



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

July 2023

About Investor Relations Unit of the Republic of Indonesia



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

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

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

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

Contact:

Rosita Dewi (International Department - Bank Indonesia, Ph.: +6221 2981 8232)

Thasya Pauline (Deputy Ministry for Macroeconomic and Finance Coordinator - Coordinating Ministry for Economic Affairs, Ph. +6221 352 1843)

Putri Rizki Yulianti (Fiscal Policy Office - Ministry of Finance, Ph.: +6221 345 0012)

Subhan Noor (Directorate General of Budget Financing and Risk Management - Ministry of Finance, Ph.: +6221 351 0714)

E-mail: contactIRU-DL@bi.go.id

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Highlight of the Month



What's New



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Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development
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Prudent Pandemic Management and Continued Economic Recovery



Big but measured steps including a strong vaccination program



Synergy between institutions nationwide



Responsive and flexible Government Budget



Resilient economic performance

Continued National economic recovery momentum, reflected by 5.03% (yoy) economic growth in first quarter of 2023, driven by high exports and growing domestic demand in.

Affirmation of Investment Grade and Sovereign Credit Rating Outlook Improvement

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
MOODY'S	Baa2 (Stable)
S&P Global	BBB (Stable)
R&I <small>Rating and Investment Information, Inc.</small>	BBB+ (Positive)

Standard and Poor's (S&P) has affirmed Indonesia's **Sovereign Credit Rating at BBB with a stable outlook on July 4, 2023**, with the key factors namely the economy's sound growth prospects, historically prudent policy, and rapid fiscal consolidation. The stable rating outlook reflects the solid economic growth over the next two years which will support fiscal performance and debt stabilization. **Meanwhile, Rating and Investment Information, Inc. (R&I) has upgraded Indonesia's outlook to positive from stable and affirmed its Sovereign Credit Rating at BBB+ as announced on July 25, 2023.** Several key factors support this decision, encompassing Indonesia's robust economic performance and its resilience amid global economic uncertainty, achievement of inflation and fiscal deficit within the targeted range earlier than expected, maintained financial stability, and declining trend in government debt ratio.

Overview



1

Economic Recovery Program and Its Updates

4

External Factor:
Improved External Resilience

2

Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development

5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining
Fiscal Credibility

3

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

6

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



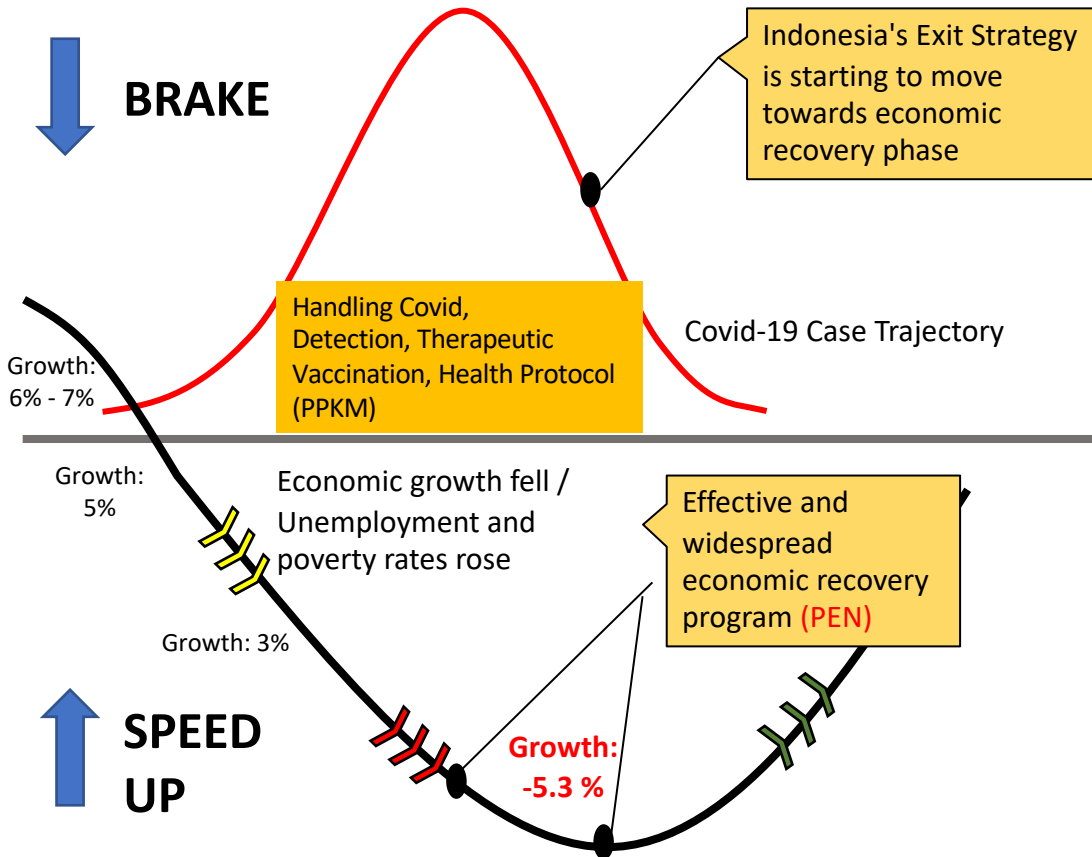
Section 1

Economic Recovery Program and Its Updates

Constructive Policies, The Key To Successful Indonesia's Economic Recovery



In the midst of various global challenges, the government has succeeded in ensuring that the economic recovery continues, while maintaining effective handling of the pandemic.



>445 million COVID-19 vaccines have been administered (main and booster doses). Indonesia has produced the **COVID-19 vaccine** domestically, to strengthen the supply of vaccines, including **Indovac** developed by Bio Farma.

Vaccination Sustainability

Revoked the PPKM rules

*President Joko Widodo on 30 December 2022 officially announced that PPKM had been repealed. However, the Pandemic status in Indonesia **was not revoked**.*

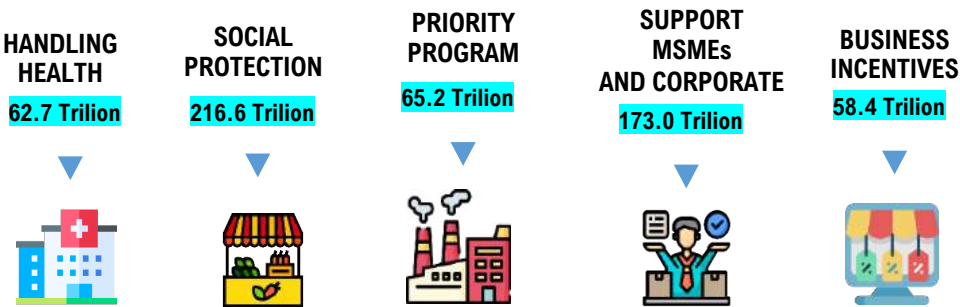
National Economic Recovery Program (PEN) Effectively Assist the Covid-19 Handling & Promote Economic Recovery



PEN PROGRAM

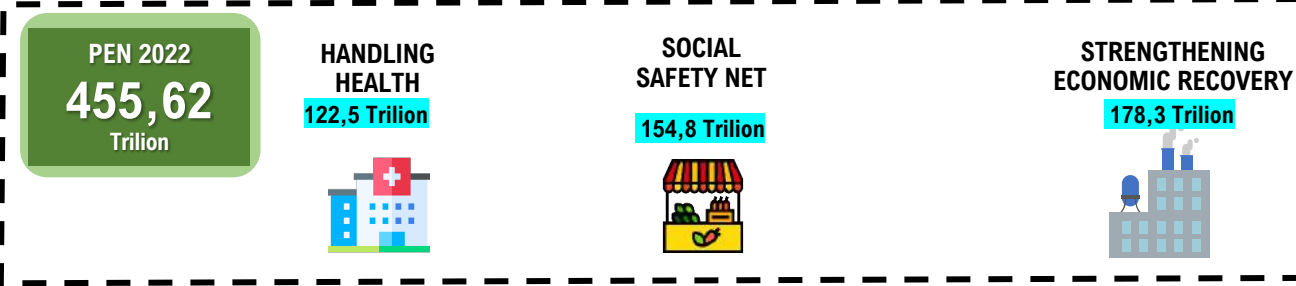
as a response to the handling of the Covid-19 pandemic and aims to handle health and support the economy

PEN 2020
575.9
Trillion



PEN 2021
655.14
Trillion

PEN 2021 BUDGET
Initially lower than in 2020. However, as the covid-19 cases escalated due to the Delta variant, PEN was again strengthened for social protection and hospital costs



PEN 2022
455,62
Trillion

Focus: Continuation of Covid handling and acceleration/expansion of vaccinations

Focus: maintaining the purchasing power of the poor and vulnerable, as well as tackling extreme poverty

Focus: Job Creation and Increased Productivity



Achievements and Experiences in the Implementation of Covid-19 Pandemic Management Program and National Economic Recovery

PC-PEN is an embodiment of policies that **are extraordinary, responsive and adaptive** in responding to the dynamics of crisis and risk of uncertainty.



1

Under the directions of the President, the combination of brakes and accelerator proved to be optimal. **Dare to take risks, but measured.**

2

PERPPU No 1 of 2020 provides **responsible discretion**. During the COVID-19 pandemic crisis period, support was **not only needed by the poor but also the lower middle class**.

3

Data availability & quality are important in formulating policies.

4

Intensive coordination between the Central Government, Regional Governments and the TNI/Polri as well as the involvement of all elements of society. The formulation of programs for ministries/institutions and local government may no longer be **business as usual**.

5

Utilization of digital technology **can increase the accuracy of program targets** For example: **KPCPEN One Data System, Care to Protect, Telemedicine Services, PKL-WN Applications, etc.**

6

The pandemic **creates innovation i.e. manufacture of Red and White Vaccines.**

Post Pandemic: Covid-19 Pandemic Handling

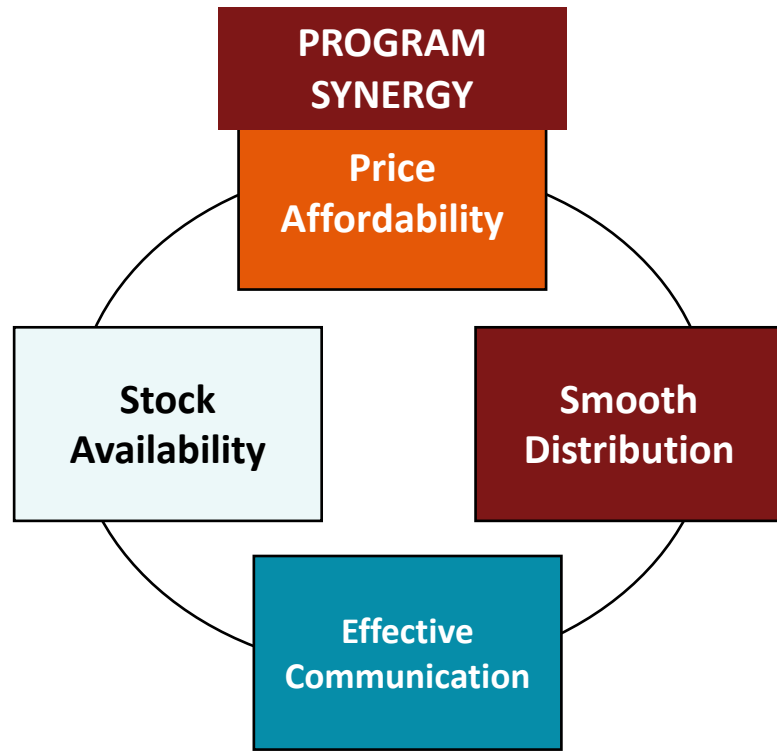


1. PPKM was officially **revoked on Friday, 30 December 2022**;
2. During the transition:
 - **The COVID-19 Task Force** will continue to run until the community becomes resilient (for 6 months and then evaluated);
 - The second booster vaccination runs from 12 January 2023, free of charge.
3. Handling of the COVID-19 Pandemic including vaccination will be integrated with regular health programs under the authority of the Ministry of Health and related institutions.
4. ***The Early Warning Indicators dan Early Warning System for the Pandemic COVID-19*** are still being monitored and managed by the Ministry of Health, similar to other health indicators.
5. ***Crisis Management Protocol Pandemic COVID-19*** can be reactivated if conditions return to a crisis period based on an assessment and recommendation from the Ministry of Health.

The Direction of the National Economic Recovery Policy for 2023:

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

Boosting Consumption: Maintaining Purchasing Power Through Inflation Control And Price Stabilization Policy



EXTRA-EFFORT POLICY



FISCAL POLICY

State Budget is optimized as a shock absorber

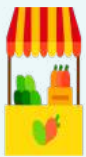
- Energy Subsidies and Compensation
- Food Security Budget
- Mandatory Social Protection from Unexpected Expenditure (BTT APBD)
- Food aid (rice)



MONETARY POLICY

Pro-stability monetary policy support

- Front-loaded, preemptive, and forward-looking interest rate policies.
- Rupiah exchange rate stabilization policy.
- Sale/purchase of Securities in the secondary market (twist operation).



The Supply and Food Price Stabilization Program (SPHP)/ Market Operation



Facilitating the Distribution of Food Commodities from surplus to deficit areas



Expanding Inter-Regional Cooperation (KAD)



Increased Production (such as yard planting programs and urban farming)



The National Movement for Food Inflation Control (GNPiP) Program to accelerate the stabilization of food prices in the regions



Detailed Data Monitoring and Strengthening Supply and price data per region

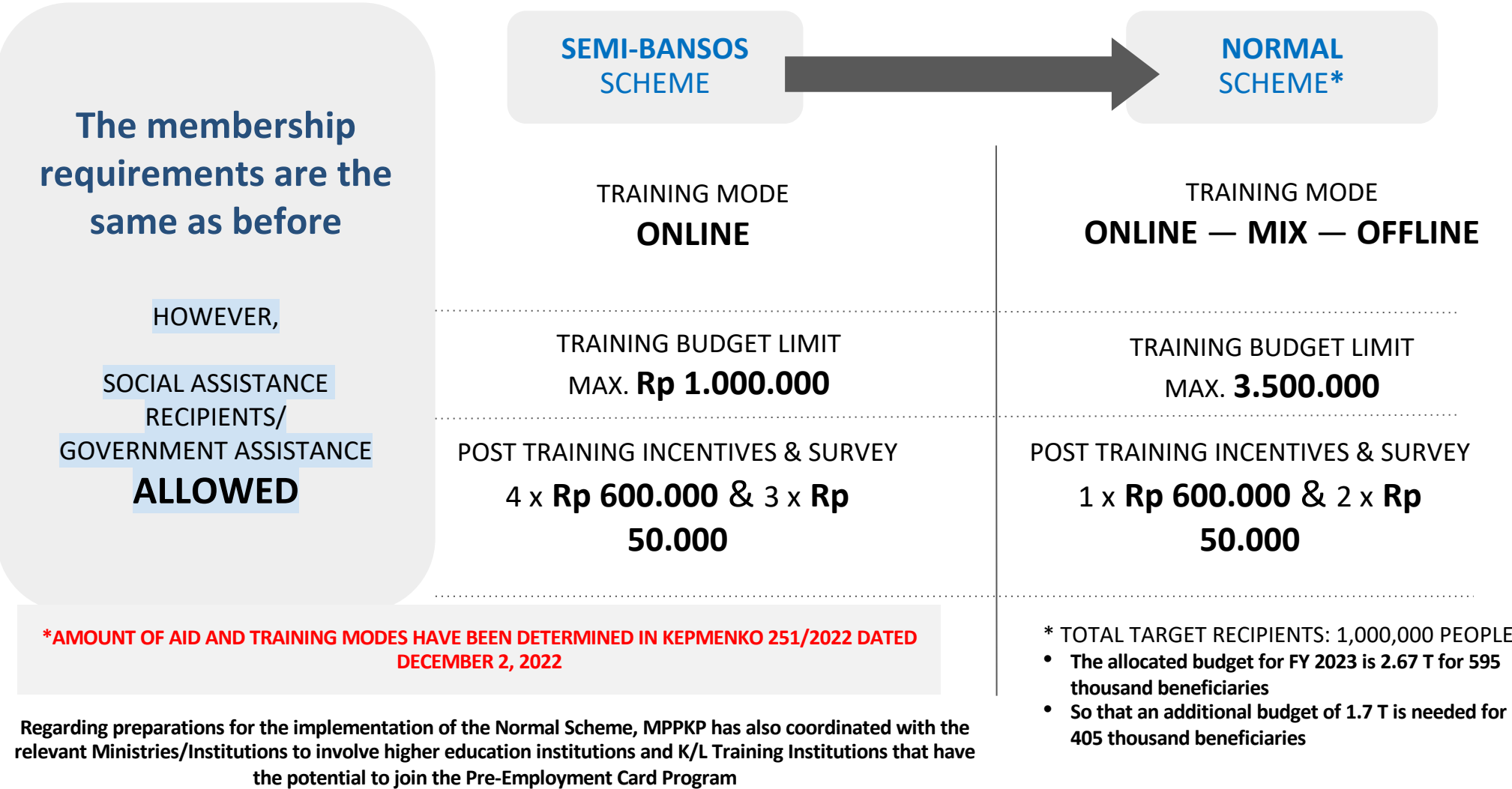


Market Monitoring with the Food Task Force



From Semi-Social Assistance (Bansos) Scheme To Normal Scheme

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





Pre - Employment Card to Boost Working Skill Program

Achievements

>45.1 mio Verified applicant registered on the Kartu Prakerja database

16.425.420 Total Beneficiaries (Batch 1-47)

Rp37,96 trillion Incentive fund disbursement

38 Province **514** District/City

Outcome

A. Improved Working Skills and Entrepreneurship Opportunity

87,2% The training to improve skills and competence

56% → 39,8%
Who previously unemployed are now getting jobs

B. Acceleration of Financial Inclusion

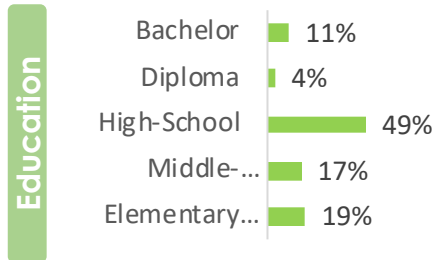
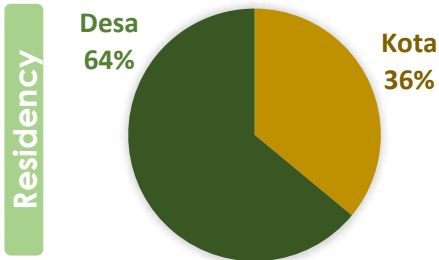
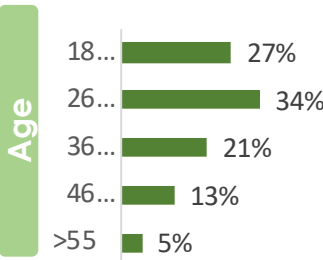
47% Beneficiaries who previously did not have access to financial services are now have bank account or e-wallet.

C. Improved Purchasing Power and SMES

% beneficiaries used the cash incentives for

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

Statistical Demography



Source: Project Management Officer
Program Kartu Prakerja, Dec 2022

Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY & MINI TAX HOLIDAY

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

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

TAX ALLOWANCE

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

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

INVESTMENT ALLOWANCE

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

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

SUPER DEDUCTION TAX

Super Deduction Vocational

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

R & D Super Deduction

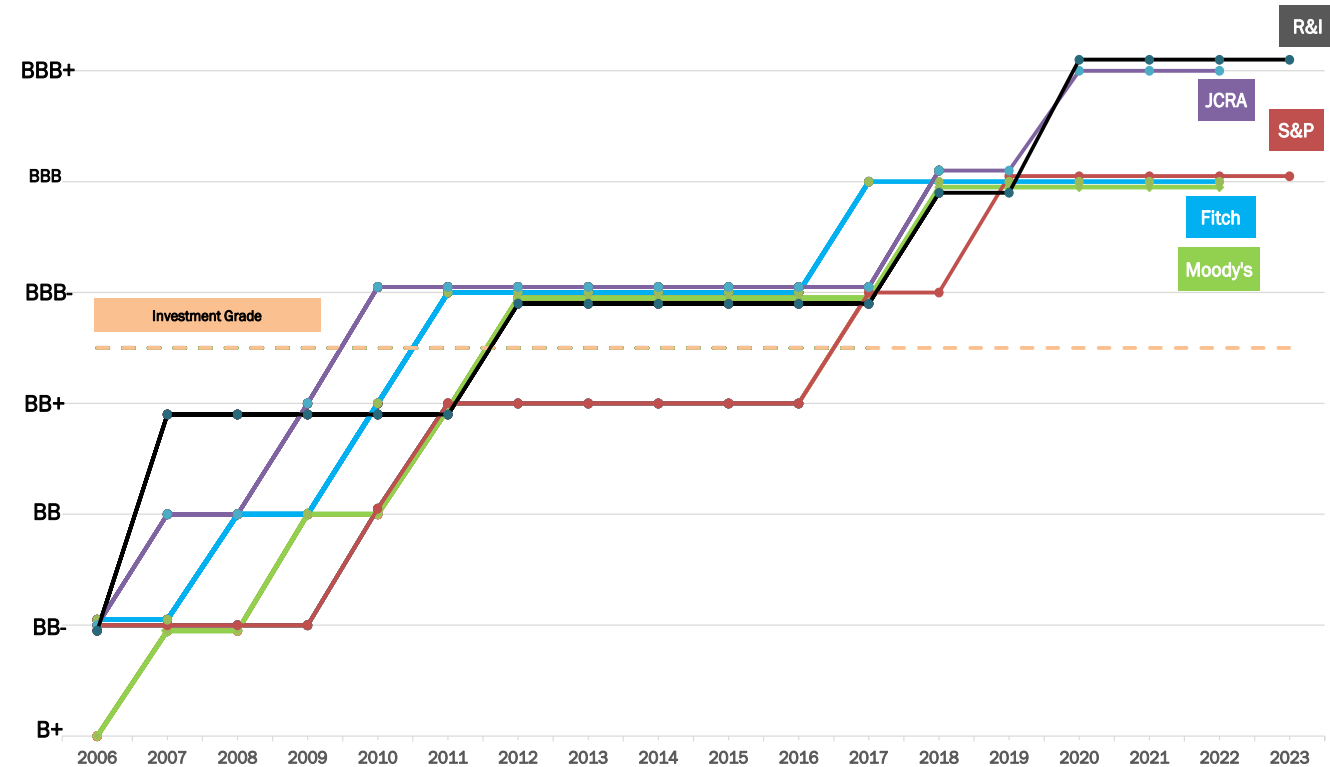
- Increase the role of industry in fostering innovation and the use of the latest technology in the production process
- Maximum gross income deduction of 300% over R&D costs carried out in Indonesia
- As per December 2022, there are 18 proposal for research and development activities (ytd), with estimated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



Section 2

Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development

Improved Outlook and A Well Maintained of Indonesia's Sovereign Credit Rating Amid Global Economy Uncertainties



FitchRatings

BBB / Stable

December 2022, Rating Affirmed at BBB/Stable

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

S&P Global Ratings

BBB / Stable

July 2023, Rating Affirmed at BBB/Stable

"The stable rating outlook reflects our expectation that Indonesia will achieve solid economic growth over the next two years. This will support prudent fiscal outcomes and stabilize debt."

Moody's

Baa2 / Stable

March 2023, Rating Affirmed at Baa2/Stable

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

R&I

BBB+ / Positive

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

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

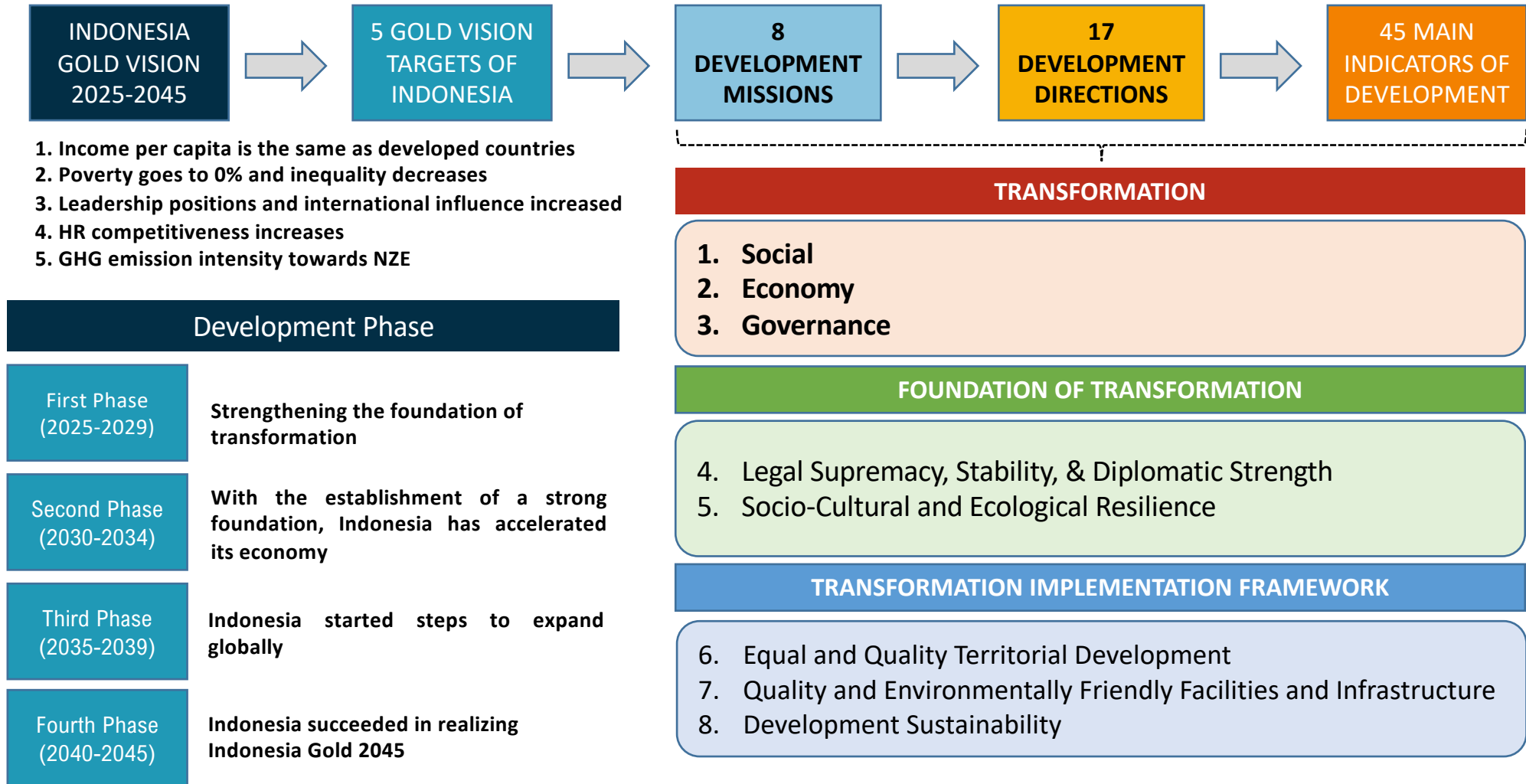
JCR

BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

Indonesia Gold Vision 2045: Become A Sovereign, Advanced And Sustainable Country

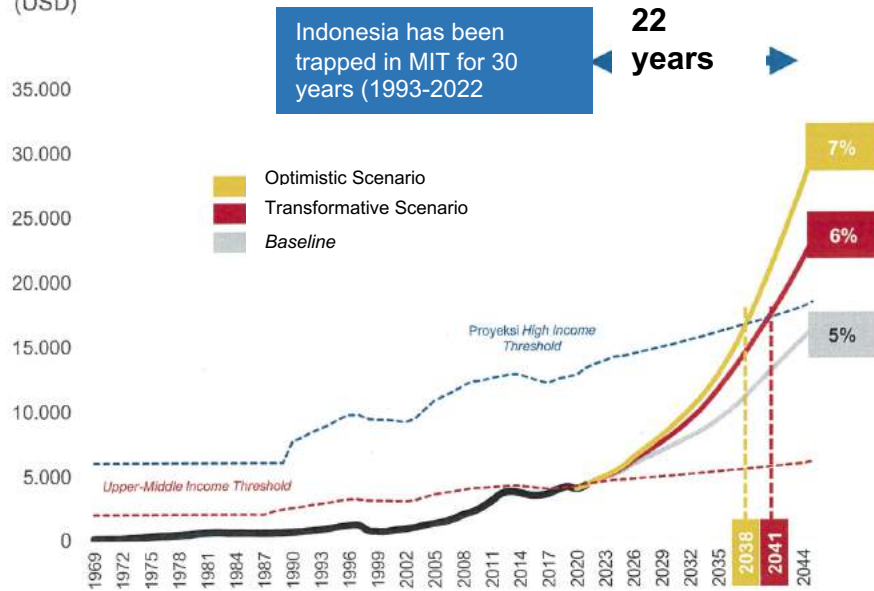


TARGETS OF ECONOMIC TRANSFORMATION FOR INDONESIA GOLD 2045



Economic transformation aims to lift Indonesia out of the middle-income trap and into a high-income country. For this reason, the Indonesian economy must achieve an average growth of 6-7% in the next 20 years, high economic growth that is inclusive and sustainable

Proyeksi GNI per Capita Indonesia (USD)



Economic Transformation

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

First Phase (2025-2029)

Downstream natural resources and strengthening innovation research and labor productivity

Second Phase (2030-2034)

Massive increase in productivity and expansion of sources of economic growth

Third Phase (2035-2039)

Economic power house that is integrated with global and domestic chain networks, as well as strong exports

Fourth Phase (2040-2045)

High income country

Scenario	Average Growth	Years Escape form MIT
Transformative	6%	2041
Optimistic	7%	2038

Investment Policy Direction 2020-2024:







Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth



Indonesia's strategy prioritizes investment with multiplier effects: downstream, green economy, digitization, and HR development









6 Main Strategies for Economic Transformation:

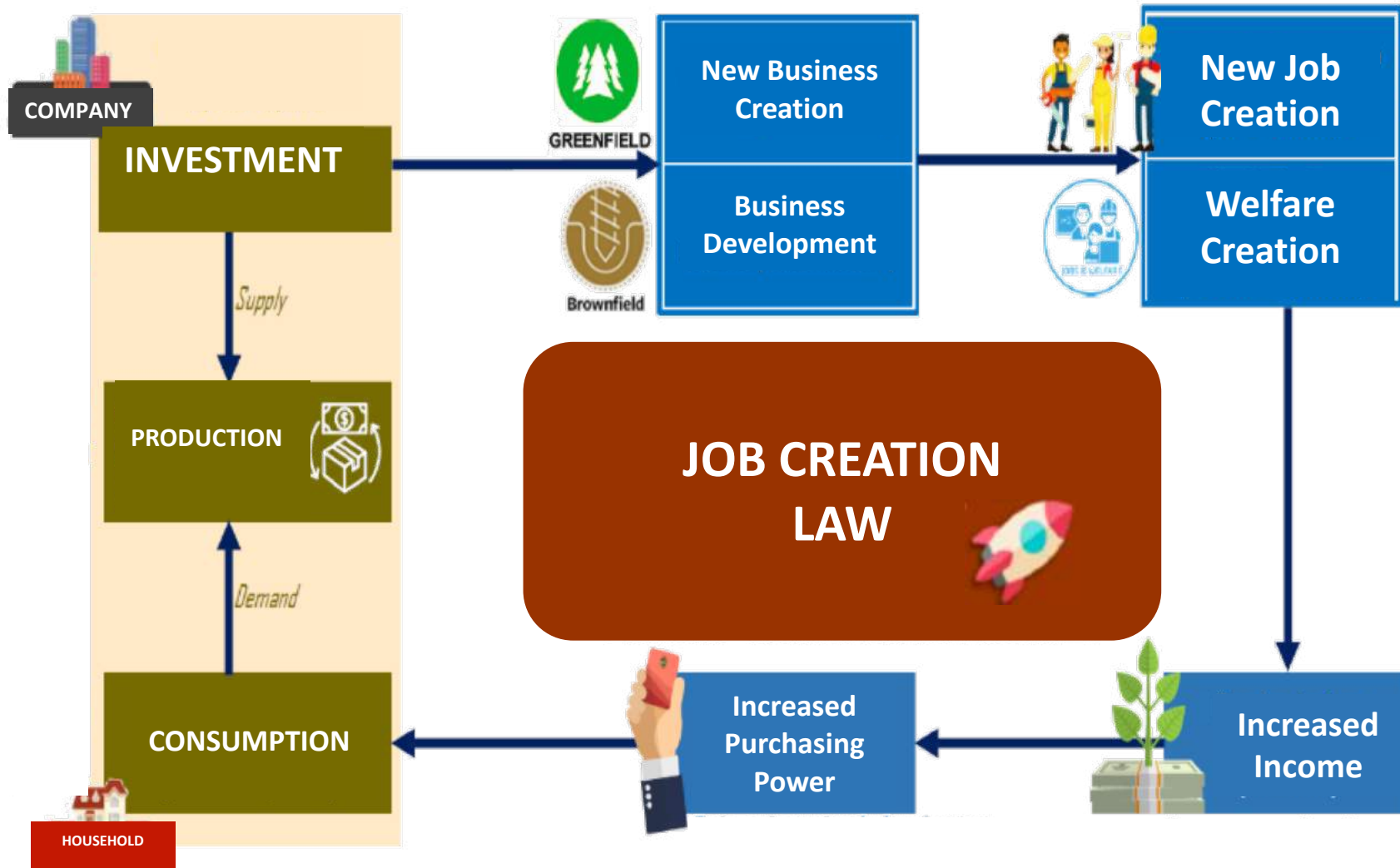
					
Green and low carbon economy	Increasing economic productivity	Relocation of the nation's capital	Digital transformation	Domestic economic integration	HR development

Green and Low Carbon Economy is one of the main strategies set by President Joko Widodo to realize medium-long term economic transformation, which is achieved through the Low Carbon Development framework.

