

## About Investor Relations Unit of the Republic of Indonesia



Investor Relations Unit (IRU) of the Republic of Indonesia has been established through a collaborative effort between the Coordinating Ministry of Economic Affairs, the Ministry of Finance and Bank Indonesia since 2005. The primary objective of IRU is to actively communicate Indonesian economic policies and to address the concerns of investors, particularly those in financial markets.

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

IRU also actively engages with investors by organizing a monthly Investor Conference Call. Additionally, it promptly addresses inquiries through email and telephone channels. Furthermore, IRU may also facilitates direct visit of banks/financial institutions to Bank Indonesia and other relevant government offices. This multifaceted approach underscores the commitment of the IRU to foster transparent communication and address the needs of the investors.

Published by Investor Relations Unit – Republic of Indonesia

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## **Executive Summary**



### **Preserved Economic Resilience Amidst Global Uncertainty**



**The largest economy** in Southeast Asia and 4<sup>th</sup> most populous country in the world



**Solid economic growth** supported by domestic demand. Regain the 5% growth momentum after pandemic



**Inflation remains under control** within the target corridor



**Consistent implementation** of structural reform and infrastructure development



Historically **prudent policy** dynamics and **track record of peaceful political transitions** 

Despite challenging global developments, Indonesia's economic recovery momentum persists, driven by robust domestic demand. The country's economic performance has rebounded to pre-pandemic levels and is poised for further improvement, driven by enhanced growth prospects. Indonesia's robust economic growth was recorded in Q2 2024 at 5.05% (yoy) and is projected to accelerate further in 2024. In August 2024, inflation was recorded at 2.12% (yoy), lower than previous month, and remains within the target corridor of 2.5%±1%. The external sector remains resilient and robust, supported by ample reserves and a sound balance of payments, accompanied by a healthy external debt profile. In addition, solid budget performance continues, reflected by a narrower 2023 fiscal deficit with a surplus in the primary balance and prudent debt management. In 2024, fiscal policy is geared towards accelerating economic transformation along with a maintained fiscal discipline, with the fiscal deficit is targeted below 3% of GDP. From a monetary policy perspective, Bank Indonesia continues to strengthen its monetary policy response and innovation to enhance policy effectiveness in terms of controlling inflation and maintaining Rupiah stability. Financial system stability has also been maintained, and the banking intermediation function remains robust, thereby supporting economic growth. To promote strong, socially Inclusive, and environmentally friendly economic growth, the government consistently implementing the structural reform agenda, including infrastructure development, and improving the investment climate.

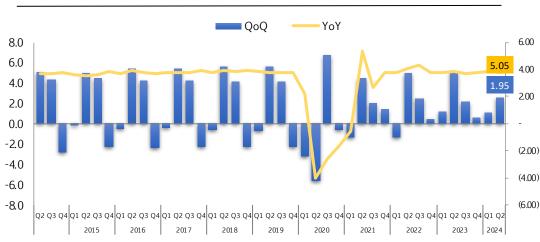
Update Rati	ng 2023-2024	
FitchRatings	BBB (Stable)	March 2024
Moody's	Baa2 (Stable)	April 2024
S&P Global	BBB (Stable)	July 2024
R&I Rating and Investment Information, Inc.	BBB+ (Positive)	July 2023
JCR	BBB+ (Stable)	March 2024

Indonesia has been recognized as a full Investment Grade country by all three major rating agencies, Fitch, Moody's and S&P. The recent rating affirmations in July 2024 has put Indonesia's SCR from three main rating agencies at the same level (one notch higher from the lowest investment grade level). These affirmations highlight Indonesia's macro stability, promising growth prospects, and confidence on policy continuity

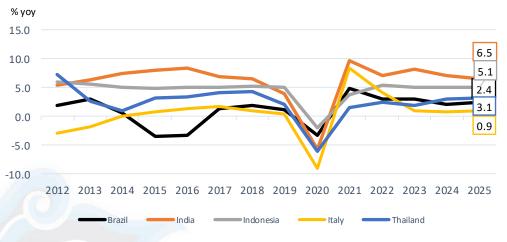
## Indonesia's Economic Growth Remains Solid and Resilient, Supported by Domestic Demand



#### Strong GDP Growth<sup>1</sup>



#### Favourable GDP Growth Compared to Peers<sup>2</sup>



- 1. Source: Central Bureau of Statistics of Indonesia (BPS), \*\* Including non-profit household consumption
- 2. Source: World Economic Outlook Database July 2024; \* indicates estimated figure

Amidst increasing global uncertainty, Indonesia's economic performance remains solid and resilient to global spillover. Indonesia's economic growth in the second quarter of 2024 grew by 5.05% (yoy), continuing the positive performance of economic growth in the previous quarter of 5.11% (yoy). Sound performance recorded across most of economic sectors, particularly mining and quarrying manufacturing industry, wholesale and retail trade as well as supported by information and communication, financial and insurance services and other service.

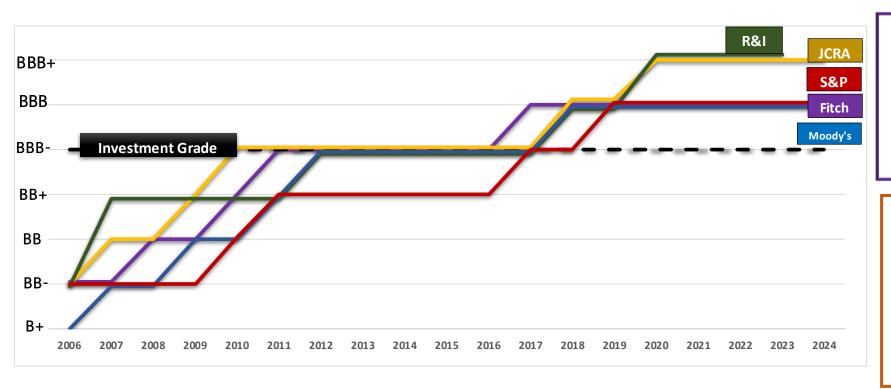
Spatially, the highest economic growth was recorded in the regions of Bali-Nusa Tenggara (Balinusra), followed by Sulawesi-Maluku-Papua (Sulampua), Kalimantan, Java, and Sumatra. Overall, economic growth in 2024 projected to be in the 4.7%-5.5% range, supported by domestic demand, particularly consumption ahead of the upcoming general election, and increasing investment, specifically building investment given the ongoing national strategic projects (PSN), including the new capital city (IKN) development.

#### **2024 Growth Projection**

Institutions	GDP growth 2024
2024 Budget	5.2
BankIndonesia	4.7-5.5
Consensus Forecast (July 2024)	5.0
World Bank (GEP, June 2024)	5.0
IMF (WEO, July 2024)	5.0
ADB (Asian Development Outlook, July 2024)	5.0

# Affirmation on Indonesia's Sovereign Credit Rating Amid Global Economy Uncertainties and Election Year





#### **Fitch**Ratings

BBB / Stable

#### March 2024, Rating Affirmed at BBB/Stable

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

#### S&P Global Ratings

BBB / Stable

#### July 2024, Rating Affirmed at BBB/Stable

"Indonesia's economic growth prospects will remain solid, external resilience and the government's debt burden will be maintained, supported by a credible monetary and fiscal policy framework."

# R&I

BBB+/Positive

#### July 2023, Outlook Revised To Positive; BBB+ Ratings Affirmed

"In R&I view, Indonesia's economy has been showing strong performance even amid uncertainties of the global economic environment. With the inflation rate that has fallen within the target range in 2023, the price stability is being restored. The government has achieved its target level of fiscal deficit a year earlier than originally planned and the government debt ratio stays on a downward trajectory. The stability of financial system has been maintained and the economy has resilience to external shocks".



BBB+/ Stable

#### March 2024, Rating Affirmed at BBB+/Stable

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

### Moody's

Baa2/Stable

#### April 2024, Rating Affirmed at Baa2/Stable

"Indonesia's credit profile is supported by continued economic resiliency, backed by structural factors such as abundant natural resources and strong demographics, supporting stable and robust GDP growth, as well as by good policy credibility."

# Continuous Improvement of Indonesia's Competitiveness Rank

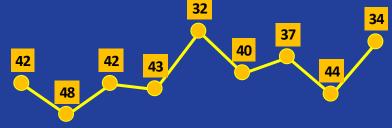


Based on the IMD (Institute for Management Development) World Competitiveness Yearbook 2023 report, Indonesia's competitiveness ranking in 2023 is in 34th position out of a total of 64 countries. This rank has increased from 2022 (No. 44).

All factors have increased compared to 2022: Economic Performance (+13), Business Efficiency (+11), Government Efficiency (+4), and Infrastructure (+1)

No.	Country	2019	2020	2021	2022	2023
1	South Korea	28	23	23	27	28
2	Indonesia	32	40	37	44	34
3	Japan	30	34	31	34	35
4	India	43	43	43	37	40
5	Philippines	46	45	52	48	52
6	Mexico	50	53	55	55	56
7	Brazil	59	56	57	59	60





Factors	2019	2020	2021	2022	2023
Economic Performance	25	26	35	42	29
Government Efficiency	25	31	26	35	31
Business Efficiency	20	31	25	31	20
Infrastructure	53	55	57	52	51

### Continuous Improvement of Indonesia's Governance Rank



Indicator	Country	Year	Percentile Rank (0 to 100)
oice and Accountability	Indonesia	2012	
-		2015	——————————————————————————————————————
		2020	<del></del>
		2021	<del>-</del>
		2022	
Political Stability and	Indonesia	2012	
Absence of		2015	
Violence/Terrorism		2020	
		2021	
		2022	<del></del>
Government	Indonesia	2012	
Effectiveness		2015	
		2020	
		2021	
		2022	
Regulatory Quality	Indonesia	2012	
		2015	
		2020	
		2021	
		2022	
Rule of Law	Indonesia	2012	
		2015	
		2020	
		2021	
		2022	
		2012	
Control of Corruption	Indonesia	2012	
Control of Corruption	Indonesia	2015	
Control of Corruption	Indonesia		
Control of Corruption	Indonesia	2015	
Control of Corruption	Indonesia	2015	

Note: Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)

Source: Worldwide Governance Indicators, 2023 Update (www.govindicators.org)

To achieve the vision of advanced Indonesia in 2045 with the goal of Advancing Towards a Sovereign, Developed, Equitable, and Prosperous Indonesia, the Indonesian government is actively promoting reforms in institutions and bureaucracy, as well as strengthening the national legal system and anti-corruption measures. These efforts are evident in the improving governance indicators in Indonesia.

Based on the latest World Bank Worldwide Governance Indicators (WGI), Indonesia's governance rank indicates a continuous improvement for the last 10 years. One of the indicator, the Government Effectiveness, recorded highest percentile rank compared to other five indicators, which marked Indonesia on the 73<sup>rd</sup> rank out of 214 countries (previously placed on 75<sup>th</sup> rank in 2021). This achievement inline with the ongoing structural reform that has been implemented across the country.

The government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

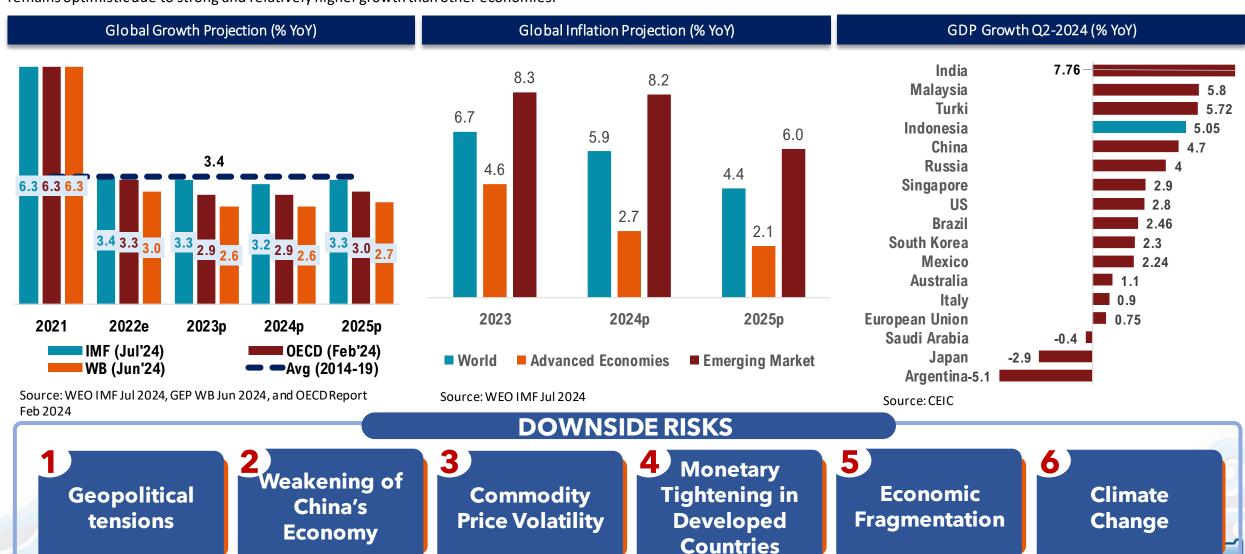
Meanwhile, corruption eradication indicators also indicate improvement, with a progressive increase in values over the past decade.



## Global Conditions still Face a Number of Challenges Ahead



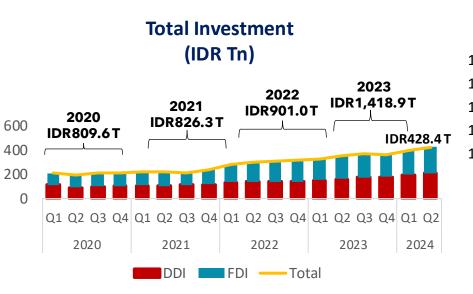
The global growth projection for 2025 is expected to slightly improve compared to 2024, with inflation starting to moderate. Although global risks causing uncertainty remain high, Indonesia remains optimistic due to strong and relatively higher growth than other economies.

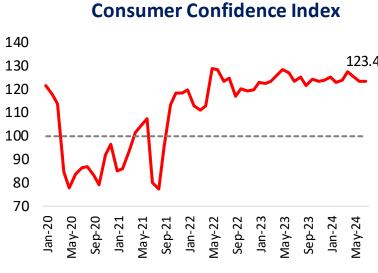


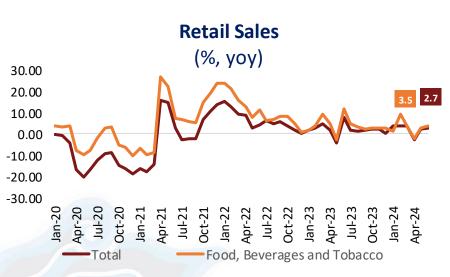
## Indonesia's Leading Indicators Exhibit Favorable Outlooks

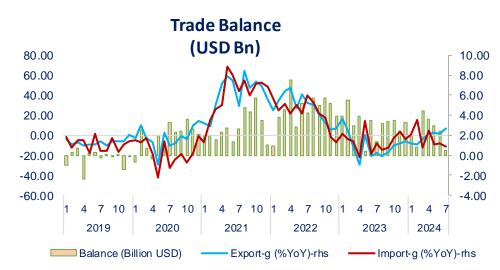


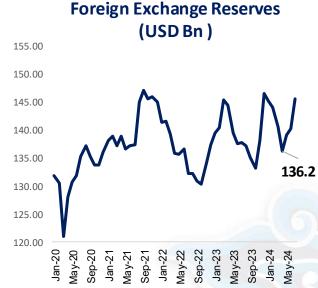












# Short Term Mitigation and Policy Response Amidst Weakening Global Economic Prospect



# **Geopolitical Tensions:**

Fragmentation, Protectionism, and War



- Increasing Economic Instability
- Widening of State Budget Deficit
- Widening the Current Account Deficit

Risk Mitigation and Policy Response

#### State Budget as Shock Absorber by Boosting Domestic Demand

Maintaining Household Consumption



Rice assistance program for low-income families, 10 Kg/Hh/Month until June 2024 and 10 kg/Hh/2 Months until December 2024 **Encouraging Investment** 



Stimulus to Boost
Property and
Automotive Industry

Sinergy of Real and Monetary Sector to Maintain the External Sector Resilience



- Issuing Presidential Decree No. 24/2023 concerning the Task Force for Increasing National Exports
- Issuing Government Regulations No. 36/2023 concerning Foreign Exchange Proceeds from Natural Resource Exports
- Expanding Local Currency Transaction (LCT) implementation
- Income Tax on Foreign Exchange from Export Earnings based on Presidential Regulation Number 22/2024

## **Economic Performance Remains Solid in 2024**



#### GDP Growth Based on Expenditures (%, YoY)<sup>1</sup>

	2018			2019				2020				2021							2022*	;		2023*					2024					
By expenditure	01	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	5.2	5.0	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	6.0	1.0	3.6	2.0	4.4	5.5	5.4	4.5	4.9	4.5	5.2	5.1	4.5	4.8	4.9	4.9
Non profit HH. consumption	8.1	8.8	8.7	10.9	9.1	17.0	15.3	7.4	3.5	10.6	-5.0	-7.8	-1.9	-1.9	-4.2	-3.6	4.1	2.9	3.2	1.6	5.9	5.0	6.0	5.7	5.7	6.2	8.6	6.2	18.1	9.8	24.3	10.0
Government consumption	2.7	5.2	6.3	4.6	4.8	5.3	8.2	1.0	0.5	3.3	3.9	-6.5	9.8	1.9	2.1	2.6	8.3	0.7	5.2	4.3	-6.6	-4.6	-2.5	-4.7	-4.5	3.3	10.5	-3.9	2.8	2.9	19.9	1.4
Gross Fixed Cap. Formation	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	-5.0	-0.2	7.5	3.8	4.5	3.8	4.1	3.1	5.0	3.3	3.9	2.1	4.6	5.8	5.0	4.4	3.8	4.4
Exports	5.8	7.4	8.3	4.6	6.5	-1.1	-1.2	0.9	-0.6	-0.5	0.4	-13.6	-12.7	-7.4	-8.4	2.2	28.5	20.8	22.2	18.0	14.4	16.3	19.1	15.0	16.2	11.7	-2.9	-3.9	1.6	1.3	1.4	8.3
lm ports	12.5	15.2	14.2	7.4	12.1	-5.8	-5.9	-8.5	-8.1	-7.1	-6.0	-21.3	-25.0	-17.6	-17.6	5.2	33.2	31.1	32.6	24.9	16.1	13.1	25.7	6.5	15.0	4.2	-3.2	-6.8	-0.1	-1.6	1.9	8.6
GDP	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	3.5	5.0	3.7	5.0	5.5	5.7	5.0	5.31	5.0	5.2	4.9	5.0	5.0	5.1	5.0

#### GDP Growth by Sector (%, YoY)

Day of the second secon			2018	3			2019						2020					2021	k				2022*	*				2023	*		202	24**
By sectors	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	04	Tot	Q1	Q2	Q3	04	Tot	01	02	03	04	Tot	01	02	03	04	Tot	01	02
Agriculture, forestry, and fishery	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	3.5	0.6	1.4	2.3	1.9	1.2	1.7	2.0	4.5	2.3	0.4	2.0	1.5	1.1	1.3	-3.5	3.2
Mining and Quarrying	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	7.8	5.2	4.0	3.8	4.0	3.2	6.5	4.4	4.9	5.0	7.0	7.5	6.1	9.3	3.2
Manufacturing	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	3.7	4.9	3.4	5.1	4.0	4.8	5.6	4.9	4.4	4.9	5.2	4.1	4.6	4.1	3.9
Construction	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	3.8	3.9	2.8	4.8	1.0	0.6	1.6	2.0	0.3	5.2	6.4	7.7	4.9	7.6	7.3
Wholesale and Retail Trade, Repair of Car and Motorcycle	5.0	5.2	5.3	4.4	5	5.2	4.6	4.4	4.2	4.6	1.5	-7.7	-5.1	-3.7	-3.8	-1.3	9.5	5.1	5.5	4.6	5.7	4.4	5.4	6.6	5.5	4.9	5.3	5.1	4.1	4.8	4.6	4.9
Transportation and Storage	8.5	8.7	5.7	5.5	7	5.4	5.8	6.7	7.6	6.4	1.3	-30.8	-16.7	-13.4	-15.1	-13.1	25.1	-0.7	7.9	3.2	15.8	21.3	25.8	17.0	19.9	15.9	15.3	14.7	10.3	14.0	8.7	9.6
Information and communication	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	11.0	10.6	8.7	6.9	5.5	6.2	6.8	7.2	8.1	6.9	8.7	7.7	7.1	8.0	8.5	6.7	7.6	8.4	7.7
Financial service	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	4.3	-2.6	1.6	1.6	1.5	0.9	3.8	1.9	4.5	2.9	5.2	6.6	4.8	3.9	7.9
Other Services*	5.4	6.2	6.7	6.4	6.2	6.8	7.3	6.4	6.2	6.7	4.6	-6.3	-1.4	-1.7	-1.2	-2.5	9.8	-0.8	3.4	2.3	3.3	4.0	7.9	4.9	5.0	4.5	7.1	3.3	4.9	5.0	9.4	5.6
GDP	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	3.5	5.0	3.7	5.0	5.5	5.7	5.0	5.3	5.0	5.2	4.9	5.0	5.0	5.1	5.0

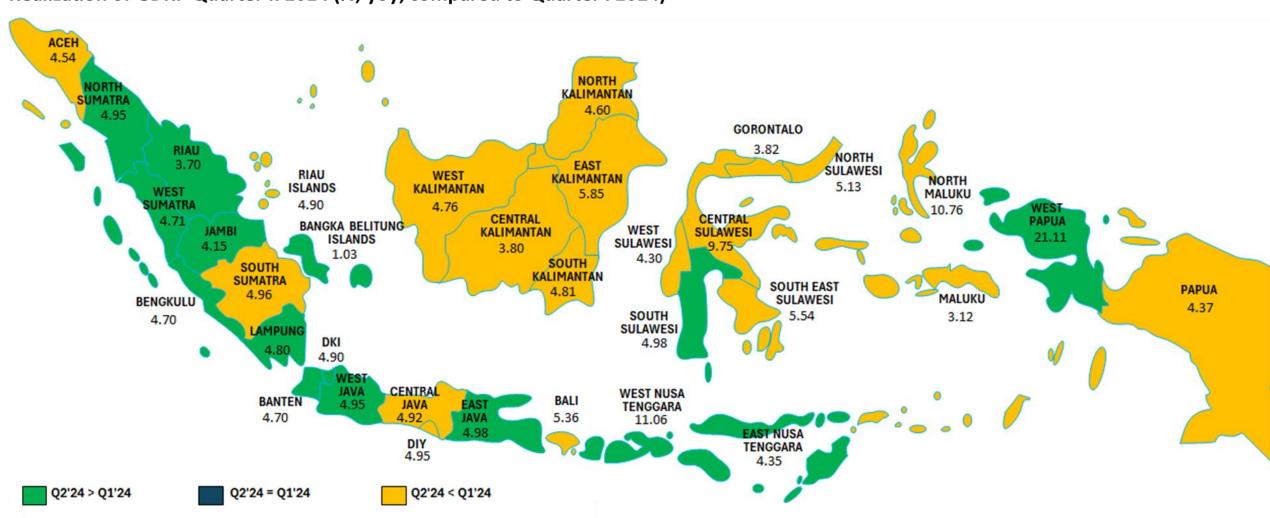
<sup>\*</sup>Other services consist of 10 sectors (according to Standard National 2008)

# **Growth of Regional Economic (GDRP) of the Second Quarter of 2024**



In the second quarter of 2024, the economy grew 5.05% (yoy), down from 5.11% (yoy) in the previous period

Realization of GDRP Quarter II 2024 (%, yoy; compared to Quarter I 2024)



Source: BPS, calculated

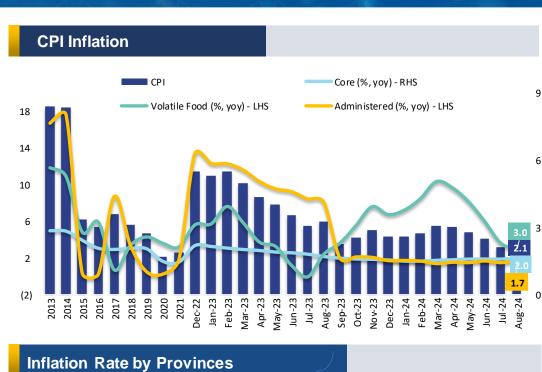
## Inflation Remains Under Control Within The Target Corridor

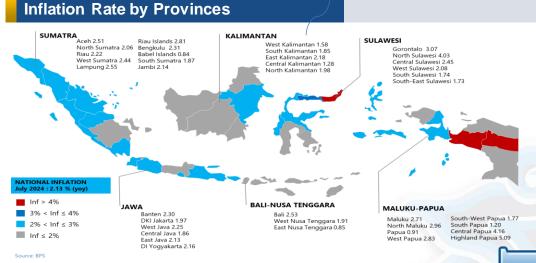


- Consumer Price Index (CPI) inflation in August 2024 still maintained at 2.12% (yoy) from 2.13% in July 2024.
- Volatile food has been decreasing since March 2024.
  - ☐ Core inflation was recorded at 2.02% (yoy).
  - □ Volatile food (VF) inflation continued falling to 3.04% (yoy) from 3.63% (yoy) the month earlier.
  - ☐ Administered prices increased to 1.68% (yoy).
- Moving forward, Bank Indonesia is confident that CPI inflation will remain under control and within the target corridor.
  - Core inflation is projected to remain under control in line with anchored inflation expectations, massive economic capacity in response to domestic demand, low imported inflation in line with Rupiah stability by Bank Indonesia, as well as the positive impact of digitalization.
  - Bank Indonesia also expects VF inflation to remain manageable, underpinned by inflation control synergy between Bank Indonesia and the (central and regional) Government.

