











# Republic of Indonesia Maintaining Stability and Supporting Growth, Mitigating Covid-19 Risk

January 2021

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

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

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

Published by Investor Relations Unit - Republic of Indonesia

Website: <u>http://www.bi.go.id/en/iru/default.aspx</u>

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

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#### Economic Recovery Program and Its Updates



Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

2

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Institutional and Governance Effectiveness: Accelerated Reforms Agenda with Institutional Improvement



Commitment to Sustainability and Climate Change Mitigation

Economic Factor: Stable Growth Prospects Amid Temporary Moderation Monetary and Financial Factor: Credible Monetary Policy Track Record and Favourable Financial Sector

External Factor: Improved External Resilience 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision



# Section 1

# **Economic Recovery Program and Its Updates**

## **Concerted Efforts to Mitigate Covid-19 Risk General Measures**



Establishment of a COVID-19 Task Force to Accelerate Coronavirus Disease 2019 (COVID-19) Handling.

- Extension of the emergency status for COVID-19 until 29th May 2020.
- Permission for civil servants to work from home, while maintaining the continuity of public services.

Promoting massive prevention of the spread of Covid-19; application of health protocols in public areas, public transportation, and offices; calls for carrying out social distancing and the prohibition of carrying out activities that involve large crowds.

Closing and limiting the mobility of Indonesian citizens abroad and foreigners to enter Indonesian territory with strict immigration and health protocols.

Evacuation of Indonesian citizens from affected countries and strict guarantine processes with complete medical facilities.

Conducting Rapid Test in 17 provinces with positive patients of Covid-19.



9

- Decentralized tests by increasing the number of Covid-19 test laboratories throughout Indonesia.
- Providing Designated Hospitals, including additional designated hospital in Galang Island.
- Utilization of four (4) of ten (10) Wisma Atlet Kemayoran 10 Towers (former Athletes Hotel) as emergency hospital.
- 11

12

Preparation of 606 health workers and 192 non-health workers in Wisma Atlet Kemayoran and recruitment of 328 medical volunteers and 2590 non-medical personnel in the field of logistics and operations.

- Establishment of Contingency Plans in the regions level.

Preparation of drugs that have been used for Covid-19 patients in China according to doctor's prescription. The 13 drug has been distributed to designated facilities and its stock is continuously being augmented with domestic pharmaceutical production.

Speed up the procurement and distribution of personal 14 protective equipment for designated hospitals and the provision of incentives for medical personnel.

3

4

5

6

# Government Measures to Mitigate Covid-19 Risk

Fiscal and Non Fiscal Stimuli



#### Fiscal Stimuli Phase 2 Fiscal Stimuli Phase 1 Brought forward the launch of the Pre-Employment Card in Relaxation of Income Tax (PPh Article 21). Bali, North Sulawesi and the Riau Islands. Increased disbursements of the Noncash Food Assistance 2 Program (BPNT) from IDR150,000 to IDR200,000 for a six-Relaxation of Income Tax on Imports (PPh Article 22). month period commencing March 2020. Provided a stimulus package for housing in the form of an 3 IDR800 billion subsidy as well as a subsidy on down payments 3 Relaxation of Income Tax (PPh Article 25). totalling IDR700 billion. 4 Relaxation of Value Added Tax (VAT) Restitution. Provided incentives for domestic and international travellers. 4 Reduced the air passenger service fee (PSF) by 20% for 5 March-May 2020. Non-Fiscal Stimuli Discounted the price of aviation fuel at airports located Reduce and simplify restrictions on export activities to 6 around nine travel destinations for March-May 2020. maintain export performance and competitiveness. Subsidised or provided grants totalling IDR3.3 trillion to local Reduce and simplify restrictions on import activities to ensure governments affected by lower tax revenues food service the availability of raw materials. activities.

Source: Bank Indonesia

# Bank Indonesia's Measures to Mitigate Covid-19 Risk

To maintain Monetary and Financial Market Stability



## Measures Launched on March 2, 2020

Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms

2

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Reducing the foreign currency reserve requirement ratio for conventional commercial banks from 8% to 4%, effective 16<sup>th</sup> March 2020.

Beducing the rupiah reserve requirement ratio by 50bps for banks engaged in export-import financing activity in coordination with the Government.

Expanding the types of underlying transactions available to foreign investors as hedging alternatives against rupiah holdings in Indonesia.

Global investors may utilise global and domestic custodian banks for investment activity in Indonesia.

#### Measures Launched on March 18-19, 2020

Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms.

2

Extending the SBN repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry.

3

Increasing the frequency of FX swap auctions for 1, 3, 6 and 12month tenors from three times per week to daily auctions in order to ensure adequate liquidity.

4

Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market.



6

Expediting the enforcement of domestic vostro rupiah accounts for foreign investors as underlying transactions for Domestic NDF, thus increasing hedging alternatives against rupiah holdings.

Expanding the incentive of a 50bps looser daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors.

Strengthening payment system policy to support COVID-19 mitigation efforts .

# **Government's Priority Policies/Program**



# 1. Healthy Indonesia

Public trust  $\rightarrow$  Activity increases  $\rightarrow$  Public consumption increases

# 2. Working Indonesia

Purchasing power of the middle to lower class increased  $\rightarrow$  Public consumption **increases** 

Creating jobs ← Driving investment ← Capacity utilization increases

**3. Growing Indonesia** Socio-economic Transformation. Don't waste the opportunity to carry out this post-pandemic transformation

# **Covid-19 Handling Fund and National Economic Recovery**



Health Sector (COVID-19 Handling)	Comit (Chairman: Coordinating Min	Economy Sector (National Economic Recovery/PEN)			
Reducing the Spread of Covid-19	Vice Chairman <ul> <li>Coord. Minister for</li> </ul>	Vice Chairman <ul> <li>Minister of Health</li> </ul>	PEN and Covid-19 Stimulus	2020	2021*
<ul> <li>Government Responsibilities: 3T</li> <li>Test of Covid-19 for Public</li> <li>Tracing for Every Positive Result, and</li> <li>Treat Every Case Well</li> </ul>	of Covid-19 for Public ng for Every Positive Result, and Every Case Well • Coord. Minister for Politics, Law, and Security • Coord. Minister for Politics, Law, and Security		Budget TOTAL	IDR 695,2 T	IDR 553,1 T
Community Responsibilities: 3M <ul> <li>Mask Awareness,</li> </ul>	Human Development and Culture • Minister of Finance		1. Health	IDR 87,55 T	IDR 104,70 T
<ul> <li>Make Sure to Wash Hand Regularly, and</li> <li>Make Sure to Maintain Social Distancing</li> </ul>	Vice Chairman + Executive Team Leader		2. Social Safety net	IDR 203,90 T	IDR 150,96 T
Reducing COVID-19 Death Rate	Minister	3. Business Incentives	IDR 120,61 T	Will be reported regularly	
Government Responsibilities: • Optimizing Health Facilities (Public Health Center& Hospital)	COVID-19 Task Force (Chairman: Chairman of BNPB) Chairman of BNPB	PEN Task Force	4. SME's Support	IDR 123,46 T	IDR 156,06 T
Supporting Health Workers			5. Corporate Financing	IDR 53,57 T	
COVID-19 Vaccines Provision			6. Sectoral Institution/		
Presidential Law No. 99/2020 as Vaccination Roadmap	need to Integra	conomic Policies ated to Encounter vid-19	Ministry and Regional Government Support for Economy	IDR 106,11 T	IDR 141,36 T

Source: Coordinating Ministry for Economic Affairs

# **Illustration of Health And Economic Recovery In One Wheel**

P



Brake

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



## Need: Brake fluid

- ➤ Medicine
- Health Workers
- Vaccine





Strong Brake

SEATBELT: Driver safety while drivingFinancial Sector Safety Nets

Gas Pedal

- Social Safety Net
- Real Sector Safety Net



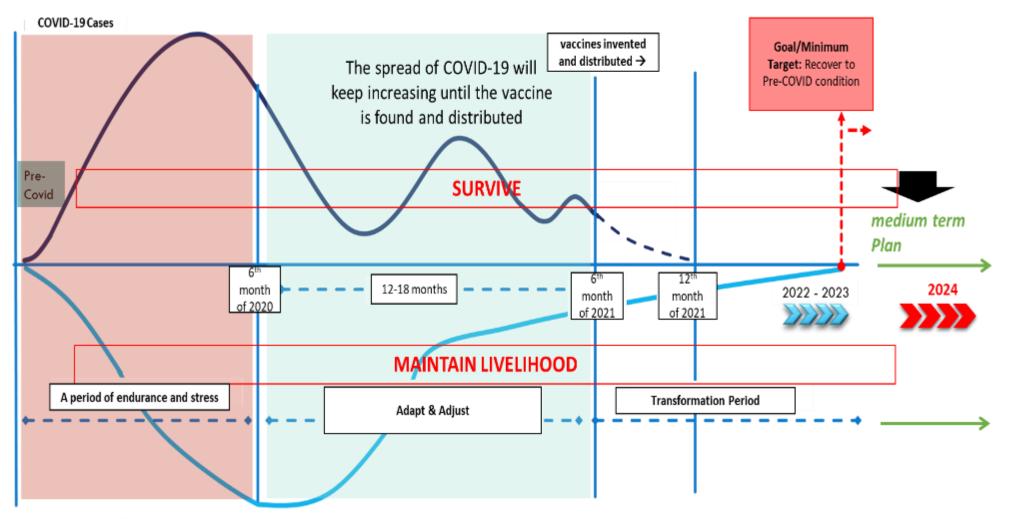
- Source of funding
- Make sure the drain is smooth and doesn't

leak



Step on The Gas!

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

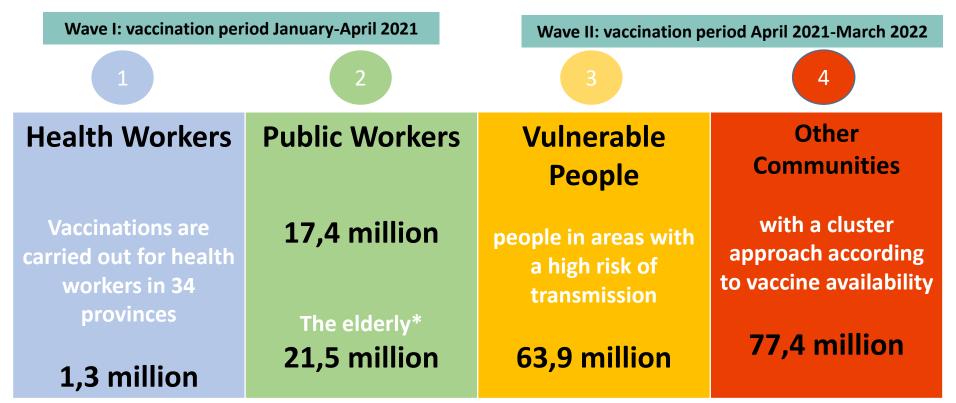


Economic Condition

# Covid-19 Vaccination as Game Changer for National Economic Recovery



The amount of vaccine needed (181,5 million people) Health workers and public workers will receive first priority vaccination



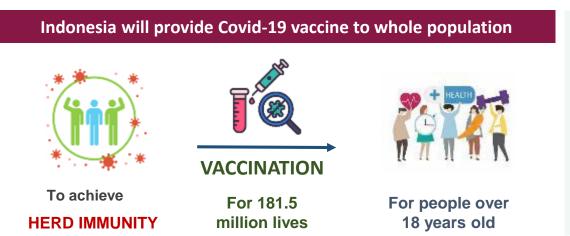
\*) Age 60 and over will be vaccinated after receiving vaccine safety information for that age group

#### **Procurement of Vaccines is planned to come from many countries**

SINOVAC	NOVAVAX	COVAX/GAVI	ASTRA ZENECA	PFIZER	MODERNA
± 125 million	± 70 million	± 54 million ± 59 million		± 50 million	± 50 million
Source: Ministry of Health		Total Requirement: 426.8 million doses			12

# **Commitment to Provide Vaccine For All Citizen**

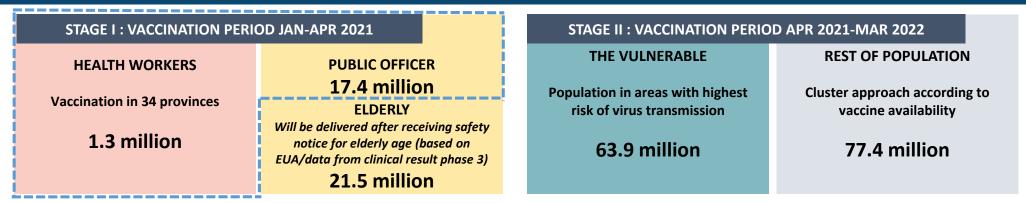




- Government is committed to take any measures to handle the pandemic, including providing free vaccination program for whole population
- Current vaccine procurement planning: Sinovac, Novavax, Covax/GAVI, AstraZaneca, Pfizer → with total of 663.5 million doses of vaccine (firm order and option)
- The government will continue to enforce the 3M (Mask, Washing Hands, and Social Distancing) and strengthening 3T (Testing, Tracing, and Treatment) until the vaccine is effectively distributed.

#### SCHEDULE OF VACCINE DELIVERY

(Based on Ministry of Health Regulation 84/2020 on vaccination program to handling Covid-19 pandemic)



Government Measures to Mitigate Covid-19 Risk Government Regulation In UU 2/2020, Previously Perppu No.1 2020



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

#### State Financial Policy

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

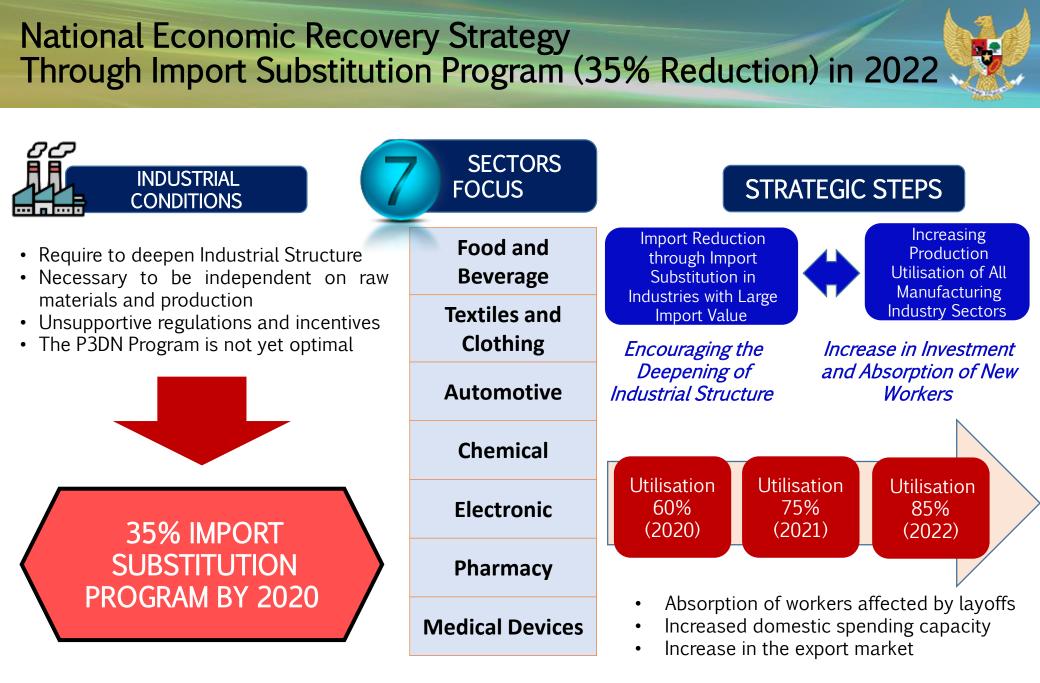
### Stability of Financial System

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

## Government Measures to Mitigate Covid-19 Risk Budget Refocusing Policy



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



## Fiscal Incentives: Super Deduction For Research & Development



The Government developing a super deduction tax scheme to provide businesses with incentives to conduct research and development in the hopes of spurring innovation

0	bje	ect

Certain R&D activities in Indonesia, the costs of which are charged within a certain period.

#### Subject

Domestic corporate taxpayers who carry out certain research and development (R&D) activities in Indonesia.

## Amount of facilities (proposed)

Stages	RPMK			
Real Cost				
Additional:				
- Commercialisasion	100%			
<ul> <li>Registration of Intellectual Property Rights (IPR) in the form of Patents or Plant Variety Protection Rights (PVT) in the country</li> </ul>				
- Registration of IPR abroad / product innovation				
- Collaboration with government / private R&D institutions	25%			
Total				

# Income Tax Law (Law No.7/1983 jo. Law No. 36/2018)

#### Article 35:

Matters that have not been sufficiently regulated by law are further regulated by Government Regulation

## Law No. 45/2019

#### Article 29C:

- Facility for reducing gross income for domestic taxpayers conducting certain research and development activities in Indonesia
- The maximum gross income reduction facility is 300% of the cost
- Further arrangements through technical regulations

### Technical Regulations (RPMK)

In the process of coordinating the drafting of the Minister of Finance Regulation (IDRMK) with the Ministry of Finance, the Ministry of Research and Technology, and the Ministry of Industry

# **Government Support for MSMEs During the Covid-19 Pandemic**



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

### **MSMEs CREDIT RESTRUCTURING**

#### ASSET QUALITY ASSESSMENT

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

## Asset Quality Arrangement:

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

#### **Restructurisation:**

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

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

#### POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

#### KUR Super Mikro : Loan up to IDR 10 million

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

#### KUR MKM (SMEs):

2

#### Loan up to Rp10 million up to IDR 500 million

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

#### Loan > Rp500 million up to IDR 10 billion

 Postponement of installments and interest subsidies from 3% to 3% for the period Apr-Jun 2020 and interest subsidies from 2% to 4% for the period Jul-Sep 2020.

#### UMi, Mekaar, Pegadaian (Pawnshop)

• Postponement of principal installments and interest subsidies for 6 months from Apr-Sep 2020

#### Fintech Loan, Co-op, Farmers, LPDB, LPMUKP, UMKM PEMDA

• Relaxation is given a 6% interest subsidy for 6 months

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

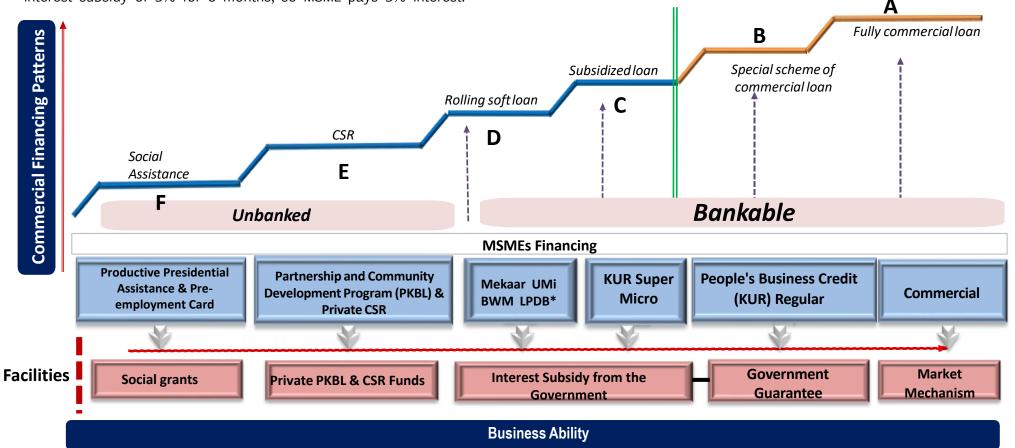
Additional interest subsidy 3% for 6 months, debtors pays 3% interest.

Increase the ceiling of KUR in 2021 to IDR 253 trillion.



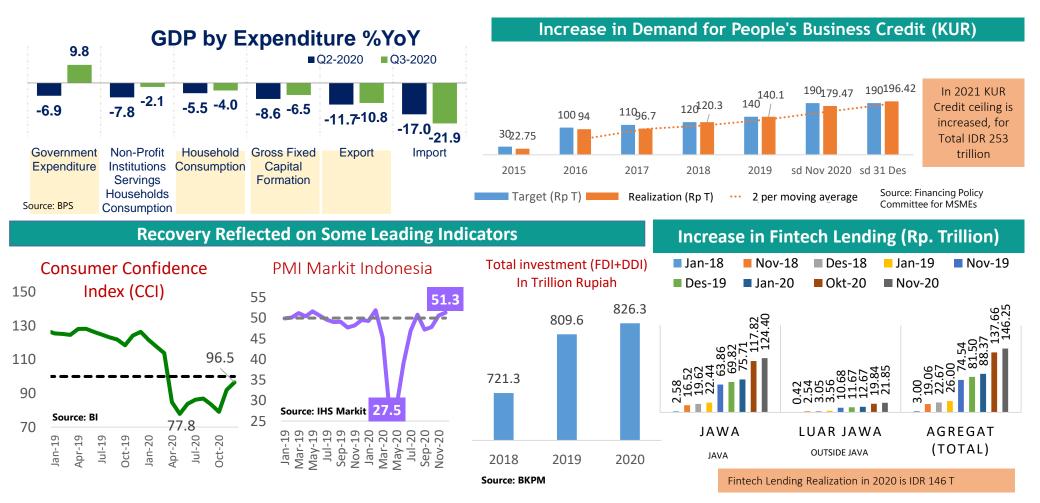
# Integration of Various Types of Social Assistance and Financing for Super Micro and MSMEs is Continually Encouraged

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



# Indonesia's Economic Improvement Trend Continues

Some economic indicators indicate an improvement i.e. PMI, Cosumer Confidence Index, KUR, Fintech Lending, Investment Realization, including Rupiah and Jakarta Composite Index (JCI)...





# Section 2

# Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

## Improving Global Perception

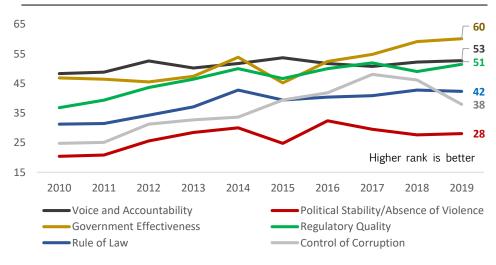
...with recent improvements on governance effectiveness



#### 2015-2016 20072010 2012:2013 2017-2018 2011-2012 2013-2014 2014,2015 2007-2008 208209 2010-2011 20162017 Rank 2012 20107 20 Higher rank is better 36 30 41 40 50 60 70 \*New Concepts by using the Global 80 Competitiveness index 4.0 which captures the determinants of long-90 term growth. Indonesia —— Philippines - Colombia India Bulgaria =

#### Global Competitiveness Index<sup>1</sup>

#### Worldwide Governance Indicators<sup>3</sup>

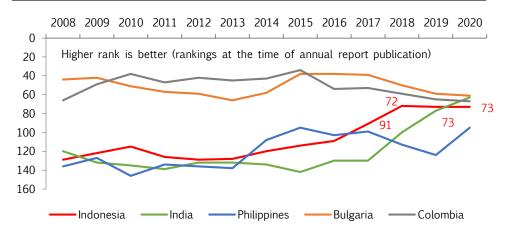


1. Source: World Economic Forum - The Global Competitiveness Report 2019;

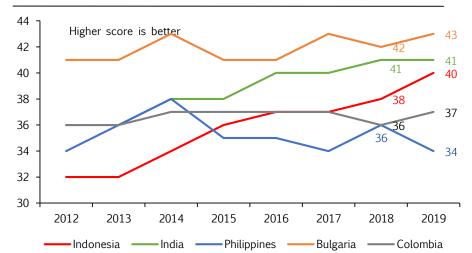
- 2. Source: World Bank Doing Business 2020 Report;
- 3. Source: World Bank The Worldwide Governance Indicators 2020 Update;

4. Source: Transparency International - Corruption Perceptions Index 2019 Report

#### Ease of Doing Business<sup>2</sup>



#### Corruption Perception Index<sup>4</sup>



# Continuous Improvement of Investment Climate ...another leap on Indonesia's Rank on Ease of Doing Business (EODB)\*



	EoDB 2020 Rank	EoDB 2019 Rank	Change in Rank	EoDB 2020 Points	EoDB 2019 Points	Change in Points
Overall	73	73	0	69.6	68.0	1.6
Starting a business	140	134	<b>4</b> 6	81.2	81.2	0.0
Dealing with Construction Permits	110	112	1 2	66.8	66.6	10.2
Getting Electricity	33	33	0	87.3	86.4	10.9
Registering Property	106	100	<b>4</b> 6	60.0	61.7	1.7
Getting Credit	48	44	4	70.0	70.0	0.0
Protecting Minority Investors	37	51	14	70.0	63.3	<b>1</b> 6.7
Paying Taxes	81	112	1 31	75.8	68.0	7.8
Trading Across Borders	116	116	0	67.5	67.3	10.2
Enforcing Contracts	139	146	1 7	49.1	47.2	1.9
Resolving Insolvency	38	36	<b>↓</b> 2	68.1	67.9	1 0.2

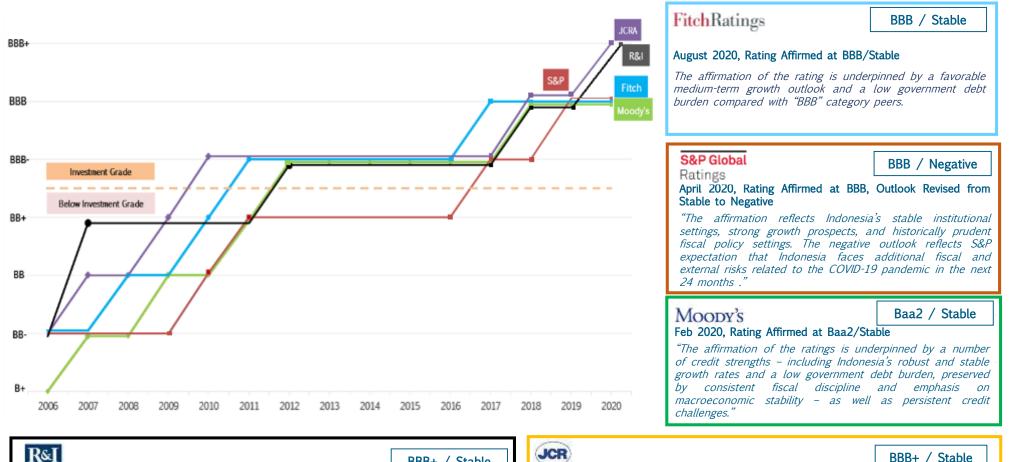
\* Higher rank is better, EoDB 2020 was published in October 2019

Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB -

Structural reforms will continue including in the budget and real sectors -

## Indonesia Has Been Rated as Investment Grade Country since 2017





#### March 2020, Rating Upgraded at BBB+/Stable

"The upgrade reflects the firm implementation of policies to strengthen economic growth potential on the back of a solidified political foundation. As the global spread of the novel coronavirus could strain growth in the Indonesia economy, the government and the central bank are working to shore up the economy and maintain macroeconomic stability. Given the country's underlying economic strength which remains intact, R&I expects the economy to start to recover if the epidemic is brought under control"



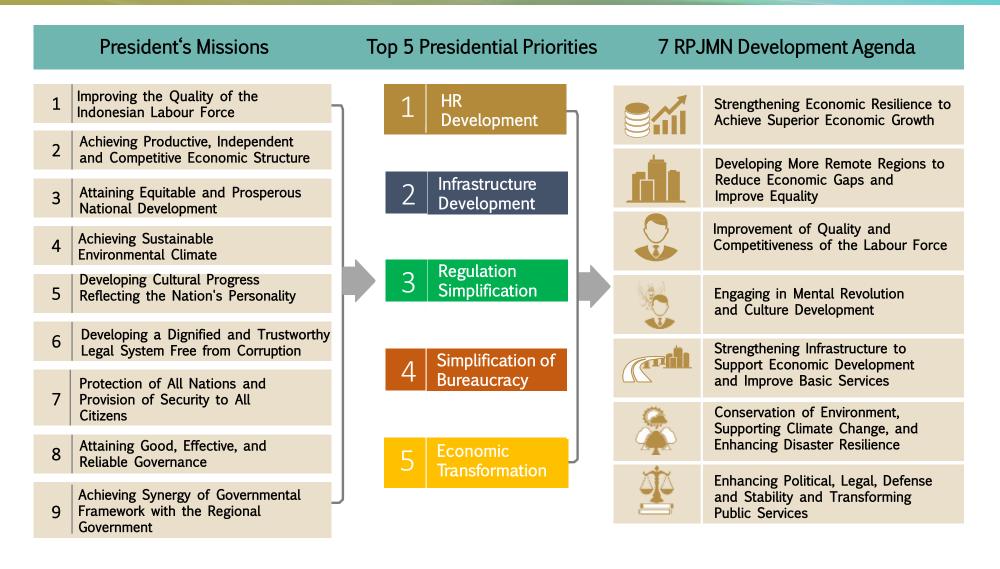
BBB+ / Stable

BBB+ / Stable

#### December 2020, Rating Affirmed at BBB+/Stable

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

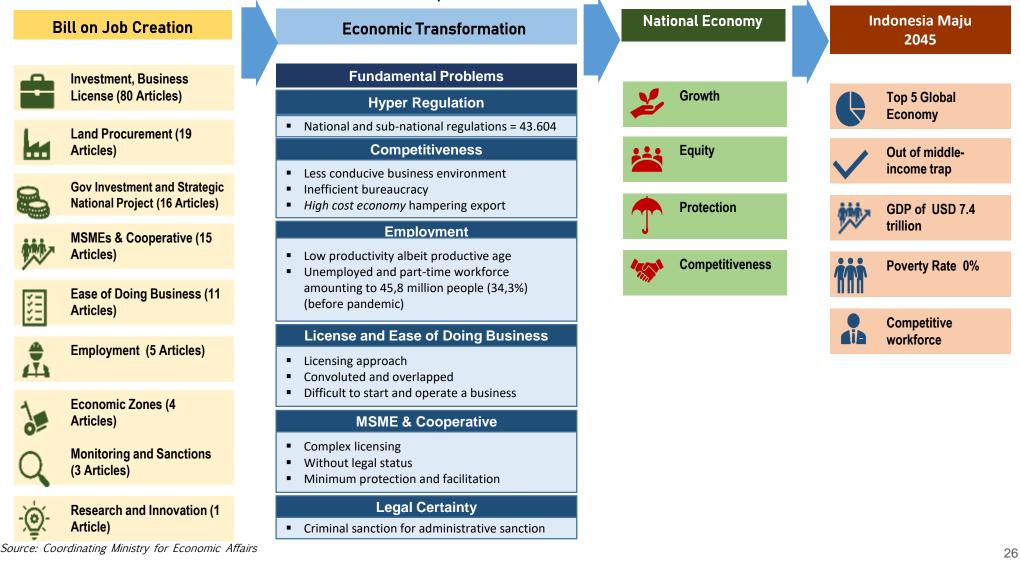
Medium-Term National Development Plan (RPJMN) 2020-2024 President's Vision: "The Establishment of an Advanced Sovereign, Independent and Personality



**Based on Mutual Cooperation**".

# Economic Transformation is Required to Recover the Economy and Avoid the Middle Income Trap

Bill on Job Creation as a strategic and extraordinary national policy to recover and improve the national economy (Complements UU 2/2020)



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

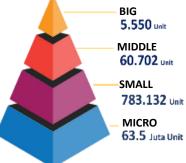






#### REGULATION

Of the total population aged 203.97 million people, there are 14.28 people affected by Covid-19 1. Unemployment due to covid-19 (2,56 million people) 2. Not labor force due to Covid-19 (0,76 million people) 3. Temporarily not working due to Covid-19 (1,77 million 4. Work with shorter hours due to Covid-19 (24,03



Among the 64.19 million MSEs, 64.13 million are Micro & Small Businesses, most of which are in the informal sector. so it needs to be encouraged to transform into formal ones.

