficient licensing/approval process, while fostering innovation in terms of payment system services.
5. Increasing support for a fast, simple, affordable, secure and reliable payment system that underpins government social aid program (bansos) disbursements and online transaction efficiency.
6. Strengthening exports by extending the SPE exemptions that were due to end on 29th November 2020 until 31st December 2022 in order to exploit increasing demand in trading partner countries as well as rising international commodity prices.
7. Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions. In July and August 2021, Bank Indonesia will promote trade and investment in Japan, United States, Sweden and Singapore.

Lower/Hold
dBI 7-day
Reverse
Repo Rate

Stabilization
Of The
Rupiah

Money
Market &
Foreign
Exchange

Quantitative
Easing

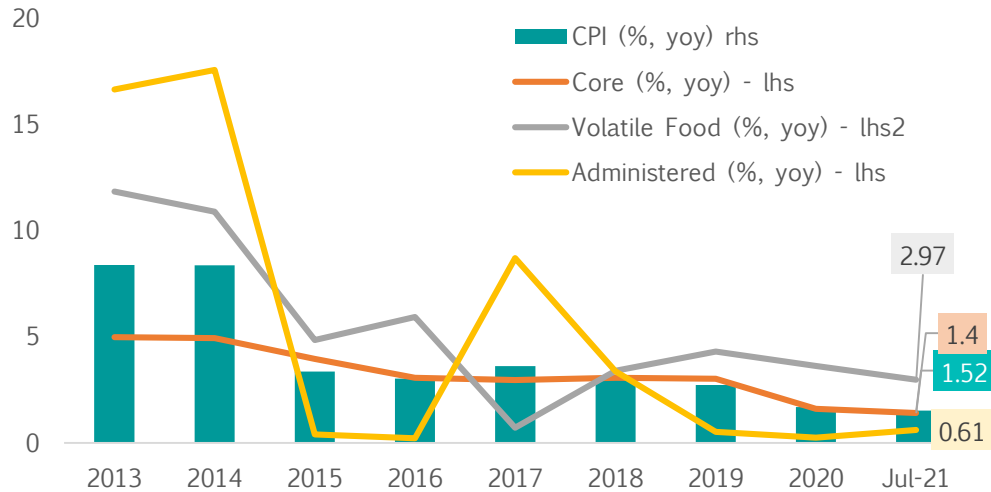
Macro-
Prudential
Policy

Payment
System
Policy

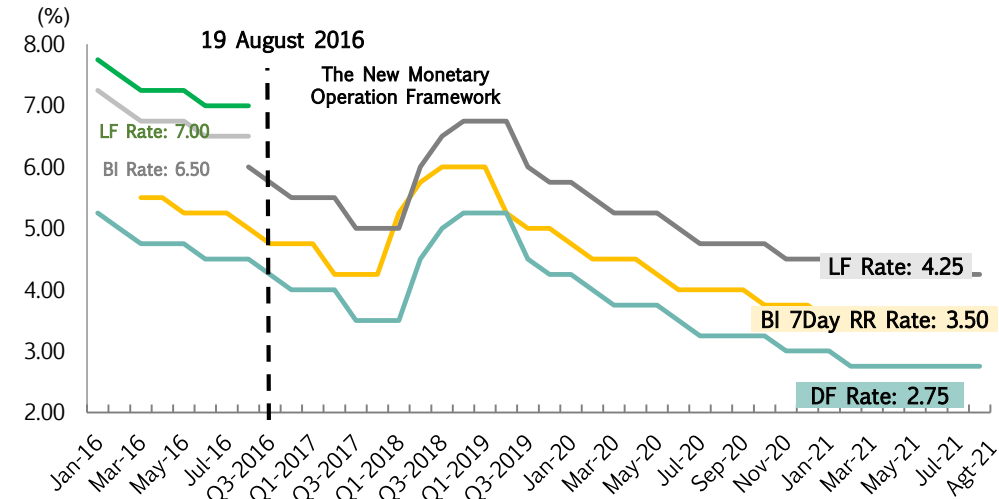
Stable Monetary Environment Despite Challenges



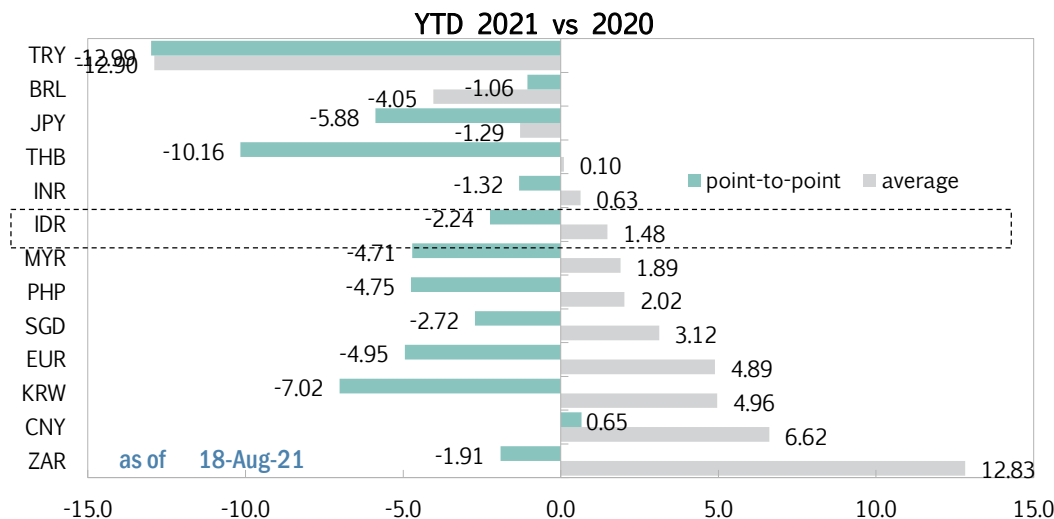
Well Maintained Inflation Ensured Price Stability



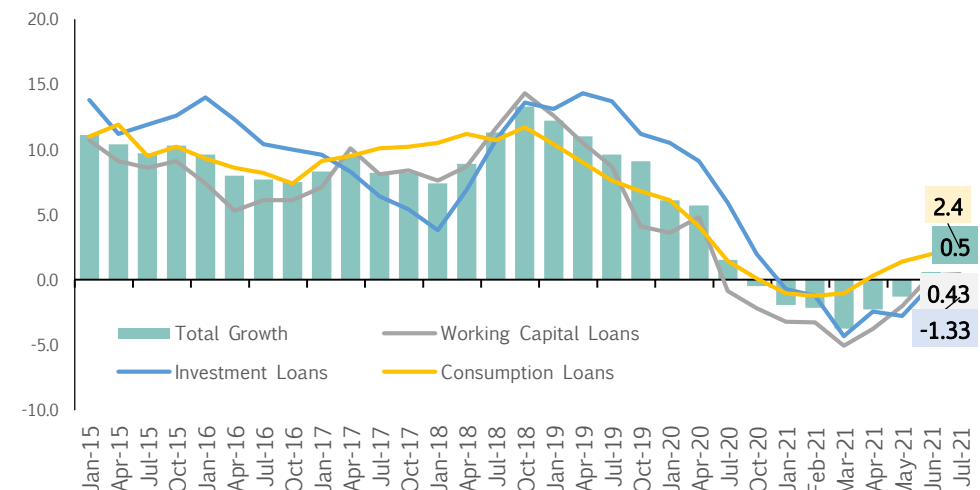
Strengthened Monetary Policy Framework



Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Credit Growth Profile

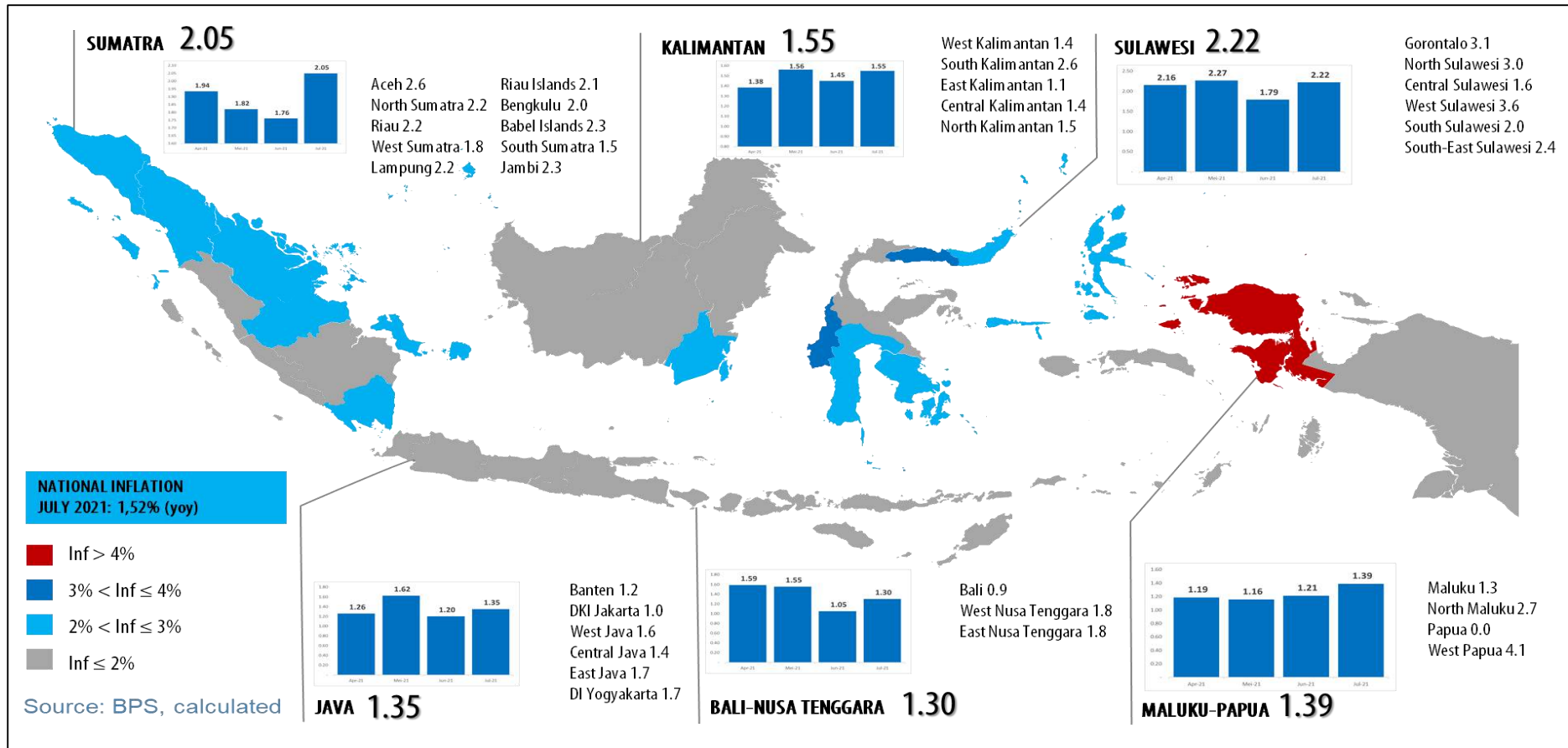


Regional Inflation Remains Under Control

...supported by a well maintained inflation in all regions



Regional Inflation of The Second Quarter of 2021



4 Strategies to Achieve the Inflation Target



2020-2021 Target

Achieving inflation at $3,0\% \pm 1\%$

- Maintaining core inflation
- Maintaining volatile food inflation less than 4%
- Controlling administered price inflation

4 Strategies

1. Price Affordability

Stabilizing the price

Managing demand side

2. Supply Availability

Strengthening production, Government food reserves and food export-import management

Strengthening institution

3. Well Managed Distribution

Encouraging trade cooperation between regions

Improving trade infrastructure

4. Effective Communication

Improving data quality

Strengthening central-regional coordination

Principles of Average Reserve Requirement Ratios Improvement



Considerations for the Average Reserve Requirement Ratios Improvement

- Improvement in average reserve requirement is a follow up to the monetary policy operational framework reform implemented by Bank Indonesia since 2016.
- Monetary policy operational framework reform started in August 2016 as BI7DRR replaced BI Rate as policy rate. This was then strengthened in 1st July 2017, by the implementation of the average reserve requirement in rupiah for conventional commercial banks at 1.5% out of the total 6.5% of GDP reserve requirement in Rupiah. The reformulation is also backed by various efforts in financial market deepening.
- The current improvement aims to elevate flexibility in banking liquidity management, enhance banking intermediation function, and support efforts in financial market deepening. This multiple targets will in turn improve the effectiveness of monetary policy transmission in maintaining economic stability.

Substance	Old	New	Effective Date
a. Additional rupiah average reserve requirement for conventional commercial banks	Fixed RR: 5% Average RR: 1.5% RR: 6.5%	Fixed RR: 4.5% Average RR: 2% RR: 6.5%	16 th July 2018
b. Annulment of demand deposit remuneration	2.5% (from 1.5% RR)	0%	16 th July 2018
c. Implementation of foreign exchange average reserve requirement for conventional commercial banks	Fixed RR: 8% Average RR: 0% RR: 8%	Fixed RR: 6% Average RR: 2% RR: 8%*	1 st October 2018
d. Implementation of average reserve requirement for Islamic banks	Fixed RR: 5% Average RR: 0% RR: 5%	Fixed RR: 3% Average RR: 2% RR: 5%*	1 st October 2018

* Complemented by harmonisation feature to align with the average reserve requirement in rupiah feature for conventional commercial banks (e.g. Calculation period, lag period, and Maintenance period of 2 weeks)

Relaxing Reserve Requirement Ratios



Lower reserve requirements, effective 1st May 2020

	Regulation
1	200bps for conventional commercial banks INELIGIBLE for looser daily reserve requirements as per macroprudential policy to support export-import and MSME financing, effective from 1 st April 2020, to 3.5%, with a daily ratio of 0.5% and average ratio of 3%
2	50bps for Islamic banks and Islamic business units INELIGIBLE for looser daily reserve requirements as per macroprudential policy to support export-import and MSME financing, effective from 1 st April 2020, to 3.5%, with a daily ratio of 0.5% and average ratio of 3%
3	200bps for conventional commercial banks eligible for looser daily reserve requirements as per macroprudential policy to support export-import and MSME financing, effective from 1 st April 2020, to 3.0%, with a daily ratio of 0% and average ratio of 3%
4	50bps for Islamic banks and Islamic business units eligible for looser daily reserve requirements as per macroprudential policy to support export-import and MSME financing, effective from 1 st April 2020, to 3.0%, with a daily ratio of 0% and average ratio of 3%

Principles of Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)



Considerations for Macroprudential Instruments Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)

1

Striving to stimulate the bank intermediation function and liquidity management, Bank Indonesia issued Bank Indonesia Regulation (PBI) No. 20/4/PBI/2018 and Board of Governors Regulation (PADG) No. 20/11/PADG/2018 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units.

2

The regulation is effective for conventional commercial banks from 16th July 2018 and for sharia banks from 1st October 2018.

3

The policy is expected to stimulate the bank intermediation function to the real sector congruent with sectoral capacity and the economic growth target in compliance with prudential principles, while also overcoming the issue of liquidity procyclicality.

4

This macroprudential policy instrument is countercyclical and can be adjusted in line with prevailing economic and financial dynamics.

Principles of Macroprudential Intermediation Ratio (MIR)*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
1	MIR Accounting Formula	$\frac{\text{Credit} + \text{Owned Bond}}{\text{Deposit} + \text{Issued Bond}}$	$\frac{\text{Financing} + \text{Owned Sharia Bond}}{\text{Deposit} + \text{Issued Sharia Bond}}$
2	Rate and Parameters	<ul style="list-style-type: none"> • Ceiling 94% • Floor 84% • Minimum Capital Adequacy Requirement 14% • Upper disincentive parameter 0.2 • Lower disincentive parameter 0.1 	<ul style="list-style-type: none"> • Ceiling 94% • Floor 84% • Minimum Capital Adequacy Requirement 14% • For Sharia business units, the Minimum Capital Adequacy Requirement is the same as that of the parent conventional commercial bank • Upper disincentive parameter 0.2 • Lower disincentive parameter 0.1
3	Scope of credit/financing and deposits to calculate MIR / MIR Sharia	<ul style="list-style-type: none"> • Credit: rupiah and foreign currency • Deposits in rupiah and a foreign currency: (i) demand deposits, (ii) savings deposits; and (iii) term deposits, excluding interbank funds 	<ul style="list-style-type: none"> • Financing: rupiah and foreign currency • Deposits in rupiah and a foreign currency: (i) wadiah savings; and (ii) unrestricted investment funds, excluding interbank funds
4	Source of Data	Monthly Commercial Bank Reports	Monthly Sharia Bank Reports
5	Criteria for securities held	<ul style="list-style-type: none"> • Corporate bonds and/or corporate sukuk • Issued by a nonbank corporation and by a resident • Offered to the public through a public offering • Equivalent to investment grade rating affirmed by a rating agency • Administrated by an authorised securities institution 	Corporate bonds and/or corporate sukuk

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019

Principles of Macprudential Intermediation Ratio (MIR)*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
6	Percentage of the securities held	100%	
7	Criteria for securities issued	<ul style="list-style-type: none"> • medium-term notes (MTN), floating rate notes (FRN) and/or bonds other than subordinated bonds 	<ul style="list-style-type: none"> • sharia-compliant medium-term notes (MTN) and/or sukuk other than subordinated sukuk
		<ul style="list-style-type: none"> • Issued by a nonbank corporation and by a resident • Offered to the public through a public offering • Equivalent to investment grade rating affirmed by a rating agency • Administrated by an authorised securities institution 	
8	Securities Reporting	Offline delivery mechanism (email)	
9	Scope of deposits to meet DD MIR /DD MIR Sharia	<ul style="list-style-type: none"> • Average daily total deposits in rupiah at all branch offices in Indonesia • Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities 	<ul style="list-style-type: none"> • Average daily total deposits in rupiah at all branch offices and sharia business units in Indonesia • Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities
10	Relaxation of DD MIR/Sharia DD MIR	<ul style="list-style-type: none"> • Bank Indonesia may relax the provisions of the DD MIR/Sharia DD MIR based on credit/financing disbursement and fund accumulation • The provisions may be relaxed based on a request from a conventional commercial bank, Sharia bank or Sharia business unit or a recommendation from the Financial Services Authority (OJK) • Conventional commercial banks, Sharia banks or Sharia business units that receive the relaxed policy are exempt from sanctions 	

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019

Adjustment of Macroprudential Intermediation Ratio (MIR)/Sharia Macroprudential Intermediation Ratio (Sharia MIR)*



Bank Indonesia strengthens accommodative macroprudential policy through an adjustment to the Macroprudential Intermediation Ratio by including the loan/financing received by banks as a component of funding in MIR/sharia MIR.

Policy Backgrounds

- In response to global and domestic economic developments, BI is maintaining an accommodative policy mix to maintain the economic growth while also maintaining macroeconomic and financial system stability.
- BI relaxed MIR/sharia MIR policy in March 2019, which stimulated bank lending. Nevertheless, the macroprudential intermediation ratio (MIR) is again approaching the upper bound, thus necessitating efforts to increase bank lending capacity.
- Considering the potential of bank funding sources that are not included in the MIR ratio, for example the expanding share of loans/financing received by banks, BI decides to adjust MIR/sharia MIR policy in order to optimize loans/financing received for bank lending.
- This policy to stimulate credit growth will comply with prudential principles. Therefore, BI is only encouraging banks with low non-performing loans and adequate capital resilience to expand credit/financing.

Main Regulatory Points

- Including loan received by conventional commercial banks and financing received by Islamic banks and Islamic business units as a source of bank funding in the calculation of MIR/sharia MIR.
- The criteria for loans/financing received by banks that are eligible to be included in MIR/sharia MIR calculation are as follows:
 - Loans/financing received in Rupiah and foreign currency;
 - Loans/financing received in the form of bilateral loans and/or syndicated loans for conventional commercial banks, Islamic banks and Islamic business units;
 - Loans/financing excludes interbank loans/financing.
 - Loans/financing received with a maturity of no less than 1 year; and
 - Loans/financing received based on a loan agreement.
- Based on points a and b, the adjusted MIR/sharia MIR formula is as follows:

Credit + Owned Bond

Deposit + Issued Bond + Loan/Financing Received

Lower disincentive parameter			Upper disincentive parameter	
MIR/sharia MIR RR=			MIR/sharia MIR RR=	
Lower Disincentives Parameter x (Lower Bound of MIR/Sharia MIR Target – Bank's MIR/Sharia MIR) x Deposit			0.2 x (Bank's MIR/sharia MIR - Upper Bound of MIR/Sharia MIR Target -) x Deposit	
NPL	CAR	Lower Disincentives Parameter	*This disincentive applies for banks with CAR below 14%.	
≥ 5%	-	0.00		
< 5%	KPMM ≤ 14%	0.00		
	14% < KPMM ≤ 19%	0.10		
	KPMM > 19%	0.15		

- The reference rate used to calculate penalties for banks that do not meet MIR/sharia MIR policy will be adjusted from the Jakarta Interbank Offered Rate (JIBOR) to the Indonesia Overnight Index Average (IndONIA).

*This adjustment will be effective from December 2nd, 2019

Source: Bank Indonesia



Strengthened MIR and Sharia MIR to accelerate economic recovery

To accelerate the economic recovery through stimulating bank lending to the corporate sector and export-oriented businesses, BI has decided to strengthen Macroprudential Intermediation Ratio (MIR/Sharia MIR) policy through the inclusion of export L/C as a financing component, while incrementally introducing regulatory disincentives in the form of MIR related reserve requirement Expanding the scope of securities in the formula to calculate MIR through the inclusion of a new component, namely export L/C, while maintaining the MIR/Sharia MIR at 84- 94%

- a. Incremental reintroduction of the MIR related reserve requirement (RR) disincentive for banks with an MIR below 75% from 1st May 2021, below 80% from 1st September 2021 and below 84% from 1st January 2022:
 - i. 0.15 for banks with a gross NPL/NPF ratio below 5% and Minimum Capital Adequacy Requirement (KPMM) above 19%
 - ii. 0.10 for banks with a gross NPL/NPF ratio below 5% and Minimum Capital Adequacy Requirement above 14% and up to 19%
 - iii. 0.00 for banks with a gross NPL/NPF ratio below 5% and Minimum Capital Adequacy Requirement below or equal to 14%
 - iv. 0.00 for banks with a gross NPL/NPF ratio above or equal to 5%
- c. The upper disincentive parameter is set at 0.00 for banks with a Minimum Capital Adequacy Requirement below or equal to 14% and banks with a Minimum Capital Adequacy Requirement above 14%.