#### **2024 Inflation Projection**

Institutions	Inflation (%yoy) 2024
2024 Budget	2.8
Bank Indonesia	2.5%±1%
Consensus Forecast (August 2024) – average	2.8
IMF (WEO, April 2024) – end of period	2.6
ADB (Asian Development Outlook, April 2024)	2.8





<sup>\*</sup>According to inflation data published by BPS-Statistics Indonesia based on the Cost-of-Living Survey (SBH) using 2022 as the new base year

# Synchronized Policies to Strengthen Inflation Controlling Efforts



Indonesia's inflation achievements in 2022 and 2023 resulted from solid coordination and synergy between various institutions through TPIP-TPID. The 4K strategy and synchronized policies will continue to be implemented in 2024 to ensure inflation within the target range.

#### **MONETARY POLICY**

# Support for pro-stability and pro-growth monetary policies

- Stabilization of the Rupiah exchange rate through intervention in the foreign exchange market on spot transactions, Domestic Non-Deliverable Forward (DNDF), and Government Securities (SBN) in the secondary market;
- Monetary operations including optimization of Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Foreign Currency Securities (SVBI), and Bank Indonesia Foreign Currency Sukuk (SUVBI)



#### **FISCAL POLICY**

#### **Optimization of State Budget as shock absorbers**

- Energy Subsidies and Compensation
- Food Security Budget including optimization of Government Rice Reserves (SPHP distribution)
- Social Assistance Program, including food assistance
- Fiscal Incentives allocation for controlling regional inflation
- Food distribution facilitation
- · Optimization of APBD and BTT

#### **INFLATION CONTROL EFFORTS**

#### **K1**

#### **Price Affordability**



- Improving the implementation of cheap market operations/easy food movements and the Food Supply and Price Stabilization (SPHP) program
- Food assistance, social protection, subsidies and energy compensation



#### **Supply Availability**



- Strengthening Government Food Reserves (CPP) > CBP is maintained at around 1.2 million tons throughout the year
- Access to KUR financing and Agricultural Machinery Credit
- Provision of subsidized fertilizers



#### **Smooth Distribution**

Facilitating the distribution of strategic food commodities



- Optimizing the sea toll program to reach 3TP areas
- Providing assistance for logistics costs



#### **Effective Communication**



- Orchestration of TPID for regional inflation control efforts by the Ministry of Home Affairs through weekly coordination meetings
- Implementation of TPIP-TPID Coordination Meetings per region which are carried out back to back with GNPIP.



### **INFLATION REALIZATION 2023**

2.61%

(within 3.0±1% target)

# **CPI INFLATION** 2024: 2.5±1%

- Maintaining core inflation
- Maintaining volatile food inflation between 3-5%
- Managing administered price inflation

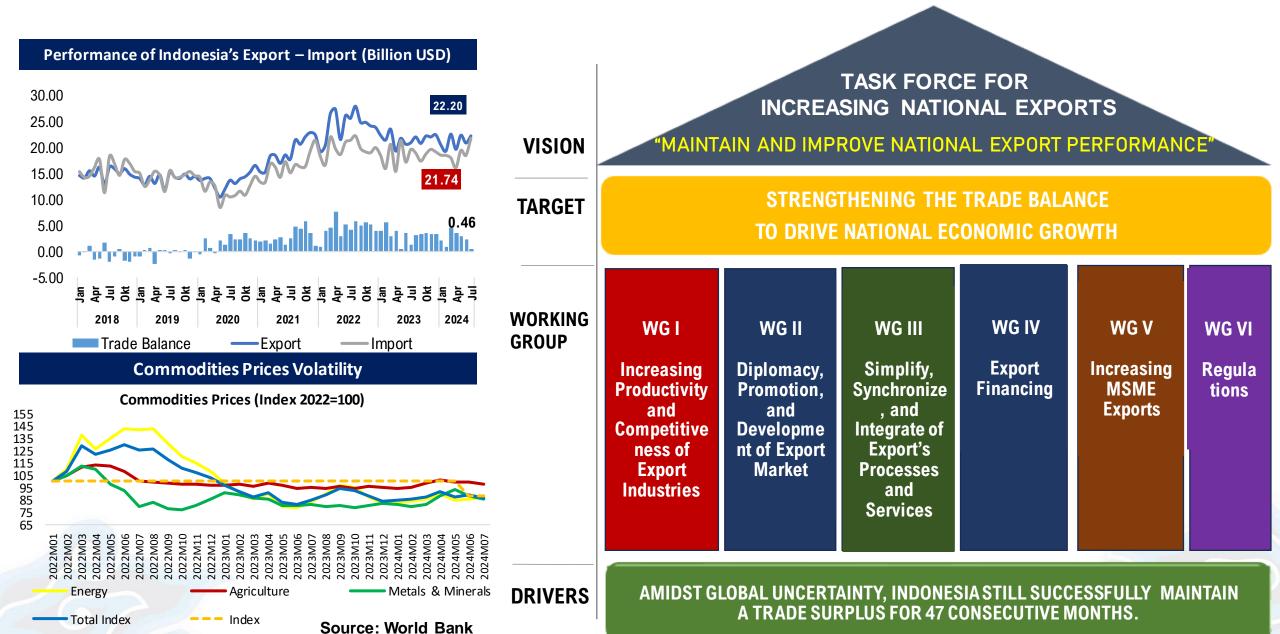


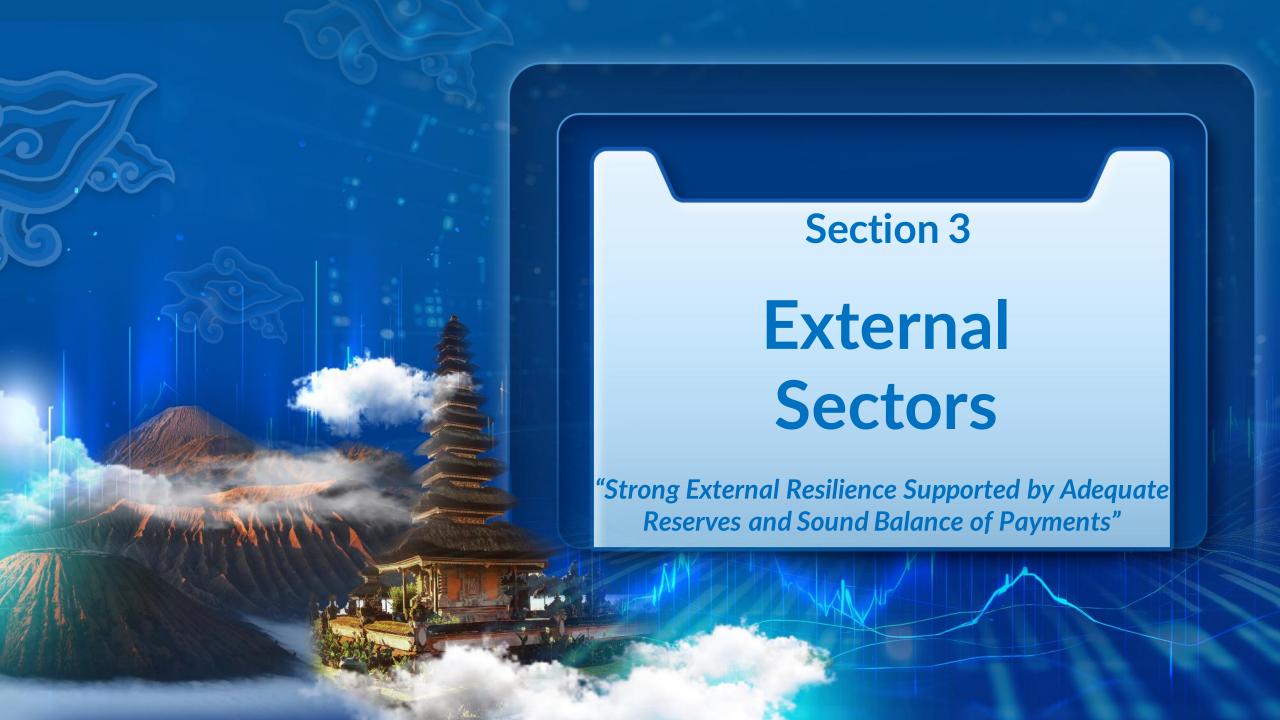
# President's Directions on Inflation Control Strategy

- Strengthening food production by optimizing irrigation infrastructure to anticipate the impact of climate change.
- Accelerating the application of research-based technology in supporting agricultural digitalization (smart agriculture).
- Encouraging investment to increase the added value of agricultural products.
- Upgrading Integrated logistics systems and infrastructure to support smooth distribution and efficient supply chains between regions.
  - Strengthening synergy and coordination between central and regional institutions to support inflation control efforts.

# Task Force for Increasing National Exports to Strengthen Trade Balance





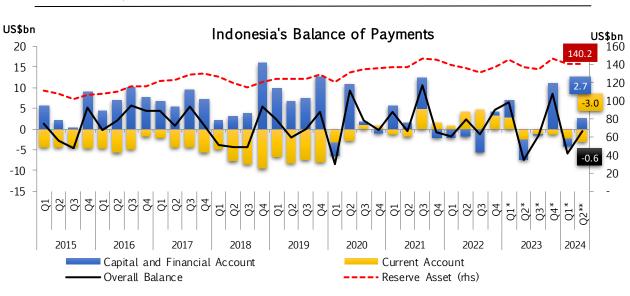


### **External Sector Remains Resilient**

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

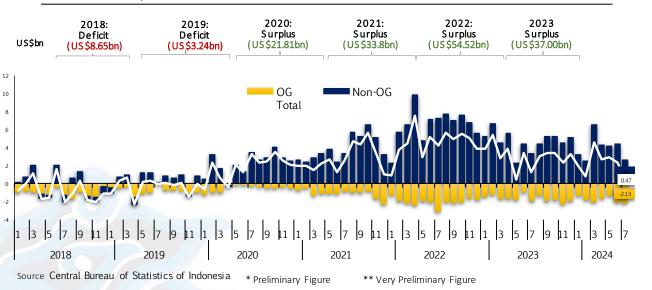


#### Balance Of Payment Remains Solid

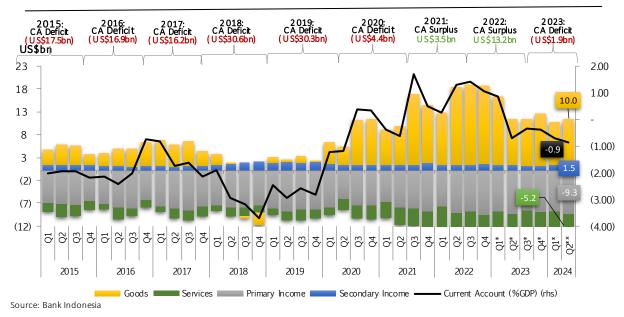


Source: Bank Indonesia

#### Trade Balance Surplus Continues

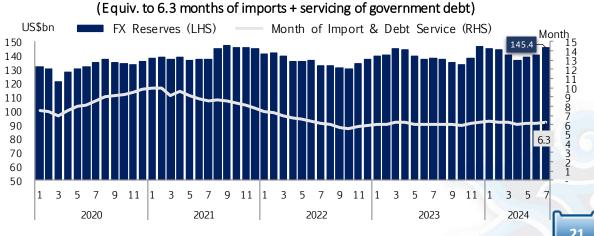


#### **Current Account Recorded Low Deficit**



#### Official Reserve Assets Increased to Reinforce External Sector Resilience

# FX Reserves as of July 2024: US\$145.4bn (Equiv. to 6.3 months of imports + servicing of government debt)



Source: Bank Indonesia

## **Exchange Rate Movement In Line With BI Stabilization Measures**



#### Rupiah Exchange Rate Volatilty



#### Movement of Rupiah



- The Rupiah in August 2024 (as of 20th August 2024) appreciated to reach Rp15,430/USD, improving 5.34% on the position recorded at the end of July 2024. Rupiah appreciation has outperformed other regional currencies, including the Thai baht, Japanese yen, Philippine peso and South Korean won, which appreciated by 4.22%, 3.25%, 3.20% and 3.04%, respectively. Compared with the level recorded at the end of December 2023, therefore, rupiah depreciation has been less severe than the depreciation experienced by the Indian rupee, Philippine peso and South Korean won.
- Moving forward, the Rupiah exchange rate is projected to continue strengthening in line with attractive yields, low inflation and solid economic growth in Indonesia, as well as Bank Indonesia's firm policy commitments. Furthermore.
- Bank Indonesia continues optimising the full panoply of monetary instruments available, which includes strengthening its pro-market monetary operations strategy through the SRBI, SVBI and SUVBI instruments.
- Bank Indonesia will continue strengthening coordination with the Government, banking industry and businesses to support the effective implementation of instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources.

# **Ample Lines of Defense Against External Shocks**



Bilateral, multilateral and regional international financial cooperation are also resulting in more 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 of July 2024: **US\$145.4 bn**

#### **Swap Arrangement**

	Japan	•
<u>ra</u>	Singapore	•
Bilateral	China	•
	Malaysia	•
	Korea	•

- Renewed a 3-year USD22.8 billion swap line with Japan in October 2021
- The facility is available in USD and JPY
- Renewed a 1-year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 100 tn (equivalent) in November 2023
- Renewed a 3-year swap arrangement and increased the size of swap line up to CNY 250 bn / IDR 550 tn (equiv.) in January 2022
- Renewed a 3-year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022
- Renewed a 3-year BCSA with the Republic of Korea amounting to KRW10.7 trillion or Rp115 trillion (equiv) in March 2023

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

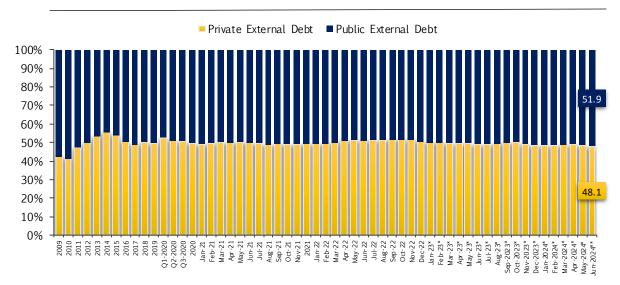
IMF Global Financial Safety Net - GSFN

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

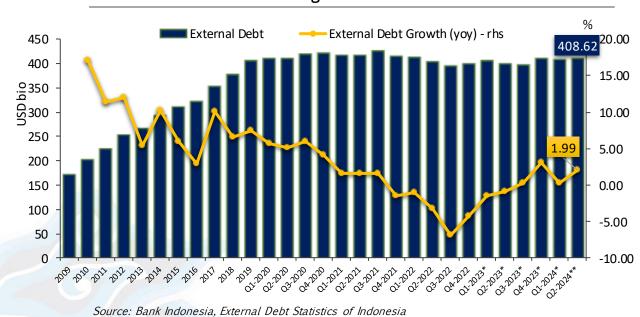
# **Healthy External Debt Profile**

# T.

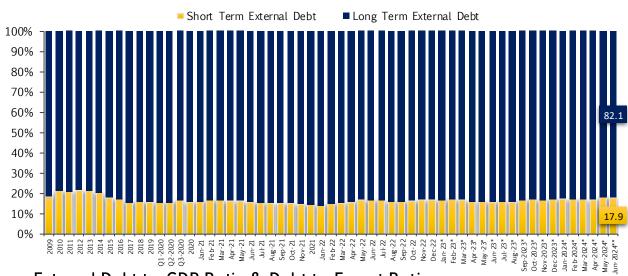
#### **External Debt Structure**



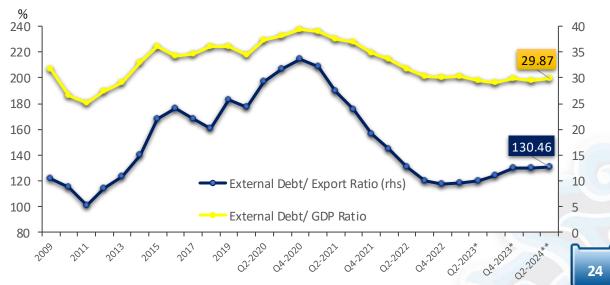
#### External Debt Remains Manageable



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



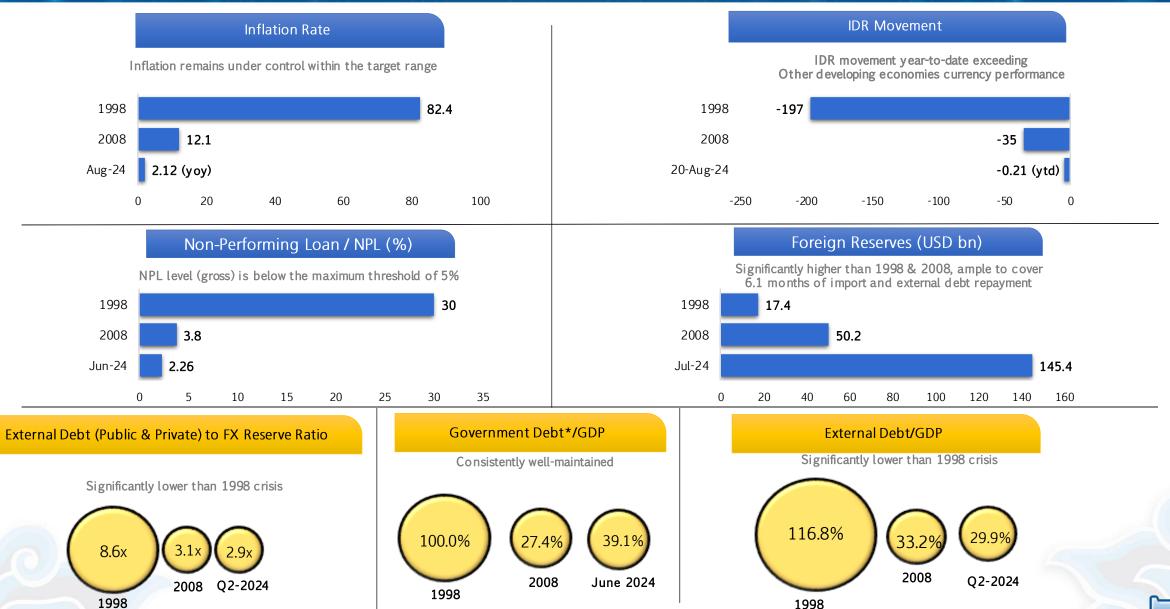
#### External Debt to GDP Ratio & Debt to Export Ratio



\*Provisional Figures \*\*Very Provisional Figures

## Solid Fundamentals Facing the Headwinds



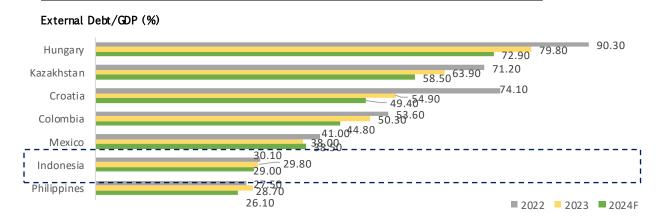


\*) Domestic & Forex

# Strengthened Private External Debt Risk Management



### Lower Debt Burden Indicator (External Debt/GDP) Compared to Peers Rating

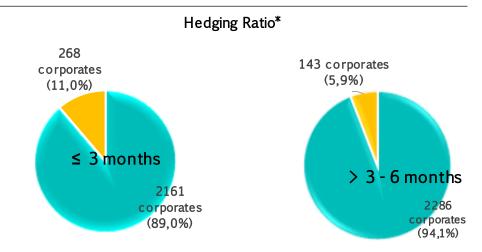


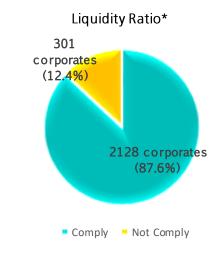
Source: Moody's Credit View Fundamental Data, May 2024