**Complicated licensing** issues with abundant central & local regulations (hyper-regulations) that regulate the sector, causing disharmony, overlapping, nonoperational and sectoral.



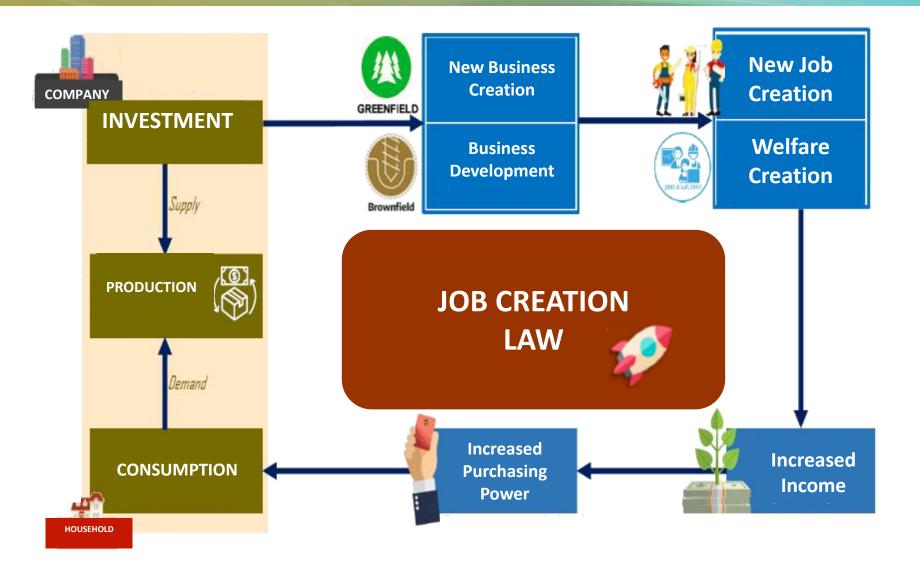
Source: Coordinating Ministry for Economic Affairs

(elgoeg

million people)

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# Framework of the Job Creation Law



# **Structures of Job Creation Law**



C	15 hapters	
186 Articles		

General Requirements (Article 1)
Principles, Objectives, and Scope (Article 2 – Article 5)
Improvement of Investment Ecosystems and Business Activities (Article 6 – Article 79)
Labour (Article 80 – Article 84)
Convenience, Protection, Empowerment of Cooperatives and MSMEs (Article 85– Article 104)
Ease of Doing Business (Article 105 – Article 118)
Research and Innovation Support (Article 119 – Article 121)
Land Procurement (Article 122 – Article 147)
Economic Zones (Article 148 – Article 153)
Central Government Investment and Ease of National Strategic Projects (Article 154 – Article 173)
Implementation of Government Administration to Support Job Creation (Article 174 – Article 176)
Supervision and Development (Article 177 – Article 179)
Other Provisions (Article 180 – Article 183)
Transitional Provisions (Article 184)
Closing (Article 185 – Article 186)

# **Government Supports in Job Creation Law**



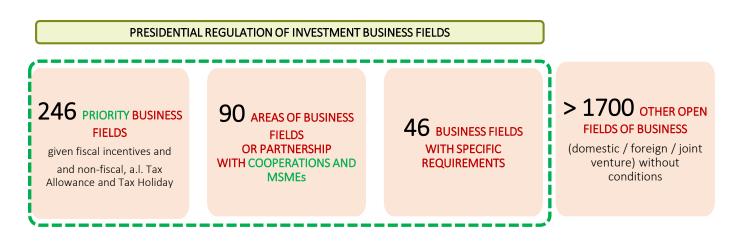
- **Support for MSMEs**: Business licensing for MSMEs is sufficient only through registration.
- 2 Support for Cooperatives: easiness in establishing cooperatives by setting a minimum number of 9 people, and cooperatives can apply Sharia business principles, and can take advantage of technology.
- 3 On the continuity of community plantations in forest areas, the community is given permission (legality) for the use of land sustainability in forest areas, where for community lands located in conservation areas, the community can still utilize plantation products with government supervision.
- Better policy integration between obtaining business licencing and environmental impact assessment. Policy integration utilise risk based approach, which makes it more uncomplicated to obtain Environmental Approval while still meeting the stipulated requirements.
- 5 For Halal Certification: The government bears the cost of certification for MSEs, acceleration and certainty in the halal certification process, as well as expanding the Halal Inspection Agency, which can be carried out by Islamic Organizations and State Universities.
- **For Fishermen**: Previously, the fishing boat licensing process had to go through several agencies, with the Job Creation Law, it was enough only to be processed at the Ministry of Marine Affairs and Fisheries.
- **For the provision of housing**: the backlog of community housing and **the construction of houses for Low-Income Communities (MBR) will be accelerated**, which is managed by the Agency for the Acceleration of Housing Management (BP3).
  - The Land Bank will carry out agrarian reform and land redistribution to the community
  - Businesses and MSMEs will receive benefits that include:
    - Ease and certainty in obtaining business licenses, by implementing risk-based licensing & implementing standards.
    - Proper rights and protection for workers/labour will increase competitiveness and productivity.
    - Receive incentives and conveniences, both fiscal incentives and convenience and certainty of services for investment.
    - Wider space of business activities for investment to be entered by referring to the business sectors that are prioritized by the Government.
    - Regarding the **imposition of sanctions, administrative violations** are only subject to **administrative sanctions**, while **violations that occur due to K3L** (Safety, Security and Environment) are subject to **criminal sanctions**.

8

# **Investment Priority List in the Presidential Regulation for the Investment Business Sector**



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



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

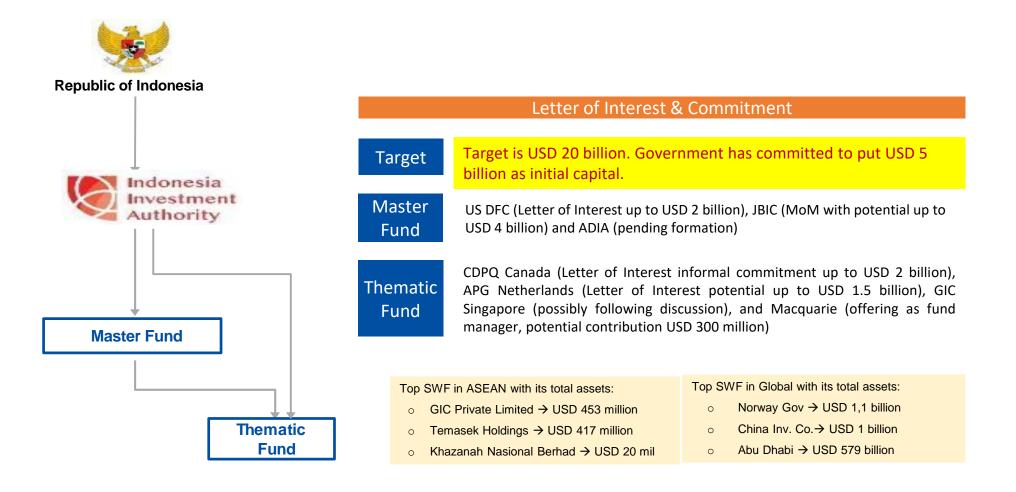
## Priority Business Field Criteria

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



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

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



# Synchronised Regulations following Job Creation Law to improve investment quality



PUBLIC CONSULTATION Implementing Regulations for the Job Creation Law

Presidential Regulation draft and Government Regulation draft are available for download from :

www.uu-ciptakerja.go.id/category/draft-rpp/

Suggestion for the drafts can also be submitted through above link or be sent to:

## Job Creation Law mailing:

Kemenko Perekonomian Lt. 6 Kantor Pos Besar Jl. Lapangan Banteng Utara no 1 Jakarta Pusat, 10710 INDONESIA

#### **Development of Completion of Implementing Regulations for Job Creation Law:**

- 1. 18 M/A have drafted **44 Implementing Regulations for the Job Creation Law: 40 Govt. Regulation Drafts and 4 Presidential Regulation Drafts**
- 2. 2 Govt. Regulation Drafts has been enacted:
  - Govt. Regulation Number 73 of 2020 concerning Indonesia Investment Authority (INA)
  - Govt. Regulation Number 74 of 2020 concerning Initial Capital for Indonesia Investment Authority (INA)
- 3. In order to improve the implementation of the Job Creation Law, **2 implementing regulations were added:** 
  - Govt. Regulation Draft concerning the Prohibition of Monopolistic Practices and Business Competition
  - Presidential Regulation Draft concerning Amendment to Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods / Services
- 4. Govt. Regulation Draft for the Transportation Sector is broken down into 4 regulation drafts and Govt. Regulation Draft for the Public Works and Public Housing Sector is broken down into 6 regulation drafts (2 Govt. Regulation Drafts into 10 Regulation Drafts)
- 5. Thus, the number of implementing regulations that were completed was 52 implementing regulations: 48 Govt. Regulation Drafts and 4 Presidential Regulation Drafts

#### Article 185 of the Job Creation Law:

"The implementing regulations of this Law must be stipulated no later than 3 (three) months" from 2 Nov 2020

 $\rightarrow$  Must have been determined by February 2, 2021

# Implementing Regulations for Job Creation Law – Public Consultations (as of January 22, 2021)

No	Date	Government Regulation Draft
1	22-Jan-21	Government Regulation Draft on Halal Product Guarantee
2	22-Jan-21	Government Regulation Draft on Tax Treatment to Support Ease of Doing Business
3	22-Jan-21	Government Regulation Draft on Indonesia Investment Authority (INA) Tax Treatment
4	22-Jan-21	Government Regulation Draft on Accumulation Account for Umrah Travel Expenses
5	21-Jan-21	Government Regulation Draft on Geospatial Information on Job Creation Implementation
6	21-Jan-21	Government Regulation Draft on Control of Neglected Areas and Lands
7	21-Jan-21	Government Regulation Draft on the Stipulation of Government Regulation in Lieu of Law Number 1 of 2000 Concerning FTZ and Free Ports
8	20-Jan-21	Government Regulation Draft on Establishment of Village-Owned Enterprises
9	20-Jan-21	Government Regulation Draft on Job Creation in the Transportation Sector
10	20-Jan-21	Government Regulation Draft on Land Bank
11	20-Jan-21	Government Regulation Draft on the Implementation of the Post, Telecommunications and Broadcasting Sector
12	20-Jan-21	Government Regulation Draft on the Use of Foreign Workers
13	13-Jan-21	Government Regulation Draft on Environmental Protection and Management
14	11-Jan-21	Government Regulations Draft on the Implementation of Business Licensing in the Regions
15	9-Jan-21	Government Regulations Draft on Cooperatives and MSMEs
16	7-Jan-21	Government Regulation Draft on Management Rights and Land Rights
17	7-Jan-21	Government Regulation Draft on Land Acquisition for Public Interest Dev
18	7-Jan-21	Government Regulation Draft on Spatial Planning Implementation
19	30-Dec-20	Government Regulation Draft on Implementation of Special Hajj and Umrah
20	22-Dec-20	Government Regulation Draft on Energy and Mineral Resources Sector
18	7-Jan-21	Government Regulation Draft on Spatial Planning Implementation
19	30-Dec-20	Government Regulation Draft on the Implementation of Special Hajj and Umrah
20	22-Dec-20	Government Regulation Draft on Energy and Mineral Resources Sector
21	13-Dec-20	Government Regulation Draft on Job Creation in the Industrial Sector

t	No	Date	Government Regulation Draft
	22	13-Dec-20	Government Regulation Draft on Job Creation in the Trade Sector
	23	25-Nov-20	Government Regulation Draft Third Amendment to Gov Regulations on Immigration
	24	23-Nov-20	Government Regulation Draft on Job Creation Law for Special Economic Zones
Iſ	25	23-Nov-20	Government Regulation Draft on Job Creation in the Agriculture Sector
Iſ	26	23-Nov-20	Government Regulation Draft on Job Creation in the Maritime and Fisheries Sector
	27	17-Nov-20	Government Regulation Draft on Environmental Protection and Management
	28	17-Nov-20	Government Regulation Draft on Forestry
	29	15-Nov-20	Government Regulation Draft on Regional Taxes and Regional Levies in the Framework of Supporting Ease of Doing Business and Regional Services
	30	13-Nov-20	Government Regulation Draft on Health in Hospitals
	31	13-Nov-20	Government Regulation Draft on Job Creation Law for Public Works and Public Housing
	32	13-Nov-20	Government Regulation Draft on Basic capital for Companies and Micro and Small Businesses
	33	13-Nov-20	Government Regulation Draft on Resolving Incompatibility of Spatial Plans with Forest Areas, Permits and / or Land Rights
	34	12-Nov-20	Government Regulation Draft on Synchronization of Laws and Regulations Under the Law
	35	10-Nov-20	Government Regulation Draft on Ease of National Strategic Projects
	36	22-Jan-20	Government Regulation Draft on Procedures for Imposing Administrative Sanctions and Procedures for Non-Tax State Revenues Derived from Administrative Fines for Business Activities Built in Forest Areas
	37	28-Jan-21	Presidential Regulation Draft concerning Amendments to Presidential Regulation Number 16 of 2018 concerning Procurement of Government Goods or Services
	38	10-Jan-21	Presidential Regulation Draft concerning the Investment Business Field
	39	14-Nov-20	Presidential Regulation Draft on the Agency for the Acceleration of Housing Management
	40	13-Nov-20	Presidential Regulation Draft of Government Cooperation with State Owned Enterprises in Providing Basic Geospatial Information
ł	41	13-Nov-20	Presidential Regulation Draft of Financial Rights and Facilities of Construction Service Development Institutions

# **Investment Facilitation Services During COVID-19 Pandemic**





## **Companies Operation Support**

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





## Visa Recommendations for Company Leaders

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





## Visa recommendations for foreign skilled workers

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





## **Escorting Existing Investment Realization**

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





## **Optimization of Business Licensing Services**

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



### **Investment Realization in 2020**



DDI: Domestic Direct Investment

FDI: Foreign Direct Investment

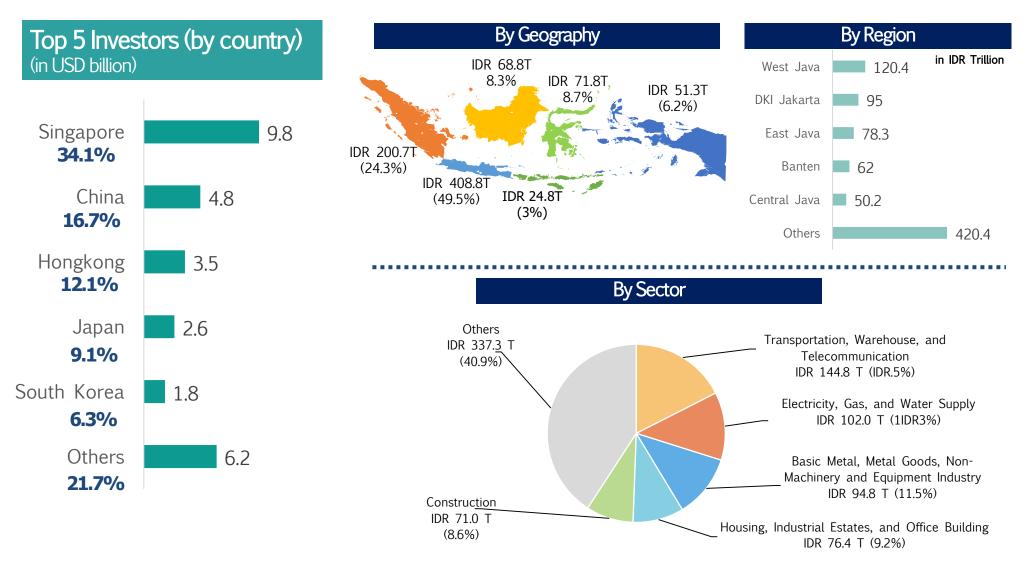
- \*) The investment realization target for 2020 is based on the chairman of BKPM letter No. 102/A.1/2020 dated April 16<sup>th</sup> 2020 regarding the Proposed Revision of the Investment Targets for 2020-2024 due to the Impact of Covid-19 and the letter from Ministry of National Development Planning of the Republic of Indonesia to The Indonesia Investment Coordinating Board (BKPM) No. B.265/M.PPN/D1/PP.03.02/04/2020 dated April 24<sup>th</sup> 2020 regarding the Approval of the Proposed Revision of Investment Target 2020-2024 due to the Impact of Covid-19.
- \*\*) Towards the 2020 investment realization target
- The investment realization figures of the fourth quarter of 2020 constitute the direct investment realization done for the three months period (October – December 2020) based on investment realization report (LKPM) from the DDI and FDI companies.
- Investment on Oil and Gas, Banking, Non-Bank Financial Institution, Insurance, Leasing, and Home Industry sectors are excluded.
- The investment value is in Trillion Rupiah (T), and US\$ 1= Rp 14,400 based on 2020 National Budget
- The total investment realization of the fourth quarter of 2020 is Rp 214.7 T, 2.7 % increase from the third quarter of 2020 (Rp 209.0 T) and 3.1 % increase from the fourth quarter of 2019 (Rp 208.3 T)
- Investment realization in January December 2020 is Rp 826.3 T, 2.1% increase from the previous period in January – December 2019 (Rp 809.6 T)

q-o-q
0.8%
4.6%
2.7%

Jan-Dec 2020	у-о-у
DDI	7.0%
FDI	-2.4%
TOTAL	2.1%

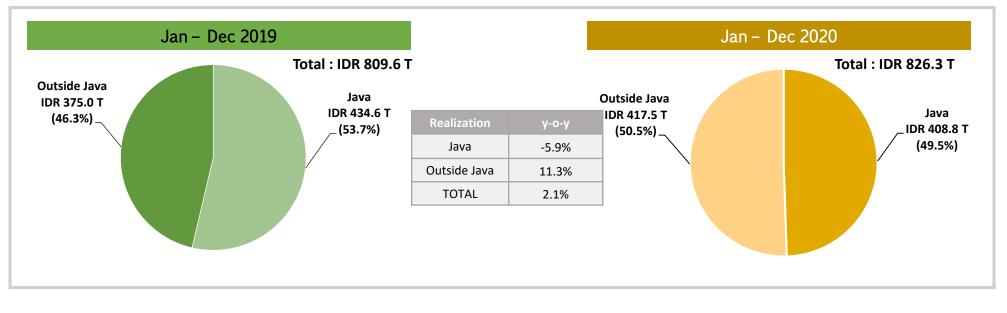
## **Investment Realization in 2020**

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



## **Investment Realization in 2020**

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

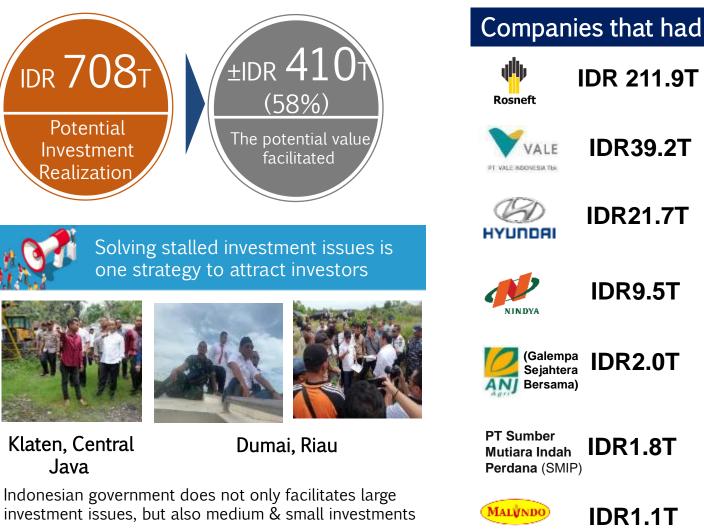






# Potential Investment Realization Reaches IDR 708 T



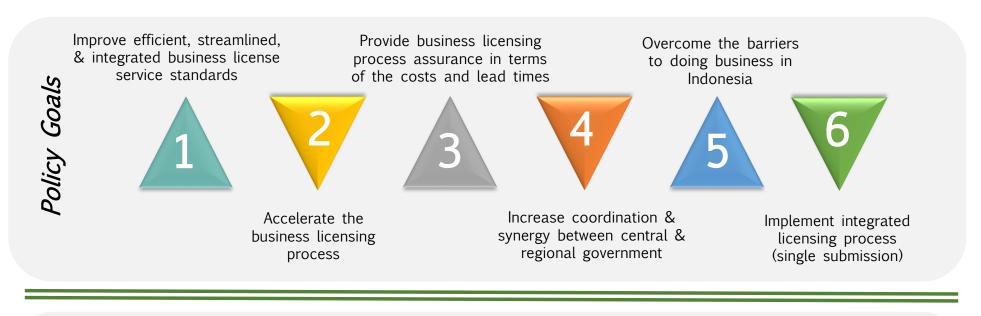


Companies that had been facilitated:



# Enhancing Business License Service Standard

Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014



#### 1<sup>st</sup> Phase

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



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

Uti

Zones & Tourist Zones Utilizing data sharing 2<sup>nd</sup> Phase



Business license regulatory reforms



Implementation of the Single Submission system

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

Source: Coordinating Ministry for Economic Affairs

Main Policy

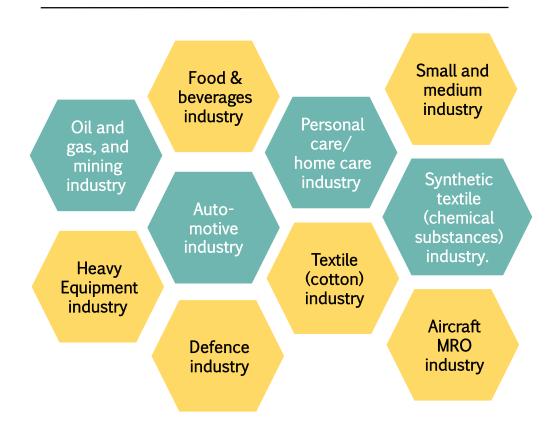
...Bonded Logistic Center launched in 2016 to Improve Indonesia's Competitiveness



### Bonded Logistic Center

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

PLB facility aims to improve efficiency and reduce the cost of transportation and logistics in Indonesia; support the growth of the domestic industry, including small and medium industries; increase investment; and to make Indonesia to become a logistics hub in Asia Pacific. To date, 52 Bonded Logistic Center has been launched to support various industries.