Current Regulation			New Regulation		
Regulation	MIR (CCB)	Sharia MIR (SCB and SBU)	Regulation	MIR (CCB)	Sharia MIR (SCB and SBU)
Criteria of Securities held	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;	Criteria of Securities held	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;
	1. Issued by nonbank corporation and residents. 2. Offered to the public through a public offering. 3. Rated by a rating agency no lower than investment grade. 4. Administrated by an institution authorised to provide securities settlement and custodial services.			1. Issued by nonbank corporation and residents. 2. Offered to the public through a public offering. 3. Rated by a rating agency no lower than investment grade. 4. Administrated by an institution authorised to provide securities settlement and custodial services.	
			ii	In the form of export L/C;	

Current Regulation			New Regulation		
NPL/NPF	KPMM	Lower Disincentive Parameter	NPL/NPF	KPMM	Lower Disincentive Parameter
<5%	>19%	0.00	<5%	>19%	0.15
	14%<KPMM≤ 19%	0.00		14%<KPMM≤ 19%	0.10
	≤14%	0.00		≤14%	0.00
≥5%	-	0.00	≥5%	-	0.00

Principles of Macprudential Liquidity Buffer (MLB)



	Regulation	MLB (Conventional Commercial Bank)	MLB Sharia (Sharia Banks)
1	Rate	4% of rupiah deposits (including Sharia Business Units deposits)	4% of rupiah deposits
2	Components	<ul style="list-style-type: none"> Securities denominated in rupiah held by a conventional commercial bank that may be used for monetary operations (including SBI/SDBI/SBN); and Sharia-complaint securities denominated in rupiah held by an Sharia business unit that may be used for sharia-compliant monetary operations (including SBIS/SBSN) 	<ul style="list-style-type: none"> Sharia-complaint securities denominated in rupiah held by an Sharia bank that may be used for sharia-compliant monetary operations (including SBIS/SBSN)
3	Calculation Formula	Percentage of rupiah securities held by a conventional commercial bank to rupiah deposits	Percentage of sharia-compliant rupiah securities held by an Sharia bank to rupiah deposits
4	Flexibility	Under certain conditions, the securities used to meet the MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits	Under certain conditions, the securities used to meet the sharia MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits
5	Sources of Data on Deposits	<ul style="list-style-type: none"> Monthly Commercial Bank Reports Rupiah deposits to calculate MLB are the average daily total deposits at all branches in Indonesia Rupiah deposits include: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities 	<ul style="list-style-type: none"> Monthly Sharia Bank Reports Rupiah deposits to calculate sharia MLB are the average daily total deposits at all branches in Indonesia Rupiah deposits include: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities

Macroprudential Liquidity Buffer (MLB) Policy and Credit card policy



Policy to increase the Macroprudential Liquidity Buffer (MPLB), effective 1st May 2020.

	Regulation	Before	After
1	Increase in the Macroprudential Liquidity Buffer (MLB) for conventional commercial banks	4% of rupiah deposits	6% of rupiah deposits
2	Increase in the Macroprudential Liquidity Buffer (MLB) for Islamic banks and Islamic business units	4% of rupiah deposits	4.5% of rupiah deposits

Credit card policy, effective 1st May 2020.

	Regulation	Before	After	Effective Period
1	Lower upper limit on credit card interest	2.25% per month	1.75% per month	1 st July 2021
2	Temporary reduction of minimum payment requirements	10%	5%	1 st May 2020 – 31 st December 2020
3	Temporary reduction of late payment penalties	3% or maximum of Rp150,000	1% or maximum of Rp100,000	1 st May 2020 – 31 st December 2021
4	Supporting credit card issuer policy to extend the due date for customers		Issuer discretion	1 st May 2020 – 31 st December 2020



Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios*

The LTV/FTV relaxation is conducted while taking into account aspects of prudential and consumer protection*

1. Increasing opportunities of first time buyers to fulfill their housing needs through housing loan, specifically by adjusting the LTV ratio for property loan and the FTV ratio for property financing for the 1st facility, 2nd facility, etc., making the largest LTV ratio for property credit and FTV ratio for property financing as shown in the table below.
2. Relaxing the amount of loan/financing facility through indent mechanism to a maximum of 5 facilities without taking account of the orders
3. Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

PROPERTY LOAN & PROPERTY FINANCING BASED ON MURABAHAH & ISTISHNA DEEDS					
PROPERTY TYPE (m ²)	Current Regulation			Relaxation	
	Property Loan & Financing			Property Loan & Financing	
	I	II	III etc	I	II etc

HOUSE

Type >70m ²	85%	80%	75%	-	80%
Type 22-70m ²	-	85%	80%	-	85%
Type <=21m ²	-	-	-	-	-

APARTMENT

Type >70m ²	85%	80%	75%	-	80%
Type 22-70m ²	90%	85%	80%	-	85%
Type <=21m ²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

PROPERTY FINANCING BASED ON MMQ & IMBT DEEDS					
PROPERTY TYPE (m ²)	Current Regulation			Relaxation	
	Property Financing			Property Financing	
	I	II	III etc	I	II etc

HOUSE

Type >70m ²	90%	85%	80%	-	85%
Type 22-70m ²	-	90%	85%	-	90%
Type <=21m ²	-	-	-	-	-

APARTMENT

Type >70m ²	90%	85%	80%	-	85%
Type 22-70m ²	90%	85%	80%	-	85%
Type <=21m ²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

Current Regulation	
Stage and Disbursement Rate	Conditions
House/Office House/Shop	
Max. Cumulative disbursement up to 40% of ceiling	Footing finished
Max. Cumulative disbursement up to 80% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage
Apartment	
Max. Cumulative disbursement up to 40% of ceiling	Footing finished
Max. Cumulative disbursement up to 70% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage

Relaxation	
Stage and Disbursement Rate	Conditions
House/Office House/Shop House	
Max. Cumulative disbursement up to 30% of ceiling	After loan deeds
Max. Cumulative disbursement up to 50% of ceiling	Footing finished
Max. Cumulative disbursement up to 90% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and covernote

*“= The LTV rate depends on each bank’s risk management

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019

Source: Bank Indonesia

Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios*



Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios

1. The requirements of the LTV ratio for property credit and FTV ratio for property financing are as follows:
 - i. The net ratio of NPL to total credit or NPF to total financing must not exceed 5%; and
 - ii. The gross ratio of property NPL to total property credit or property NPF to total financing must not exceed 5%.
2. Banks must make sure that there is no loan transfer to another borrower at the same bank or different bank for tenors of less than 1 year. The requirements are valid for banks that will disburse pre-order property loan/financing.
3. Banks are required to comply with prudential principles when disbursing loans.
4. Gradual loan liquidation is only allowed for developers that comply with bank's risk management policy (e.g. the business feasibility of the developer).
5. Banks are required to ensure that transactions to disburse loans (including down payment) and gradual liquidation must be processed through the debtor and developer/seller's bank account.

LTV / FTV Exemptions

Central government or local government loan / financing programs are exempt from this regulation.

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019

Adjustment of LTV Ratio for Property Loans, FTV Ratio for Property Financing, and Down Payments on Automotive Loans/Financing*

(Effective December 2nd, 2019)



Bank Indonesia adjusts macroprudential policy in the property and automotive sectors by: (i) relaxing the LTV ratio for property loans and the FTV ratio for property financing; (ii) providing additional incentive on LTV ratio for green property loans and FTV ratio for green property financing; (iii) relaxing down payments on automotive loans/financing; (iv) providing additional incentive on down payments on green automotive loans.

Policy Backgrounds

- In response to global and domestic economic developments, BI is maintaining an accommodative policy mix to maintain the economic growth while also maintaining macroeconomic and financial system stability. This effort will be targeted to several potential sectors.
- Considering the ongoing needs to stimulate the property and automotive sectors which have a huge backward and forward linkages to other sectors in the economy, BI decides to relax LTV/FTV policy for property loans/financing and down payments on automotive loans in compliance with prudential principles.
- Additional incentives are also given to support sustainable development through green financing in order to reduce potential disruptions to financial system stability stemming from environmental degradation.
- As a prudential mitigation, those relaxations will be given to borrower with strong repayment capacity and low credit/financing risk.
- BI will regularly evaluate this policy at least once a year.

Main Regulatory Points

- Adjustment of LTV Ratio for Property Loans and FTV Ratio for Property Financing.
 - BI decides to relax the LTV ratio for property loans and FTV ratio for property financing by 5% from current ratio as follows:

Table 1. Current LTV/FTV Ratio

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria								
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT					
	1	≥2	1	≥2	1	2	≥3	1	2	≥3			
Landed House													
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%			
Type >21 - 70	-	85%	-	90%	-	80%	70%	-	80%	70%			
Type ≤21	-	-	-	-	-	-	-	-	-	-			
Apartment													
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%			
Type >21 - 70	-	85%	-	85%	90%	80%	70%	90%	80%	70%			
Type ≤21	-	85%	-	85%	-	80%	70%	-	80%	70%			
Office House	-	85%	-	85%	-	80%	70%	-	80%	70%			

Table 2. Adjusted LTV/FTV Ratio

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria								
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT					
	1	≥2	1	≥2	1	2	≥3	1	2	≥3			
Landed House													
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%			
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%			
Type ≤21	-	-	-	-	-	-	-	-	-	-			
Apartment													
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%			
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%			
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%			
Office House	-	90%	-	90%	-	85%	75%	-	85%	75%			

Adjustment of LTV Ratio for Property Loans, FTV Ratio for Property Financing, and Down Payments on Automotive Loans/Financing* (Effective December 2nd, 2019)



Main Regulatory Points

2. Additional incentive on the LTV ratio for green property loans and FTV ratio for green property financing.
 - a. The Green Property criteria refers to the standards/certificates issued by a nationally or internationally recognized environmental institution.
 - b. Green property that is granted for the incentive has to meet the following standards:
 - i. For residential areas/buildings in certified green belt areas, each unit in the residential area/building is considered to meet the criteria.
 - ii. In case that the residential area/building is not a certified green belt area, an evaluation will be conducted on each unit as follows:
 - For buildings < 2500m², the bank may conduct a self-assessment using the tools/applications provided by a recognized institution.
 - For buildings > 2500m², the assessment must be conducted by a recognized institution;
 - For new buildings constructed in an area by one developer or group of developers, the assessment must be conducted by a recognized institution and the certificate must be submitted by the developer
 - i. Additional incentive for green property on LTV ratio for property loans and FTV ratio for property financing is 5% from the LTV/FTV ratio presented in Table 2 as follows:

Table 3. LTV/FTV Ratio for Green Property

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria					
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Type ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%
Office House	-	95%	-	95%	-	90%	80%	-	90%	80%

3. Adjustment of Down Payments on Automotive Loans/Financing
 - a. Down Payments on Automotive Loans/Financing is adjusted as follows:
 - i. Relaxation on the down payments of automotive loans or automotive financing 5%-10% from current regulations;
 - ii. The relaxation should consider the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans/financing;
 - iii. The adjustment of down payments of automotive loans/financing in points a and b is as follows:

Table 4. Current Down Payment on Automotive Loan or Financing

	Current Down Payment	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	20%	25%
3-Wheeled or more (non productive)	25%	30%
3-Wheeled or more (productive)	20%	

Table 5. Adjusted Down Payment on Automotive Loan or Financing

	Adjusted Down Payment	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	15%	20%
3-Wheeled or more (non productive)	15%	25%
3-Wheeled or more (productive)	10%	15%

Adjustment of LTV Ratio for Property Loans, FTV Ratio for Property Financing, and Down Payments on Automotive Loans/Financing*

(Effective December 2nd, 2019)



Main Regulatory Points

4. Adjustment of Down Payments on Green Automotive Loans/Financing

- The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.
- The down payments on green automotive loans or green automotive financing is adjusted as follows:
 - Additional incentive of 5% on green vehicles from the down payment presented in Table 5;
 - The down payment incentives considers the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans/financing;
 - The down payment regulation for green automotive loans or green automotive financing in points a and b is as follows:

Table 6. Down Payment on Green Automotive Loan or Financing

	Down Payment on Green Automotive Loan or Financing	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	10%	15%
3-Wheeled or more (non productive)	10%	20%
3-Wheeled or more (productive)	5%	10%

Note: Adjustments of the LTV ratio for property loans, FTV ratio for property financing and down payments on automotive loans or financing is effective from December 2nd, 2019

Adjustment of Minimum Down Payments on Green Automotive Loans/Financing (Effective 1st October 2020)



Bank Indonesia adjusts macroprudential policy in automotive sectors by: (Lowering the minimum limit of down payment on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles.

Main Regulatory Points

1. Adjustment of Minimum Down Payments on Green Automotive Loans/Financing. The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.

Type of Green Motor Vehicle	Current regulation (PBI No. 21/13/PBI/2019) *)	New Regulation *)
Two-wheel	10%	0%
Three-wheel or more (non-commercial)	10%	0%
Three-wheel or more (commercial)	5%	0%

1. Applicable to banks with a non-performing loans (NPL) ratio below 5%
2. Effective 1st October 2020

Requirements:

1. Gross NPL ratio on total credit <5%; and
2. Net NPL ratio on automotive loan <5%



Adjustment of LTV/FTV Requirements on Automotive loans/financing

(effective from 1st March 2021 until 31st December 2021)

Bank Indonesia relaxes down payment requirements on automotive loans/financing to minimum 0% for all new motor vehicles to stimulate credit growth in the automotive sector, while maintaining prudential principles and risk management

Policy Objectives and Background

- a. In response to the latest global and domestic developments, Bank Indonesia is maintaining an accommodative policy mix in line with efforts to stimulate economic recovery and maintain financial system stability.
- b. Considering the need to stimulate recovery, particularly in the automotive sector, and considering the sector has strong backward and forward linkages in the economy.
- c. The policy is implemented as part of the policy mix with fiscal stimuli issued by the Government, including a reduction to the luxury goods sales tax (PPnBM).
- d. The amendment also takes into consideration the contained credit/financing risk in the automotive sector.
- e. Looser downpayment requirements on automotive loans must comply with prudential principles and risk management.

Changes to Down payment Requirements on Automotive Loans/Financing

Current Regulation					New Regulation				
Vehicle Type	Downpayment Requirements on Non-Green Vehicles		Downpayment Requirements on Green Vehicles		Vehicle Type	Downpayment Requirements on Non-Green Vehicles		Downpayment Requirements on Green Vehicles	
	NPL Requirements Met**	NPL Requirements Not Met**	NPL Requirements Met**	NPL Requirements Not Met**		NPL Requirements Met**	NPL Requirements Not Met**	NPL Requirements Met**	NPL Requirements Not Met**
Two Wheels	15%	20%	0%	15%	Two Wheels	0%	10%	0%	0%
Two Wheels or More (Non-Commercial)	15%	25%	0%	20%	Two Wheels or More (Non-Commercial)	0%	10%	0%	0%
Two Wheels or More (Commercial)	10%	15%	0%	10%	Two Wheels or More (Commercial)	0%	5%	0%	0%

*) previous regulation, PBI No. 21/13/PBI/2019

**) Requirements as follows:

- Gross NPL/NPF ratio <5%; and
- Net NPL/NPF ratio <5%

Notes:

Green vehicles include battery electric vehicles (BEVs) as stipulated in prevailing laws and regulations on accelerating the battery electric vehicle program for road transportation.



Adjustment of LTV/FTV ratio on Housing loans/financing

(effective from 1st March 2021 until 31st December 2021)


Bank Indonesia relaxes the Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property to stimulate credit growth in the property sector, while maintaining prudential principles and risk management,

Policy Objectives and Background

- a. In response to the latest global and domestic developments, Bank Indonesia is maintaining an accommodative policy mix in line with efforts to stimulate economic recovery and maintain financial system stability.
- b. Considering the need to stimulate recovery, particularly in the property sector, and considering the sector has strong backward and forward economic linkages.
- c. The amendment also takes into consideration the contained credit/financing risk in the property sector.
- d. The LTV ratio is set at an upper limit of 100% for banks meeting the NPL/NPF requirements and regulations concerning the liquidation of partially prepaid property (inden) are being relaxed, which must comply with prudential principles and risk management.

a. Changes to LTV/FTV Ratio on Non-Green Property Loans/Financing

Current Regulation



Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*						
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts				
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%	
Type ≤21	-	-	-	-	-	-	-	-	-	-	
Apartment	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%	
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%	
Shop House/Office House	-	90%	-	90%	-	85%	75%	-	85%	75%	

Notes:

1. '-' denotes LTV ratio policy at bank discretion

2. Based on PB No. 21/13/PBI/2019

New Regulation



Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*						
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts				
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%	
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%	
Apartment	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%	
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%	
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	

*) NPL/NPF Criteria:


1. Gross NPL/NPF ratio < 5%; and

2. Net NPL/NPF ratio on property loans/financing < 5%



Adjustment of LTV/FTV ratio on Housing loans/financing (effective from 1st March 2021 until 31st December 2021)


b. Changes to LTV/FTV Ratio on Green Property Loans/Financing



Ketentuan Saat Ini											
Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*						
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financing based on MMQ and IMBT Contracts			
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House											
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%	
Type >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%	
Type ≤21	-	-	-	-	-	-	-	-	-	-	
Apartment											
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%	
Type >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%	
Type ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%	
Shop House/Office House	-	95%	-	95%	-	90%	80%	-	90%	80%	

Notes:

1. '-' denotes LTV ratio policy at bank discretion.
2. Based on PB No. 21/13/PB/2019
3. Criteria for a green building:
 - a. Property area < 2,500m², assessed by Bank Indonesia using tools from an approved green building appraisal institution and/or certified directly by an approved green building appraisal institution.
 - b. Property area ≥ 2500m², certified by an approved green building appraisal institution.



Ketentuan Baru											
Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*						
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financing based on MMQ and IMBT Contracts			
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House											
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%	
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%	
Apartment											
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%	
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%	
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%	

*) NPL/NPF Criteria:

1. Gross NPL/NPF ratio < 5%; and
2. Net NPL/NPF ratio on property loans/financing < 5%

c. Changes to Indent Regulations

Current Regulation			New Regulation	
Maximum cumulative liquidation	up to 30% of ceiling	upon completion of loan contract	<ol style="list-style-type: none"> 1. Repeals regulations concerning the gradual liquidation of indent and the maximum cumulative liquidation of property loans or property financing. 2. Banks are required to maintain prudential principles and risk management when liquidating property loans/financing on indent. 	
Maximum cumulative liquidation	up to 50%	upon completion of foundations		
Maximum cumulative liquidation	up to 90% of ceiling	upon completion of roof		
Maximum cumulative liquidation	up to 100% of ceiling	upon signing of BAST, accompanied by AJB and a cover note.		

Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry



Bank Indonesia published the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry" to accelerate monetary policy transmission and expand the dissemination of information to corporate and individual consumers in order to enhance governance, market discipline and competition in the credit market.

Prime Lending Rate and Deposit Rate Response to BI7DRR¹

Key Takeaways

- The banking industry has continued to lower prime lending rates (PLR), although the magnitude of reductions has slowed. The cost of loanable funds (CoLF) is still edging prime lending rates down, yet higher profit margins have offset further reductions.
- The risk premium in the banking industry is trending upwards, pointing to a higher risk perception of the corporate sector. Consequently, state-owned banks, national private commercial banks and regional government banks raised lending rates on new loans in April 2021.

Bank Indonesia has maintained an accommodative monetary and macroprudential policy stance in order to stimulate economic growth.

- Prior to the Covid-19 pandemic, from June 2019 until Feb 2020, BI lowered the BI7DRR policy rate five times by a total of 125bps from 6.00% to 4.75%.
- From March 2020, Bank Indonesia lowered the policy rate another four times (100bps) to a level of 3.75% in November 2020, and lower another 25 bps in Februari 2021 to 3.50%.
- In terms of liquidity, accommodative monetary and macroprudential policy significantly boosted liquidity in the banking industry in order to maintain financial system stability and the bank intermediation function.

The banking industry has continued to lower prime lending rates (PLR) in response to the BI policy rate, although the magnitude of reductions has slowed.

- By bank group, state-owned banks were the main driver of lower PLR in the banking industry.
- By component, the cost of loanable funds (CoLF) remained the main contributor to lower PLR. In the near term, the dynamics of PLR components are characterised predominantly by higher profit margins in the banking industry amidst a lower cost of loanable funds (CoLF).

Pursuant to OJK Regulation (POJK) No. 37/POJK.03/2019 concerning Bank Report Transparency and Publication, the PLR consists of three components, namely;

- the cost of loanable funds (CoLF), incl. the cost of funds, cost of services, regulatory costs and other costs;
- overhead costs (OHC), incl. labour costs, education and training costs, R&D costs, rental costs, promotion and marketing costs, maintenance and repair costs, fixed asset and inventory depreciation costs as well as other overhead costs; and
- profit margin, which is determined by the respective bank for lending activity.

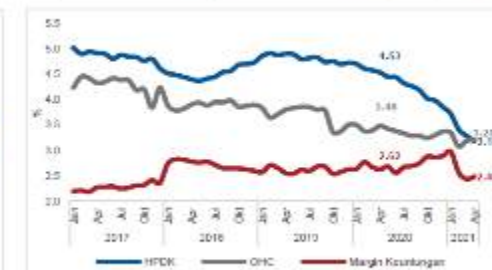
Graph 1 Prime Lending Rate, BI7DRR and 1-Month Term Deposit Rate Performance



Graph 2. Prime Lending Rates by Bank Group



Graph 3. Prime Lending Rate Performance by Component

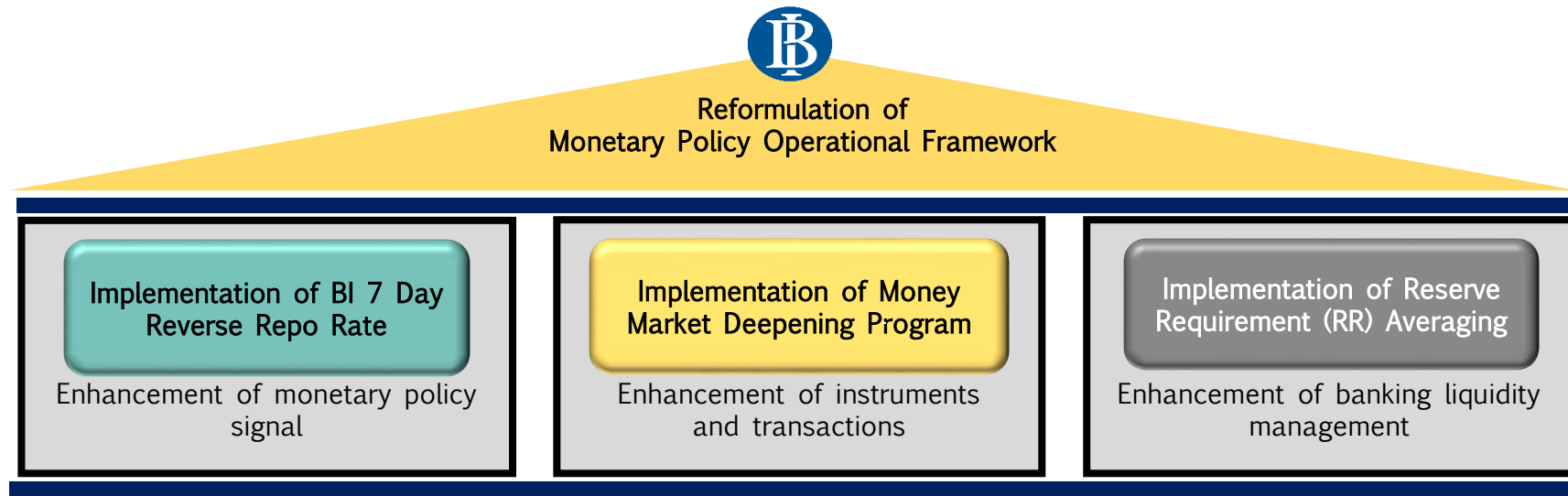


¹ Assessment period until April 2021.