#### 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

# Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio





\*Data as of Q4-2023, with total population 2,429 corporates

Source: Bank Indonesia

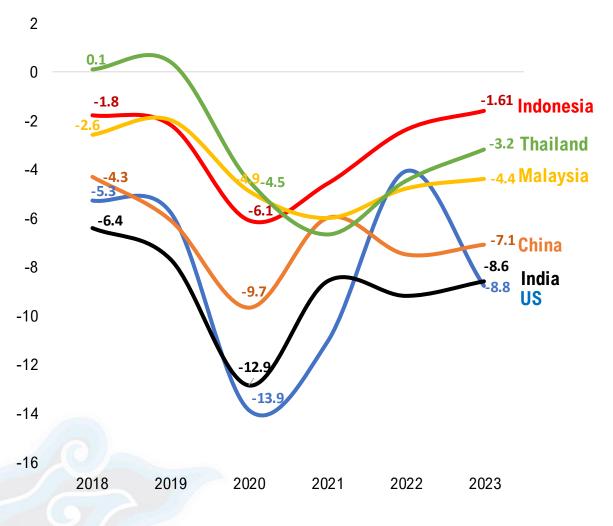


### Indonesia is Among Few Countries with Improving Fiscal Position

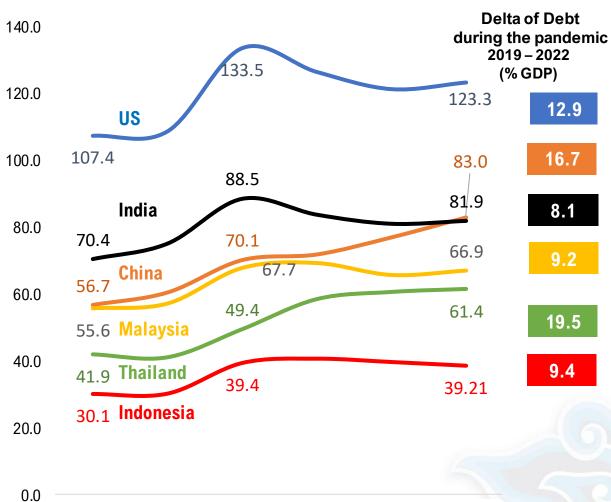
During the pandemic, the deficit was substantially widened, but quickly improved with stronger economic activities





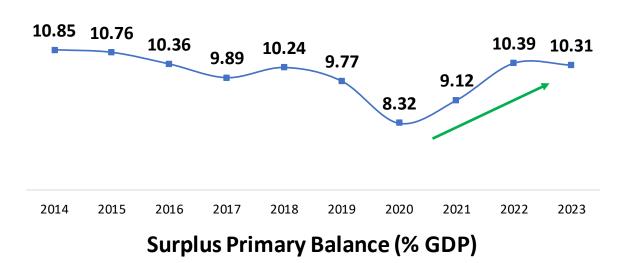






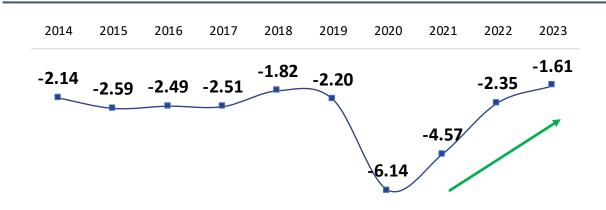


### Tax ratio increases in line with stronger recovery (% GDP)

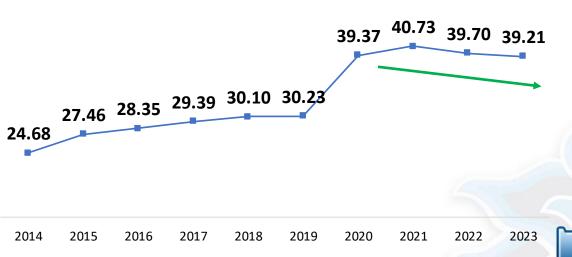




### Overall budget position improved significantly (% GDP)



### **Debt Ratio Declines(% of GDP)**





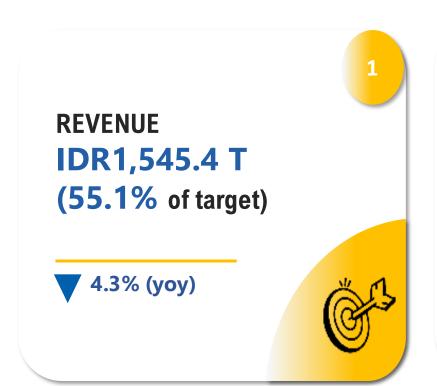


		2	023			20	24	
Account (IDR Tn)	Budget	Real. as of July 31	Growth (%)	Audited	Budget	Real. as of July 31	% to Budget	Growth (%)
Revenue	2,637.2	1,614.9	4.1	2,783.9	2,802.3	1,545.4	55.1	(4.3)
Tax Revenue	2,118.3	1,258.9	3.7	2,154.2	2,309.9	1,199.7	51.9	(4.7)
1. Tax	1,818.2	1,109.1	7.8	1,867.9	1,988.9	1,045.3	52.6	(5.8)
2. Costume and Excise	300.1	149.8	(19.1)	286.3	321.0	154.4	48.1	3.1
NonTax Revenue	515.8	355.7	5.5	612.5	492.0	338.0	68.7	(5.0)
Expenditure	3,117.2	1,461.2	1.2	3,121.2	3,325.1	1,638.8	49.3	12.2
Central Government Expenditure	2,302.5	1,020.4	(1.0)	2,239.8	2,467.5	1,170.8	47.5	14.7
1. Line Ministries Spending	1,000.8	493.0	0.5	1,152.2	1,090.8	588.7	54.0	19.4
2. Non-Line Ministries Spending	1,301.6	527.4	(2.4)	1,087.6	1,376.7	582.1	42.3	10.4
Transfer to Region	814.7	440.9	6.6	881.4	857.6	468.0	54.6	6.1
Primary Balance	(38.5)	394.6	24.6	102.6	(25.5)	179.3	(703.2)	(54.6)
Surplus (Deficit)	(479.9)	153.7	44.2	(337.3)	(522.8)	(93.4)	17.9	(160.8)
% to GDP	(2.27)	0.74		(1.61)	(2.29)	(0.41)		
Financing	479.9	164.5	(16.7)	356.7	522.8	217.0	41.5	31.9

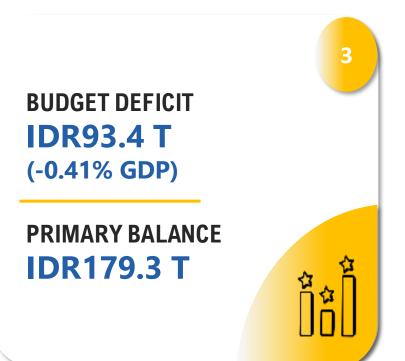
## 2024 Budget Performance is Well Maintained

Supported by Optimal Government Expenditure









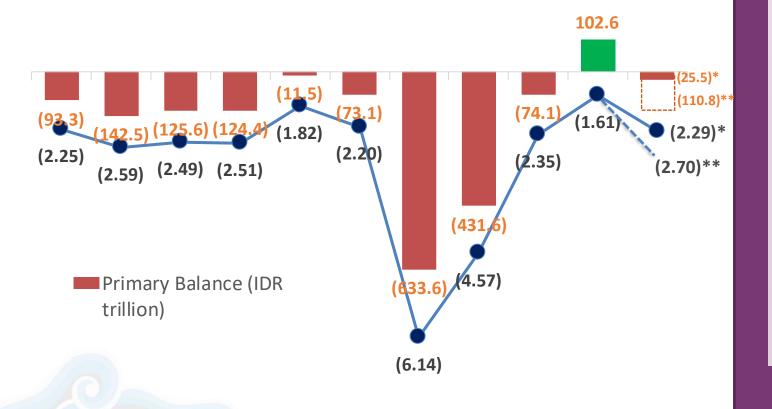
### State Budget Deficit 2,70% GDP





# Primary Balance and Deficit to GDP 2014 - 2024

#### 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024



### **2024 Financing Policies**

- Primary balance approaching positivity. The State Budget (APBN), serving as a shock absorber in handling the pandemic, caused the negative primary balance to surge significantly, but was successfully reduced swiftly.
- APBN deficit and debt financing decreased and remained manageable amid increasing global interest rates and in line with fiscal consolidation.
- Effective and measurable investment financing to support economic transformation.
- Optimizing the use of SAL to anticipate global uncertainty.

## Direct Benefits of Central Government Expenditures to the Public



# Social Security

- PKH IDR17.7 T for 10mio family beneficiaries
- Staple Food Card IDR28.0 T for 18.7mio family beneficiaries



### **Education**

- Indonesia Smart Program IDR8.9 T for 11.2mio students
- Indonesia Smart Card for Higher Education IDR7.0 T for 875.0K students
- School Operational Assistance (Ministry of Religious Affairs) IDR7.4 T, for 6.4mio students
- Operational Assistance for State UniversitiesIDR 3.6 T, for 197 Universities



### **Infrastructure**

Infrastructure Development/Rehabilitation IDR94.1 T, including roads, bridges, railway tracks, airports, ports, dams, irrigation networks, water supply systems, apartment complexes, higher education buildings, and satellite capacity



**National Health Insurance Contribution Assistance** Beneficiaries IDR27.0T for 96.7mio participants



### **Energy Affordability**

- Fuel Subsidy IDR10.4 T for 8.66mio KL
- LPG 3 Kg Subsidy IDR40.4 T for 4.02mio MT



### **Agriculture**

- "Pre-harvest agricultural machinery and equipment assistance (Tractor, Water Pump, Hand Sprayer, and Rice Transplanter) IDR1.0 T for 42,391 unit
- Fertilizer subsidy IDR6.3 T for 3.8mio ton fertilizers



### **SMEs**

KUR interest rate subsidy IDR18.1 T for 2.8mio debtors



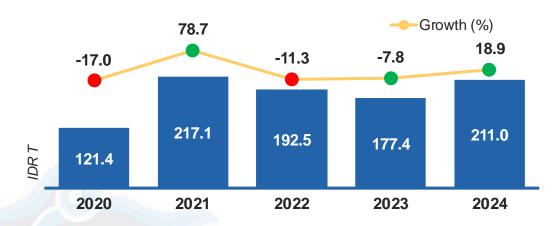
# Central Government Spending Realization until 31st July 2024



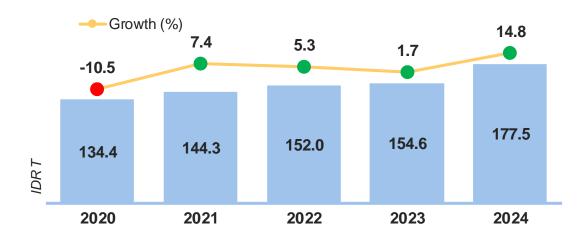
### Capital Spending (yoy)



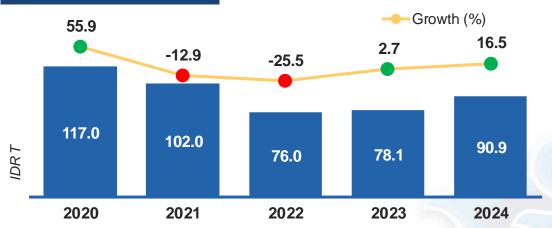
### **Material Spending (yoy)**



### Personnel Spending (yoy)



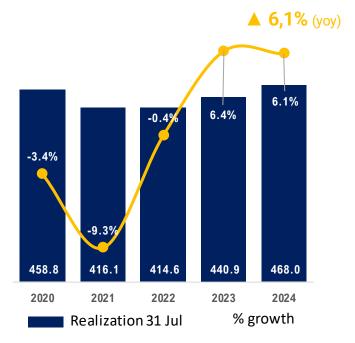
### **Social Security (yoy)**



# The Support of the National Budget to Regional Budgets through Transfer to Region Increases

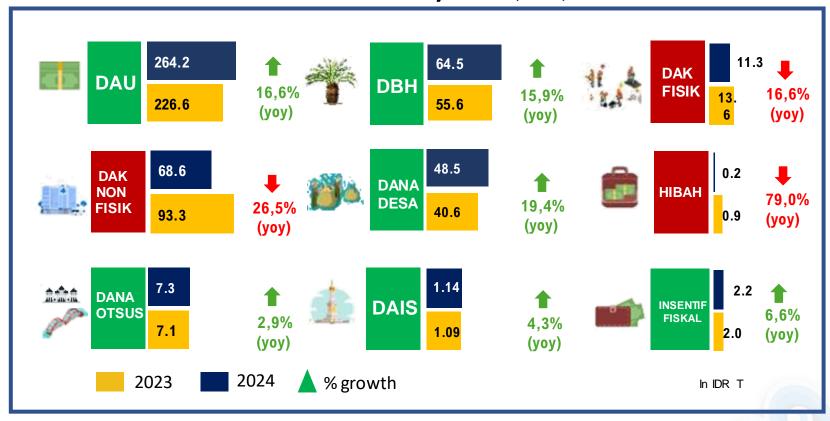


# The realization of the distribution of Transfer to Region (TKD) (yoy)



The realization of TKN in July 2024 reached IDR468.0 T or 54.6% of the state budget allocation and grew 6.1% (yoy). Mainly influenced by the performance of regional governments in meeting the requirements for the distribution of the TKD budget.

# The realization or disbursement of TKD as of July 2024 (IDRT)



# Tax Revenue until July 2024 amounting to IDR 1,045.32 T (52.56% of Target)



# Breakdown of Tax Revenue until July 2024

Non-Oil-and-Gas Income Tax

**IDR593.76 T** 

(55.84% of target)

Gross 7

-3.04%

Land and Building Tax, and Other Tax

**IDR10.07 T** 

(26,70% of target)
Gross ▲4.14%

VAT and Sales Tax on Luxury Goods

**IDR402.16 T** 

(49.57% of target)

Gross **A** 7.34%

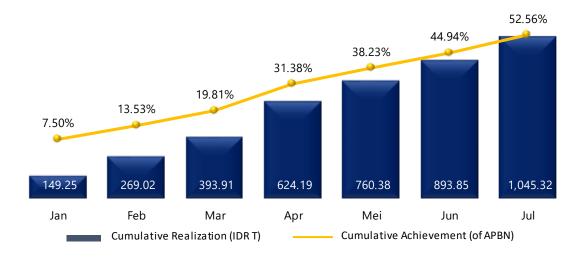
Oil and Gas Income Tax

**IDR39.32 T** 

(51.49% of target)

<u>Gross</u> -13.21%

#### Tax Revenue January - July 2024





VAT and Sales Tax on Luxury Goods gross realization recorded a positive performance, in line with maintained economic growth. Meanwhile, gross realization of Land and Building Tax and Other Tax grew, supported by Land and Building Tax from mining sector.



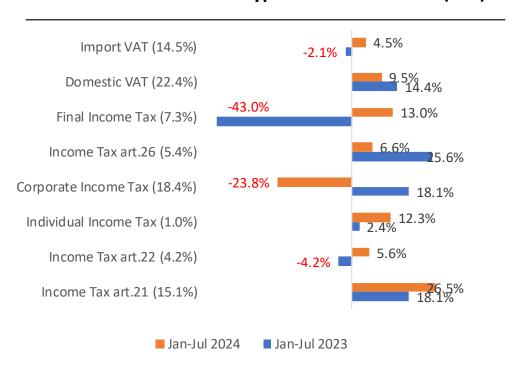
However, there are other tax group that experienced a contraction. Non-Oil-and-Gas Income Tax contracted due to commodity prices drop last year which caused the decline of 2023's profitability, particularly on commodity – related sector. Oil and Gas Income Tax contracted due to the decline in oil lifting.

### The Majority Of Main Tax Types And Key Sectors Grew Positively

Strong domestic demand has led robust tax collection

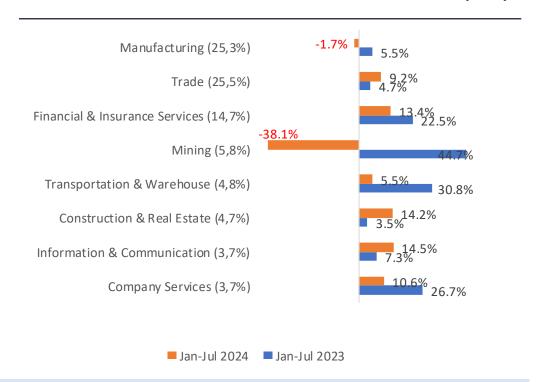


#### **Cumulative Growth in Types of Tax Revenue (YoY)**



Transactional taxes (such as Income Tax art. 22, Import VAT, Income Tax art.26, and Final Income Tax) grew, indicating sound economic activities. Labor utilization and wages are also increasing, which drive the growth of Income Tax art.21. Corporate income tax (CIT) contracted due to decline in companies' performance caused by commodity prices fall.

#### **Cumulative Growth in Main Sector Tax Revenue (YoY)**

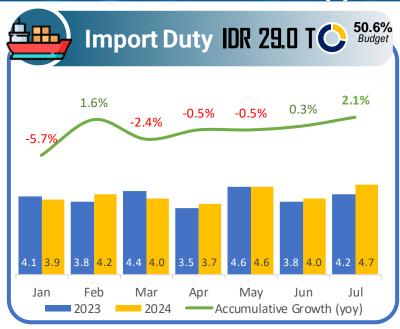


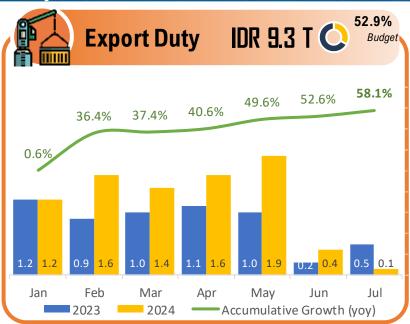
Despite a contraction in mining and manufacturing, most sectors grew. Manufacturing and mining were impacted by increased refunds and lower corporate taxes. Trade grew due to strong domestic consumption. Financial services, insurance, construction, real estate, and other services grew positively.



## Realization of Customs and Excise Revenue as of July 2024 Slightly Grew, Supported by Positive Growth in All Sources of Revenue









Import duty revenue grew by 2.1%, influenced by:

- Increase in import value by 2.5% (yoy) even though effective tariff decreased (2023: 1.45%; 2024: 1.34%). This was caused by a decrease in revenues from main commodities such as gas, vehicles, and vehicles spare parts.
- Strengthening of the USD exchange rate against Rupiah (2023: IDR15,077/USD; 2024: IDR15,910/USD)

The 58.1% growth in export duties is influenced by:

- The jump in copper export duty that grow by 928.0% (yoy), driven by relaxation of copper export.
- The decline in palm products export duties by 60.0% (yoy), which caused by decline in both CPO average price (-5.91% yoy) and export volume (-15.48% yoy)

The slight increase of 0.5% in excise is influenced by:

- A slight increase of tobacco products by 0.1% (yoy) due to production hike
- MMEA (alcoholic drink) excise grew 10.6% (yoy), driven by increases in tariff dan domestic production

Source: Ministry of Finance

### Non-Tax State Revenue Performance until July 2024 is Well Maintained



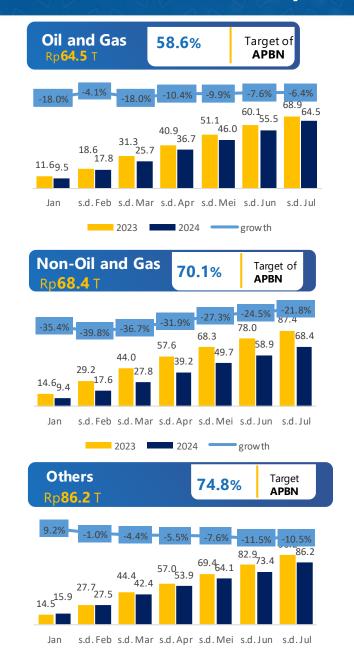
Realization as of 31st July 2024:

IDR**338.0**T

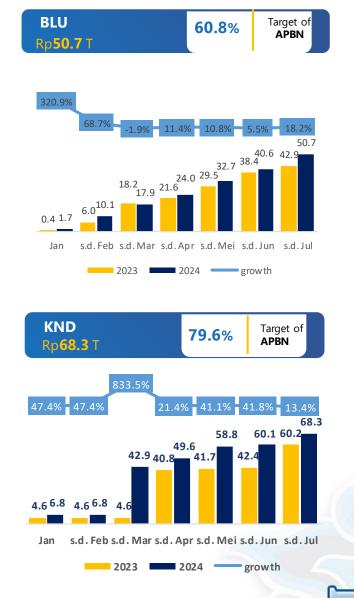
or **68.7%** from the 2024 budget target

This achievement was mainly contributed by the enhanced performance of State Owned Enterprises (BUMN) and Public Service Agency units.





2023 2024 growth



### 2024 Financing Needs & Sources



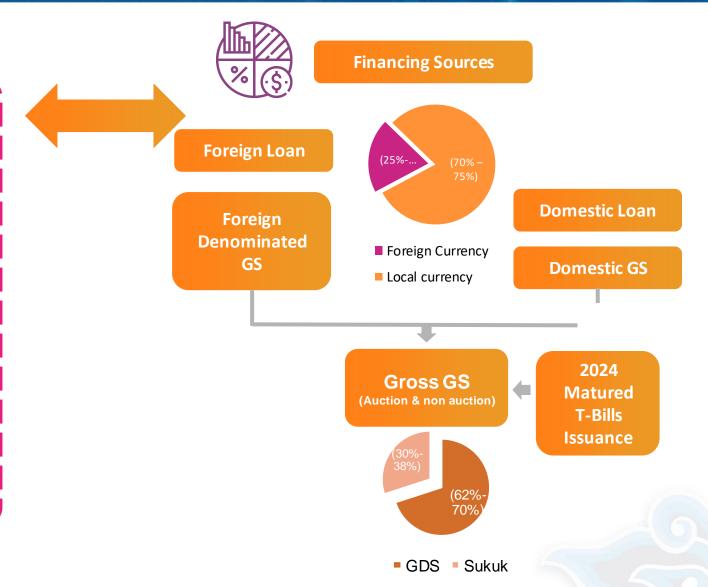




Budget Deficit
2.70% GDP (Outlook)



- Investment financing
- On Lending
- Guarantees
- Other financing
- Debt repayment



## Investment Financing in 2024 is Focused on Sustainable Community Programs and Development



As of July 31, 2024, the Government has disbursed IDR53.73 trillion investment financing for: International Financial Institutions (IDR1.9 trillion), FLPP KPR for Low Income Community (IDR8.6 trillion), LPDP (IDR15 trillion), and State Capital Participation (PMN) to PT BPUI (IDR3.5 trillion), PT HK (IDR18.6 trillion), and PT WIKA (IDR 6 trillion).