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

Environment & Forestry Sector	Electricity Sector	Public Works & Housing Sector	Health Sector	Industry Sector			
Marine & Fishery Sector	Medicine & Food Sector	Transportation Sector	Trade Sector	Information & Communication Sector			
Other Sector							

#### The Advantage of Using OSS



Business licenses can be secured in under an hour







Standardized

are available

business licenses

Accessible at anytime and anywhere

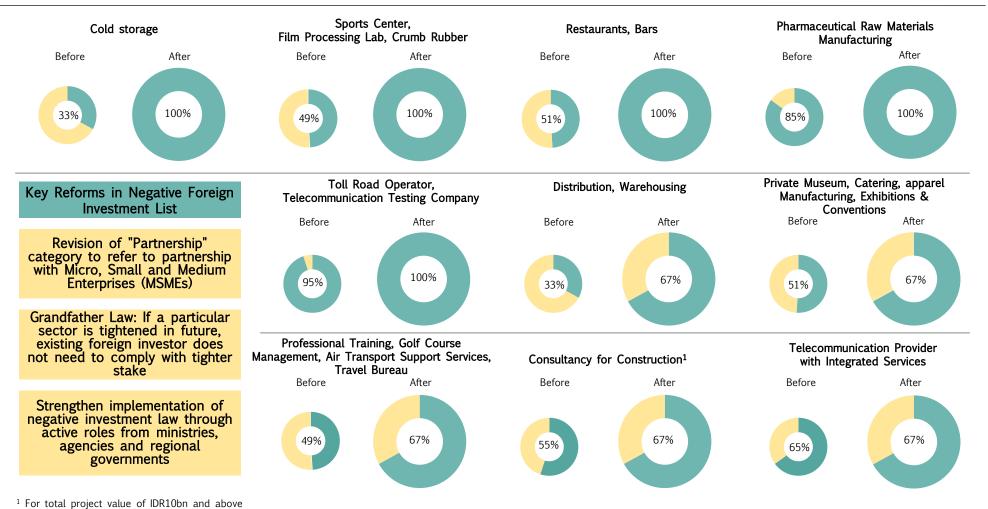




The whole licensing process is monitored by the Task Force



#### Introduction of New Foreign Ownership Regulation for Strategic Sectors



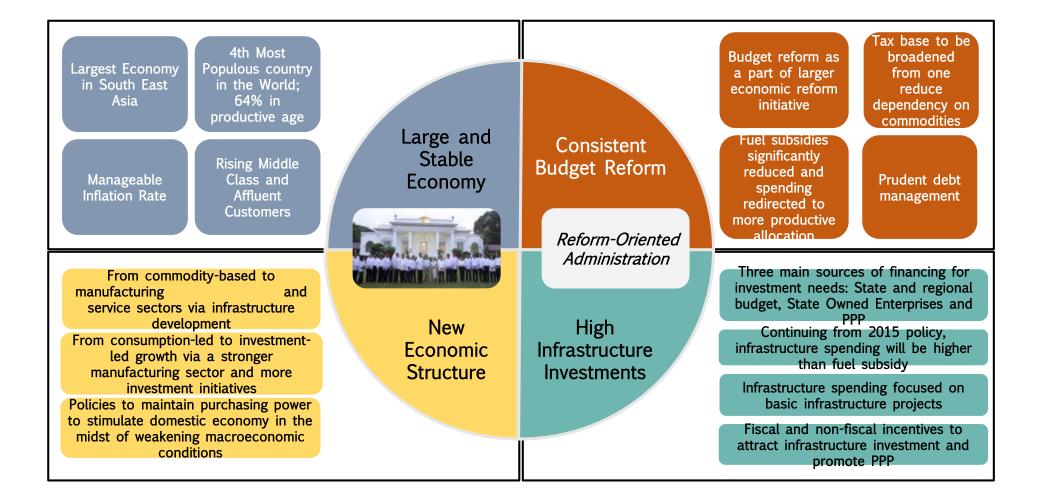
Source: Investment Coordinating Board (BKPM)



# Section 3

Economic Factor: Stable Growth Prospects Amid Temporary Moderation

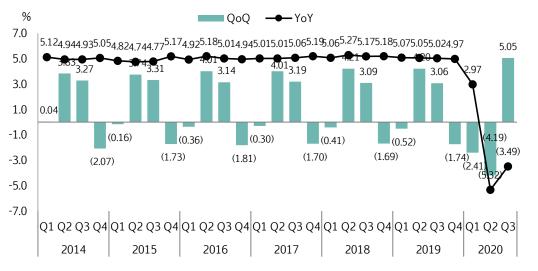




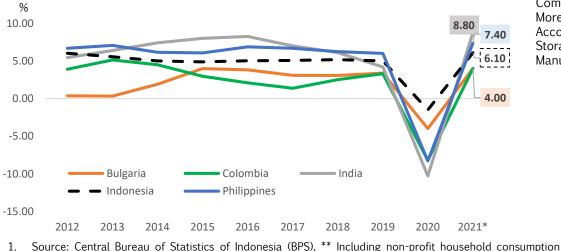
## National Economic Growth Improved



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



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



2. Source: World Economic Outlook Database – October 2020; \* indicates estimated figure

- National economic growth improved in the third quarter of 2020 in response to increasing realisation of government stimuli along with early signs of greater public mobility and stronger global demand. Indonesia's economy grew 5.05% (qtq) in the third quarter of 2020, rebounding from a 4.19% (qtq) contraction in the previous period. Annually, a shallower 3.49% (yoy) contraction pointed to domestic economic improvements after contracting 5.32% (yoy) in the second quarter of 2020.
- Domestic economic gains occurred across nearly all GDP components on the expenditure side. Higher realisation of government stimuli, primarily in the form of social assistance disbursements, procurement of goods and services as well as regional transfers and village fund disbursements, raised government consumption significantly in the third quarter of 2020, expanding 9.76% (yoy) after contracting 6.9% (yoy) in the second quarter of 2020. Furthermore, government stimuli and increasing public mobility have reduced the household consumption contraction to 4.04% (yoy). Investment is also performing better, recording a shallower 6.48% (yoy) contraction, primarily on the back of nonbuilding investment. In addition, the export contraction also improved to 10.82% (yoy) in line with increasing public mobility and stronger economic performance in Indonesia's main trading partners, China in particular.
- The recent economic gains were felt across most sectors, led by those associated with health as well as work-from-home and school-from-home activities, which maintained positive growth, including Information and Communications, Health and Social Services as well as Education Services. Moreover, greater public mobility has prompted moderate gains in terms of Accommodation and Food Service Activities as well as Transportation and Storage, both of which experienced shallower contractions. In addition, the Manufacturing Industry, Construction and Trade posted gains.

#### **Growth Prospect**

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	4.8-5.8
IMF (WEO, Jan 2021)	4.8
World Bank (Global Economic Prospects, Jan 2021)	4.4
ADB (ADOS Dec 2020)	4.5
Consensus Forecast (Dec 2020)	4.6 46

# **GDP Growth Breakdown**



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

	2015					2016 2017 2018 2019							2020															
By expenditure	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
HH. Consumption	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5.0	5.2	5.0	5.1	5.1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0
Non profit HH. consumption	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8.1	8.8	8.6	10.8	9.1	17,0	15,3	7,4	3,5	10,6	-5,1	-7,8	-2,1
Government consumption	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2.7	5.2	6.3	4.6	4.8	5,2	8,2	1,0	0,5	3,2	3,7	-6,9	9,8
Gross Fixed Cap. Formation	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7.9	5.8	6.9	6.0	6.6	5,0	4,6	4,2	4,1	4,4	1,7	-8,6	-6,5
Exports	(0.6)	(0.3)	(1.0)	(6.4)	(2.1)	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5.8	7.5	8.3	4.6	6.5	-1,6	-1,7	0,1	-0,4	-0,9	0,2	-11,7	-10,8
Imports	(2.6)	(7.1)	(6.5)	(8.6)	(6.2)	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	12.5	14.9	13.8	7.1	11.9	-7,5	-6,8	-8,3	-8,0	-7,7	-2,2	-17,0	-21,9
GDP	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5.1	5.3	5.2	5.2	5.2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5

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

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

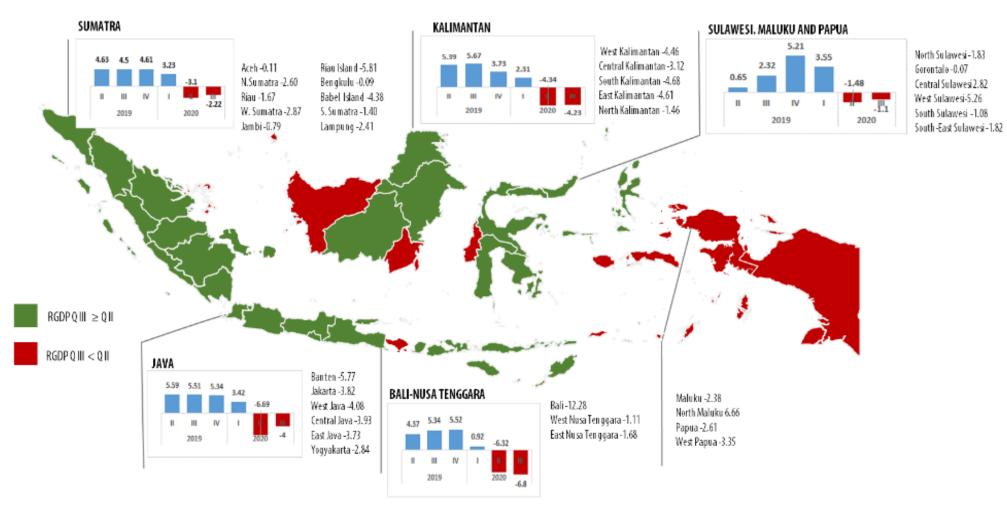
			2015					2016					2017					2018					2019				2020	
By sectors	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
Agriculture, forestry, and fishery	3.7	6.5	2.9	1.6	3.8	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3.4	4.7	3.6	3.8	3.9	1,8	5,3	3,1	4,3	3,6	0,0	2,2	2,1
Mining and Quarrying	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.0	0.2	1.4	0.9	(1. 3)	2.1	1.8	0.0	0.7	1.1	2.6	2.7	2.2	2.2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3
Manufacturing	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4.6	3.9	4.4	4.2	4.3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3
Construction	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7.4	5.7	5.8	5.6	6.1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5
Wholesale and Retail Trade, Repair of Car and Motorcycle	3.8	1.6	1.4	3.5	2.5	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5.0	5.2	5.3	4.4	5.0	5,2	4,6	4,4	4,2	4,6	1,6	-7,6	-5,0
Transportation and Storage	6.3	6.0	7.0	7.5	6.7	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8.5	8.7	5.7	5.5	7.1	5,5	5,9	6,7	7,6	6,4	1,3	-30,8	-16,7
Information and communication	9.7	9.3	10.6	9.2	9.7	7.6	9.3	8.9	9.6	8.9	10. 5	11.1	8.8	8.3	9.6	7.8	5.1	8.1	7.1	7.0	9,1	9,6	9,2	9,7	9,4	9,8	10,8	10,6
Financial service	8.6	2.6	10.3	12.8	8.6	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4.3	3.1	3.1	6.2	4.2	7,2	4,5	6,1	8,5	6,6	10,6	1,1	-0,9
Other Services <sup>*</sup>	5.1	6.5	4.8	5.5	5.4	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4,6	5.4	6.2	6.7	6.4	6.2	6,8	7,3	6,4	6,2	6,7	4,6	-6,3	-1,4
GDP	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5.1	5.3	5.2	5.2	5.2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5

Source: Central Bureau of Statistics of Indonesia (BPS) \*Other services consist of 10 sectors (according to Standard National 2008)

# **Economic Performance Improved In Almost All Regions**



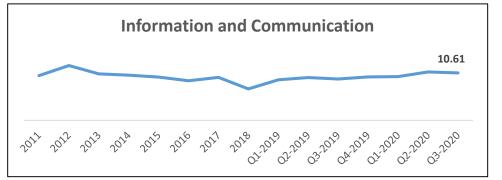
### REGIONAL GDP Q3 2020 (% YOY)

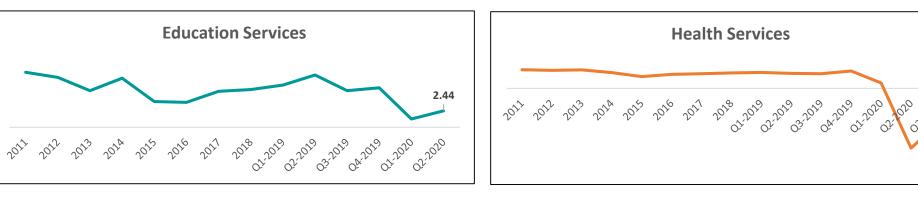


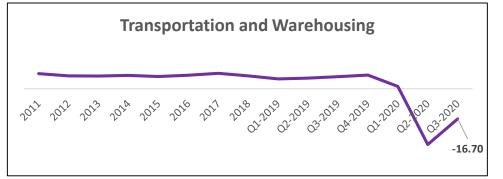
## **Economic Performance in Most Sectors Have Been Improved**

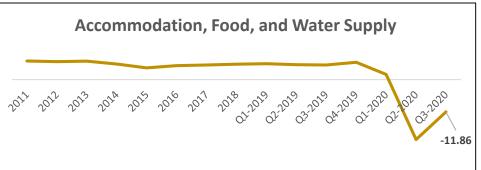


The economic gains **during third quarter 2020** were felt across most sectors, led by those associated with health as well as work-from-home and school-from-home activities, which maintained positive growth, including Information and Communications, Health and Social Services as well as Education Services.





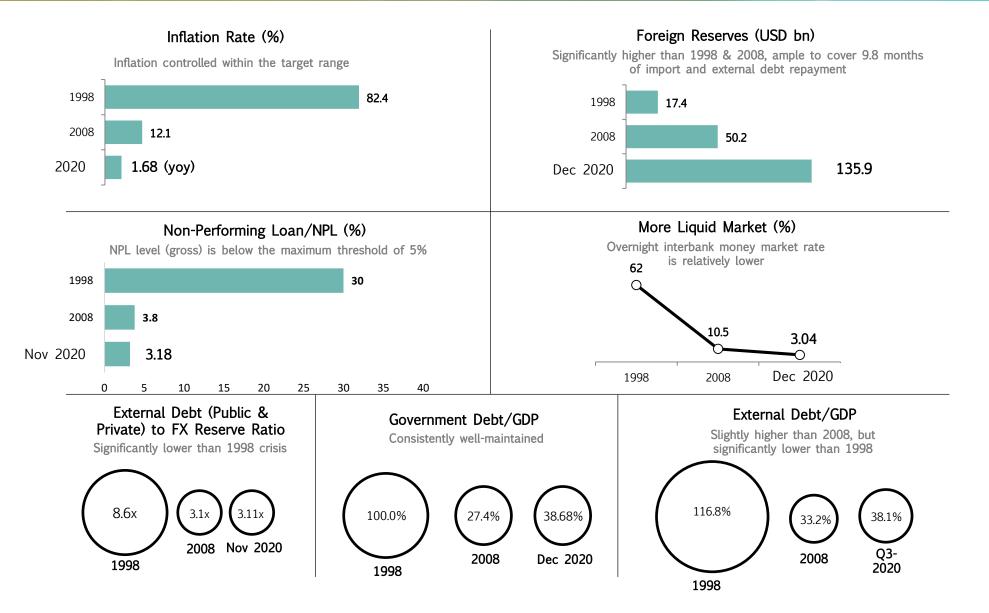




-11.86

# **Stronger Fundamentals Facing the Headwinds**

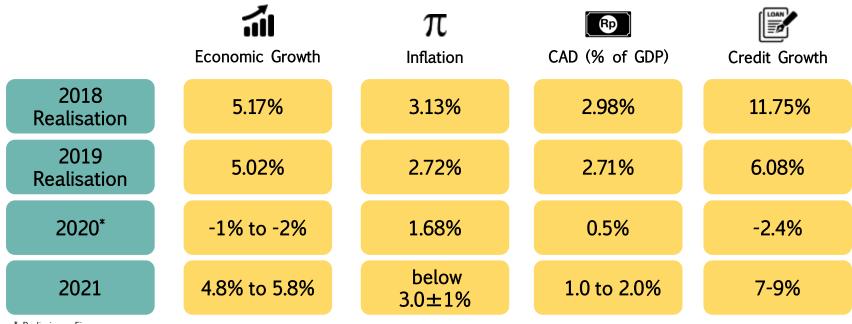




### Outlook of Domestic Economy Remains Robust ...domestic economic growth is predicted to be rebound in 2021

#### 2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 4.8% 5.8%.
- Bank Indonesia projects Inflation in 2021 to remain under control and within the 3.0%±1% target corridor.
- Bank Indonesia projects the current account deficit at 1.0-2.0% of GDP in 2021, thereby supporting external sector resilience in Indonesia.
- Bank Indonesia projects growth of outstanding loans disbursed by the banking industry in 2021 will rise to around 7% 9%



\* Preliminary Figure



# Section 4

# External Factor: Improved External Resilience

# **External Sector Remains Resilient Supported by Adequate Reserves and Sound Balance of Payments**



1.0

0.0

-1.0

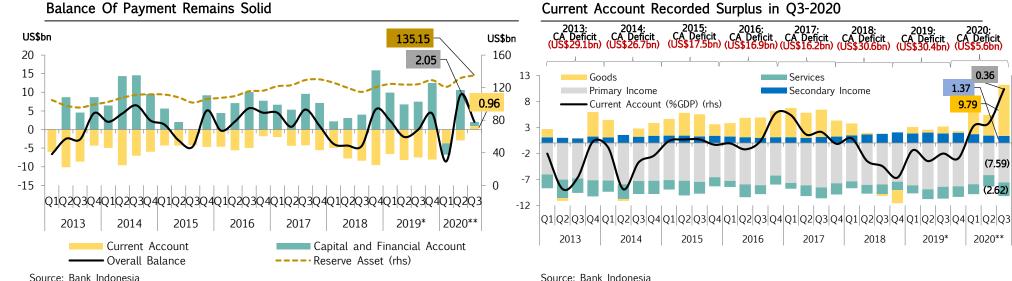
-20

-3.0

-50

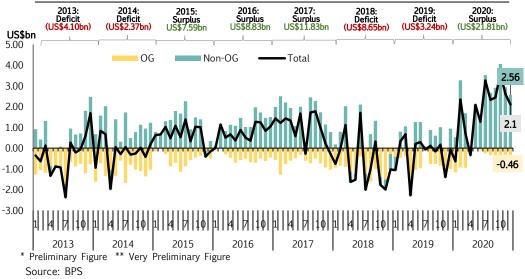
(7.59)

(2.62)

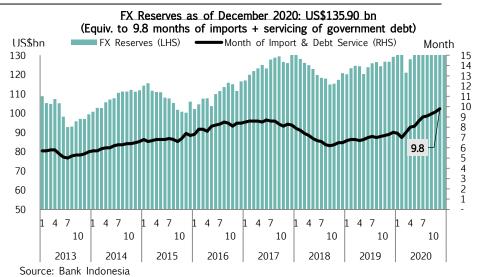


Source: Bank Indonesia

#### Trade Balance Surplus Increases



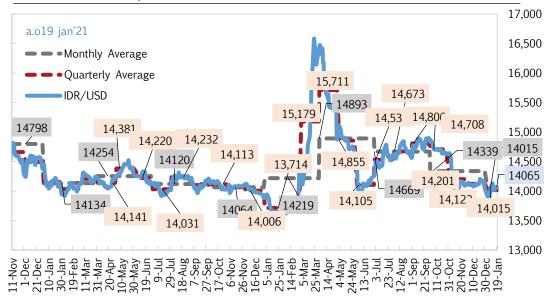
#### Official Reserve Assets Increased to Reinforce External Sector Resilience



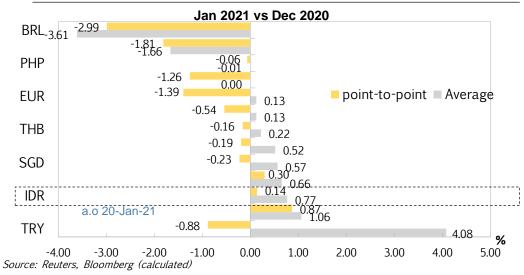
# **Exchange Rate In Line with Fundamentals**



#### Movement of Rupiah

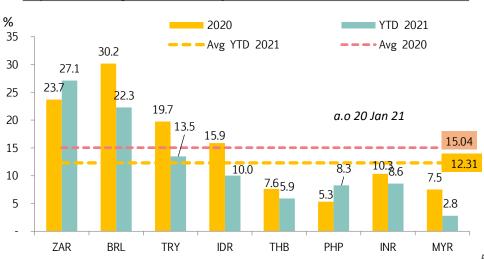


Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Supported by Bank Indonesia's stabilisation measures and maintained foreign capital inflows to domestic financial markets, the rupiah is appreciating. As of 20th January 2021, the rupiah strengthened 0.77% on average, or by 0.14% (ptp) on the December 2020 level. A surge of foreign capital inflows to domestic financial markets in line with lower global financial market uncertainty and the positive perception of investors towards the promising domestic economic outlook have fed through to a stronger rupiah. Looking ahead, Bank Indonesia still expects the rupiah to regain lost value as the currency is fundamentally undervalued, supported by a narrow current account deficit, low and stable inflation, attractive domestic financial assets for investment, a lower risk premium in Indonesia as well as abundant global liquidity. In addition, Bank Indonesia will continue to strengthen rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms through effective monetary operations and by providing market liquidity.

#### Rupiah Exchange Rate Volatilty



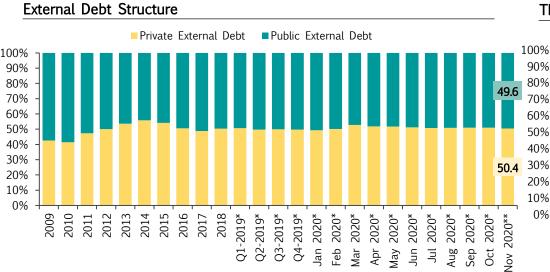


#### **Ample Reserves** • Ample level of FX reserves to buffer against external shock **FX** Reserve • FX Reserves as of of December 2020: US\$135.90 bn Swap Arrangement Renewed a 3 year USD22.76 billion swap line with Japan on October 14<sup>th</sup>, 2018 Japan The facility is available in USD and JPY South Korea Renewed a 3 year KRW / IDR swap arrangement with the size of up to KRW 10.7 trillion / IDR 115 trillion in March 2020 • <u> 3ilateral</u> Australia Renewed a 3 year A\$/IDR swap arrangement of up to A\$10 billion or IDR 100 trillion in August 2018 ٠ Singapore Renewed a one year SGD/IDR swap arrangement with a size up to USD10 billion (equivalent) in November 2020 ٠ Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in China November 2018 Malaysia Established a 3 year RM/IDR swap arrangement with a size up to USD2 billion (equivalent) in September 2019 Entitled to a maximum swap amount of USD600 million under ASA **ASEAN Swap** The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million Arrangement (ASA) Regional Doubled to USD2 billion in 2005 Chiang Mai Entitled to a maximum swap amount of US\$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool Initiative created under the agreement **Multilateralization** Came into effect in 2010 with a pool of US\$120 bn and (CMIM) Agreement Doubled to US\$240 bn effective July 2014 • IMF Global Global Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem **Financial Safety**

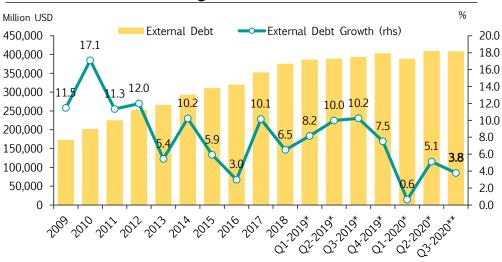
Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

Net - GSFN

# **Healthy External Debt Composition**

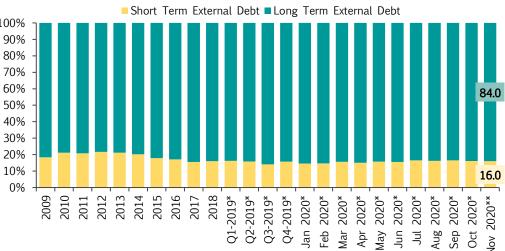


#### External Debt Remains Manageable

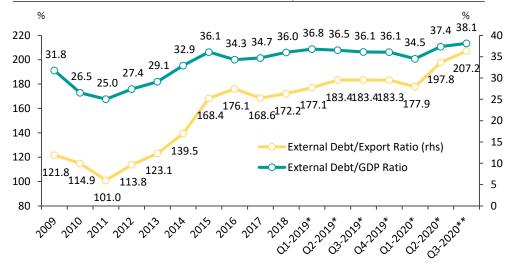


Source: Bank Indonesia, External Debt Statistics of Indonesia

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



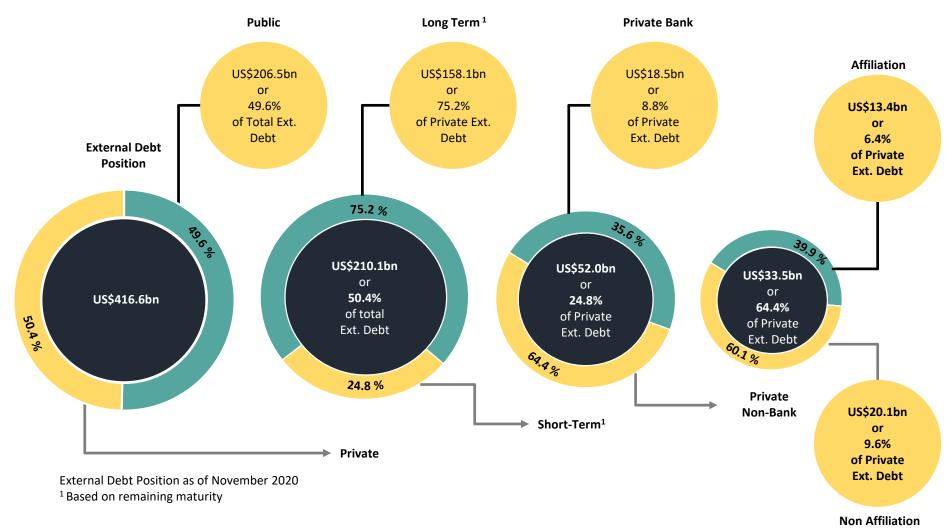
#### External Debt to GDP Ratio & Debt to Export Ratio



\*Provisional Figures \*\*Very Prov

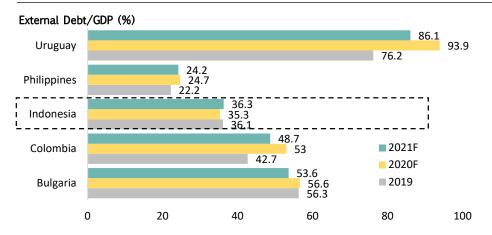
## Manageable External Debt Profile

Short term non-bank corporate debt (non affiliation) represents only 9.6% of total private external debt



# Strengthened Private External Debt Risk Management

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



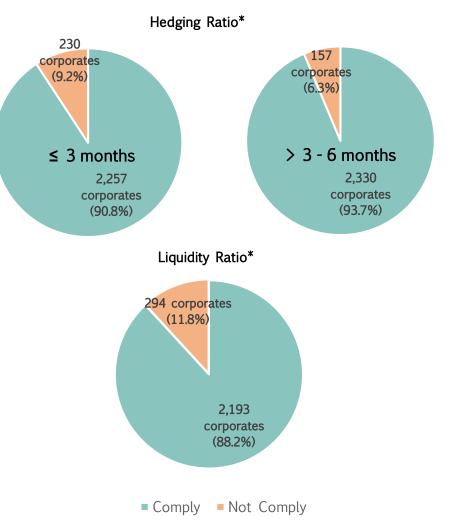
Source: Moody's Credit View Fundamental Data, July 2020

#### Regulation on Prudential Principle in Managing External Debt

Regulation Key Points	<u>Phase 1</u> Jan 1,2015 – Dec 31,2015	<u>Phase 2</u> Jan 1,2016 – Dec 31,2016	Phase_3 Jan 1, 2017 & beyond				
Object of Regulation	Governs	all Foreign Currer	ncy Debt				
Hedging Ratio							
≤ 3 months	20%*	0%* 25%**					
> 3 – 6 months	20%*	25%**					
Liquidity Ratio (≤ 3 months)	50%	70	70%				
Credit Rating	Not applicable	Minimum r	ating of BB-				
Hedging transaction to meet hedge ratio	not necessarily be done with a bank in Indonesia Must be with a bank in Indonesia						
Sanction	anction As of Q IV-2015 App						

Source: Bank Indonesia





\*Data as of Q2 2020, with total population 2..487 corporates Source: Bank Indonesia

### **Solid Policy Coordination** In Managing Financial Markets Volatility



The enactment of Law No. 9/2016 regarding Prevention and Mitigation of Financial System Crises as a legal foundation for the government to serves at the time of financial crisis in the form of **Financial** Indicators: System Stability Committee (KSSK) - Exchange rate; **KSSK members**: the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the **Deposit Insurance Corporation** Swap facility arrangements based on international cooperation Enhancing coordination between government institutions and continuous dialogue with market participants CMP Implementing Crisis Management Protocol (CMP) **BSF** Implementing Bond Stabilization Framework (BSF)

#### Gov't Securities Crisis Management Protocol (CMP)

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

#### **Bond Stabilization Framework**

First Line of Defense							
State's Budget	Buyback fund at DG of Budget Financing and Risk Management Investment fund at Public Service Agency (BLU) (min. level Aware)						
State Owned Enterprises (BUMN)'s Budget	Related SOEs (min. level Aware)						
Social Security Organizing Agency (BPJS)'s Budget	BPJS (min. level Aware)						
Seco	nd Line of Defense						
State's Budget	State General Treasury Account (Rekening KUN) (min. level Alert) Accumulated cash surplus (SAL) (min. Level Crisis)						



# Section 5

# Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

# Fiscal Policy Support in Handling Covid-19 Pandemic

B



### COVID-19, IMPACT, AND RESPONSES



COVID-19 IS AN UNPRECENDENTED & EXTRAORDINARY A threatening health crisis



CAUSE HUGE ECONOMIC IMPACT Capital outflow, economic contraction, disrupted business activity, unemployment



SEEK FOR QUICK AND INCREDIBLE RESPONSES

For health, economic, and financial sector



COLLABORATION BETWEEN POLICY FORMULATION UNIT IS NECESSARY Monetary, Financial, and Fiscal Policy

### Issue Perppu 1/2020

The legal basis for the government to take any *extraordinary countermeasure* for Covid-19 pandemic. This regulation have been legitimated through UU 2/2020.

#### 2020 Budget Adjustment (Perpres 54 & 72)

Through budget 2020, the Government widened the deficit to 6.34% of GDP as *extraordinary measures* to handle the pandemic

#### National Economic Recovery (PEN)

In 2020, IDR695,2 trillion (4.2% of GDP) was allocated to accelerated pandemic handling and economic recovery

#### Financing & Burden Sharing

The widening of the APBN deficit requires additional funding sources, among others through the burden sharing scheme with Bl.