Priority Investment Sector

					
Labor Intensive Industry	Export Oriented Industry	New Renewable Energy	Infrastructure	Digital Economy	Value Added Industry (Downstream)

The Framework of Job Creation Law



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



PROGRESS OF THE JOB CREATION LAW

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

Derivative regulations of 54 Government Regulations/Presidential Regulations

The decision of the Constitutional Court on November 25, 2021

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

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

Clusters in the Job Creation Law

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

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

The subject matter in the revision includes:

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

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

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



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

Streamlining Administrative Procedures and a Positive Investment Climate

Ease of Doing Business Policy



Law No. 11 of 2020 About Job Creation



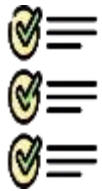
Latest update

PERPPU 2 of 2022 concerning Job Creation has been issued



Impact on ease of doing business

Providing legal certainty to business actors



Government Regulation No 5 of 2021



Revision of the Legal Draft and Appendix I/II



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



OSS RBA System

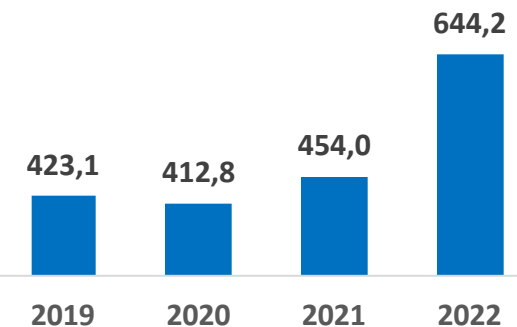


Assistance in conformity evaluation between Regulation and System

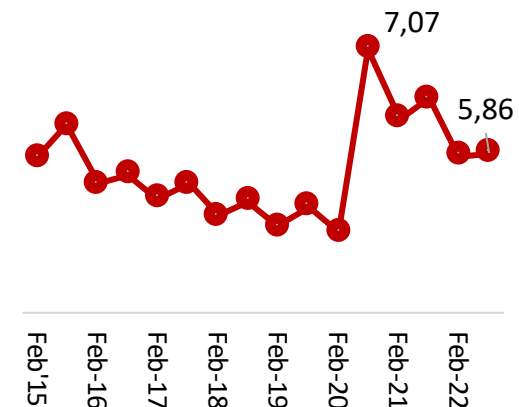


Better and smoother Business Licensing Services

FDI Realization (IDR Tn)



Unemployment Rate (%)



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



Constitutional Court

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



Follow-up

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



Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.

**PERPPU NO. 2 OF 2022
(30 December 2022)**

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

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

Employment Regulation

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

Halal Product Assurance (Halal Certification)

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

Management of Water Resources

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

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



With the Omnibus Law method, **79 Indonesian Laws** were revised at once with only one Job Creation Law which regulates 16 sectors

Has simplified into



186 Article
dan **15 chapter**

11 Cluster



Investment Ecosystem and Business Activities



Business Licensing



Employment



SME and Cooperatives



Research and Innovation



Land Acquisition



Economic Zones



Ease of Doing Business



Government Investment & National Strategic Project (PSN)



Public Administration



Imposition of Sanctions

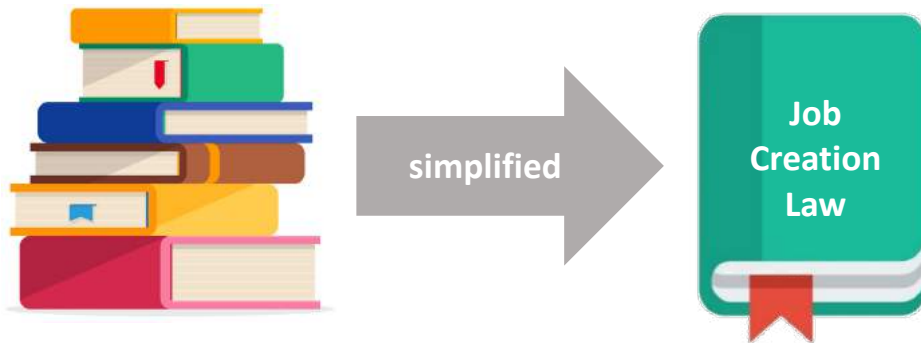
*The UUCK has been in effect since its promulgation on November 2, 2020. The Constitutional Court Decision No. 91/PUU XVIII/2020 dated November 25, 2021 which states that the Law of Job Creation is unconstitutional with the condition: remains in effect operational but must be formally revised within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



Improved Ease of Doing Business



Implementation of the Job Creation Law: No. 11/2021 as Amended By Law No. 6/2023 Breakthrough in the legal system in Indonesia



79 Laws simplified in 1 Law

11 cluster which regulates various sectors.

- ☐ **Improve** the investment climate and create legal certainty
- ☐ **Harmonize** the central - regional policies
- ☐ **Minimize** and **prevent** the practice of corruption
- ☐ **Simplify** regulation
- ☐ **Creating** a vast job opportunity
- ☐ Provide **protection and facility** for SME's and Cooperatives

Opening more sectors for 100% FDI

All business sectors are **100% open** to foreign ownership, except for a few mentioned in Presidential Decree 49/2021 concerning Investment Business Sector.

Previously, there were 515 business fields that were restricted to FDI in the "Negative Investment List".

Competitive capital requirements for FDI

There is no requirement for authorized capital for the establishment of a business entity but there is a requirement for a minimum paid-up capital of IDR 10 billion (~US\$700,000) for foreign investment (PMA).

Reduction of Company Income Tax (PPh).

Corporate Income Tax 22% for companies that are not registered or 19% for companies listed on the Indonesia Stock Exchange (IDX).

Before 2020

25%



Starting 2020

22%

More Business Fields Are Open for Foreign Investment



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

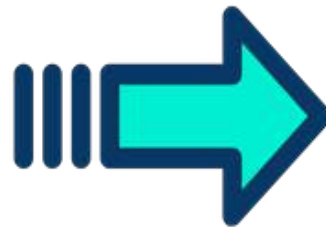


Pres. Regulation 44/2016
“Investment Negative List”

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



Business Restriction
oriented



Encouraging the Development
of Priority Business Fields

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

The Latest Investment Business Field Arrangements



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

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

Attachment I



Business Fields Closed for Investment
20 Business Fields



Priority Business Fields*
246 Business Fields

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

Attachment II



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

145 Business Fields/KBLI



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

182 KBLI in 106 Business Groups

Attachment III



Business Fields Opened with Conditions
350 Business Fields



Business Fields Opened with Conditions
37 Business Fields

Boosting Investment through Priority Sectors with Value Added



Export Oriented – Labor Intensive industries



Pharmaceutical and Health Equipment



Automotive Industries



Electronic Industries



Infrastructure



Energy, especially renewable energy



Mining,
That creates added value products



Boosting Investment: Implementation Of Job Creation Law To Provide Legal Certainty And Improve Investment Climate

Constitutional Court Decision (25 Nov 2021)

- ❑ The Constitutional Court stated that the **Job Creation Law (Law Number 11 of 2020) was conditionally unconstitutional**
 - The omnibus method has not yet been regulated in the Law on the Establishment of Legislation
 - Writing technical error
 - Meaningful participation is not maximized
- ❑ The Job Creation law is **still valid**, and asked the government to complete the **revision within two years**.

Follow-up (Jan-Dec 2022)

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

Emergency Regulation (30 Dec 2022)

- ❑ The President has issued a Government Regulation instead of Law Number 2 of 2022 concerning Job Creation (**Perpu on Job Creation**).
- ❑ It is **urgently** needed to anticipate global and domestic conditions.
- ❑ **The contents** of the Job Creation Perppu are **generally the same** as those of the Job Creation Law. However, there are some improvements to the content.

Promulgation of the Job Creation Law (31 March 2023)

- ❑ The government has promulgated **Law No. 6 of 2023** as an endorsement of Perpu No. 2 of 2022 concerning Job Creation Becomes Law.
- ❑ **Perpu on Job Creation as an attachment** to Law no. 6 Year 2023.
- ❑ **All implementing regulations for the Job Creation Perpu and Law Number 11 of 2020 concerning Job Creation are still valid.**

Identification of Revision of Implementing Regulations of Law Number 6 of 2023

- PP Number 5 of 2021 concerning the Implementation of **Risk-Based Business Licensing**
- PP Number 28 of 2021 concerning the Implementation of **the Industrial Sector**
- PP Number 29 of 2021 concerning the Implementation of **the Trade Sector**
- PP Number 39 of 2021 concerning the Implementation of **the Field of Halal Product Assurance**
- Presidential Regulation Number 32 of 2021 concerning **Commodity Balances**
- Determination of Decisions and/or Actions that are Considered Legally Accepted
- PP Number 19 of 2021 concerning **the Implementation of Land Acquisition for Public Interests**
- Presidential Decree Number 10 of 2021 concerning the Investment Business Sector (BUPM) and Presidential Decree Number 49 of 2021

Boosting Investment: Indonesia Investment Authority (INA) To Accelerate FDI



Legal basis

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

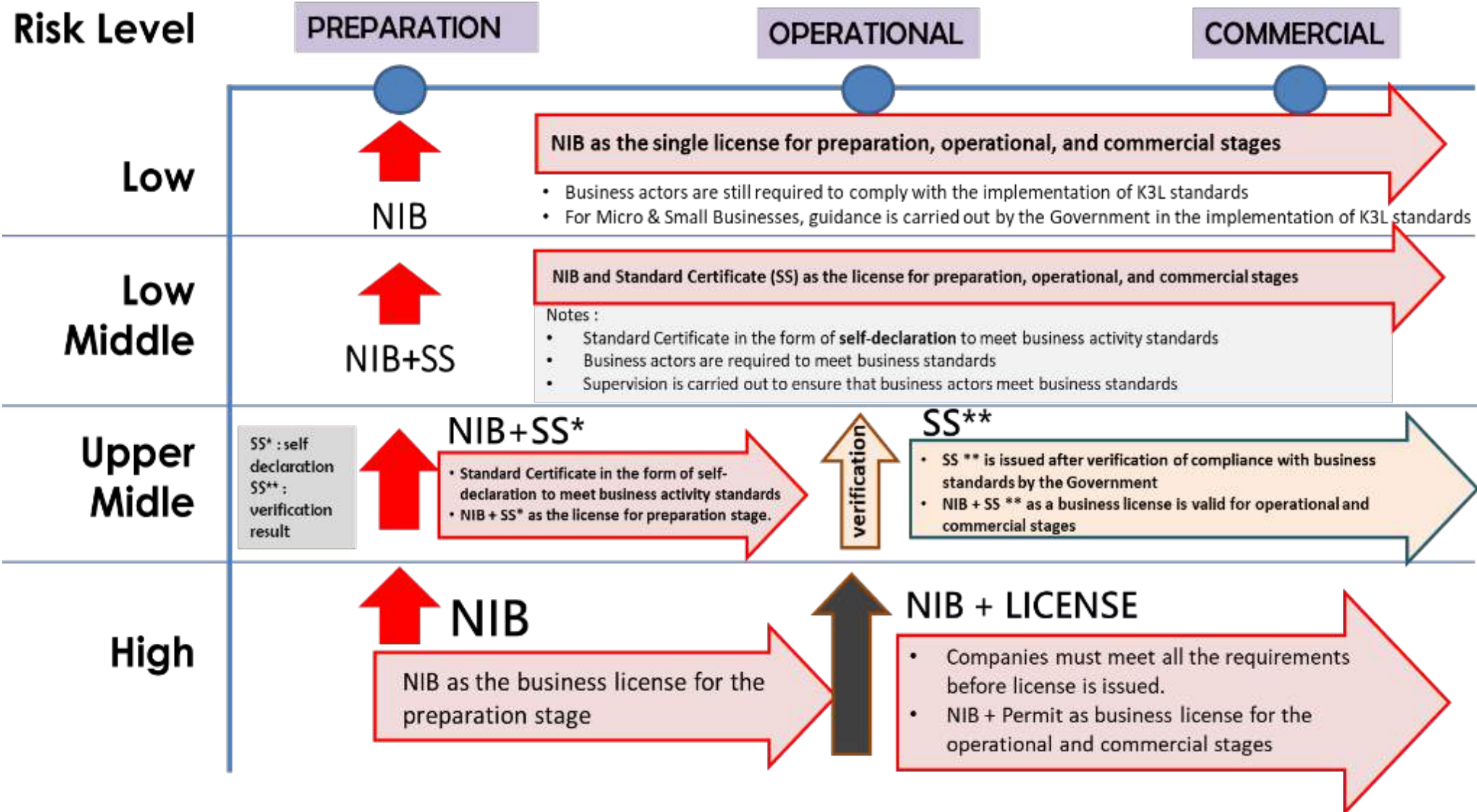
Cumulative total deployment
(INA and partners)



Update on Progress

- ❑ **Fruitful partnerships with various institutional investors have resulted in >USD 25 billion in collective commitments. INA has deployed >USD 2 billion of capital to date together with investor partners and will potentially deploy close to USD 3.5 billion by the end of 2023**
- ❑ **Investment opportunity that has been completed (closed):**
 - **Digital infrastructure:** Mitratel's IPO for a total transaction size of USD 800 million together with ADIA, ADG, GIC
 - **Toll Road:** Investment into SMR PPTR (Waskita Karya Toll Road) for an upfront transaction size of USD 400 million together with CDPQ, ADIA, APG
 - **Tourism/Digital:** Investment into Traveloka for a total transaction size of USD 300 million with BlackRock, Allianz, and other leading institutions
 - **Healthcare:** Investment into a significant minority stake in Kimia Farma Apotek and subscription into Kimia Farma (KAEF IJ)'s MCB for a total transaction size of USD 150 million with Silk Road Fund
 - **Green Energy:** Anchor investor into the IPO of Pertamina Geothermal Energy (PGEO IJ) for a total transaction size of USD 490 million with Masdar
- ❑ **Current cooperation agreements secured are:**
 - **Toll Road:** Investment platform with ADIA, CDPQ, and APG for USD 3.75 billion. The Hutama Karya opportunity is expected to close in June 2023, while a Waskita Karya opportunity is envisioned to be completed in early 2023.
 - **Seaports:** Alliance agreement with DP World for developing container ports and supporting maritime logistics infrastructure amounting to USD 7.5 billion throughout the concession period.
 - **Green Sector:** USD 2 billion investment for Optimizing blended finance in ETM programs such as ADB, SMI, PLN, Global Energy Alliance with CATL Green EV Fund
 - **General:** USD 10 billion investment framework agreement with ADG for various sectors in Indonesia
 - **General:** USD 3 billion investment framework agreement with SRF for various sectors in Indonesia

Risk-Based Licensing Approach



Risk-based Business Licensing Deregulation Measures To Encourage FDI



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

Starting a Business



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

Low Risk

Medium Risk

High Risk

NIB Issued = 4.886.769

Period August 4, 2021 – July 26, 2023

Based on Business Actor:

- **Business Entity = 605.807**
- **Individual = 4.280.962**

Based on Investment Type:

- **FDI = 17.954**
- **DDI = 4.868.815**

Based on Business Scale:

- **Micro = 4.669.739**
- **Small = 158.938**
- **Medium = 20.101**
- **Large = 37.991**

Action Plans

Short - Medium-term

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

Long-term

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

Source: Coordinating Ministry of Economics

Doing Business

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

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

INSPECTION:

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

The Progress of Development Monitoring/Inspection Subsystem

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

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

Implementation of Risk-Based Business Licensing

Government Regulation Number 5 of 2021



To Start and Carry Out Business Activity



Basic Requirement for Business Licensing

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

Risk Based Business Licensing (KBLI)

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

Business Licensing to Support Business Activity (PB UMKU)

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

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

Risk Based OSS System: Users and Features



OSS System is Mandatory

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

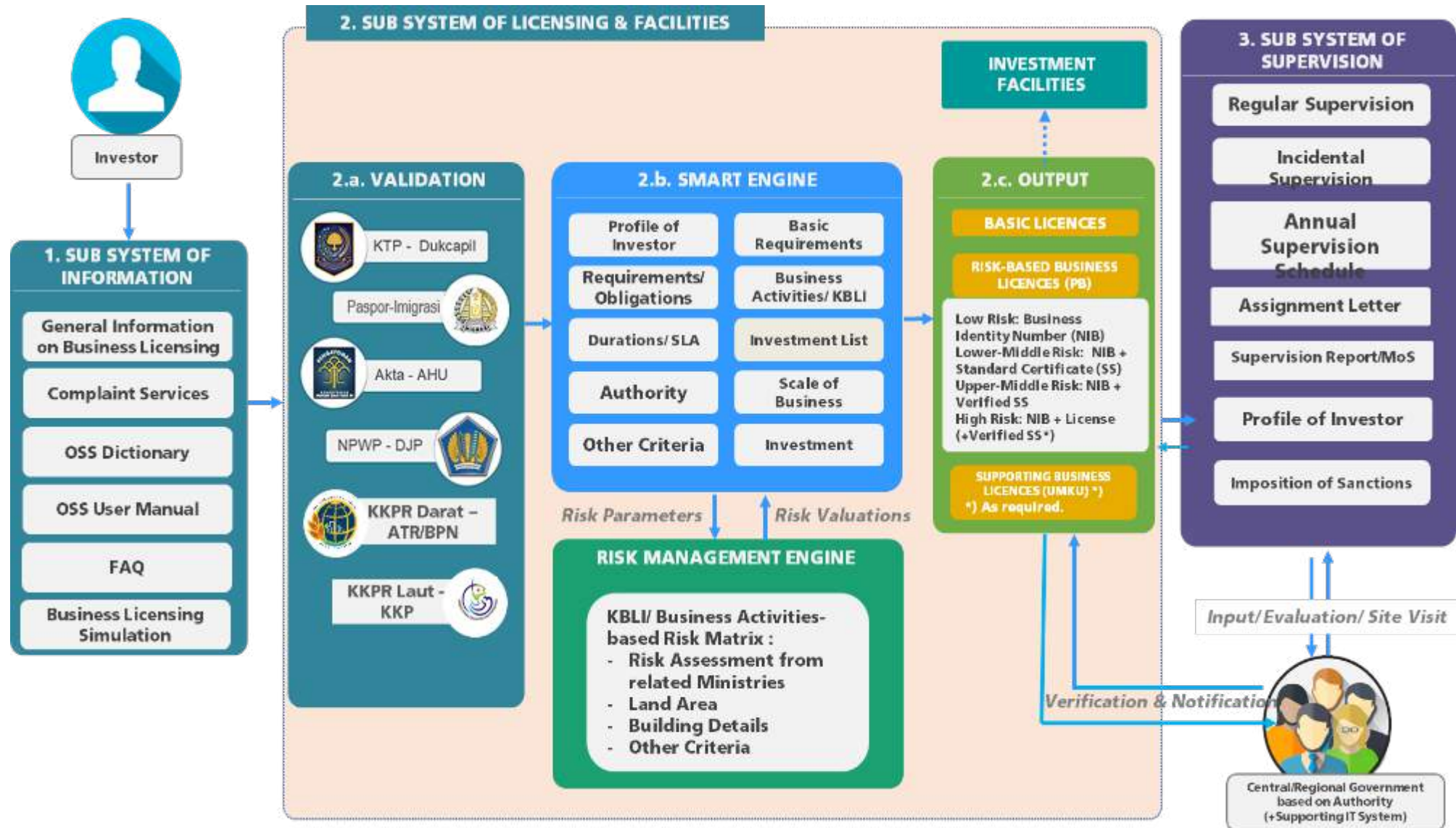
Features in OSS

Information

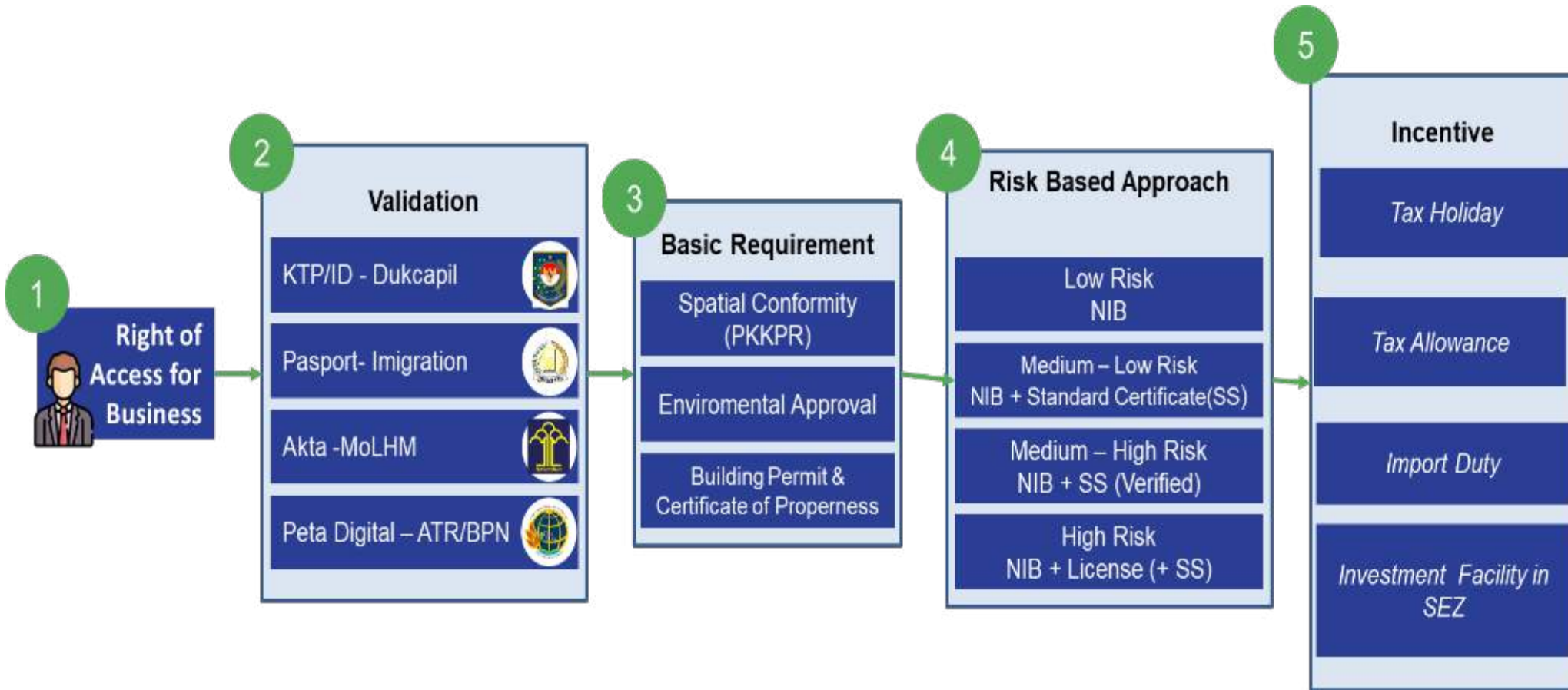
Business License and
Facility

Monitoring

Architecture of OSS System



Ease of Business Licensing and Investment Facility through the OSS System



Tax Incentives and Reform



Lower Tax Rate for the Corporate Income Tax

Law No. 2/2020, PERPPU 1/2020,
PP 30/2020

Other improvements:

1. E-filing for CIT, VAT, worker income tax (payroll)
2. Faster VAT Restitution



Investment Facilities through OSS System



Tax Holiday and Mini Tax Holiday

Corporate income tax exemption of 50-100% for 5-20 years for **investments in pioneer industries**.



Tax Allowance

Income deduction before corporate income tax of 30%-TA (or 60%-IA for labor-intensive industries) of the investment value for 6 years for **investments in certain business fields and/or areas**.



Import Duty Facility

Import duty exemption incentives for imports of machinery as well as goods and materials for **industry and service industries**.



Investment Facility in SEZ

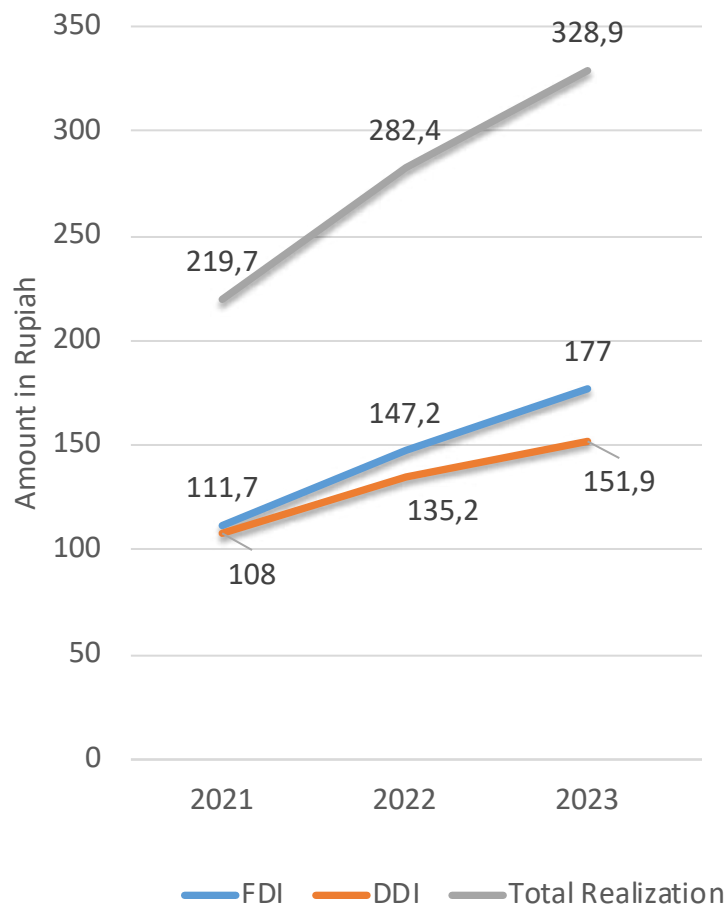
Tax Holiday for Main Activities, Tax Allowance for Other Activities, for **investors investing in Special Economic Zones**.

* Import Duty, Excise and Tax facilities related to Import do not go through OSS.