#### To educate the nation

- □ The number of alumni as of July 31, 2024 was 23,870 people (66,58% worked in public sector and 33,42% worked in private sector);
- ☐ LPDPs accumulated research funding since 2013 is **2,967 project** with a value of IDR2.71 trillion.



### For Low Income Community's Housing

- For 2024, State Budget is allocating **Rp13.72 trillion** for distributing **166,000 housing units** for low income communities;
- ☐ There were 109,719 housing units worth IDR13,37 T that has been distributed as of July 31, 2024.



#### **Contribution to IFIs**

□ Contribution to: Islamic
 Development Bank (IsDB);
 International Development
 Association, and International Fund
 for Agricultural Development
 (IFAD).



### For the completion of National Strategic Projects

In order to support the **completion of**National Strategic Projects through the issuance of new shares/rights issue to maintain the composition of state ownership in WIKA.



### For the construction of the Trans Sumatra Toll Road

The additional PMN in 2024 will be used to complete JTTS phase I and JTTS phase II for the Kayu Agung-Palembang-Betung section.



To support the transfer of PT Asuransi Jiwasraya (Persero) policies

☐ In order to support the **strengthening of Indonesian insurance industry.** 

## Investment Financing in 2024 is Focused on Priority Sectors Aimed at Improving Community Welfare





In the first semester of 2024, the realization of Education Endowment Fund disbursement is Rp15 trillion. BLU LPDP has distributed scholarships to 152,700 individuals, including 15,070 LPDP scholarship recipients and 137,630 recipients from the Ministry of Education, Culture, and Research collaboration for non-degree programs. Additionally, research services have been provided to 74 research institutions.



In the first semester of 2024, PT Hutama Karya (Persero) received PMN amounting to Rp18.6 trillion. PT HK has utilized part of this allocation for the construction of the Trans Sumatera Toll Road sections Binjai-Langsa and Kayu Agung-Palembang-Betung.



In the first semester of 2024, PT Wijaya Karya (Persero) received PMN amounting to Rp6.0 trillion. PT WIKA has used part of this allocation for several projects, including the Smelter Manyar Gresik and the continuation of the Serang-Panimbang Toll Road construction.



In the first semester of 2024, PT BPUI received Government Investment amounting to Rp3.6 trillion, which was fully transferred to IFG Life for the transfer of Jiwasraya policies. IFG Life has received 313,182 insurance policies (99.5%) with a total liability of Rp37,936.5 billion.





In the first semester of 2024, the disbursement of fund for FLPP reached Rp6.0 trillion. The FLPP program has distributed financing for 83,720 housing units for low-income communities, equivalent to Rp10,174.2 billion.

### **Debt Financing**

(as of July 31, 2024)



With prudent and accountable management, the realization of financing is well maintained in supporting the performance of the National Budget

# **Debt Financing Realization**

<sup>Rp</sup> 266.33 Trillion (20.4%)

Government Securities (Net)

Rp 253.00 Trillion

Loan (Net) Rp 13.33 Trillion

Note: The percentage is the percentage of budget ceiling from National Budget year 2024

### **GS Financing Realization 2024**



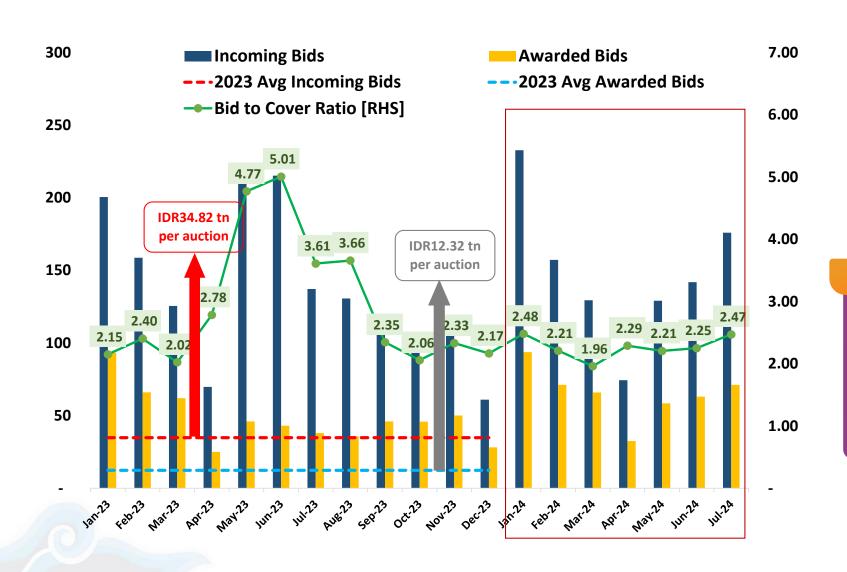
### In trillion Rupiah, as of July 31st

Government Securities	670.42
Government Debt Securities (SUN)	441.78
IDR Denominated	389.52
- Prefunding	25,93
- Auction	320.21
- Private Placement	-
- Retail	43.38
FX Denominated	52.26
Sovereign Sharia Securities (SBSN)	228.64
IDR Denominated	190.21
- Prefunding	13.14
- Auction	135.89
- Private Placement	0.17
- Retail	41.00
FX Denominated	38.43

### **Primary Market Performance 2023-2024**







#### In 2024:

- Average incoming bid is IDR37.16 tn/auction
- Average awarded bid is IDR16.29 tn/auction

### Ownership of Tradable Domestic GS



Description	Dec-2	20	Dec-2	1	Dec-2	2	Dec-2	3	Jul-24	1
Banks*	1,375.57	35.54%	1,591.12	34.01%	1,697.43	31.97%	1,578.26	28.14%	1,190.94	20.50%
Govt Institutions (Bank Indonesia**)	454.36	11.74%	801.46	17.13%	1,020.02	19.21%	999.44	17.82%	1,411.39	24.30%
Bank Indonesia (gross)	874.88	22.60%	1,220.73	26.09%	1,453.58	27.38%	1,363.42	24.31%	1,411.06	24.29%
GS used for Monetary Operation	420.51	10.86%	419.27	8.96%	433.57	8.17%	363.98	6.49%	(0.34)	-0.01%
Non-Banks	2,040.83	52.72%	2,286.40	48.87%	2,591.98	48.82%	3,031.77	54.05%	3,206.20	55.20%
Mutual Funds	161.32	4.17%	157.93	3.38%	145.82	2.75%	177.95	3.17%	180.74	3.11%
Insurance Company and Pension Fund	542.82	14.02%	655.24	14.00%	873.03	16.44%	1,034.95	18.45%	1,108.06	19.08%
Foreign Holders	973.91	25.16%	891.34	19.05%	762.19	14.36%	838.52	14.95%	813.07	14.00%
Foreign Govt's & Central Banks	178.31	4.61%	233.45	4.99%	203.11	3.83%	227.35	4.05%	236.44	4.07%
Individual	131.21	3.39%	221.41	4.73%	344.30	6.48%	431.92	7.70%	505.84	8.71%
Others	231.57	5.98%	360.47	7.70%	466.65	8.79%	548.43	9.78%	598.49	10.30%
Total	3,870.76	100%	4,678.98	100%	5,309.43	100%	5,609.48	100%	5,808.53	100%

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

IDR1,092.02

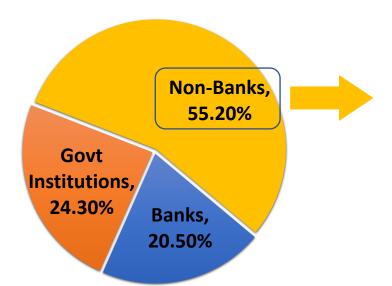
on January 24, 2020, foreign holders reach a record high in nominal terms

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

Company, and Pension Fund.

- 2) Others such as Securities Company, Corporation, and Foundation.
- \*) Including the Government Securities used in monetary operation with Bank Indonesia.
- \*\*) net, excluding Government Securities used in monetary operation with Banks.

Source: SI-BISSSS

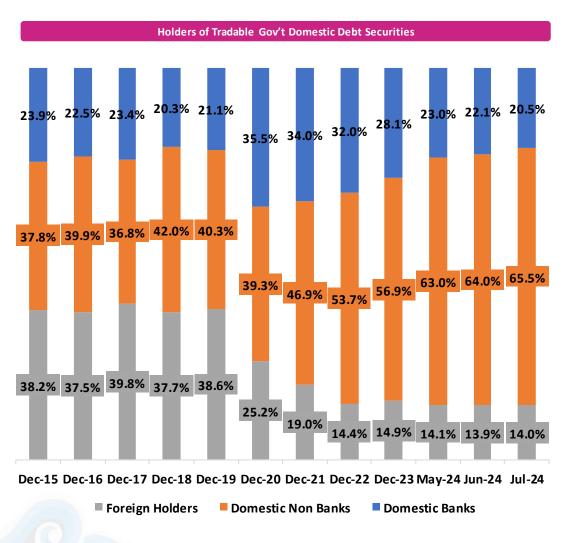


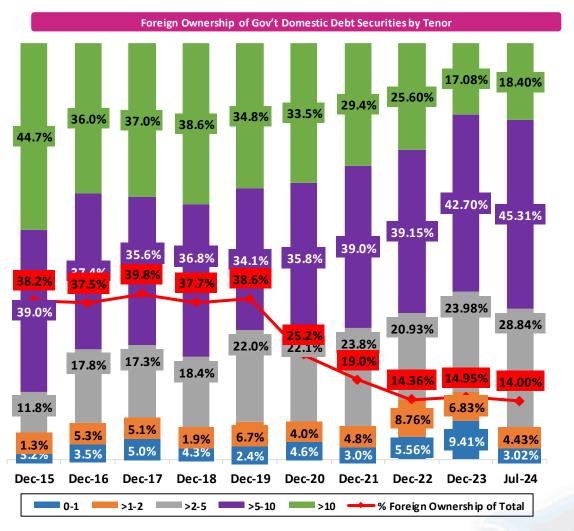


### Holders of Tradable Government Secuirities



More Balance Ownership In Terms of Holders and Tenors

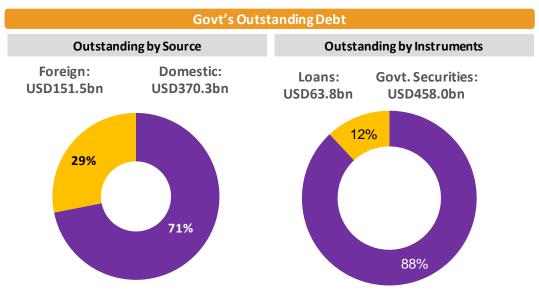


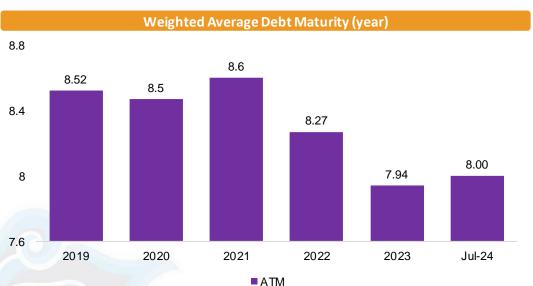


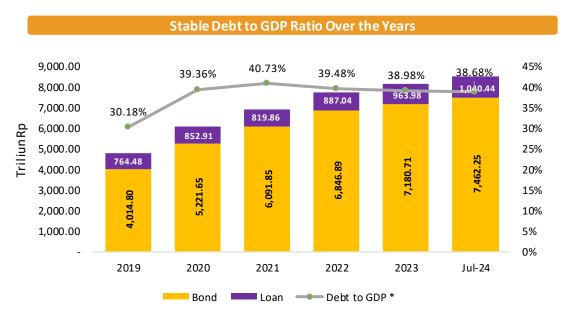
### **Disciplined Debt Portfolio Management**

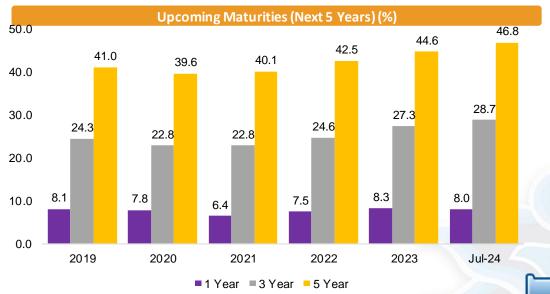
(as of July 31, 2024)







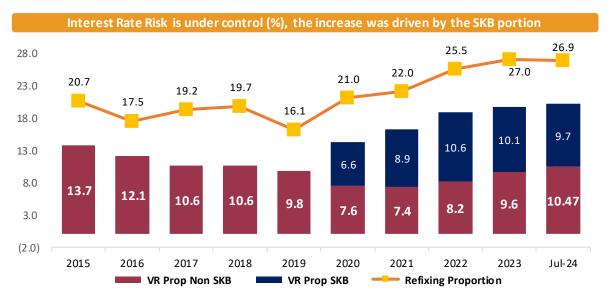


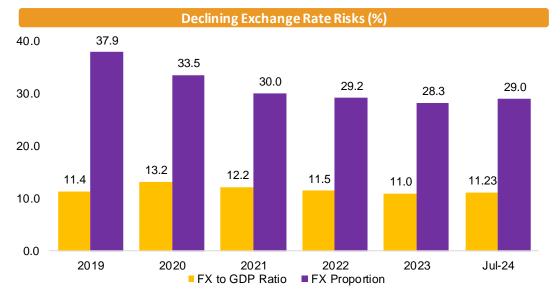


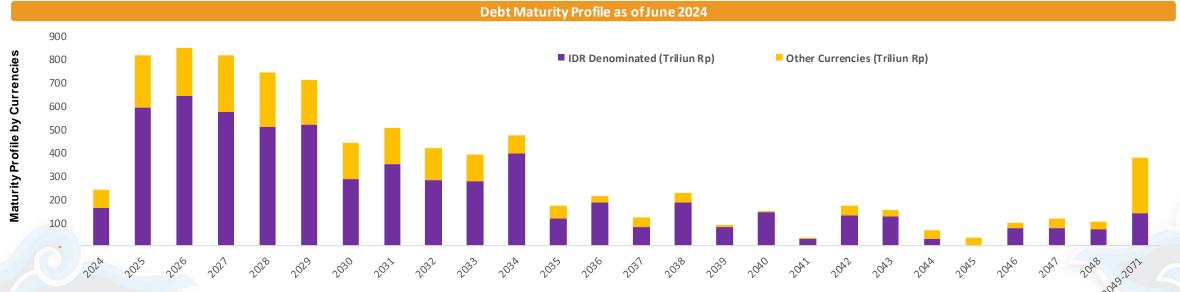
### Well Balanced Maturity Profile with Strong Resilience Against External Shocks



(as of July 31, 2024)







### **Government Guarantee For Infrastructure Development**





#### **Government Guarantee Program**

#### **Credit Guarantee**

### Business Viability Guarantee

PPP Guarantee

(BVG)

**Political Risk Guarantee** 

 Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligations under FTP 1 10.000MW and 35GW programs\*

 Clean water – Guarantee for 70% of PDAM's debt principal payment obligations

- Toll road Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads
- Infrastructure Full credit guarantee on SOE's borrowing from international financial institution & financing guarantee for PT SMI's local infrastructure
- Public Transportation (Light Rail Transit) Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek
- Jakarta-Bandung High Speed Train Full credit guarantee in order to fulfill obligation of sharing amount of capital into joint corporation or to financing the cost overrun of KCJB project.

**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\*

Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements

### **Infrastructure** – Guarantee for infrastructure risk of National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

#### Contingent Liabilities from Government Guarantee as of Q2 2024\*

No	Central Government Guarantee for Infrastructure Programs	Exposure/ Outstanding (USD billion)
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	0.12
2	Renewable energy, Coal and Gas Power Plant 10,000 MW (FTP 2)	4.08
3	Electricity Infrastructure Fast Track Program (35 GW)	5.79
4	Direct Lending from International Financial Institution to SOEs	2.09
5	Public –Private Partnerships (PPP)	6.39
6	Sumatera Toll Road	1.67
7	Light Rail Transit Jabodebek	1.34
8	Jakarta-Bandung High Speed Train	0.45
9	Clean Water Supply Program	0.01
10	Regional Infrastructure Financing	0.08
	Total	22.02

- Maximum new guarantee issuance for the period 2024-2027 is set at 0.6% of GDP per year.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees.
   The allocated fund is then transferred to a guarantee reserve fund. This reserve fund can be used to serve any claims that may arises from the guarantees.

<sup>\*)</sup> MOF provides both credit guarantees and BVGs for 35GW program

<sup>\*\*)</sup> Currency conversion of IDR16,421.00/USD1, IDR17,554.06/EUR1 and IDR 102.28/JPY1 (28 June 2024)

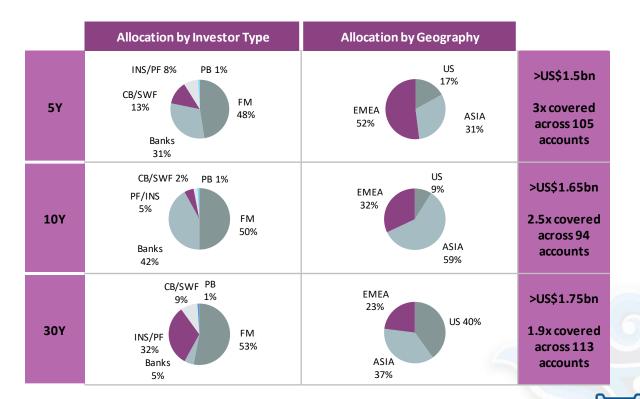
### **SEC14** Deal Review



Issuer		Republic of Indonesia					
Issuer Rating	Baa2 (Moody's) / BBB (S&P) / BBB (Fitch)						
Format		SEC-Registered					
Pricing Date		January 3, 2024					
Settlement Date		January 10, 2024					
Issue Size	USD2.05 bn						
Tenor	Long-5 year	Long-10 year	Long-30 year				
Maturity	March 10, 2029	Februay 10, 2034	Februay 10, 2054				
Tranche Size	USD500 milion	USD650 milion	USD900 milion				
Coupon (p.a.)	4.400%	4.700%	5.100%				
Reoffer Price	98.852	98.810	98.481				
Reoffer Yield	4.650%	4.850%	5.200%				
JLM	ANZ, BofA Securities, Deutsche Bank, Morgan Stanley dan UBS						
Listing	SGX-ST and Frankfurt Stock Exchange						
Use of Proceeds	Net proceeds from the sale of the Bonds will be used for the general purposes of the Republic						

#### **Key Transaction Highlight**

- Benefiting from the Republic's robust credit profile, the offering drew significant investor interest from the get-go, with a high quality orderbook allowing significant IPG-FPG tightening
- The long 5-year, long 10-year and long 30-year tranches were priced 25 bps, 20 bps and 25 bps respectively inside of its initial price guidance, a chieving flat to negative new issue concessions
- The Republic achieved the tightest spreads across all tranches compared to the Republic's past SEC-registered offerings
- Pin-point pricing resulted in a stable first day morning of trading at Asia open, with bonds trading around reoffer price



### 2024 Samurai Bonds Deal Review



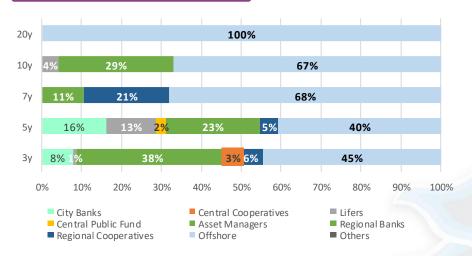
Issuer	Republic of Indonesia								
Bond Rating	Baa2 (Moody's), BBB (S&P), BBB (Fitch)								
Format		Samurai							
Pricing Date				May 17, 2024					
Settlement Date	May 27, 2024								
Total Size				JPY 200bn					
Tenor	3 years	5 years	7 years	10 years	7 years	10 years	10 years		
Maturity	May 27, 2027	May 25, 2029	May 27, 2031	May 26, 2034	May 27, 2031	May 26, 2034	May 27, 2044		
Tranche Size	JPY80.0bn	JPY88.0bn	JPY17.7bn	JPY19.3bn	JPY2.0bn	JPY6.8bn	JPY16.2bn		
Coupon (p.a.)	0.99% 1.33% 1.57% 1.91% 1.57% 1.91% 2.55%						2.55%		
Reoffer Spread (bp)	MS+50	MS+50 MS+70 MS+80 MS+92 MS+80 MS+92 MS+103							
JLM	Daiwa / Mizuho / Nomura / S <u>MBC Nikko</u>								

Blue Bond

#### **Deal Highlight**

- On May 17, the Republic of Indonesia ("Rol") successfully priced a JPY 200bn multitranche Samurai Bonds transaction with blue tranches, marking the tenth consecutive year to access to the Samurai market as well as Rol's second blue bonds following the inauguralissuance last year.
- The transaction marked a number of important milestones including:
  - The largest transaction size from Rol in the JPY bond markets with well oversubscribed orderbook
  - 2. The largest issuance size from a sovereign issuer in the history of the Samurai market
  - 3. The largest (JPY 25bn) and longest (20yr) blue bond issuance ever in the JPY bond markets
- The Rol has successfully priced 3yr and 5yr at spreads below those of the previous year and achieved the largest issue volume in 7yr and longer tranches, and issuance of 20 year for the first time since 2021. The successful transaction underscores the robust yen bond market and the strong investor base bolstered by Rol's annual issuances.