Improving the Effectiveness of Monetary Policy Transmission



Bank Indonesia has instituted a Reformulation of Monetary Policy Operations Framework which consists of 3 pillars



Blueprint for Money Market Development (BPPU) 2025 launched on Dec 14th, 2020
to build a reliable and efficient ecosystem for money market development in Indonesia

Initiative I	Initiative II	Initiative III
Promoting Digitalization and Strengthen Financial Market Infrastructures	Strengthening Effectiveness of Monetary Policy Transmission	Developing Economic Financing Sources and Risk Management
(Trading venue, central counterparty, BI-SSSS, BI-RTGS, trade repository)	(Repo, IndONIA and JIBOR, Overnight Index Swap, DNDF, LCS)	(long-term hedging, sustainability and green financing, investor retail, asset securitization)

Blueprint is accessible here: <https://www.bi.go.id/en/publikasi/kajian/Pages/Blueprint-Pengembangan-Pasar-Uang-2025.aspx>

Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Purposes

1. To support the effort of stabilizing the Rupiah exchange rate through the additional of alternative hedging instruments
2. To support the development and deepening of the domestic financial market
3. To increase the confidence of exporters, importers, and investors in conducting economic and investment activities through the flexibility of hedging transactions against Rupiah currency risk

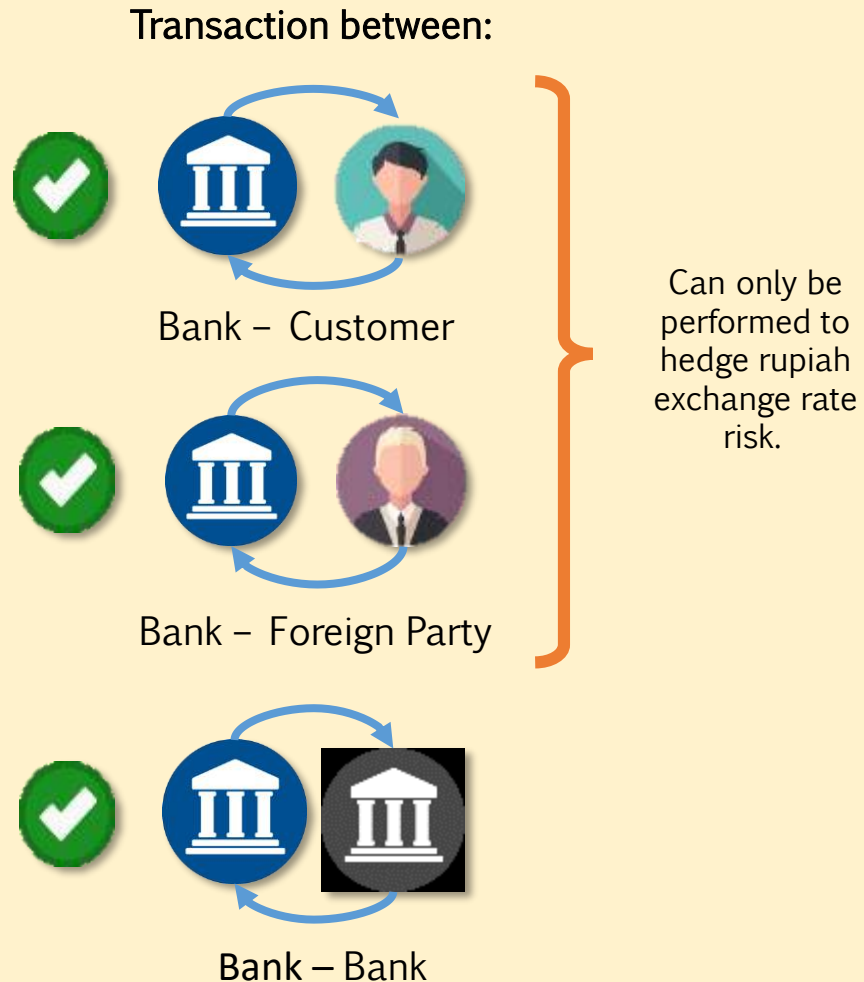
General Provisions

- ❖ **Domestic Non-Deliverable Forward Transaction (DNDF Transaction)**
Plain vanilla derivative transaction of foreign exchange against rupiah in the form of forward transaction with fixing mechanism in the domestic market
- ❖ **Forward Transactions**
Forward Transactions are sell/purchase foreign currencies against rupiah whereas the delivery of funds shall be performed in more than 2 days after the transaction date
- ❖ **Fixing Mechanism**
Transaction settlement mechanism without full movement of funds by calculating the difference between rate on the transaction date and reference rate in JISDOR on a specified future time agreed in the contract (fixing date)
- ❖ **Other Definitions**
The definition of derivative transaction of foreign exchange against rupiah, Forward Transaction, Spot Transaction, Customers, Foreign Party is referring to Bank Indonesia regulations regarding foreign exchange transaction against rupiah

Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Bank can perform DNDF Transactions as follows:



1. Must have *Underlying Transactions*:

Including all following activities :



- a. Trade of goods and services
- b. Investments, loans, capital, and other investments.
- c. Banks credit or financing in foreign currencies (specifically for transactions between bank and customers)

Excluding following activities:



- a. Bank Indonesia certificates;
- b. Placement of funds with bank;
- c. Unwithdrawn credit facilities;
- d. Documents of foreign currencies sales againsts rupiah;
- e. Money transfer by fund transfer companies
- f. Intercompany loan
- g. Money changer activities.

2. Nominal of DNDF Transactions \leq Nominal of Underlying Transactions

3. Tenor of DNDF Transactions \leq Tenor of Underlying Transactions

Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Transaction Settlement

- Use Fixing mechanism
- Reference rate: JISDOR for USD/IDR and BI FX Transaction MidRate for non-USD/IDR
- Settlement currency : IDR
- Roll over and early termination are not allowed



Roll over and early termination for DNDF is prohibited

However, unwind can be done by opening the reverse DNDF transactions



Cover Hedging

Bank may conduct DNDF Transactions with Bank Overseas for cover hedging purpose.

- Underlying Transactions: DNDF Transaction between Bank and Customer/Foreign
- Purpose: Hedging



Notes:

Customer A conduct DNDF transactions with Bank B, and so Bank B can conduct DNDF transactions with overseas Bank for the purpose of cover hedge.

Amendment on DNDF Regulation

*to provide more flexibility in DNDF transaction

*to increase liquidity and efficiency in domestic foreign exchange market



BI Regulation No. 20/10/PBI/2018

AMENDMENT

BI Regulation No. 21/7/PBI/2019

Article 3

1. DNDF transactions must have Underlying

Article 6

2. Not Regulated;

Article 11

3. Underlying documents must be final (firm) with additional supporting documents

Article 11

4. Not Regulated;

Article 3

1. Sell FX/IDR through DNDF up to \$ 5 mio can be done without underlying documents

Article 6

2. DNDF can be terminated (unwind);

Article 11

3. Underlying documents for buy FX/IDR for DNDF is :
 - Final (firm commitment) + Supporting documents
4. Underlying documents for sell FX/IDR for DNDF above threshold \$ 5 mio can be:
 - Final (firm commitment) + Supporting documents
 - Projection (anticipatory basis) + Supporting documents

Article 11

5. In using estimate underlying transaction documents in the form of cash flow projection, Bank must evaluate the appropriateness through:
 - a. Supplementary documents;
 - b. Historical data within at least 1 year before; and
 - c. Track record of the Customer or Foreign Party.

*Effective on May 17th, 2019; English version of the regulation is available in BI website.

Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR)

To accelerate money market deepening



- The strengthening of JISDOR to increase domestic foreign exchange market credibility and support exchange rate stability. This measure is in line with the benchmark reform initiatives taking place on global financial markets, to establish a reference rate that represents daily exchange rates based on transactions supported by best practice methodologies.
 - ✓ Effective starting April 5, 2021
- JISDOR is obtained by calculating the weighted average based on transaction volume of the Rupiah exchange rate against USD on the spot market within the specified time window

Specification	Before Implementation	After Implementation	Information
Currency Pair	USD/IDR		Not changed
Data type	Actual USD/IDR spot transactions traded in interbank market		Not changed
Data Reporting Media	SISMONTAVAR		Not changed
Publisher Administrator	Bank Indonesia		Not changed
Observation Range	08.00 – 09.45 Jakarta Time	08.00 – 16.00 Jakarta Time *	Changed
JISDOR Publication Time	10.00 WIB	16.15 WIB *	Changed
Calculation Method	Weighted average rate of USD/IDR spot transactions traded in interbank market		Not changed
Publication Media	Bank Indonesia Website		Not changed

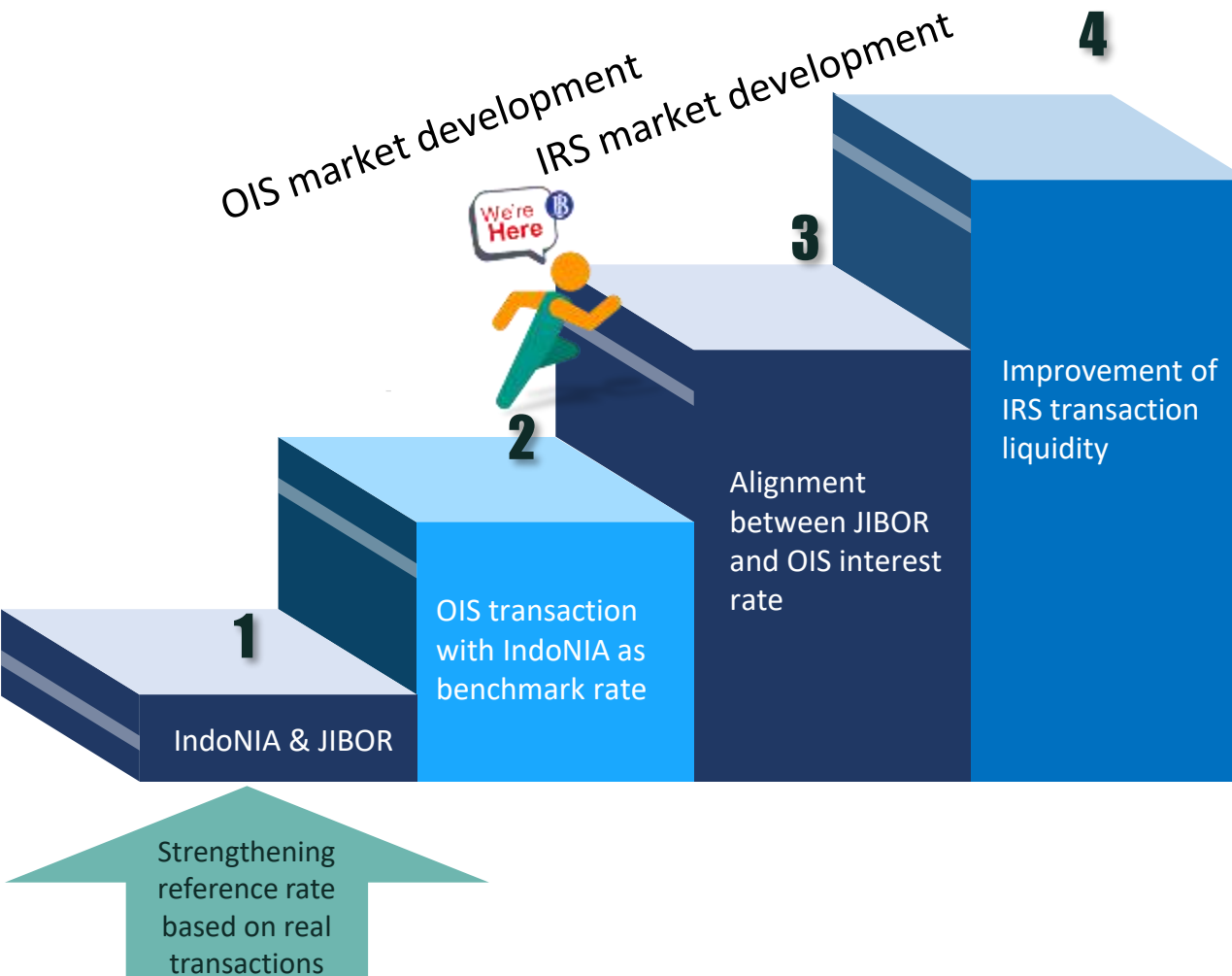
* Adjustment of the operational time for the domestic FX Market operating hours during The COVID-19 Pandemic: Monitoring Period JISDOR ranges: 09.00 - 15.00, JISDOR published at 15.15 Jakarta Time.

JISDOR is available on every working days on <https://www.bi.go.id/en/statistik/indikator/Default.aspx>

Overnight Index Swaps (OIS) & Interest Rate Swaps (IRS)



As hedging instruments against Rupiah interest rate changes



IRS is a contract between two parties to periodically exchange rupiah interest rate flows during the contract period or at the completion of the contract based on certain notional amount. IRS pricing is based on JIBOR.

OIS is an interest rate swap agreement based on a daily overnight reference rate (IndoNIA)

- ❖ Encourage price transparency in the rupiah money market
- ❖ Strengthen monetary policy transmission
- ❖ Provide alternative hedging instruments against rupiah interest rate changes
- ❖ Support securities market deepening in Indonesia

OIS and IRS Transactions: General Provisions



Market Players. Banks, bank clients, both individual and non-bank institutions, and also foreign parties.

Transaction Needs Analysis. A bank performing an IRS or OIS transaction with a customer and/or foreign party on behalf of the customer and/or foreign party is required to have an analysis on the need of rupiah interest rate derivative transactions.

Market Conventions. When performing IRS and OIS transactions, the respective bank is bound by market conventions agreed upon by market players through industry association including the Indonesian Foreign Exchange Market Committee.

Settlement. Settlement can be performed as a netting payment and every transaction has to be settled in Rupiah. **Close-out netting** can be applied under predetermined conditions.



Calculation
Base
ACT/360

Interest Payment
based on Netting

OIS Quotation rates
based on 2
decimals

IndONIA
Index
with 5
decimals

Notional of Net
interest payment in
IDR with 0
decimals

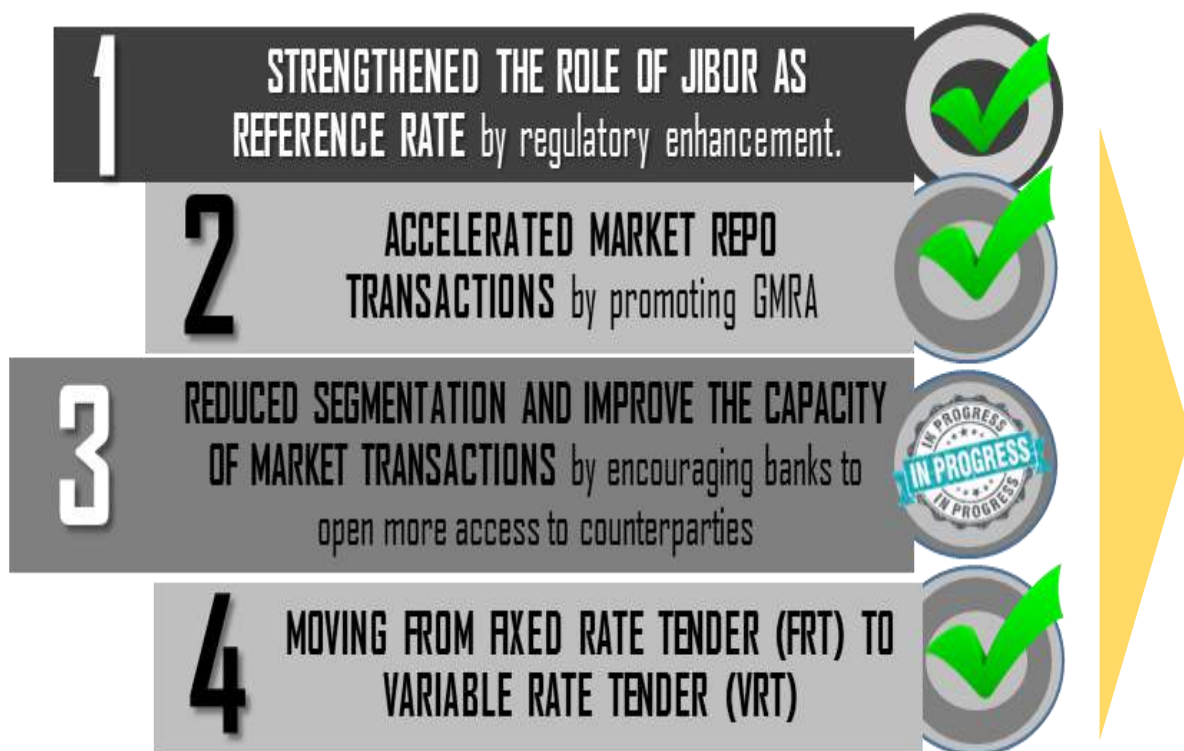
Quotation : 1W,
2W, 1M, 2M, 3M,
4M, 5M, 6M

Compound
Floating Rates
(CFR) based
on 5
decimals

Settlement Date =
1 business days
after Maturity Date
(MD)

At the 1st phase,
OIS settlement will
only be done at the
end of the OIS
tenor (MD+1bd).

Enhancement of Monetary Operations Framework



PREVIOUS JIBOR

- Can be traded among contributor banks for 10 minutes.
- Up to the amount of IDR10 billion.
- Up to 1-month tenor.



CURRENT JIBOR (as per June 1st, 2016)

- Can be traded among contributor banks for 20 minutes.
- Up to a total of IDR20 billion.
- Up to 3-month tenor.

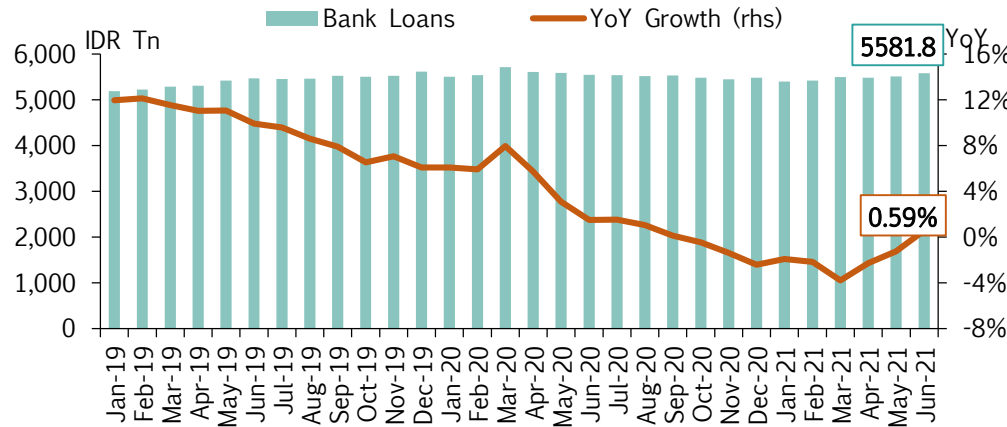
Signs of Recovery in Financial Intermediations



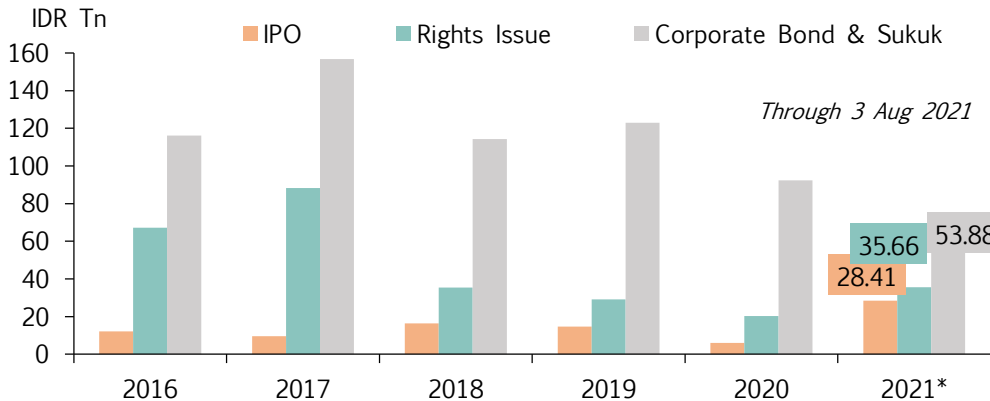
Bank credits began to grow, supported by consumer and MSME loans while financing was still in the contraction zone despite being already on an upward trend. Comprehensive and concerted efforts against the pandemic remain an overarching theme to maintain the recovery momentum...



Bank Loan Growth started to grow by 0.59% (YoY) in June 2021 after eight consecutive months of contraction.



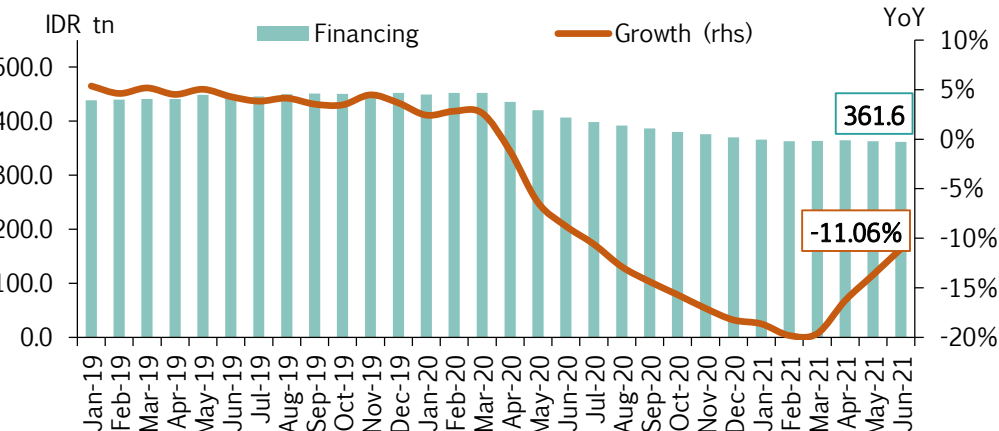
Total of securities issuance reached IDR 117.95 Tn (YTD) as of 3 August 2021, indicating a more optimistic signal to economic recovery.