Investment Realization in Jan-Mar 2023



Indonesia Investment Trend
2021-2023 YOY Q1



Investment Realization
Jan – March 2023

Rp 328,9 T



Labor Absorption

384.892
people

23,5 %
YOY

Investment Target 2022

Rp 1400 T

FDI

Rp 177,0 T
(53,8%)

DDI

Rp 151,9 T
(46,2%)

**Outside
Java**

Rp 172,9 T
(52,6%)

Java

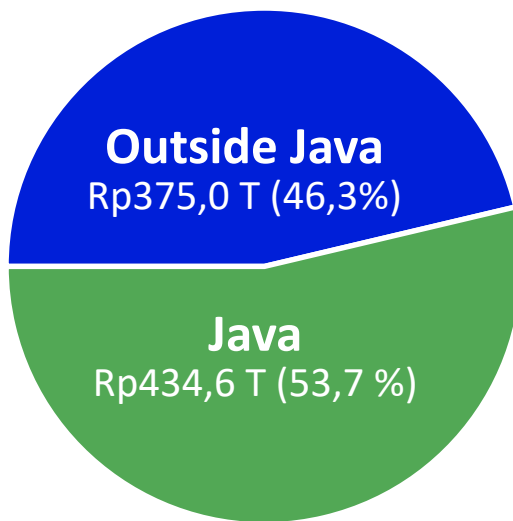
Rp 156,0 T
(47,4%)

Investment Realization Trend in Java and Outside Java



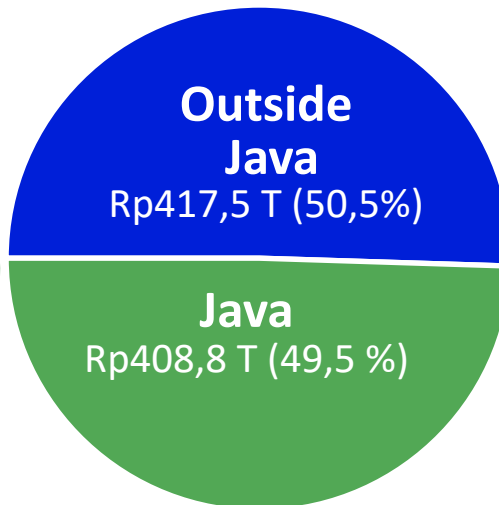
2019

Total: Rp809,6 T
Labor Absorb: 1.033.835
Secondary Sector: Rp216 T
DDI: Rp386,5 T (47,74%)
FDI: Rp423,1 T (52,26%)



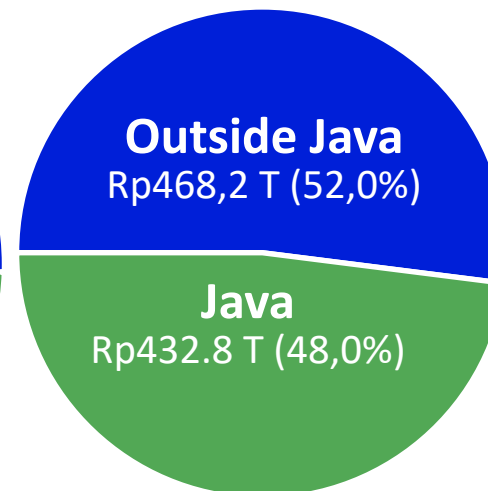
2020

Total: Rp826,3 T
Labor Absorb: 1.156.361
Secondary Sector: Rp272,9 T
DDI: Rp413,5 T (50,04%)
FDI: Rp412,8 T (49,96%)



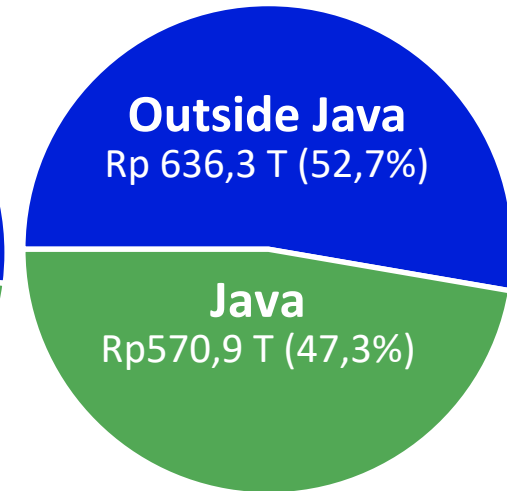
2021

Total: Rp901 T
Labor Absorb: 1.207.893
Secondary Sector: Rp 325.4 T
DDI: Rp447 T (49,62%)
FDI: Rp454 T (50,38%)



2022

Total: Rp1.207,2 T
Labor Absorb: 1.305.0001
Secondary Sector: Rp497,7 T
DDI: Rp552,8 T (45,79%)
FDI: Rp654,4 T (54,21%)



Since the 3rd quarter of 2020, investment realization outside Java has always been greater than investment realization in Java. This is due to the massive infrastructure development outside Java during the 1st period of President Joko Widodo's administration.

Investment Realization Trend Based on Countries




2019

No.	Country	Value (USD-Mil)
1	 Singapura	6.509,6
2	 Tiongkok	4.744,5
3	 Jepang	4.310,9
4	 Hongkong	2.891,0
5	 Belanda	2.596,8
6	 Malaysia	1.357,5
7	 Korea Selatan	1.070,2
8	 Amerika Serikat	989,3
9	 Britis Virgin Islands	743,8
10	 Australia	348,3











2020

No.	Country	Value (USD-Mil)
1	 Singapura	9.779,1
2	 Tiongkok	4.842,4
3	 Hongkong	3.535,9
4	 Jepang	2.588,0
5	 Korea Selatan	1.841,9
6	 Belanda	1.422,4
7	 Malaysia	1.045,3
8	 Amerika Serikat	749,7
9	 Taiwan	454,3
10	 Australia	348,6

2021

No.	Country	Value (USD-Mil)
1	 Singapura	9.390,1
2	 Hongkong, RRT	4.609,3
3	 R.R. Tiongkok	3.160,4
4	 Amerika Serikat	2.537,2
5	 Jepang	2.263,2
6	 Belanda	1.761,6
7	 Korea Selatan	1.640,2
8	 Malaysia	1.364,3
9	 Bermuda	674,4
10	 Swiss	599,8

2022

No.	Country	Value (USD-Mil)
1	 Singapura	13.281,1
2	 R.R. Tiongkok	8.226,0
3	 Hongkong, RRT	5.514,2
4	 Jepang	3.564,8
5	 Malaysia	3.343,3
6	 Amerika Serikat	3.026,2
7	 Korea Selatan	2.297,8
8	 Belanda	1.220,2
9	 Bermuda	964,7
10	 Inggris	628,3

Investment Realization Trend Based on Sectors



2019

No	Sector	Rp (T)	%
1.	Transportation, Warehouse, and Telecommunication	139,0	17,2%
2.	Electricity, Gas and Water Supply	126,0	15,6%
3.	Housing, Industrial Estate, and Office Building	71,1	8,8%
4.	Metal, Metal Goods, Except Machinery, and Equipment Industry	61,6	7,6%
5.	Mining	59,5	7,4%

2020

No	Sector	Rp (T)	%
1.	Transportation, Warehouse, and Telecommunication	144,8	17,5%
2.	Electricity, Gas and Water Supply	102,0	12,3%
3.	Metal, Metal Goods, Except Machinery, and Equipment Industry	94,8	11,5%
4.	Housing, Industrial Estate, and Office Building	76,4	9,2%
5.	Construction	71,0	8,6%

2021

No	Sector	Rp (T)	%
1.	Metal, Metal Goods, Except Machinery, and Equipment Industry	117,5	13,0%
2.	Housing, Industrial Estate, and Office Building	117,4	13,0%
3.	Transportation, Warehouse, and Telecommunication	107,4	11,9%
4.	Electricity, Gas and Water Supply	81,6	9,1%
5.	Mining	81,2	9,0%

2022

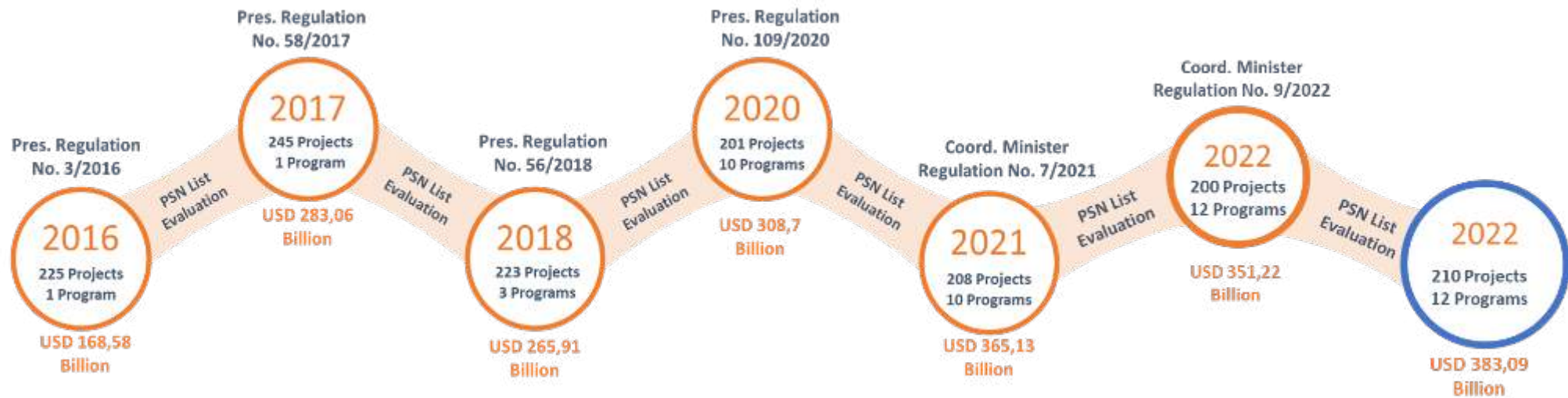
No	Sector	Rp (T)	%
1.	Metal, Metal Goods, Except Machinery, and Equipment Industry	171,2	14,2%
2.	Mining	136,4	11,3%
3.	Transportation, Warehouse, and Telecommunication	134,3	11,1%
4.	Housing, Industrial Estate, and Office Building	109,4	9,1%
5.	Chemical and Pharmaceutical Industry	93,6	7,8%

**Metal Industry
Investment Realization
Growth (2019-2022)**

+177,9%

In line with the policy of the President of the Republic of Indonesia on economic transformation from primary sector industry to value-added based (downstream) industry, investment in the Basic Metal, Metal Goods, Non-Machinery and Equipment Industry sector increased 177.9% from IDR 61.6 T to IDR 171.2 T (year 2019-2022).

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



Project included in the PSN List



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



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

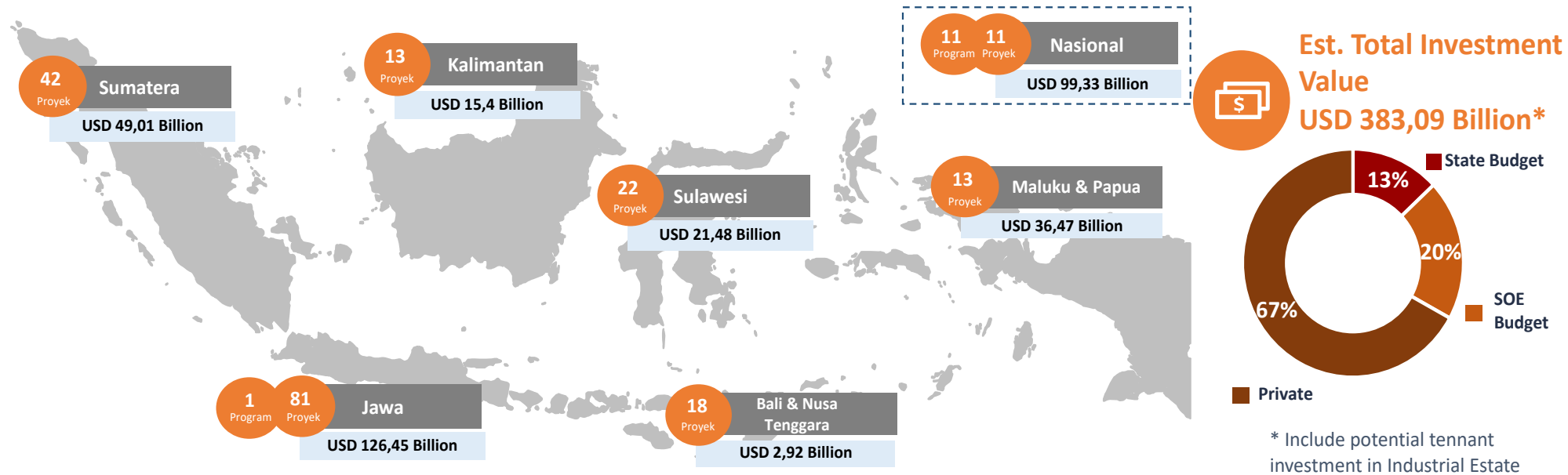
The project has been declared Complete and there are no issues that need to be resolved
The project no longer requires PSN facilities



Project excluded from the PSN List

As of now, there are 210 Projects and 12 Programs under the National Strategic Project list

in which more than 60% of investment is expected from private sectors

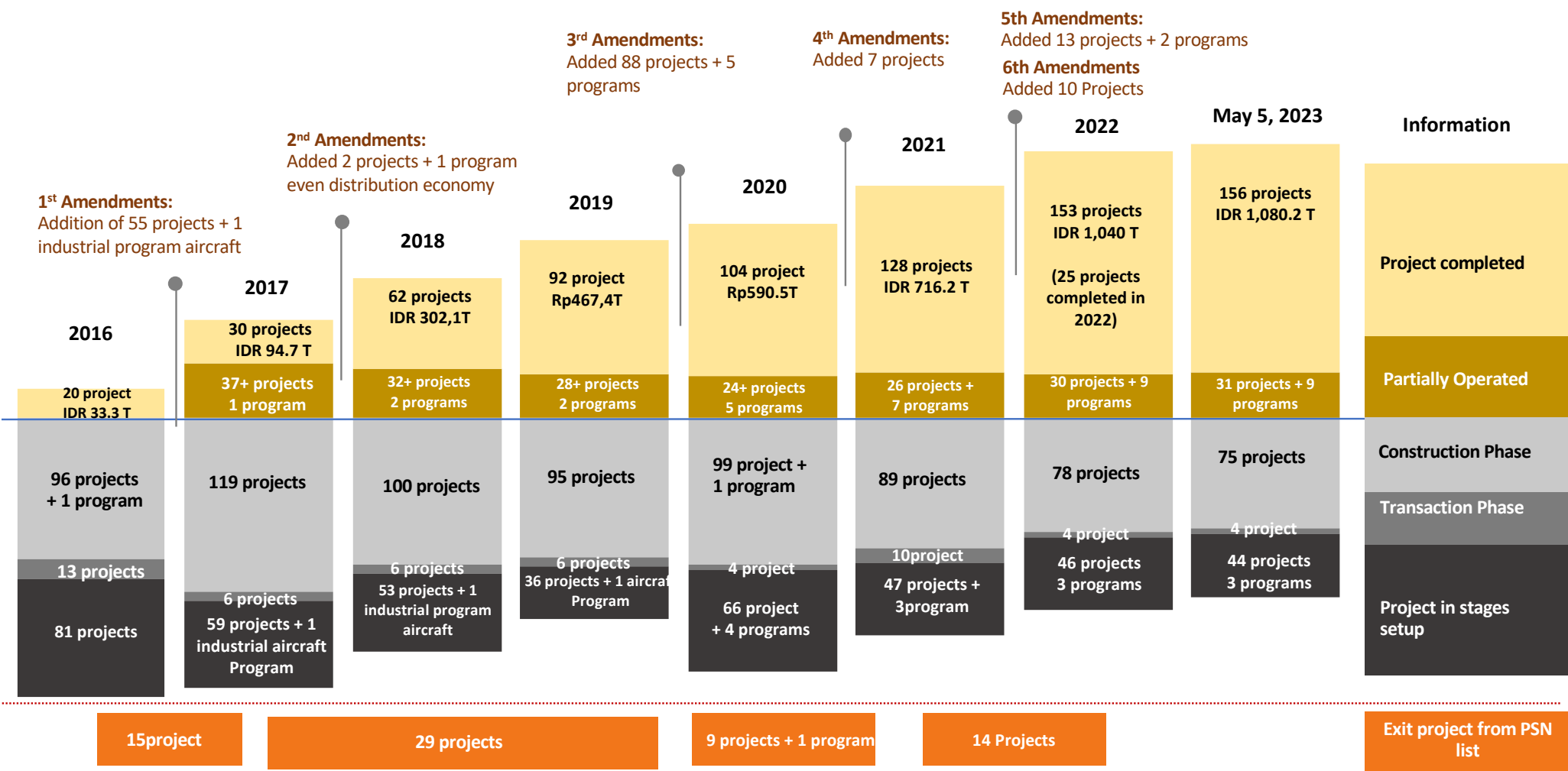


PSN list covers 14 sectors on project level and 12 Program level





Since 2016, 156 PSN have been expedited towards completion with investment value of USD 69,48 Billion and most of the projects have passed preparation stage

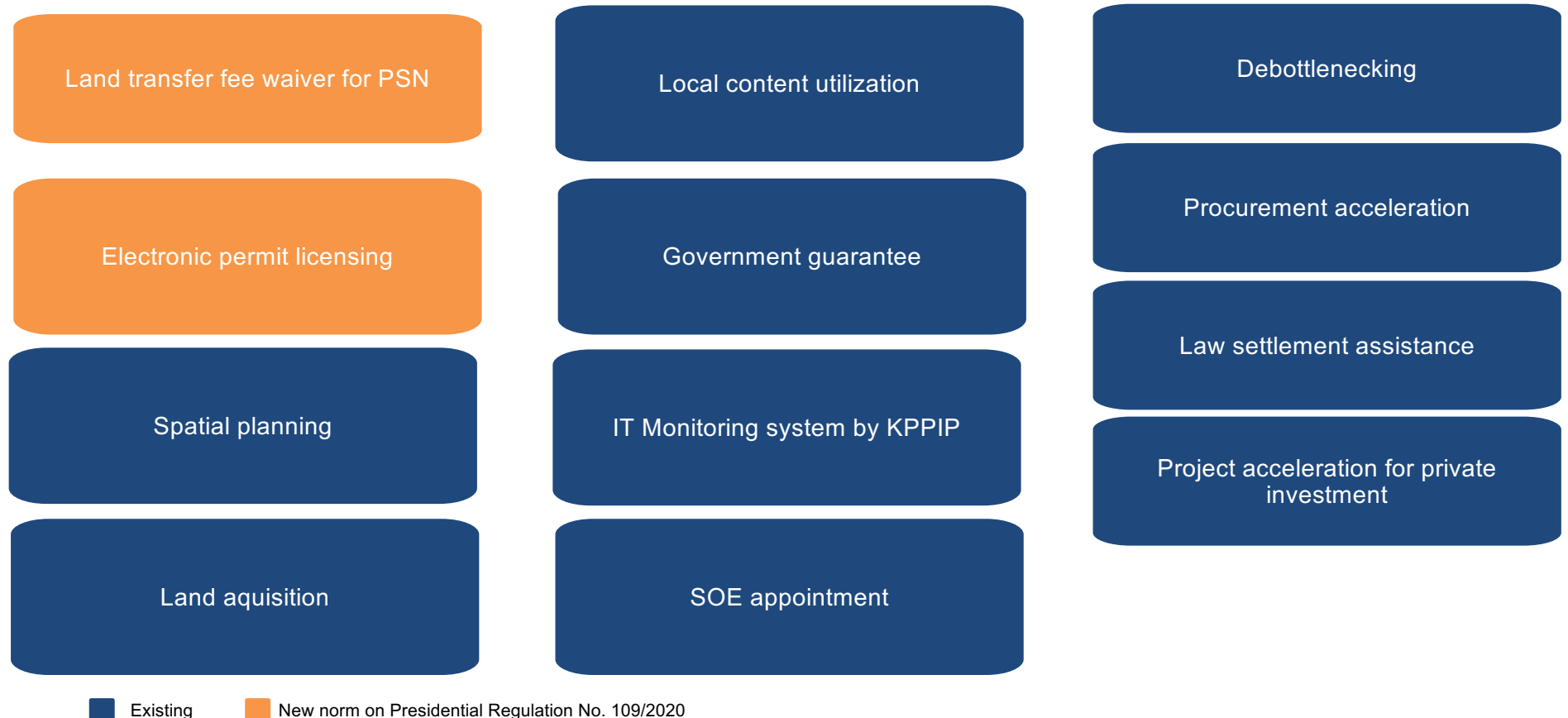


All National Strategic Projects have been given a special facility to ease each of the project's implementation

as stipulated in the Pres. Regulation No. 109 /2020



PSN Facility



Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (1/2)

Electricity Program with focus on Renewables



1

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

2

National Rooftop Solar Power Plant

3

Large-scale Solar Power Plant in Riau Islands

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

EV Battery end-to-end Development Plant



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

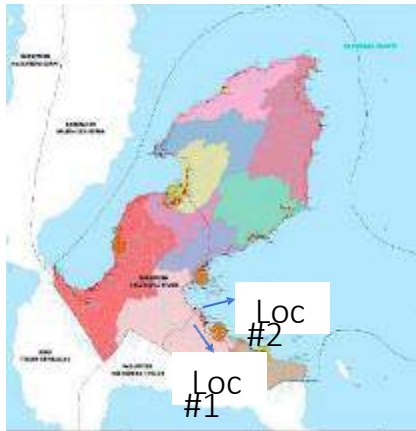
In the next five years, the President's direction is that the government wants to focus on the downstream industry of nickel ore, considering that Indonesia has the largest reserves in the world.



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

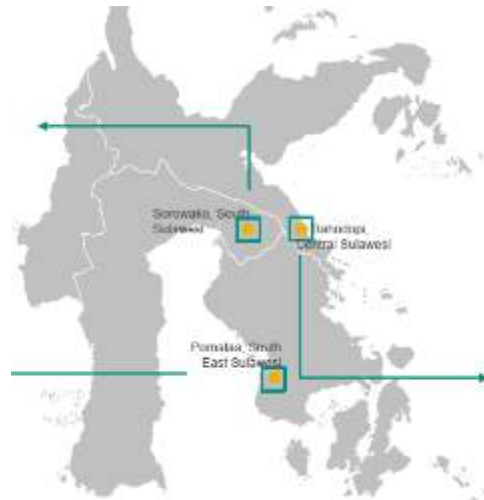
1. Nickel Smelter in East Halmahera PT Indonesia Battery Corporation in East Halmahera

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



2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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



Highlighted PSN Projects which provide substantial benefit to private investor

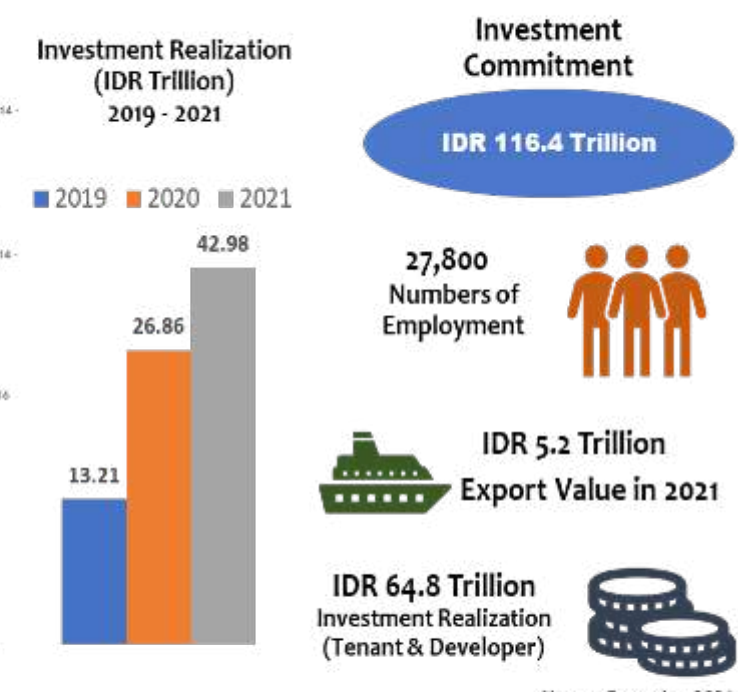
- Special Economic Zones Development (KEK) on 18 Location in Indonesia



19 SEZs AND ITS PRIMARY ACTIVITIES



SUMMARY OF THE 19 SPECIAL ECONOMIC ZONES PERFORMANCE *)



MAIN TARGET OF SEZs

Increasing Export

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

Speed Up Development of Industry 4.0

Focusing on industry with automation

Developing Under-Developed Regions

Giving added value to raw materials such as mining or farming

Develop Potential Service Industry

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

Improve Indonesia Balance of Trade

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

Highlighted PSN Projects which provide substantial benefit to private investor

– Various facilities and Modalities for SEZ investors



Investment Opportunities as Tenant

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



Investment Opportunities as Developer

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



Investment Opportunities as Infrastructure Provider

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



Various initiatives to boost private sector participation in Infrastructure sector especially for National Strategic Projects



1



Public Private
Partnership (PPP)

2



Limited
Concession
Scheme (LCS)

3



*Land Value
Capture (LVC)*

4



*Other Creative
Financing for
Infrastructure*

Institutional reforms to establish a conducive PPP ecosystem...



Institutional Reforms for PPP Implementation



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



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



Indonesia Infrastructure Guarantee Fund: Provides guarantee and supports project preparation



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

PPP Guarantee

As a Single Window Institution to provide Government guarantee for PPP infrastructure projects.

Presidential Regulation 78/2010;
MoF Regulation 8/2016

National Strategic Project (PSN) Guarantee

Project Guarantee against Political Risks that can result in delays in the implementation of PSN and unfavorable financial impact on Business Entities implementing PSN.

MoF Regulation 30/2021

SOE Credit Guarantee

Credit guarantee against of State Owned Enterprises /SOE default risk on loans and bond issuance to finance infrastructure project

MoF Regulation 101/2018

PPP Project Development Facility

Provide project preparation and transaction advisory services for PPP projects assigned by the Minister of Finance (MoF).

MoF Regulation 180/2020

Corporate Credit Guarantee

Credit Guarantee for Corporate working capital as part of National Economic Recovery Program


MoF Regulation 98/2021

National Economic Recovery Program

Credit Guarantee for State-owned Enterprises/SOE involved in National Economic Recovery Program

MoF Regulation 211/2021

Government Commitment through Fiscal Support

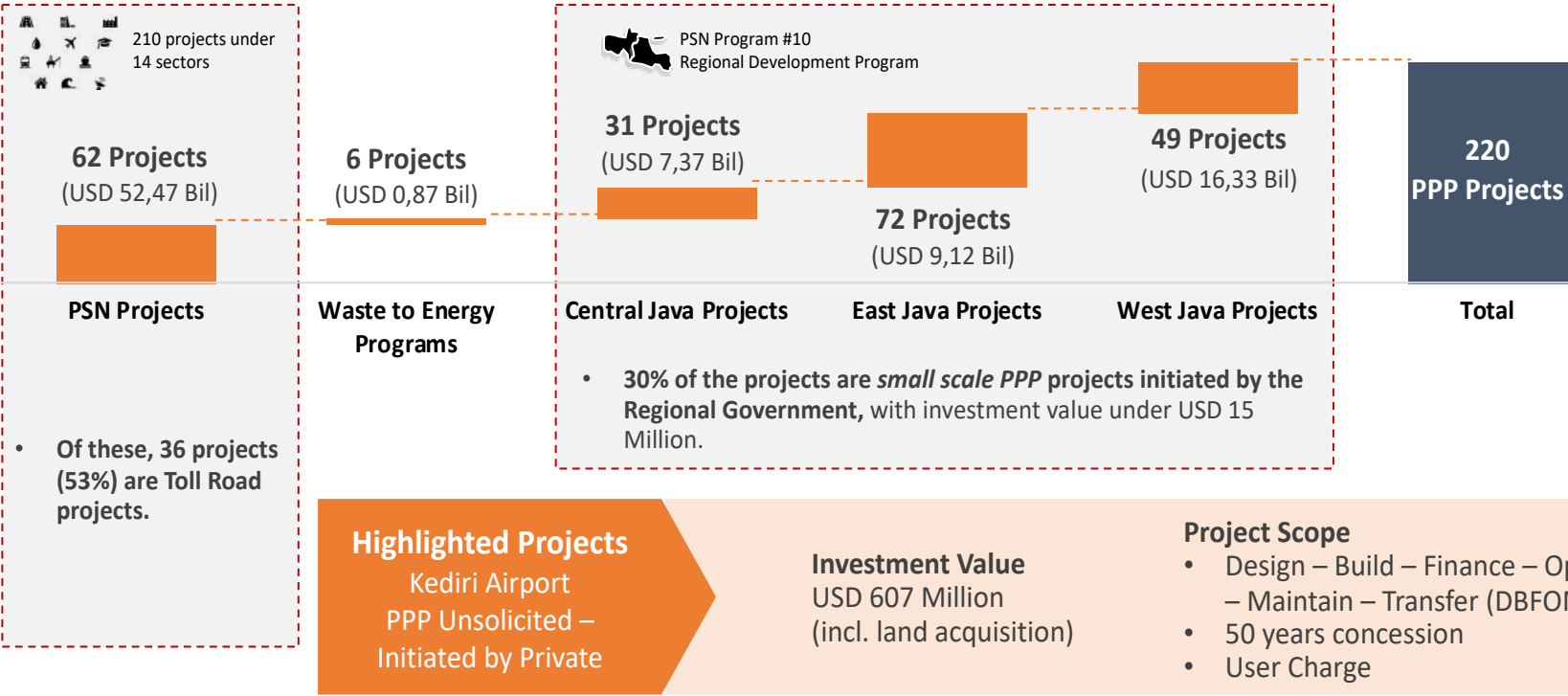
Project Preparation	Commitment	Viability of Project	Bankability	Land Support
 <p>Project Development Facility (PDF)</p> <p>MoF assigns SOE to assist CA in PPP project preparation and transaction</p>	 <p>Contracting Agency (CA) Commitment</p> <p>Through conversion from State Budget to PPP financing scheme</p>	 <p>Viability Gap Fund (VGF)</p> <p>MoF provides support resulting a more viable project to be offered to market</p>	 <p>Availability Payment (AP)</p> <p>MoF provides periodic payment scheme for non-commercial projects that greatly needed by public</p>	 <p>Sovereign Guarantee and Long-Term Financing</p> <p>MoF established SOE in order to provide sovereign guarantee and long-term financing support</p>
				 <p>Land Support</p> <p>MoF established dedicated unit that settle land acquisition payment to be used for strategic infrastructure projects</p>

National Strategic Project (PSN): 214 projects through Public Private Partnership (PPP)



PPP Projects under National Strategic Projects (PSN) – incl. PSN Programs

(Updated on 2023)



Limited Concession Scheme Stipulation as an asset recycling scheme for brownfield infrastructure asset



2



Limited
Concession
Scheme (LCS)

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

LCS Concept

Government can get:

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



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



Government guarantees the issuance of permits and licenses



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



LCS Principles

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



Technical Criteria for the LCS assets

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

LVC Scheme implementation to ease the government burden on infrastructure development

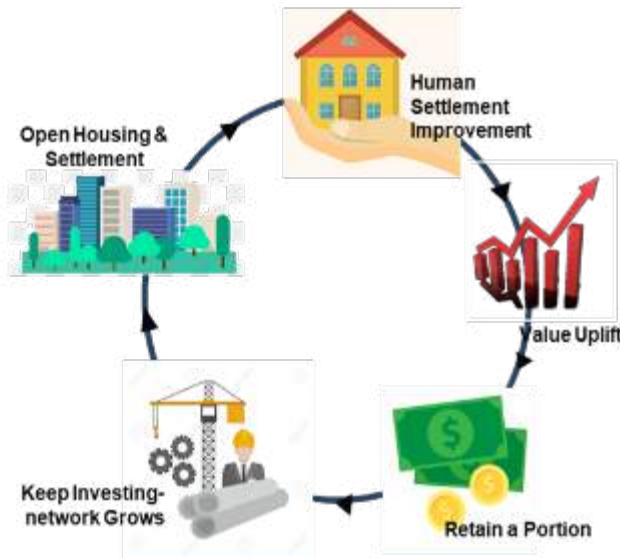


3



Land Value Capture (LVC)

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



Tax based LVC

Land and Property Tax

Betterment Levies and Special Assessment

Tax Increment Financing (TIF)

Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

LVC Benefit

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

Triple Win LVC

Better Urban Mobility

Reducing Subsidy

Creating Fiscal Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

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



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



MRT Station
Harmoni,
DKI Jakarta

Value Capture
Instrument:

- FAR (Floor Area Ratio) Compensation
- Betterment Levy



TOD
Jurangmangu,
Tangerang,
Banten

Value Capture
Instrument:

- Concession Fee
- Betterment Levy



Gedebage Area,
Bandung,
Jawa Barat

Value Capture
Instrument:

• Betterment Levy



TOD
Tawang Station,
Semarang, Jawa
Tengah

Value Capture
Instrument:

- Concession Fee
- Betterment Levy



Sekanak - Lambidaro
Area Development,
Palembang,
Sumatera Selatan

Value Capture
Instrument:

• Betterment Levy

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



Profile of PT SMI

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

SDGs Initiative

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

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



Source: PT SMI, 2019



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

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



Legal basis

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

Development

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

Main Sectors of Investment



Development of INA's Progress

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

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



Limited Mutual Fund (RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

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

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

MARKET - Donald Banjarnahor, CNBC Indonesia

12 November 2019 12:00

Example on RDPT Financing

1

Summary of TPJT

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

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

Location: East Java

2

Summary of KKDM

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

Location: Greater Jakarta

Ownership Structure



Ownership Structure



The Domestic Component Level (TKDN) Implementation



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

TKDN Value (goods) consist of:

- Raw materials;
- Direct Labor;
- Factory overhead

TKDN Value (services) consist of:

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

The Domestic Component Level (TKDN)

- ☐ Electronics
- ☐ ICT
- ☐ Medical Devices

Government Procurement

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

Non Government Procurement



WTO Rules (Compliance)

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



Non-governmental procurement is not prioritizing product's TKDN

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



P3DN Team tasks:

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

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



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



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

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

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

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

1

Commodity-based improvement framework

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

2

Strengthen Key-Enabler

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

3

Organizing action plans based on 6 key drivers

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

6. Regulations, Rules and Legislation

5. Human Resource Management

4. ICT

3. Logistics Service Provider

1. Main Commodity

Competitiveness and Social welfare

2. Transportation Infrastructure

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

Key Drivers: Logistic Action Plan

Transportation

Infrastructure →

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

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

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

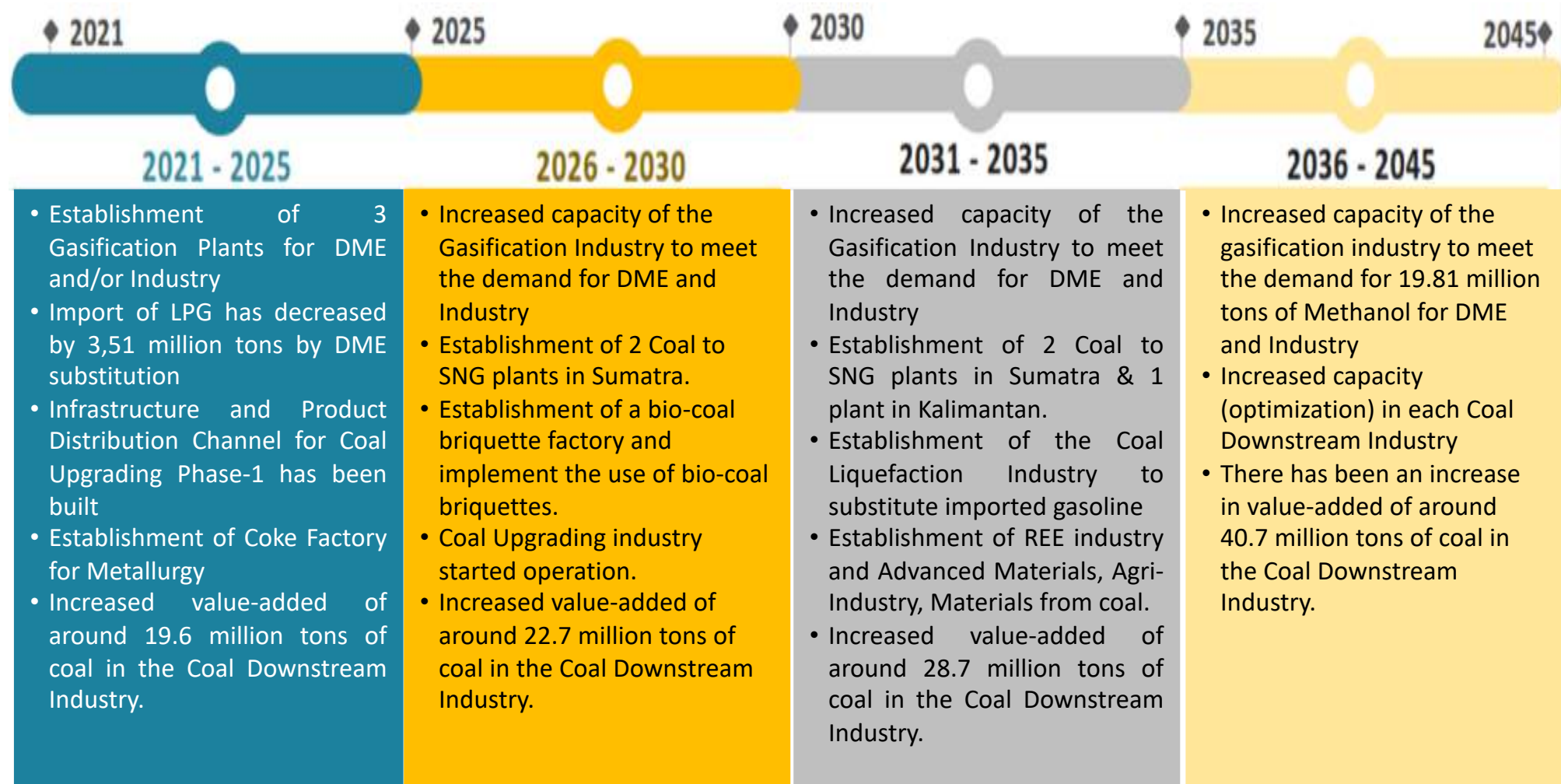
Human Resource Management →

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

Government Continues to Support the Development of Downstream Industries



Indonesia's Coal Gasification Roadmap until 2045



Encouraging The Downstream Industry To Increase Value-added Commodities



Downstream Industry Policy

**DOWNSTREAM
INDUSTRY**

Acceleration of
Economy Growth

Broaden **Working
Opportunity**

Country foreign
exchange reduction with
Import Substitution

Increase Local **Added
Value**

Strengthen and deepen
industrial Structure
through R&D, product
innovation, brand, and
design.

Acceleration of
**Industrial
Deployment** which
covers NKRI territorial

Increase foreign
exchange revenue
through **Export**

Supporting Policy For Downstream Industry

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

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

Fiscal incentive and disincentive

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

Total Number and Investment Smelter 2021-2024

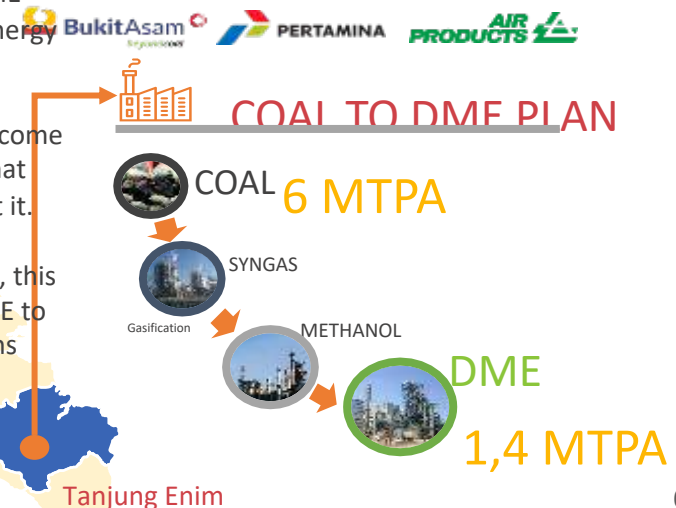
Commodity	Number of Smelter			Total Investment (mn \$)	Investment Realization (mn \$)
	Existing	Plan	TOTAL		
Nickel	11	19	30	7619.3	5508.4
Bauxite	2	6	8	7138.9	2979.5
Iron	1	1	2	53.7	47.2
Copper	2	2	4	4693.3	1046.9
Mangan	1	1	2	23.9	12.5
Lead and Zinc	0	2	2	28.8	22.0
TOTAL	17	31	48	19557.9	9616.6

Coal Development Project

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

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

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



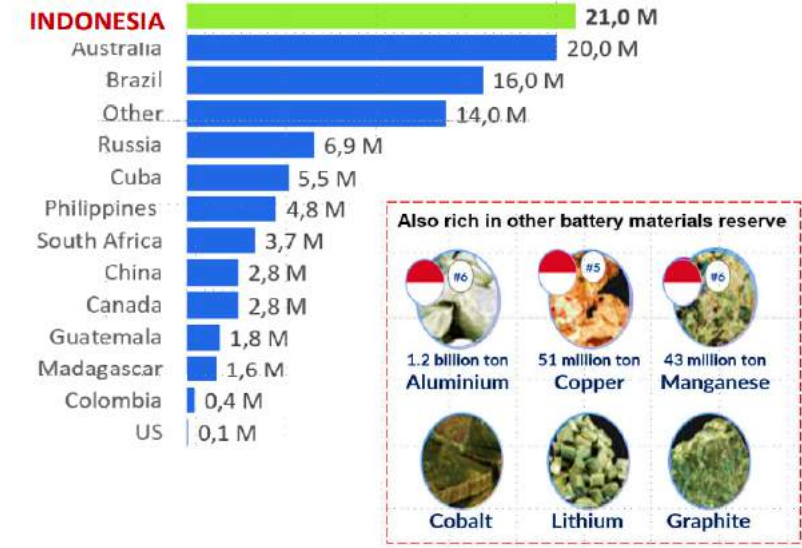


Promoting The Development Of Nickel-based Industries To Become A Global Battery And EV Supplier


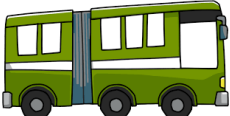
Government Issues Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021. In order to strengthen the ecosystem of Battery-Based Electric Motorized Vehicles, the Government provides Incentive Support in the form of Government-borne VAT

Potential: Indonesia's Nickel Reserves Are Abundant

Global Nickel Reserve

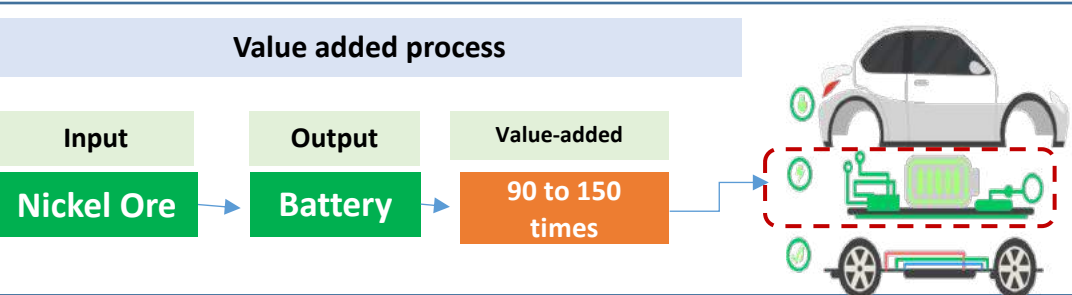


Amount of Incentive for Battery-Based Electric Motorized Vehicles

-  - TKDN > 40%
- VAT incentive of 10%, so that the VAT that must be paid remains 1%
-  - TKDN > 20% - 40%
- VAT incentive of 5%, so that the VAT that must be paid remains 6%

In Indonesia, the deepening of the electric vehicle industry structure is carried out through the obligation to gradually increase the domestic content level (TKDN) until 2030.

Benefits and Added Value of Nickel Downstream



Supporting Regulation

- ☐ Regulation Of The Minister Of Finance Of The Republic Of Indonesia 38/2023

Economic Transformation from Primary Sector Industries to Value-Added Industries



Export Ban of unprocessed minerals



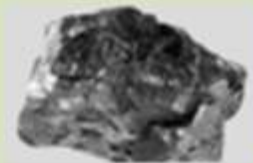
Nickel (2020)



Bauxite (2022)



Copper (2023)

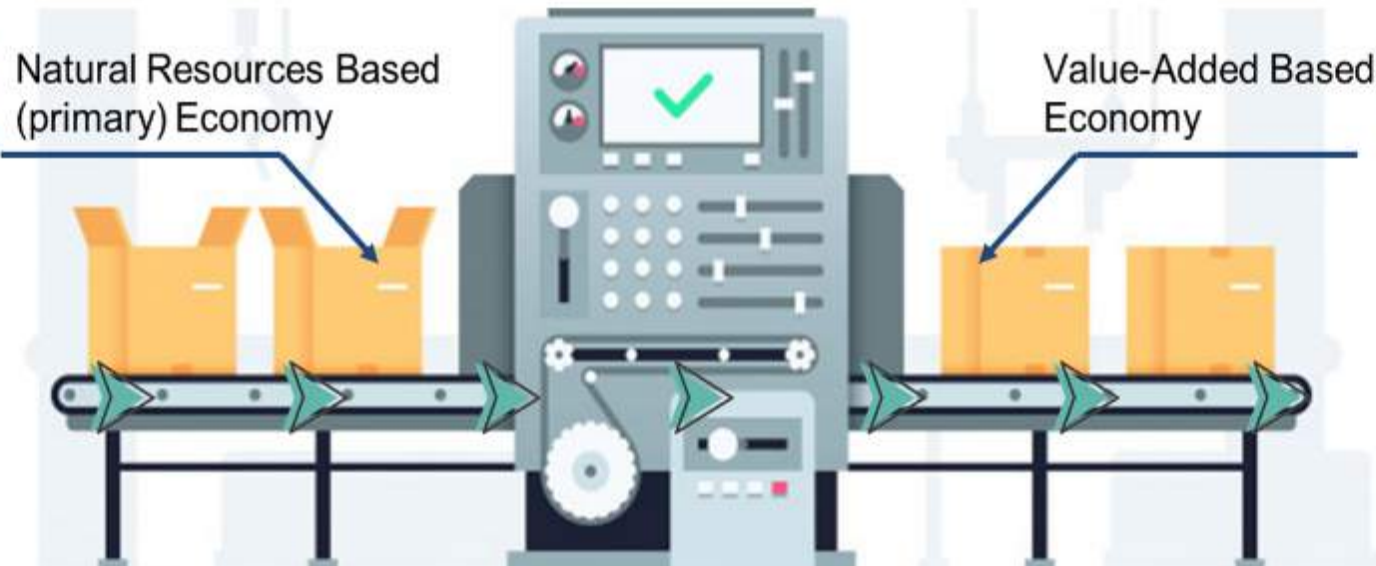


Tin (2023)



Natural Resources Based
(primary) Economy

Focus on Natural
Resources, such
as nickel



Value-Added Based
Economy



Focus on
Downstream
Industries

The Benefit of Nickel Downstreaming



Nickel Downstreaming: Indonesia as the World Production Hub for Electric Vehicle



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

Investment Plan:

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

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

Indonesia will become an exporter of high value-added commodities



Natural Resource Downstreaming As a Value-Added Commodity



Processing of Nickel to make the battery for electric vehicles

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

Location:

Central Sulawesi, North Maluku, Central Java

Commodity:



Gasification of Coal into Dimethyl Ether (DME)

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

Location:

Tanjung Enim, South Sumatra

Commodity:



Processing natural gas into methanol and Fertilizer

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

Location:

West Papua and East Java

Commodity :



Industrialization Downstreaming for Food Sector

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

Location:

Eastern Indonesia

Commodity :



Development Stages of the National Capital City



2020-2024

Initial transfer to IKN

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

2025-2035

Building IKN as a Resilient Area

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

2035-2045

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

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

2045-onwards

Strengthening reputation as a "World City for All"

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



Visioning Nusantara – New Capital City Of Indonesia



Vision

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

Recent Progress

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

New Capital City Planning Scheme



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

The Progress of New Capital City “Nusantara” Development



The Important Role of Establishment of IKN

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



**Indonesia's
New Economic
Driver**

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

Composition of Financing for the Capital of the Archipelago

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

Private Investment Cooperation

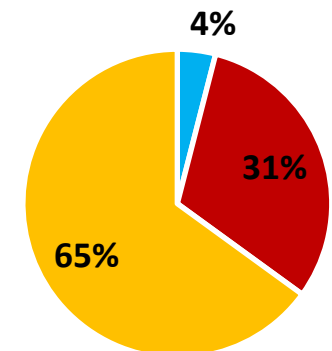
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant, hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

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

State Budget

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

Composition of Financing schemes



■ Private/SOE ■ State Budget ■ PPP

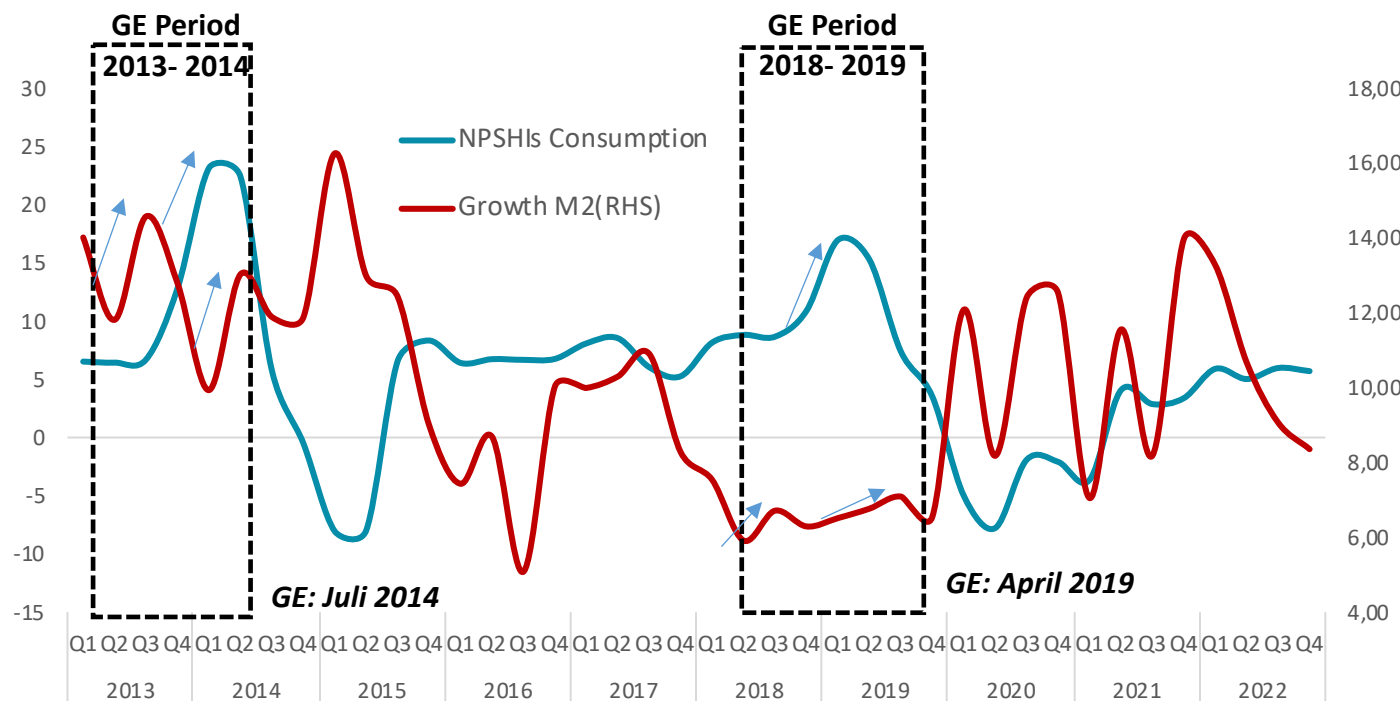
The General Election Period Will Boost Economic Activity



Political Stability is one of the keys to the success of economic achievement. **Indonesia is the third-largest democracy** in the world. Since 2004, **the people can directly elect** the president and members of parliament.

	2004	2009	2014	2019
Number of parties	24	38	12	16
Presidential candidate's vote	60,6%	60,8%	53,2%	55,5%

NPSHIs consumption and M2 (money supply) increased during the election period (including the campaign period) in 2014 and 2019



Elections will drive the national and regional economy through:

1. Increasing MSME economic activity until the campaign period through e-mail, printing, and various merchandise;
2. Election logistics costs;
3. Improvement of facilities and infrastructure (including infrastructure) to build public image;
4. Regional Original Revenue (PAD) through advertisement tax for the installation of billboards, banners, video trans, etc.;

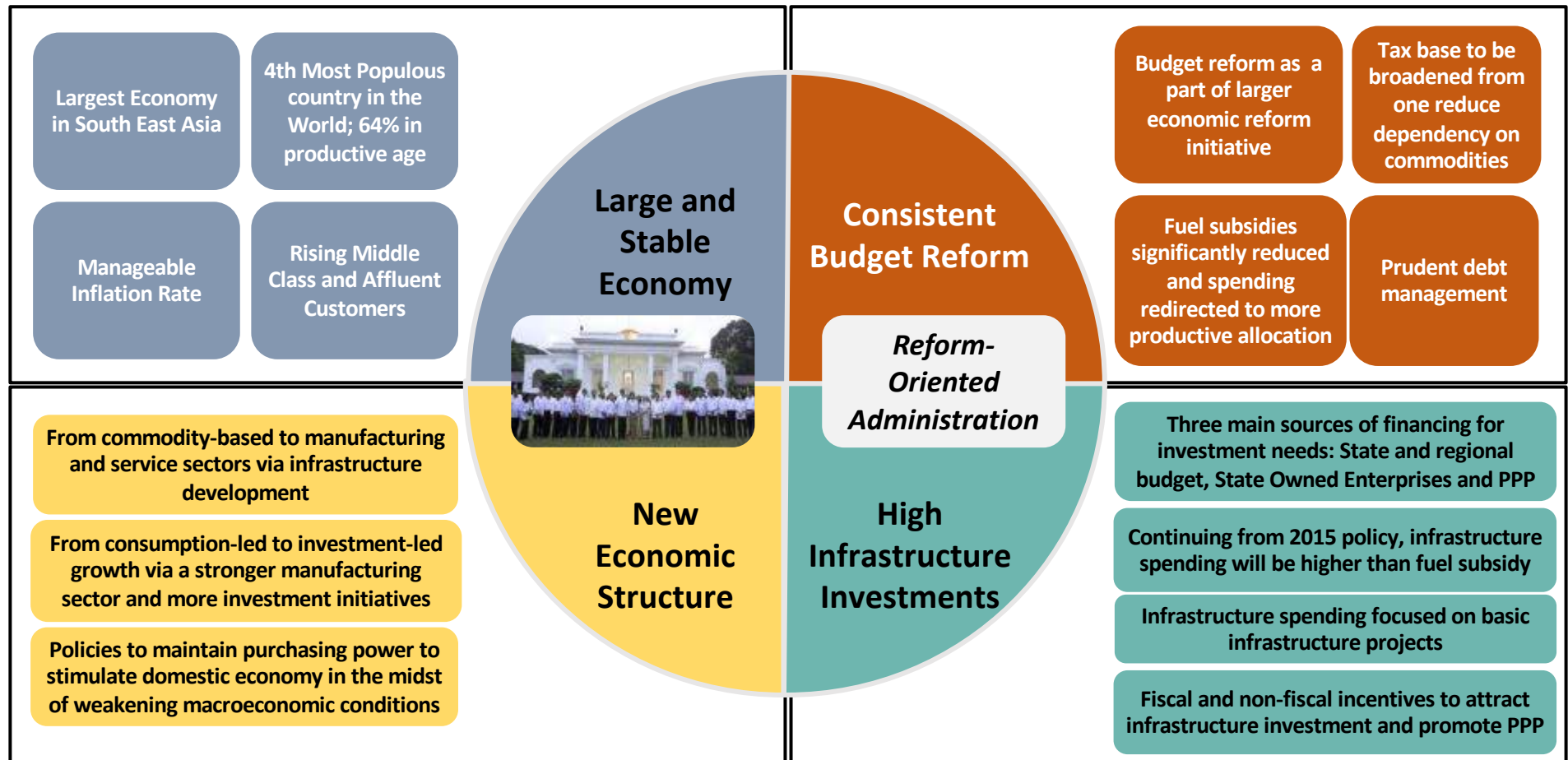


Section 3

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

Conductive Environment

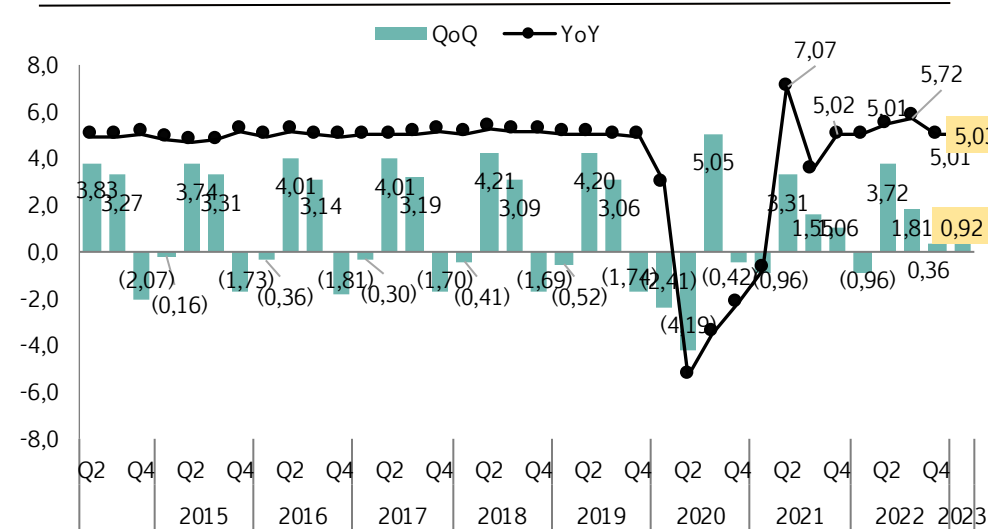
Underpinning Improved Growth Fundamentals Amid Temporary Moderation



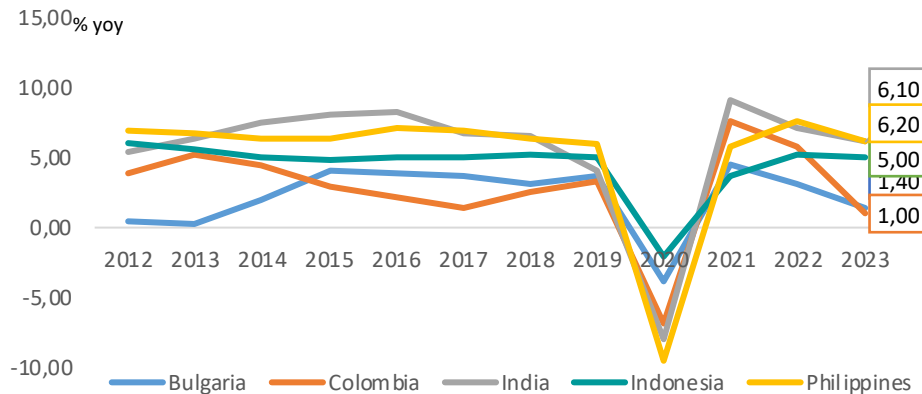
National Economic Growth Remains Solid



Strong GDP Growth¹



Favourable GDP Growth Compared to Peers²



1. -15.00 Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
 2. Source: World Economic Outlook Database – JULY 2023; * indicates estimated figure

*) Consensus Forecast number will be given later

Against a backdrop of global economic moderation, economic growth in Indonesia remains solid. The latest data published by BPS-Statistics Indonesia indicates 5.03% (yoy) national economic growth in the first quarter of 2023, up slightly from 5.01% (yoy) in the previous period. Moving forward, Bank Indonesia projects solid economic growth in 2023 with a bias towards the upper bound of the 4.5-5.3% range on the back of improving domestic demand and persistently strong export performance.

Solid economic growth in the reporting period was supported by all GDP components. Exports maintained high 11.68% (yoy) growth, underpinned by strong demand in key trading partner countries. Household consumption growth improved to 4.54% (yoy) in line with increasing mobility and purchasing power, coupled with lower inflation. Government consumption expanded 3.99% (yoy), primarily driven by procurement and personnel expenditures. Meanwhile, non-building investment growth also remained solid in line with export performance, though overall investment was sluggish at 2.11% (yoy) given subdued building investment growth.

Robust economic growth was also reflected by broad-based sectoral and spatial growth. All economic sectors recorded positive growth in the first quarter of 2023, primarily underpinned by the Manufacturing Industry, Wholesale and Retail Trade as well as Mining and Quarrying. Meanwhile, the Transportation and Storage sector, Accommodation and Food Service Activities as well as Other Services posted strong growth on greater public mobility and a surge of inbound international travellers. Spatially, economic growth in the first quarter of 2023 was maintained in nearly all regions of Indonesia, led by Kalimantan, followed by Sulawesi-Maluku-Papua (Sulampua), Java, Sumatra and Bali-Nusa Tenggara (Balinusra).