#### Investor Breakdown



### **2024 Global Sukuk Transaction Summary**



ssuer		Perusahaan P	enerbit SBSN Indonesia III					
lssue Format	144A / Reg S, Senior	144A / Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate ("Sukuk") issued under a USD\$35 billion						
		Trust Certific	cate Issuance Programme					
ssuer Ratings		Baa2 Stb (Moody's)	/ BBB Stb (S&P) / BBB Stb (Fitch)					
ssue Ratings			) / BBB (S&P) / BBB (Fitch)					
Pricing Date			25 June 2024					
ssue Date			July 2024 (T+5)					
Tenor	5Y Sukuk	USD 10Y Sukuk	USD 30Y Sukuk (Green)					
Maturity Date	2 July 2029	2 July 2034	2 July 2054					
Tranche Size	USD 750 million	USD 750 million USD 1 billion USD 600 million						
Profit Rate	5.10% Fixed, Semi- annual, 30/360	5.20% Fixed, Semi- annual,30/360	5.50% Fixed, Semi-annual 30/360					
Re-Offer Price	100.00%	100.00%	100.00%					
Reoffer Spread	UST +83 bps	UST +96 bps	UST +111 bps					
Reg S ISIN	USY68613AA90	USY68613AB73	USY68613AC56					
144A ISIN	US71567TAA07	US71567TAB89	US71567TA C62					
Jse of Proceeds	The Obligor intends to use the net proceeds it receives from the issue of Sukuk to meet part of its general financing requirements.  The Obligor intends to invest an amount equal to the proceeds from the issue of the trust certificates except to finance or re-finance expenditure directly related "Eligible SDGs Expenditures with Green and Blue defined in the Obligor's SDGs Government Securities."							
Other Details	USD200k/1k denoms., E	nglish / Indonesian Law						
Listing	SGX-ST and Nasdaq Du	ıbai						
Joint Bookrunners	Citigroup (B&D), Dubai Is	lamic Bank, HSBC, Man	diri Securities and MUFG Securities					
Co-Managers	PT BRI Danareksa Seku	ritas and PT Trimegah S	Sekuritas Indonesia Tbk					

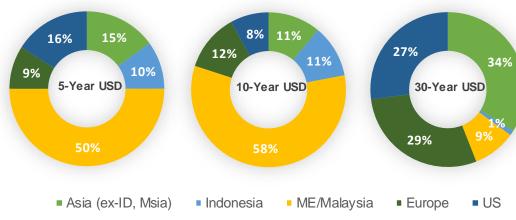
#### Deal Highlight

- Several notable achievements of this transaction include:
  - 1. Negative NIC for the 5-year tranche, and a low NICs for the 10 and 30 years
  - 2. Peak orderbook stood at US\$ 8.0 billion, at 3.42x cover allowing 30bps tightening across all tranches, the steepest tightening from Indonesian global bonds issuance this year
  - 3. Higher allocation to Islamic/Middle Eastern investors for the 5 and 10 year compared to 2023 issuance, increasing the diversity of investor base of ROI's securities
  - 4. Largest USD issuance from ASEAN issuers this year
- The 30-year Green Sukuk tranche is the seventh global Green Sukuk issued by the Republic, and the second since the Republic published its SDGs Government Securities Framework in August 2021.

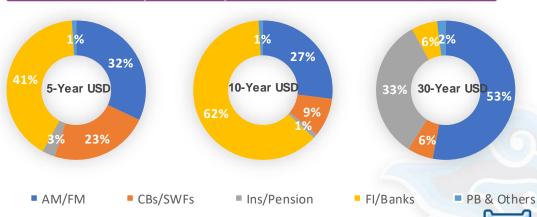
#### ORDERBOOK DISTRIBUTION

5-Year USD	10-Year USD	30-Year USD
US\$ 1.50bn+	US\$ 1.80bn+	US\$ 1.20bn+
From <b>52</b> accounts	From <b>59</b> accounts	From 76 accounts

#### **INVESTORS BY GEOGRAPHY (ALLOCATION)**

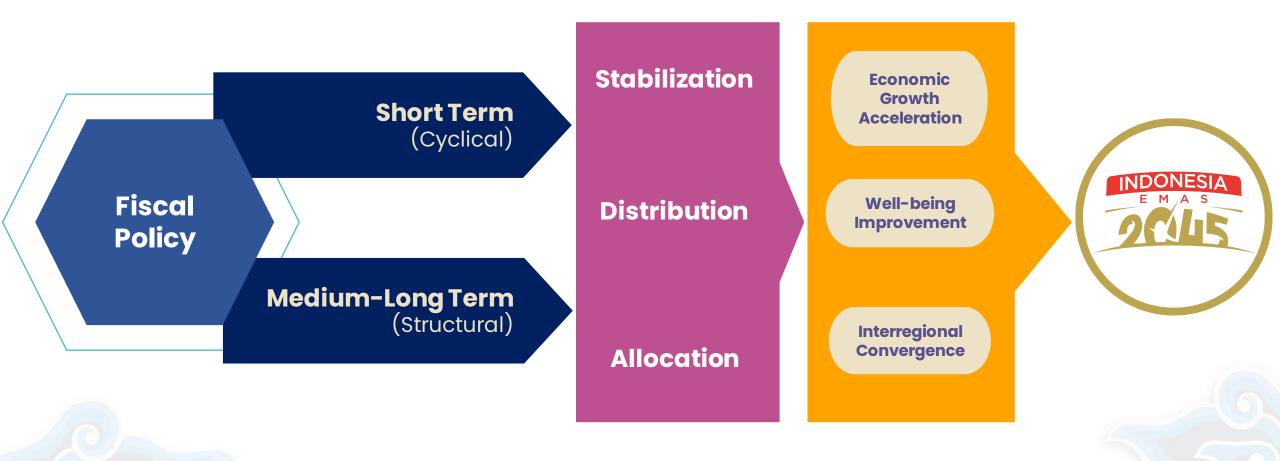


#### **INVESTORS BY TYPE (ALLOCATION)**



### 2025 Fiscal Policy: Accelerating Inclusive & Sustainable Economic Growth





### Macroeconomic Assumptions for the 2025 Budget

















		Assumption					
Indicator	2024 Budget	2024 Outlook	2025 Budget Plan				
Economic Growth (%)	5.2	5.1	5.2				
Inflation (%, yoy)	2.8	3.0	2.5				
10YT-Bonds Rate (%, average)	6.7	6.9	7.1				
Exchange rate (Rp/US\$, average)	15,000	16,000	16,100				
Oil Price/ICP (USD/barel, average)	82	82	82				
Oil Lifting (tbpd)	635	596	600				
Lifting Gas (tboepd)	1,033	995	1,005				

### The 2025 Budget Plan



	2024 (IDR T)	2024 (IDR T) 2025 BUI		DGET PLAN (IDR T)		
Account	Budget	Budget Plan	% to GDP	Growth to 2024 Budget (%)		
Revenue	2,802.3	2,996.9	12.3	6.9		
Tax Revenue	2,309.9	2,490.9	10.2	7.8		
1. Tax	1,988.9	2,189.3	9.0	10.1		
2. Costume and Excise	321.0	301.6	1.2	(6.0)		
Non Tax Revenue	492.0	505.4	2.1	2.7		
Expenditure	3,325.1	3,613.1	14.9	8.7		
Central Government Expenditure	2,467.5	2,693.2	11.1	9.1		
Transfer to Region	857.6	919.9	3.8	7.3		
Primary Balance	(25.5)	(63.3)	(0.3)	148.3		
Surplus (Deficit)	(522.8)	(616.2)	-2.53	17.9		
% to GDP	(2.29)	(2.53)				
Financing	522.8	616.2	2.53	17.9		

## Maintaining Sustainability Of The 2025 Priority Budget To Support The Development Agenda



Share to total spending



### EDUCATION IDR722.6 T

- Increasing access and quality of education i.e. PIP, KIP College, BOS, BOP PAUD, scholarships (LPDP)
- Providing nutritious food for school children, renovating schools and developing superior schools
- Strengthening links & matches with the job market (vocational & certification)

20%



### SOCIAL PROTECTION IDR504.7 T

- Continuing social security al. PKH, Basic Food Cards, PIP, College KIP
- Synergy and integration of social protection program
- Strengthening social security throughout life;
- Strengthening graduation from poverty i.e. Social protection based on empowerment

14%



### INFRASTRUCTURE IDR400.3T

- Development of agricultural infrastructure such as irrigation networks and dams
- · Construction of integrated superior schools;
- Supporting infrastructure to support economic transformation (e.g. connectivity, downstreaming, food, energy)

11%



### HEALTH IDR197.8T

- Promotive and preventive efforts, accelerating the reduction of stunting and TB cases;
- Construction of quality hospitals, free health checks and effectiveness of the JKN program
- Strengthening technology and pharmaceutical independence
- Strengthening a reliable health system

5 5%



### FOOD SECURITY IDR124.4 T

- Intensification and extensification of agricultural land, strengthening of agricultural infrastructure and infrastructure (eg, dams and irrigation)
- Food storage & increasing access to financing for farmers
- Strengthening national food reserves (food availability and affordability

3.4%



### LAW & DEFENCE IDR372.6 T

- · Modernization of defense equipment
- · Strengthening ICT from Cyber threats
- Support strategic industrial capabilities
- Implementation of legal and security operational activities

10.3%

### **Macro Fiscal Posture 2025**





#### **BASIC MACROECONOMIC ASSUMPTIONS:**

ECONOMIC GROWTH (%)

INFLATION (%)

EXCHANGE RATE (RP/USD)

10 Y BOND YIELD (%)

OIL PRICE (USD/BAREL)

**OIL LIFTING** 

**GAS LIFTING** 

: 5.1 – 5.5

: 1.5 – 3.5

: 15,300 – 15,900

: 6.9 - 7.2

: 75 - 85

: 580 - 605

: 1,003 – 1,047

#### **DEVELOPMENT GOALS & INDICATORS:**

POVERTY RATE (%)

EXTREME POVERTY RATE (%)

**GINI RATION** 

**OPEN UNEMPLOYMENT RATE (%)** 

**HUMAN CAPITAL INDEX** 

FARMER EXCHANGE RATE

FISHERMAN EXCHANGE RATE

: 7.0 – 8.0

: 0

: 0.379 – 0.382

: 4.5 - 5.0

: 0.56

: 115 - 120

: 105 - 108



State Revenue

(% GDP)

12.30 - 12.36



Government

Expenditure (% GDP)

14.59 - 15.18



Primary Balance

(% GDP)

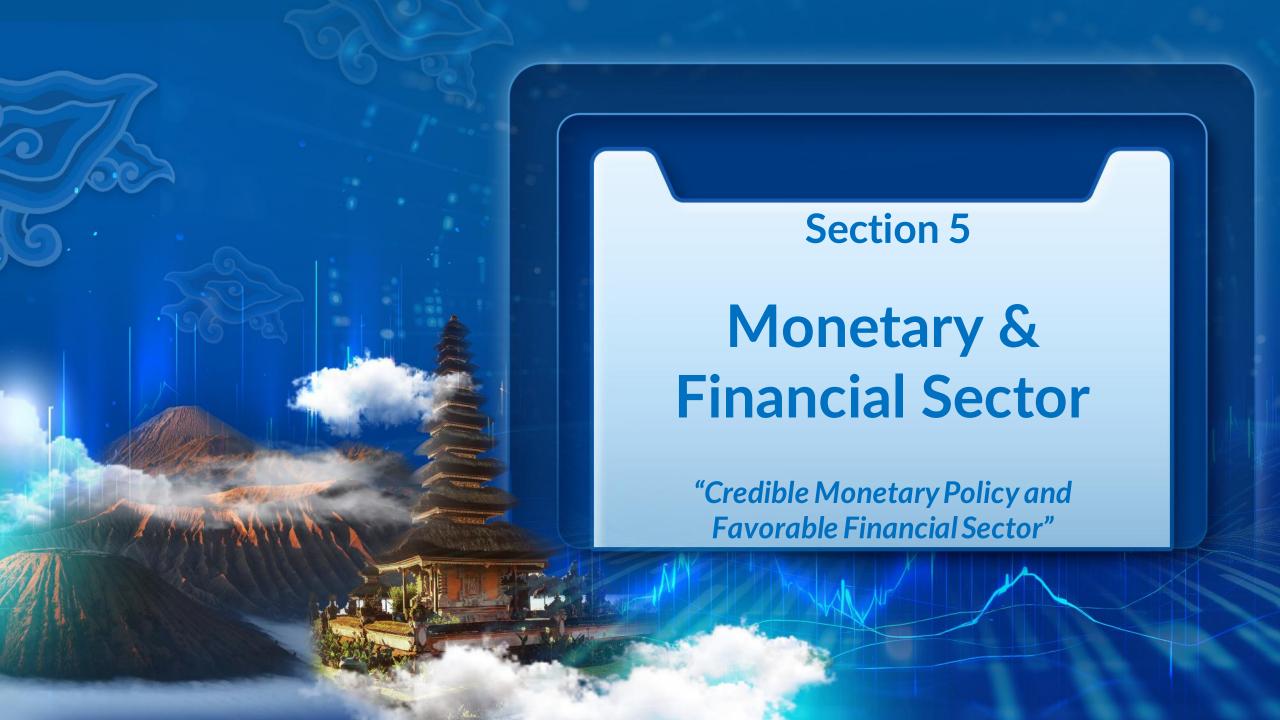
(0.15) - (0.61)



Deficit

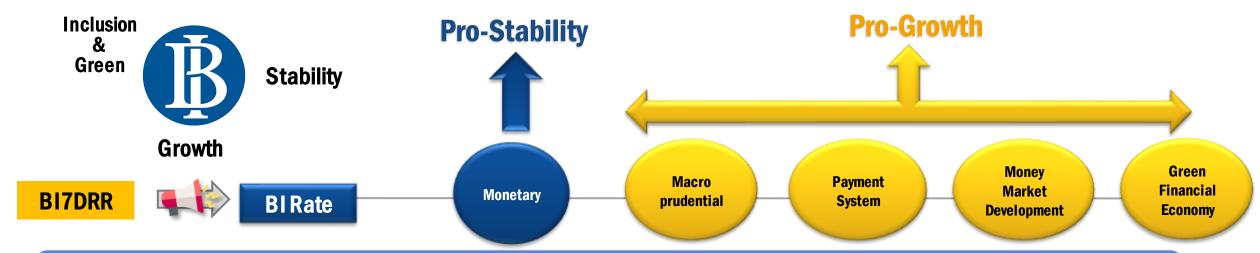
(% GDP)

(2.29) - (2.82)



### **Bank Indonesia Policy Mix: August 2024** Maintaining Stability and Reviving Growth



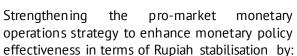


The BI Board of Governors Meeting agreed on 20th-21st August 2024 to hold the BI-Rate at 6.25%, while also maintaining the Deposit Facility (DF) rate and Lending Facility (LF) rate at 5.50% and 7.00% respectively. This decision is consistent with the pro-stability focus of monetary policy, namely as a pre-emptive and forward-looking measure to maintain inflation within the 2.5%±1% target corridor in 2024 and 2025. Meanwhile, Bank Indonesia will maintain pro-growth macroprudential and payment system policies to foster sustainable economic growth.









- 1. Strengthening the interest rate structure of the Rupiah money market to maintain attractive yields and increase portfolio inflows to domestic financial assets for investment.
- Bank Rupiah 2. Optimising Indonesia Securities (SRBI), Bank Indonesia Foreign Exchange Securities (SVBI) and Bank Indonesia Foreign Exchange Sukuk (SUVBI).



Stabilising the Rupiah through foreign exchange market intervention with a focus on spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as government securities (SBN) in the secondary market



Strengthening the competitive SBN term-repo and FX swap transaction strategies to maintain adequate liquidity in the banking industry.



Strengthening

(PLR)

transparency

policy with a

rates by priority

based on

Macroprudential

policy (KLM)

**Implementing** prime lending rate the Indonesia Payment System Blueprint (BSPI) 2030, which is focus on interest focused on aspects of economic sector infrastructure development and industry structure Liquidity Incentive consolidation.







Increasing acceptance of digital payment services by expanding Quick Response Code Indonesia Standard (ORIS) and the Indonesia Credit Card (KKI) for the government segment.

Expanding international financial cooperation and central bank cooperation, including structured bilateral cooperation, while promoting trade and investment in priority sectors in synergy with relevant institutions.

the BI Rate at 6.25%

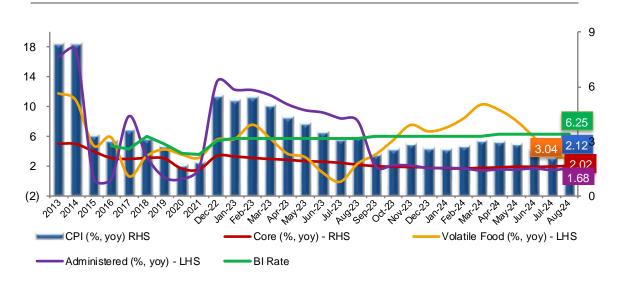
Hold

Source: Bank Indonesia

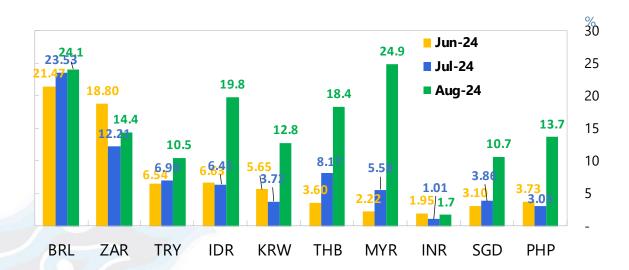
### Manageable Monetary Environment Amid Heightened Global Uncertainty



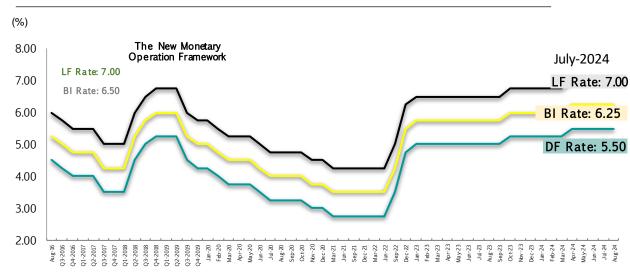
#### Well Maintained Inflation Ensured Price Stability



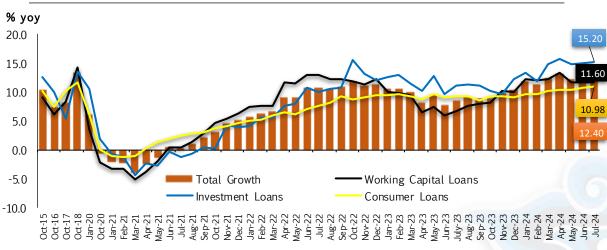
#### Rupiah Exchange Rate Volatilty



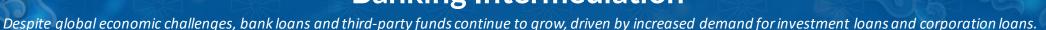
#### Strengthened Monetary Policy Framework



#### **Credit Growth Profile**



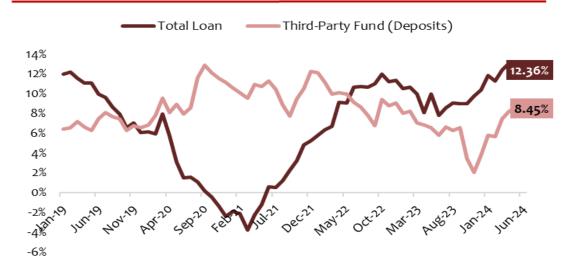
### **Banking Intermediation**







In June 2024, bank loans and third-party funds (total deposits) grew by 12.36% (yoy) and 8.45% (yoy), respectively.





All types of loans maintained their positive trend in June 2024, with investment loans, in particular, grew by 15.09% (yoy).



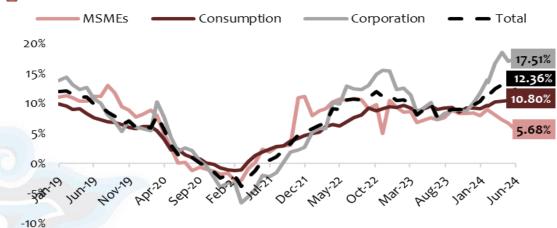


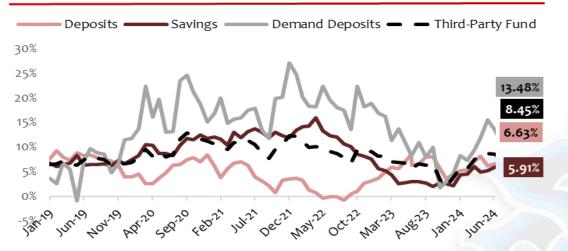
Source: OJK

Loan growth continued to improve in June 2024, with major contribution from Corporation loans, with 18.06% (yoy) growth.



Third-Party Funds (Total Deposits) slightly decreased in **June 2024**, with **Demand Deposit** in particular, growing by **13.48%** 





### **Banking Risk Profile and Profitability**



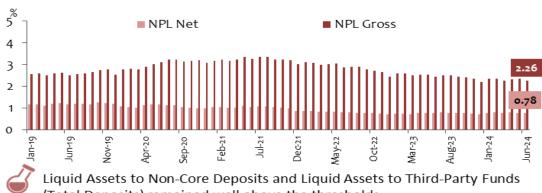
The banking industry has ample liquidity, resilient capitalization, and manageable credit risk, while maintaining a consistent level of profitability.

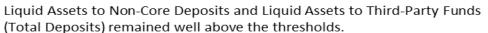


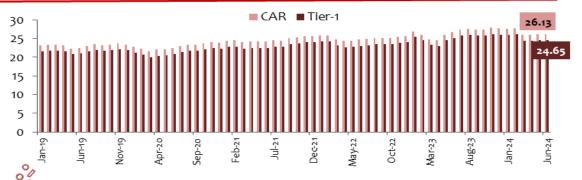
The banking NPL ratios were manageable in June 2024, recorded at 2.26% gross and 0.78% net, significantly below the threshold.



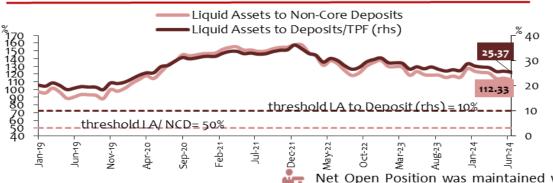
The banking sector's Capital Adequacy Ratio (CAR) was steady with a value of 26.13% and Tier-1 capital stood at 24.65% as of June 2024.





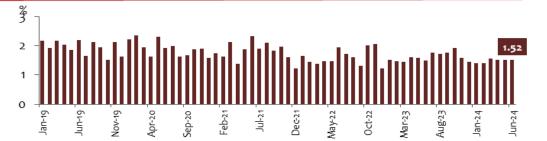


The banking industry's profitability remained steady with NIM at 4.57% and ROA at 2.66%, as of June 2024.