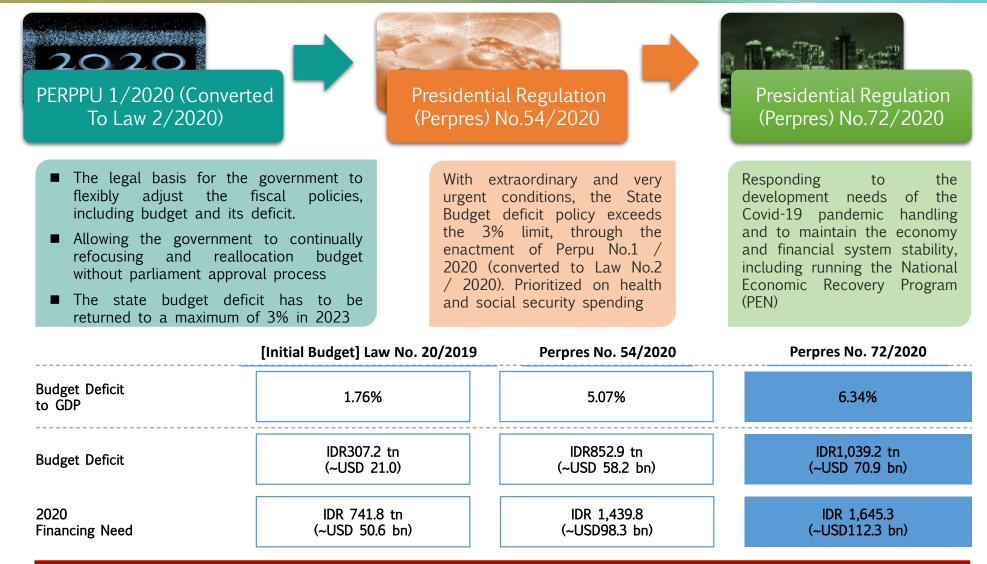
#### Development of State Budget in Response to Covid-19 pandemic

	Budget 2020	Presidential Regulation 72/2020	
Fiscal Deficit to GDP	1.76%	5.07%	6.34%
Budget Deficit	IDR307.2 T	IDR852.9 T	IDR1,039.2 T
Financing	IDR741.8 T	IDR1,439.8 T	IDR1,645.3 T

# Amendment of State Budget Posture 2020

As a response to development needs for handling of pandemic COVID-19



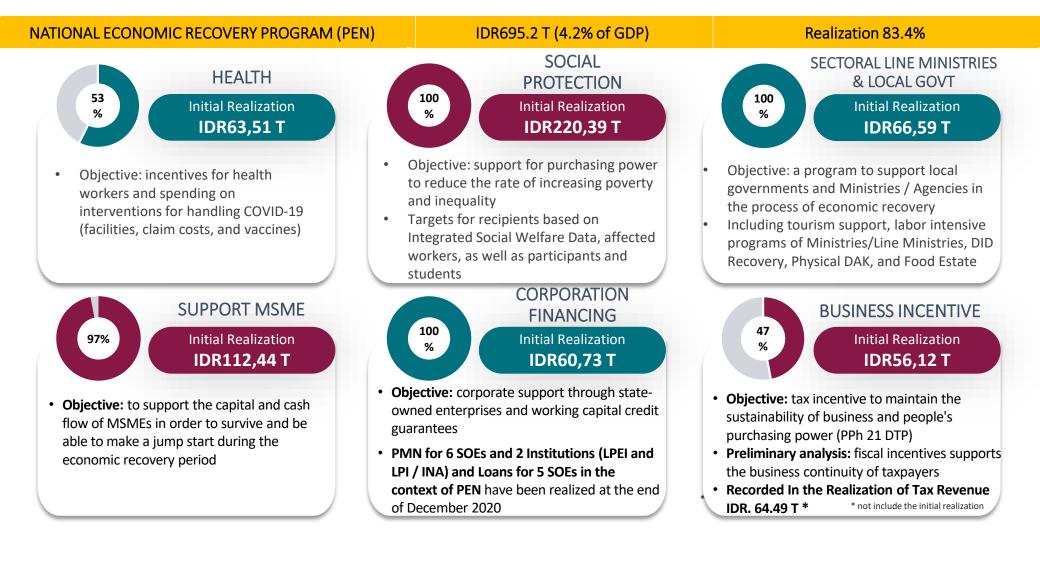


#### PERPPU 1/2020 is emergency law issued by government to respond the COVID-19 outbreak

Source: Ministry of Finance Notes: USDIDR exchange rate of IDR14,653.

### Government's Timely and Comprehensive Support For Health, Social and Economy





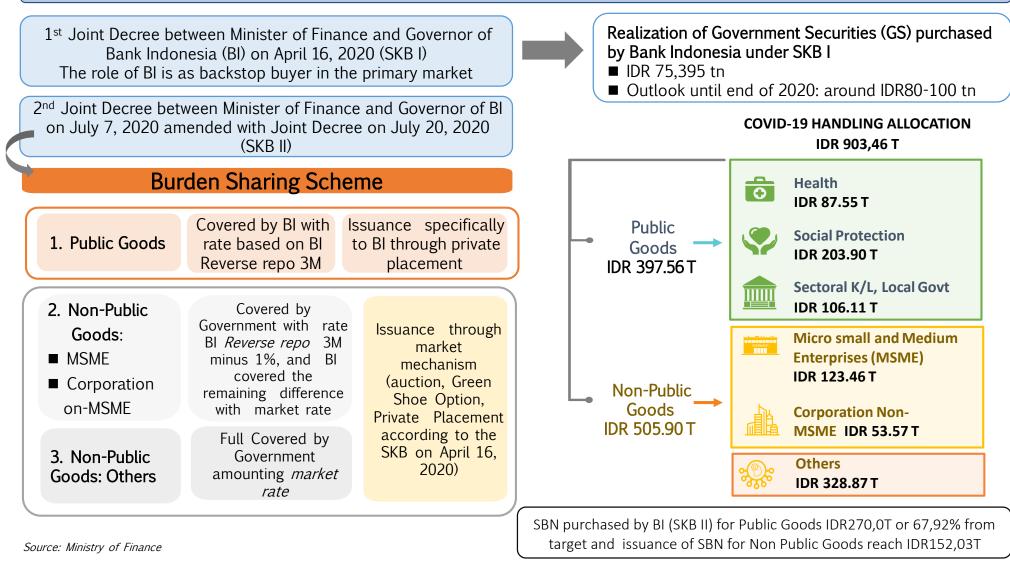
# Synergy Between Central Bank and the Government

in Accelerating National Economic Recovery



64

The Enactment of Emergency Law No. 1/2020 (becoming Law No. 2/2020) allows Central Bank to buy GS in the primary market



While facing a challenge on state revenue, government expenditure keep the economy afloat and enable people to retain their incomes

Account	2019			
(IDR T)	2019	Realization	% of budget*	Growth (%)
Revenue	1,916.6	1,633.6	96.1	(16.7)
Tax Revenue	1,332.7	1,070.0	89.3	(19.7)
Customs & Excise	213.5	212.8	103.5	(0.3)
Non Tax Revenue	409.0	338.5	115.1	(17.2)
Grant	5.5	12.3	945.8	123.7
Expenditure	2,309.3	2,589.9	94.6	12.2
Central Government Expenditure	1,496.3	1,827.4	92.5	22.1
Regional Transfer & Village Funds	813.0	762.5	99.8	(6.2)
Primary Balance	(73.1)	(642.2)	91.7	778.1
Surplus (Deficit)	(348.7)	(956.3)	92.0	174.3
% to GDP	(2,20)	(6,09)		
Financing	402.1	1,190.9	114.6	196.2

\* under Presidential Decree No. 72/2020

Covid-19 become the major challenge for state revenue. The contraction occurred since the realization of tax revenue declined, due to economic slowdown and tax incentives provisions.

Government expenditure focus on Covid-19 handling program and provide extensive social safety net, also support for business including SMSEs.

Financing strategy is prudently managed to support extraordinary measures in Covid-19 handling and its economic consequences. Macroeconomic Assumption and State Budget for 2021

Expansive-consolidative fiscal policy for the acceleration of Economic Recovery and strengthening the reforms



### Macroeconomic Assumption

Indonesia's economic growth is projected to return to its medium-term growth trajectory, while anticipate the uncertainty in global economic recovery

		Budget
1	Economic Growth (%)	5.0
~	Inflation (%, yoy)	3.0
6	Exchange Rate (Rp/US\$)	14,600
<u>dı.</u>	10 years Government Securities Rate (%)	7.29
	ICP (US\$/barrel)	45
A	Oil Lifting (rbph)	705
à	Gas Lifting (rbsmph)	1,007

### Development Target Indicator

The overall fiscal policies are expected to support the achievement of development targets in 2021

		Budget
Lib	Unemployment Rate (%)	7.7 – 9.1
****	Poverty Rate (%)	9.2 – 9.7
И	Gini Ratio (index)	0.377 – 0.379
<b>9</b>	Human Development Index	72.78 – 72.95
<b>1</b>	Farmer Terms of Trade	102-104
<u>.</u>	Fisherman Terms of Trade	102-104

# State Budget 2021 Comprehensively Designed

To Support The Acceleration of National Economic Recovery And Anticipate An Economic Slowdown Due To The Covid-19 Pandemic



Account	2020	2021		
Account IDR Trillion	Perpres 72/2020	APBN	Growth	
Revenue	1,699.9	1,743.6	2.6%	
Domestic Revenue	1,698.6	1,742.7	2.6%	
1. Tax Revenue	1,404.5	1,444.5	2.8%	
2. Non Tax Revenue	294.1	298.2	1.4%	
Grants	1.3	0.9	-30.8%	
Expenditure	2,739.2	2,750.0	0.4%	
Central Government Expenditure	1,975.2	1,954.5	-1.0%	
1. Ministries Expenditure	836.4	1,032.0	23.4%	
2. Non Ministries Expenditure	1,138.9	922.6	-19.0%	
Transfer to Region and Village Fund	763.9	795.5	4.1%	
1. Transfer to Region	692.7	723.5	4.4%	
2. Village Funds	71.2	72.0	1.1%	
Primary Balance	(700.4)	(633.1)	-9.6%	
Surplus/(Deficit)	(1,039.2)	(1,006.4)	-3.2%	
% to GDP	(6.3)	(5.7)		
Financing	1,039.2	1,006.4	-3.2%	

STATE REVENUE POLICY

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

#### **EXPENDITURE FOCUS**

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

#### FINANCING STRATEGY

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

activities					
Health	Social	Priority	Business	MSMEs Support & Corporate	
IDR 104.70T	Protection	Program	Incentive	Financing	
	IDR 150.96T	IDR 141,36 T	IDR 20.4 T	IDR 156.06 T	
		IDR 104.70T Protection	HealthSocialPriorityIDR 104.70TProtectionProgram	HealthSocialPriorityBusinessIDR 104.70TProtectionProgramIncentive	

\*) The budget allocation for the National Economic Recovery program can change in response to economic developments

National Recovery in 2021 II

### State Budget 2021 Comprehensively Designed Prioritising Accelerated Recovery and Economic Transformation

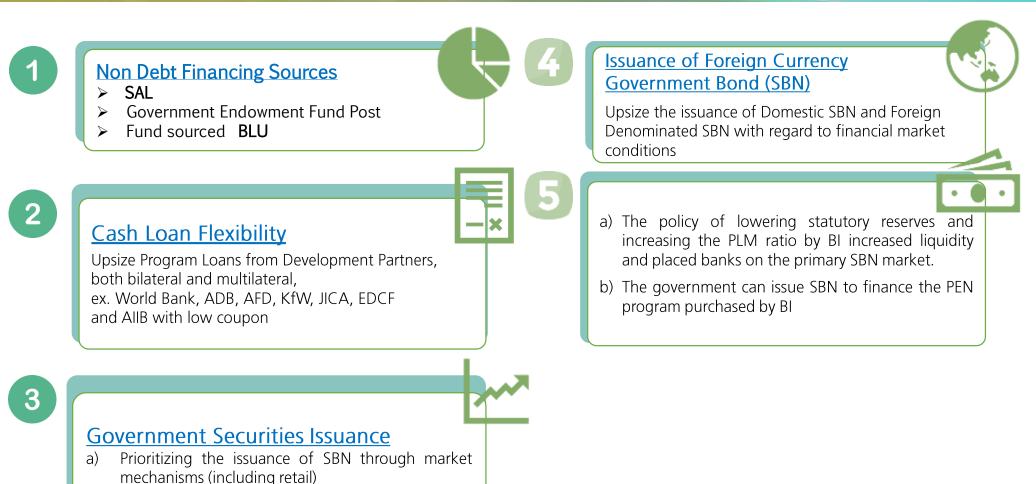


#### HEALTH SOCIAL **EDUCATION** 2021 STATE (IDR 169.7T) (IDR 550.0T) PROTECTION Accelerating health recovery due BUDGET • PISA score improvement (IDR 408.8T) to Covid-19 Strengthening PAUD, JKN reform **STRATEGIC** Continuing social protection, Increased teacher competence • Health Security Preparedness **Reform in stages: comprehensive** • POLICY Priority for 2021: anticipating the social security services based on **Through Central Government &** procurement of vaccines & the life cycle and anticipating the **Transfer expenditures: BOS, Village** vaccinations, fulfillment of facilities / aging population, Funds for early childhood education lab / research and development / Improved DTKS. programs, PIP, Teacher Allowances, PCR, assistance for PBI JKN Bidik Misi/KIP Kuliah, LPDP. participants, construction / **INFRASTRUCTURE** TOURISM ICT **FOOD SECURITY** (IDR 417.4T) (IDR 26.0T) (IDR 14.2T) (IDR 99.0T) • Optimization of utilizing ICT to Provision of basic services • Encouraging the recovery of the Increase food production support and improve the quality of **Connectivity improvements** tourism sector with a focus on 5 public services (efficiency, • Revitalizing the national food Support for economic recovery and super priority areas convenience and acceleration) system, and continue pending priority PPP scheme development • Priorities e.g.: provision of BTS, • Food Estate Development programs. Provision of internet access at public service locations, National Data Centers, etc.

# Financing Strategy 2020

Opportunistic, Measured, and Prudent Financing Strategies to support State Revenue and Expenditure Budget (APBN) 2020 in accelerating the handling of COVID-19 and protecting the economy from the threat of crisis

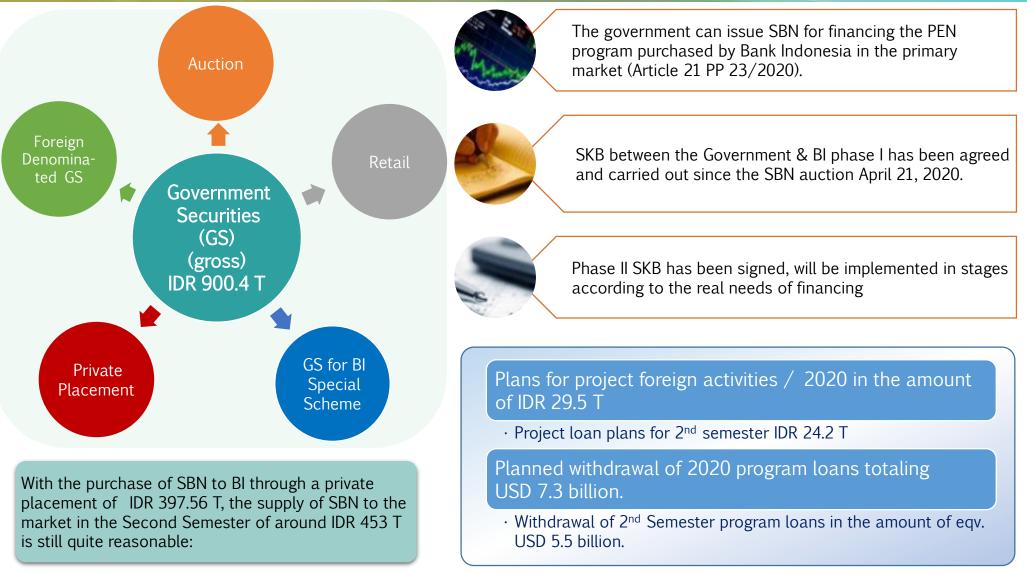




b) Open opportunity for Private Placement requests from SOE/Institution ex. LPS, BPKH, and others

### Government Securities For 2<sup>nd</sup> Semester according to Presidential Regulation 72/2020



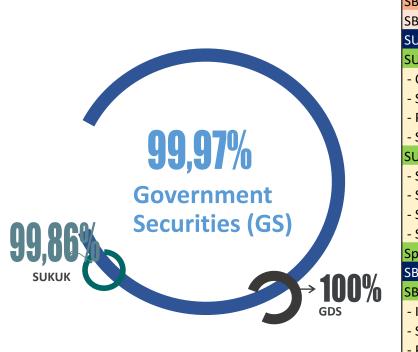


### Government Securities Financing Realisation (as of Dec 30<sup>th</sup>, 2020)



**IDR** trillion

De altantian



	2020
SBN Neto	1,176.58
SBN	1,528.40
SUN	1,161.09
SUN Rupiah	640.04
- ON	479.64
- SPN	57.41
- Private Placement	69.42
- SUN Ritel	33.56
SUN Valas	123.49
- SEC USD-EUR REG SHELF TAKE-DOWN*	42.52
- Samurai Bond	13.43
- SEC USD REG SHELF TAKE-DOWN**	67.54
- SUN Valas Domestik	0.00
Special Instrumen	397.56
SBSN / SUKUK	367.31
SBSN Rupiah	331.65
- IFR/PBS/SPNS Sukuk	223.61
- Sukuk Ritel	43.24
- Private Placement	64.80
Global Sukuk***	35.66

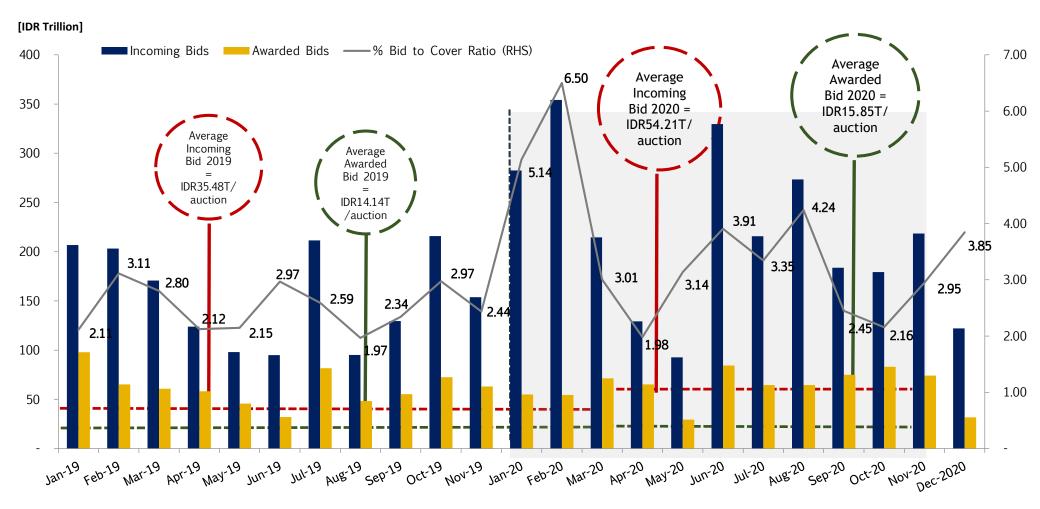
\* Dual-currency bonds issuance using SEC format amounted USD2 bn and EUR1 bn, settlement on January 14, 2020 (BI mid day exchange rate; 1 USD = 13,654 IDR and 1 EUR = 15,207.83 IDR)

\*\* Global bonds issuance using SEC format amounted USD4.3 bn, settlement on April 15, 2020 (BI mid day exchange rate on April 15, 2020; 1 USD = 15,707 IDR)

\*\*\* Global Sukuk issuance amounted USD2.5 bn on June 16, 2020, settlement on June 23, 2020 (BI mid day exchange rate on June 16, 2020; 1 USD = 14,265 IDR) \*\*\*\* Samurai bonds issuance using public offering amounted JPY100bn, settlement on July 8, 2020 (BI mid day exchange rate on July 2, 2020 : 1 JPY = 134.34 IDR)

### GS Primary Market Performance 2019-2020 Through Auction





# Republic of Indonesia - USD3.1bn Equiv. Dual-Currency Offering

On January 7, 2020, the Republic of Indonesia priced a transaction comprising EUR1 bn and USD2 bn in senior unsecured notes.

		Denublie of Indonesi	-		
Issuer	Republic of Indonesia				
Issuer Rating		Baa2 Moody's (Stable) BBB S&P (Stable) BBB			
	D	Fitch (Stable)	סנ		
Exp. Issue Rating	Baa2 (Mc	ody's) / BBB (S&P)	/ BBB (Fitch)		
Issue		C-registered shelf ta			
		rate senior unsecure			
Aggregate Size		USD3,100 mm equiv.			
	EUR 7-year	USD 10-year	USD 30-year		
Maturity	February 14, 2027	February 14, 2030	February 14, 2050		
Tranche Size	EUR1,000 mm	USD1,200 mm	USD800 mm		
Coupon	0.900% p.a. (ACT/ACT)	2.850% p.a. (30/360)	3.500% p.a. (30/360)		
Reoffer Price	99.638%	99.737%	99.077%		
Reoffer Yield	0.953% p.a.	2.880% p.a.	3.550% p.a.		
Benchmark (Yield)	€MS (- 0.077%) DBR 02/15/27 (- 0.446%)	UST <sub>10</sub> (1.828%)	Old UST <sub>30</sub> (2.311%)		
Spread to Benchmark	€MS + 103 bp DBR + 239.9 bp	+ 105.2 bp	+ 123.9 bp		
Denominations	EUR100k /EUR1k	USD200k/1k	USD200k/1k		
Listing / Law	Singapore, Frankfurt Open Market listing / New York law				
Use of Proceeds Source: Ministry of Fir	For general purposes, including to partially fund general financing requirements				

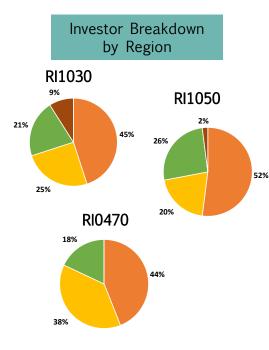
#### **Transaction Highlights**

- Leveraged a brief market window of stability to price *inside* fair value levels by 1 bp for the EUR tranche and at a *de minimis* concession inside 1 bp for the 10- and 30-year USD tranches
- Record-low yields, spreads, and coupons by EUR and USD financing by the Gol in each tenor
- High-quality and price-insensitive demand allowed compression of 27 bp for the EUR tranche and 25 bp and 20 bp for the 10and 30-year USD tranches, respectively
- Harnessed a particularly strong bid for duration to price benchmarks which prompted a rally in the long-end of Indonesia's curve once the new bonds were freed to trade



## Republic of Indonesia – USD4.3bn Global Bonds Issuance

On April 7, 2020, the Republic of Indonesia priced a transaction comprising USD4.3bn in senior unsecured notes



US 🛛	Europe	Asia ex-Indonesia	Indonesia	Reof
------	--------	-------------------	-----------	------

lssuer	R	epublic of Indones	sia	laura at a m	Due e la dessue
Issuer Rating	B	aa2 Moody's (Stab BBB S&P (Stable) BBB Fitch (Stable)			Breakdown stor Type
Exp. Issue Rating	Baa2 Moo	dy's / BBB S&P /	' BBB Fitch	RI1030	RI1050
Format		U.S. SEC registere	d	10% 1%	1% 2% 3%
lssue	Senior	unsecured fixed ra	te notes	1%	22%
Pricing Date		April 6, 2020			
Settlement Date		April 15, 2020		20% 649	6
Aggregate Size		USD4,300 mm			719
	Long 10.5-year	Long 30.5-year	Long 50-year		1% 1% 1%
Maturity	Oct 15, 2030	Oct 15, 2050	Apr 15, 2070	RI0470	
Tranche Size	USD1,650 mm	USD1,650 mm	USD1,000 mm		
Coupon (p.a.)	3.850%	4.200%	4.450%		
Reoffer Price	99.573	99.150	99.009	Asset Managers	
Reoffer Yield (p.a.)	3.900%	4.250%	4.500%	<ul> <li>Insurance/Pension Fu</li> <li>Central Bank/Sovereig</li> <li>Banks</li> </ul>	
Listing	Singapo	Singapore, Frankfurt Open Market			
Law	New York			<ul> <li>Private Banks</li> <li>Others</li> </ul>	
Lico of Procoods	For gonoral pur	pases of the Popu			

**Transaction Highlights** 

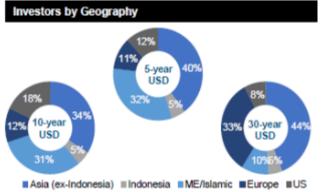
Use of Proceeds For general purposes of the Republic of Indonesia,

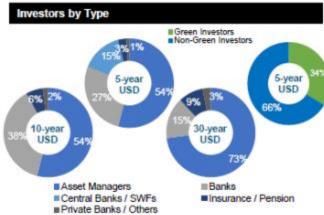
Net proceeds will be used for general purposes of the Republic, including financing COVID-19 relief and recovery efforts for the Republic to contain the virus and mitigate its impact on Indonesia.

- The Republic's fiscal policy amidst volatile market conditions includes support for healthcare, the social safety net, and small and medium enterprises.
- □ The debut 50-year offering on strong demand in the long end of the curve.
- The transaction is the largest global offering by the Republic and demonstrates the Republic's ability to respond swiftly to markets and capture favorable issuance windows.

## Republic of Indonesia – USD0.75bn Green Sukuk Global & USD1.75bn Sukuk Global Bonds Issuance







lssuer		Republic of Indonesia		
Issuer Rating	Baa2 Moody's (Stabil) BBB S&P (Negative) BBB Fitch (Stabil)			
Format	144A / Reg S, Senior, Unsecure, Wakala US\$ Trust Certificate ("Sukuk") issued under a USD\$2.5 billion Trust Certificated Issuance Programme			
Pricing Date	June 16, 2020			
Settlement Date	June 23, 2020			
Aggregate Size		USD2,5bn		
	5Y Green Sukuk	10Y Sukuk USD	30Y Sukuk USD	
Maturity	June 23, 2025	June 23, 2030	June 23, 2050	
Tranche Size	USD0,75bn	USD1bn	USD0,75bn	
Coupon	2.3% Fiixed	2.8% Fixed	3.8% Fixed	
Reoffer Spread	UST +195.3bps	UST +204.7bps	UST +227.7bps	
Others Details	USD200k/ik denoms, English/Indonesia Law			
Listing	Singapore Stock I	Exchange and NASDAQ I	Dubai (dual listing)	

#### **Transaction Highlights**

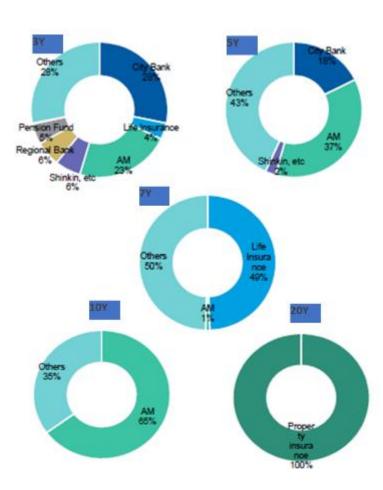
□ Second ROI transaction priced since COVID-19 pandemic

The transaction is the lowest ever 5-year and 10-year yield achieved by the Government across both conventional and Sukuk issuances in the US\$ market.

□ The transaction is the first ever 30 year Sukuk issuance by the Government with the lowest coupon ever of Global Sukuk issuance in the world and the largest ever 30 year Sukuk from Asia.

□ The transaction has oversubscription of 6.7 times. With the size of orderbook, Government can press the pricing down by 70 bps from the initial price guidance (IPG) and well below its indicative fair value.

## Republic of Indonesia - JPY100bn Samurai Bond



Issuer	Republik of Indonesia				
Bond Rating		Baa2 Mood	dy's, BBB S&F	, BBB Fitch	
Format	S	amurai Bond	(Public Offer	ing), Reg S o	nly
Pricing Date			July 2, 2020	)	
Settlement Date			July 8, 2020	)	
Deal Size			JPY100bn		
	3Y FXD	5Y FXD	7Y FXD	10Y FXD	20Y FXD
Maturity	July 7, 2023	July 8, 2025	July 8, 2027	July 8, 2030	July 6, 2040
Tranche Size	JPY 50.7bn	JPY24.3bn	JPY10.1bn	JPY13.4bn	JPY1.5bn
Coupon	1.13%	1.35%	1.48%	1.59%	1.80%
Reoffer Spread	YSO+110bp YSO+130bp YSO+140bp YSO+145bp -				-
Lead Managers	[	Daiwa / MUM	SS / Nomura	ı / SMBC Nik	ko

#### **Transaction Highlights**

- □ First Sovereign Samurai issuance in 2020 and the first issue from Asian after the pandemic declaration and part of the proceeds will be allocated to various projects in response to COVID-19
- □ Rol's achievements of successful pricing of benchmark sized transaction while significantly reducing average premium over its US dollar secondary curve across tenor, contributed to encourage the market and proved strong presence of Rol as a leading Samurai bond issuer.