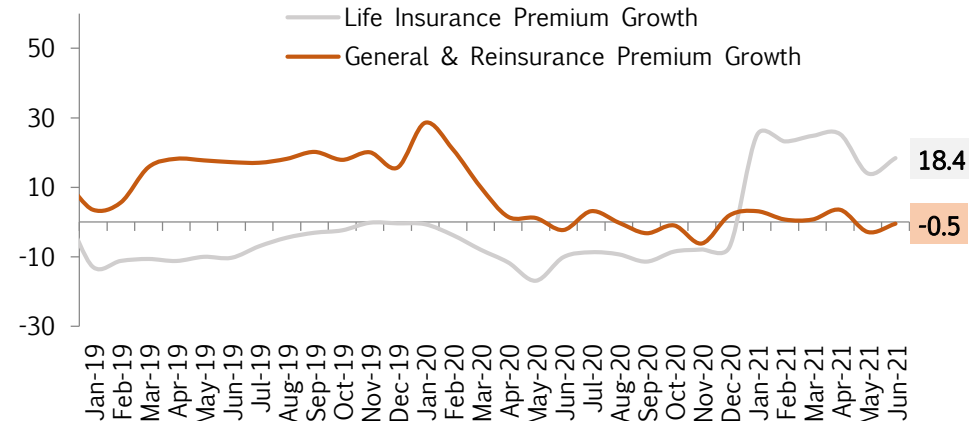
Source: Financial Service Authority (OJK)



Financing growth was contracted by -11.06% (YoY) in June 2021 despite already experiencing an improving trend in the last 4 months.



Life insurance premium recorded an impressive growth by 18.4% (YoY) while General & Reinsurance premium growth was still contracting at -0.5% (YoY) as of June 2021.



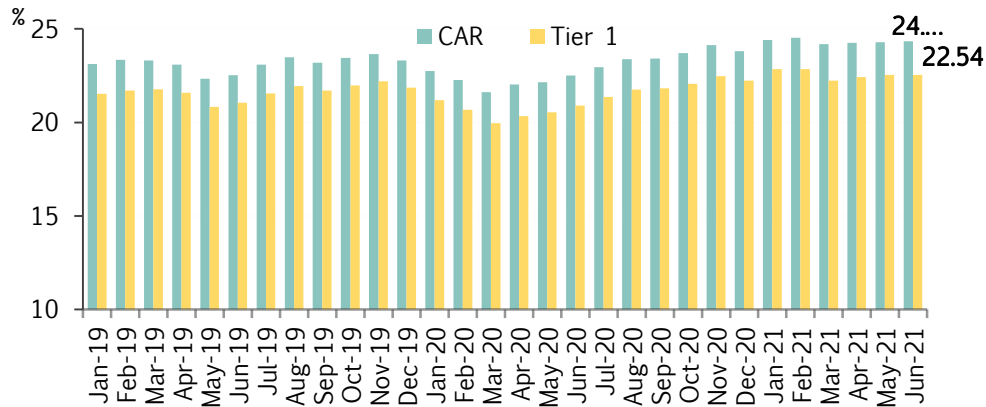
Resilient Financial Institutions



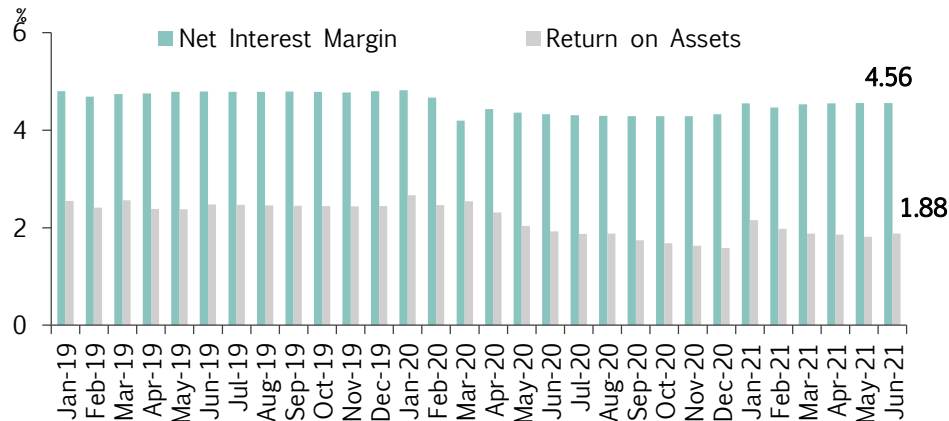
Amidst challenges due to new variant of COVID, domestic financial institutions remain stable with sufficient profitability, adequate capitals and leverage.



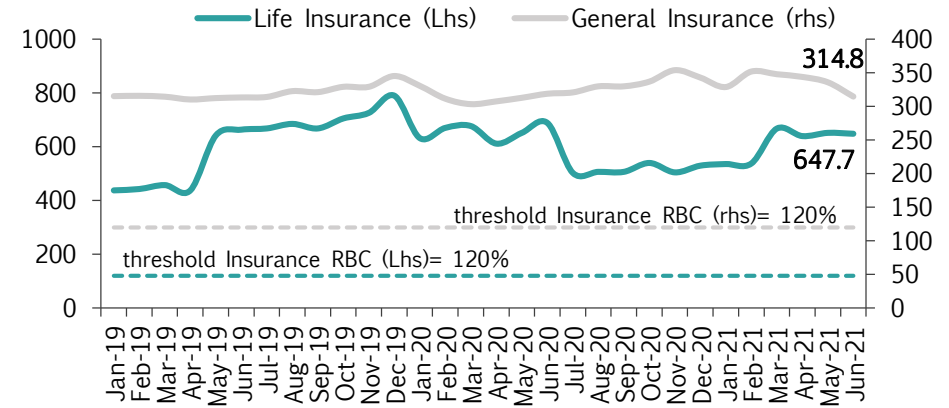
CAR of the banking sector were steadily high and stable with a value of 24.33% as of June 2021 and Tier-1 capital at 22.54%.*)



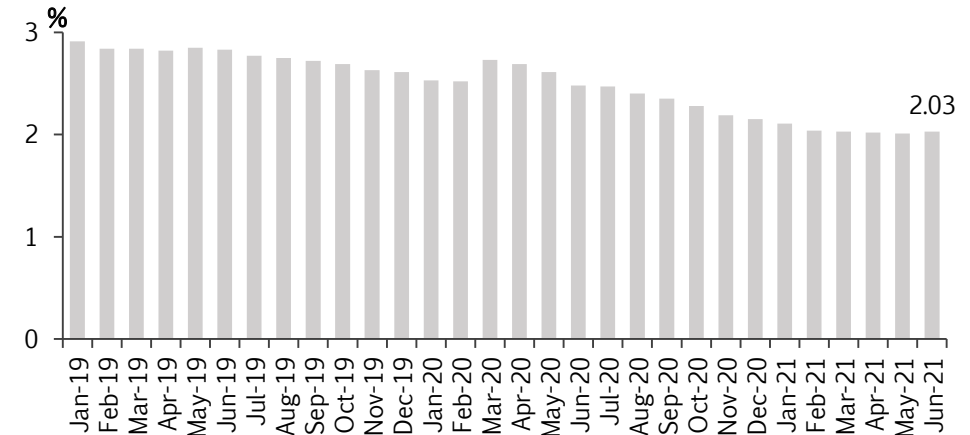
Net Interest Margin and Return on Assets of the banking industry remained stable at a value of 4.56% and 1.88% respectively in June 2021.



RBC of the insurance industry was consistently high and above the minimum threshold, with General Insurance RBC slightly declined to 314.8% and Life Insurance RBC stood at 647.7% as of June 2021.



Gearing ratio of multi-finance companies was maintained below the threshold with a ratio of 2.03 times as of June 2021.



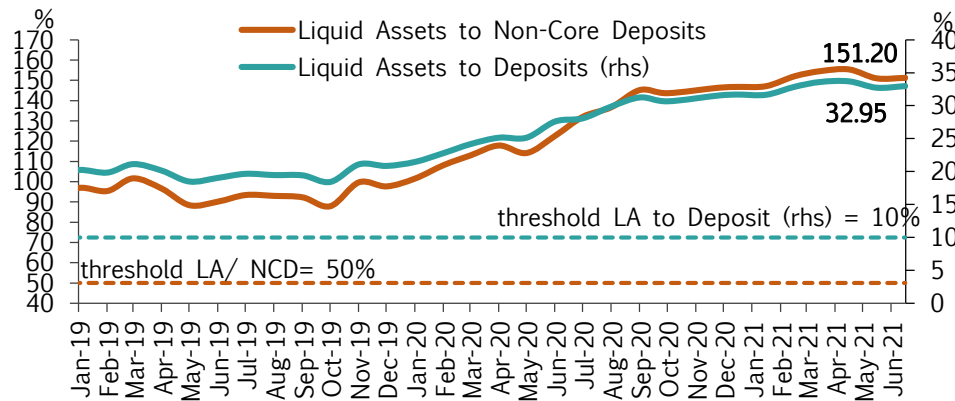
Manageable Credit Risks with Adequate Liquidity



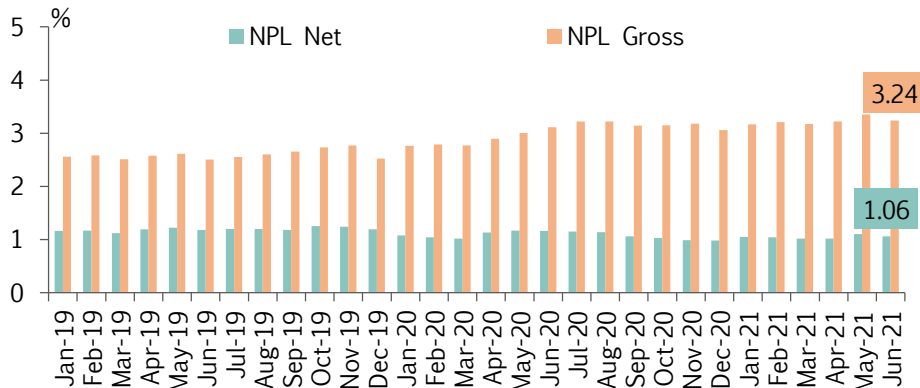
As intermediation starts growing, liquidity across financial sector remains ample and credit risk is well-maintained.



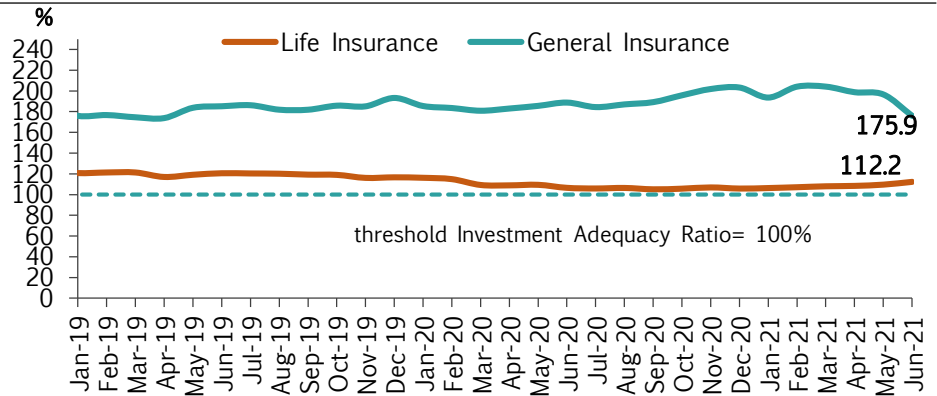
Liquid Assets to Non-Core Deposits and Liquid Assets to Deposits remain well-above the thresholds, following banks' cautious appetite for lending. *)



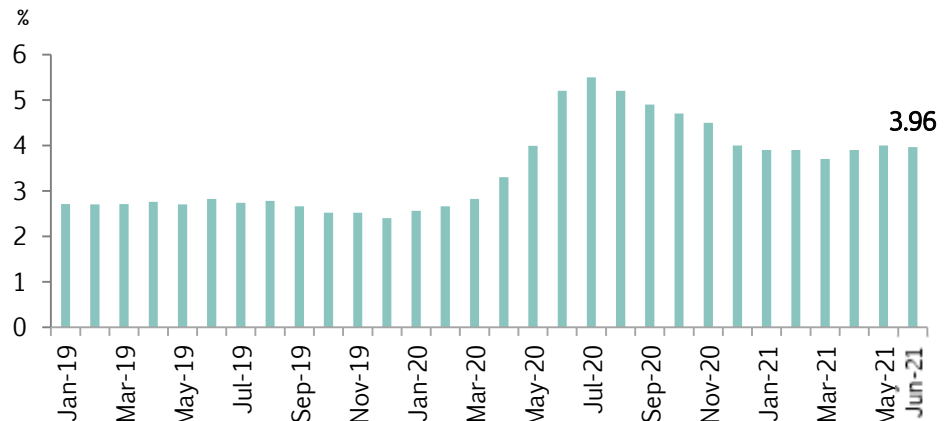
Banking NPL ratios were kept low and remained below the threshold at 3.24% gross and 1.06% net as of June 2021.



Despite a slight change in General Insurance Investment Adequacy Ratio, Investment Adequacy Ratios in both Industry are maintained above the threshold.



As economic conditions are improving, NPF of multi-finance companies is well-managed steadily below the 5% threshold and currently at 3.9% as of April 2021. *)



Manageable Market Risks



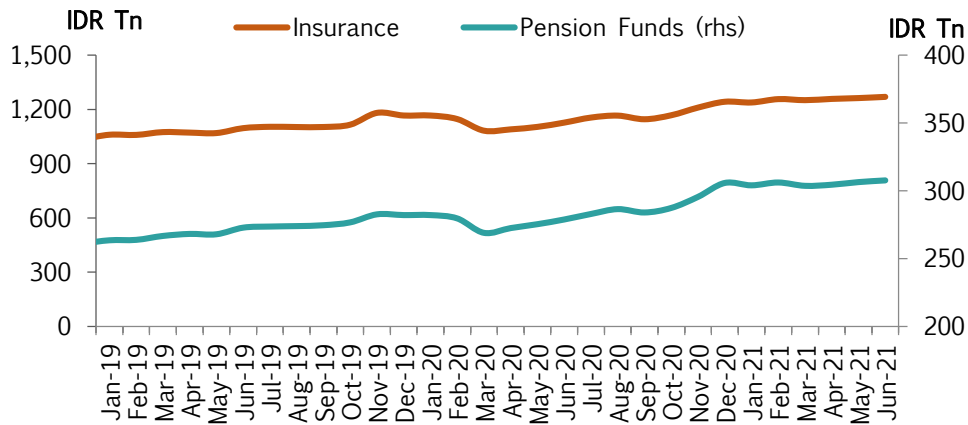
Several market risk indicators across industries still show an adequate performance ...



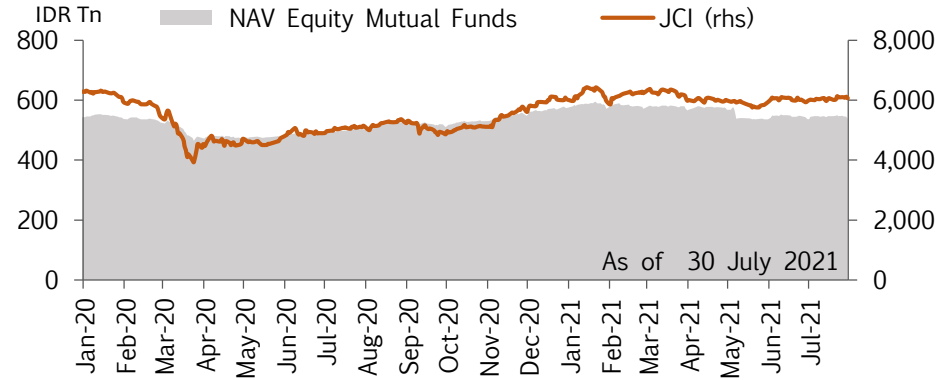
Net open position in the banking sector increased to 2.32% in June 2021, but was still maintained below the maximum limit of 20%. *)



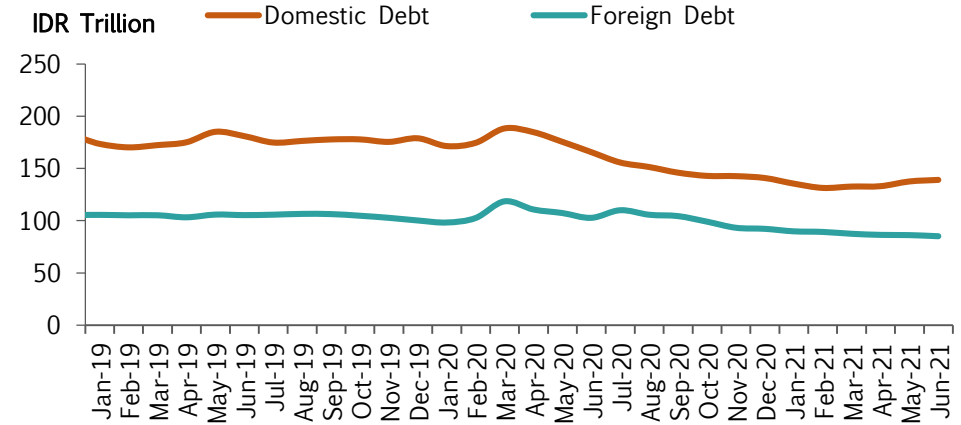
Insurance investment value was growing steadily reaching IDR 1,269.36 Tn and pension fund investment increased to IDR 307.72 Tn in June 2021. *)



Net asset value (NAV) of equity mutual funds grew with low volatility, backed with an increasing number of investors (5.82 million) as of 30 July 2021.




Multi-finance companies' exposure to foreign and domestic debt remains low following financing growth slowdown. *)

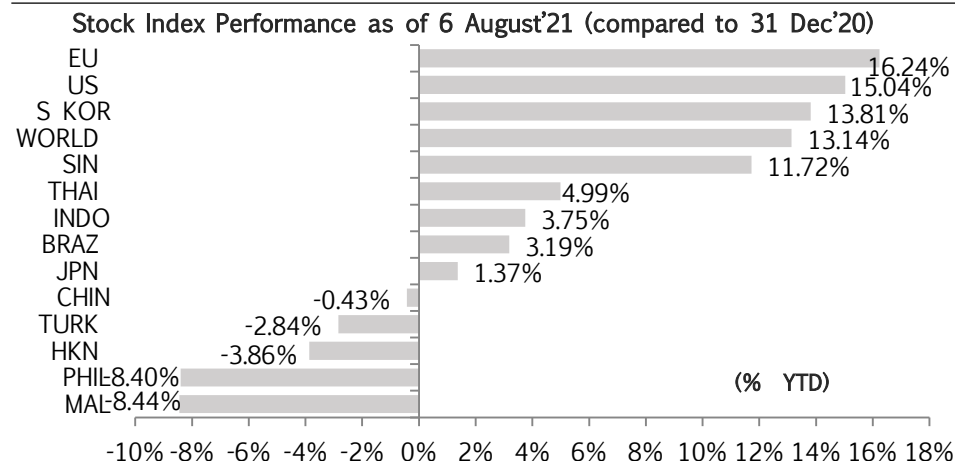




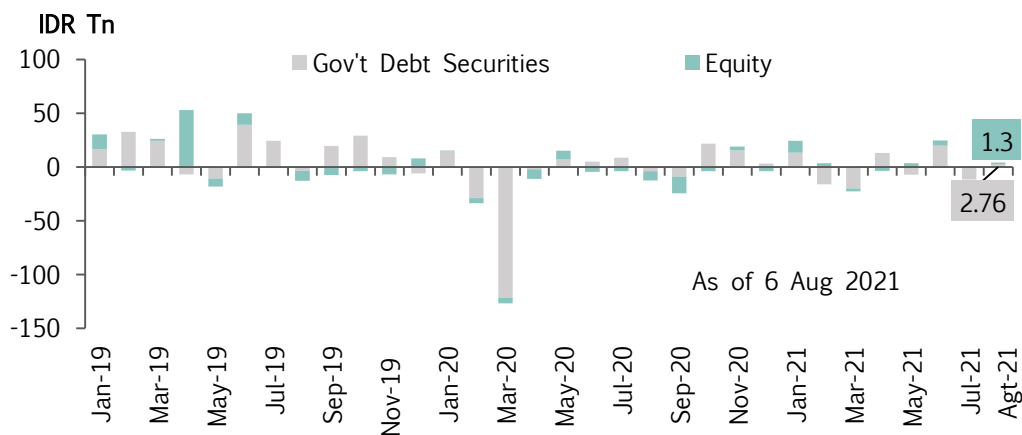
Domestic Capital Market Performance Amid Global Challenges

The progress of Covid-19 vaccines rollout and prospect of a faster economic recovery have kept a positive tone in the global capital market...

 Global indices performance continue to improve although some countries still face challenges to rebound.



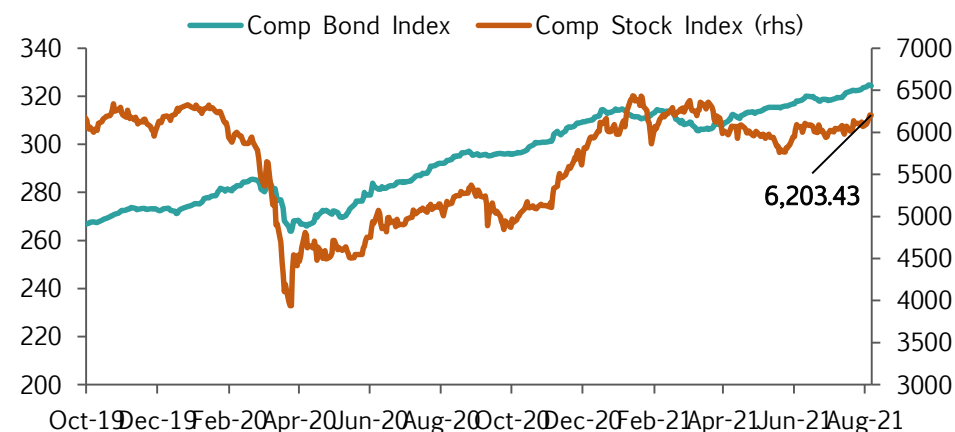
Non-resident portfolios of gov't bonds and equity recorded a total of IDR4.06 Tn net buy in August 2021.