2023 Growth Projection *)

Institutions	GDP growth
2023 Budget	5.3
Bank Indonesia	4.5-5.3
Consensus Forecast (July 2023)	4.8
World Bank (GEP, June 2023)	4.9
IMF (WEO, July 2023)	5.0
ADB (Asian Development Outlook, April 2023)	4.8

GDP Growth Breakdown



GDP Growth Based on Expenditures (% YoY)¹

Economic Growth by Expenditure	2018	2019	2020	2021					2022					2023	Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023***	
GDP Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	5,03	
Private Consumption	5,14	5,16	(2,67)	(2,25)	5,92	1,06	3,55	2,01	4,37	5,49	5,40	4,50	4,94	4,57	54,06
Household Consumption	5,05	5,04	(2,63)	(2,21)	5,96	1,02	3,56	2,02	4,34	5,51	5,39	4,48	4,93	4,54	52,88
NPI Serving Households Consumption	9,15	10,62	(4,21)	(3,65)	4,06	2,87	3,20	1,62	5,90	5,02	5,97	5,70	5,64	6,17	1,17
Government Expenditure	4,82	3,27	2,12	2,57	8,22	0,65	5,29	4,24	(6,62)	(4,63)	(2,55)	(4,77)	(4,51)	3,99	5,32
Gross Fixed Capital Formation	6,68	4,45	(4,96)	(0,21)	7,52	3,76	4,49	3,80	4,08	3,09	4,98	3,33	3,87	2,11	29,11
Building	5,41	5,37	(3,78)	(0,74)	4,36	3,36	2,48	2,32	2,58	0,92	0,07	0,11	0,91	0,08	21,69
Nonbuilding	10,44	1,83	(8,44)	1,44	18,50	4,96	10,40	8,42	8,63	9,71	19,32	12,11	12,53	7,93	7,42
Export	6,51	(0,48)	(8,42)	2,17	28,41	20,74	22,24	17,95	14,22	16,40	19,41	14,93	16,28	11,68	22,71
Import	12,14	(7,13)	(17,60)	5,21	33,20	31,08	32,61	24,87	16,04	12,72	25,37	6,25	14,75	2,77	(19,56)

Source: Central Bureau of Statistics of Indonesia (BPS)

GDP Growth by Sector (% YoY)

Economic Growth by Sector	2018	2019	2020	2021					2022					2023	Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023***	
Economic Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	5,03	
Agriculture, Forestry, and Fishery	3,88	3,61	1,77	3,48	0,56	1,44	2,33	1,87	1,16	1,68	1,95	4,51	2,25	0,34	11,77
Mining and Quarrying	2,16	1,22	(1,95)	(2,02)	5,22	7,78	5,15	4,00	3,82	4,01	3,22	6,46	4,38	4,92	11,85
Manufacturing	4,27	3,80	(2,93)	(1,38)	6,58	3,68	4,92	3,39	5,07	4,01	4,83	5,64	4,89	4,43	18,57
Construction	6,09	5,76	(3,26)	(0,79)	4,42	3,84	3,91	2,81	4,83	1,02	0,63	1,61	2,01	0,32	9,88
Wholesale and Retail Trade	4,97	4,60	(3,79)	(1,28)	9,50	5,12	5,54	4,63	5,73	4,43	5,37	6,55	5,52	4,89	12,95
Transportation and Warehousing	7,05	6,38	(15,05)	(13,09)	25,10	(0,72)	7,93	3,24	15,79	21,27	25,80	16,99	19,87	15,93	5,56
Information and Communication	7,02	9,42	10,61	8,72	6,90	5,54	6,24	6,82	7,15	8,06	6,95	8,75	7,74	7,19	4,19
Financial and Insurance Services	4,17	6,61	3,25	(2,97)	8,33	4,29	(2,59)	1,56	1,64	1,50	0,87	3,76	1,93	4,48	4,31
Other Services	6,18	6,66	(1,24)	(2,51)	9,83	(0,84)	3,43	2,35	3,33	4,03	7,88	4,95	5,04	4,55	16,32

Source: Central Bureau of Statistics of Indonesia (BPS)

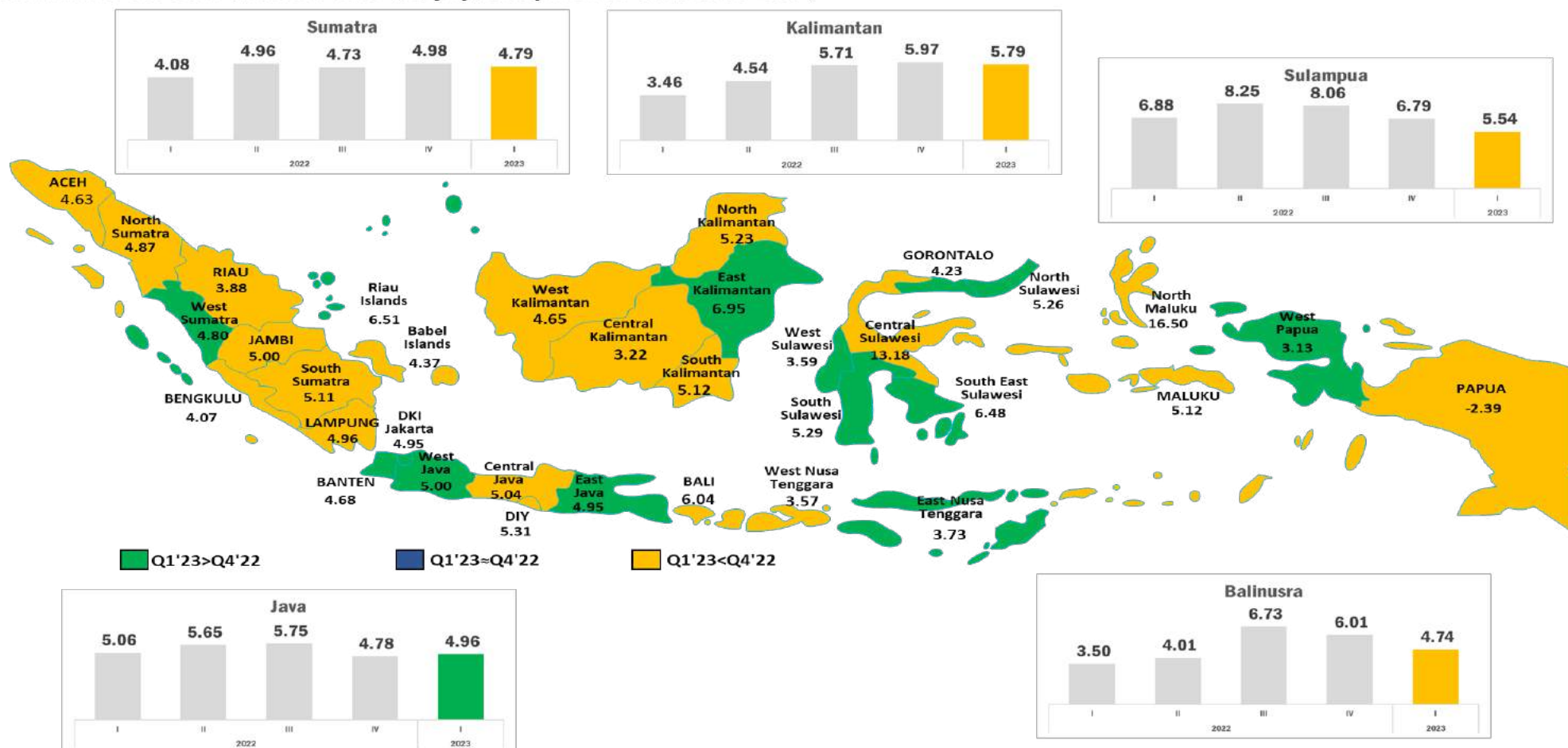
*Other services consist of 10 sectors (according to Standard National 2008)

Economic Performance In All Regions Remains Solid



Economic growth in the first quarter of 2023 was recorded at 5.03% (yoy), up slightly from 5.01% (yoy) in the previous period...

Realization of PDRB Quarter I 2023 (% , yoy; compared to Quarter IV 2022)



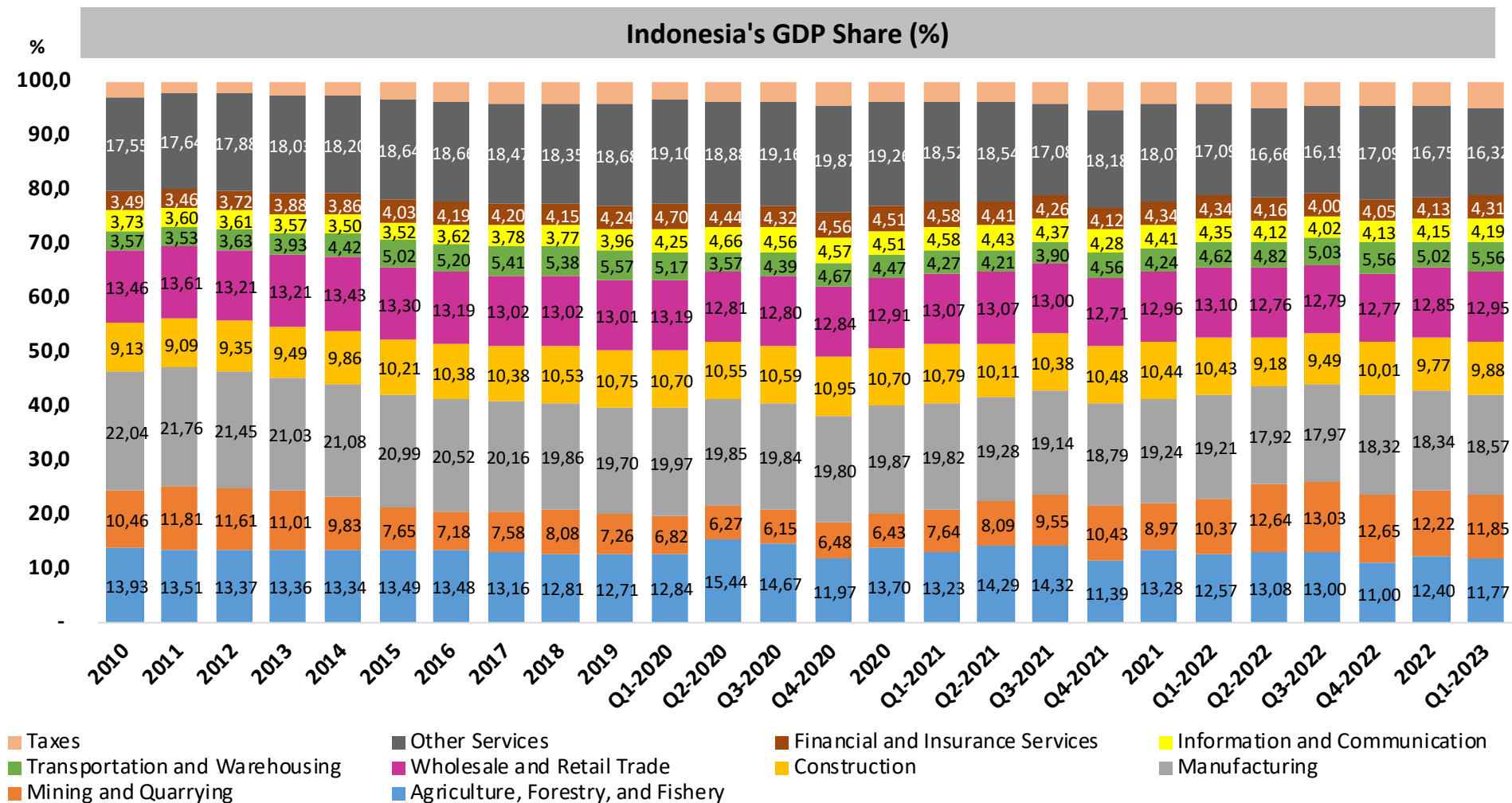
Source: BPS, calculated

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

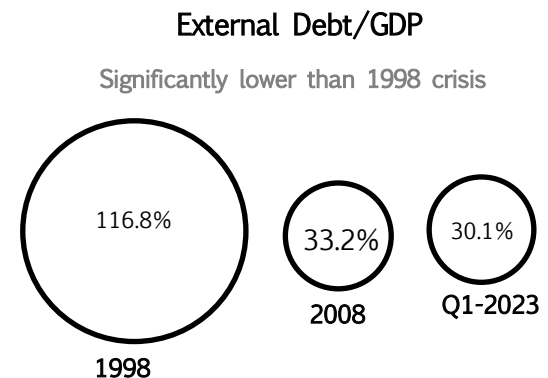
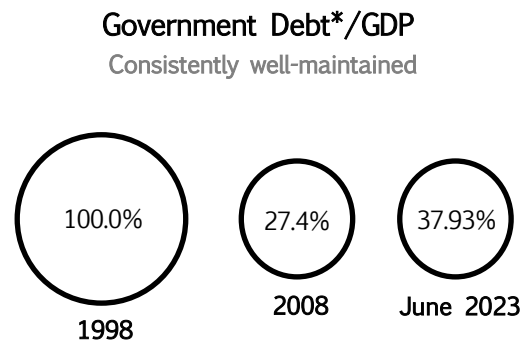
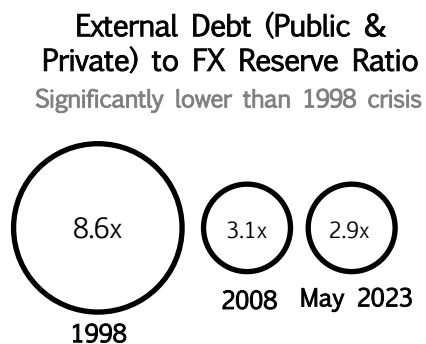
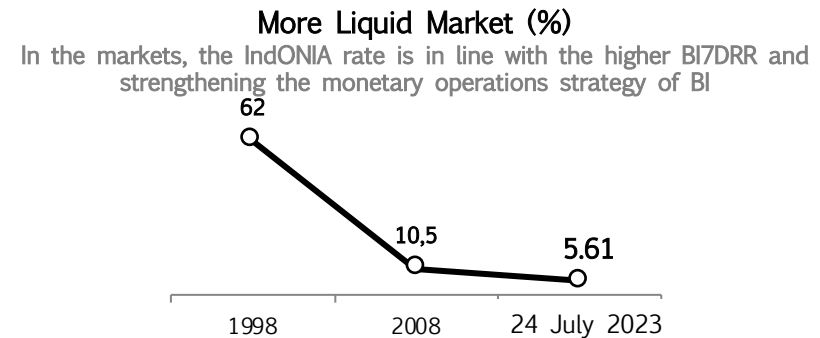
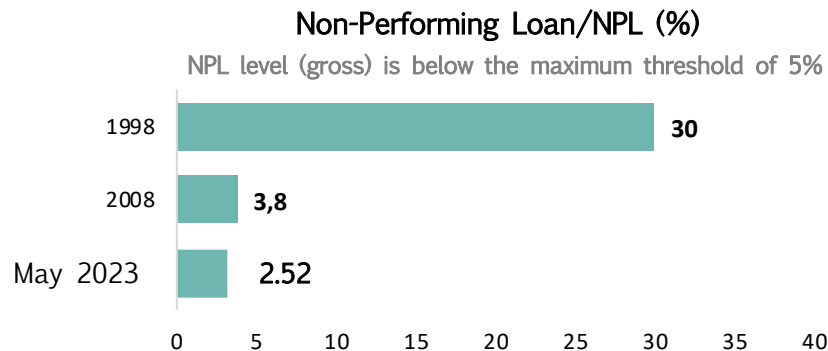
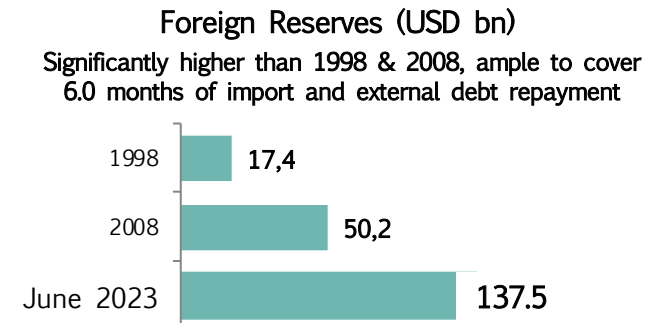
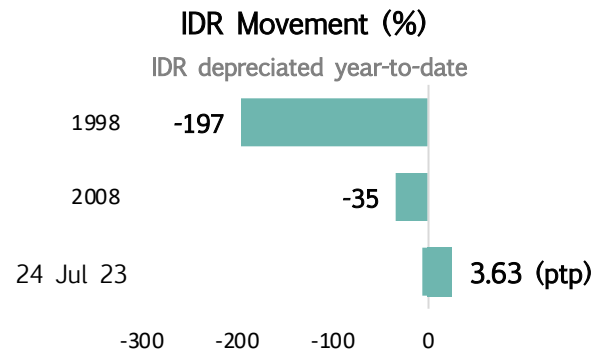
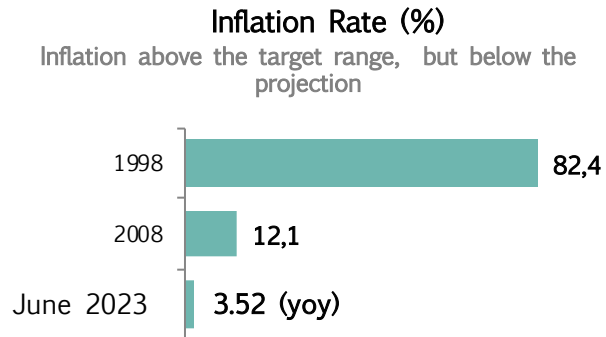


Economic Performance in Most Sectors Continue to Improve

Sound performance in all economic sectors supporting solid economic growth, in particularly the manufacturing industry, wholesale and retail trade as well as transportation and storage. Indonesia's economy is mainly supported by services sector, manufacturing, and primary sector. Services sector (wholesale and retail trade, information and communication, financial and insurance service) has expanded the last five years, while primary sector (mining and quarrying) has benefited from higher commodity prices in 2022.



Solid Fundamentals Facing the Headwinds



*) Domestic & Forex




Outlook of Domestic Economy Remains Solid

...the domestic economic recovery projected to continue in 2023 amid global uncertainty



2023 Economic Outlook

- Bank Indonesia projects economic growth in 2023 continue to accelerate to the range of 4.5-5.3% in 2023.
- Bank Indonesia, therefore, is confident that inflation will remain under control in the 3.0%±1% target this year and 2.5%±1% in 2024.
- Bank Indonesia projects Balance of Payment (BOP) performance in 2023 to remain sound, supported by a manageable current account maintained in the range of a 0.4% surplus to a 0.4% deficit of GDP.
- Bank Indonesia projects credit growth in 2023 will grow by 9.0-11.0%

	 Economic Growth	π Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realization	5.17%	3.13%	2.98%	11.75%
2019 Realization	5.02%	2.72%	2.71%	6.08%
2020 Realization	-2.07%	1.68%	0.4%	-2.4%
2021 Realization	3.69%	1.87%	surplus 0.3%	5.24%
2022 Realization	5.31%	5.51%	surplus 1.0%	11.35%
2023	4.5-5.3%	3.0 ± 1%	surplus 0.4% - deficit 0.4%	9-11%



Section 4

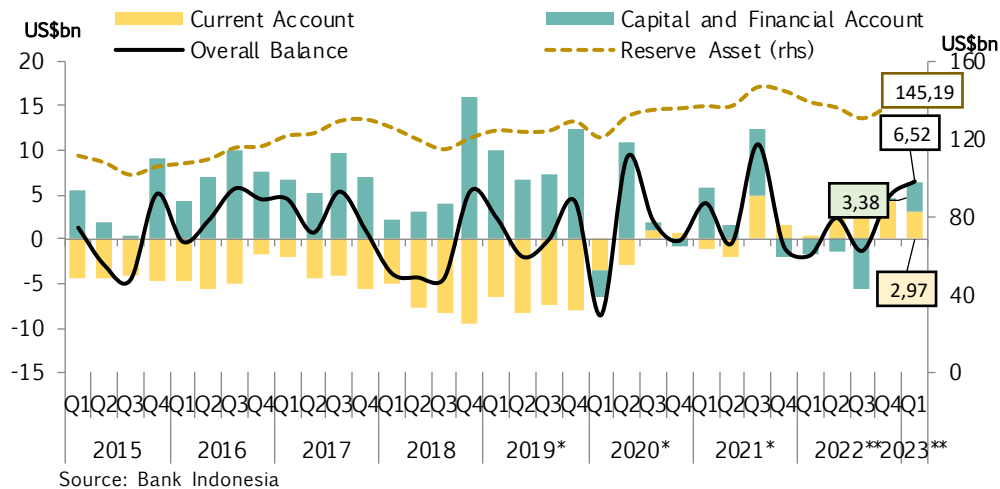
External Factor:
Improved External Resilience

External Sector Remains Resilient

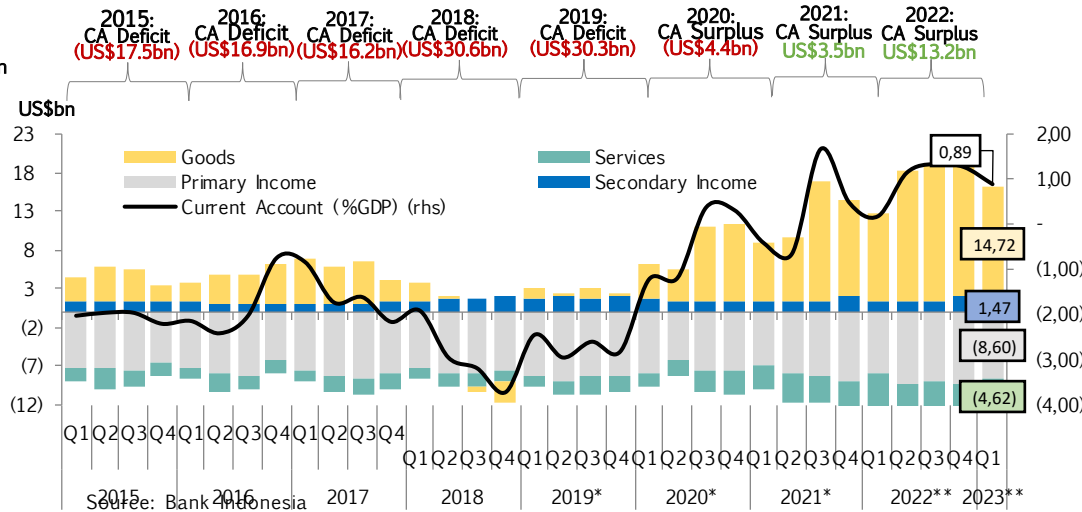
... Supported by Adequate Reserves and Sound Balance of Payments



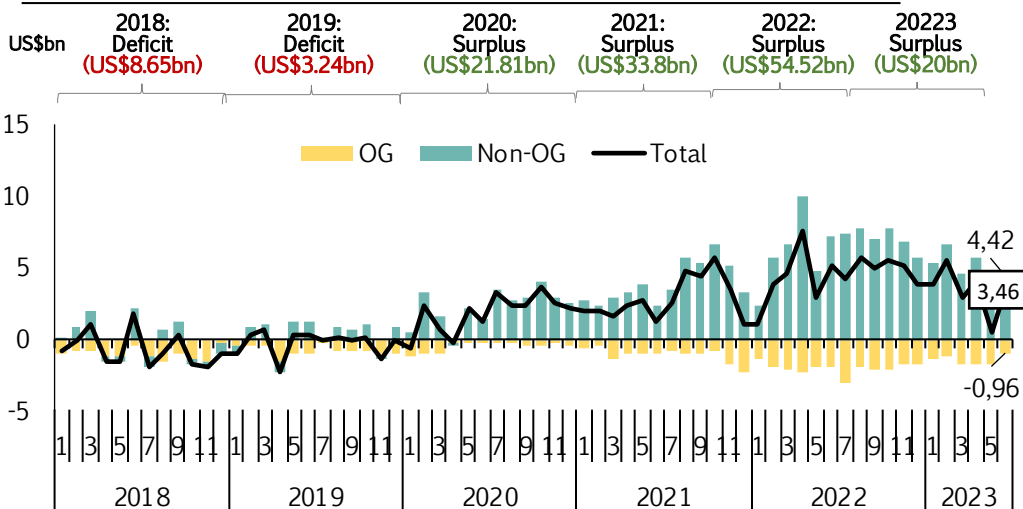
Balance Of Payment Remains Solid



Current Account Recorded Surplus

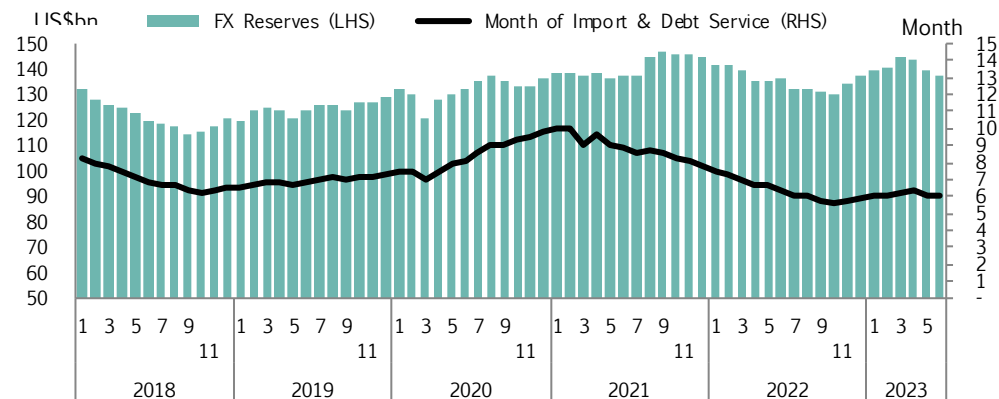


Trade Balance Surplus Continues



Official Reserve Assets Increased to Reinforce External Sector Resilience

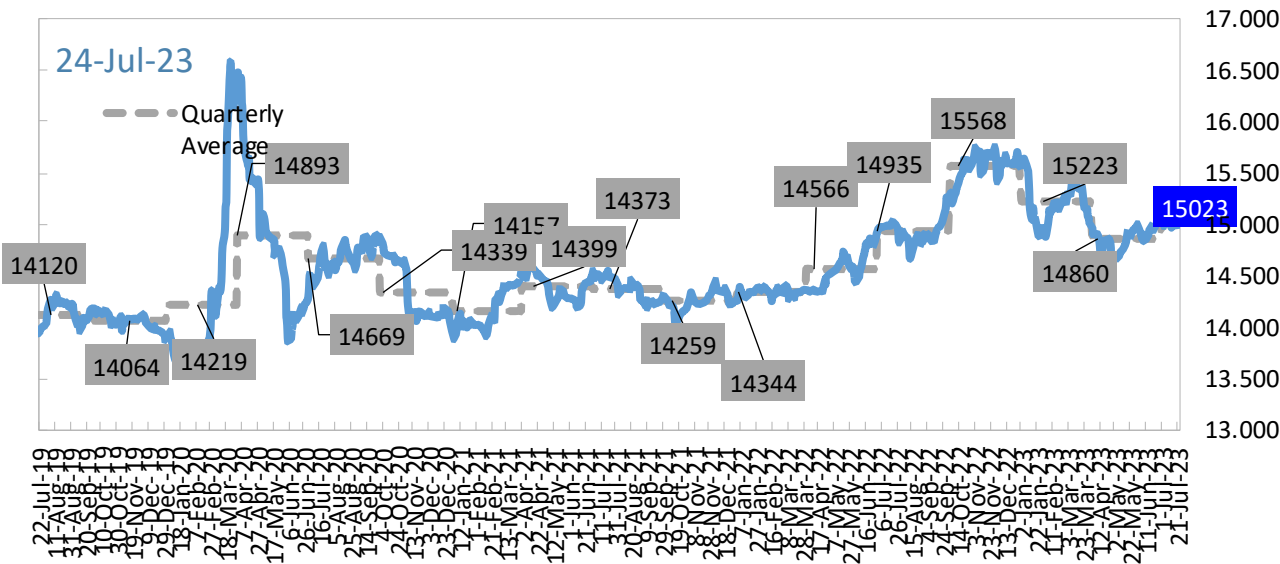
FX Reserves as of June 2023: US\$137.5bn
(Equiv. to 6.0 months of imports + servicing of government debt)



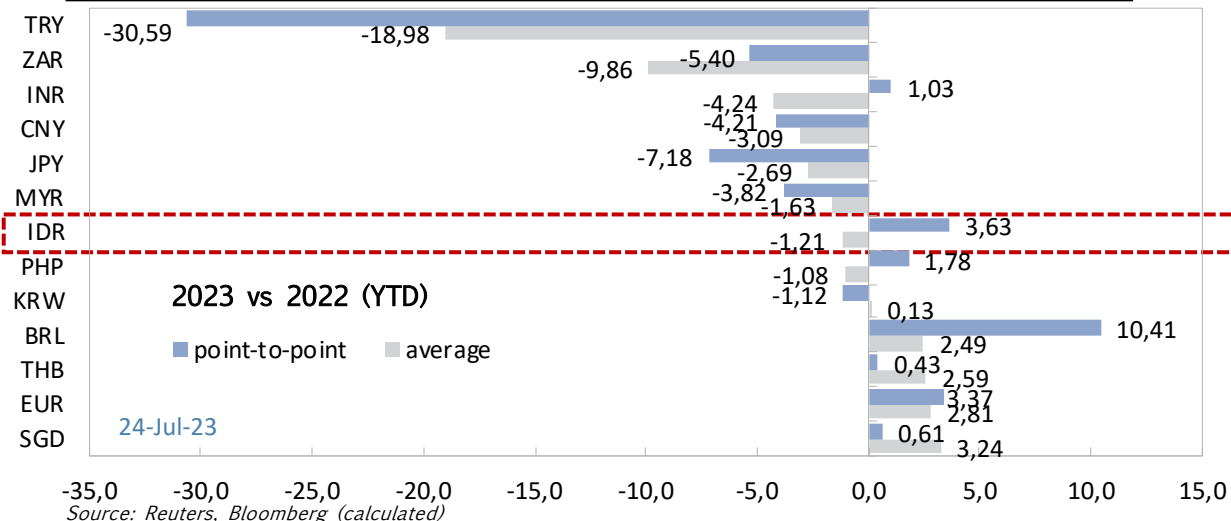


Exchange Rate Movement In Line With BI Stabilization Measures

Movement of Rupiah



Rupiah Exchange Rate Volatility



Rupiah exchange rates remain under control in line with the stabilisation measures implemented by Bank Indonesia. Year to date, the rupiah has gained 3.63% (ptp) in value from the position recorded at the end of December 2022, thereby exceeding the Philippine peso (1.78%), Indian rupee (1.11%) and Thai baht (0.04%). Moving forward, as global financial market uncertainty subsides, Bank Indonesia expects rupiah appreciation to persist, fostered by solid economic growth, low inflation, attractive yields on domestic financial assets for investment and the positive impact of implementing Government Regulation 66/2023 concerning the foreign exchange proceeds of natural resources exports (DHE SDA). Investor perception concerning the national economic outlook is also improving, as reflected by an upgrade to Indonesia's sovereign credit rating by the R&I rating agency from a stable to positive outlook, with a BBB+ rating (a full two notches above the lowest investment grade category). Bank Indonesia will also continue strengthening rupiah stabilisation policy through triple intervention and the twist operation to mitigate the contagion risk of global financial market uncertainty.

Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of June 2023: **US\$137.5 bn**

Swap Arrangement

Bilateral	Japan	<ul style="list-style-type: none">• Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2021• The facility is available in USD and JPY
	Singapore	<ul style="list-style-type: none">• Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 1000 tn (equivalent) in November 2022
	China	<ul style="list-style-type: none">• Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 250 bn / IDR 550 tn (equiv.) in January 2022
	Malaysia	<ul style="list-style-type: none">• Established a 3 year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022
	Australia	<ul style="list-style-type: none">• Renewed a 3 year A\$/IDR swap arrangement with a size up to A\$10 billion or IDR 100 trillion in February 2022

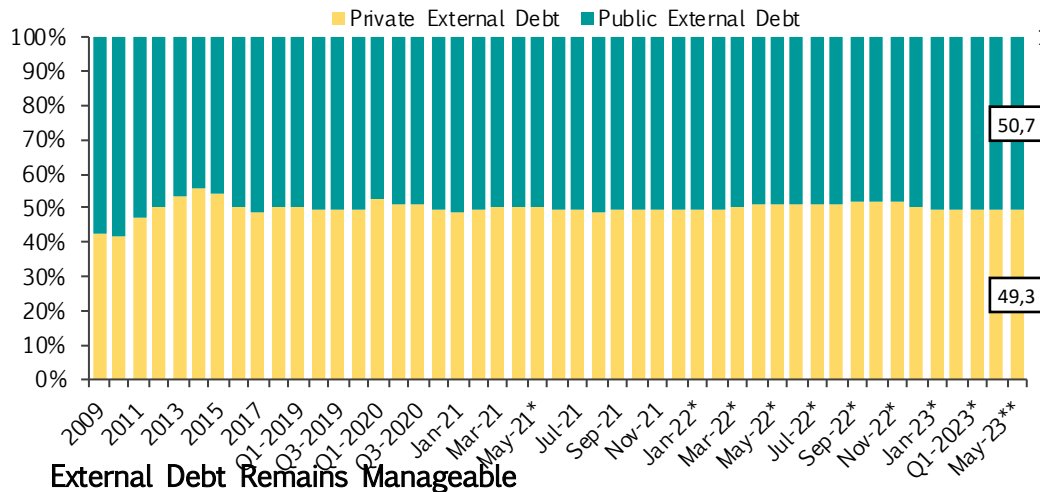
Regional	Chiang Mai Initiative Multilateralization (CMIM) Agreement	<ul style="list-style-type: none">• Entitled to a maximum swap amount of US\$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement• Came into effect in 2010 with a pool of US\$120 bn• Doubled to US\$240 bn effective July 2014
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Global	IMF Global Financial Safety Net - GSFN	<ul style="list-style-type: none">• Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem• Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)
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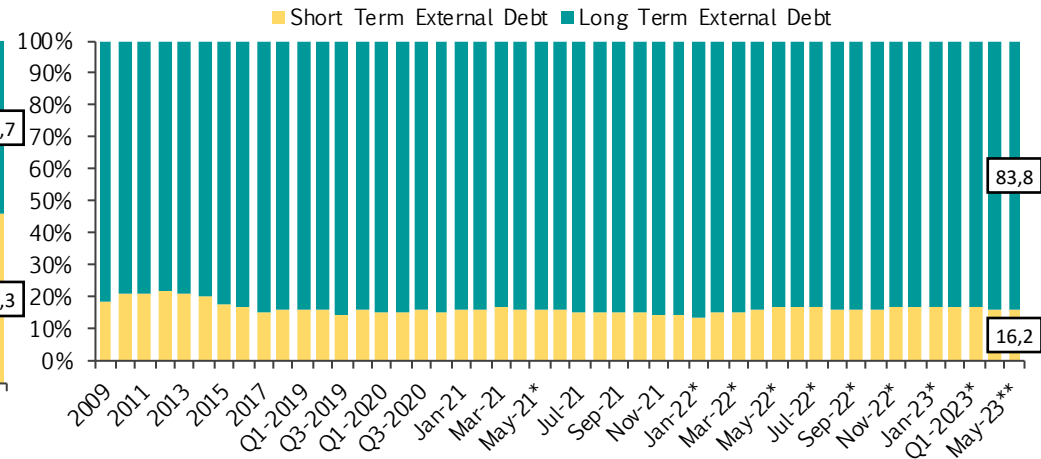
Healthy External Debt Profile



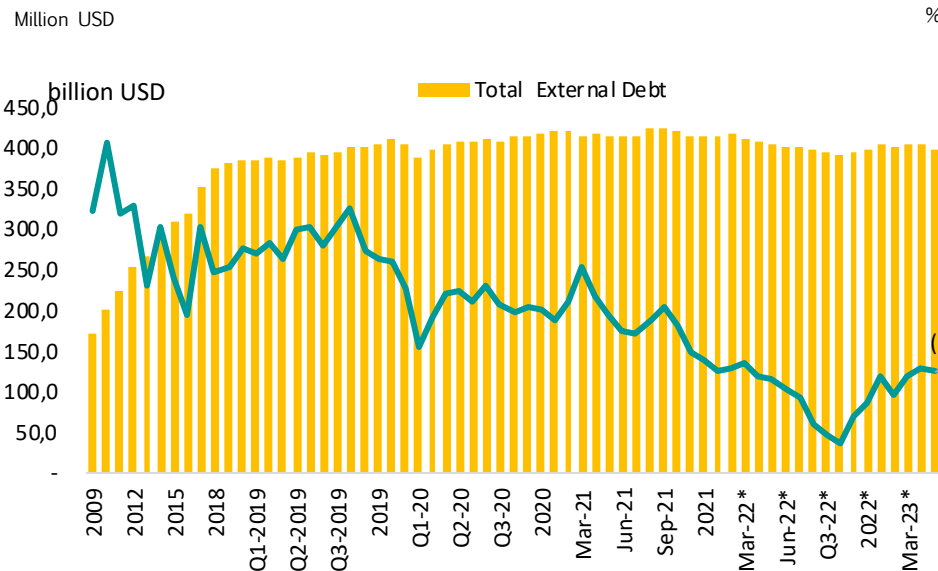
External Debt Structure



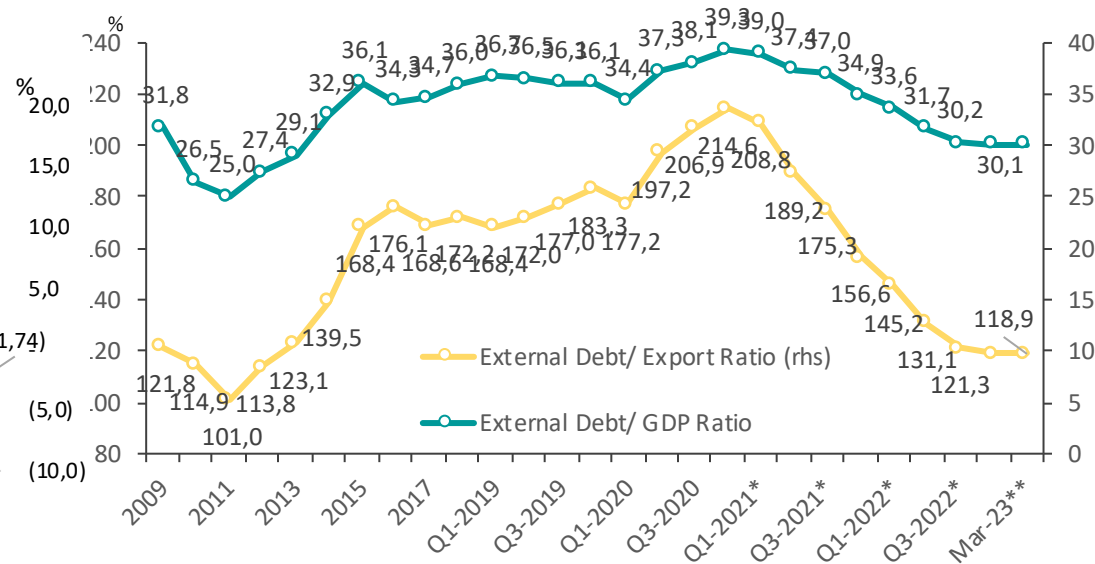
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



External Debt to GDP Ratio & Debt to Export Ratio



Source: Bank Indonesia, External Debt Statistics of Indonesia

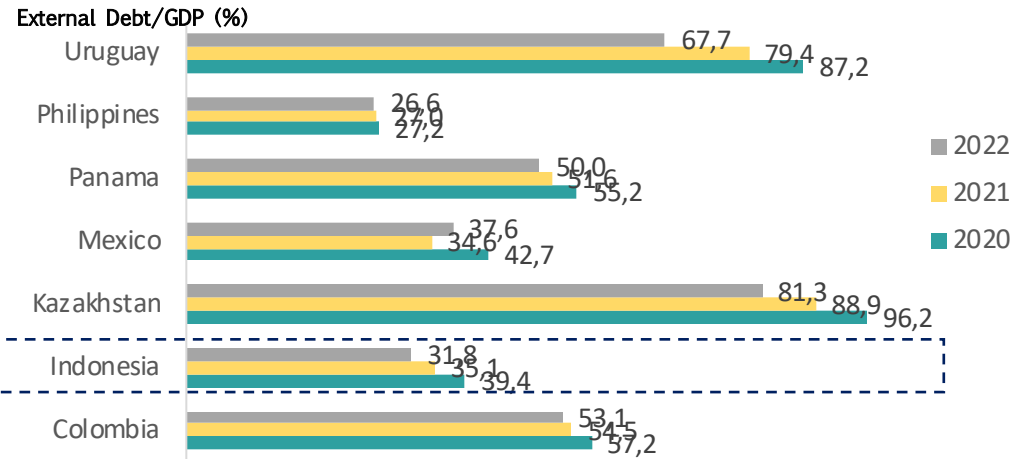
*Provisional Figures

**Very Provisional Figures

Strengthened Private External Debt Risk Management



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



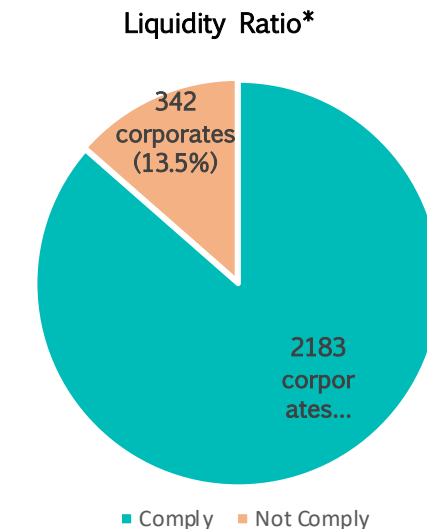
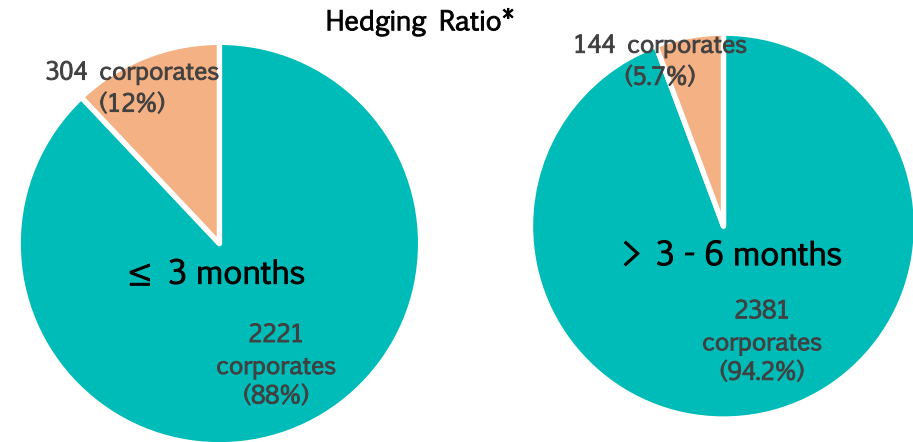
Source: Moody's Credit View Fundamental Data, September 2022

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



*Data as of Q4-2022, with total population 2,515 corporates

Source: Bank Indonesia



Section 5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility

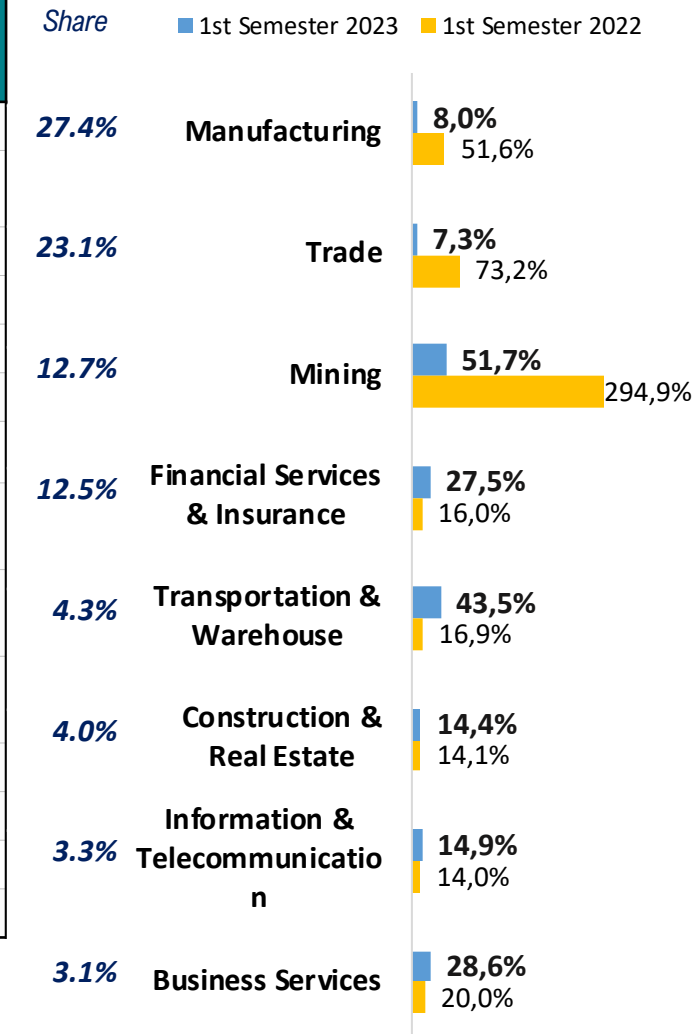
UP BUDGET OUTTURN REMAINED STRONG IN THE 1st HALF 2023

Remained robust economic activities and gained from the tax reforms have sustained revenue collection amid moderating commodity prices

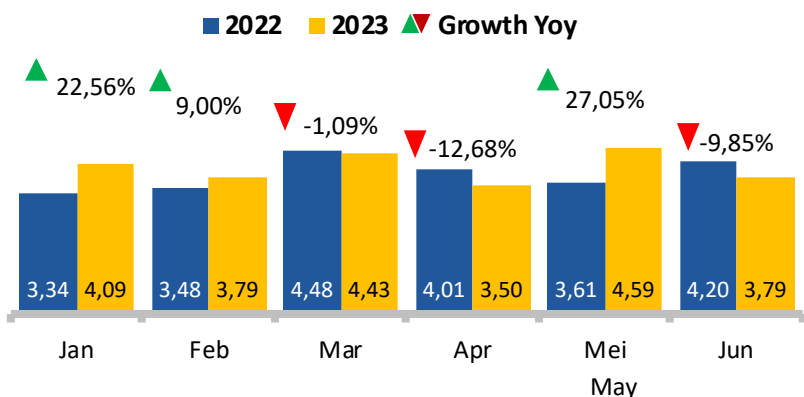


Account (IDRtn)	2022				2023			
	Perpres 98/2022	1st Semester Realization	% to Budget	Growth (%)	Budget	1st Semester Realization	% to Budget	Growth (%)
A. Revenue	2,266.2	1,336.1	59.0	50.6	2,463.0	1,407.9	57.2	5.4
I. Tax Revenue (DG Tax & Custom-Excise)	1,784.0	1,049.4	58.8	54.3	2,021.2	1,105.6	54.7	5.4
1. Tax	1,485.0	882.6	59.4	58.2	1,718.0	970.2	56.5	9.9
2. Custom & Excise	299.0	166.8	55.8	36.5	303.2	135.4	44.7	(18.8)
II. Non-Tax Revenue	481.6	286.4	59.5	38.4	414.4	302.1	68.5	5.5
B. Expenditure	3,106.4	1,244.9	40.1	6.4	3,061.2	1,255.7	41.0	0.9
I. Central Government	2,301.6	877.2	38.1	10.2	2,246.5	891.6	39.7	1.6
1. Line Ministries Spending	945.8	393.8	41.6	(12.4)	1,000.8	417.2	41.7	5.9
2. Non-Line Ministries	1,355.9	483.4	35.6	39.4	1,245.6	474.4	38.1	(1.9)
II. Regional Transfer & Village Funds	804.8	367.7	45.7	(1.7)	814.7	364.1	44.7	(1.0)
C. Primary Balance	(434.4)	279.0	(64.2)	340.0	(156.8)	368.2	(234.9)	32.0
D. Surplus (Deficit)	(840.2)	91.2	(10.9)	132.2	(598.2)	152.3	(25.5)	66.9
% to GDP	(4.50)	0.47			(2.84)	0.71		
E. Financing	840.2	158.6	18.9	(62.3)	598.2	135.1	22.6	(14.8)

Positive Growth in Main Sector Tax Revenue (YoY)



IMPORT DUTY REVENUE IS WELL MAINTAINED, BUT EXPORT DUTY IS DECREASING



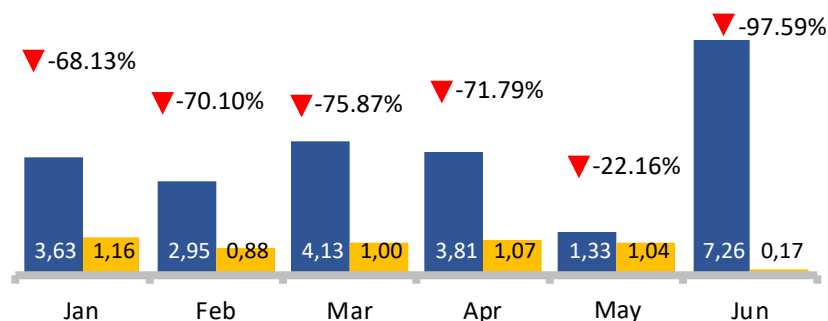
IDR Trillion

	Jan-Jun	YoY
2022	23.12	30.50%
2023	24.20	4.65%

Up to May 2023 7.87%

Import Duty Revenue

In 2023, Import Duty Revenue grew by 4.65% YoY, while import performance declined at -6.42% YoY. Factors contributing to BM revenue growth include a 4.65% YoY increase in USD exchange rate and growth in key commodities like vehicles, spare parts, mining machinery, and iron/steel.



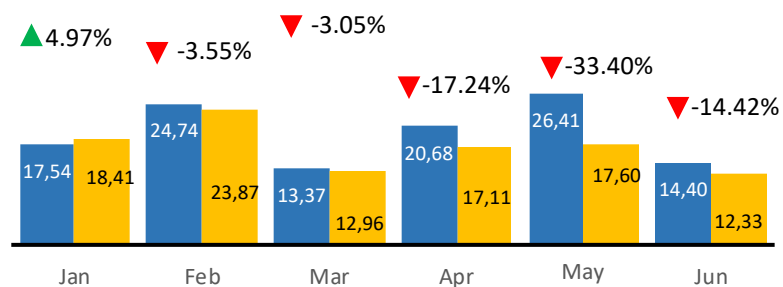
IDR Trillion

	Jan-Jun	YoY
2022	15.85	54.46%
2023	5.32	-76.97%

Up to May 2023 -67.52%

Export Duty Revenue

In 2023, cumulative revenue from export duties declined by -76.97% (YoY) due to lower CPO prices, reduced mineral exports, and copper/bauxite export bans.



IDR Trillion

	Jan-Jun	YoY
2022	117.14	32.30%
2023	102.38	-12.61%

Up to May 2023 -12.45%

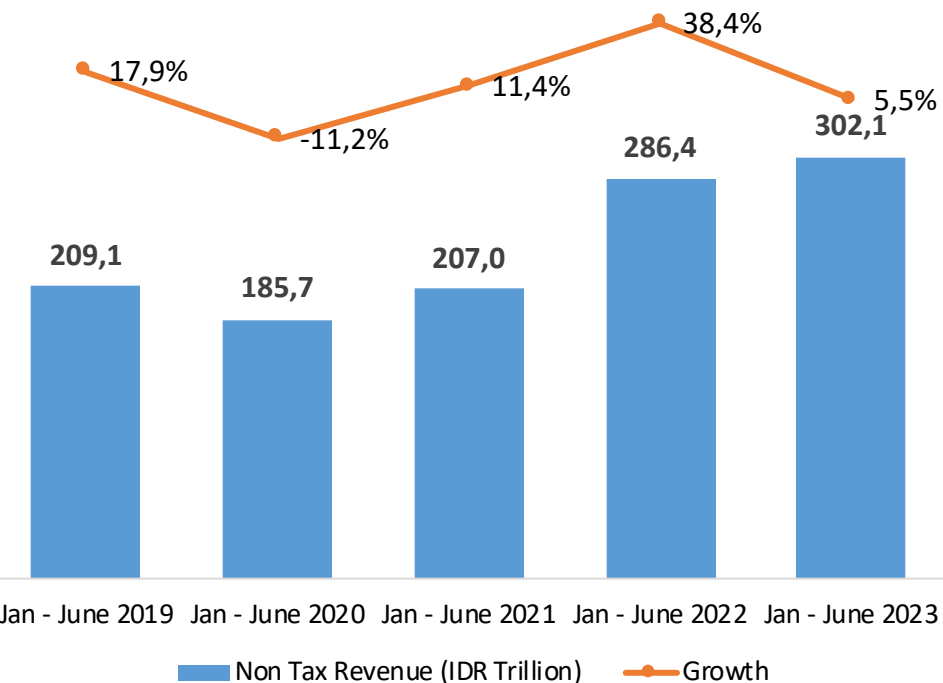
Tobacco Excise Tax

Tobacco Excise revenue until June decreased by -12.61% (YoY) due to a production decline in March and relatively stagnant production in April. Production of tobacco product until April continued to decline, especially in groups 1 and 2. The weighted average tariff only increased by 3.28% (lower than the normative increase of 10%) due to the decrease in production for high-tariff groups 1 (SKM) and 2 (SPM).

POSITIVE GROWTH IN NON-TAX REVENUE PERFORMANCE UNTIL JUNE 30, 2023

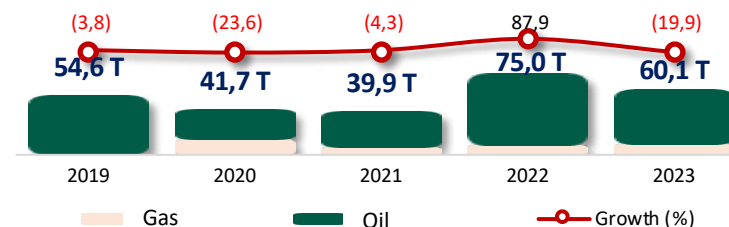


Non-Tax Revenue

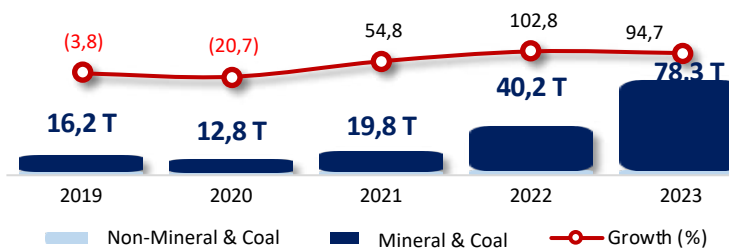


Source: Ministry of Finance, YTD 30 June 2023

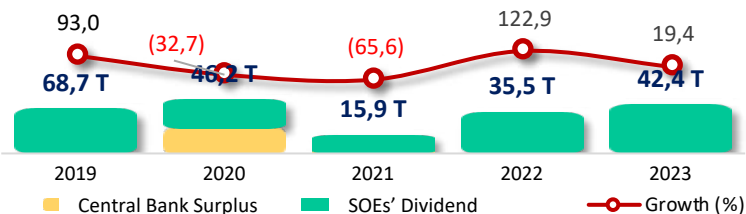
Oil & Gas Revenue (IDR T)



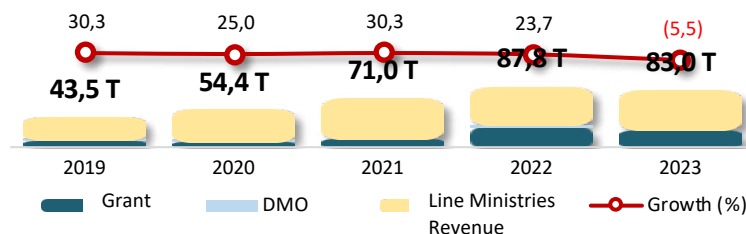
Non-Oil & Gas Revenue



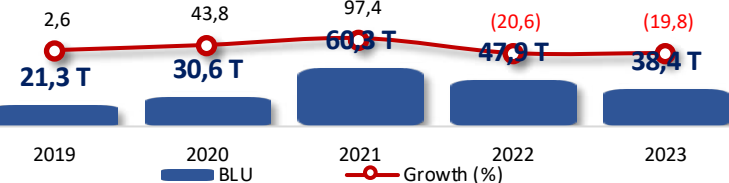
Separated State Asset



Other Non-Tax Revenues



Public Services Agency (BLU) Revenue

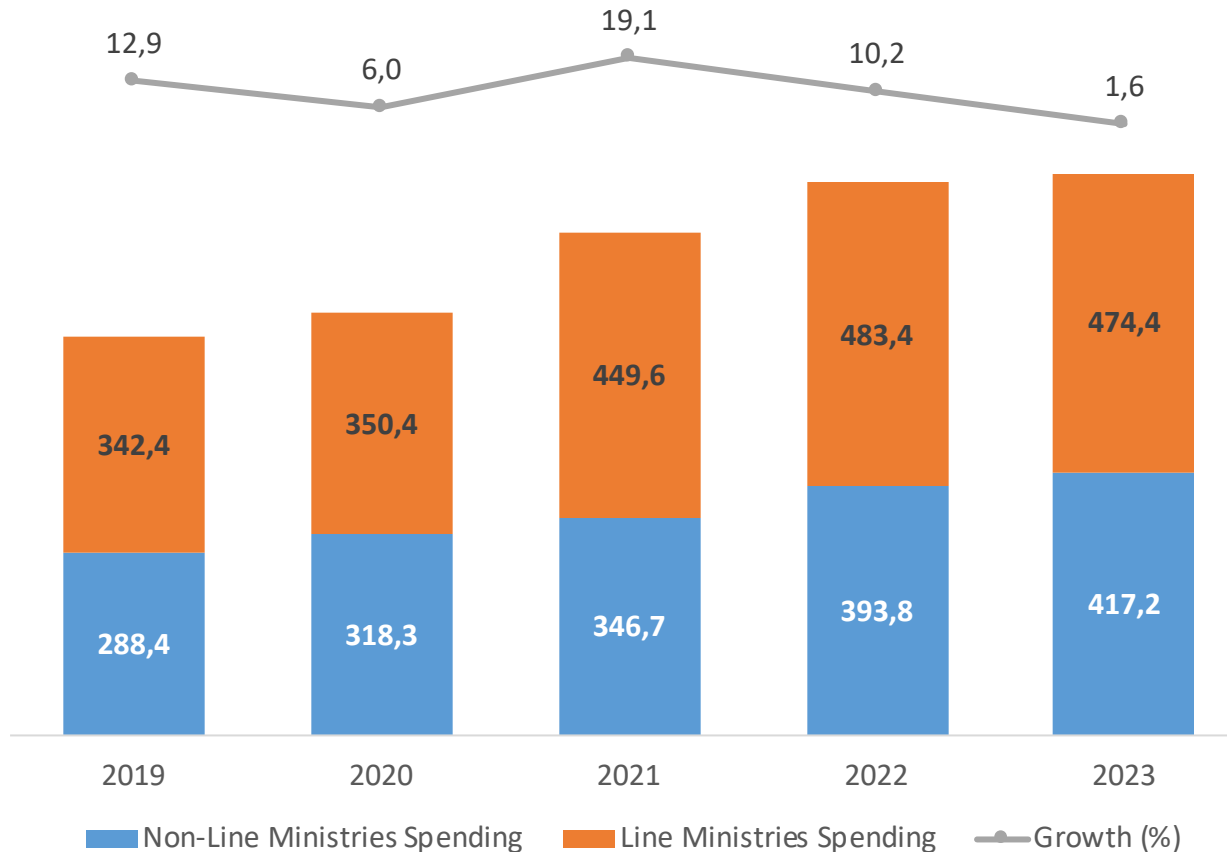


CENTRAL GOVERNMENT SPENDING REACHES 39.7% OF GOVERNMENT BUDGET TARGET



Central Government Spending

IDR Trillion



1

Line Ministries Expenditure IDR417.2T* (41.7% of Budget target), driven by support for Election preparation, IKN development, and priority infrastructure completion. *) Includes personnel, goods, capital, and social assistance expenditures.

2

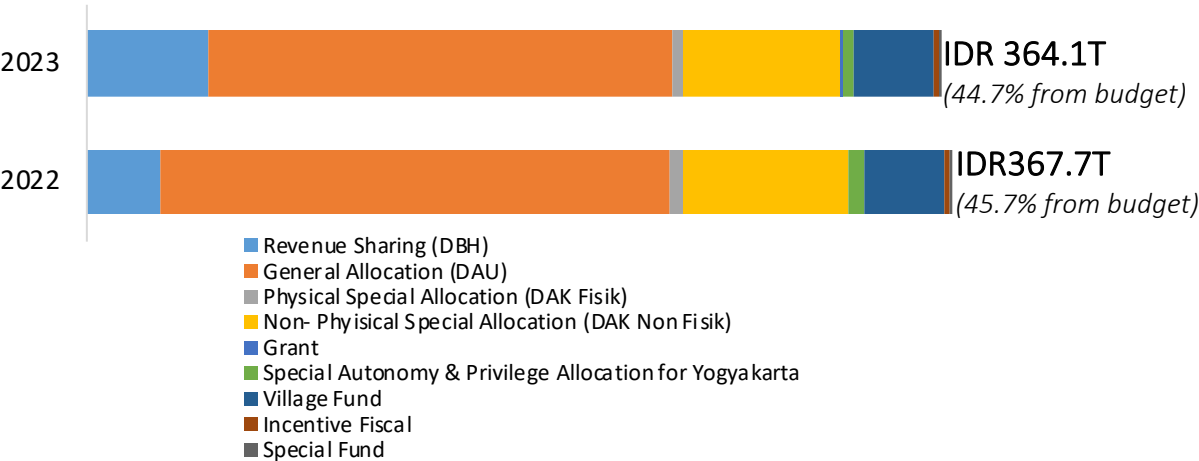
Non-Ministries Expenditure: IDR 474.4T (38.1% of Budget target), includes realization of subsidies and compensations (fuel and electricity), pre-employment card program, and fertilizer subsidies.

INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE



Transfer to Region Fund

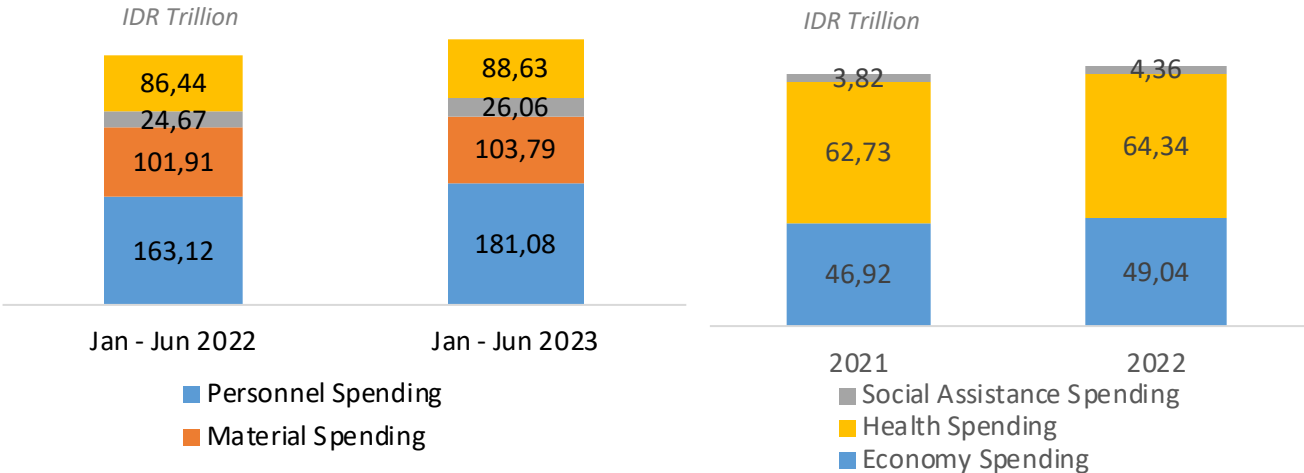
(January – June)



transfer to the region (TKD) supports regional funding and the development of public services infrastructure in areas such as education, healthcare, irrigation, water supply, agriculture, transportation, tourism, economic development, environmental protection, and rural development. As of June, TKD disbursement reached Rp364.1 trillion (44.7%), slightly lower than last year, primarily due to preparations for specific stage 2 DAU disbursement and verification processes for previous Operational Assistance Funds for Schools funds by regional APIP, leading to delayed transfers for certain TKD types.

Local Government Performance

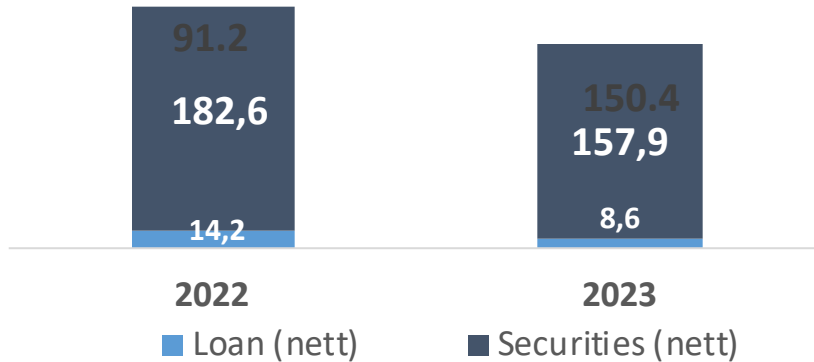
The realization performance of the 2023 Regional Budget (APBD) expenditure has grown by 6.23% year on year (YoY). This growth is attributed to the improvement in expenditure absorption for personnel, goods and services, capital, and other expenses. The positive realization performance needs to be sustained until the end of the year.



IN THE FIRST SEMESTER OF 2023, BUDGET FINANCING CONTROLLED AMID GLOBAL MARKET VOLATILITY & GOVERNMENT LIQUIDITY



Financing Realization Up 1st Semester 2023



Domestic Loan (Net)

IDR 2.48 T

- Domestic Loan Withdrawal (Gross) **IDR 3.47T**
- Domestic loan principal installment financing **IDR (0.99T)**

Foreign Loan (Net)

IDR 6.14 T

- Foreign Loan Withdrawal (Gross) **IDR 46.15T**
- Foreign loan principal installment financing **IDR (40.00T)**

Accelerate Investment in Priority Sectors for The Welfare of The Society



Housing Financing Liquidity Facility

IDR 85.78T(Total Fund)

As of June 30, 2023, a total of 114,500 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 386 cities/regencies, with a total value of IDR 12.9 trillion.



State Asset Management Agency

As of June 2023, funding amounting to IDR11.3 trillion has been allocated for national strategic projects, including toll roads, dams, ports, irrigation, water supply, railway lines, the national capital, and national strategic tourism areas.



Education Fund Management Agency (LPDP)

IDR 8T (2023 Funding Target)

Total Endowment Fund as of June 2023 IDR 134.11T



International Development Cooperation Fund (LDKPI)

Grant disbursement:

Rp200.85M to 32 countries, incl. Timor Leste, Solomon Islands, Fiji, Pakistan, Afghanistan, Palestine, Ethiopia, OACPS Secretariat, etc. (2020-June 2023).

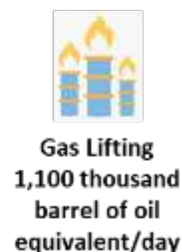
2023 Budget Financing

Increasing productivity for an inclusive and sustainable economic transformation



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

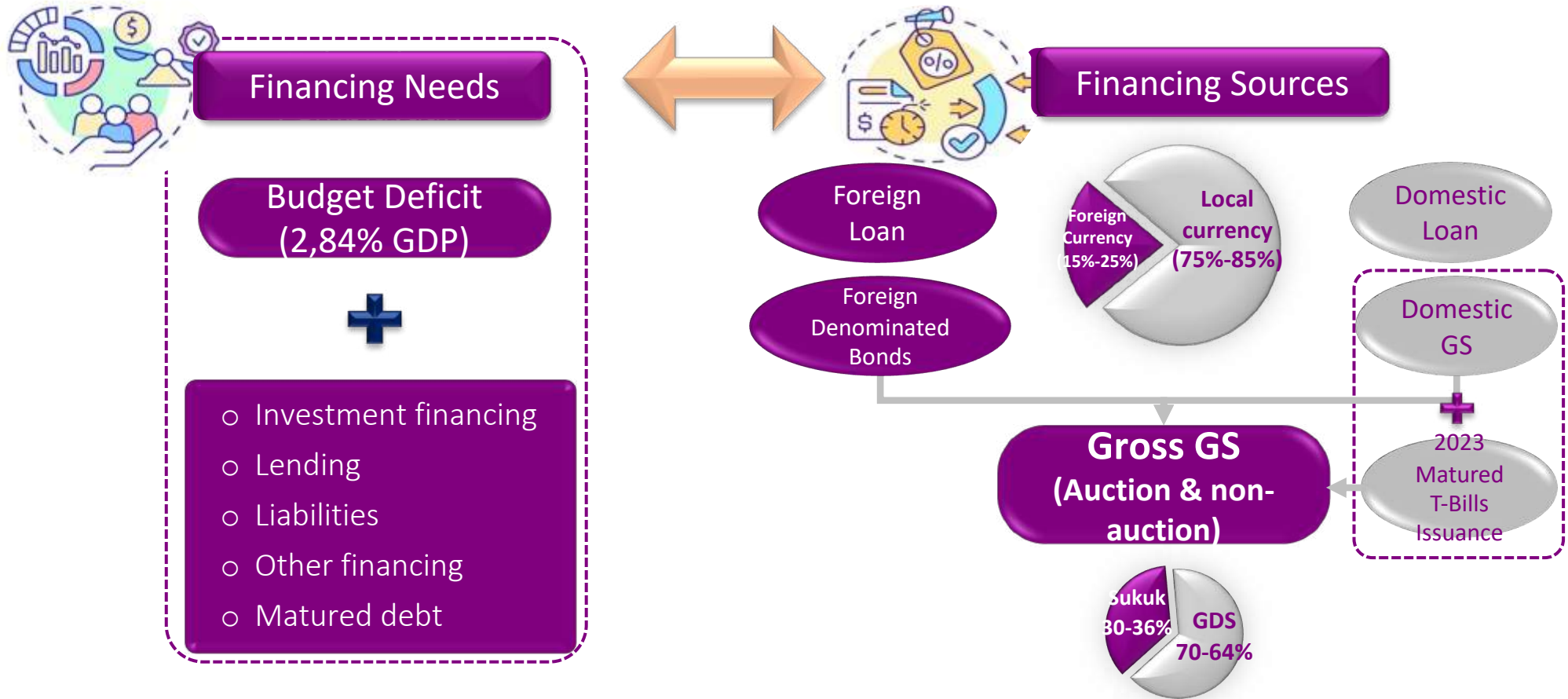
Macroeconomic Assumption for 2023 Budget



2023 Development Target



2023 Financing Needs





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

General debt policy direction



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



Prioritizing domestic sources of financing to increase financial independence



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



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



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

DEBT FINANCING

As of June 27th , 2023



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

Debt Financing Realization

Rp **166.5 (23.9%)**

Government Securities

(Net)

Rp **157.9**

Loan

(Net)

Rp **8.6**

Foreign Loan (Net)

Rp **46.2**

Note :

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

GS Financing Realization 2023

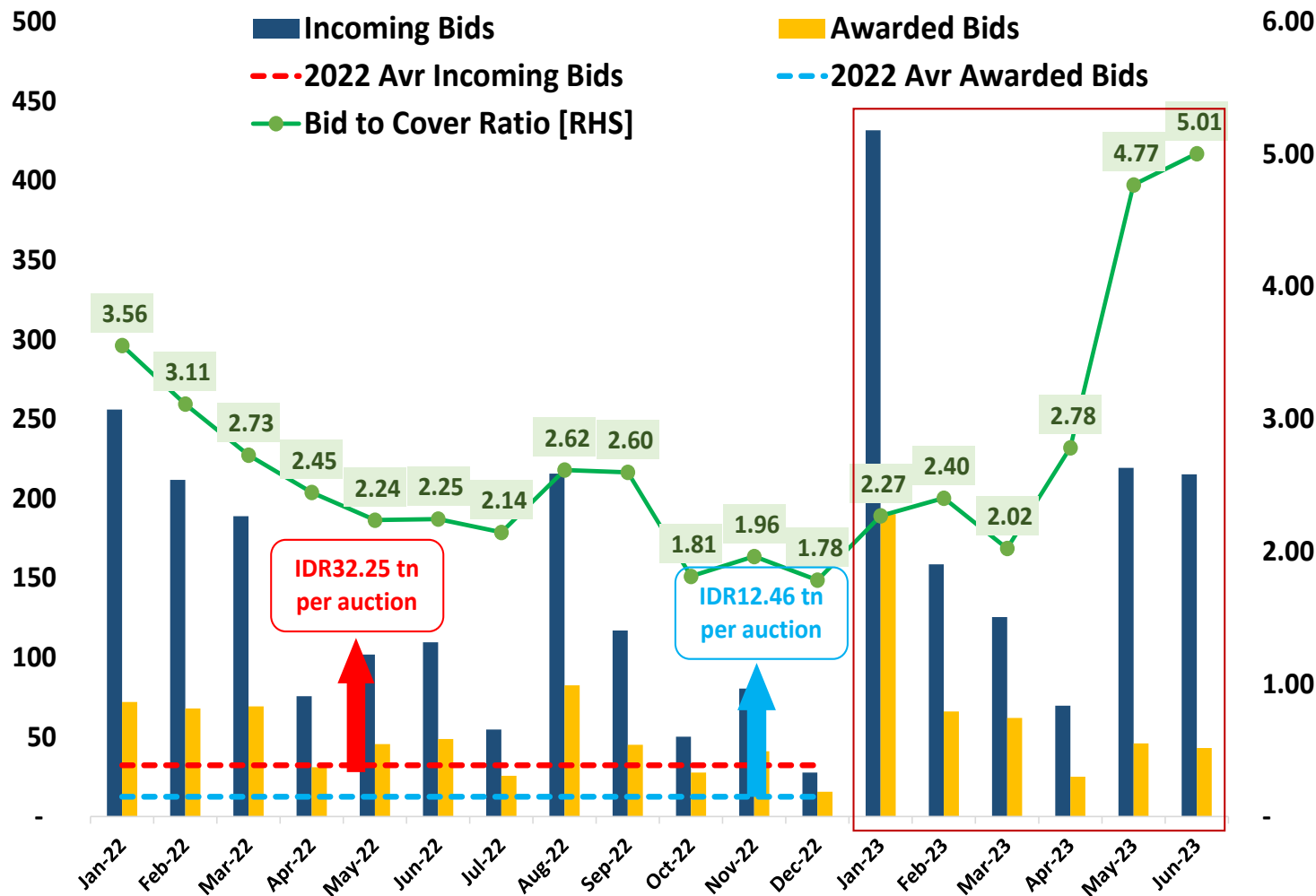


	(Trillion IDR)
	Realization (ao. Jun 27, 2023)
Government Securities (GS) Nett	174.49
Government Securities (GS) Gross	462.10
Government Debt Securities (GDS)	308.09
IDR Denominated GDS	249.32
- Coupon GDS	191.45
- Conventional T-Bills	28.80
- Private Placement (+ Voluntary Disclosure Program)	6.88
- Retail Bonds	22.18
Foreign Denominated Bonds	58.78
- SEC USD-EUR (- Buyback LM)	46.77
- Samurai Bond	11.24
- SDG Bonds	0.00
- Valas Voluntary Disclosure Program	0.77
Sovereign Sharia Securities (Sukuk)	154.00
Domestic Sovereign Sharia Securitoes	154.00
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	115.00
- Retail Sukuk	21.49
- Private Placement	2.32
Global Sukuk	0.00

Primary Market Performance 2022 – 2023



Government Securities (GS)



In 2023:

- average incoming bid = **IDR42.80 tn/auction**
- average awarded bid = **IDR14.58 tn/auction**

Ownership Of Tradable Domestic Government Securities



Description	Dec-19		Dec-20		Dec-21		Dec-22		Jun-23	
Banks*	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,697.43	31.97%	1,695.67	31.06%
Govt Institutions (Bank Indonesia**)	262.49	9.54%	454.36	11.74%	801.46	17.13%	1,020.02	19.21%	951.27	17.43%
Bank Indonesia (gross)	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,453.58	27.38%	1,391.80	25.50%
GS used for Monetary Operation	10.72	0.39%	420.51	10.86%	419.27	8.96%	433.57	8.17%	440.53	8.07%
Non-Banks	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,591.98	48.82%	2,811.89	51.51%
Mutual Funds	130.86	4.75%	161.32	4.17%	157.93	3.38%	145.82	2.75%	173.09	3.17%
Insurance Company and Pension Fund	471.67	17.13%	542.82	14.02%	655.24	14.00%	873.03	16.44%	946.12	17.33%
Foreign Holders	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	762.19	14.36%	846.89	15.51%
Foreign Govt's & Central Banks	194.45	7.06%	178.31	4.61%	233.45	4.99%	203.11	3.83%	215.91	3.96%
Individual	81.17	2.95%	131.21	3.39%	221.41	4.73%	344.30	6.48%	361.34	6.62%
Others	163.32	5.93%	231.57	5.98%	360.47	7.70%	466.65	8.79%	484.45	8.87%
Total	2,752.74	100%	3,870.76	100%	4,678.98	100%	5,309.43	100%	5,425.54	100%

70.41%

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

IDR 1,092.02T

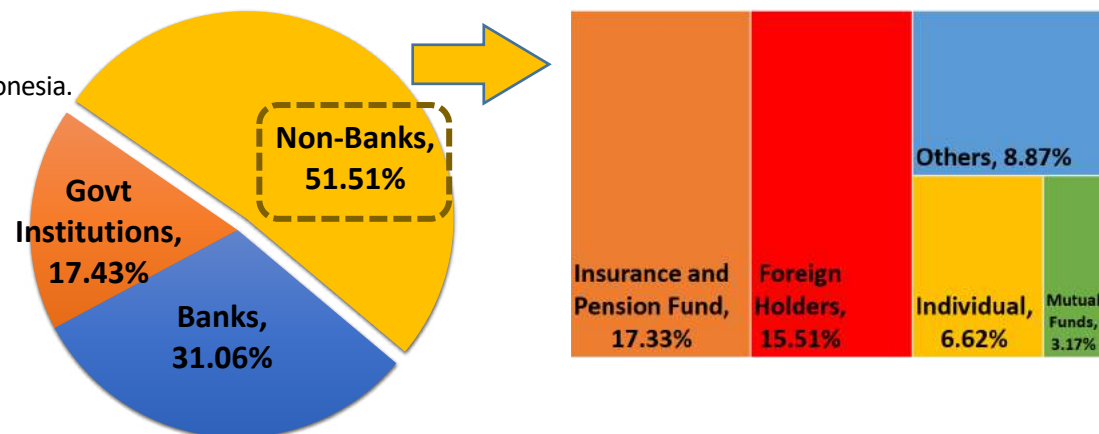
on January 24, 2020, foreign holders reach a record high in nominal terms

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

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

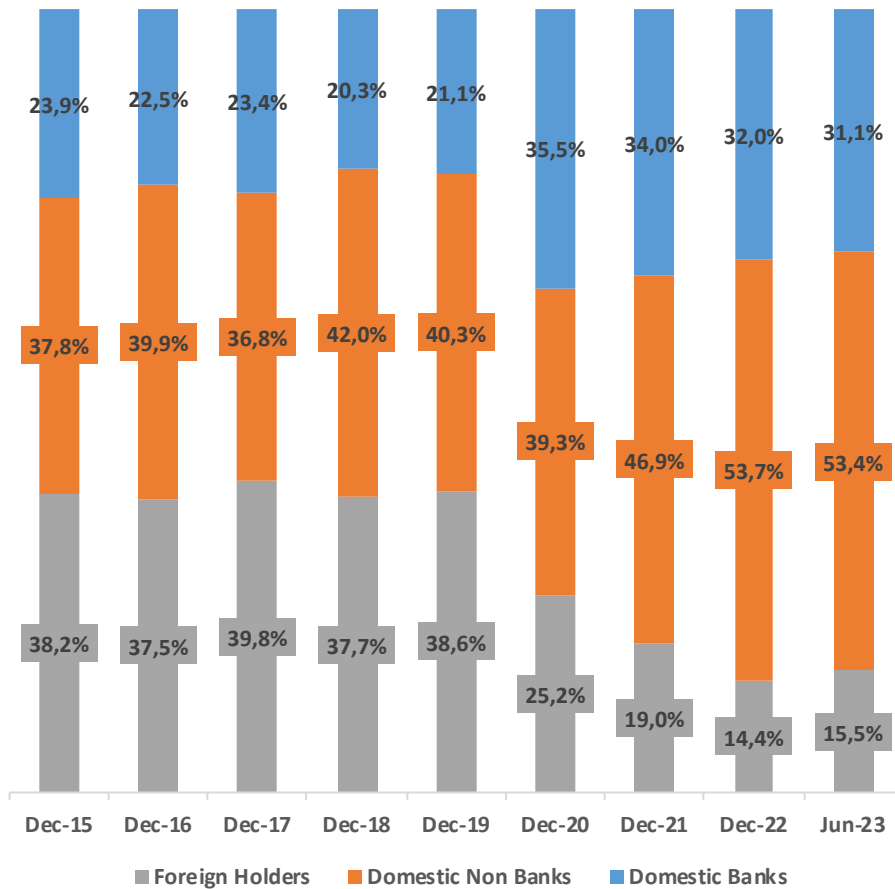
*) Including the Government Securities used in monetary operation with Bank Indonesia.

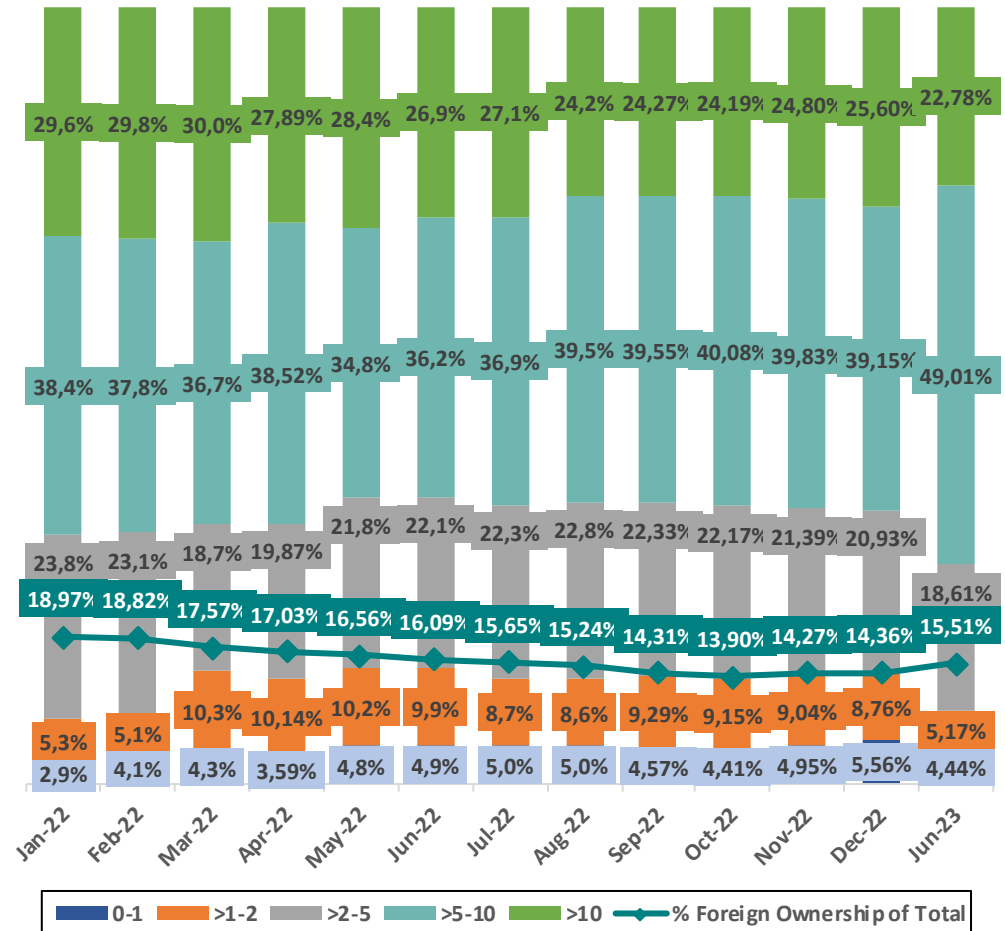
**) net, excluding Government Securities used in monetary operation with Banks.



Balanced Ownership In Terms of Holders and Tenors



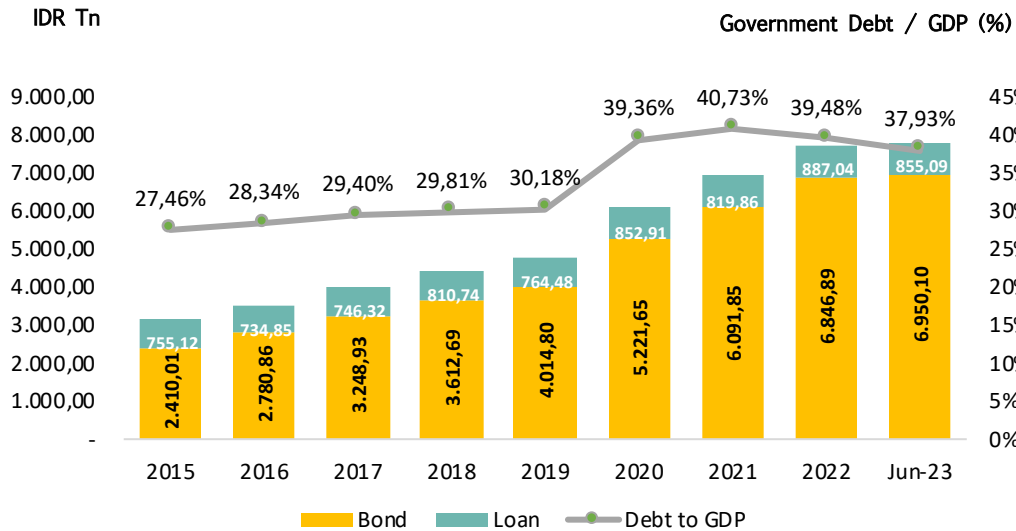




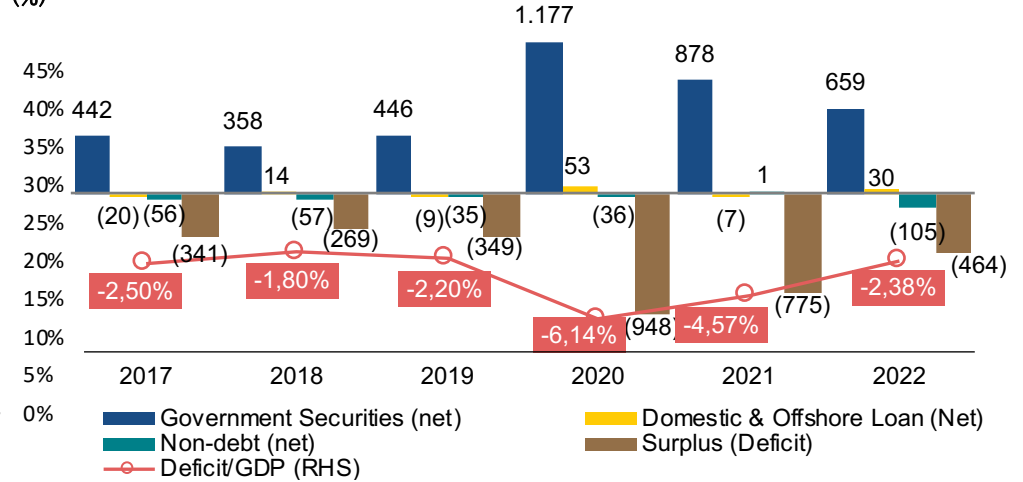
Disciplined and Advanced Debt Portfolio Management



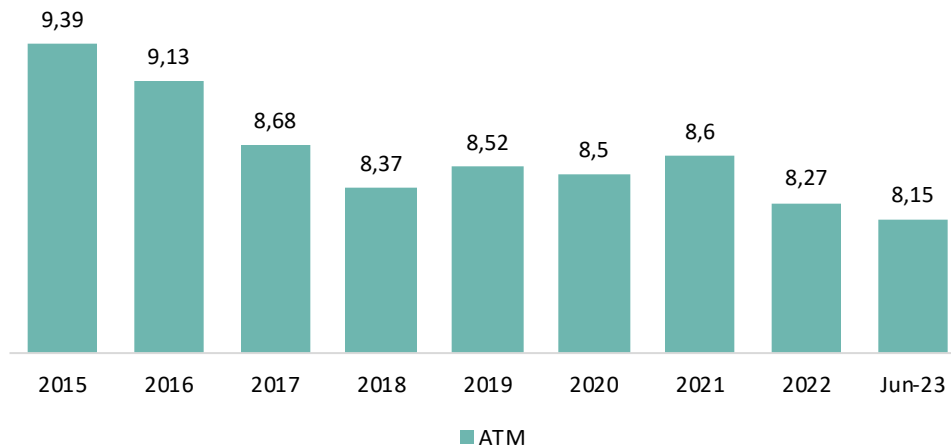
Stable Debt to GDP Ratio Over the Years



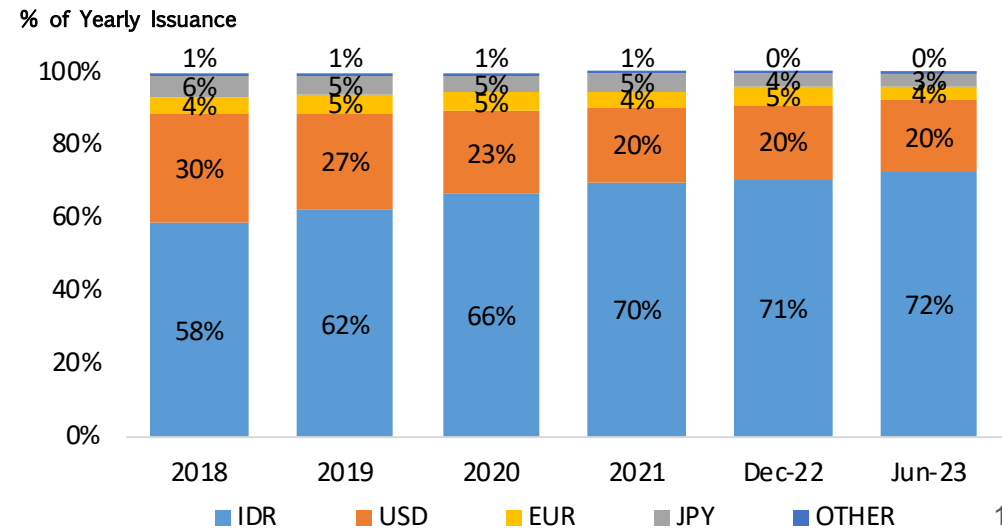
Prudent Fiscal Deficit



Weighted Average Debt Maturity



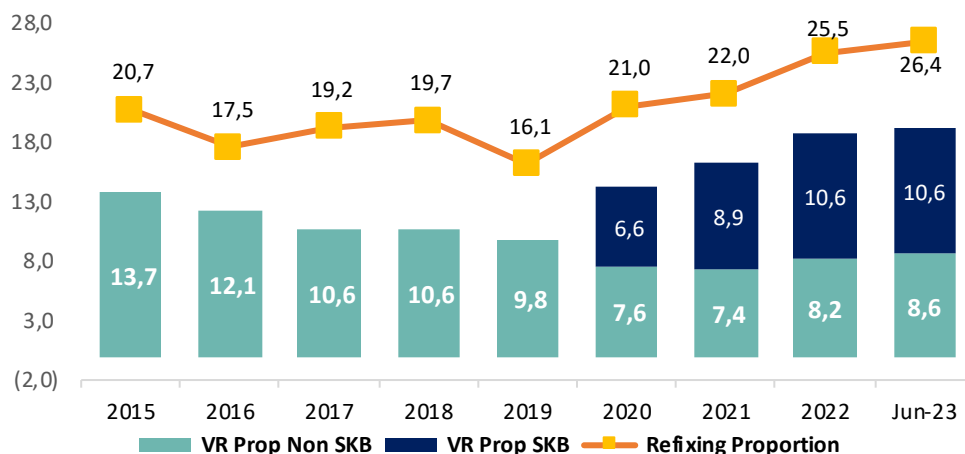
Well Diversified Across Different Currencies



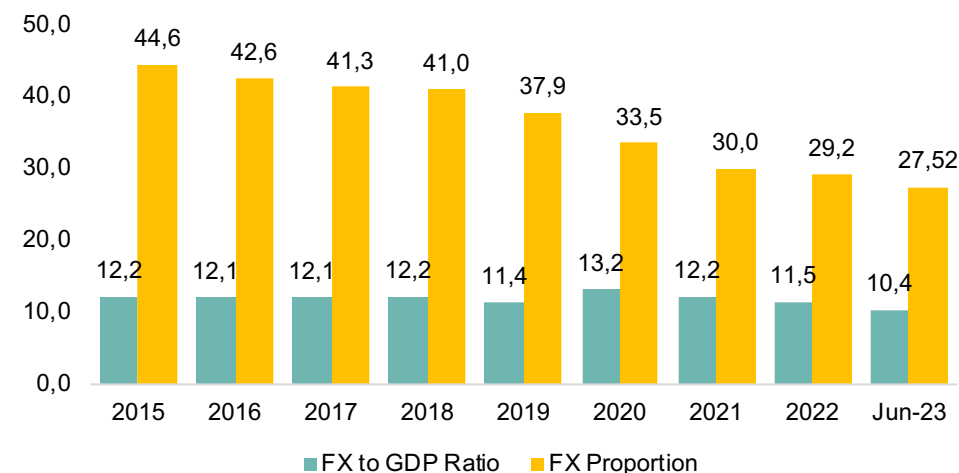
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