Net Open Position was maintained well below the maximum limit of 20% and stood at 1.52% in June 2024.



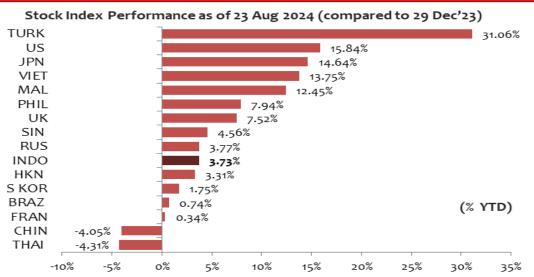
### **Domestic Capital Market Performance**

Continued pressure on the global stock market impacts Indonesia's capital market.



o<sup>o</sup>oo.

The global stock market saw improvements on 23 August 2024, with most emerging economies experiencing gains despite ongoing pressure from global uncertainty.



**D** 

Indonesian government bond yields for 5-year and 10-year tenor moderated in **August 2024**. Meanwhile, Rupiah experienced an appreciation against the US dollar.



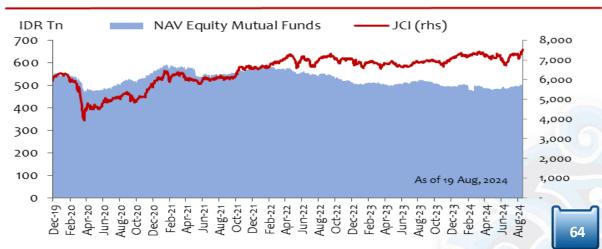


As of 19 August 2024, the bond market index has continued to strengthen ytd, while the stock index has begun to rebound, reflecting increased investor confidence in the market.





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



### **Domestic Capital Market Performance**

Several capital market indicators remained positive

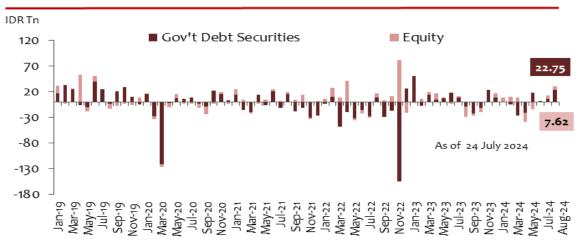


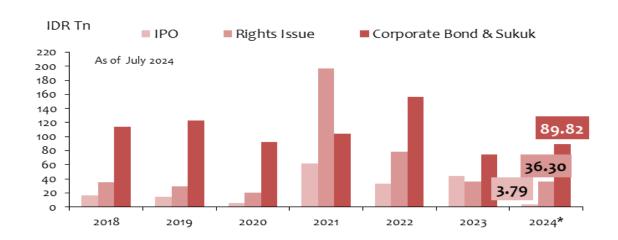


Non-resident portfolios of equity market recorded a YTD net buy of IDR6.57 Tn while government bonds recorded a YTD net sell of IDR6.23 as of 19 August 2024.



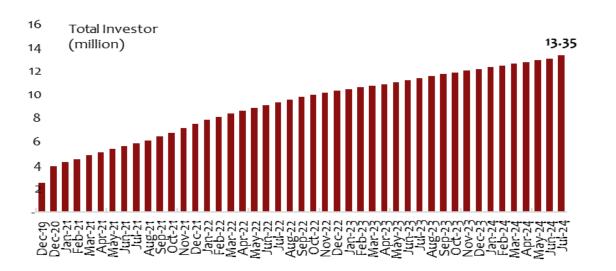
Total securities issuance reached IDR129.90 Tn (YTD) as of 30 July 2024.







Capital Market Investors continued to grow to 13.35 million by the end of July 2024, representing a 16.87% (yoy) increase.

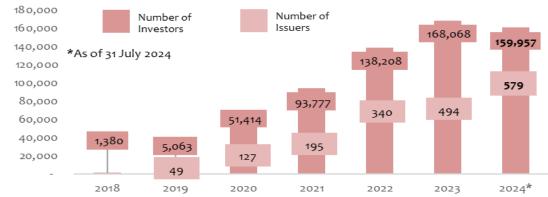


### Securities Crowd Funding and Carbon Exchange

Securities Crowdfunding (SCF) and Carbon Exchange grew steadily

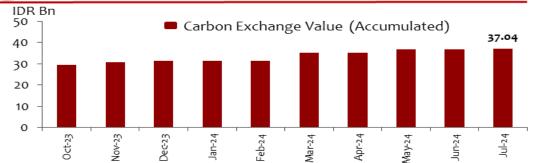


The total number of investors and issuers in Securities Crowdfunding increased to **159,957** and **579**, respectively, as of 31 July 2024.



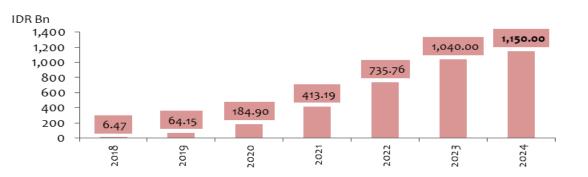


Since its launch in September 2023, the Carbon Exchange has achieved an accumulated value of **IDR37.04** billion as of **July 2024.** 

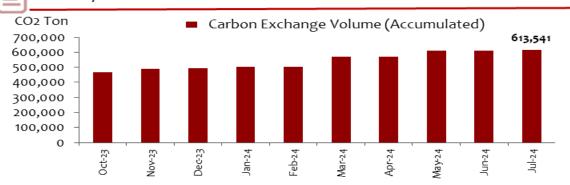




Continuing the positive trend, the total value of SCF fundraising stood at IDR1.15 Tn as of 31 July 2024.



The traded volume in Carbon Exchange recorded a total of 613,541 CO2 Ton as of July 2024.





The number of service users in Indonesia's Carbon Exchange increased from 24 in October 2023 to **70** in **July 2024.** 



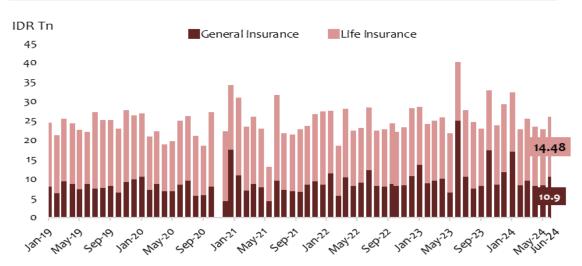
### **Insurance Sector**





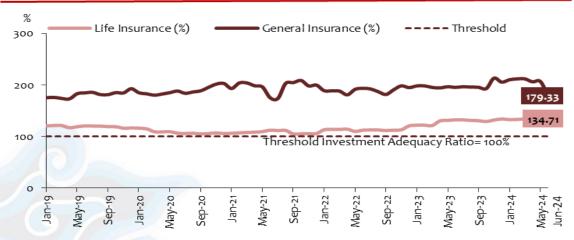


In June 2024, insurance premiums marked a total increase of IDR25.38 Tn (mtm) with General and Life insurance added premiums at IDR10.9 Tn and IDR14.48 Tn, respectively.



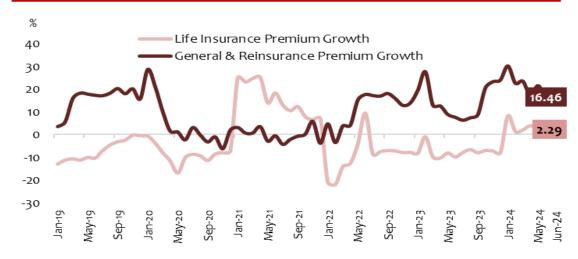


In **June 2024**, the Investment Adequacy Ratio of both Life Insurance and General Insurance maintained above the threshold of **134.71%** and **179.33%**, respectively.



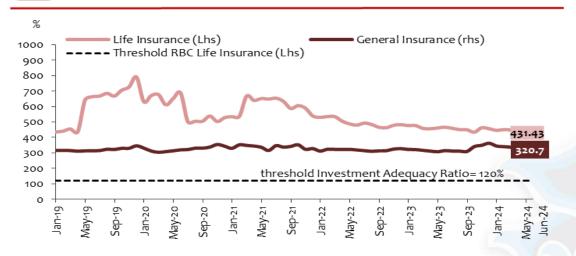


General & Reinsurance Premium Growth recorded a slight decrease to **16.46%** in **June 2024**, while Life Insurance experienced a modest rise of **2.29%**.





Risk-Based Capital (RBC) of the insurance industry remained well above the minimum threshold with Life Insurance at 431.43% and General Insurance at 320.7% in June 2024.



### **Pension Funds and Guarantee Performance**



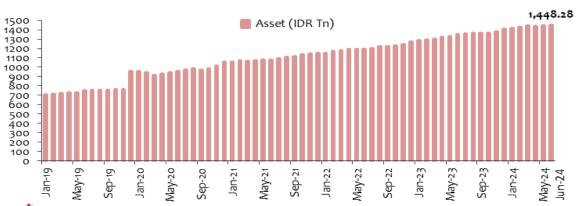


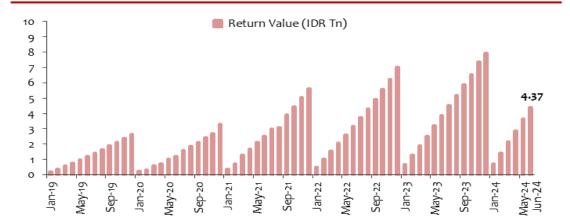


In June 2024, Pension funds total asset increased to IDR1,448.28 Tn.



In June 2024, Guarantee Institutions Accumulated Return Value increased at IDR4.37 Tn YTD.







Number of Participants in Pension Funds reached to 28.39 Million in June 2024

Pension Funds	Dec-21	Dec-22	Dec-23	Apr-24	May-24	June-24
Number of Participants (Million)	26.23	27.27	28.09	28.30	28.29	28.39



In June 2024 Guarantee Asset Value reached IDR47.29 Tn and grew by 8.01% (yoy).

Guarantee Institutions	Dec-21	Dec-22	Dec-23	Apr-24	May-24	June-24
Assets Value (IDR T)	36.90	39.12	46.41	47.61	47.07	47.29
Growth YoY	46.66%	6.00%	18.64%	12.58%	8.95%	8.01

Source: OJK, KSEI

### Financing, P2P Lending, Venture Capital, Microfinance Institutions

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



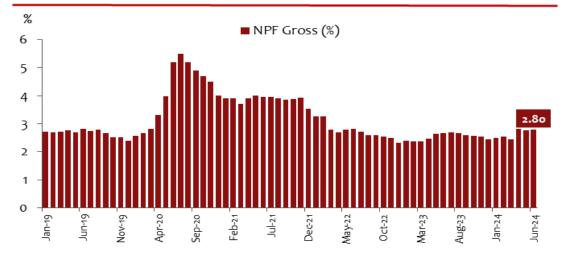


In June 2024, net financing continued to grow at a moderate level by 10.72% (yoy) to IDR492.17 Tn.



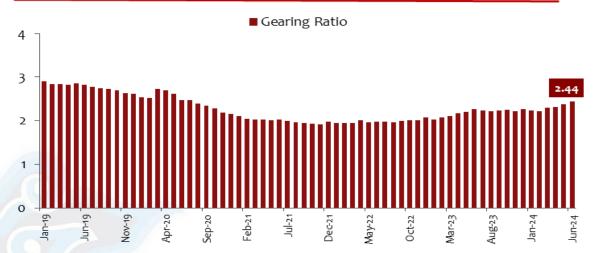


The Gross Non-Performing Financing (NPF) ratio of financing institutions remained manageable at **2.80%** in June 2024, well below the 5% threshold.



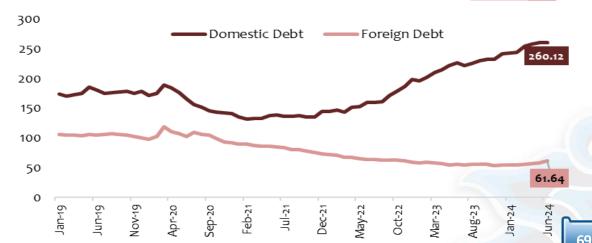


The gearing ratio of financing institutions stood at **2.44 times** below the 5 times threshold in June 2024.





The debt exposure of financing institutions includes domestic debt of IDR260.12 Tn and foreign debt of IDR61.64 Tn, as of June 2024



Source: OJK

### Financing, P2P Lending, Venture Capital, Microfinance Institutions

Peer to Peer Lending (P2PL) Fintech intermediation remains positive with a manageable NPL ratio continues to rise

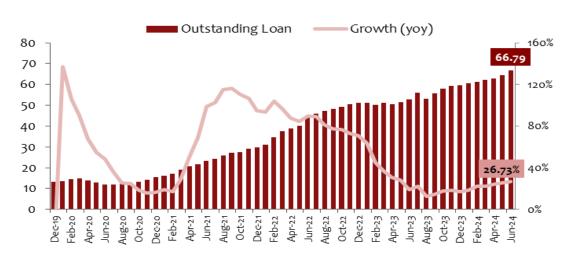


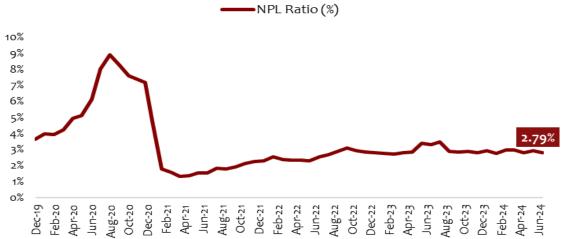


The outstanding loan of P2PL Fintech increased to **IDR66.79 Tn** or grew by **26.73%** (yoy) as of June 2024.



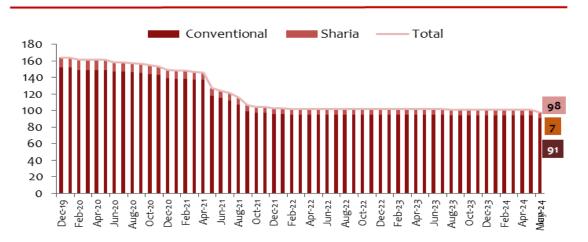
The Non-Performing Loan ratio (TWP90) of P2PL Fintech remained manageable at **2.79%** in June 2024.







There are total of 98 fintech platforms, consisting of 91 conventional platforms and 7 sharia platforms



### Financing, P2P Lending, Venture Capital, Microfinance Institutions

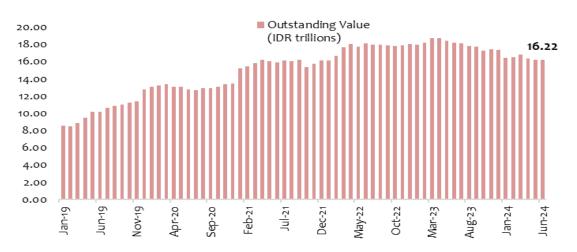


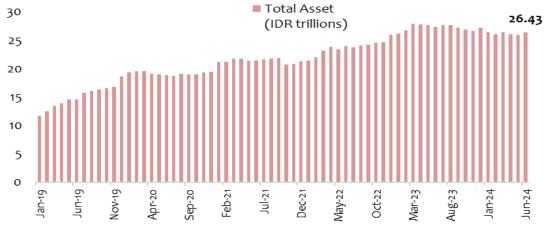


The venture capital sector experienced a slight expansion, with financing reaching **IDR16.22 Tn** as of June 2024.



Total assets in the venture capital sector increased to **IDR26.43 Tn** in June 2024.



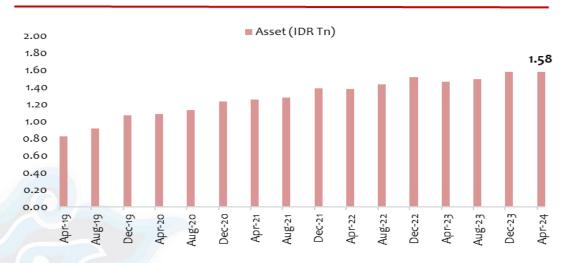




Microfinance assets remained stable at IDR1.58 Tn, with growth of 7.72% (yoy) in April 2024.



Microfinance loans remained stable at IDR1.02 Tn in April 2024





### Financial Services Technology Innovation and Crypto-Assets





Based on OJK Regulation No. 3/2024 concerning the Regulatory Sandbox, the number of sandbox applications reached 80, with 18 accepted participants as of December 2023.

FSTI (Sandbox)	Dec-20	Dec-21	Dec-22	Dec-23	Jul-24
Number of Sandbox Applications	114	71	87	80	5
Number of Sandbox Participants	28	14	20	18	-

	Dec-22	Dec-23	Mar-24	Apr-24
Number of Registered FSTIs	98	80	52	-



In May 2024, the crypto-assets market recorded a total transaction value of IDR 49.80 Tn. However, the accumulated value for the year has reached IDR 260.9 Tn, significantly higher than last year's IDR 149.2 Tn.

Crypto-assets	Dec-23	Mar-24	May-24	June-24
Transactions (IDR Tn)	27.25	20.16	49.80	40.85
Number of Investors (Million)	18.51	19.75	19.75	20.24



### Policy Continuation is Reflected in National Development Planning

1

### The Development Agenda Will Still Proceed as Planned

#### 7 DEVELOPMENT AGENDA 2020-2024

- Strengthening Economic Resilience for Quality and Fair Growth
- 2. Developing Regions to Reduce Gaps and Ensure Equity
- 3. Increasing Quality and Competitive Human Resources
- 4. Mental Revolution and Cultural Development

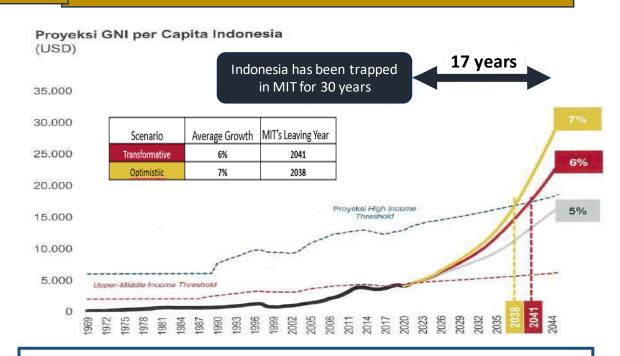
- 4. Strengthening Infrastructure to Support Economic Development and Essential Services
- 5. Building the Living
  Environment, Increasing
  Disaster Resilience, and
  Climate Change
- Strengthening Political, Legal and Human Rights Stability and Transforming Public Services

#### **GOVERNMENT WORK PLAN 2024**

SUPPORTED BY 2024 STATED BUDGET (Law 19/2023)

RPJPN 2025 - 2045→ RPJMN (PHASE I 2025-2029) AND IN THE SHORT TERM THROUGH THE ANNUAL RKP AND APBN POLICY

Transforming the Indonesian Economy to Achieve Vision 2045



#### **ECONOMIC TRANSFORMATION**

- 1. Science and Technology, Innovation and Economic Productivity
- 2. Green Economy Implementation
- 3. Digital Transformation
- 4. Domestic and Global Economic Integration
- Cities as Centers of Economic Growth

## Government Policies' Focus on Promoting Strong, Socially Inclusive, and Environmental-Friendly Economic Growth



### **MACRO STABILITY**

STABILIZING PRICES

**IMPROVING INVESTMENT CLIMATE** 

**BOOSTING EXPORT** 

#### **REVITALIZING CONVENTIONAL MACHINE**

# BUILDING NEW ECONOMY MACHINE

STRENGTHENING SOCIAL RESILIENCE + EM POWERMENT

#### 1. INCREASING COMPETITIVENESS AND PRODUCTIVITY

Kartu Prakerja, Vocational Training, and Omnibus Law Job Creation

#### 2. INFRASTRUCTURE DEVELOPMENT

PSN, MRT, High Speed Rail (The Woosh), Economic Zone Development, Capital City (IKN), Agraria Reform

#### 3. INTERNATIONAL COORPORATION

#### 4. FOOD SECURITY

Sustainable Palm Oil Development, Sustainable Rubber and Food Estate Development

#### 1. INDUSTRIALIZATION

Downstream, Petrochemical Industry, Automotive Industry, Semiconductor Supply Chain, National Logistics Ecosystem

#### 2. DIGITALIZATION

Digital Talent Readiness, National Strategy for Digital Economy Development, Data Center

#### 3. SUSTAINABILITY ENERGY TRANSISITION

AZEC, Plant Construction Electricity with New Renewable Energy (EBT), Bioenergy Utilization, Energy Infrastructure Additions 1. SOCIAL PROTECTION

2. MICRO FUNDING

3. CASH FOR WORK

### Indonesia's Accession To The OECD: Instrument For Achieving The Golden Vision 2045





The President instruction "Indonesia should immediately become a member of the OECD" "The advantages of Indonesia being a member of the OECD are increasing policy transparency and predictability, actively contributing to global standard formation, and aspiring to become a benchmark for quality and sustainable investment."

### ......Indonesia's Accession Journey to the OECD

# 1. Assessment of Country' Readiness

Assessment of countries' readiness to become OECD members has been conducted since 2017

# 2. Expressing Intentions to Join the OECD

- Direction of the President Indonesia at the Cabinet Meeting on 13 July 2023.
- CMEA sent a letter to the OECD Secretary General regarding intentions to Join the OECD on 14 July 2023.
- The OECD Secretary-General then delivered a response letter on 26 July 2023.

# 3. Meeting with OECD Representatives

- Meeting between
   CMEA with Heads of
   Representatives of
   OECD member
   countries in Jakarta, 24
   August 2023
- Meeting between Indonesian Ambassador in Paris and OECD Secretary-General, 31 August 2023

# 4. OECD Council Discussion from Sep 2023 – Jan 2024

- OECD Permanent Representatives Meeting in Paris, 13 September 2023.
- OECD Secretary-General meeting with:
- 1. Minister for Industry on 2 October 2023.
- 2. Bappenas on 5 October 2023.
- 3. Minister of Finance on 10 October 2023.
- The last meeting was on 11 December 2023. The next meeting is scheduled on 29-30 January 2024

# 5. Accession Roadmap

- OECD has decided to open accession discussions with Indonesia on 20 February 2024.
- High-level strategic leadership has been informed and is ready to set up the next steps, including the establishment of the OECD National Team.
- Support in the next steps the Accession Roadmap, Technical Review, and other activities to fulfill all requirements.
- Ministerial-Level Meeting for the Adoption and Launch of the Accession Roadmap in May 2024.

# 6. Assessment with OECD Standards

Adjustment

**OECD** 

Multi-years process

→ Indonesia's target
around 3-4 years to
become official a
member of OECD.