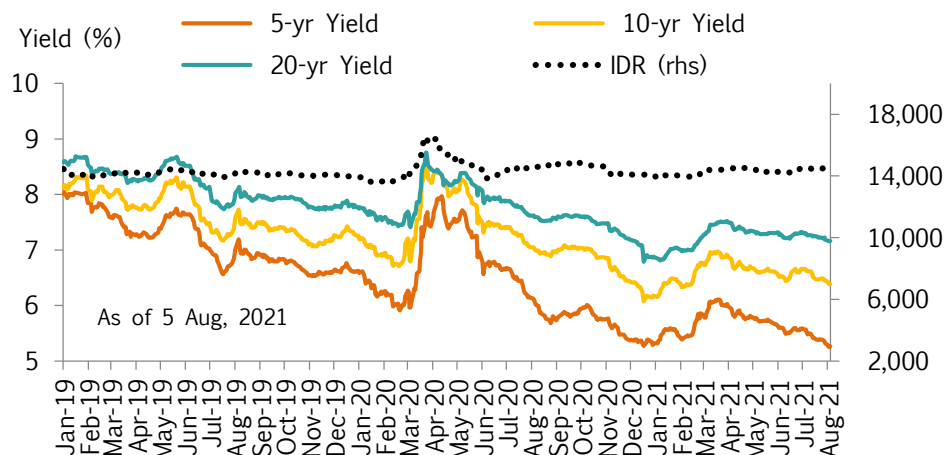
Source: Bloomberg and Ministry of Finance



JCI's performance has returned to its pre-pandemic level and keeps moving in an upward trend.



Gov't bond yields remain competitive with a slight increase, followed by stable rupiah as risk premium is maintained.



Stimuli to Support Indonesia's Financial Industry

OJK and other government institutions have worked intensively to minimize the impact of COVID-19 on the economy



1 Maintaining business fundamental of the real sector



Bank

OJK Regulation No. 48/POJK.03/2020 on "Extension of National Economic Stimulus as A Countercyclical Policy of The Impacts of COVID-19 Outbreak"
*Amended *OJK Regulation No. 11/POJK.03/2020*

- Relaxation of credit assessment and credit restructuring to debtors who are affected by COVID-19.
 - Credit assessment (up to IDR10 billion) is based only on one pillar, the punctuality of debtors to pay their debts and interests.
 - This applies to Commercial and Sharia Banks
- This regulation also amended several other conditions, including:
 - Banks' Management Risk Implementation
 - Credit Restructuring Mechanism
 - Banks' Capital and Liquidity Policy
 - Banks' Reporting Mechanism
- Valid until March 31st, 2022



NBFI

OJK Regulation No. 58/POJK.05/2020 on "Extension of Countercyclical Policy as an Impact of COVID-19 for Non-Bank Financial Institution (NBFI)"
*Amended *OJK Regulation No. 14/POJK.05/2020*

- Extended deadline of report submission
- Relaxation of financing assessment
- Financing Restructuring
- This regulation also add other conditions and further relaxations including:
 - Communication Mechanism for Insurance companies through Video Conference
 - Working Capital Facility
 - Relaxation of corporate debt issuance
- Valid until April 17th, 2022

2 Supporting National Economic Recovery

Continuing Capital Market Stabilization

- Prohibition of short-selling,
- Asymmetric Auto Rejection (current auto rejection limits under 7%),
- 30-minute Trading Halt for 5% decrease in IHSG,
- Stock buyback without prior general shareholders meeting.



Mortgage Credit/Financing Policy

Reducing Risk-Weighted Asset (RWA) for residential property mortgages depending on a Loan to Value (LTV) ratio.

Vehicle Credit/Financing Policy

- Reducing RWA for vehicle loan/financing.
- Allowing insurance company to set the premium/contribution rate for vehicle insurance lower than the lower threshold as regulated in SEOJK 6/2017.
- Allowing bank and multifinance companies with certain criteria to provide loan with down payment (DP) 0%.

Health Sector Credit Policy

Reducing credit RWA from 100% to 50%.

Digitizing MSMEs

Expanding the ecosystem for MSMEs digitization from upstream to downstream with the UMKMMU and BWM Mobile platforms.

Support to Sovereign Wealth Fund (SWF)

Provision of funds to SWF is subject to a risk weight of 0% in the calculation of RWA for credit risk.

Banking Regulations Way Forward in 2021



For 2021, banking research and regulation provisions issued by the OJK will focus on strengthening banking business processes that support trends in industry and technology developments, as well as updating prudential regulations that follows international standards, while still observing the best fit principle.

OJK's Draft Regulation for Commercial Bank Business Activities: To support bank competitiveness and innovation, it is necessary to make adjustments to the licensing mechanism and product classification and/or activities that banks can carry out.



OJK's Draft Regulation on Commercial Banks: Adjustments to trends in industrial developments and banking business processes, supporting the strengthening of the banking industry and adapting to the latest policies



OJK's Draft Regulation Amendments to OJK Regulation No. 19/POJK.03/2014 on Branchless Financial Services in the Context of Financial Inclusion: adjustments to current conditions and developments in banking information technology



OJK's Draft Regulation to Provision of Funds for the Development of Human Resource Quality for Commercial Banks: Renewal of Director Decree No.31/310/KEP/DIR in 1999



OJK's Draft Regulation Amendments to OJK Regulation No. 34/POJK.03/2018 on Reassessment of Main Parties of Financial Services Institutions: The need to accelerate the process of handling Bank problems



OJK's Draft Regulation Amendments to OJK Regulation No.13/POJK.03/2017 on the Use of Public Accountant (AP) and Public Accounting Office (KAP) in Financial Service Activities: Adjustments to the latest AP/KAP regulations



OJK's Draft Circulation Letter on Guidelines for Calculating RWA for Credit Risk Using the Standard Approach: Adjustment to the Basel III Reforms standard which will take effect from 1 January 2023



OJK's Draft Circulation Letter on Guidelines for Calculating RWA for Market Risk Using a Standardized Approach: Adjustment to the Basel III Reforms standard which will take effect from 1 January 2023



OJK's Draft Circulation Letter on Commercial Bank Business Plan: Adjustment to the needs and development of industry, and in line with the development of the RBB in the OJK's Online Reporting Application (APOLO) which will be effective by the end of 2021

OJK's Role in the National Economic Recovery Program (PEN)



The Pandemic raises various risks that affect the financial system, namely default debtors, investor outflows, liquidity risk and capital risk. Credit restructuring relaxation policy by OJK, reducing the volatility of the capital market to assist financial services institutions in mitigating risks and helping businesses to continue their business activities in the midst of a pandemic. Some other OJK's support for the PEN program includes:



Interest Subsidy

Providing related data regarding banking debtors, finance company, BUMN Credit Distribution Program, which becomes the basis of giving interest subsidy.



MSME's Guarantee

Coordinating with Ministry of Finance in formulating the framework of implementing policy related to MSME's guarantee and providing information of criteria that can receive the guarantee.



Corporate Guarantee

Coordinating with Ministry of Finance in formulating the framework of implementing policy related to Banking guarantee and providing information of criteria that can receive the guarantee.



Gov't Fund Placement

Coordinating with Ministry of Finance in assessing prospective Commercial Bank Partners as well as information & data exchange.

Realization of the National Economic Recovery Program

OJK is actively monitoring Government fund placement to HIMBARA, Regional Development Bank and Sharia Bank. Various government stimulant such as government funds in these industry may encourage lending to accelerate the growth of the economy.

HIMBARA

Credit Disbursement *IDR 218.36 ₮

Regional Development Bank

Credit Disbursement *IDR30.12 ₮

Sharia Bank

Credit Disbursement *IDR 5.89 ₮

*data as of 31 Dec 2020

OJK's Way Forward

Continuing Restructuring Policy



Restructuring extension will be given selectively based on bank assessment to avoid moral hazard.

Regional Economic Acceleration



Accelerating regional economic to further facilitate national government spending.

Financial Industry Optimization



Optimizing financial industry through financing labor-intensive business and / or high-multiplier effect consumption.

Acceleration of Digitalization & Integrated Finance



Accelerating digitalization and continuing NBFI and capital market reformation to increase competitiveness.

Strengthening Integrated Supervision



Improving supervision infrastructure and technology based licensing.

OJK's Strategic Policies in The Financial Sector 2021



National Economic Recovery Program Stimulus Policy

- Extension of the restructuring policy for debtors affected by Covid-19 to 2022.
- Providing sovereign rating in calculating risk-based capital when buying securities issued by the Investment Management Institution.
- Recurring credit / financing restructuring during the relaxation period.
- Temporary prudential policy relaxation, namely:
 - Recurring credit / financing restructuring during the relaxation period and without unnatural / excessive fees.
 - Reduction of credit risk weighting (RWA) for Credit and Property Financing as well as Motor Vehicle Loans and Financing.
 - Adjustment of Legal Lending Limits and Reduction of Credit Risk Weighting (RWA) for the health sector.
- Simplify and accelerate access to finance for MSMEs by expanding (KUR) Cluster pilot project.
- Digitalization of integrated community economic activities from upstream to downstream through the development of Bank Wakaf Mikro (BWM), KUR, the securities crowdfunding platform and the MSMEs digital marketplace.

Digital Transformation Acceleration in the Financial Services Sector

- Accelerating digitalization in the financial services industry, including granting licenses for digital banks.
- Strengthen prudential rules for fintech peer to peer lending
- Supporting the growth of fintech start-ups by developing a regulatory sandbox
- Digitalizing Sharia products.

Source: Financial Service Authority (OJK)

Strengthening Resilience and Competitiveness of the Financial Services Sector

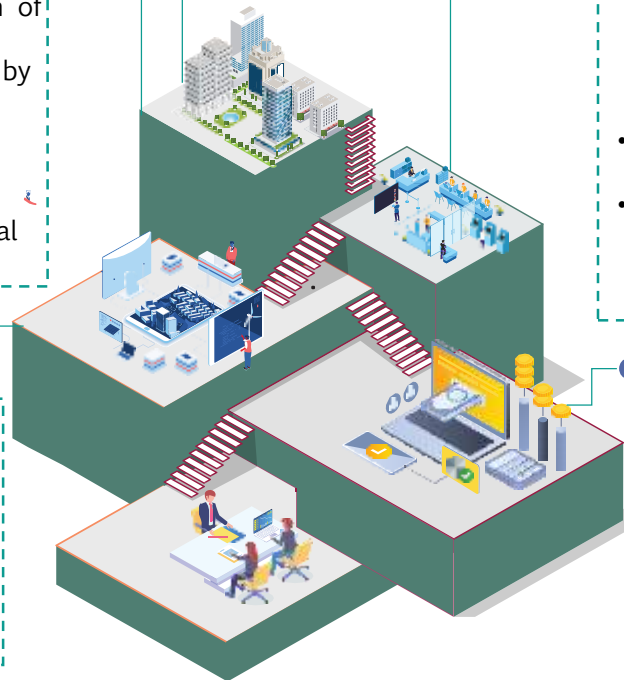
- Accelerating the consolidation of the financial services industry by gradually implementing a minimum capital policy.
- Strengthening the implementation of governance, risk management through Investment Limits and Large Fund Provision, Improvement of Capital Regulations, & Status Determination and Supervision Follow-Up (Exit Policy).

Financial Services Sector Ecosystem Development

- Maintaining market integrity and developing the retail and domestic investor base.
- Supporting financial services institutions to carry out multi-activities business and be digital-based.
- Accelerating the expansion of financial access and improving public financial literacy through KUR, BWM, Laku Pandai and Student Savings and strengthening consumer protection.
- Implementing Sustainable Finance through the Roadmap Phase II 2021-2025.
- Improving the human resource capacity of the financial services sector based on the blueprint for human resource development in the financial services sector 2021-2025.

Strengthening OJK's internal capacity

- Developing integrated supervision of all financial service products
- Improving governance in internal business processes.
- Adjusting the market conduct monitoring process related to the product life cycle stages.
- Strengthening digital-based surveillance.

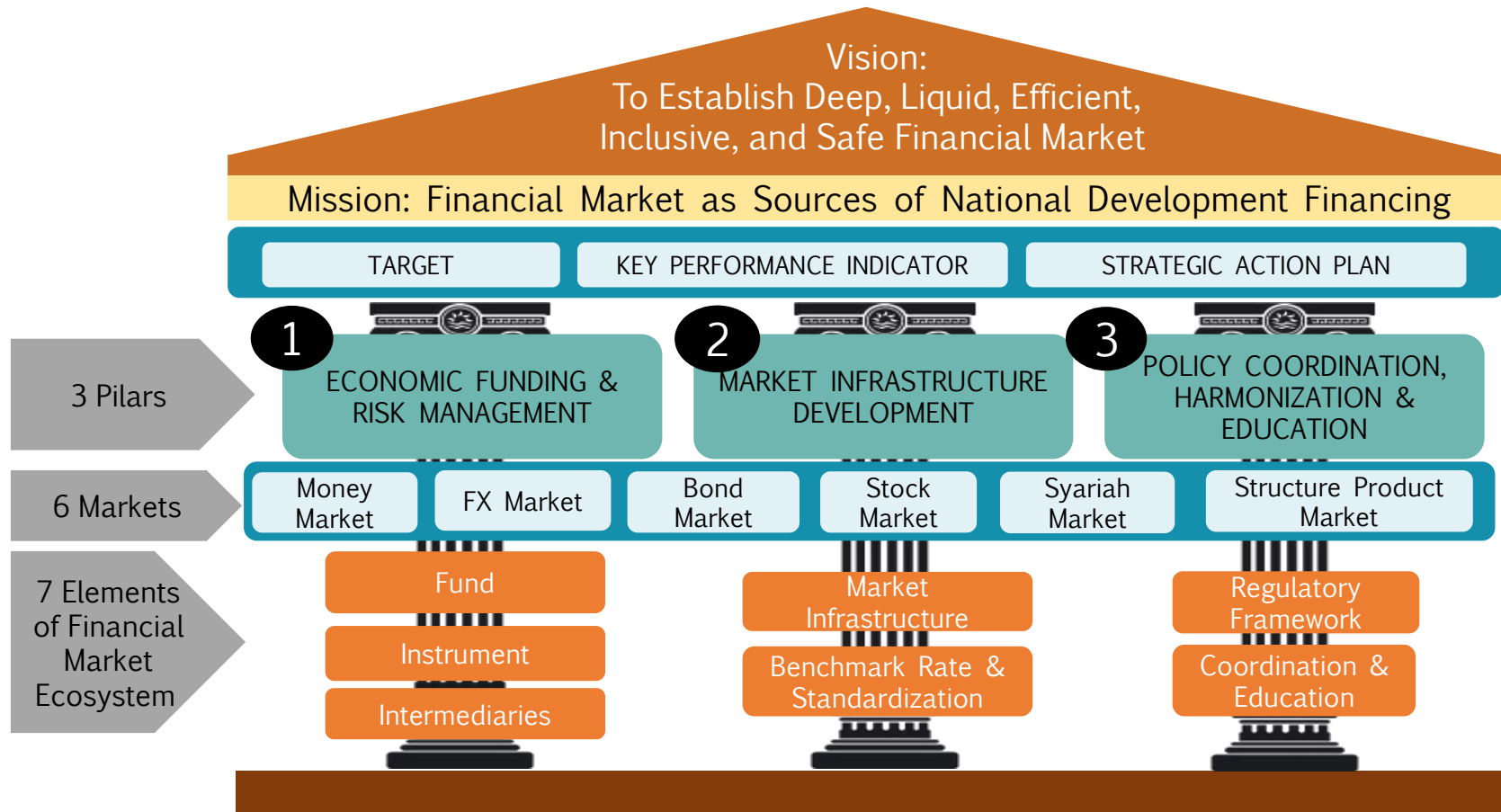


A Comprehensive Financial Deepening Program

...strategy to tackle challenges in deepening Indonesia's financial markets



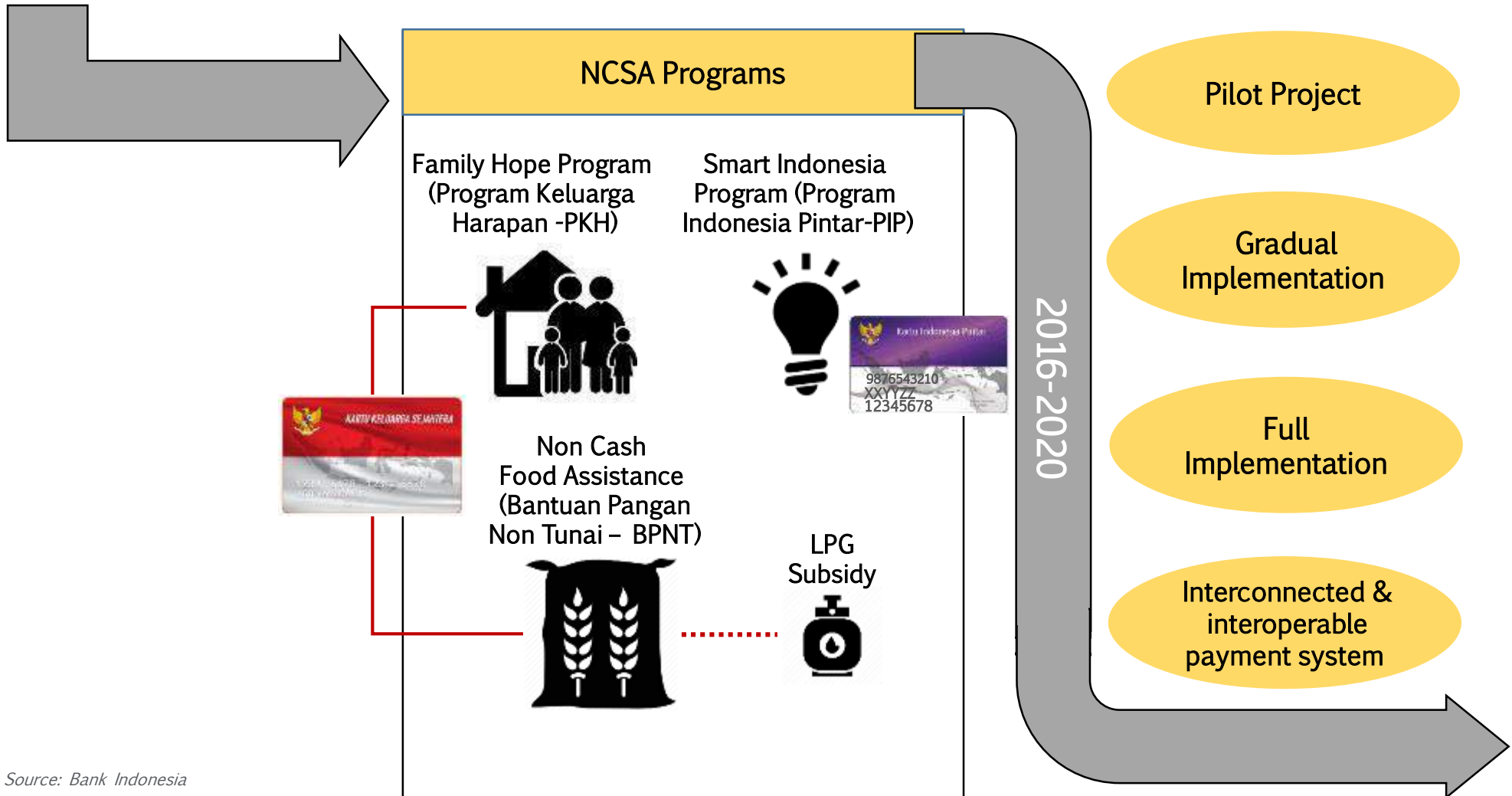
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate “The National Strategy of Financial Market Development”



BI's Roles in Supporting Distribution of Non-Cash Social Assistance (NCSA)



BI supports government's program of shifting social assistance to targeted non cash social assistance disbursement through the electronic payment system. In the future, electronic mechanism disbursement will be also applied to LPG subsidy.



Progress of NCSA Programs



Family Hope Program (Program Keluarga Harapan - PKH)

- The Family Hope Program (PKH) is a program that provides cash to very poor households. IDR1.89 million /year will be granted for each household. PKH will be granted every February, May, August, and November.
- As of December 2017, PKH has been distributed to 6.0 million households on non-cash basis.
- In 2018, PKH has been distributed to 10 million households on non-cash basis.
- In 2019, PKH has been distributed to 9.84 million households on non-cash basis with total realization of IDR32.75T.