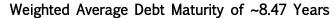
# **Disciplined and Sophisticated Debt Portfolio Management**

#### IDR Tn Government Debt / GDP (%) 38.68% Debt Outstanding (Triliun IDR) 6,000.0 40.00% 852.9 30.18% 35.00% 29.81% 29.40% 5,000.0 28.33% 27.43% 30.00% 24.74% 764.5 4,000.0 810.7 25.00% 746.2 734.8 3,000.0 20.00% 755.1 5,221.7 15.00% 677.6 2,000.0 4,014.8 3,612.7 3,248.6 10.00% 2,780.6 2.410.0 1,000.0 1,931.2 5.00% 0.00% 2014 2015 2016 2017 2018 2019 Dec-20 Loan — Debt/GDP Ratio [RHS] Bond

Stable Debt to GDP Ratio Over the Years

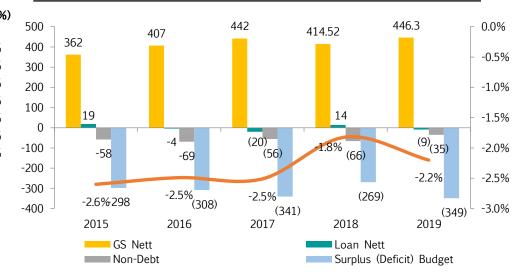
Note: \*) as of end of December 2019,

\*\*) Preliminary number using GDP assumption





#### Prudent Fiscal Deficit

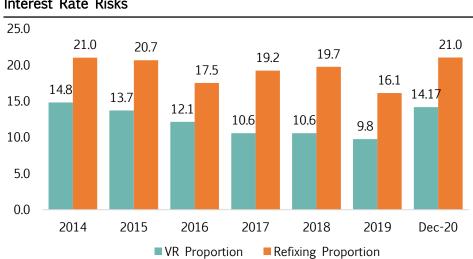


#### Well Diversified Across Different Currencies

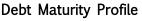


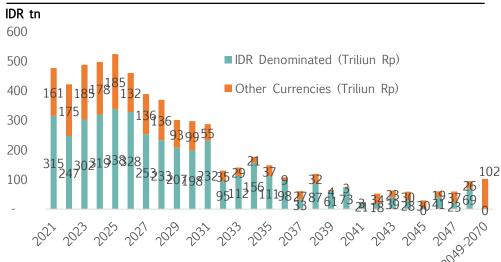
## Well Balanced Maturity Profile with Strong Resilience **Against External Shocks**



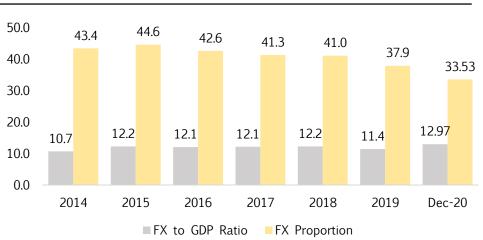


**Interest Rate Risks** 



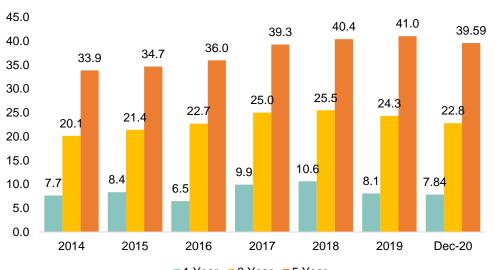


Note: 1. \*) as of end of December 2019, preliminary number and using GDP assumption Source: Ministry of Finance



### **Declining Exchange Rate Risks**

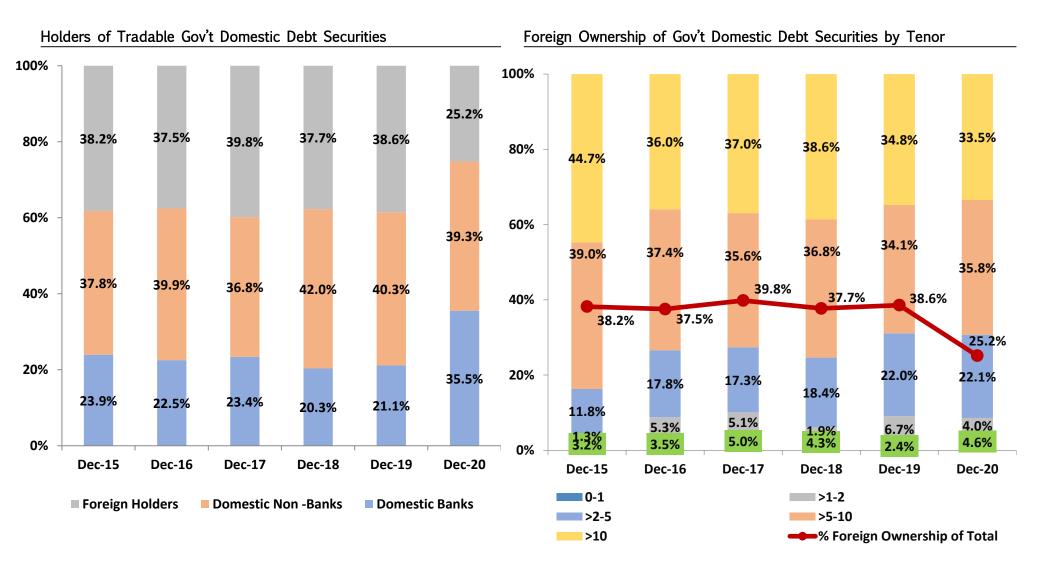
#### Upcoming Maturities (Next 5 Years)



1 Year 3 Year 5 Year

# Holders of Tradable Central Government Securities

More Balance Ownership In Terms of Holders and Tenors



### Ownership of IDR Tradable Central Government Securities (as of Dec 30<sup>th</sup>, 2020)



											(ID	R tn)
		Description	Dec-	16	Dec-	17	Dec-	18	Dec-	19	Dec-2	20
	• <b>11,74%</b> Govt Institution	Banks*	399.46	22.53%	491.61	23.41%	481.33	20.32%	581.37	21.12%	1,375.57	35.54%
		Govt Institutions (Bank Indonesia**)	134.25	7.57%	141.83	6.75%	253.47	10.70%	262.49	9.54%	454.36	11.74%
	• <b>35,54%</b> bank	Bank Indonesia (gross)	157.88	8.90%	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.88	22.60%
		GS used for Monetary Operation	23.63	1.33%	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.51	10.86%
	• <b>52,71%</b> NON-BANK	Non-Banks	1,239.57	<b>69.9</b> 0%	1,466.33	69.83%	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%
	· · · · · ·	Mutual Funds	85.66	4.83%	104	4.95%	118.63	5.01%	130.86	4.75%	161.32	4.17%
		Insurance Company and Pension Fund	325.52	18.36%	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.82	14.02%
		Foreign Holders	665.81	37.55%	836.15	39.82%	893.25	37.71%	1,061.86	38.57%	973.91	25.16%
MUTUAL FUND 4,17% —		Foreign Govt's & Central Banks	120.84	6.81%	146.88	<b>6.99</b> %	163.76	<b>6.9</b> 1%	194.45	7.06%	178.31	4.61%
INSURANCE & 14,02% -		Individual	57.75	3.26%	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.21	3.39%
■ FOREIGN <b>25,16%</b> —		Others	104.84	<b>5.9</b> 1%	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.57	5.98%
INDIVIDUAL 3,92% -		Total	1,773.28	100%	2,099.77	100%	2,368.45	100%	2,752.74	100%	3,870.76	100%
■ OTHERS 5,98% —		IDR 1.092,02T in nomina	each a	record	0	69	,26%	in		d & lo	gn owner ng term rs).	rship

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.



# Section 6

# Commitment to Sustainability and Climate Change Mitigation

### Commitment to Sustainability and Climate Change Mitigation Republic of Indonesia's Commitment to Sustainability Including Climate Change Mitigation

### Background



Indonesia's Environmental Commitment and Objectives

#### Mitigation

- Adopted the **National Action Plan for Greenhouse Gas Emission Reduction** in 2011.
- Focuses on **reducing greenhouse gas emission** through a National Determined Contribution with an unconditional reduction target of 29% by 2030 compared to the 2010 baseline. An additional 12% reduction is conditional on technology transfer, capacity building, results for payment and access to finance.
- **Environmental Fund Management Agency (BPLDH):** established in October 2019 with the vision to create a trusted institution to attract national and international donors as well as effectively mobilize public and private fund in order to support protection programmes.

#### Adaptation

- National Action Plan on Climate Change Adaptation: National framework for adaptation initiatives mainstreamed into the National Development Plan.
  - Medium Term Development Plan 2020-2024 (RPJMN): reflects Indonesia's strong commitment to shift to a low carbon development based approach to economic development and a more climate resilient path. Includes key priorities such as renewable energy and energy efficient development, forest conservation and reforestation, waste management, land intensification, food security as well as governance and institutionalization of investment and regulation.

#### Biodiversity

- Indonesia is an archipelago made up of 17,504 islands with unique ecosystems containing a large number of diverse species.
- Indonesian Biodiversity Strategy and Action Plan 2015-2020: launched to provide an outline on how biodiversity could be utilized sustainably to improve economic and development opportunities.

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



Use of proceeds of Green Bond and Green Sukuk

Eligible Green Projects must fall into one of the nine eligible sectors Project Evaluation and Selection

2

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

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

#### **Line Ministries**

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

### <sup>7</sup> Reporting

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

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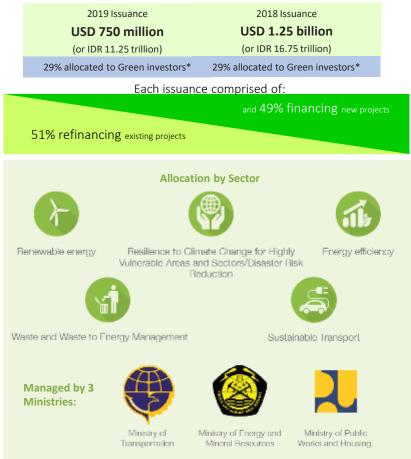
The Framework has received a second opinion from the Centre for International Climate Research (CICERO) and is awarded medium green shading, which allows the possibility of light, medium and dark green project types. This shade also shows that eligible listed projects are representing the country ongoing efforts towards the long-term vision in carbon emission reduction Indonesia's Existing Green Bond and Sukuk Framework (Cont'd) Existing Green Bond and Sukuk Framework under which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects



### Indonesia's Green Initiatives: Financing Green Projects Development of Indonesia's Green Projects Financing



The Republic of Indonesia has issued two sovereign global Green Sukuk, consecutively in February 2018 and 2019, with the total amount of **USD 2 Billion** 



Indonesia has continued to develop the Green market through the introduction of the first Retail Green Sukuk in the world (Savings Retail Sukuk, ST006) in November 2019. The ST006 is an investment instrument based on Sharia principles issued and sold to individual Indonesian citizens in the domestic market with an online platform. Allocation and impact of the Retail Green Sukuk is not included in the Green Sukuk Issuance Allocation and Impact Report issued in February 2020



Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC.

Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the spent amount on each project

\*These statistics are based on the HSBC's in house assessment of investor ESG/SRI appetite and sophistication, which is developed from Market Intelligence and our own understanding from client conversations. A green classification is assigned to investors taking into account whether they have Green/SRI fund and/or strategy, whether they are signatories of a variety of SRI initiatives and with awareness to their broader activities / public announcements in the SRI market. Classifications evolve over time

Indonesia's Green Initiatives: Projected Environmental Benefits Environmental Benefits Arising from Indonesia's Green Sukuk Issuance



Source: Green Sukuk Issuance Allocation and Impact Report (February 2020)

# Tangible Results from Indonesia's Green Sukuk Initiatives Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance

	$\mathbf{k}$		
	Renewable Energy	Resilience to Climate Change	Waste and Waste to Energy Management
Locations	Across the country	Across the country	Across the country
Amount Committed to Finance 2019 Projects	USD4.31 mil	USD96.57 mil	USD10.83 mil
Amount Committed to Refinance 2017 Projects	USD39.62 mil	-	USD63.13 mil
Target Impact / Emissions Reduction (2017)	134,872.41 tonnes of CO2e	-	In order to achieve 48,000,000 tonnes target set in RAN-GRK
	<ul> <li>Planning, Development and Supervision of New, Renewable Energy and Energy Conservation Infrastructure (Refinancing and Financing)</li> </ul>	Construction of Flood Control Facilities (Financing)	<ul> <li>Improvement of Municipal Solid Waste Management System (Refinancing)</li> </ul>
Project Examples Financed / Refinanced	Construction of new and renewable energy infrastructure, with a focus on areas outside current electricity coverage. The project aims to improve the electrification ratio in off-grid areas across the country. Power generation is sourced from solar, mini hydro, and micro hydro power plants <sup>*</sup> .	Construction of retention ponds/polders, flood canals, dikes, checkdam, and river maintenance and normalization. It aims to reduce the risk of flooding due to increased rainfall intensity and land use changes. Locations: West Java, Central Java,	<ul> <li>Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal sites.</li> <li>Locations: All provinces except East Kalimantan</li> <li>Improvement of Municipal Solid Waste Management System (Financing)</li> </ul>
	Locations spread across 19 provinces in 2017 (Refinancing) and the 2019 development of such infrastructure are spread across all provinces (Financing)	Yogyakarta, North Sumatera, West Sumatera, South Sulawesi, Maluku, Bali	Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal site. Locations spread across 11 provinces

\*Micro-hydro is of <100 kW and mini-hydro is of 100 kW-10 MW

Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC

Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the amount spent on each project

# Tangible Results from Indonesia's Green Sukuk Initiatives (Cont'd) Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance

Proceeds from Indonesia's Green Sukuk Initiative has been Successfully Deployed to a Range of Eligible Green Projects

			The second se
	Sustainable Transp	ort	Energy Efficiency
Locations	Jakarta, Sumatera,	Java	Across the country
Amount Committed to Finance 2019 Projects	USD288.77 m	il	-
Amount Committed to Refinance 2017 Projects	USD77.95 mil		USD202.72 mil
Target Impact / Emissions Reduction (2017)	1,543,000 tonnes of	f CO2e	355,394 tonnes of CO2e
Project Examples Financed / Refinanced in 2019	<ul> <li>Development of Jabodetabek Urban Train (Refinancing)</li> <li>Construction of double-double track of the Jabodetabek urban railway network.</li> <li>Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)</li> <li>Construction and Management of Railways Infrastructure and Supporting Facilities in Sumatera (Refinancing and Financing)</li> <li>Construction of the Trans Sumatera Railway from Aceh to Lampung province. The Trans Sumatera Railway causes a mode shift from road transport to rail transport and logistics Locations: Aceh, North Sumatera, West Sumatera and South Sumatera</li> </ul>	<ul> <li>Construction and Management of Double Track Railways Infrastructure and Supporting Facilities (Refinancing) and Financing)</li> <li>The construction of the double track railway project in the Trans Java railway's northern section, upgrading the single-track railway.</li> <li>Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)</li> </ul>	<ul> <li>Installation of Navigation Facilities (Refinancing)</li> <li>Construction, rehabilitation and replacement of marine navigation aids and the installation of solar cells to power marine navigation aids. The shift towards solar powered marine navigation aids reduces the use of fossil-fuel sources of power.</li> <li>Locations: spread across 21 provinces in 2017</li> <li>Improvement of Land Transportation Traffic Management System (Refinancing)</li> <li>Installation of road traffic equipment such as traffic signs, area traffic contro systems (ATCS) and navigation aids for river and take crossings (SBNP) with energy-saving sensors.</li> <li>Locations: Jakarta, West Java, Central Java, Yogyakarta, East Java</li> <li>Construction, Rehabilitation and Maintenance of Airport Infra-structures (Refinancing)</li> <li>The installation of solar-powered street lights and solar power plants. In improves the energy efficiency of airports and ensure electricity is sourced from renewable sources Locations: spread across 30 provinces in 2017</li> </ul>

Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC

Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the spent amount on each project



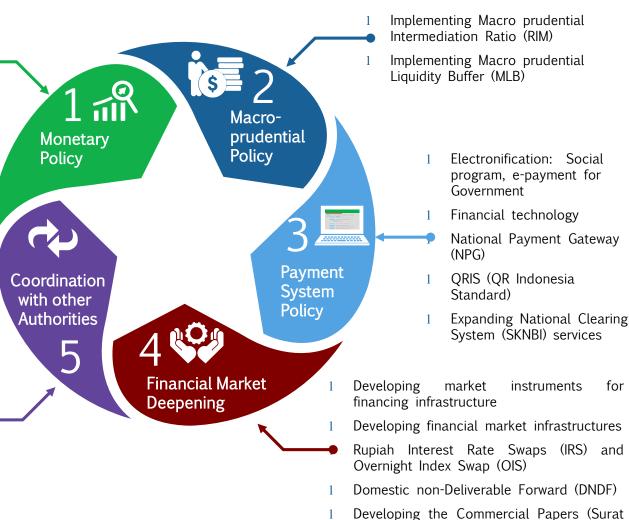
# Section 7

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

## **Bank Indonesia's Policy Mix 2020** Synergy to Build Economic Recovery Optimism



- Maintaining accommodative monetary policy stance (lowering policy rate 125bps in 2020).
- Maintaining rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms.
- Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
- Focusing on the quantity channel by providing liquidity to stimulate economic recovery
- Controlling inflation thru Inflation Control Team in national and regional level.
- Supporting the 2020 state budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability.
- Supporting national economic recovery program thru Burden Sharing Scheme with the MOF
- Promoting lower lending rates through close supervision and public communication in coordination with OJK.
- Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability.



Berharga Komersial)

Source: Bank Indonesia

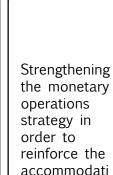
for

# **Bank Indonesia Policy Mix: January 2021**



The BI Board of Governors agreed 20th and 21st January 2021 to hold the BI 7-Day Reverse Repo Rate at 3.75%, while also maintaining the Deposit Facility (DF) rates at 3.00% and Lending Facility (LF) rates at 4.50%





ve monetary

policy stance.

Accelerating money market deepening by strengthening JISDOR as a rupiah reference rate against the US dollar in order to increase domestic foreign exchange market credibility and support exchange rate stability in Indonesia. BI has strengthened JISDOR in terms of the methodology, transaction monitoring period and publication schedule.

Strengthening accommodative macroprudential policy to stimulate growth of loans/ financing allocated to priority sectors towards national economic recovery.

Strengthening coordinated and integrated bank supervision between Bank Indonesia, the Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS) to maintain financial system stability.

Strengthening payment system policy and rupiah currency management to establish a digital economy and finance ecosystem in order to accelerate the economic recovery by: Applying an integrated and collaborative strategy to expand QRIS acceptance and Implementing payment system regulatory reforms

%

Hold

to

**BI7DRR** 

at 3.75%

maintain

external

stability

# Strengthened Monetary Expansion and Fiscal Synergy



### **PRINCIPLES OF FUNDING AND BURDEN SHARING** PRUDENT Maintaining the credibility of Monetary Policy in the effort to Maintain Economic Stability **TRADABLE &** LAST RESORT MARKET MEASURED MECHANISM MARKETABLE maintaining inflation SUN/SBSN tradable BI as the back-stop in the target range for Non-public Goods scheme One-off Policy in 2020 SUSTAINABLE GOVERN Prioritize good governance

- Through its commitment to the 2020 State Budget, Bank Indonesia in 2020 purchased SBN for funding and burden sharing in the 2020 State Budget and to support the national economic recovery program totaling Rp473.42 trillion, consisting of Rp75.86 trillion and Rp397.56 trillion in accordance with the Joint Decrees of the Minister of Finance and Governor of Bank Indonesia issued on 16th April and 7th July 2020 respectively.
- Bank Indonesia has also realised burden sharing with the Government to fund non-public goods-SME totaling Rp114.81 trillion and non-public goods-corporate totaling Rp62.22 trillion pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020.
- In 2021, Bank Indonesia will continue to purchase SBN in the primary market to fund the 2021 State Budget through mechanisms pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 16th April 2020, which was extended on 11th December 2020 until 31st December 2021.

• In total, **as of 19th January 2021**, Bank Indonesia has purchased SBN in the primary market totalling Rp13.66 trillion, including Rp9.18 trillion through auction schemes and Rp4.48 trillion through greenshoe options (GSO).

### Further Strengthening of an Accommodative Bank Indonesia's Policy Mixed



Lower Bl 7-day Reverse Repo Rate Stabilization Stabilization Of The Rupiah 3. L Money Market & Foreign

Quantitative Easing

Exchange

Macro-Prudential Policy

Payment System Policy

BGM: places Board of Governor Meetine Source: Bank Indonesia

#### BGM 19-20 FEB, 2 MAR, AND 18-19 MAR 2020

- 1. Lower BI7DRR by 25 bps in February to 4,75%, and other 25 bps in March to 4,50%
- Lower a 50bps of daily rupiah reserve requirement (RR) for the banks engaged in export-import financing, and expanding rupiah RR cut for SME
- 3. Lower Foreign Exchange Reserve Requirement from 8% to 4%
- Rupiah accounts (vostro) of foreign investors as underlying of DNDF
- Domestic custodian bank for global investors
   Triple intervention:
  - spot, DNDF, & purchasing SBN in the secondary market
- 7. Daily FX swap auction and Repo auction of SBN
- 8. Liquidity injection through monetary operation
- 9. Relaxation of Macroprudential Intermediation Ratio
- 10. QRIS campaign to SME, traditional markets, students and worship places

#### BGM 13-14 APRIL AND 18-19 MAY 2020

- 1. Hold the BI 7-Day Reverse Repo Rate at 4.50% for external stability & stimulate growth
- 2. Strengthening the intensity of triple intervention policy
- 3. Providing liquidity for the banking industry on restructuring MSME loans and ultra-micro with formal loans
- 4. Lower the rupiah RR ratios by 200bps for conventional commercial banks and by 50bps for Islamic banks
- Strengthening Monetary operations and Islamic financial market deepening through FLisBI, PaSBI and SiPA
- Relaxing the additional demand deposit obligations on the MIR
- Raised the MLB by 200bps for conventional commercial banks and by 50bps for Islamic banks
- 8. Increasing the non-cash payment instruments uptake
   9. Strengthening policy mix
- and coordination with the Government & other authorities
- 10.Accelerating implementation of digital

economy & finance

#### BGM 17-18 JUNE 2020 AND 15-16 JULY 2020

- 1. Lower BI7DRR to 4,00%, 25 bps in June and 25 bps in July
- 2. Maintaining Rupiah exchange rate stabilization policy in line with the currency's fundamental value and
- market mechanisms 3. Providing reserve requirement remuneration of 1.5% per year for banks meeting daily and average rupiah reserve requirements
- Strengthening a synergized expansive monetary policy response with accelerated fiscal stimuli from the Government:
  - ✓ firmly committed to funding the APBN 2020 through SBN purchases in the primary market to finance the budgets for healthcare, social sectoral protections, government ministries and agencies & local government
- ✓ Burden sharing with the Government to accelerate MSME and corporate sector recoveries
- 5. Expediting payment system digitalization to hasten the digital economy and finance implementation as part of the economic recovery efforts

#### BGM 18-19 AUGUST 2020 BGM 16-17 SEPTEMBER 2020

- 1. Hold BI7DRR at 4,00%
- 2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization
- 3. Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
- 4. Strengthening MO strategy in order to accelerate monetary policy transmission
- Accelerating money market and foreign exchange market deepening through infrastructure development, including ETP & CCP
- 6. Lowering the minimum limit of DP on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles
- Extending the 50bps lower on rupiah reserve requirements, as an incentive for banks disbursing loans to SMEs and for export-import activity and to non-SMEs operating in priority sectors as stipulated in the PEN, from 31 Dec' 20 previously until 30 Jun'21;
- 8. Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program
- Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), and promoting the use of QRIS for e-commerce
- 10. Expanding QRIS acceptance to bolster economic recovery and accelerate SME by extending 0% MDR for micro-businesses from 30 Sept'20 previously until 31 Dec'20
- 11. Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with Gernas BBI
- 12. Strengthening the digital economy & finance ecosystem through the use of digital payment instruments & collaboration between the banking industry, FinTech & e-commerce to support PEN

### Further Strengthening of an Accommodative Bank Indonesia's Policy Mixe









BGM: Board of Governor Meeting Source: Bank Indonesia

### BGM 18-19 NOVEMBER 2020

- BI7DRR lower 25 bps at 3,75% for maintain external stability and inflation is predicted to remain low
- 2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization
- Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
- 4. Strengthening MO strategy to accelerate MP transmission
- Accelerate the deepening of the development of the foreign exchange market and the domestic financial market through the implementation of BPPU 2025
- Maintain a CCB ratio of 0%, RIM 84-94%, PLM 6% as well as 6% repo flexibility and LTF / FTV ratio for property loans.
- Strengthening macroprudential policy to stimulate inclusive financing, in particular for small and medium enterprises (SMEs)
- 8. Strengthening payment system digitalization in order to build economic recovery momentum through several digital transformation initiatives, including: expanding access to digital financial economy services for SMEs & public, collaboration between banks & fintech; promoting broader acceptance of digital payments through the QRIS 9. Reducing service fees for the BI-RTGS. Extending the period of lower service fees for the SKNBI, & lower payment limit and late payment fees for CC

#### **BGM 16-17 DECMBER 2020**

- 1. Hold BI7DRR at 3,75% % for maintain external stability and inflation is predicted to remain low
- Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
- Strengthening MO strategy in order to accelerate monetary policy
- Strengthening accommodative macroprudential policy to stimulate growth of loans allocated to priority sectors towards national economic recovery, while maintaining financial system resilience
- Promoting lower lending rates through close supervision and public communication in coordination with the Indonesian Financial Services Authority (OJK) in terms of interest rate transparency in the banking industry
- 6. Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in forex market
- Strengthening integrated bank supervision coordination between BI, OJK and LPS to maintain financial system stability
- Accelerating digital transformation & synergy to strengthen economic recovery momentum with robust payment system policy and faster implementation of BSPI'25
- Extending the 0% MDR on QRIS transactions for micro enterprises until 31/3/2021
- 10. Strengthening and expanding electronification and digitalization centrally and regionally
- Promoting technology innovation, utilization & collaboration between the banking & FinTech industries through faster implementation of Sandbox 2.0, encompassing, i.g: the regulatory sandbox, industrial tests, innovation lab & start-ups

#### **BGM 20-21 JANUARY 2021**

- Hold the BI 7-Day Reverse Repo Rate at 3.75%, while also maintaining the Deposit Facility (DF) rates at 3.00% and Lending Facility (LF) rates at 4.50%.
- 2. Maintaining rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms.
- 3. Strengthening the monetary operations strategy in order to reinforce the accommodative monetary policy stance.
- 4. Accelerating money market deepening by strengthening JISDOR as a rupiah reference rate against the US dollar in order to increase domestic foreign exchange market credibility and support exchange rate stability in Indonesia. BI has strengthened JISDOR in terms of the methodology, transaction monitoring period and publication schedule.
- 5. Strengthening accommodative macroprudential policy to stimulate growth of loans/financing allocated to priority sectors towards national economic recovery.
- 6. Promoting lending rate transparency in the banking industry in order to accelerate monetary and macroprudential policy transmission.
- Strengthening coordinated and integrated bank supervision between Bank Indonesia, the Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS) to maintain financial system stability.
- 8. Strengthening payment system policy and rupiah currency management to establish a digital economy and finance ecosystem in order to accelerate the economic recovery by:
  - a. Applying an integrated and collaborative strategy to expand QRIS acceptance to 12 million merchants, while developing QRIS features, such as transfers, withdrawals and deposits, in order to boost public QRIS acceptance.
  - b. Implementing payment system regulatory reforms in accordance with Bank Indonesia Regulation (PBI) No. 22/23/PBI/2020 through industry restructuring, license reclassification, ownership, technological innovation, including data and information, as well as strengthening supervision, including cyber risk management.