Standards/Guidelines

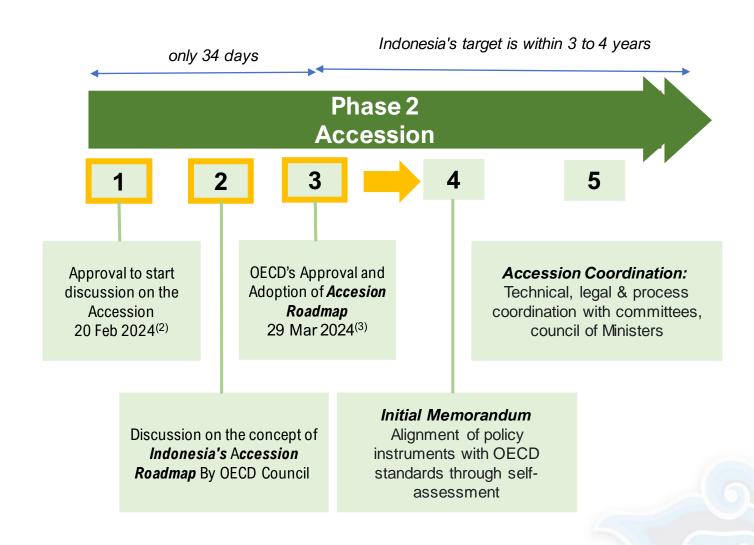
Follow-up process

## Indonesia's One of Fastest Country to Obtain the Accession Approval from OECD



### **Indonesia's OECD Accession**

- By March 29, 2024: OECD's letter on the approval of the Accession Roadmap of Indonesia.
- Indonesia is establishing **the PMO for OECD**Accession. We are asking for the Bank support on the Indonesia's OECD accession and the PMO works e.g.
  - Preparation on Initial Memorandum and technical study on the Accession Roadmap.
  - Gap analysis on Indonesia's existing condition and the regulation, standard, and OECD Best Practice.
  - PMO organizational structure and workflows.



### OECD: Membership in the OECD as a Catalyst for Structural Reform in Indonesia





- Indonesia's Accession Roadmap has been handed over at the May 2024 Meeting INDONESIA IS THE FIRST OECD MEMBER CANDIDATE IN ASEAN
- After the adoption of the Accession Roadmap, Indonesia will conduct Self-Assessment and submit an Initial Memorandum describing the policy conditions and standards of the Indonesian Government compared to the OECD.

### Structural Reform through OECD Membership (Domestic Reform Catalyst)

# Increase policy transparency and predictability

Support for the implementation of **reforms and transformation of the domestic economy** through access to experts, data and statistics, best practices, and participation in peer review.

# Indonesia participates in discussing global standards

Participate in **global policy decisions** (global debates) through participation in discussions on global policies, standard-setting, and governance architecture.

# Regulatory reform in line with OECD guidelines and standards

**Encourage efficiency** through efforts to harmonize policies at the global level for economic and resource efficiency and create a level playing field for the business world.

Increasing Indonesia's potential to become a quality and sustainable investment destination through the implementation of Environmental, Social, Governance aspects

**Reputation and credibility** excellence, to increase investor confidence through the implementation of **policy standards** that have been implemented by OECD member countries.

- Stronger anti-corruption policy instruments.
- Transparency of the Tax Sector. Increased funding for development. Tax optimization of multinational companies operating in Indonesia.
- Public sector procurement becomes more transparent so the state budget is more efficient.
- Better corporate governance and SOEs so that SOEs can contribute more to the national economy.

# Best Practices from Recently Joined Countries

Costa Rica

The 2021 budget deficit fell to 5% of GDP thanks to the implementation of OECD standard fiscal rules.

Colombia



Reduce bribery practices abroad with the implementation of the OECD Anti-Bribery Convention.

SOE reform: increasing the independence of the board of directors, transparency, and accountability.

Chile

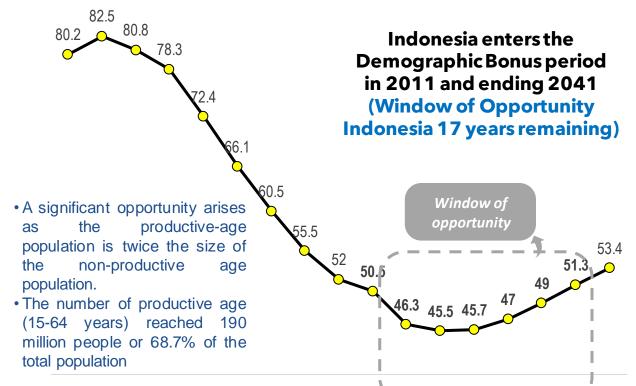


After joining the OECD in 2010, there was an increase in the value of GDP and FDI to Chile.

### Indonesia has a Demographic Bonus and Abundant Natural Resource



#### THE PEAK OF INDONESIA'S DEMOGRAPHIC BONUS



1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 2025 2030 2035 2040 2045

Dependency Ratio is a comparison between the number of people aged 0-14 years plus the number of people aged 65 years and over (non-productive age population) compared to the number of people aged 15-64 years (productive age).

Source: BPS Preparation of Indonesian Population Projections SUPAS Results 2015-2045

### SOCIAL CULTURAL CAPITAL

Harmonious and tolerant – Community Collaboration (Gotong Royong) – Deliberation to reach a consensus – Family – Social solidarity – Independent spirit – Cultural diversity

### **MARITIME**



16% of the world's coral reefs



25,000 species of flowering plants (10% of the world)



Capture fisheries potential 12 million tons

Geographical Location Advantages



The largest mangrove forest 3.36 million hectares



### **NATURAL WEALTH**



125.57 million hectares of forest areas



Nickel with ore reserves 5.24 billion tons



Coal reserves 36.30 billion tons



Renewable energy potential 3,716 GW

### Large-scale and inclusive skilling, reskilling and upskilling program through Kartu Prakerja



Semi Social Assistance Scheme Recipients (2020-2022)

16.425.419

Recipients (Batch 1-47)\*

Rp40,17 Trillion

Normal Scheme Recipients (2023)

1.142.924

Recipients (Batch 48-62)\*

**Rp626** Billion

**Incentives** 

# Batch 1-69 Applicants and Recipients

>53millions Verified



**19.647.596** Total Recipients

**18.800.682** Effective Recipients

# 2

**514** cities/Districts 38 Provinces

# Implementation in 2024 (Normal Scheme)

### **Recipients:**

1.232.339

Effective recipients of Normal Scheme PRakerja (Batch 63-69)\*

971.123

**Completed Courses** 

911.176

Receive Incentives

Rp579 Billion
Incentives Distributed

### **Courses Progress**

226 Training Institution

**1.268** Courses





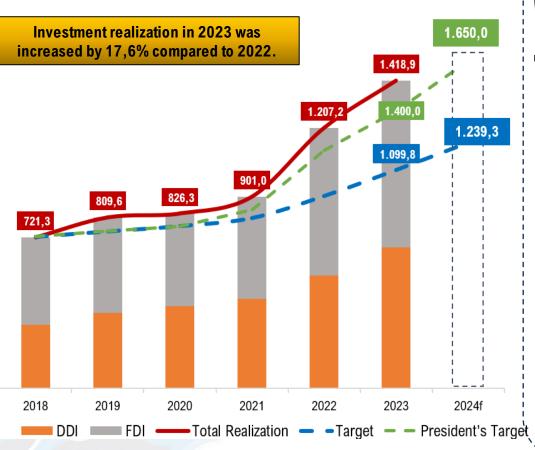


MS

# Accelerating Investment Target by the Development of the New Capital City and National Strategic Infrastructure Projects



# Indonesian Investment Targets and Realization (in Trillion IDR)



### Indonesia's National Strategic Projects (PSN)



- Based on CMEA Regulation Number 8 of 2023, there are 204 Projects and 13 Programs as PSN with an estimated total investment value (CapEx) of IDR 5.918,86 trillion.
- Since 2016, 190 PSN have been expedited towards completion with investment value of USD96,18 Billion\* and most of the projects have passed preparation stage.

### **New Capital City (Ibu Kota Nusantara)**



Location: East Kalimantan, Indonesia Population: ~4 Million Area: 256,142 hectare

divided into 3 zones.

Est. Total Investment needs: ~Rp467 trillion.

For Infrastructure and support economic growth (Technology, Renewable energy, Industry, etc)





**80% by Private Participation** (Public-Private Partnerships (56%) and Private Investment (24%))

12

-Fundamental

sectors:

- I. Renewable Energy
- 2. Telecommunications Network
- 3. transportation
- 4. Housing
- 5. Water Treatment
- 6. Waste Management

- 7. Technology Infrastructure
- 8. Commercial Infrastructure
- 9. Medical Facilities
- 10. Social and Public Facilities
- 11. Education
- 12. Green Industrial Zone

Source: Ministry of Investment, Target 2024 based on The National Medium-Term Development Planning (RPJMN) 2020 – 2024 and President's Target.

# Stages Of Development Of The National Capital City (IKN)



I. 2020-2024

**Initial transfer to IKN** 

- Critical basic infrastructure is completed and operational (e.g water, energy, rail) for residents in the initial stages
- Build central infrastructure (e.g. Presidential Palace, MPR/DPR Building) and housing in the Main IKN area
- Transfer of earlystage civil servant
- Initiation of priority economic sectors

II. 2025-2029

**Building IKN as a Resilient Area** 

- Public transportation facilities, both primary and secondary, can be used
- Expansion of residential areas for civil servants as well as central government offices
- The civil servant transfer process is expected to be completed
- Research and talent development as well as distinguished university
- Continuing development and maintenance of basic infrastructure

**III.** 2030-2034

Continuing IKN Development More Progressively

- Develop integrated utilities and rail access to Balikpapan Airport – KIPP
- Continued transfer for National Army members
- Develop industrial areas and other sectors in the superhub economic cluster
- Strengthening smart cities, digital centers, and 21st century education
- Increasing investment and production capacity



**IV.** 2035-2039

Building the Entire Infrastructure and Ecosystem of 3 Cities to Accelerate the Development of East Kalimantan

- Rapid developments in the education and health sectors as economic drivers
- Strengthening the sociocultural resilience of society and increasing the capacity of education and research institutions
- Increasing basic infrastructure capacity due to the increasing of population
- increasing capacity and diversifying economic clusters and infrastructure in partner areas

I. 2040-2045

Strengthening reputation as a "World City for All"

- Develo road-based public transportation from the IKN railway and surrounding areas
- Strengthening integrated infrastructure and utilities
- Growth stability in IKN population
- Achieving net zerocarbon emissions and 100% renewable energy
- Sustainable industrial development
- Become the leading city in the world in terms of competitiveness

## 12 Fundamental Sectors In Capital City (IKN)





Renewable Energy



Telecommunications Network



Transportation



Housing



Water Treatment



Waste Management



Technology Infrastructure



Commercial Infrastructure



Medical Facilities



Social & Public Facilities



**Education Facilities** 



Green Industrial Zone

### 23 Pioneer Investors Have Implemented Groundbreaking Without Using State Budget (APBN) To The Amount Of IDR41 Trillion



### **Groundbreaking 1**

#### Konsorsium Nusantara - mixed use









Hospital

International Football training

Investor & NGO

~Rp 23.1 T

**Estimated** investment value

### **Groundbreaking 2**



Hospital

mayapada hospital

Hospital

**BPJS** 

headquarters

Ketenagakeriaan



School

Relocatio

n

BANK INDONESIA

Office

ASTRA international







**VVIP** Airport



PLTS 50 MW



Mixed use



AOUA

Miniature

tropical

forest

THE # PAKUBUWONO

Office and transportation services





Reforestation and rehabilitation



Hospital







Mixed use



Mixed use

headquarters



Military Base

Investors and government institutions

~Rp 13.1 T

**Estimated** investment value

Investors and government institutions

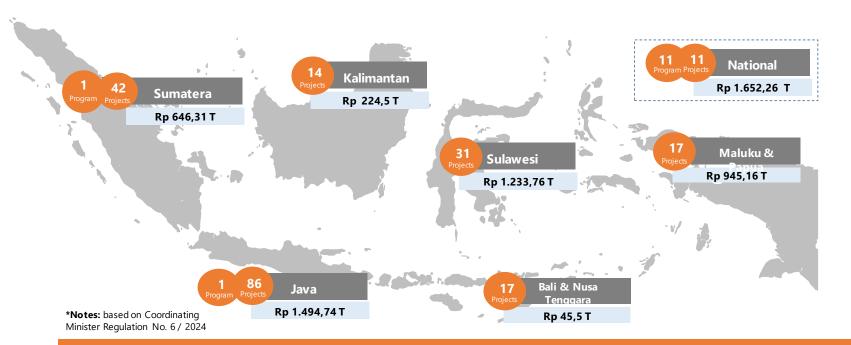
~Rp 5.9 T

**Estimated** investment value

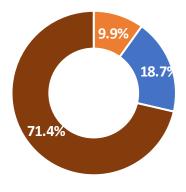
## The National Strategic Project (PSN)



Based on Coordinating Minister Regulation Number 6 of 2024, there are 218 Projects and 15 Programs as PSN with an estimated total investment value (CapEx) of IDR 6.24647 trillion



#### **Est. Total Investment Value** (Construction)



#### PSN covers 14 sectors and 15 Program in total

































Program

■ State Budget ■ SOE Budget ■ Private









Energy



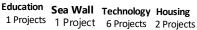






































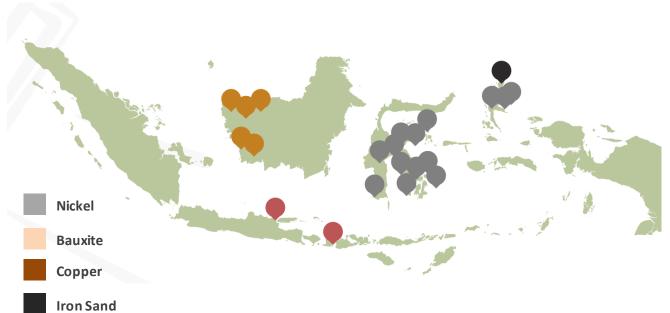
**Program** 

Regional Dev.

**Program** 

## National Strategic Project to the Processing of Critical Minerals





On the National Strategic Projects (PSN) list, there are **16 Mineral Smelters** with an estimated investment value reaching IDR 248.75 Trillion, and the total output is as follows:

THE SMELTER PRODUCT OUTPUTS	
NICKEL	2.570.630 FeNi
BAUXITE	3.000.000 SGA
COPPER	680.000 Chatode
IRON SAND	1.600.000 Iron Pig

### **Target Operasional Smelter**

2025

# ALREADY OPERATIONAL

1 Smelter (Rp30,3 T) PT Virtue Dragon Nickel Industry (2018)

1 Smelter (Rp5,79 T) PT Well Harvest Winning Alumina Refinary (Expansion)

#### 1 Smelter (Rp 38,35 T)

2024

• PT Freeport Indonesia

 PT Aneka Tambang P3FH

#### 1 Smelter (Rp 4,0 T)

• PT. Alchemist Metal Industry

#### 1 Smelter (Rp 15 T)

• PT Amman Mineral Nusa Tenggara

#### 1 Smelter (Rp 17,4 T)

 PT Dinamika Sejahtera Mandiri

#### 4 Smelter (Rp 35 T)

- PT Ceria Nugraha Indotama
- PT Wanxiang Nickel Indonesia
- PT Artabumi Sentra Industri
- PT Artha Mining Industry

#### 3 Smelter (Rp 95,29 T)

> 2025

- PT. Bahodopi Nickel Smelting Indonesia and Tambang PT Vale Indonesia Blok Bahodopi
- PT. Kolaka Nikel Indonesia dan Tambang PT.
   Vale Indonesia Blok Pomalaa
- Construction of Integrated Nickel Processing and Refining Facilities



# **Government Effort in Accelerating Energy Transition**

"Reducing Fossil Energy and Increasing Renewable Power Plant"





#### PRESIDENT INSTRUCTION

### UNFCCC - COP21, DEC 2015 upd SEP 2022

Decreasing greenhouse gases emission up | **to 31,89%** (with our own ability) **or 43,2%** (with International Assistance) in 2030 according to NDC

### **COP 28, DECEMBER 2<sup>nd</sup>, 2023**

To achieve the net carbon sink target or net carbon absorption in the forestry and land sector by 2030, Indonesia has made systematic and innovative steps, one of which was by implementing a permanent moratorium on clearing forests covering around 66 million hectares of primary forest and peatland since 2019.

#### **G20 SUMMIT GOAL**

### "Recover Together, Recover Stronger"

- Inclusive Global Health;
- Digital Economic Transformation; and
- Sustainability Energy Transition.

COP28: Indonesia's Efforts To Achieve The Net **Carbon Sink Target In The Forestry And Land Sector By 2030** 

#### **MAIN STRATEGY**

- Rehabilitated 3 million hectares of degraded land and 3 million hectares of peatland
- Invites all parties to strengthen South-South cooperation. This is because solidarity, equality, and collaboration are crucial in addressing global climate change.
- Carbon Trading through the Carbon Exchange stated that the carbon exchange is a system that regulates the trading of carbon and/or ownership records of carbon units.

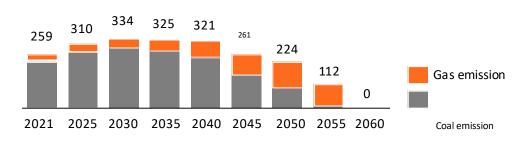


# Developing New Renewable Energy: Early Retirement of Coal Fired Power Plant (CFPP) in Supporting Energy Transition

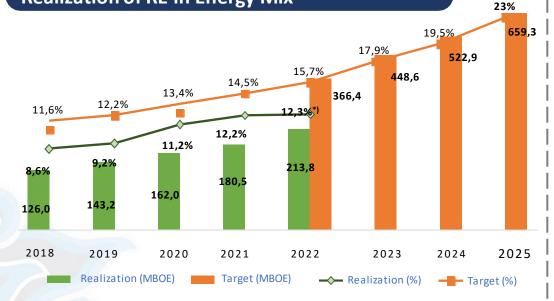


- Indonesia is committed to achieving Net Zero Emissions by 2060 or sooner.
- To facilitate this transition, there are at least 5 policy points that the Government is currently focusing on: (i) Clean energy acquisition, (ii) Renewable energy development; (iii) Energy source conversion; (iv) Carbon trading; and (v) Carbon tax.

#### **Roadmap of Net Zero Emissions 2060**



### **Realization of RE in Energy Mix**

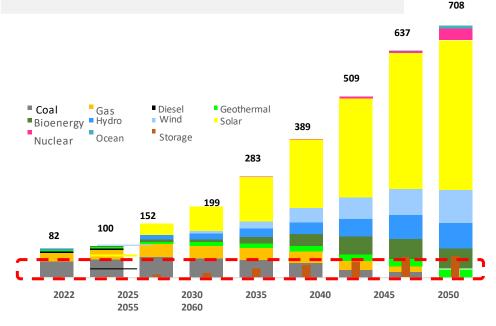


### **CFPP Early Retirement Plan**

Installed Capacity of RE Power Plants in 2060: **708 GW.**Solar 421 GW, Wind 94 GW, Hydro 72 GW, Bioenergy

60 GW, Nuclear 31 GW, Geothermal 22 GW, Ocean Wave 8 GW.

60,2 GW Storage: Pumped Storage 4,2 GW, BESS 56 GW.



- To support NZE, the early retirement of CFPP will be carried out in stages, with the target that by 2060 there will no longer be operated.
- Several relevant stakeholders are currently preparing to implement PLTU early retirement, including the Ministry of Energy and Mineral Resources and PT PLN (Persero) which are preparing the roadmap and regulations, also the Ministry of Finance which is preparing the financing mechanism.

# Road Map Towards Net Zero Emissions: Supply and Demand



#### 2025: Emission Reduction 231.2 Million tons CO2

#### Supply:

- Solar Power Plant/PLTS utilization roof
- Accelerate waste to energy
- Biomass Power Plant (PLTBm) small scale
- Cofiring for Steam Power Plant (PLTU)
- Additional Water-Power Plant (PLTA)

### (inline with RUPTL 2021-2030)

#### **Demand:**

- Induction Cooktop 8.1million Household
- Dimethyl etherreplaceLPGForRT
- Implementation of 300 thousand electric cars and 1.3 million electric motorbikes
- Gas Network for 5.2 million SR
- Mandatory biodiesel 30% year 2025

#### 2035:Emission Reduction 388 Million tons CO2

#### Supply:

- Green Hydrogen from New Renewable Energy (EBT) start in 2031
- Battery Energy Storage System (BESS) massive in 2034
- Capacity installed for Geothermal Power Plant (PLTP)
   11 GW in 2035

#### **Demand:**

- Induction Cooktop for 28.2 million household
- 9.3 million electric cars and 51 million electric motorbikes
- Gas network utilization for 15.2 million SR
- Biofuel used is maintained at 40%
- Implementation of Energy Management and SKEM

#### 2050:Emission Reduction 1043.8 Million tons CO2

#### Supply:

- Green hydrogen For replacing gas natural fossil for high temperature heating process start from 2041
- Primary energy from EBT is higher than total fossilbased primary energy

#### **Demand:**

- Induction Cooktop for 46.6 million household.
- Use of 50.2 million electric cars and 163 million electric motorbikes.
- Gas network utilization for 22.7 million SR
- The use of biofuels in the industrial and transportation sectors is maintained at 40%



2021 - 2025

2026 - 2030

2031-2035

2036 – 2040

2041-2050

2051 - 2060

#### Supply:

- Additional power plant after 2030 only from EBT.
- Pump storage start in 2025.

#### Demand:

- Induction Cooktop for 18.1 million household
- 2 million electric cars and 13 million electric motorbikes
- Gas Network for 10.2 million SR
- Biofuels in the industrial and transportation sectors to 40%
- Energy Management and SKEM for 11 RT equipment

2030:Reduced emissions of 327.9 million ton

#### <u>Supply:</u>

- Nuclear use for electricity starting in 2039
- The development of Variable Renewable Energy (VRE) in the form of PLTS is increasingly massive, followed by PLTB bot on shore and off-shore starting in 2037.

#### **Demand:**

- CCS for the cement and steel sectors starting from 2036
- Low carbon fuel for shipping
- Use of induction stoves for 37.9 million households.
- 23 million el ectric cars and 101 million electric motorbike:
- Gas Network for 20.2 million SR
- Biofuels in the industrial and transportations ectors are maintained at 40%

2040:Reduced emissions of 629.4 million tons of

#### Supply:

- Emissions in the electricity sector will reach zero and emissions of 129 million tons of CO2-ein the industrial and transportation sectors
- Stop using gas for electricity

#### Demand:

- Use of CCS in Industry 13 million tons of CO2
- Induction stove of 54.3 million.
- 175 million el ectric motorbikes and 65 million el ectric cars
- Gas network utilization for 22.7 million SR
- Projected demand for electricity consumption is 1,942 TWh and electricity consumption per capita is 5,862 kWh/capita

2060: Reduced emissions of 1798 million tons of CO2

Innovative technology low-emission like CCS/CCUS can be applied to certain condition of fossil power plants to speed up subtraction emission in transition to energy which more-clean and more-greener.