Non Cash Food Assistance (Bantuan Pangan Non Tunai - BPNT)

- BPNT is a poverty alleviation and social protection program that is managed by the central government. It provides subsidized rice and eggs to low - income households. IDR110 thousand/ month will be granted for each household as BPNT that can be used in certain stores which called e-warong.
- As of December 2017, BPNT was distributed to 1.2 million households in 44 cities.
- In 2018, BPNT has been distributed to 10.1 million households (65.1% of the target of 15.5 million households target).
- In 2019, BPNT has been distributed to 15 million households on non cash basis with total realization of IDR15.44T





Section 8

Progressive Infrastructure Development:
Strong Commitment on
Acceleration of Infrastructure Provision

Institutional Reforms to establish a conducive PPP ecosystem



Institutional Reforms for PPP Implementation



KPPIP:
Coordinating unit
in decision-
making
processes and
debottlenecking
efforts for
infrastructure
acceleration



PPP Joint Office:
Information center
for policy
coordination and
capacity building
to encourage
the use of PPP
schemes



**Indonesia
Infrastructure
Guarantee
Fund:** Provides
guarantee and
supports
project
preparation



**Sarana Multi
Infrastruktur:**
Facilitating
infrastructure
financing,
preparing project,
and serving
advisory



Legend



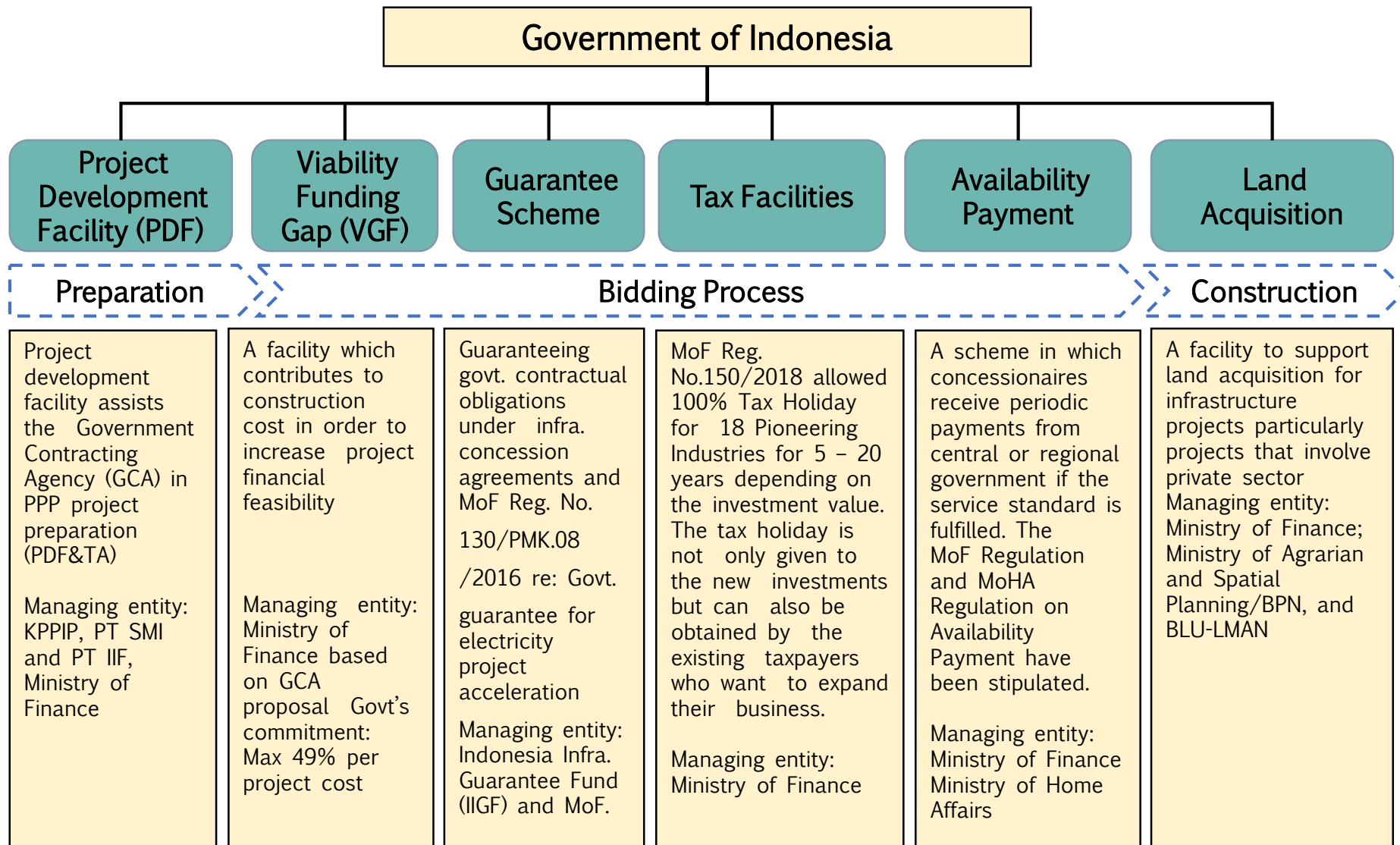
Ministry of
National
Development
Planning



Ministry
of
Finance

Reforms Along the Project's Life Cycle

...to encourage and accelerate infrastructure project using PPP scheme

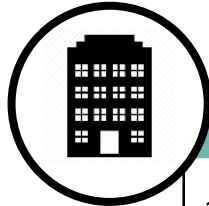


Efforts to Accelerate Infrastructure Provision

The establishment of Indonesia Asset Management Agency (LMAN)



Government has established State Asset Management Unit (LMAN) as a solution to accelerate the land acquisition through the provision of land acquisition fund



LMAN at a Glance

1. LMAN was established in December 2015 through the issuance of MoF Reg. 219/2015 concerning State Assets Management
2. In 2016, BLU LMAN was mandated to provide land acquisition fund as a support to Ministry of Public Works due to US\$ 1,081 Mio shortage of fund to acquire land for priority toll roads
3. The scope of support is broaden for all National Strategic Projects through the issuance of MoF Reg. 21/2017 (j.o MoF Reg. 209/2019 j.o. MoF Reg. 139/2020) concerning land acquisition financing guideline for PSN
4. In **2016 – July 2021**, LMAN has disbursed up to **IDR 80,17 Trillion** through bridging finance scheme for **97 PSN** projects, and planned to start the implementation of direct payment scheme



Land Acquisition Budgeting Scheme

1. Unutilized fund can be allocated for the following year
2. Non-project-specific land acquisition fund allocation. Unused allocated fund can flexibly be made available for the other project
3. Land acquisition fund for PSN projects is managed under one agency

This LMAN initiative provides better flexibility, coordination and management of land acquisition fund provision for National Strategic Projects (PSN)

Efforts to Accelerate Infrastructure Provision

Limited Concession Scheme as an Alternative of Infrastructure financing



Presidential Regulation No 32/2020 about Infrastructure Financing through Limited Concession Scheme



Definition

- ✓ **Limited Concession Scheme of Infrastructure Asset** is the asset concession agreement to improve operations of Government assets (BMN) and/or SOEs' assets to generate revenue to improve similar project operations and/or finance other infrastructure provision



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



Infrastructure Financing Priority

- ✓ Revenue generated by the LCS will be used to fund the **priority** infrastructure projects and/or **national strategic** infrastructure projects

Several adjustments on the substance of Presidential Regulation Number 32/2020 will be conducted, by considering the uncertainty conditions of the assets affected by COVID-19 pandemic which causing the LCS quite difficult to be implemented.



Technical Criteria for the LCS assets

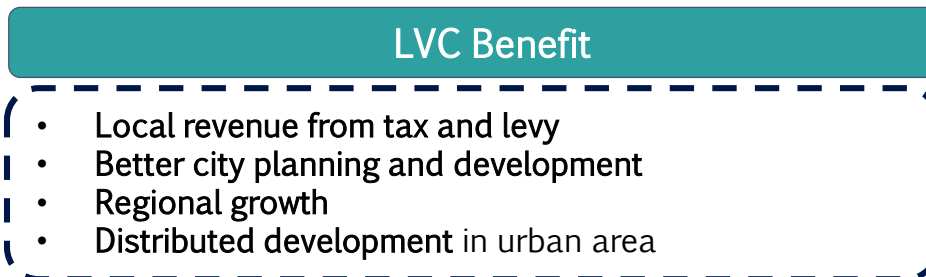
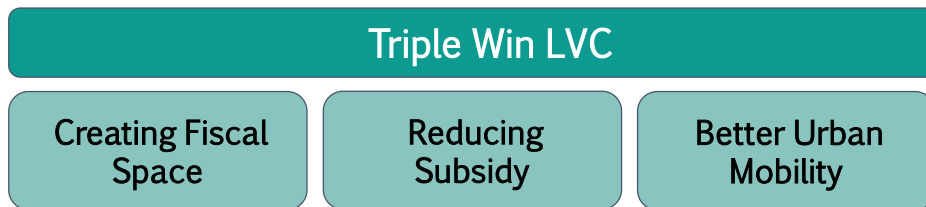
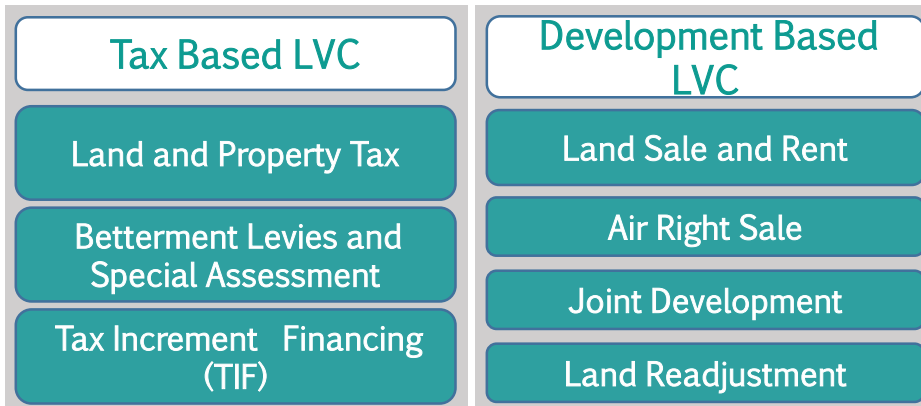
- ✓ The asset has been fully **operated** for minimum **2 years**
- ✓ The asset needs to **improve operation** efficiency based on international standard
- ✓ Asset's useful life minimum is **10 years**
- ✓ For the **SOE's asset**, the asset must have **positive cash flow** for minimum 2 years in a row 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

Efforts to Accelerate Infrastructure Provision

Land Value Capture (LVC) Scheme

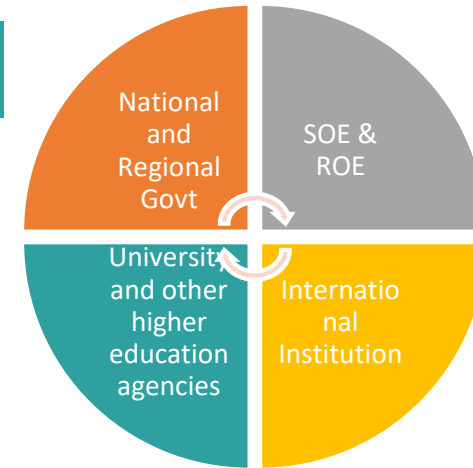


“ A policy approach that enables communities to recover and reinvest economic value increases and increases in economic productivity that result from public investment and other government actions. (Lincoln Institute of Land Policy)

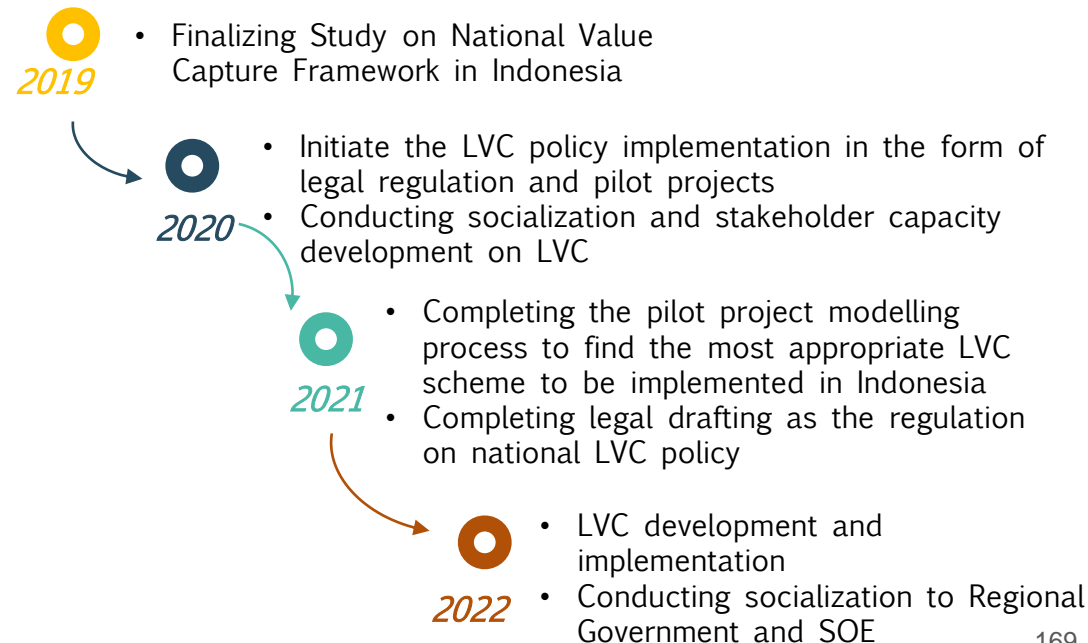


Collaboration in the development of LVC Regulation in Indonesia

The implementation of LVC obviously need an intensive cooperation of all related stakeholders, such as: National and Regional Government, SOE & ROE, International Institution, as well as higher education agencies with CMEA as an implementing coordinator



LVC Policy Development Timeline



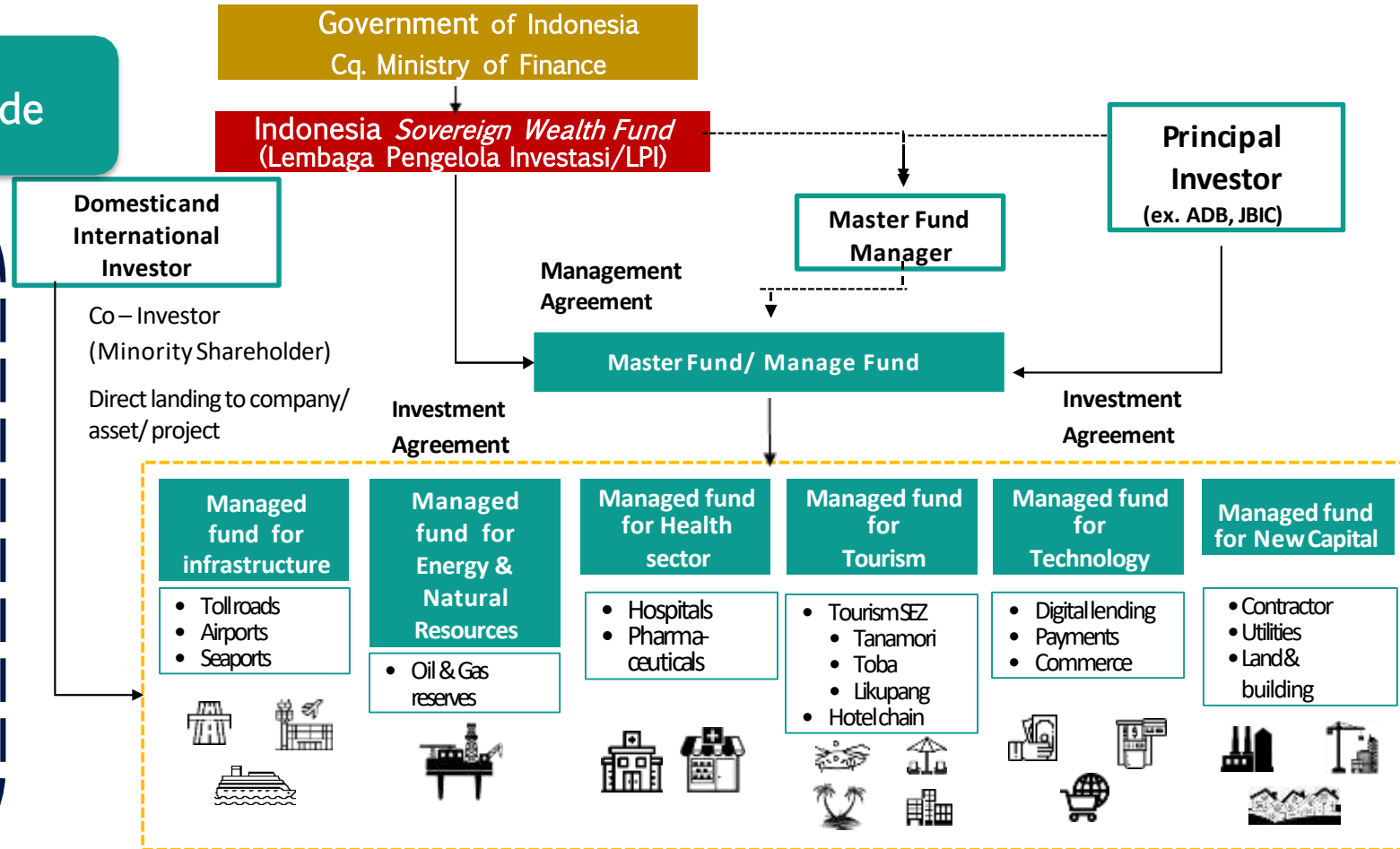
Efforts to Accelerate Infrastructure Provision

Sovereign Wealth Fund (SWF)



SWF Investment Guide

- Omnibus Law mandated the establishment of Sovereign Wealth Fund as GoI investment body
- With goal to
 - Increase and optimize asset value in long term
 - To support sustainable development
- GoI committed to invest IDR 15 Billion as initial capital for SWF/LPI



Fundamental Regulations Initiation

to accelerate infrastructure projects delivery



1

Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)

The issuance of RTRWN can resolve spatial planning mismatch in the implementation of infrastructure projects listed in the annex of Government Reg. No. 13/2017. A number of breakthroughs were developed, and one of them is that the Minister of Agrarian and Spatial can issue a recommendation of spatial utilization; so that the process of obtaining project permission can be done.

2

MoF Reg. No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation

The supporting regulation for Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulates the scope and general requirements and procedures to propose and grant guarantees, as well as allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.

3

Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN

This Presidential Reg. allows the Executing Agency to pay land acquisition compensation to the impacted community who does not have official rights over the land required for PSN. This regulation helps to solve the land acquisition problem due to community objection over the land use.

4

Presidential Reg. No. 66/2020 on Land Acquisition Funding for Public Interest in Implementing PSN

This Presidential Reg. was issued to accelerate the process of land acquisition funding for PSN as well as replacing the Presidential Reg. No. 102/2016

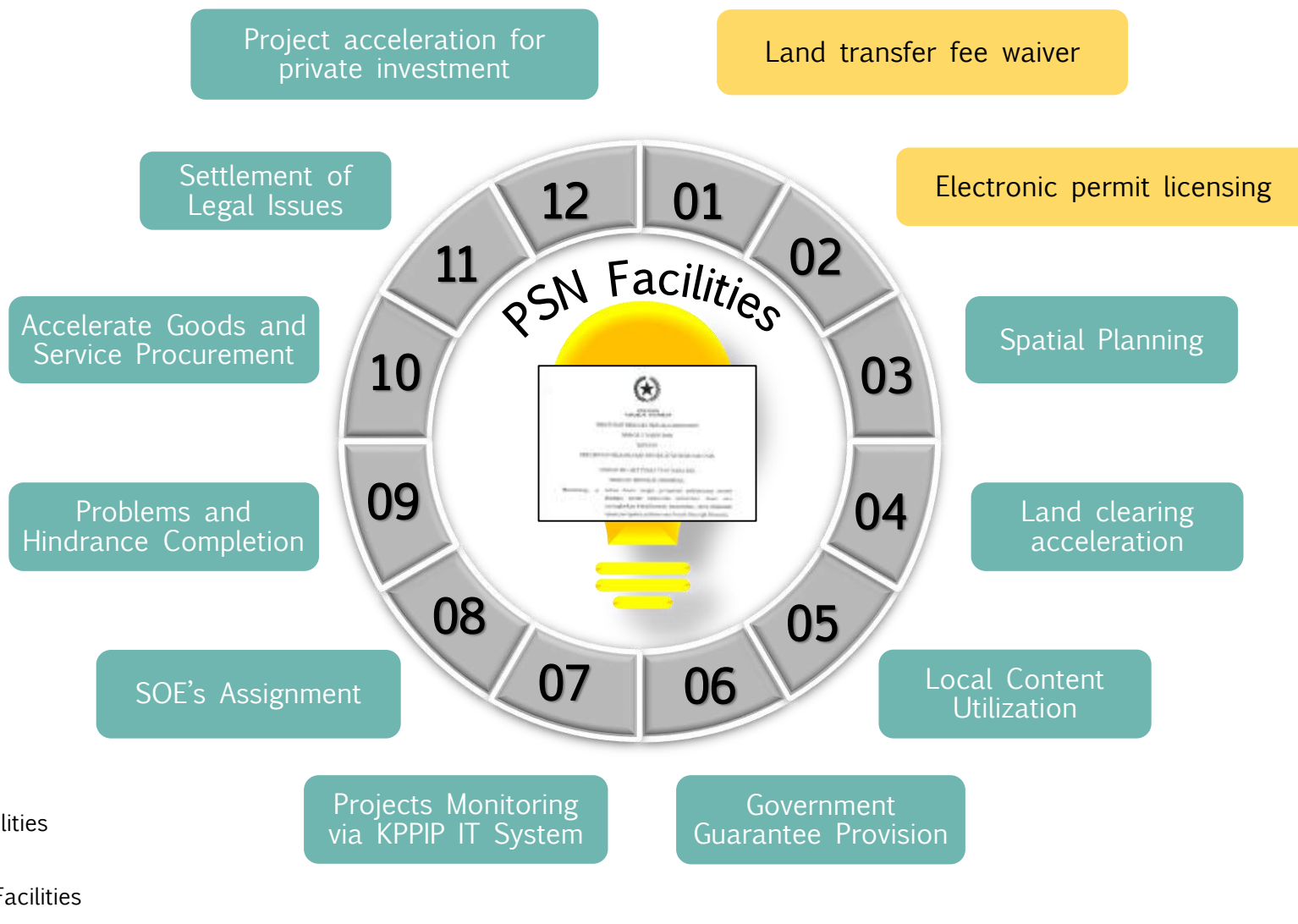
5

MoF Reg. No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects (PSN) and Asset Management of Land Acquisition by State Asset Management Agency (j.o. MoF Reg. No. 5/2019, j.o. MoF Reg. No. 209/2019, j.o. MoF Reg. No. 139/2020)

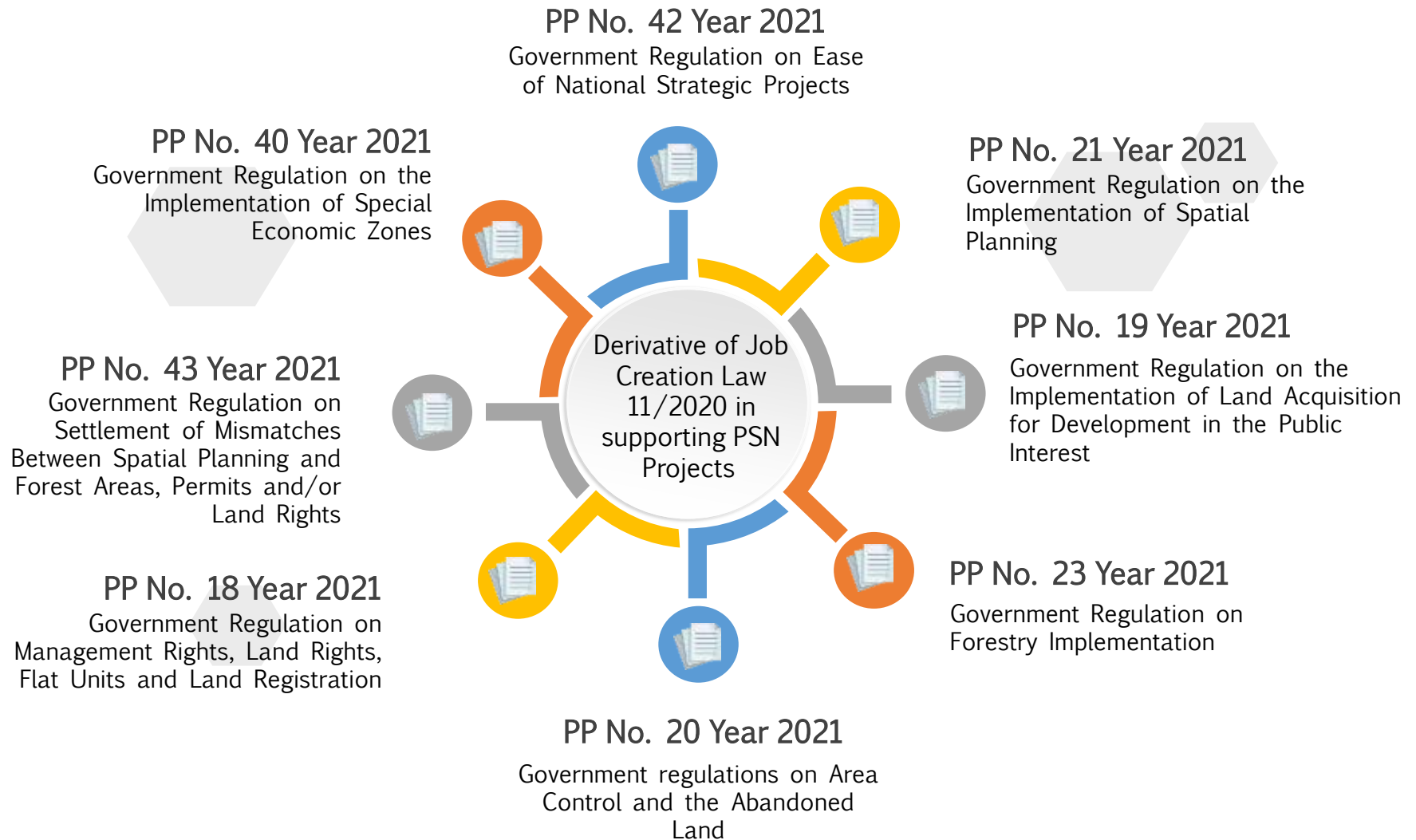
The implementing regulation of Presidential Reg. No. 102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN

National Strategic Projects (PSN) may receive privileges

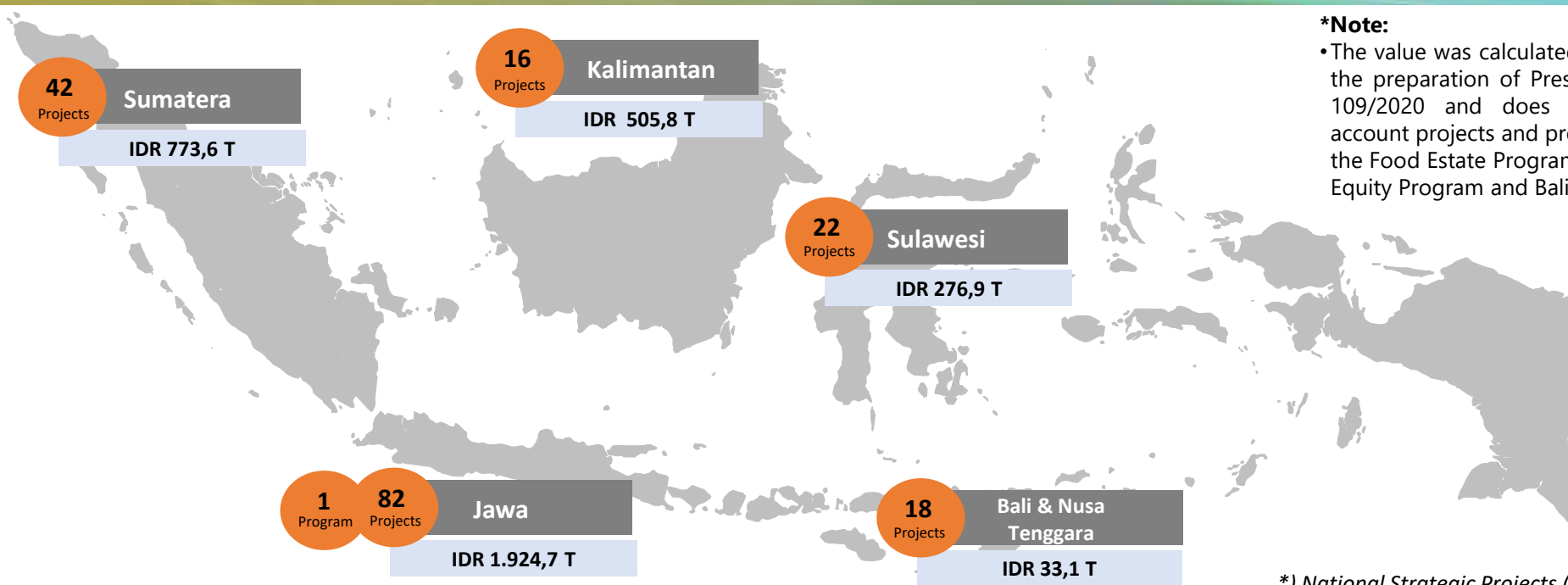
as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017
j.o. the Presidential Reg. No. 56/2018, j.o Presidential Decree no.109/2020



Job Creation Law's Positive Development on PSN



Under Presidential Reg. No.109/2020, PSN list has been revised into 201 Projects and 10 Programs



*Note:

- The value was calculated at the time of the preparation of Presidential Decree 109/2020 and does not take into account projects and programs, such as the Food Estate Program, the Economic Equity Program and Bali Utara Airport.

*) National Strategic Projects (PSN)

PSN includes 12 sectors at project level and 10 sectors at program level

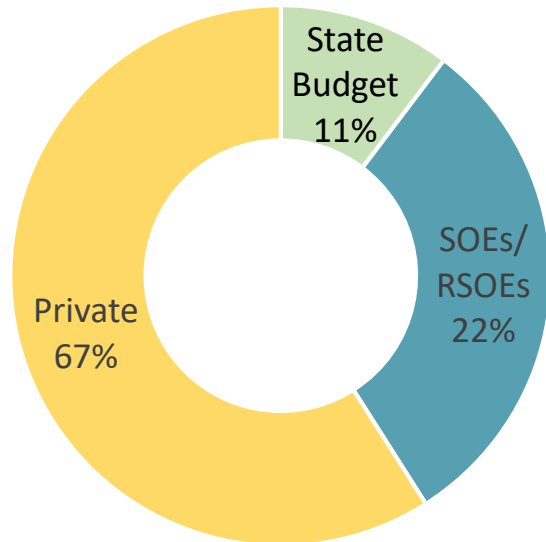


Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

PSN Profile of 201 Projects + 10 Programs

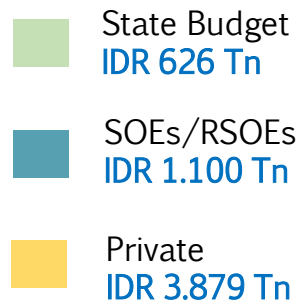


The Estimated Investment Value for 201 Projects + 10 Programs PSN



Total Investment
Value²

**IDR 5.607
Trillion**



*Exclude Food Estate Program, Regional Development Acceleration Program and Bali Utara Airports

5 Sectors with Highest Investment Value



Energy
15 Projects
IDR 1.556 Tn



Electricity
1 Program
IDR 915 Tn



Roads
69 Projects
IDR 919 Tn

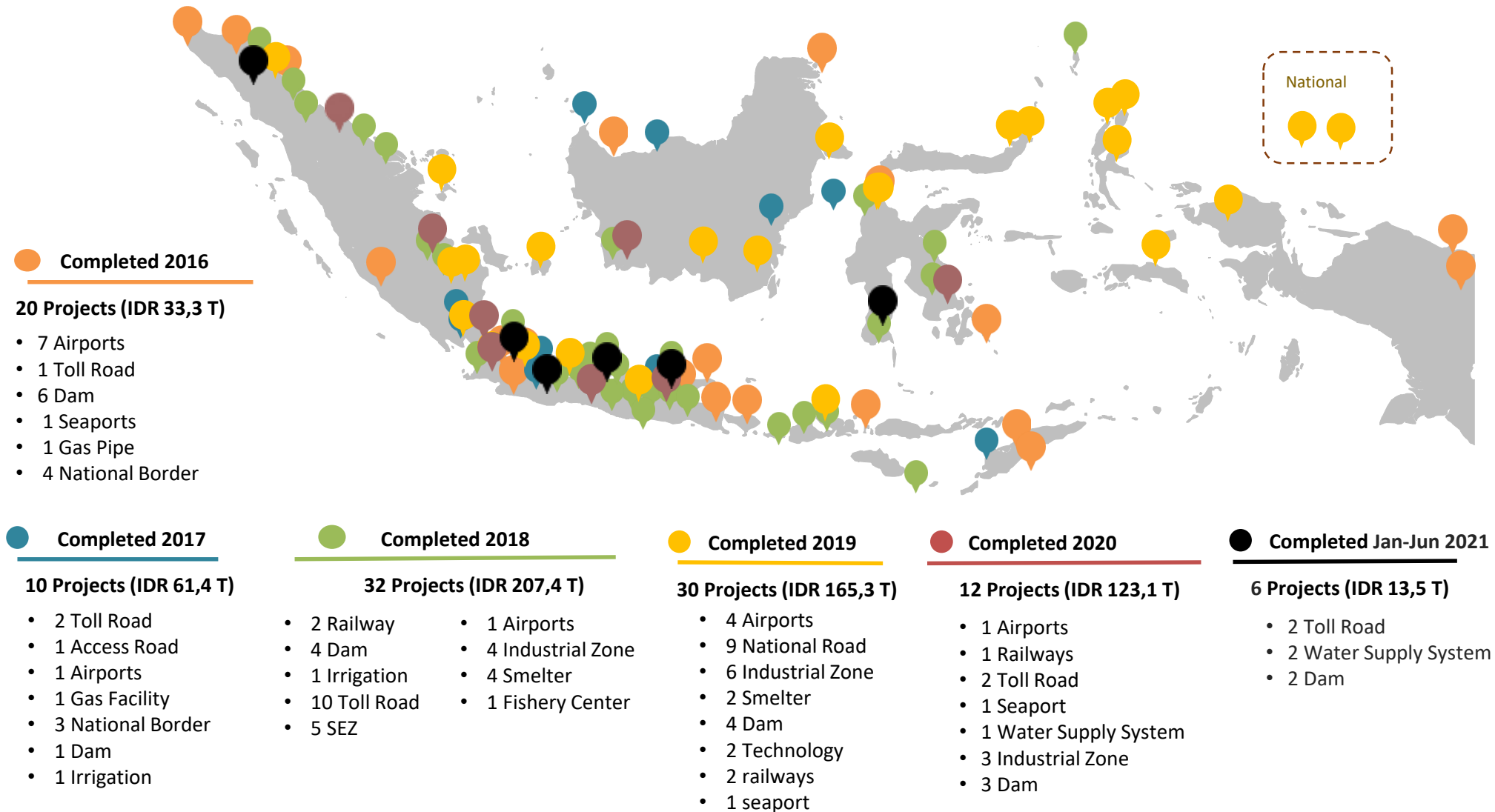


Railways
15 Projects
IDR 432 Tn



SEZs and IEs
18 Projects
IDR 485 Tn

From 2016 – June 2021, there were 110 projects completed with total estimated investment value of IDR 604 tn

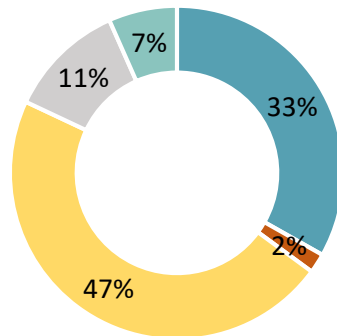


Since January 2021, 18 PSN projects completed with 27 projects operate partially and 107 under construction



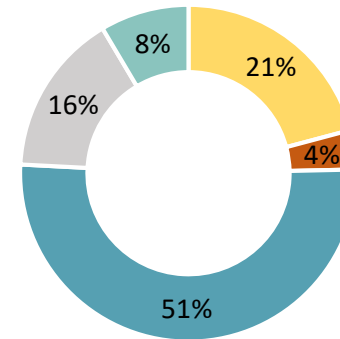
From the list of 201 Projects + 10 National Strategic Project Programs, in June 2021 there was 18 PSN Projects declared Completed, compared to 11 Projects in December 2020

December 2020



- 66 Projects + 4 Programs (*Super Hub, Food Estate, Exit Toll Road and Regional Development Program*) in the Preparation stage.
- 4 Projects in the Transaction stage.
- 98 Projects + 1 Programs (Waste Management into Electrical Energy) in the Construction stage.
- 19 Projects + 5 Programs (Electricity Facility, Economic Equality, Border Area, National Tourism Strategic Area, dan Smelter) are Operated Partially.
- 12 Projects are Completed.

June 2021



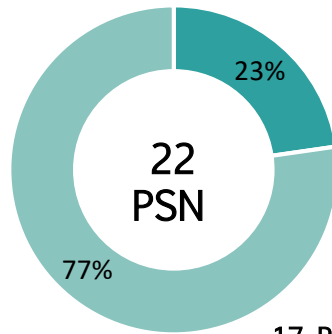
- 41 Projects + 4 Programs (*Super Hub, Food Estate, Exit Toll Road and Regional Development Program*) in the Preparation stage.
- 8 Projects in the Transaction stage.
- 107 Projects + 1 Program Programs (Waste Management into Electrical Energy) in the Construction stage.
- 27 Projects + 6 Programs (Electricity Facility, Economic Equality, Border Area, National Tourism Strategic Area, dan Smelter) are Operated Partially.
- 18 Projects are Completed.

Progress on 37 National Strategic Project (PSN)



During 1st Quarter of 2021 (Covid-19 Pandemic Conditions), there were 8 PSN Projects that were declared Partially Operated, and 22 PSN Projects that were successfully pushed through the Preparation Stage to the Transaction and Construction Stage.

Successfully pushed PSN Projects pass the Preparation Stage



5 Projects exit the Preparation Stage to the Transaction Stage

17 Projects out of Preparation Stage to Construction Stage

There are 22 PSN Projects with a total investment value of IDR 392.6 trillion which is divided into 8 sectors:

- 3 Toll Roads (IDR 62,2 Tn)
- 3 Seaports (IDR 1,3 Tn)
- 6 Airports (IDR 14,5 Tn)
- 1 SEZs and IEs (IDR 31,4 Tn)
- 4 Dam (IDR 7 Tn)
- 2 Irrigations (IDR 5,7 Tn)
- 2 Clean Water & Sanitationsi (IDR 72,9 Tn)
- 1 Energy (IDR 196,9 Tn)

Successfully pushed PSN Projects Start Operated Partially

No	PSN Projects	Investment Value (in IDR Bio)
1	Jalan Tol Serpong - Cinere	2.219
2	Jalan Tol Cimanggis - Cibitung	4.524
3	Penambahan Lingkup Jalan Tol Ngawi - Kertosono - Kediri	1.783
4	Penambahan Lingkup Jalan Tol Depok Antasari	6.600
5	Makassar New Port	3.168
6	Pembangunan Pelabuhan Patimban	43.221
7	Pengembangan Pelabuhan Terminal Kijing	5.048
8	Pengembangan Pelabuhan Kupang	223

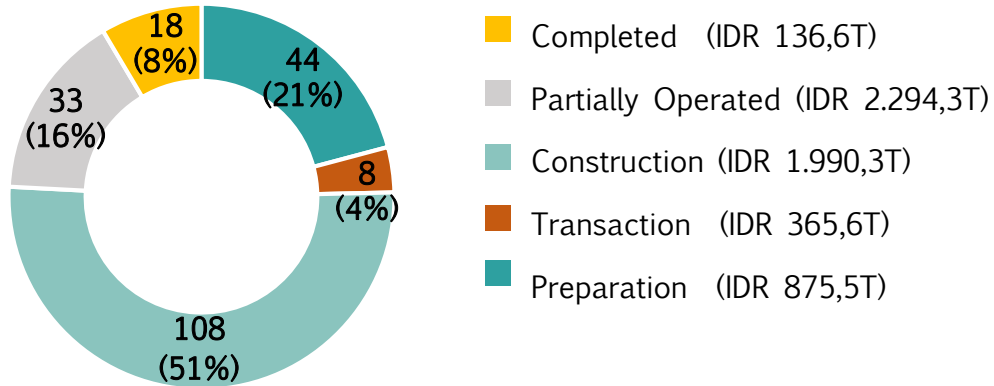
8 PSN Projects were successfully pushed to operated partially with estimated investment value IDR 100,8 Trillion

Status is a comparison of progress between December 2020 and June 2021

National Strategic Project (PSN) Completed in Q1-2021

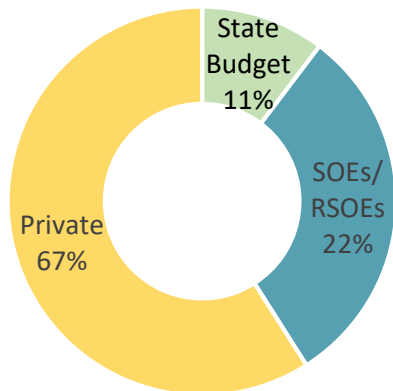


PSN Progress Status 201 Projects + 10 Programs (January – June 2021)



PSN Investment Contributor

Total IDR 5.607 Trillion*



* Exclude *Regional Development Acceleration Program (Perpres 79 an 80 / 2019)* and *Bali Utara Airports*

6 PSN Projects Completed in Q 1 – 2021

1	Medan – Binjai Toll Road	2	Cengkareng – Batu Ceper – Kunciran Toll Road	3	Kuningan Dam
4	Passeloreng Dam	5	Semarang Barat Water Supply System	6	Umbulan Water Supply System

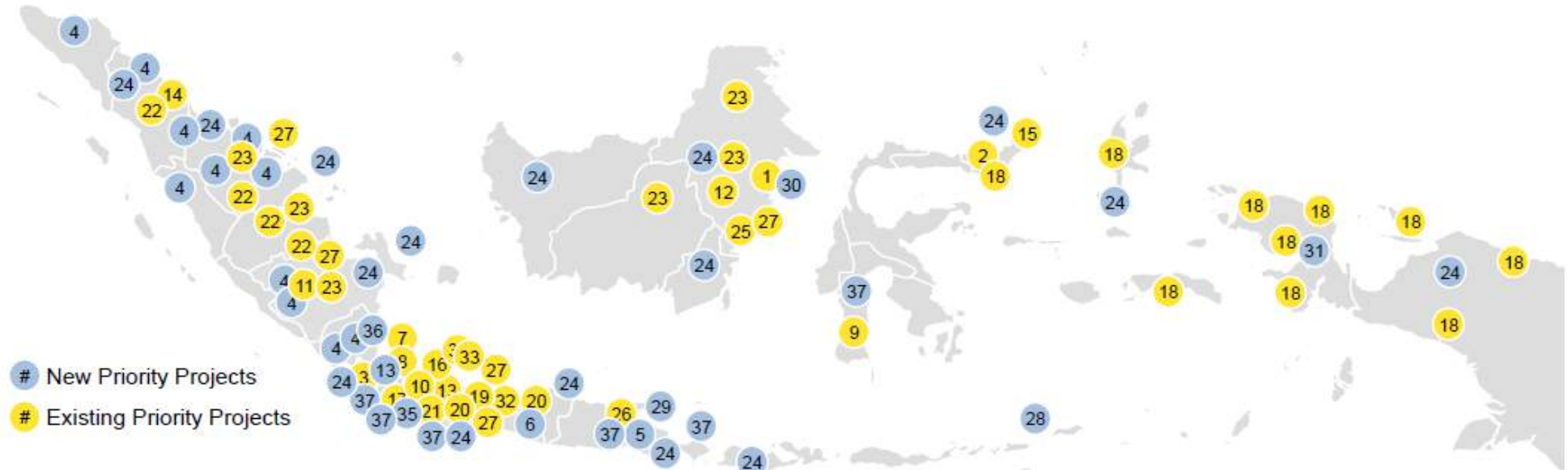


6 PSN Projects Completed in 1st Quarter in year 2021 with estimated investment value IDR 13,5 Trillion and 25 PSN Projects are partially operated with estimated investment value IDR 394,6 Trillion

Progress on 37 National Strategic Project



From the revised National Strategic Projects, the Government has selected a list of 37 National Strategic Project to be the focus of infrastructure provision.