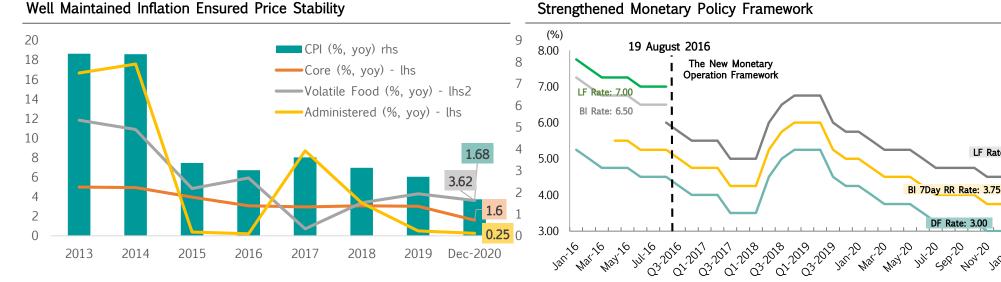
# **Stable Monetary Environment Despite Challenges**



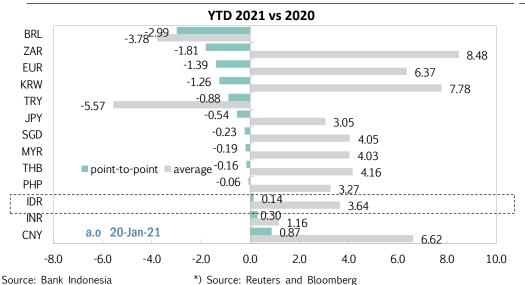
LF Rate: 4.50

731-51

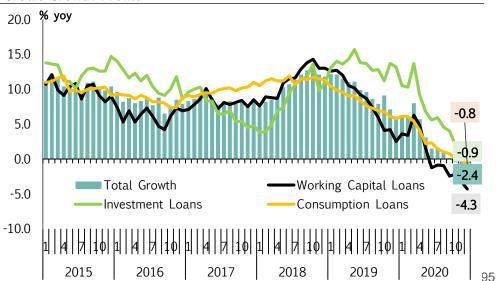
404.50



#### Rupiah Exchange Rate Fared Relatively Well Compared to Peers \*)



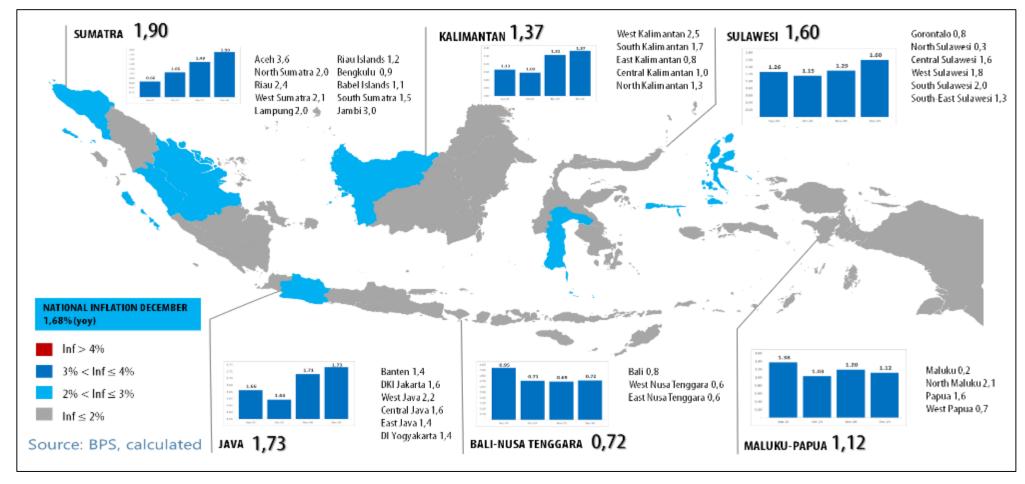
#### Credit Growth Profile



Strengthened Monetary Policy Framework



### Inflation remains low on subdued domestic demand and adequate supply , DECEMBER 2020 (%, YOY)



# **4 Strategies to Achieve the Inflation Target**



### 2018-2019 Target

Achieving inflation at 3,5%±1%

- Maintaining core inflation
- Maintaining volatile food stability at 4-5%
- Controlling administered price inflation

### 2020-2021 Target

Achieving inflation at 3,0%±1%

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

### 4 Strategies

1.	Price A	ffordability	2. Supply	2. Supply Availability 3. Well		ed Distribution	4. Effective Communication	
	pilizing price	Managing demand side	Strengthening production, Government food reserves and food export-import management	Strengthening institution	Encouraging trade cooperation between regions	Improving trade infrastructure	Improving data quality	Strengthening central-regional coordination



# Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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



### Lower reserve requirements, effective 1<sup>st</sup> May 2020

### Regulation

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

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

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

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

The regulation is effective for conventional commercial banks from 16<sup>th</sup> July 2018 and for sharia banks from 1<sup>st</sup> October 2018. The policy is expected to stimulate the bank intermediation function to the real sector congruent with sectoral capacity and the economic growth target in compliance with prudential principles, while also overcoming the issue of liquidity procyclicality. This macroprudential policy instrument is countercyclical and can be adjusted in

line with prevailing

economic and

financial dynamics.

# Principles of Macroprudential Intermediation Ratio (MIR)\*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)		
1	MIR Accounting Formula	Credit + Owned Bond	Financing + Owned Sharia Bond		
		Deposit + Issued Bond	Deposit + Issued Sharia Bond		
2	Rate and Parameters	• Ceiling 94%	• Ceiling 94%		
		• Floor 84%	• Floor 84%		
			Minimum Capital Adequacy Requirement 14%		
		14%	• For Sharia business units, the Minimum Capital		
		Upper disincentive parameter 0.2	Adequacy Requirement is the same as that of the		
		• Lower disincentive parameter 0.1	parent conventional commercial bank		
			Upper disincentive parameter 0.2		
2	Coope of evolit /finencing	Curdity musich and familian symposium	Lower disincentive parameter 0.1		
3	Scope of credit/financing and deposits to calculate	Credit: rupiah and foreign currency	• Financing: rupiah and foreign currency		
	MIR / MIR Sharia		<ul> <li>Deposits in rupiah and a foreign currency: (i) wadiah savings; and (ii) unrestricted investment funds, excluding interbank funds</li> </ul>		
4	Source of Data	Monthly Commercial Bank Reports	Monthly Sharia Bank Reports		
5	Criteria for securities held	Corporate bonds and/or corporate sukuk	Corporate bonds and/or corporate sukuk		
		<ul> <li>Issued by a nonbank corporation and by a r</li> </ul>	resident		
		Offered to the public through a public offering			
		• Equivalent to investment grade rating affirme	d by a rating agency		
		• Administrated by an authorised securities ins	titution		

# Principles of Macroprudential Intermediation Ratio (MIR)\*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
6	Percentage of the securities held	100	0%
7	Criteria for securities issued	<ul> <li>medium-term notes (MTN), floating rate notes</li> <li>(FRN) and/or bonds other than subordinated bonds</li> </ul>	
		• Issued by a nonbank corporation and by a resid	dent
		• Offered to the public through a public offering	
		Equivalent to investment grade rating affirmed b	by a rating agency
		• Administrated by an authorised securities institu	ution
8	Securities Reporting	Offline delivery m	nechanism (email)
9	Scope of deposits to meet DD MIR /DD MIR Sharia	<ul> <li>branch offices in Indonesia</li> <li>Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting</li> </ul>	<ul> <li>Average daily total deposits in rupiah at all branch offices and sharia business units in Indonesia</li> <li>Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities</li> </ul>
10	Relaxation of DD MIR/Sharia DD MIR	<ul><li>disbursement and fund accumulation</li><li>The provisions may be relaxed based on a rec bank or Sharia business unit or a recommendat</li></ul>	e DD MIR/Sharia DD MIR based on credit/financing quest from a conventional commercial bank, Sharia tion from the Financial Services Authority (OJK) or Sharia business units that receive the relaxed

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



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

### Policy Backgrounds

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

\*This adjustment will be effective from December 2<sup>nd</sup>, 2019 Source: Bank Indonesia

### Main Regulatory Points

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

#### Credit + Owned Bond Deposit + Issued Bond + Loan/Financing Received

		Lower disince	entive parameter		Upper disincentive parameter			
Lc	wer		meter x (Lower Bound ık's MIR/Sharia MIR) x Deposit	of	MIR/sharia MIR RR= 0.2 x (Bank's MIR/sharia MIR - Upper Bound of MIR/Sharia MIR Target - ) x Deposit			
	NPL	CAR	Lower Disincentives Parameter					
	≥ 5%	-	0.00		*This disincentive applies for banks with CAR below			
		KPMM $\leq$ 14%	0.00		14%.			
	< 5%	$14\% < \text{KPMM} \le 19\%$	0.10					
		KPMM > 19%	0.15					

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

# Principles of Macroprudential Liquidity Buffer (MLB)



	Regulation	MLB (Conventional Commercial Bank)	MLB Sharia (Sharia Banks)
1	Rate	4% of rupiah deposits (including Sharia Business Units deposits)	4% of rupiah deposits
2	Components	<ul> <li>Securities denominated in rupiah held by a conventional commercial bank that may be used for monetary operations (including SBI/SDBI/SBN); and</li> <li>Sharia-complaint securities denominated in rupiah held by an Sharia business unit that may be used for sharia-compliant monetary operations (including SBIS/SBSN)</li> </ul>	rupiah held by an Sharia bank that may be used for sharia-compliant monetary operations (including SPIS (SPSN))
3	Calculation Formula	Percentage of rupiah securities held by a conventional commercial bank to rupiah deposits	Percentage of sharia-compliant rupiah securities held by an Sharia bank to rupiah deposits
4	Flexibility	Under certain conditions, the securities used to meet the MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits	Under certain conditions, the securities used to meet the sharia MLB may be used for repo
5	Sources of Data on Deposits	<ul> <li>Monthly Commercial Bank Reports</li> <li>Rupiah deposits to calculate MLB are the average daily total deposits at all branches in Indonesia</li> <li>Rupiah deposits include: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities</li> </ul>	the average daily total deposits at all branches in Indonesia



### Policy to increase the Macroprudential Liquidity Buffer (MPLB), effective 1<sup>st</sup> May 2020.

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

### Credit card policy, effective 1<sup>st</sup> May 2020.

	Regulation	Before	After	Effective Period
1	Lower upper limit on credit card interest	2.25% per month	2% per month	1 <sup>st</sup> May 2020
2	Temporary reduction of minimum payment requirements	10%	5%	1 <sup>st</sup> May 2020 – 31 <sup>st</sup> December 2020
3	Temporary reduction of late payment penalties	3% or maximum of IDR150,000	1% or maximum of IDR100,000	1 <sup>st</sup> May 2020 – 31 <sup>st</sup> December 2020
4	Supporting credit card issuer policy to extend the due date for customers		Issuer discretion	1 <sup>st</sup> May 2020 – 31 <sup>st</sup> December 2020

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

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

1. Increasing opportunities of first time buyers to fulfill their housing needs through housing loan, specifically by adjusting the LTV ratio for property loan and the FTV ratio for property financing for the 1st facility, 2nd facility, etc., making the largest LTV ratio for property credit and FTV ratio for property financing as shown in the table below.

	PROPERTY LOAN & PROPERTY FINANCING BASED ON MURARAHAH & ISTISHNA DEEDS						PROPERTY FINANCING BASED ON MMQ & IMBT DEEDS					
MURABAHAH & ISTISHNA DEEDS					Current Regulation			Relaxation				
PROPERTY TYPE (m²)	Property Loan & Financing		Property Loan & Financing			PROPERTY TYPE (m <sup>2</sup> )	Property Financing			Property Financing		
(inty		I	- III <u>etc</u>	1	I II etc				II	etc	I	∥ <u>etc</u>
HOUSE							HOUSE					
Type >70m <sup>2</sup>	85%	80%	75%	-	80%		Type >70m <sup>2</sup>	90%	85%	80%	-	85%
ype 22-70m <sup>2</sup>		85%	80%		85%		Type 22-70m <sup>2</sup>		90%	85%		90%
/pe <=21m <sup>2</sup>	-						Type <=21m <sup>2</sup>					
PARTMENT							APARTMENT					
/pe >70m <sup>2</sup>	85%	80%	75%	•	80%		Type >70m <sup>2</sup>	90%	85%	80%		85%
ype 22-70m <sup>2</sup>	90%	85%	80%		85%		Type 22-70m <sup>2</sup>	90%	85%	80%		85%
Type <=21m <sup>2</sup>		85%	80%		85%		Type <=21m <sup>2</sup>		85%	80%	-	85%
Shop/office house	•	85%	80%		85%		SHOP/OFFICE HOUSE		85%	80%		85%

"-"= The LTV rate depends on each bank's risk management

\*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2<sup>nd</sup>, 2019 Source: Bank Indonesia

- Relaxing the amount of loan/financing facility through indent 2. mechanism to a maximum of 5 facilities without taking account of the orders
- 3 Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

Current Regulation						
Stage and Disbursement Rate Conditions						
House/Office House/Shop						
Max. Cumulative disbursement up to 40% of ceiling	Footing finished					
Max. Cumulative disbursement up to 80% of ceiling	Roof toop finished					
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing					
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage					
Apartment						
Max. Cumulative disbursement up to 40% of ceiling	Footing finished					
Max. Cumulative disbursement up to 70% of ceiling	Roof toop finished					
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing					
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage					
Relaxa						
Stage and Disbursement Rate	Conditions					
House/Office House/Shop House						
Max. Cumulative disbursement up to 30% of ceiling	After loan deeds					
Max. Cumulative disbursement up to 50% of ceiling	Footing finished					
Max. Cumulative disbursement up to 90% of ceiling	Roof toop finished					
Max. Cumulative disbursement up to 100% of celling	Letter of acceptance accompanied with deeds of purchase and covernote					

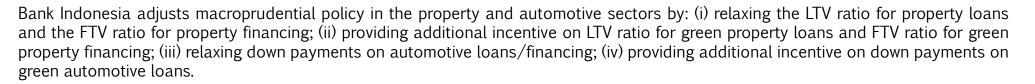
### Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios

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

### LTV / FTV Exemptions

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

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



#### **Policy Backgrounds**

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

#### Main Regulatory Points

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

		Meets NPL/N	IPF Criteria		Does Not Meet NPL/NPF Criteria					
	Financing ba Murabaha	n & Property sed on Akad ah & Akad hna	based on a	Financing akad MMQ d IMBT	Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%
Type >21 - 70	-	85%	-	90%	-	80%	70%	-	80%	70%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%
Type >21 - 70	-	85%	-	85%	90%	80%	70%	90%	80%	70%
Type ≤21	-	85%	-	85%	-	80%	70%	-	80%	70%
Office House	-	85%	-	85%	-	80%	70%	-	80%	70%

#### Table 1. Current LTV/FTV Ratio

#### Table 2. Adjusted LTV/FTV Ratio

	N	leets NPL/N	PF Criteria		Does Not Meet NPL/NPF Criteria					
	Murabaha	n & Property sed on Akad ah & Akad shna	Property Financing based on akad MMQ & akad IMBT		Murababab & Akad		Property Financing based on akad MMQ & akad IMBT		MMQ	
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%
Office House	-	90%	-	90%	-	85%	75%	-	85%	75%

Source: Bank Indonesia \*This adjustment will be effective from December 2nd, 2019

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

#### Main Regulatory Points

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

Table 3.	LTV/FTV	Ratio for	Green Property

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria							
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna			bas	ed o	Financing n akad kad IMBT	Murababab & Akad based on ak			on akad	ad MMQ	
	1		22	1		22	1	2	23	1	2	≥3
Landed House												
Type >70		-	90%		-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70		-	95%		-	-	-	90%	80%	-	90%	80%
Type ≤21		-	-		-	-	-	-	-	-	-	-
Apartment												
Type >70		-	90%		-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70		-	95%		-	95%	-	90%	80%	-	90%	80%
Type ≤21		-	95%		-	95%	-	90%	80%	-	90%	80%
Office House		-	95%		-	95%	-	90%	80%	-	90%	80%

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

Table 4. Current Down Payment on Automotive Loan	or Financing	

2-Whee

3-Whe 3-Whe

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

Table 5. Adjusted Down Pay		Adjusted Down Payment				
	Meets NPL/N/F Criteria	Does Not Meet NPL/NPF Criteria				
Wheeled	15%	20%				
-Wheeled or more (non productive)	15%	25%				
Wheeled or more (productive)	10%	15%				

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

#### Main Regulatory Points

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

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

Table 6. Down Payment on Green Automotive Loan or Financing

Note: Adjustments of the LTV ratio for property loans, FTV ratio for property financing and down payments on automotive loans or financing will be effective from December 2<sup>nd</sup>, 2019

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



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

#### Main Regulatory Points

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

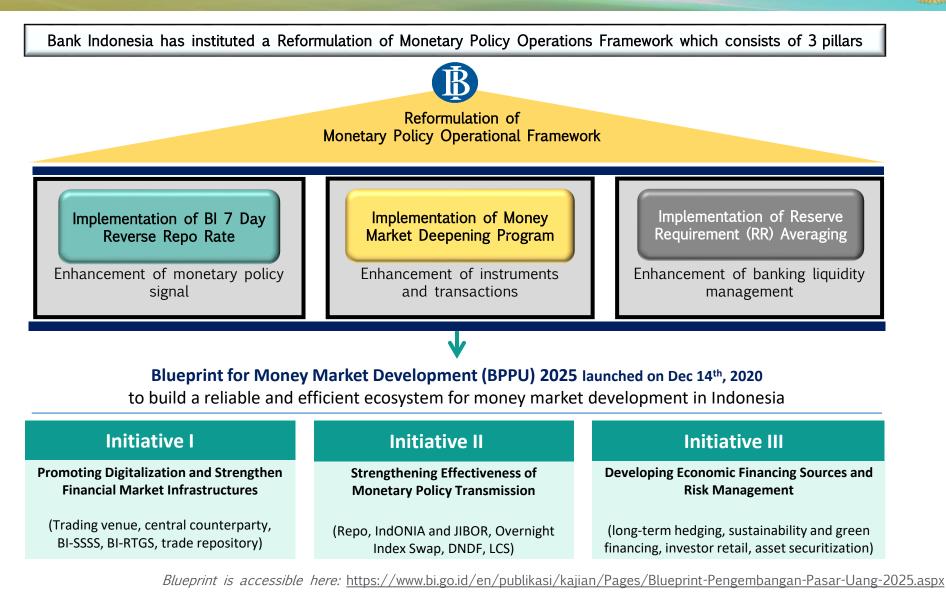
Type of Green Motor Vehicle	Current regulation (PBI No. 21/13/PBI/2019) *)	New Regulation *)
Two-wheel	10%	0%
Three-wheel or more (non- commercial)	10%	0%
Three-wheel or more (commercial)	5%	0%

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

Requirements:

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

# **Improving the Effectiveness of Monetary Policy Transmission**





### Purposes

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

### **General Provisions**

Domestic Non-Deliverable Forward Transaction (DNDF Transaction)
 Plain vanilla derivative transaction of foreign exchange against rupiah in the form of forward transaction with fixing mechanism in the domestic market

#### Forward Transactions

Forward Transactions are sell/purchase foreign currencies against rupiah whereas the delivery of funds shall be performed in more than 2 days after the transaction date

#### Fixing Mechanism

Transaction settlement mechanism without full movement of funds by calculating the difference between rate on the transaction date and reference rate in JISDOR on a specified future time agreed in the contract (fixing date)

#### Other Definitions

The definition of derivative transaction of foreign exchange against rupiah, Forward Transaction, Spot Transaction, Customers, Foreign Party is referring to Bank Indonesia regulations regarding foreign exchange transaction against rupiah

# Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Can only be

performed to

hedge rupiah

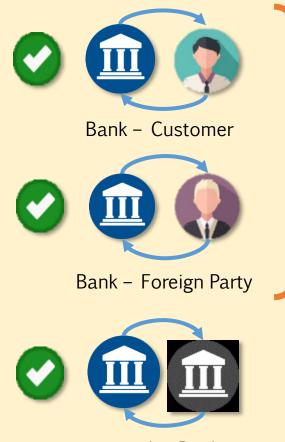
exchange rate

risk.



### Bank can perform DNDF Transactions as follows:

### Transaction between:



Bank – Bank

1. Must have *Underlying* Transactions:



#### Including all following activities :

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



#### Excluding following activities:

- a. Bank Indonesia certificates;
- b. Placement of funds with bank;
- c. Unwithdrawn credit facilities;
- d. Documents of foreign currencies sales againts rupiah;
- e. Money transfer by fund transfer companies
- f. Intercompany loan
- g. Money changer activities.
- 2. Nominal of DNDF Transactions ≤ Nominal of Underlying Transactions
- 3. Tenor of DNDF Transactions ≤ Tenor of Underlying Transactions

### Principles of Domestic Non Deliverable Forward (DNDF) Transaction





#### Transaction Settlement

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



### Roll over and early termination for DNDF is prohibited

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



### **Cover Hedging**

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

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



#### Notes:

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

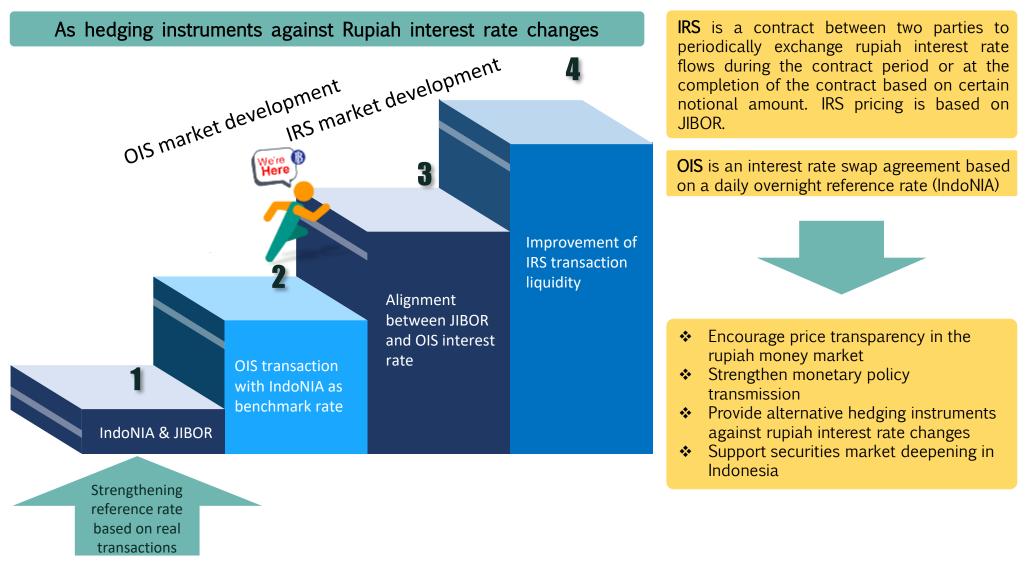
# Amendment on DNDF Regulation \*to provide more flexibility in DNDF transaction \*to increase liquidity and efficiency in domestic foreign exchange market



BI Regulation No. 20/10/PBI/2018	ENDMEN	BI Regulation No. 21/7/PBI/2019
<b>Article 3</b> 1. DNDF transactions must have Underlying		Article 3 1. Sell FX/IDR through DNDF up to \$ 5 mio can be done without underlying documents
Article 6 2. Not Regulated;		Article 6 2. DNDF can be terminated (unwind);
Article 11		Article 11
3. Underlying documents must be final (firm) with additional supporting documents		<ul> <li>3. Underlying documents for buy FX/IDR for DNDF is :</li> <li>Final (firm commitment) + Supporting documents</li> </ul>
		<ul> <li>4. Underlying documents for sell FX/IDR for DNDF above threshold \$ 5 mio can be:</li> <li>Final (firm commitment) + Supporting documents</li> <li>Projection (anticipatory basis) + Supporting documents</li> </ul>
Article 11		Article 11
4. Not Regulated;		<ul> <li>5. In using estimate underlying transaction documents in the form of cash flow projection, Bank must evaluate the appropriateness through:</li> <li>a. Supplementary documents;</li> <li>b. Historical data within at least 1 year before; and</li> <li>c. Track record of the Customer or Foreign Party.</li> </ul>
*Effective on May 17th, 2019; English version of the regulation is available in BI website.		

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





# Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR)

To accelerate money market deepening

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

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

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

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

# **OIS and IRS Transactions: General Provisions**

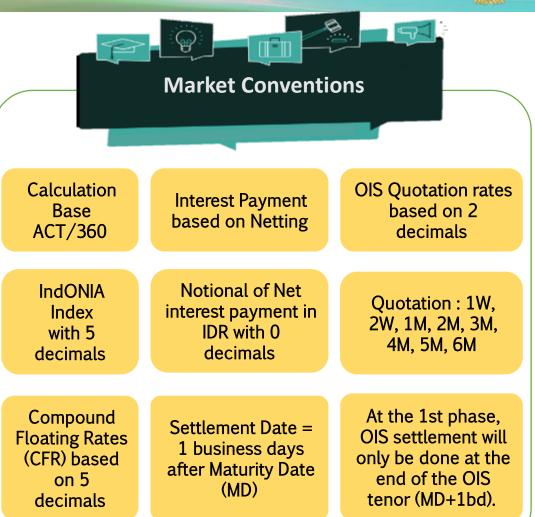


**Market Players**. Banks, bank clients, both individual and non-bank institutions, and also foreign parties.

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

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

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



# **Enhancement of Monetary Operations Framework**



#### **PREVIOUS JIBOR**

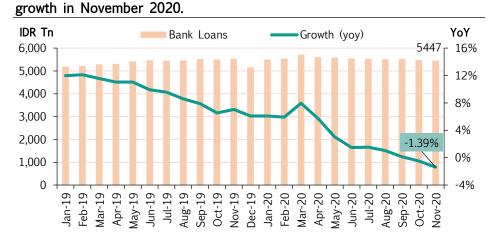
- Can be traded among contributor banks for 10 minutes.
- Up to the amount of IDR10 billion.
- Up to 1-month tenor.

#### CURRENT JIBOR (as per June 1st, 2016)

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

# **Financial Intermediation Affected Economic Activities**

Recovery of financial services intermediation remains a challenge as credit demand has not fully recovered due to restrictions on economic activity...

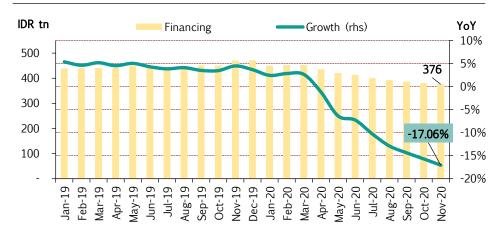


Bank's focus on restructuring program led to a contracted credit

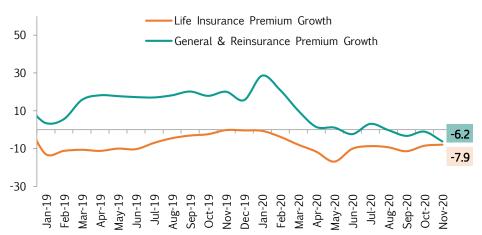
Capital raising through securities issuance reached IDR117.5 Tn as of December 2020 and recorded as the highest number of IPO among ASEAN countries (53).



On-going focus on repayment and restructuring restrained new financing distribution, pushing growth to contract by -17.06% in November 2020



### A drop in insurance premium in November 2020 caused insurance premium growth to contract.

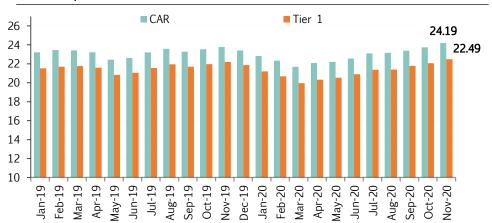


Source: Financial Service Authority (OJK)

# **Resilient Financial Institutions**

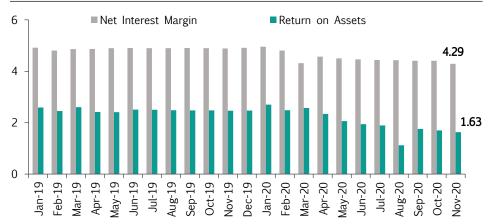


Domestic financial institutions remain sound and stable, supported by strong capitals, and leverage amidst hurdles due to the pandemic...