\*)PLTU on W

\*)PLTU on WilusPLN and Non-PLN: Maximum 30 year And IPP 25-30 year (in accordance PPA)

### Progress Of BEV Ecosystem Development In Indonesia



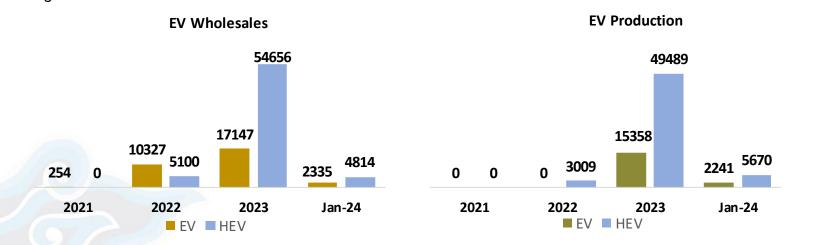


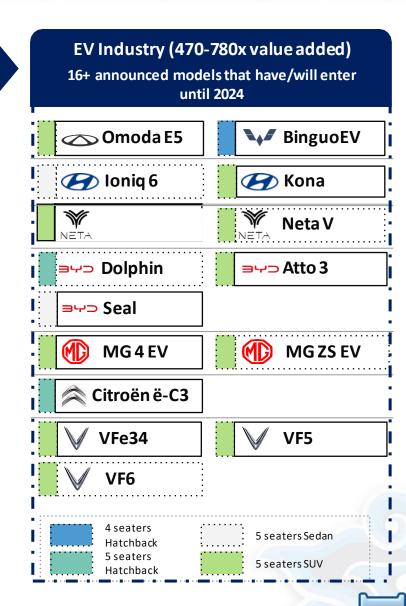




#### **BATTERY ELECTRIC VEHICLES SALES (EV)**

Throughout Jan-Des 2023, total BEV sales reached 17,147 units, dominated by Hyundai IONIQ with 7,449 units (43%) and Wuling Air with 5,578 units (33%). Meanwhile, the total production of EV cars will reach 15,358 units throughout 2023.





### **Commodity Downstreaming: Value Added and Benefits**

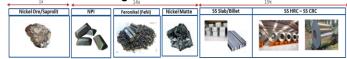


The industrial downstreaming program is intended to obtain a multiplier effect or multiple impacts from industrial downstreaming activities that have been proven to be real, including increasing the added value of domestic raw materials, attracting investment, generating large foreign exchange from exports, and increasing the number of labor absorption. The projected investment value in Indonesia's downstream roadmap reaches USD 545.3 billion. Some of the mineral downstream programs include the following commodities:

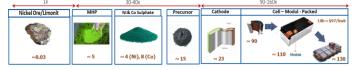
## NICKEL ORE DOWNSTREAMING

The nickel ore export ban policy has been implemented in 2020.

#### **Smelter Pirometalurgi**



#### Smelter Hidrometalurgi



#### Potential added value:

- Ferronickel and stainless-steel billet = 14 19 times higher
- Raw materials in the production of Electric Vehicle (EV) batteries with domestic added value reaching 470 - 780 times

The number of nickel smelters that have been operating in Indonesia by September 2023:

- Pyrometallurgy-based: 44 smelters;
- Hydrometallurgy-based: 4 smelters.

# BAUXITE ORE DOWNSTREAMING

Bauxite ore export ban policy has been implemented as of June 10, 2023.



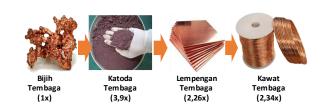
#### Potential added value:

- Aluminum has the potential to be 19-20 times higher;
- Aluminum profile to be 68-70 times higher.

The downstream product of bauxite, aluminum, also plays an important role as a raw material for solar module frames, module supports, inverters and connectors in solar power plants.

## COPPER DOWNSTREAMING

Copper ore export ban policy in the context of downstreaming that will be implemented in June 2024.



#### Potential added value:

- Cathode is potentially 3.9 times higher
- Copper slab is 2.26 times higher.
- Copper wire to be 2.34 times higher.

The number of copper smelters that have operating in Indonesia until September 2023 as many as 2 smelters (PT Smelting Gresik and PT Batutua Tembaga Raya)

#### TIN DOWNSTREAMING

Need to deepen the industrial structure for tin downstreaming



#### Potential added value:

- Tin ingot has the potential to be 1.8 times
- Tin solder is 2 times
- Tin chemical is 3 times higher.

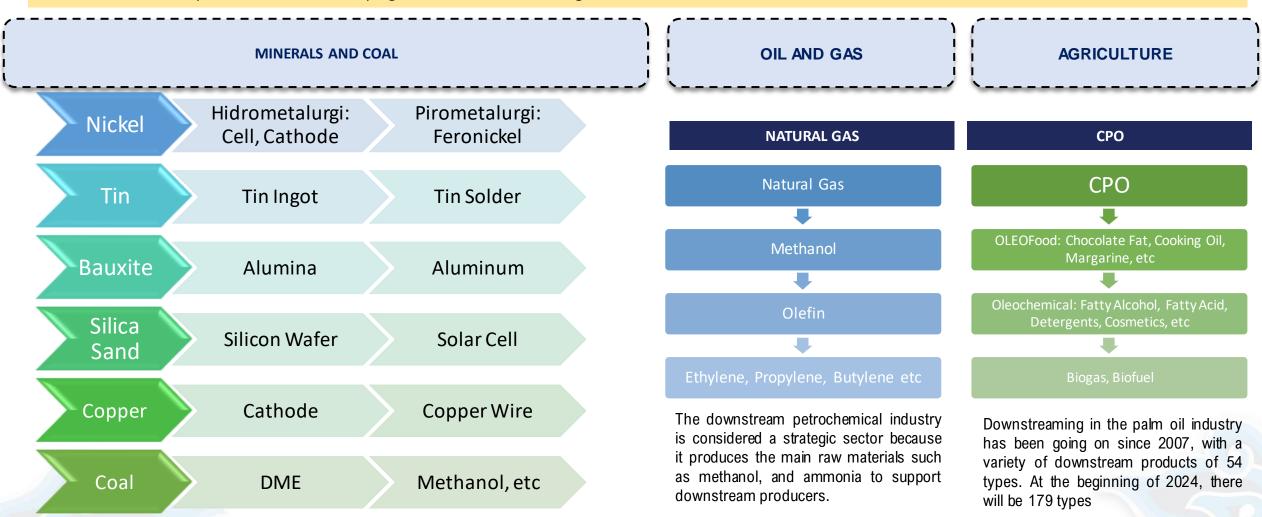
Tin solder products are used in the electronics and automotive industries, while tin chemicals are used in the Polyvinyl chloride (PVC) industry as tin stabilizer additives for the manufacture of construction pipes, profiles, transparent PVC plastics and as a substitute material for lead (Pb).

Source: Ministry of Industry, MEMR, BPS (2023)

### Downstreaming: Transformation from Primary Sector Industry to Value-Added Industry



The industrial downstream program is intended to get a multiplier effect or multiple impacts from industrial downstream activities that have been proven to be real, including increasing the added value of domestic raw materials, attracting investment in the country, generating large foreign exchange from exports, and increasing the number of labor absorption. The downstream program includes the following commodities:



Source: Ministry of Industry, Energy and Mineral Resources, 2022

## Indonesia's Increasing Role in the Global Semiconductor Supply Chain



### DOMESTIC SEMICONDUCTOR PRODUCT INDUSTRY ECOSYSTEM





Semiconductor Assembly & Test



xırka



**PT. Infineon Technologies Batam - Export Orientation Production capacity 22** million units/week and plans to increase to 150 PT. Xirka Darma Persada million units/week in 2030)

#### **International Technology Security and Innovation** (ITSI) Fund - DOS Amerika Serikat

- The United States offered Indonesia to join as one of the partners (offers were given to 7 partner countries) in the International Technology Security and Innovation (ITSI) Fund to strengthen semiconductor supply chains during the Indonesian Ambassador's meeting in Washington D.C with the US Department of State (US DOS) on June 8, 2023. Total funding from US DOS is USD500 million or with an allocation of USD100 million per year for five
- In the initial stage, US DOS cooperated with the OECD to conduct a semiconductor ecosystem review which is an evaluation of the feasibility of the ATP downstreaming ecosystem (Assembling, Testing, and Packaging) of the semiconductor industry.

#### DOMESTIC INDUSTRY DEMAND FOR SEMICONDUCTORS

and test sectors

**Mobile Phones and Laptop Production 2022** 



Mobile Phones: 40.2 million units



Laptop: 4 juta unit

The industry does not yet exist in







Indonesia

Indonesia



Total production realization: 125.03 million

units.







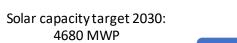




chain, namely in the design and assembly

target by 2035:12 million units

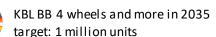
### **Tax Holiday**



Semiconductors act one of them as a constituent component in the inverter in the solar panel unit.

**Solar Capacity Target** 

#### **KBL BB Production Target**



Two and three wheeled KBL BB

#### **INCENTIVES AND FACILITIES**

Through Perka BKPM No.7 of 2020, the semiconductor manufacturing industry (KBLI 26120) can receive a tax holiday

Tax Allowance



**Super Deduction** 



**Special Economic Zones** 

Perka BKPM No.7 of 2020, The semiconductor manufacturing industry (KBLI 26120) can receive tax allowances.

RnD activities to focus on research on electronics, laptop computers, ICT, smart cards, electronic components and ICT components and vocational activities

Nongsa SEZ in Batam; Gresik SEZ in East Java, and Kendal SEZ in Central Java.

#### **OPPORTUNITIES AND DIRECTIONS OF** SEMICONDUCTOR ECOSYSTEM DEVELOPMENT

Strengthening and establishing fabless start-ups in 2024 in accordance with the use case specific needs of the industry in Indonesia.

**Human Resource** development partnerships supporting fabless, frontend and back-end industries from 2024.

Inviting the United States semiconductor industry to invest in Indonesia (Batam) starting from the back-end industry to build demand and ecosystem by 2024, according to the specificity of their respective businesses

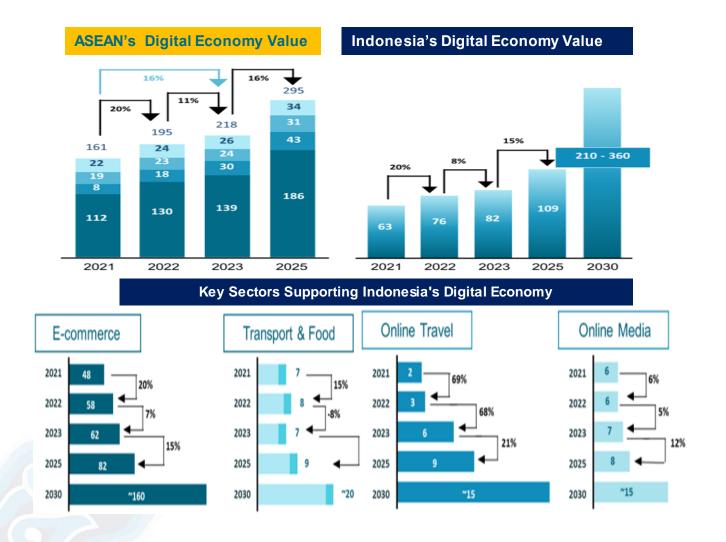
The creation of a semiconductor ecosystem that supports investment in the front-end industry (wafer fabrication) is expected to be established by 2026

Description: The front-end industry includes foundry (wafer fabrication) while the back-end industry includes the OSAT industry (Assembly and packaging, and Testing & Measurement). Semiconductor Product HS Code (BTKI 2017 and 2022): 85414010; 85414021; 85414022; 85414029; 85414090; 85415000; 85419000; 85429000; 85414100; 85414200; 85414300; 85414900; 85414500;

### Digital Economy as a New Growth Engine



Indonesia aspires to be a developed country by 2045. The economic growth rate should be maintained at an average of 6% per year. This requires a breakthrough in digital economy development to become a catalyst.



## Indonesia aspires to be a developed country and be rank 5 globally on GDP by 2045



5.1 – 5.7% GDP CAGR over 2016 – 2045 Increasing middle income class up to ~80%² of pop. by 2045 (~31% in 2020)

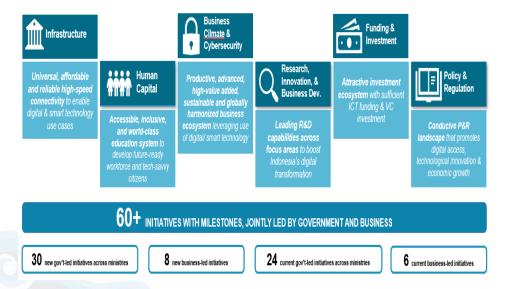


### Digital Economy's Policy



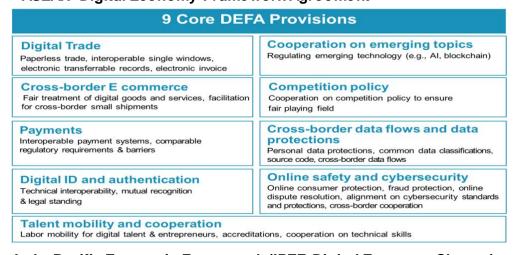
#### **DOMESTIC**

- Coordinating Ministry for Economic Affairs has launched the White Paper on the National's Digital Economy Development Strategy on December 6, 2023.
- The white paper aims to serve as guide for related stakeholders in developing the digital economy with a timeline until 2030 and is intended to be a living document.
- It outlines six main pillars for the development of the digital economy, which are: (1) Infrastructure; (2) Human Resources; (3) Business Climate and Cybersecurity; (4) Research, Innovation, and Business Development; (5) Funding and Investment; and (Policies and Regulations)



#### **REGIONAL**

 The White Paper on the National's Digital Economy Development Strategy has a central role as a guide for determining Indonesia's position in international forums, such as the ASEAN Digital Economy Framework Agreement (DEFA) and the Indo-Pacific Economic Framework (IPEF-Digital Economy Cluster)
 ASEAN Digital Economy Framework Agreement



#### Indo-Pacific Economic Framework (IPEF-Digital Economy Cluster)

- The United States initiative launched by President Biden on May 23, 2022
- There are 14 participating countries: US Australia, Brunei Darussalam, Fiji, Philippines, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Singapore, Thailand, and Vietnam.



### The Government Focuses on Regulations and Procedures for Ease of Doing Business



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

**Streamlining Administrative Procedures and a Positive Investment Climate** 

Ease of Doing Business Policy

Latest update

Impact on ease of doing business



Law No. 11 of 2020 concerning Job Creation



PERPPU 2 of 2022 concerning Job Creation has been issued



Providing legal certainty to business actors



Government Regulation No 5 of 2021



Revision of the Legal Draft and Appendix I/II



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



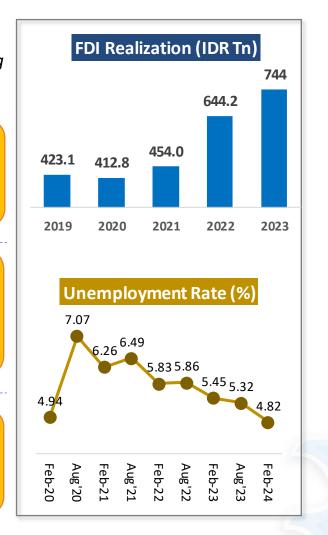
OSS RBA System



Assistance in conformity evaluation between Regulation and System



Better and smoother Business Licensing Services



## Risk-Based Business Licensing Deregulation Measures to Encourage FDI



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

### **Starting a Business**



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

**Low Risk** 

**Medium Risk** 

High Risk

Business Identification Number Issued = 9,536,922 Period August 4, 2021 – June 27, 2024

### **Based on Business**

#### Actor:

- Business Entity = 885,249
- Individual = 8,294,637

# Based on Investment Type:

- FDI = 29,848
- DDI = 9,150,038

# Based on Business Scale:

- Micro = 8,885,226
- Small = 212,545
- Medium = 26,264
- Large = 55,851

#### **Action Plans**

#### **Short - Medium-term**

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

#### Long-term

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

### **Doing Business**

**RISK-BASED TARGETING** — Optimizing Effectiveness and Cost of Monitoring:

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

#### **INSPECTION:**

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

#### The Progress of Development Monitoring/IPSNection Subsystem

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

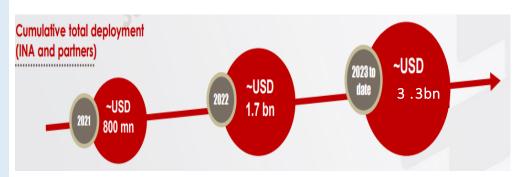
- 36 modules have been completed/embedded in the OSS RBA (go-live)
- 8 modules are still in the process of User Acceptance Testing (UAT)

# **Encouraging Investment:**Indonesia Investment Authority (INA) to Accelerate FDI



Legal basis •Government Regulations Number 73 of 2020 concerning Initial Capital for the Indonesia Investment Authority

- •Government Regulations Number 74 of 2020 concerning the Indonesia Investment Authority
- •Government Regulations Number 49 of 2021 concerning Tax Treatment of Transactions Involving the Indonesia Investment Authority and/or Entities Owned
- Government Regulations Numbers 110 and 111 of 2021 concerning the Addition of State Equity Participation to the Capital of Investment Management Institutions



### **Update on Progress**

- Fruitful partnerships with various institutional investors have resulted in >USD 25 billion in collective commitments. INA has deployed >USD 3 billion of capital to date together with investor partners and will potentially deploy close to USD 3.5 billion by the end of 2023
- ☐ Investment opportunity that has been completed (closed):
- Digital infrastructure: Mitratel's IPO for a total transaction size of USD 800 million together with ADIA, ADG, GIC
- Toll Road: Investment into SMR PPTR (Waskita Karya Toll Road) for an upfront transaction size of USD 400 million together with CDPQ, ADIA, APG
- Tourism/Digital: Investment into Traveloka for a total transaction size of USD 300 million with BlackRock, Allianz, and other leading institutions
- Healthcare: Investment into a significant minority stake in Kimia Farma Apotek and subscription into Kimia Farma (KAEF IJ)'s MCB for a total transaction size of USD 150 million with Silk Road Fund
- Infrastructure & Logistics: ESR and Mitsubishi Corp for a total transaction size of USD 100 million for three modern warehouse asses, Hutama Karya two-toll road assets in Trans Sumatera for a total transaction of USD 1 billion. DP World and Pelindo investment for the development of an international container terminal
- Green Energy: Anchor investor into the IPO of Pertamina Geothermal Energy (PGEO IJ) for a total transaction size of USD 490 million with Masdar
- ☐ Current cooperation agreements secured are:
- Toll Road: Investment platform with ADIA, APG for USD 2.75 billion.
- Seaports: Alliance agreement with DP World for developing container ports and supporting maritime logistics infrastructure amounting to USD 7.5 billion throughout the concession period.
- Green Sector: USD 2 billion investment for Optimizing blended finance in ETM programs such as ADB, SMI, PLN, Global Energy Alliance with CATL Green EV Fund
- Logistic Fund: USD 500 million Forming fund to invest into logistic assets across Indonesia with Manulife
- General: USD 10 billion investment framework agreement with ADG for various sectors in Indonesia
- General: USD 3 billion investment framework agreement with SRF for various sectors in Indonesia

### **Investment Realization Q2 2024**





# Investment Realization Quarter II, 2024

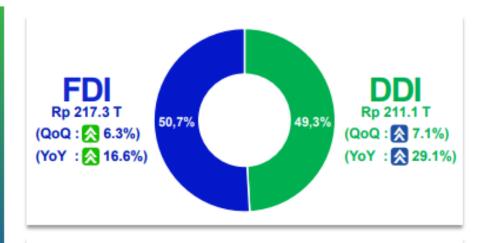


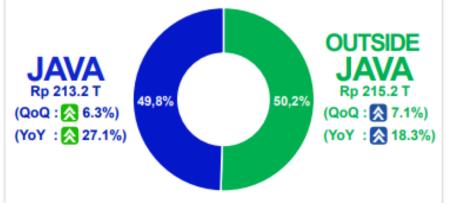
Rp **428.4** Trillion (QoQ: ⋈ 6.7%) (YoY: ⋈ 22.5%)

**Absorbed Indonesian Labor:** 

677,623



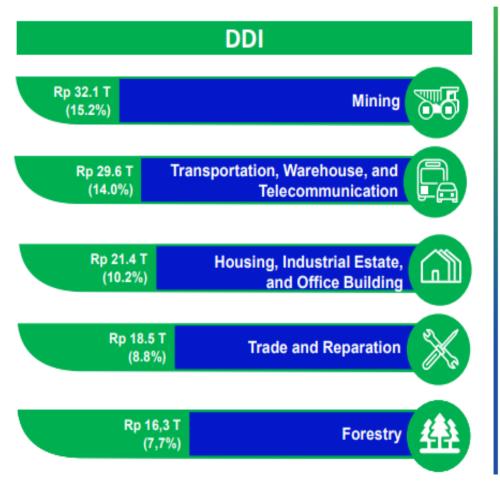


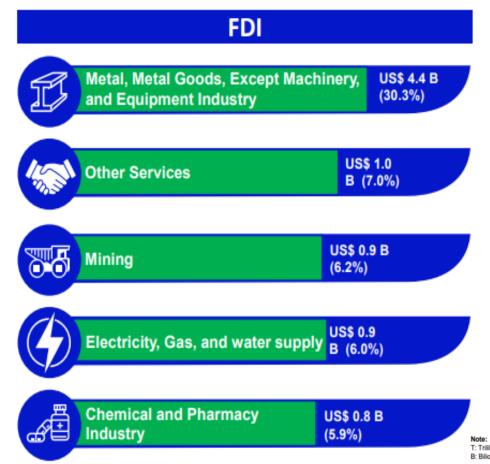


# **Investment Realization Based on Subsector January - June 2024**



# Top 5 Realization Based on Subsector Quarter II, 2024





# Investment Realization Based on Country of Origin January - June 2024



# Top 5 Realization Based on Country Quarter II, 2024