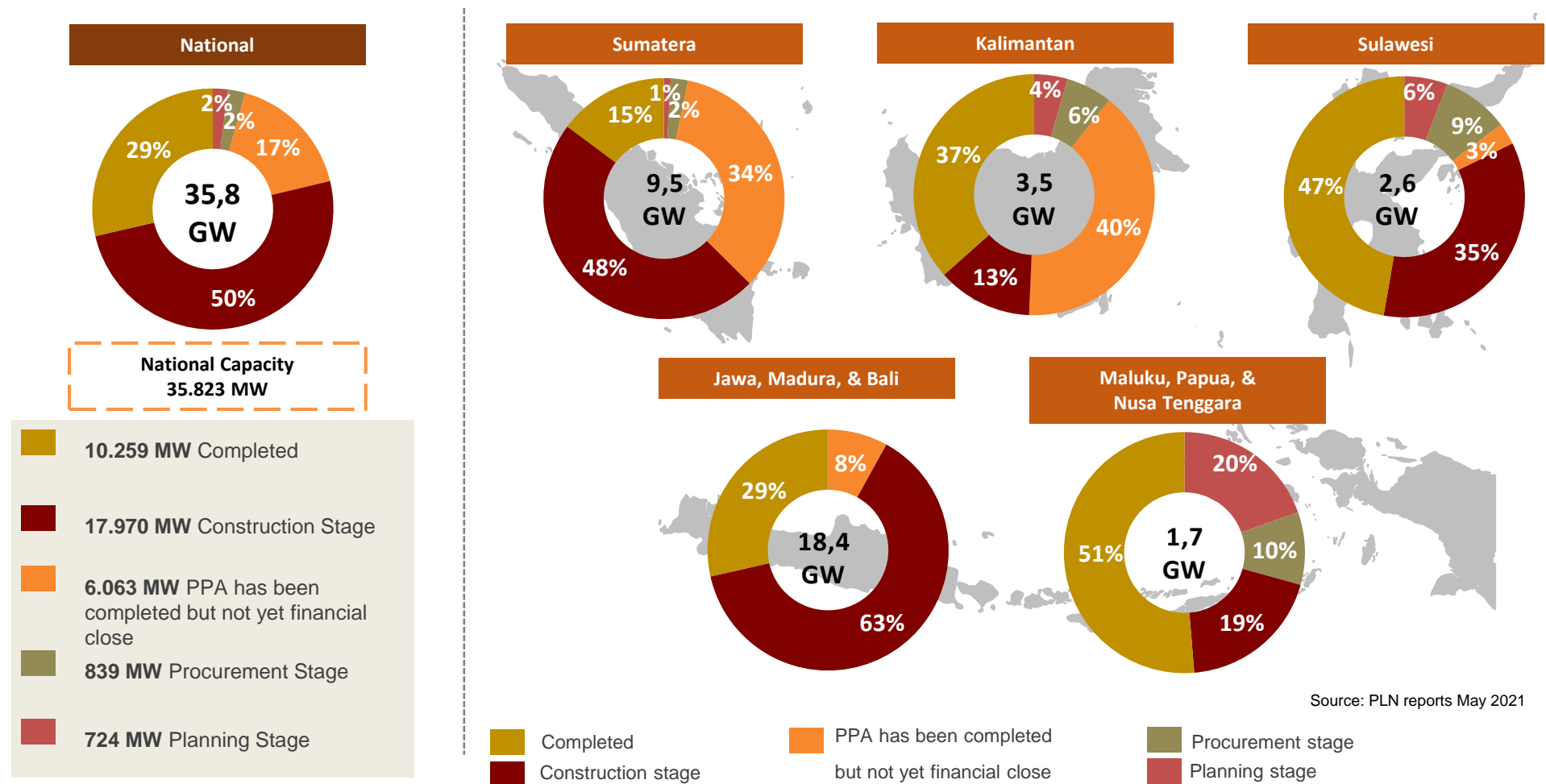


- | | | |
|--|--|--|
| 1. Balikpapan-Samarinda Toll Road | 13. LRT of DKI Jakarta | 26. Tuban Oil Refinery |
| 2. Manado-Bitung Toll Road | 14. Kuala Tanjung International Hub Seaport | 27. RDMP/Revitalization of the Existing Refineries (Balikpapan, Cilacap, Balongan, Dumai, Plaju) |
| 3. Panimbang-Serang Toll Road | 15. Bitung International Hub Seaport | 28. Abadi WK Masela Field |
| 4. 15 Segments of Trans – Sumatera Toll Road | 16. Patimban Port | 29. Utilization Field Has Jambaran-Tiung Biru |
| 5. Probolinggo – Banyuwangi Toll Road | 17. Inland Waterways Cikarang-Bekasi-Laut (CBL) | 30. Indonesian Deepwater Development (IDD) |
| 6. Yogyakarta – Bawean Toll Road | 18. Palapa Ring Broadband | 31. Tangguh LNG Train 3 Development |
| 7. SHIA Express Railway | 19. Batang, Central Java Power Plant (CJPP) | 32. West Semarang Drinking Water Supply System |
| 8. MRT Jakarta South-North Line | 20. Central – West Java Transmission Line 500 kV | 33. Jakarta Sewerage System |
| 9. Makassar-Parepare Railway | 21. Indramayu Coal-fired Power Plant | 34. National Capital Integrated Coastal Development (NCICD) Phase A |
| 10. Light Rail Transit (LRT) of Jakarta-Depok-Bogor-Bekasi | 22. Sumatera 500 kV Transmission (4 Provinces) | 35. Jatiluhur Drinking Water Supply |
| 11. LRT of South Sumatera | 23. Mulut Tambang Coal-fired Power Plant (6 Provinces) | 36. Lampung Drinking Water Supply |
| 12. East Kalimantan Railway | 24. PLTGU (16 Provinces) | 37. Waste to Energy Program in 8 cities |
| | 25. Bontang Oil Refinery | |

Energy Sector: the Progress of 35.000 MW Program



Report on the Progress of the Electricity Infrastructure Development Program (1/2)



Energy Sector: the Progress of 35.000 MW Program

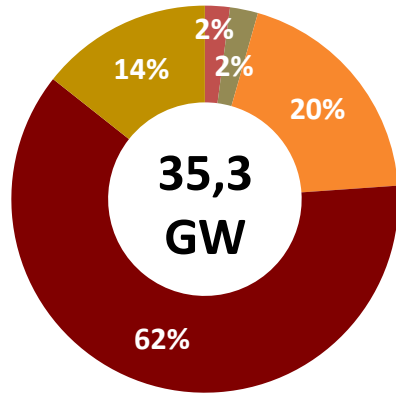


December 2019

July 2020

October 2020

May 2021



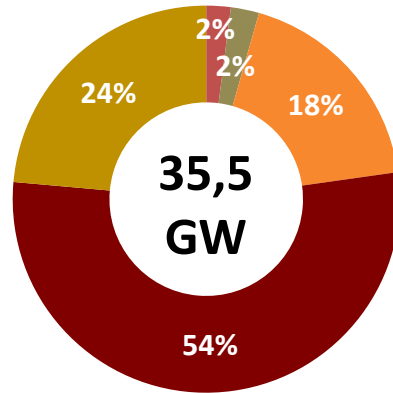
5.071 MW in COD/SLO/Commissioning Stage

21.825 MW in Construction Stage

6.878 MW in the contract/PPA stage, but not yet Construction

829 MW in Procurement stage

734 MW in Planning stage



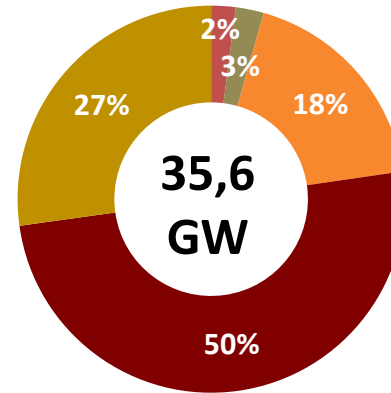
8.382 MW in COD/SLO/Commissioning Stage

19.067 MW in Construction Stage

6.528 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage



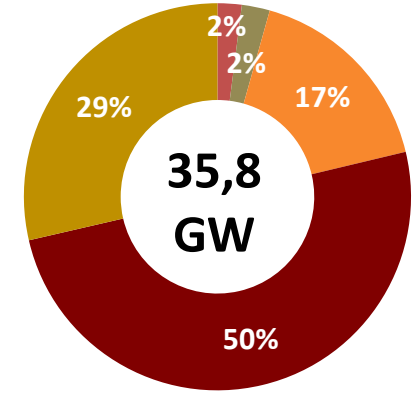
9.694 MW in COD/SLO/Commissioning Stage

17.853 MW in Construction Stage

6.528 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage



10.259 MW in COD/SLO/Commissioning Stage

17.970 MW in Construction Stage

6.063 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage

¹COD: Commercial Operation Date; ²SLO: Sertifikat Laik Operasi (Commissioning Certificate)

Source: Compile from PT PLN and Ministry of Energy and Mineral Resources Reports

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Acceleration of 35.000 MW Program



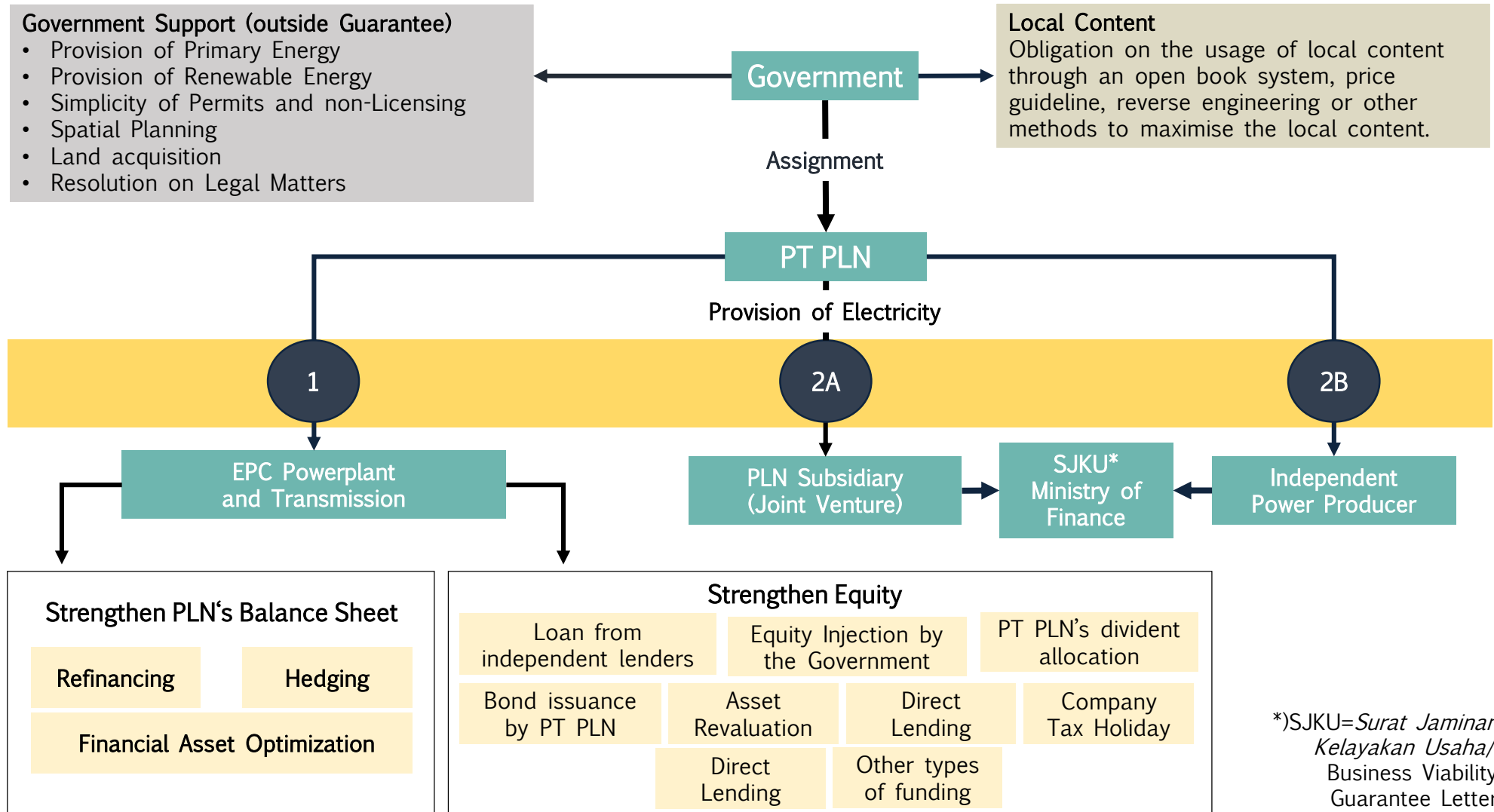
The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects

Government Support (outside Guarantee)

- Provision of Primary Energy
- Provision of Renewable Energy
- Simplicity of Permits and non-Licensing
- Spatial Planning
- Land acquisition
- Resolution on Legal Matters

Local Content

Obligation on the usage of local content through an open book system, price guideline, reverse engineering or other methods to maximise the local content.



*)SJKU=Surat Jaminan Kelayakan Usaha/ Business Viability Guarantee Letter

Significant Progress on Infrastructure Projects



Roads



Trans-Sumatra Toll Road



Merah Putih Bridge, Ambon

Dams



Jatigede Dam (Operational)

Drinking Water Processing



Umbulan Drinking Water Provision System, East Java

Transportation



Jakarta MRT Project²



Terminal 3 Ultimate Soekarno-Hatta²



New Tanjung Priok Port Project²



Nop Goliat Dekai, Papua

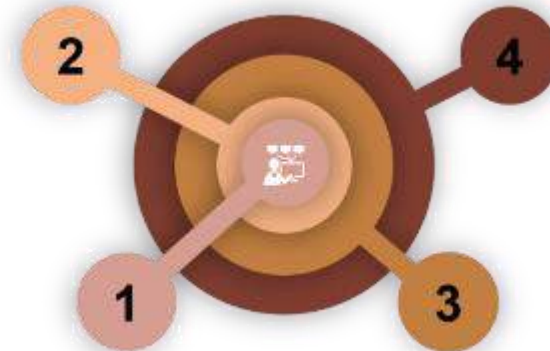
Improving Monitoring System on Infrastructure Projects¹

KPIIP developed an integrated IT System for monitoring of national strategic and priority projects, providing database on projects' latest status which can be effectively utilized for monitoring and decision-making purposes.

Database

Project information such as map, track, existing study and latest project status.

Platform data outlook that is efficient and functional using a user-friendly framework.



An **integrated** IT system with monitoring capacity for stakeholders, so that they can have **real time data**.

Record decisions related to projects and **synchronize** the implementation schedule that can be utilized by stakeholders.

- 1 Source: Committee for Acceleration of Priority Infrastructure Delivery (KPIIP)
- 2 Not funded from National Budget

Infrastructure Projects and Financing Schemes

Promotion of Infrastructure Development to Accelerate Economic Growth



Infrastructure Development is a Key Priority

- 1 **Infrastructure Development in order to:**
 1. Accelerate growth particularly in rural areas
 2. Support industrial development and tourism
 3. Reduce unemployment and poverty
- 1 **Infrastructure fundraising needs: \$357.9 bn** (or equivalent to IDR4,796.2 tn)
- 1 **245 National Strategy Projects** under National Medium Term Plan for 2015 – 2019 with an estimated total cost of IDR 4,197 tn (USD 313 bn)
- 1 **37 priority infrastructure projects** with an estimated cost of IDR 2,490 tn (USD 180 billion)
- 1 Majority of 37 priority projects are expected to commence commercial operation by 2018 - 2022

Establishment of PPP Unit

Broad Objective	<ul style="list-style-type: none"> ● Champion project preparation and acceleration of the PPP agenda in Indonesia
Core Mandates	<ul style="list-style-type: none"> ● Improve quality of project selection under KPPIP – OBC criteria ● Support project preparation through PDF support and highly qualified transaction advisors ● Act on behalf the Minister of Finance in providing government support and approvals for projects
Additional Mandates	<ul style="list-style-type: none"> ● Coordinate all public finance instruments ● Provide input for PPP Policy program Development and Regulations ● Implement capacity building for Govt. Contracting Agency (GCAs) ● One stop shop for PPP promotion & Information

Budget

- **Central & regional budget** (special allocation fund & rural transfer)
- **Primarily to support basic infrastructure projects:**
 - **Food security:** Irrigation, dams etc.
 - **Maritime:** Seaports, shipyards etc.
 - **Connectivity:** Village roads, public transportation etc.

Public Private Partnership

- **Certain infrastructure projects to be funded and operated through a partnership between the Indonesian government and the private sector**
 - Projects ready for auction under the PPP Scheme:
 - Toll roads projects such as Balikpapan-Samarinda and Manado-Bitung
 - Railway projects such as an express line into Soekarno-Hatta International Airport
 - Water supply projects such as the West Semarang Project
- **Various government support for PPP:**
 - **Project Development Facility (PDF):** Helps Government Contracting Agencies (GCAs) in project preparation and transaction
 - **Viability Gap Fund:** improves financial viability of PPP projects
 - **Government Guarantees:** Supports PPP projects' bankability by providing sovereign guarantees
 - **Infrastructure Financing Fund:** Provided through PT SMI and IIGF
 - **Availability Payment (AP):** GCA pays private partner based of availability of infrastructure services

SOE & Private Sector

- **Government to inject capital into SOEs:** Intended multiplier effect to develop more infrastructure projects
- **Key focus areas:**
 - Infrastructure and maritime development
 - Transportation and connectivity
 - Food security
- **Medium term infrastructure developments to focus on:**
 - Water Supply
 - Airports
 - Seaports
 - Electricity and power plants
 - Housing
 - Mining

Note: OBC: Outline Business Case; PDF: Project Development Facility; GCA: Government Contracting Activity

Source : Ministry of Finance; Bappenas; KPPIP: “Komite Kebijakan Percepatan Penyediaan Infrastruktur” or National Committee for the Acceleration of Infrastructure Delivery

Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning



Government Guarantee Program

Credit Guarantee	1 Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.
	1 Clean Water – Guarantee for 70% of PDAM's debt principal payment obligations.
	1 Toll road – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads.
	1 Infrastructure - Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing.
	1 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)	1 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	1 Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements
Political Risk Guarantee	1 Infrastructure – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

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

Contingent Liabilities from Government Guarantee as of Q1 2021 **

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	13	USD 1.06
2	Clean Water Supply Program	6	USD 0.004
3	Direct Lending from International Financial Institution to SOEs	10	USD 1.81
4	Sumatra Toll Road	10	USD 3.00
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 3.94
6	Public-Private Partnerships (PPP)	7	USD 5.81
7	Regional infrastructure financing	1	USD 0.21
8	Public Transportation (Light Rail Transit)	1	USD 0.59
9	Electricity Infrastructure Fast Track Program (35 GW)	6	USD 4.77
Total		61	USD 21.19

1 From 2008 to Q1-2021**, the government has issued 92 guarantee documents with total value of USD41.53 billion, there were 31 guarantee documents worth USD4.26 billion have been expired.

1 The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.

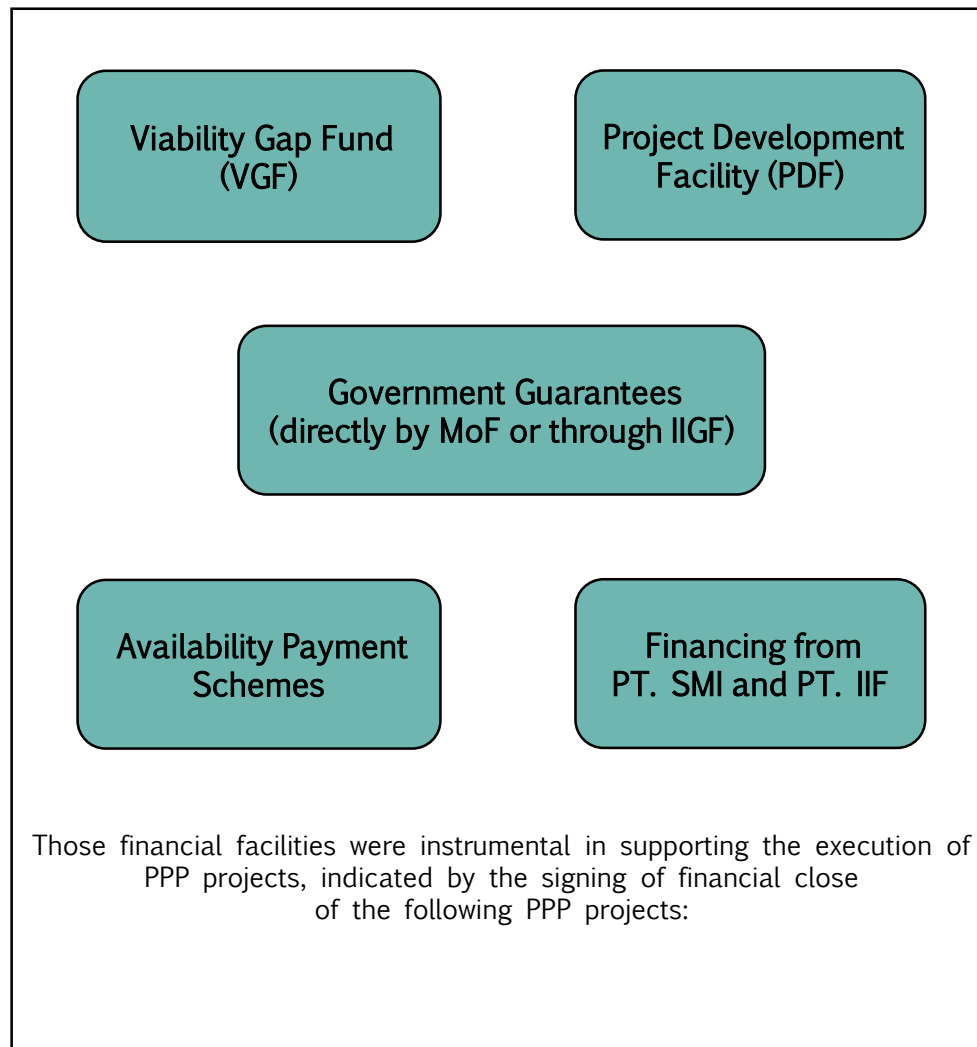
1 Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

**) Currency conversion of IDR14,105.01/USD1 and IDR17,330.13/EUR1 (as of end December 2020)

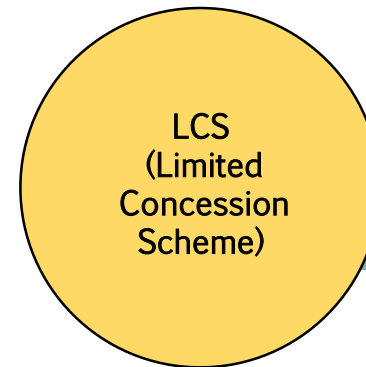
Government Financial Facilities for PPP Projects



Financial Facilities to Attract More Private Participation



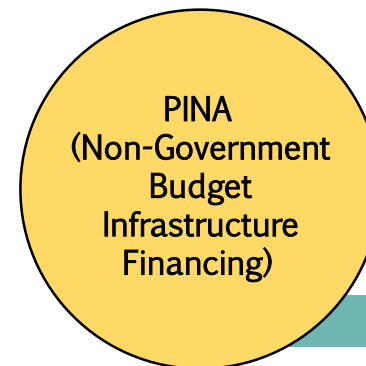
More Funding Schemes are on the Pipelines



Project Financing **funded by the private sector** through the granting of concessions for an operating asset owned by the Government/SOE (based on the policy of the Government) to the private sector to be operated & managed.

Scheme Characteristics

- Asset is owned by public sector
- Operating asset, not greenfield project
- Records positive cash flow for the last several years
- Predicted revenue



Project Financing **funded by any source of funds** other than Government's budget, e.g. long term management funds (insurance, repatriated funds from tax amnesty, pension funds, etc.), private equity investors and infrastructure funds. Supported & facilitated by National Development Planning Ministry/Bappenas.

Scheme Characteristics

- Asset is owned by private sector
- Greenfield / brownfield / operating projects

Source: Ministry of Finance

New Guarantee Schemes for Non-PPP Projects



Guarantee on SOE Direct Lending from International Financial Institutions (IFIs)

The Government had issued **Presidential Regulation No 82/2015** and **Ministry of Finance Regulation No 189/2015** to provide guarantee for SOE Direct Lending from IFIs for the Development of Infrastructure Projects.

The objective of this guarantee is to provide credit enhancement in terms of low interest rate and long tenor financing, with 3 main principles:

State finance soundness

Fiscal sustainability

Best practice of fiscal risk management

Guarantee for Regional Infrastructure Financing Provision

Based on **Government Regulation No. 95/2015** and **Ministry of Finance Regulation No. 232/2015**, Minister of Finance assigns PT SMI (*Sarana Multi Infrastruktur*) to carry out functions in providing loan to local government, as previously carried out by PIP (Government Investment Center).

The Government had issued **Ministry of Finance Regulation No 174 of 2016** to provide guarantee to PT SMI on the assignment of regional infrastructure financing provision, by loan to local governments that is transferred from PIP to PT SMI, and new loan channeled by PT SMI to the local government.

The objective is to give stimulus to the acceleration of local infrastructure development through the ease of access to infrastructure financing and to boost local economic growth, as well as to provide alternative financing schemes in order to meet local infrastructure development needs and to reduce reliance on state/local budget.



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