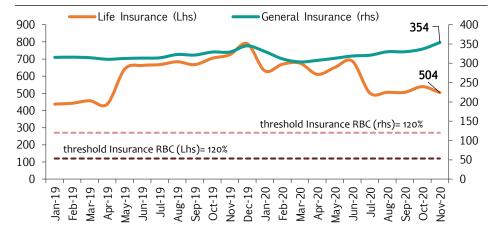


CAR of the banking sector remained high and stable at 24.19% with Tier-1 capital at 22.49% as of November 2020 \*)

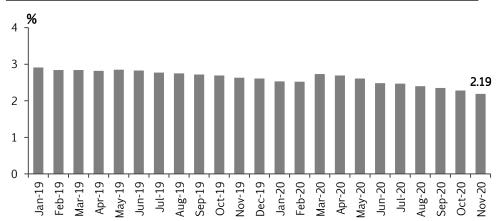
Banking sector's profitability remained adequate with a slight decrease due to lowered interest rate and unrecovered credit demand



RBC of the insurance industry remained high and well above the minimum threshold (120%) \*)



Gearing ratio of multi-finance companies remains steady and below the threshold

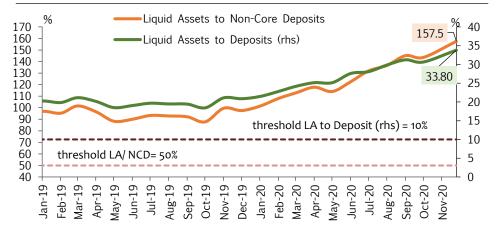


Source: Financial Service Authority (OJK) \*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

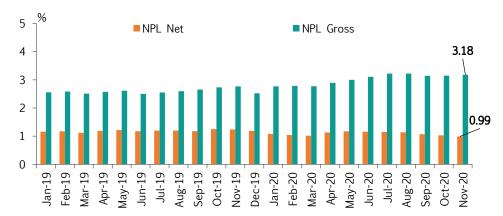
# Manageable Credit Risks with Adequate Liquidity

Financial Institutions are equipped with ample liquidity while credit risk is still manageable..

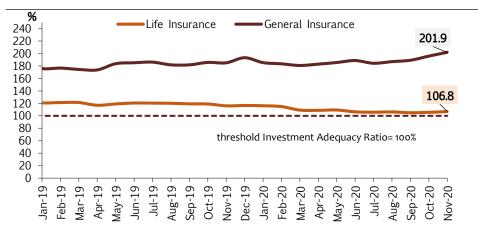
The ratio of liquid assets to deposit and non-core deposits increased and remained well above the threshold following banks' cautious appetite of lending\*)



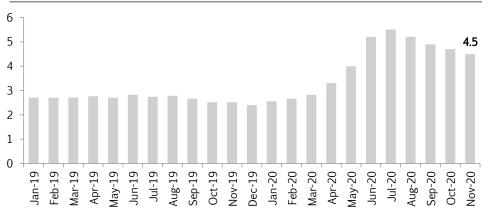
Banking NPL ratios managed below the threshold, at 3.18% gross and 0.99% net as of Nov-20 \*)



### Investment adequacy ratio in insurance industry maintains above the threshold \*)



NPF of multi-finance companies are below the threshold as economic conditions are improving. \*)

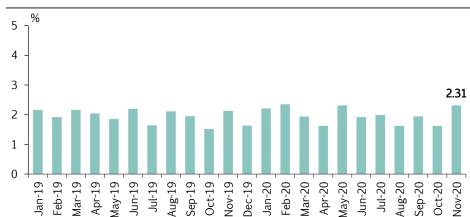


Source: Financial Service Authority (OJK) \*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

# Manageable Market Risks

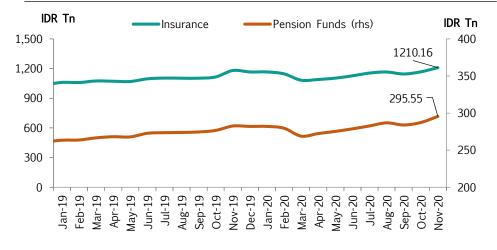


Amidst global pressure, the risk profile of domestic financial institutions remains manageable...

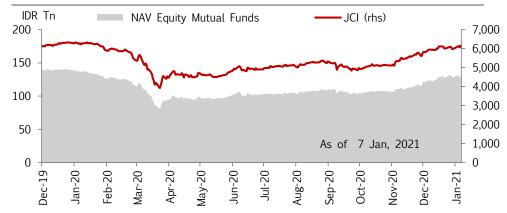


Net open position in the banking sector is maintained far below the maximum limit of 20% \*)

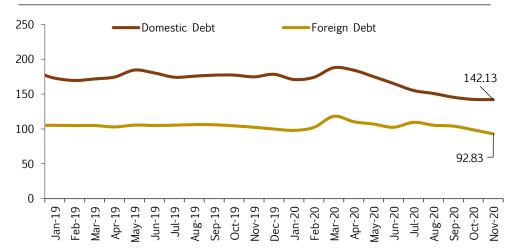
Insurance & pension fund investment value is steadily increasing \*)



### The net asset value (NAV) of Equity Mutual Funds has started to recover, following JCI's upward trend.



Multi-finance companies' exposure to foreign and domestic debt remained stable

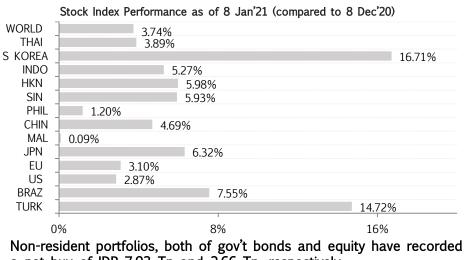


# **Domestic Capital Market Performance Amid Global Challenges**

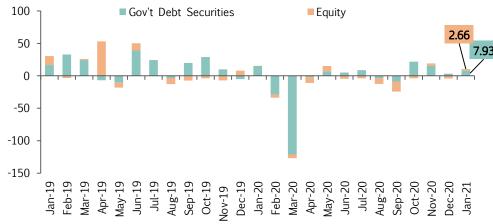


After a year of high volatility, positive global sentiments become one of the catalyst to domestic capital market performance, followed by a prospect of economic recovery in 2021 after a hopeful progress of Covid-19 vaccine...

Global indices continue to rise as more investors have returned to stocks in times of lower global market volatility



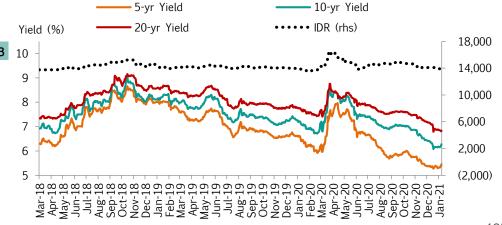
a net buy of IDR 7.93 Tn and 2.66 Tn, respectively



# JCI continues to strengthen after breaking through the psychological resistance level of 6000, which is already above its pre-pandemic level



Gov't bond yields remain competitive with continued improvement followed by stable rupiah as risk premium is maintained



Source: Bloomberg and Ministry of Finance

# Stimuli to Support Indonesia's Financial Industry

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

2





### Maintaining business fundamental of the real

#### Sector JK Regulation No. 11/POJK.03/2020:

"National Economic Stimulus as A Countercyclical Policy of The Impacts of COVID-19 Outbreak"

- Relaxation of credit assessment and credit restructuring to debtors who are affected by COVID-19.
  - Credit assessment (up to IDR10 billion) is based only on the punctuality of debtors to pay their debts and interests.
  - This applies to Commercial and Sharia Banks
  - With maximum 1 year period of credit restructuring

#### \*) OJK Regulation No.18/POJK.03/2020:

#### "Written Orders to Handle Bank Problems"

 Stabilizing financial sector particularly in banking sector amid COVID-19 outbreak by allowing merger, consolidation, acquisition, and/or integration to banks permitted by OJK.

NBFI

\*) OJK Regulation No. 14/POJK.05/2020: "Countercyclical Policy as an Impact of COVID-19 for Non-Bank Financial Institution

- Extende Aline of report submission
- Relaxation of financing assessment
- Financing Restructuring
  - Regulating loan restructuring, deadline of periodic reports,
  - Conducting fit and proper tests,
  - Determination of asset quality of financing,
  - Calculation of solvency level of insurance companies,
  - Calculation of pension fund quality, and
  - Implementation of asset management provisions.

### Maintaining financial market stability

OJK Circular Letter No. 3/SEOJK.04/2020: "Other Conditions as Significantly Fluctuating Market Condition on Stock Buyback issued by Issuers or Public Companies"



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

#### \*) OJK Regulation No.15/POJK.04/2020:

"Plan and Organization of the General Meeting of Shareholders of Public Companies"

Aimed to enhance the participation of shareholders in General Shareholders Meeting (RUPS) by allowing electronic authorization to third parties.

#### \*) OJK Regulation No.16/POJK.04/2020:

#### "The Implementation of Electronic General Shareholders Meeting (GSM)"

Regulating the implementation of electronic corporate decision making by requiring a member of the board of director/commissioner in charge of GSM, while other electronic attendances are counted as fulfillment of attendance quorum.

#### \*) OJK Regulation No.17/POJK.04/2020:

#### "Material Transaction and Changes in Business Activities"

Improving the definition and procedure of Material Transaction, as well as the effectiveness of regulation to enhance the protection of public shareholders and the quality of information disclosure in Material Transaction and Business Activities Changes.

\*) OJK Regulations in Response to Government Regulation in Lieu of Law No. 1 Year 2020 to maintain financial stability and economic activities.

# Further Stimuli to Provide Liquidity and Capital in Banking Industry



Relaxation for Conventional and Sharia Banks (Reporting/Treatment/Governance of Restructured Credit/Financing)

Adjustment of Banking Provisions Implementation during Relaxation Period

Deferral of Basel III Reforms Implementation (valid until 31 December 2022)

Relaxation for Rural and Rural Sharia Banks

Restructured credit/financing is excluded from the Loan at Risk (LAR) in the assessment of banks performance. Banks are also allowed to approve credit restructuring with several alternative governance by considering the necessary principle.

- i. Eliminating the obligation to fulfill Capital Conservation Buffer by 2.5 percent of Risk Weighted Assets (ATMR) for BUKU 3 and BUKU 4 banks (until 31 March 2021)
- ii. Maintaining the obligation of fulfilling Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for BUKU 3, BUKU 4, and foreign banks at a minimum level of 85 percent (until 31 March 2021)
- iii. Dismissing the quality assessment of Foreclosed Collateral (AYDA) based on the period of ownership (until 31 March 2021)
- iv. Reducing the obligation of education funds provision to less than 5
- i. The deferment reforms include Risk-Weighted Assets (RWA) for operational risk, credit risk, market risk, and Credit Valuation Adjustment (CVA)
- ii. Until then, the Capital Adequacy Requirement still refers to the current RWA standard.
- i. Relaxing the General Loan Loss Provision (PPAP) to less than 0.5%
- ii. Exemption of Interbank Placement for Legal Lending Limit (BPMK) and Maximum Limit of Fund Channeling (BPMD) to a maximum 30% of capital
- iii. Temporary Halt on Foreclosed Collateral (AYDA) calculation based on period of ownership
- iv. Providing 5% less on Education, Training, and Human Resource Fund from the previous year

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



### National Economic Recovery Program (PEN) PP No. 23/2020

OJK carry out efforts to support the economic recovery, through:

#### **Fund Placement**

Placement of funds by the Government to provide liquidity support to banks conducting loan restructuring and to provide additional credit / working capital financing

OJK supports the program through Liquidity Buffer and Credit Restructuring to Banks and **Multi-Finance Companies** 

### Providing Interest Subsidies for MSMEs

Article 20 Paragraph 2 Government Regulations No. 23 of 2020 All debtors with credits up to IDR500 million will be given interest subsidies while debtors with credits up to IDR10 billion will go through the same mechanism with credit restructuring program. The program is eligible for debtors of banks/multi-finance companies with Performing Loan (Kol 1 and Kol 2) before COVID-19, valid from 29 February 2020.



#### Targeted **Beneficiaries**

- · MSMEs debtors with credits up to IDR10 billion
- Debtors of housing loans (KPR) up to type 70
- Debtors of motorcycle loans for productive activities, including online transportation and informal business



Providing necessary information in the implementation of interest subsidies based on the procedure which will be arranged through Joint Decision Letter (SKB)



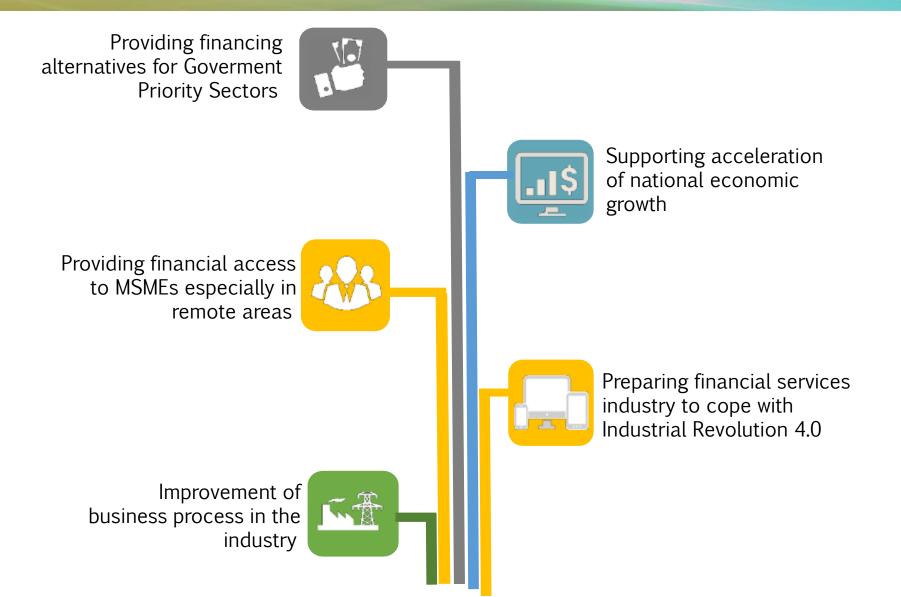
#### **Other Requirements**

- Obedient taxpayer
- Excluded from National Blacklist (DHN)



The provision regarding the budgeting, implementation, and responsibility mechanism of interest subsidies and debtor requirements are regulated in the Minister of Finance Regulation (PMK)

# **Strategic Policies in Financial Sector**



# Continuous Program on Capital Market Deepening

...continuously strengthened, including through capital market deepening initiatives





### Enhancing the supply-side

- Product: QIB offering and private placements, private fund, asset-backed securities, REITs, infrastructure fund, IGBF (Indonesia Government Bonds Future) & equity crowdfunding.
- Issuer: Financial conglomerates, big bank debtors, local government, IDX incubators, SMEs, SOEs & big tax payers.



#### Enhancing the demand-side

- Enhancing the role of the domestic institutional investors (insurers & pension funds) in capital markets.
- Development of the domestic investor base (conducting investor education programs).
- Simplification in opening securities account.
- Development of regional securities companies.
- Development of e-bookbuilding.
- Online marketing initiative



### Strengthening market infrastructure

- Development of Integrated Licensing (SPRINT).
- Enhancement of electronic reporting system.
- Development of electronic public offering.
- Integrated data warehouse and supervisory system.



Strengthening governance & customer protection

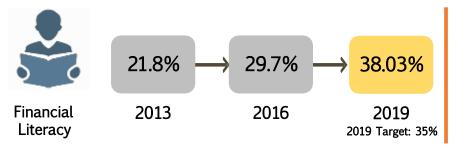
- Development of market players' capacity
- Enhancement of GCG for publicly-listed companies
- Establishment of disgorgement fund

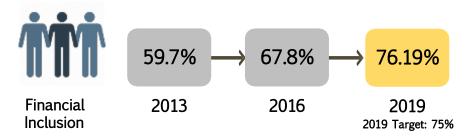
# **Enhancing Financial Literacy & Inclusion**

OJK strives to build a strong foundation for financial inclusion programs, to ensure access to financial products & services by Indonesians of all social classes. Such initiatives also include the enhancement of financial literacy and financial consumer protection.



The result of OJK's 2019 national survey demonstrated an improvement in financial literacy & inclusion among Indonesians compared to that of 2016.

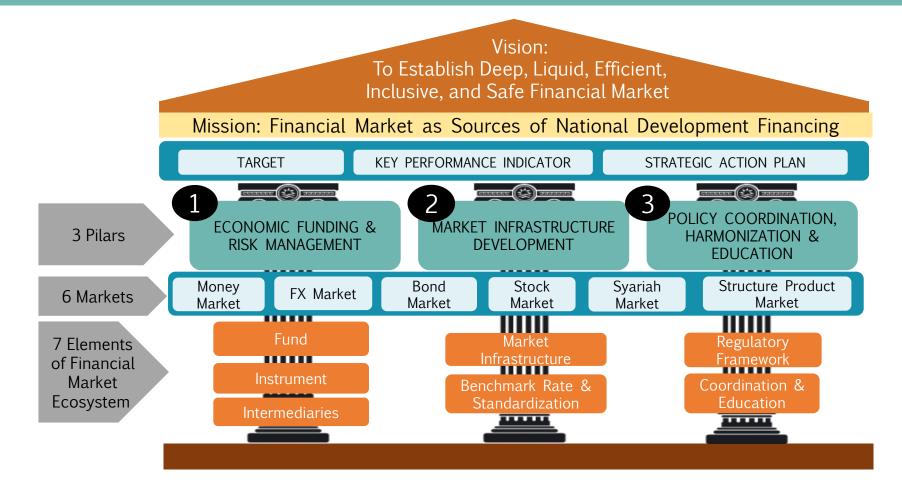




# A Comprehensive Financial Deepening Program

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

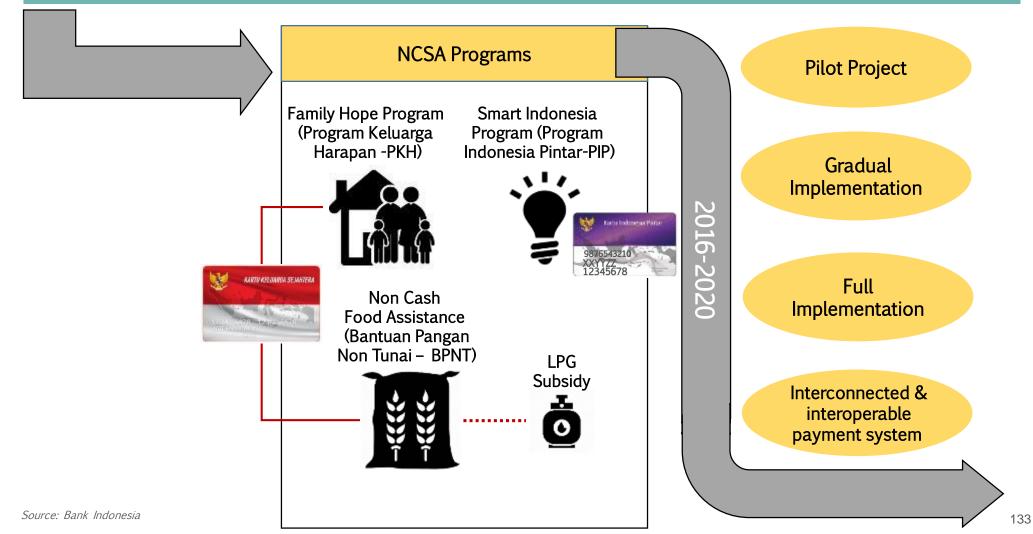
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate "The National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



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



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



# **Progress of NCSA Programs**



Family Hope Program (Program Keluarga Harapan -PKH)

KARTU KELUARGA SEJAHTERA

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

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



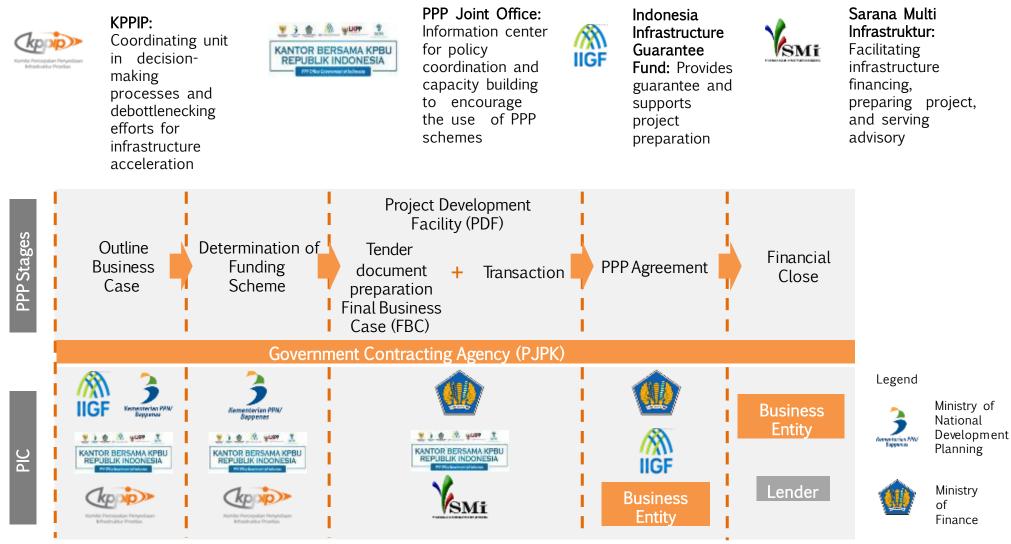
# Section 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision

# Institutional Reforms to establish a conducive PPP ecosystem



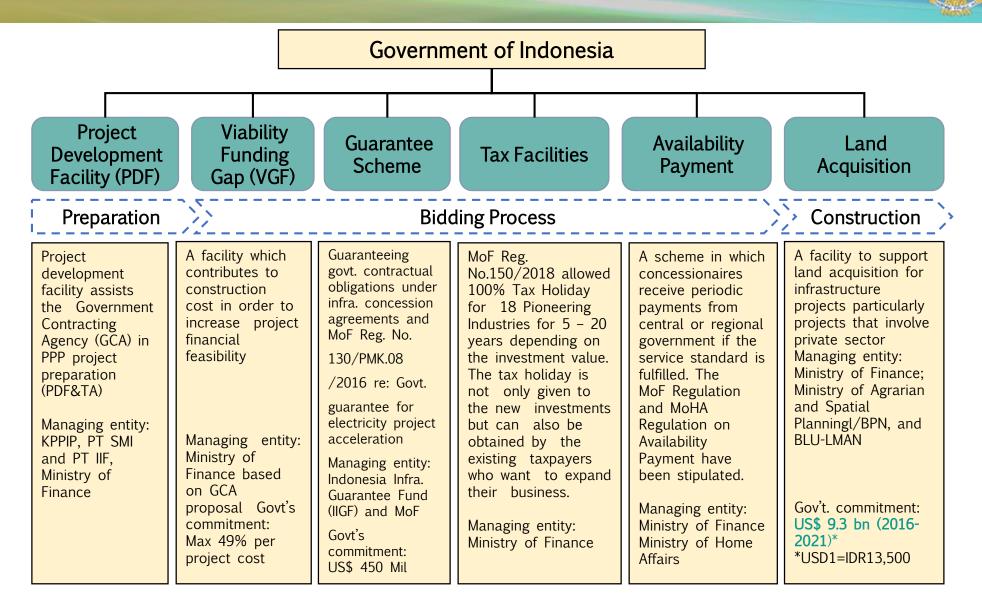
#### Institutional Reforms for PPP Implementation



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

# Reforms Along the Project's Life Cycle

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



# Efforts to Accelerate Infrastructure Provision

The establishment of Indonesia Asset Management Agency (LMAN)



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



#### LMAN at a Glance

- 1. LMAN was established in December 2015 through the issuance of MoF Reg. 219/2015 concerning State Assets Management
- 2. In 2016, BLU LMAN was mandated to provide land acquisition fund as a support to Ministry of Public Works due to US\$ 1,081 Mio shortage of fund to acquire land for priority toll roads
- 3. The scope of support is broaden for all National Strategic Projects through the issuance of MoF Reg. 21/2017 (j.o MoF Reg. 209/2019 j.o. MoF Reg. 139/2020) concerning land acquisition financing guideline for PSN
- 4. In April 2019, LMAN has disbursed up to US\$ 4 billion (IDR 54 Trillion) through bridging finance scheme for 93 toll road projects, and planned to start the implementation of direct payment scheme

### Land Acquisition Budgeting Scheme

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

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

# Efforts to Accelerate Infrastructure Provision

Limited Concession Scheme as an Alternative of Infrastructure financing



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

### Sefinition

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

### Infrastructure Financing Priority

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



### LCS Principles

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

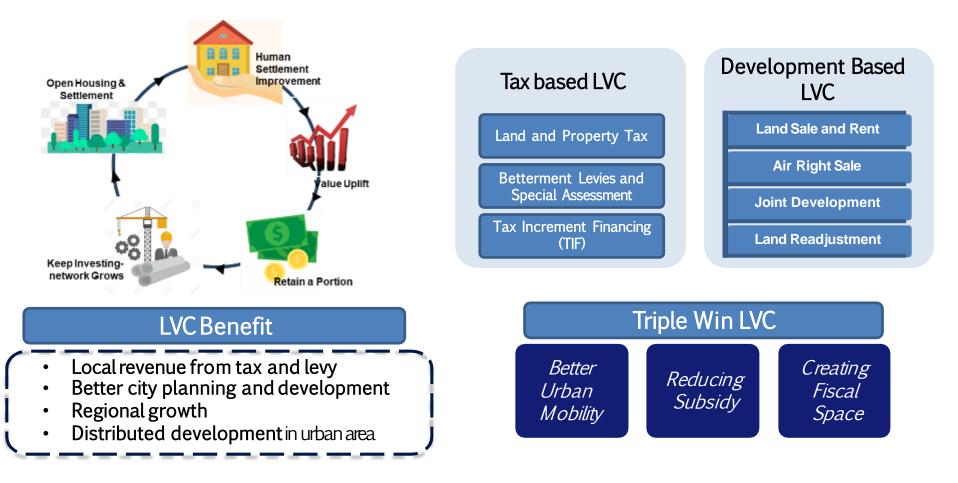
### Technical Criteria for the LCS assets

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

### Efforts to Accelerate Infrastructure Provision Land Value Capture (LVC) Scheme

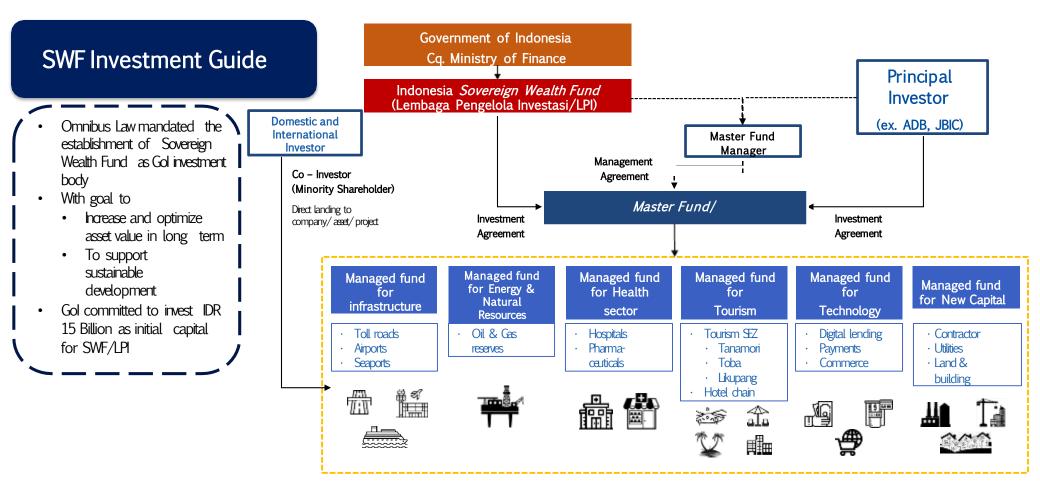


A policy approach that enables communities to recover and reinvest economic value increases and increases in economic productivity that result from public investment and other government actions. (Lincoln Institute of Land Policy)



# Efforts to Accelerate Infrastructure Provision

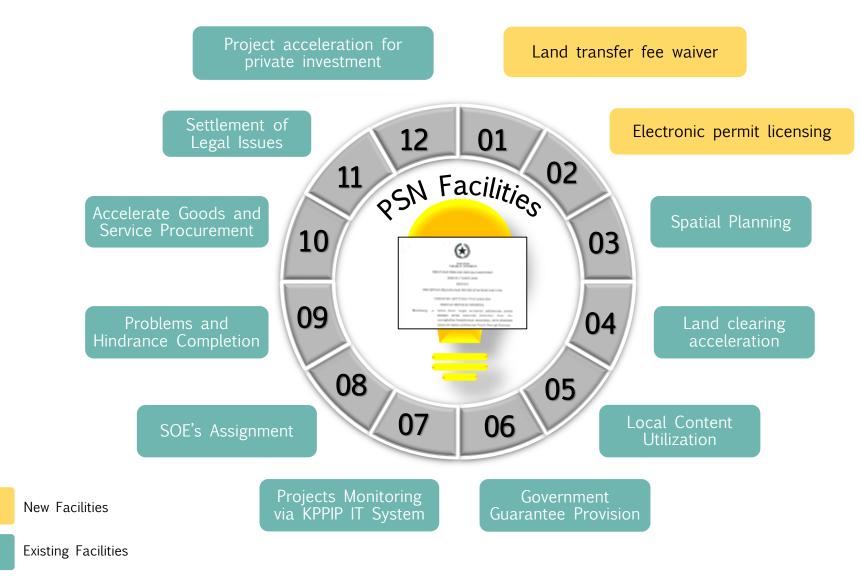
Sovereign Wealth Fund (SWF)





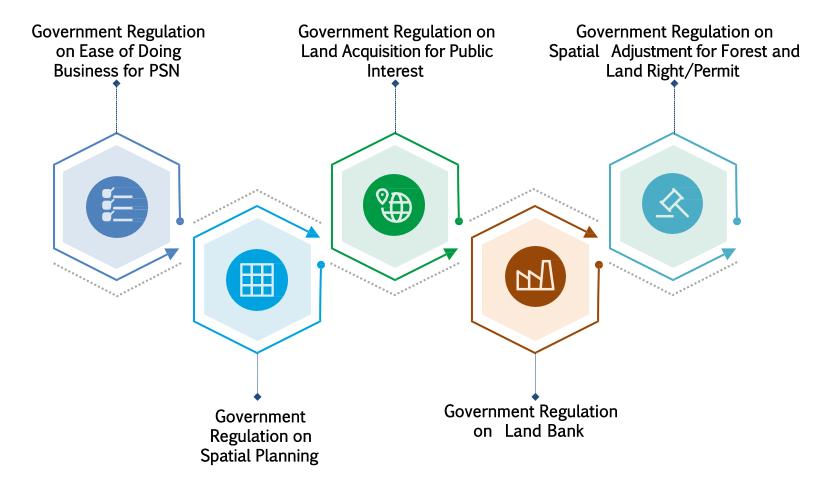
1	<b>Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)</b> The issuance of RTRWN can resolve spatial planning mismatch in the implementation of infrastructure projects listed in the annex of Government Reg. No. 13/2017. A number of breakthroughs were developed, and one of them is that the Minister of Agrarian and Spatial can issue a recommendation of spatial utilization; so that the process of obtaining project permission can be done.
2	MoF Reg. No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation The supporting regulation for Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulates the scope and general requirements and procedures to propose and grant guarantees, as well as allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.
3	<b>Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN</b> This Presidential Reg. allows the Executing Agency to pay land acquisition compensation to the impacted community who does not have official rights over the land required for PSN. This regulation helps to solve the land acquisition problem due to community objection over the land use.
4	Presidential Reg. No. 66/2020 on Land Acquisition Funding for Public Interest in Implementing PSN This Presidential Reg. was issued to accelerate the process of land acquisition funding for PSN as well as replacing the Presidential Reg. No. 102/2016
5	MoF Reg. No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects (PSN) and Asset Management of Land Acquisition by State Asset Management Agency (j.o. MoF Reg. No. 5/2019, j.o. MoF Reg. No. 209/2019, j.o. MoF Reg. No. 139/2020) The implementing regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU I MAN

National Strategic Projects (PSN) may receive privileges as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017 j.o. the Presidential Reg. No. 56/2018, j.o Presidential Decree no.109/2020

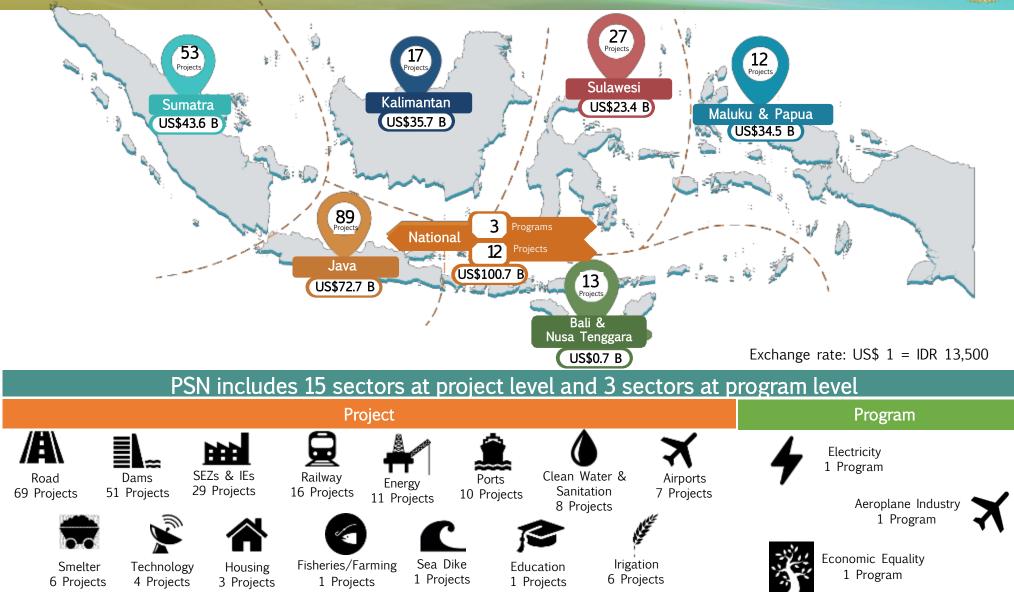


Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

### Job Creation Law's Positive Development of PSN



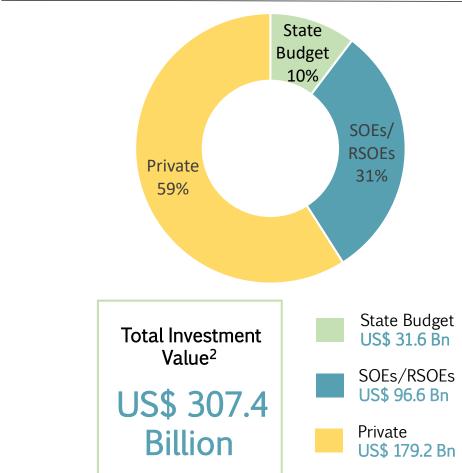
# Under Presidential Reg. No.56/2018, PSN list has been revised into 223 Projects and 3 Programs



### PSN Profile of 223 Projects and 3 Programs



The Estimated Investment Value for 223 Projects + 3 Programs PSN<sup>1</sup>



 $^{1}\text{Exclude 7}$  projects which investment value are still unknown Exchange rate : US\$ 1 = IDR 13,500

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

#### 5 Sectors with Highest Investment Value



Energy 11 Projects US\$ 89.8 Bn



**Electricity** 1 Program US\$ 76.7 Bn



Roads 69 Projects US\$ 49.7 Bn



Railways 16 Projects US\$ 29.2 Bn



SEZs and IEs 31 Projects US\$ 31 Bn

### From 2016 – 2020, there were 92 projects<sup>1</sup> completed with total estimated investment value of IDR 847 tn



#### **Completed 2017**

#### 10 Projects (IDR 61,4 T)

- 2 Toll Road
- 1 Access Road
- 1 Airports
- 1 Gas Facility
- •

- 1 Dam • 1 Irrigation

3 National Border

- 4 Dam • 1 Irrigation • 10 Toll Road
- **Completed 2018**

#### 32 Projects (IDR 207,4 T)

• 2 Railway

• 5 SEZ

- 1 Airports
- 4 Industrial Zone
- 4 Smelter
- 1 Fishery Center

#### **Completed 2019**

#### 30 Projects (IDR 165,3 T)

- 4 Airports
- 9 National Road
- 6 Industrial Zone
- 2 Smelter
- 4 Dam
- 2 Technology
- 2 railways
- 1 seaport

#### **Completed 2020**

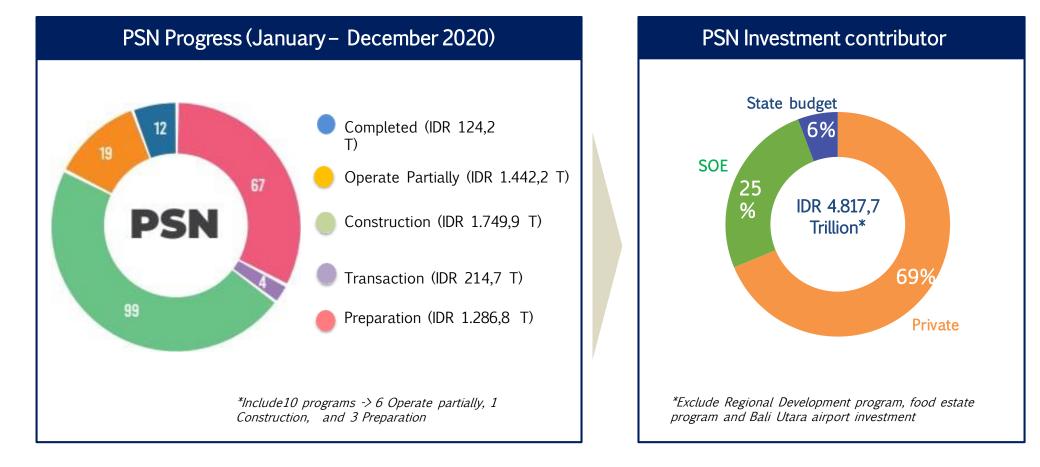
#### 12 Projects (IDR 135,3 T)

- 1 Airport
- 1 Train
- 3 Highway
- 1 SPAM
- 3 Industrial Estate
- 2 Dam
- 1 Port

<sup>1</sup>In cumulative, including projects that are already taken out in 2016 and 2017

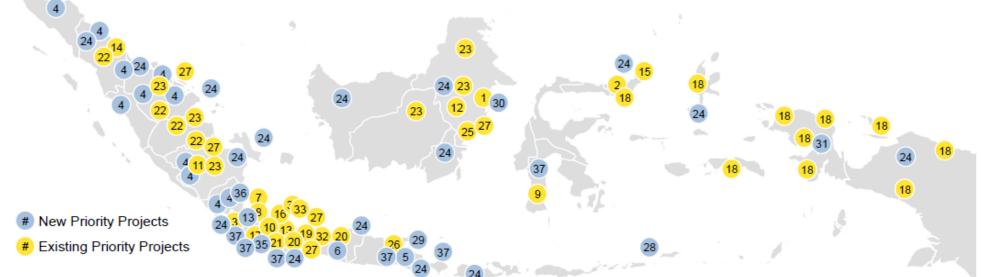
### Since January 2020, 12 PSN projects completed with 19 projects operate partially and 99 under construction





### **Progress on 37 Priority Projects**

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



- 1. Balikpapan-Samarinda Toll Road
- 2. Manado-Bitung Toll Road
- 3. Panimbang-Serang Toll Road
- 4. 15 Segments of Trans Sumatera Toll 16. Road 17.
- 5. Probolinggo Banyuwangi Toll Road
- 6. Yogyakarta Bawean Toll Road
- 7. SHĪA Express Railway
- 8. MRT Jakarta South-North Line
- 9. Makassar-Parepare Railway
- 10. Light Rail Transit (LRT) of Jakarta-Depok-Bogor-Bekasi
- 11. LRT of South Sumatera
- 12. East Kalimantan Railway

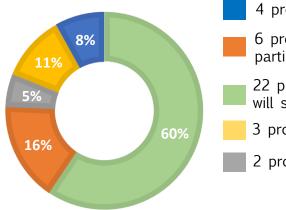
- 13. LRT of DKI Jakarta
- 14. Kuala Tanjung International Hub Seaport
- 15. Bitung International Hub Seaport
  - Patimban Port
- 17. Inland Waterways Cikarang-Bekasi-Laut (CBL)
- 18. Palapa Ring Broadband
- 19. Batang, Central Java Power Plant (CJPP)
- 20. Central West Java Transmission Line 500 kV 3
- 21. Indramayu Coal-fired Power Plant
- 22. Sumatera 500 kV Transmission (4 Provinces)
- 23. Mulut Tambang Coal-fired Power Plant (6 Provinces)
- 24. PLTGU (16 Provinces)
- 25. Bontang Oil Refinery

- 26. Tuban Oil Refinery
- 27. RDMP/Revitalization of the Existing Refineries (Balikpapan, Cilacap, Balongan, Dumai, Plaju)
- 28. Abadi WK Masela Field
- 29. Unilization Field Has Jambaran-Tiung Biru
- 30. Indonesian Deepwater Development (IDD)
- 31. Tangguh LNG Train 3 Development
- 32. West Semarang Drinking Water Supply System
- 33. Jakarta Sewerage System
- 34. National Capital Integrated Coastal Development (NCICD) Phase A
- 35. Jatiluhur Drinking Water Supply
- 36. Lampung Drinking Water Supply
- 37. Waste to Energy Program in 8 cities

### **Progress on 37 Priority Projects**



#### Progress of 37 Priority Projects (as of June 2020)



#### 4 project is completed

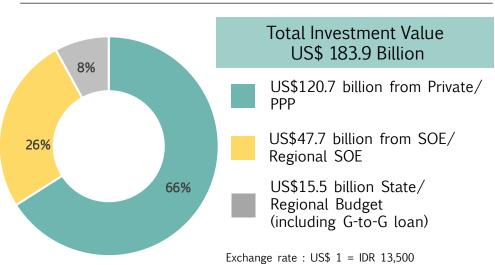
6 projects in construction and partial operation phase

22 projects in construction and will start operating after 2019

3 projects in transaction

2 projects in preparation

#### Funding Scheme of 37 Priority Projects



#### Recent Milestones



#### Palapa Ring

West package has been fully operasional since April 2018.

#### Trans Sumatera Toll Road

Segment of Pekanbaru-Dumai (131,5Km) has been operated on Sept  $26^{th}$ , 2020.



#### West Semarang Water Supply System:

On March 2018, pre-qualification stage has resulted 4 shortlisted bidders



#### Mass Rapid Transit (MRT) Jakarta South-North

Allocation of repayment liability on additional-loan for Phase I and Phase II has been decided in the KPPIP Ministerial meeting – 49% will be borne by Central Government and 51% will be borne Provincial Government of DKI Jakarta.

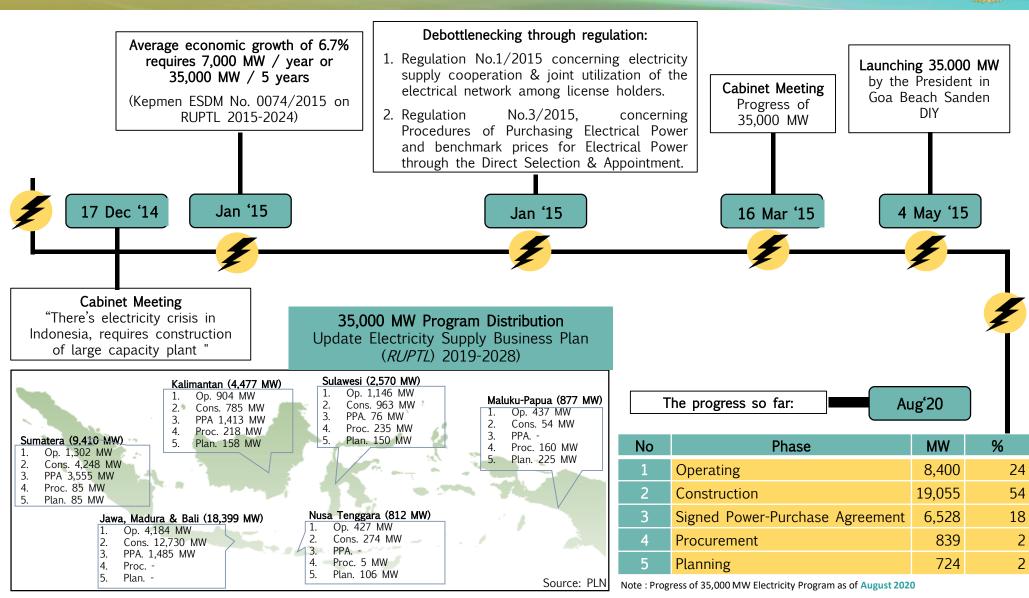
### Patin

#### Patimban Port

Loan Agreement has been signed on 15 November 017.

**Note**: This data is still going to be verified by The Executive Office of President (KSP) and Indonesia's National Government Internal Auditor (BPKP)

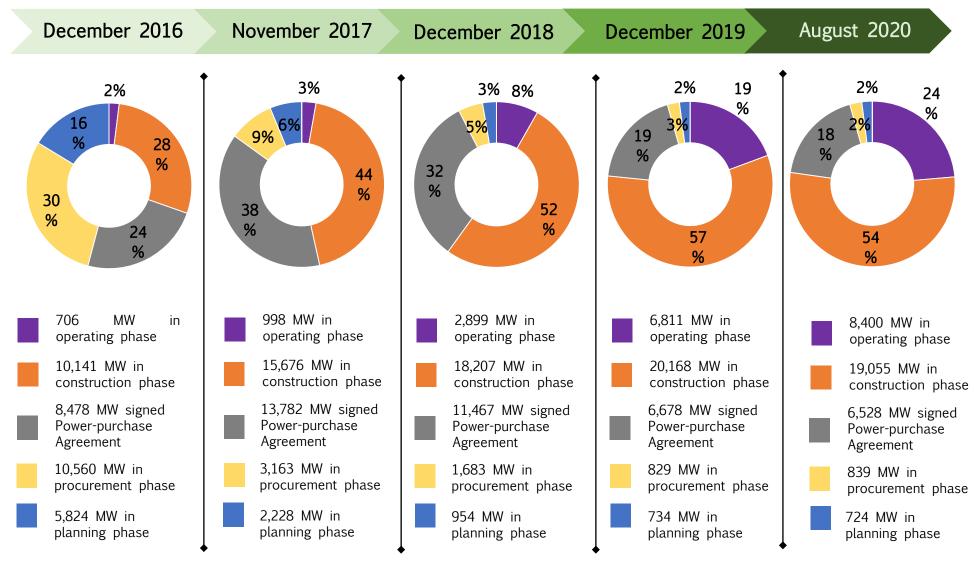
### Energy Sector: the Progress of 35.000 MW Program



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

### Energy Sector: the Progress of 35.000 MW Program

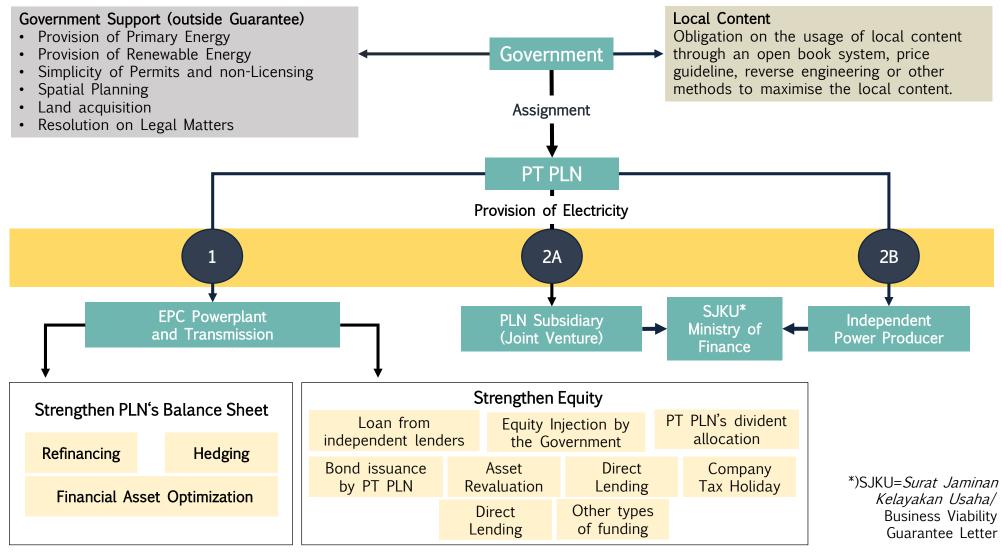




### Acceleration of 35.000 MW Program



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



### Significant Progress on Infrastructure Projects



#### Roads



Trans-Sumatra Toll Road





Jatigede Dam (Operational)

#### Transportation



Jakarta MRT Project<sup>2</sup>



New Tanjung Priok Port Project<sup>2</sup>



Merah Putih Bridge, Ambon

#### Drinking Water Processing



Umbulan Drinking Water Provision System, East Java



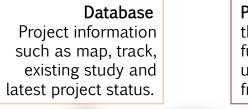
Terminal 3 Ultimate Soekarno-Hatta<sup>2</sup>



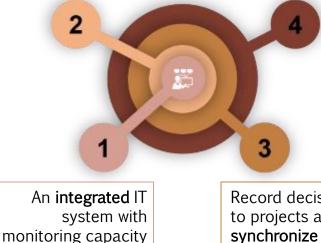
Nop Goliat Dekai, Papua

#### Improving Monitoring System on Infrastructure Projects<sup>1</sup>

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



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



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

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

for stakeholders, so

that they can have real time data.

### Infrastructure Projects and Financing Schemes Promotion of Infrastructure Development to Accelerate Economic Growth



#### Infrastructure Development is a Key Priority

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

#### Establishment of PPP Unit

Broad Objective	<ul> <li>Champion project preparation and acceleration of the PPP agenda in Indonesia</li> </ul>	
Core Mandates	<ul> <li>Improve quality of project selection under KPPIP – OBC criteria</li> <li>Support project preparation through PDF support and highly qualified transaction advisors</li> <li>Act on behalf the Minister of Finance in providing government support and approvals for projects</li> </ul>	
Additional Mandates	<ul> <li>Coordinate all public finance instruments</li> <li>Provide input for PPP Policy program Development and Regulations</li> <li>Implement capacity building for Govt. Contracting Agency (GCAs)</li> <li>One stop shop for PPP promotion &amp; Information</li> </ul>	

Budget	Public Private Partnership	SOE & Private Sector
<ul> <li>Central &amp; regional budget (special allocation fund &amp; rural transfer)</li> <li>Primarily to support basic infrastructure projects:         <ul> <li>Food security: Irrigation, dams etc.</li> <li>Maritime: Seaports, shipyards etc.</li> <li>Connectivity: Village roads, public transportation etc.</li> </ul> </li> </ul>	<ul> <li>Certain infrastructure projects to be funded and operated through a partnership between the Indonesian government and the private sector         <ul> <li>Projects ready for auction under the PPP Scheme:</li> <li>Toll roads projects such as Balikpapan-Samarinda and Manado-Bitung</li> <li>Railway projects such as an express line into Soekarno-Hatta International Airport</li> <li>Water supply projects such as the West Semarang Project</li> </ul> </li> <li>Various government support for PPP:         <ul> <li>Project Development Facility (PDF): Helps Government Contracting Agencies (GCAs) in project preparation and transaction</li> <li>Viability Gap Fund: improves financial viability of PPP projects</li> <li>Government Guarantees: Supports PPP projects' bankability by providing sovereign guarantees</li> <li>Infrastructure Financing Fund: Provided through PT SMI and IIGF</li> <li>Availability Payment (AP): GCA pays private partner based of availability of infrastructure services</li> </ul> </li> </ul>	<ul> <li>Government to inject capital into SOEs: Intended multiplier effect to develop more infrastructure projects</li> <li>Key focus areas:         <ul> <li>Infrastructure and maritime development</li> <li>Transportation and connectivity</li> <li>Food security</li> </ul> </li> <li>Medium term infrastructure developments to focus on:         <ul> <li>Water Supply</li> <li>Airports</li> <li>Seaports</li> <li>Electricity and power plants</li> <li>Housing</li> <li>Mining</li> </ul> </li> </ul>

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

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

### Government Guarantee For Basic Infrastructure Development

**Reflects strong commitment to national development planning** 



Government Guarantee Program		Contingent Lia	
	Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.	No. Cen	
	<b>Clean Water</b> – Guarantee for 70% of PDAM's debt principal payment obligations.	1 Coal Power Plar	
	<b>Toll road</b> – Full credit guarantee for PT Hutama Karya's debt payment obligations for the	2 Clean Water Su	
Credit Guarantee	development of Sumatra Toll Roads.	3 Direct Lending f	
	I Infrastructure - Full credit guarantee on SOE's borrowing from international financial institution	4 Sumatra Toll Ro	
	& guarantee for PT SMI's local infrastructure financing.	5 Renewable energy (FTP 2)	
	Public Transportation (Light Rail Transit) – Full credit guarantee for PT Kereta Api Indonesia's	6 Public-Private Pa	
	debt payment obligations for the development of LRT Jabodebek.	7 Regional Infrastr	
	Power (Electricity) - Guarantee for PT PLN's	8 Public Transport	
Business Viability Guarantee (BVG)	obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2	9 Electricity Infras	
	10.000MW and 35GW programs*		
PPP Guarantee	Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements	USD3.99 billion have The Maximum Guara Beginning in 2008 the	
Political Risk Guarantee	Infrastructure – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees		

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

Contingent Liabilities from Government Guarantee as of Q3 2020 \*\*

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Documents	Exposure/ Outstanding (USD bn)
1	Coal Power Plant 10,000 MW Fast Track Program (FTP 1)	15	1.28
2	Clean Water Supply Program	6	0.01
3	Direct Lending from International Financial Institution to SOEs	7	1.80
4	Sumatra Toll Road	10	2.90
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	3.88
6	Public-Private Partnerships (PPP)	7	4.85
7	Regional Infrastructure Financing	1	0.18
8	Public Transportation (Light Rail Transit)	1	0.39
9	Electricity Infrastructure Fast Track Program (35GW)	6	4.49
	Total	60	19.79

From 2008 to Q3-2020 \*\*, the government has issued 89 guarantee documents with total value of USD39.87 billion, there were 29 guarantee documents worth USD3.99 billion have been expired.

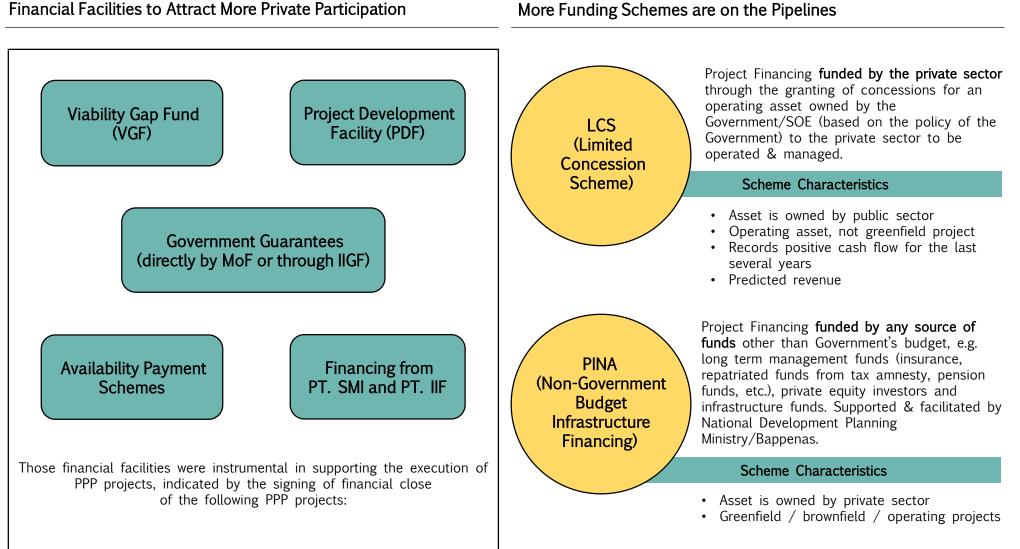
The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.

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

\*\*) As of end September 2020; ; currency conversion of IDR14,918.00/USD1 and IDR17,527.17/EUR1

### **Government Financial Facilities for PPP Projects**



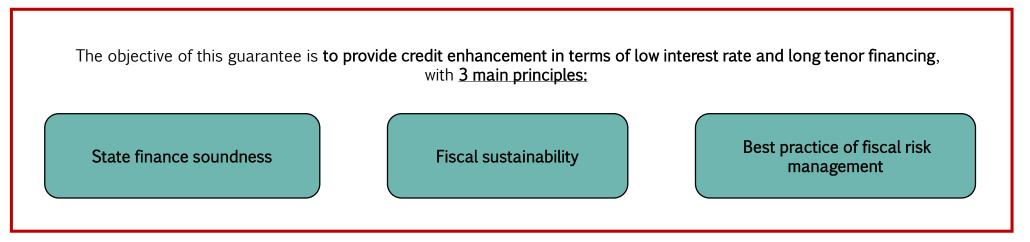


### **New Guarantee Schemes for Non-PPP Projects**



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

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



#### Guarantee for Regional Infrastructure Financing Provision

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

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

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



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