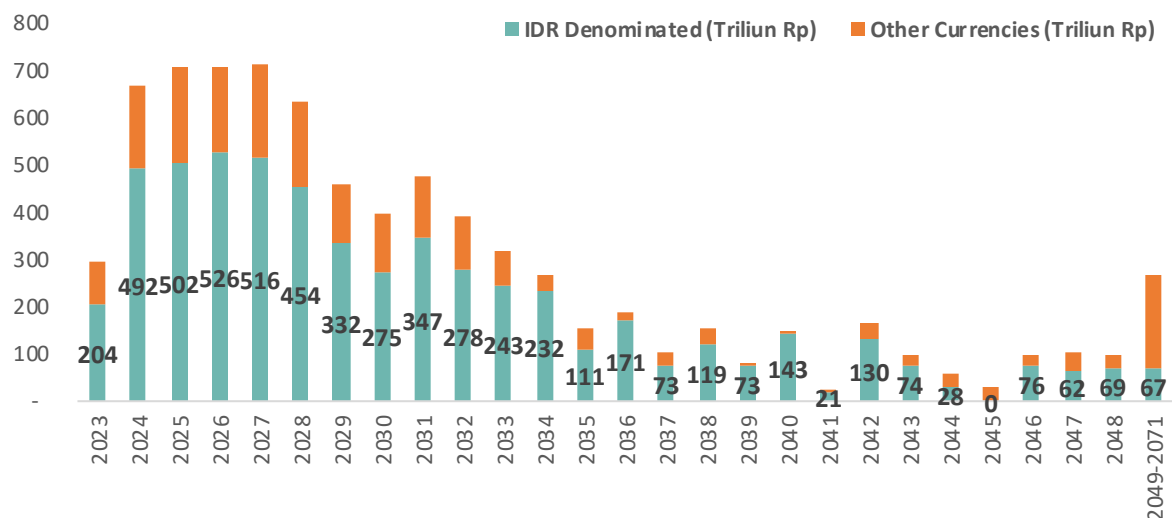
Interest Rate Risks (%)



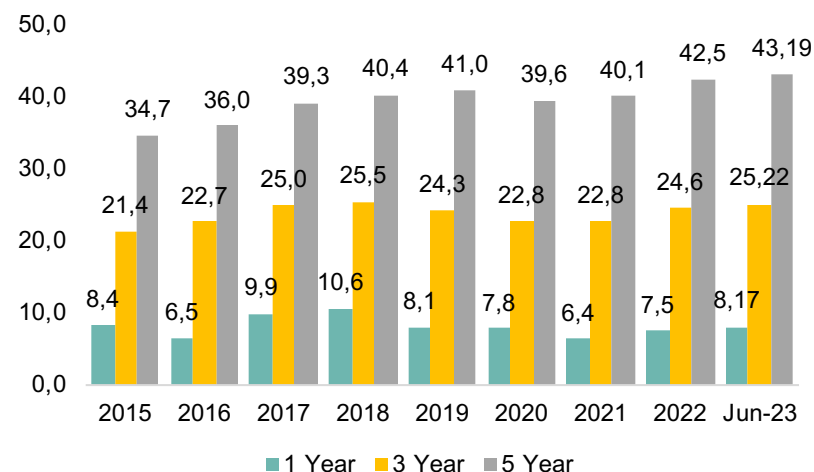
Declining Exchange Rate Risks (%)



Debt Maturity Profile



Upcoming Maturities (Next 5 Years)



Republic of Indonesia USD3 bn Global Bonds Issuance



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

Transaction Highlight

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

Investor Breakdown by Region



Investor Breakdown by Investor Type



Republic of Indonesia JPY104,8 bn Samurai Bonds Issuance



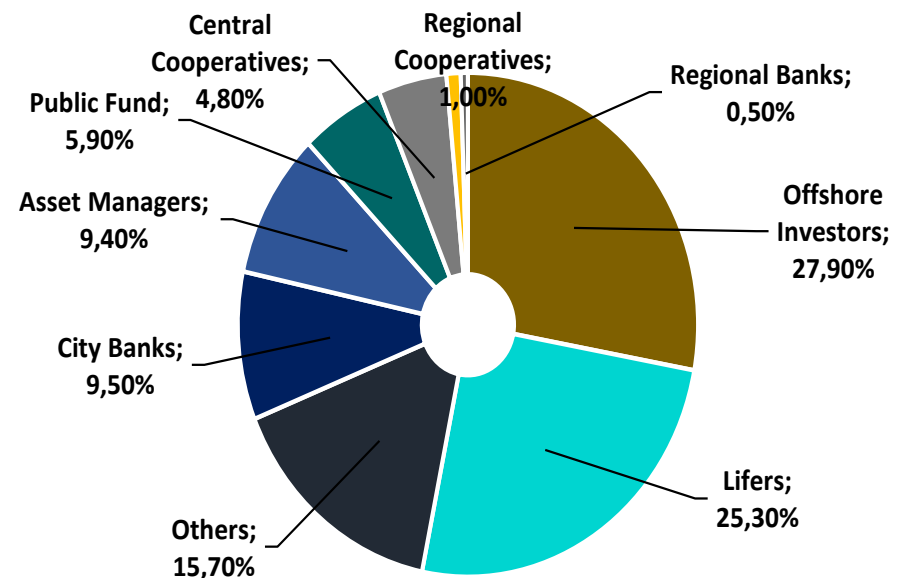
Series	RIJPY0526B	RIJPY0528B	RIJPY0530 (Blue SB)	RIJPY0533 (Blue SB)
Tenor	3 Years	5 Years	7 Years	10 Years
Maturity Date	May 26, 2026	May 26, 2028	May 24, 2030	May 26, 2033
Pricing Date	19 May 2023			
Settlement Date	26 May 2023			
Size	JPY46.9 Bio	JPY37.2 Bio	JPY14.7 Bio	JPY6 Bio
Yield/ Coupon	0,74%	0,98%	1,20%	1,43%

Transaction Highlight

- The Republic becomes the first Sovereign Blue Bonds issuer that publicly offered in accordance with ICMA principles.
- This issuance demonstrates the government's commitment to sustainable financing, particularly for the achievement of the Sustainable Development Goals (SDGs), and represents a major milestone for blue financing.
- The Republic successfully achieved its objective of marking lower yield levels across tranches despite a significant rise in underlying interest rates compared to the previous year's transaction.

Source: Ministry of Finance

Investor Breakdown by Investor Type





Section 6

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



Bank Indonesia's Policy Mix Direction in 2023

Maintaining Stability, Accelerating Economic Recovery

- Monetary policy towards **maintaining stability**
- **Policy rate increase** as a follow-up step to ensure continued lower expected inflation and inflation in a front-loaded, pre-emptive, and forward-looking measure to maintain core inflation within the range of $3.0 \pm 1\%$
- **Strengthening rupiah stabilization policy** as part of measures to control inflation, primarily imported inflation
 - ✓ Issuing new foreign exchange monetary operation instruments to boost placement of Export Proceeds, domestically by banks and exporters to strengthen stabilization, including Rupiah exchange rate stability and national economic recovery
- **Continue buying/selling SBN in the secondary market** to strengthen transmission of the BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen exchange rate stabilization measures



- **Accommodative macroprudential policy stance** to reignite bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability
- Incentivize banks to **disburse financing to priority sectors** and **promote inclusive financing**
- Strengthen **implementation of macroprudential Inclusive Financing Ratio (RPIM)** to increase **economic inclusion**, unlock **financial access**, while strengthening MSME's contribution to the **national economic recovery**
- **Accommodative macroprudential policy stance**, among others by: relaxing LTV/FTV, relaxing down payment requirement, CCB 0%, Macroprudential Intermediation Ratio (MIR) 84-94%, Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%



- **Accelerating payment system digitalization** to stimulate economic recovery and implementation of the **Indonesia Payment System Blueprint 2025**
- **Strengthen and expand digitalization** through social programs, e-payment for Government
- Increase the number of participants, expand services and garner greater acceptance of **BI-FAST** for **more efficient transactions between banks and members of the public**
- **Expanding cross-border QRIS** by, among others, accelerating implementation, piloting local currency settlement (LCS) with other Asian countries and organising National QRIS Week



- **Money market deepening** by expanding underlying DNDF to **boost liquidity** and **reinforce JISDOR** as a reference for the exchange rate in the FX market
- **Accelerate key infrastructure development**, including Electronic Trading Platforms (ETP) and a Central Counterparty (CCP)
- Continue to **develop the Money Market Development Blueprint 2025**
- Promote **inclusiveness** and the **green economy in finance**



- **Controlling inflation** through Inflation Control Team in national and regional level, and accelerating implementation of the **National Movement for Food Inflation Control (GNPIP)**
- **Support the national economic recovery program** through **cooperation and collaboration with the MOF**
- **Strengthening the coordination** with the Government and related authorities to **revive bank intermediation function**
- **Strengthening policy coordination with the Government and Financial System Stability Committee** to maintain macroeconomic and financial system stability



Bank Indonesia Policy Mix: JULY 2023

Maintaining Stability and Reviving Growth



The BI Board of Governors agreed on 24th and 25th July 2023 to hold the BI 7-Day Reverse Repo Rate (BI7DRR) at 5.75%, while also maintaining the Deposit Facility (DF) rate at 5.00% and Lending Facility (LF) rate at 6.50%.



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



Issuing regulations concerning instruments to repatriate the foreign exchange proceeds of natural resources exports into the Indonesian financial system based on three governing principles, :

- (i) compliance with the provisions contained in Government Regulation No. 36 of 2023,
- (ii) leveraging the foreign exchange proceeds of natural resources exports for domestic purposes,
- (iii) the types of instruments permitted remain in compliance with principles (i) and (ii), as well as in accordance with economic and financial market developments.



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



Continuing prime lending rate (PLR) transparency policy with a focus on interest rates in downstream sectors

Strengthening macroprudential policy stimuli to revive bank lending through implementation of Macroprudential Liquidity Incentive Policy (KLM) for Conventional Commercial Banks and Sharia Banks/Business Units, effective from 1st October 2023, as follows:

- Honing the liquidity incentives for banks disbursing loans/financing to downstream mineral and coal mining sectors and downstream non, and ultra-micro enterprises) as well as the green economy and finance.
- Increasing the total incentive up to a maximum of 4% from 2.8% previously,
- Implementing Macroprudential Liquidity Incentive Policy by reducing the reserve balances held at Bank Indonesia required to meet average rupiah reserve requirements



Honing the payment system digitalisation strategy to expand digital economic and financial inclusion by:

- Strengthening the QRIS Merchant Discount Rate (MDR) for the micro-enterprise segment based on value per transaction progressively as follows: (a) transactions up to Rp100,000 (one hundred thousand rupiah) subject to 0% MDR, and (b) transactions exceeding Rp100,000 (one hundred thousand rupiah) subject to 0.3% MDR, effective based on industry system readiness from 1st September and 30th November 2023 at the latest.
- Accelerating QRIS by expanding the innovative features of QRIS Tuntas (cash withdrawals and deposits) as well as expanding cross-border QRIS payments.
- Hosting National QRIS Week and the Indonesia Sovereign Rupiah Festival to celebrate RI Independence Day.

Monetary Policy will focus on stability

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



MITIGATING THE IMPACT OF GLOBAL SHOCK SPILLOVER

STAGNATION - RECESSION -
HIGH INFLATION

GLOBAL POLICY RATE
"HIGHER FOR LONGER"

STRONG US DOLLAR AND WEAKENING
CURRENCY ACROSS THE WORLD

HIGH RISK PERCEPTION AND
"CASH IS THE KING"

Monetary Policy "Pro Stability" :

Front Loaded, Pre-emptive, Forward Looking

MONETARY POLICY TRILEMMA



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

COORDINATION WITH GOVERNMENT

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



STRENGTHEN THE STRATEGY
OF INTEGRATED MONETARY POLICY
MANAGEMENT

OPTIMIZATION OF FOREIGN
EXCHANGE RESERVE MANAGEMENT

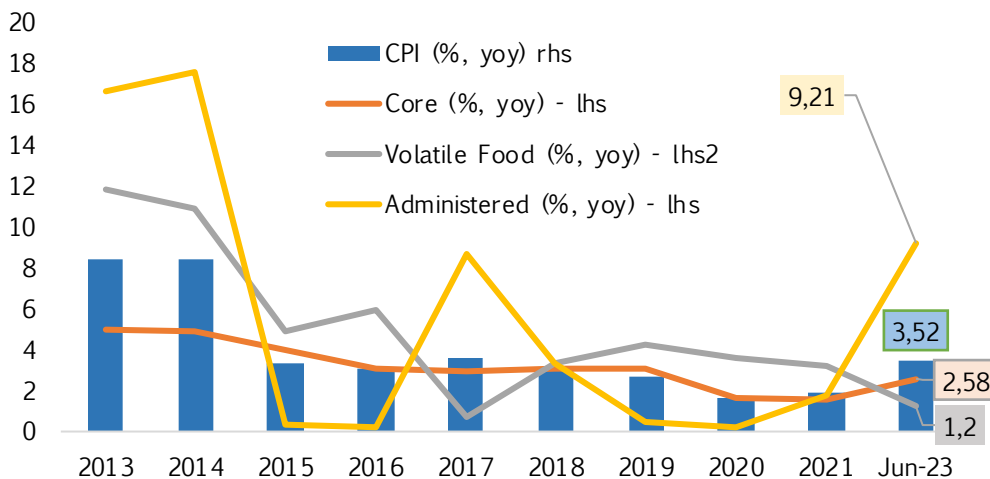
RUPIAH AND FOREIGN
CURRENCY MONEY MARKET DEEPENING

SYNERGY AND COORDINATION

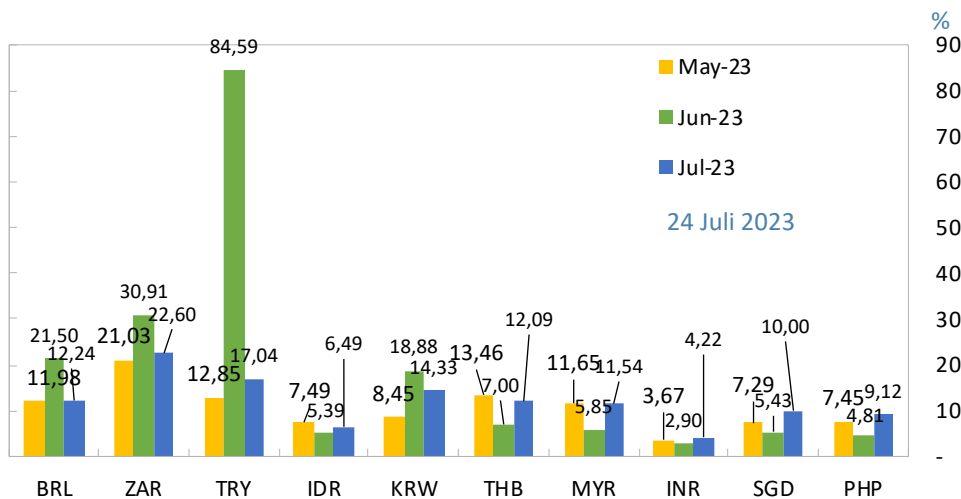
Manageable Monetary Environment amid Heightened Global Uncertainty



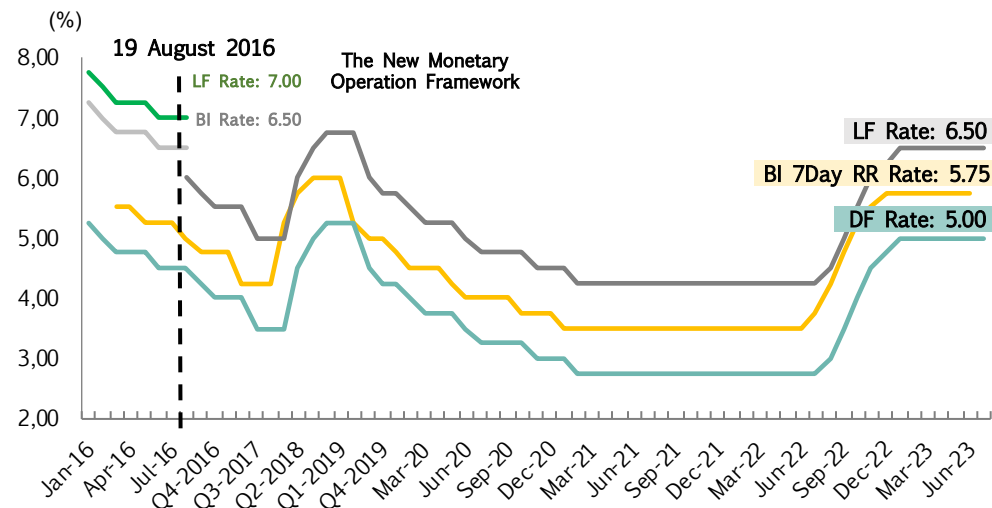
Well Maintained Inflation Ensured Price Stability



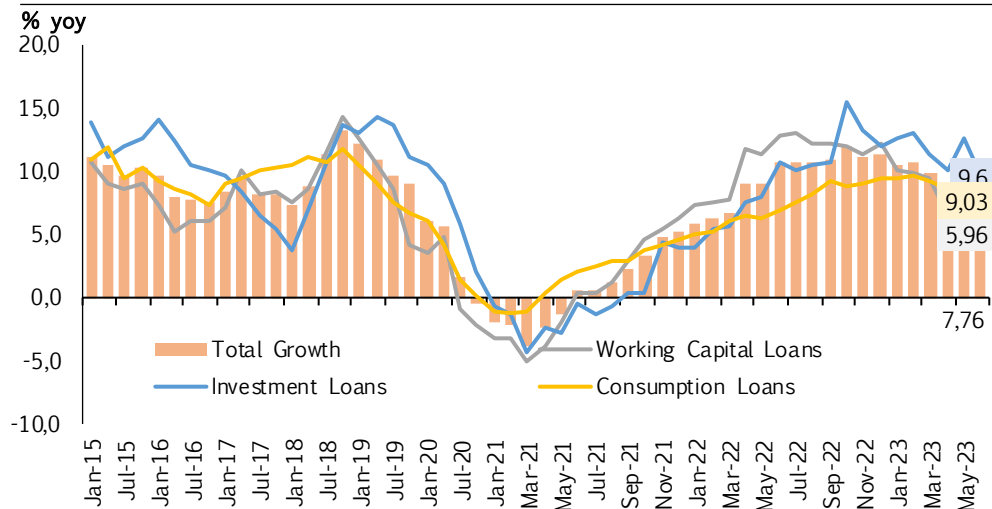
Rupiah Exchange Rate Volatility



Strengthened Monetary Policy Framework




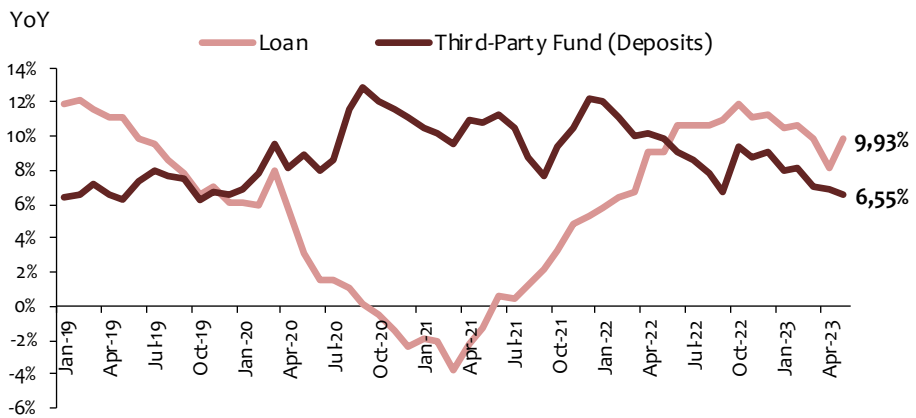
Credit Growth Profile




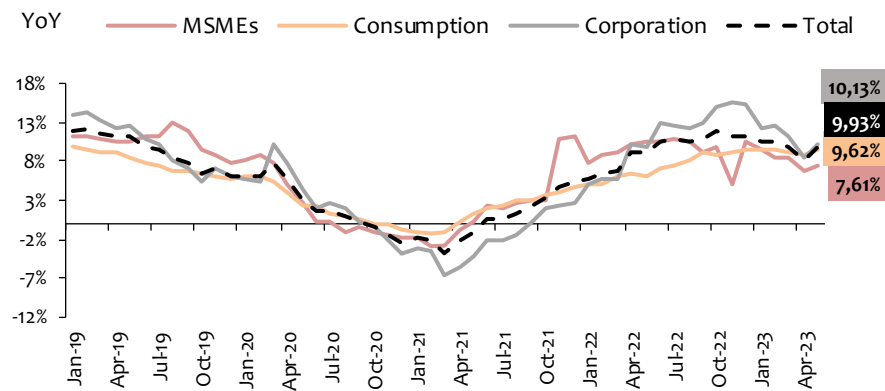
Banking Intermediation


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

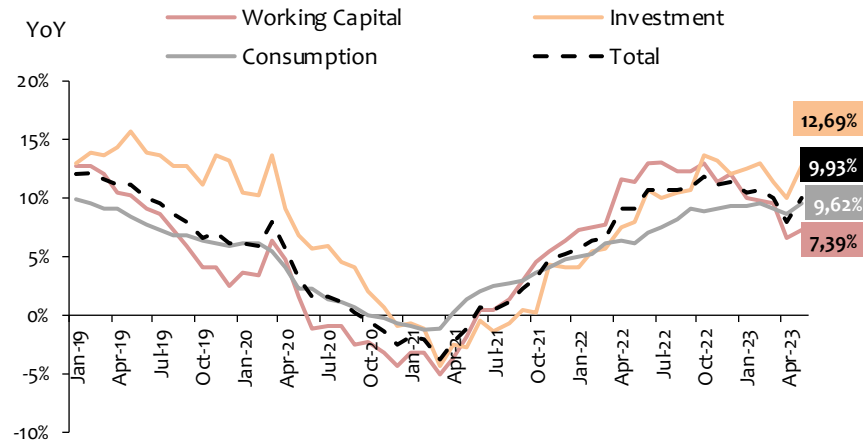
 In **May 2023**, bank loans and Third-Party Funds (Total Deposits) grew at a slower pace by **9.93% (yoy)** and **6.55% (yoy)**, respectively.




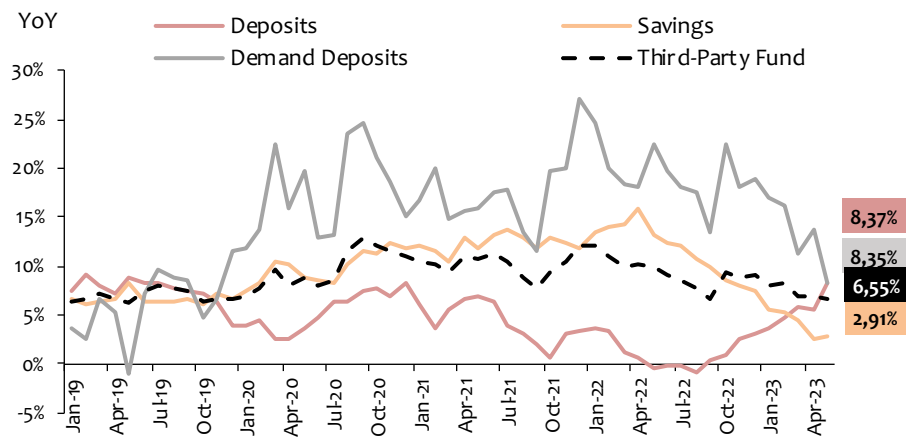
 Loan growth by segmentation continued to improve in **May 2023**, with major contribution from **Corporation loans**, which grew by **10.13% (yoy)**.



 Majority types of loans continued their positive trend, particularly **Investment loans**, which grew by **12.69% (yoy)** in **May 2023**



 Third-Party Funds (Total Deposits) grew stable in **May 2023**, mainly supported by **Deposits** growth, which increased by **8.37% (yoy)**, respectively.



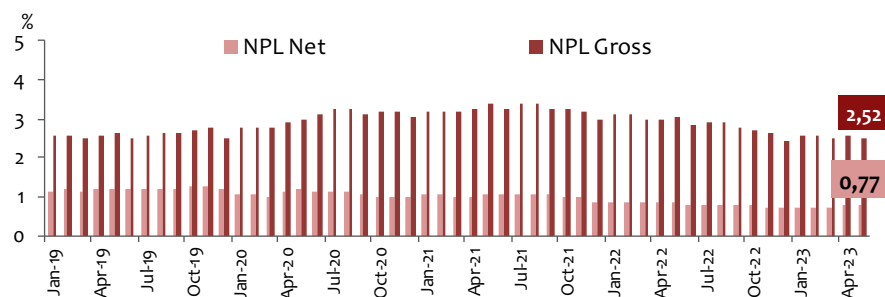


Banking Risk Profile and Profitability

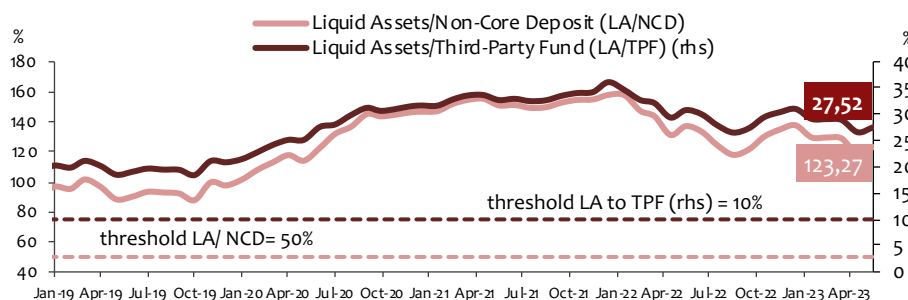
The banking industry has ample liquidity, robust capitalization, and manageable credit risk. Profitability is consistently maintained at a steady level.



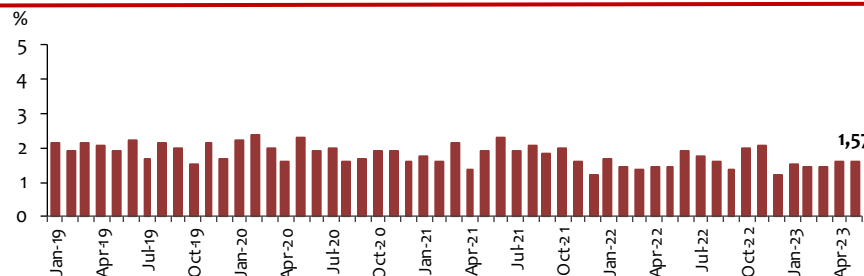
The banking NPL ratio continued to further decline to **2.52% gross** and **0.77% net** as of **May 2023**, significantly below the threshold.



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



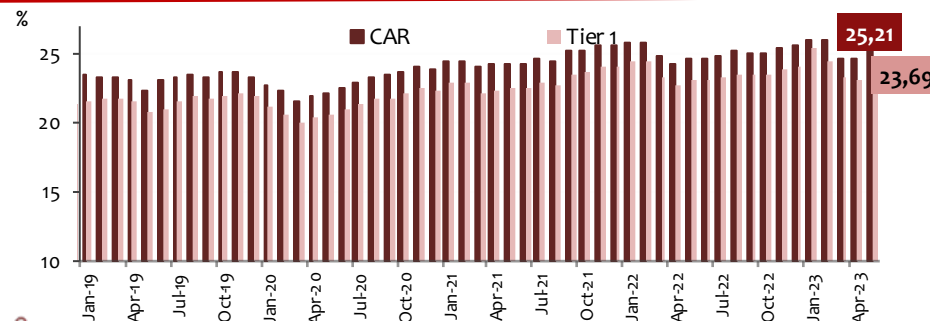
Net Open Position was maintained well below the maximum limit of 20% and stood at **1.57%** in **May 2023**.



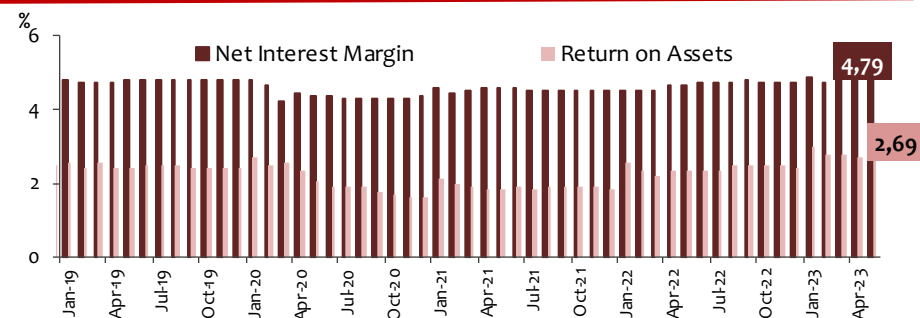
*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19



The banking sector's Capital Adequacy Ratio (CAR) was steady with a value of **25.21%** and Tier-1 capital stood at **23.69%** as of **May 2023**.



The banking industry's Net Interest Margin and Return on Assets remained steady at **4.79%** and **2.69%**, respectively, as of **May 2023**.



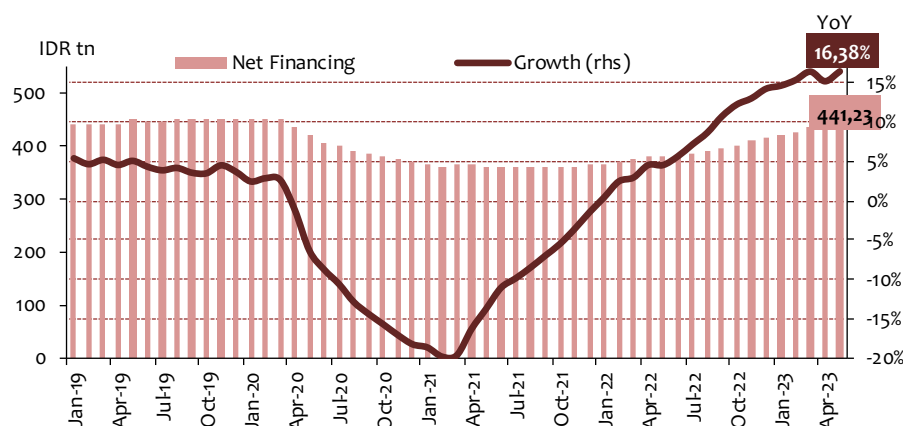


Multi-finance Companies

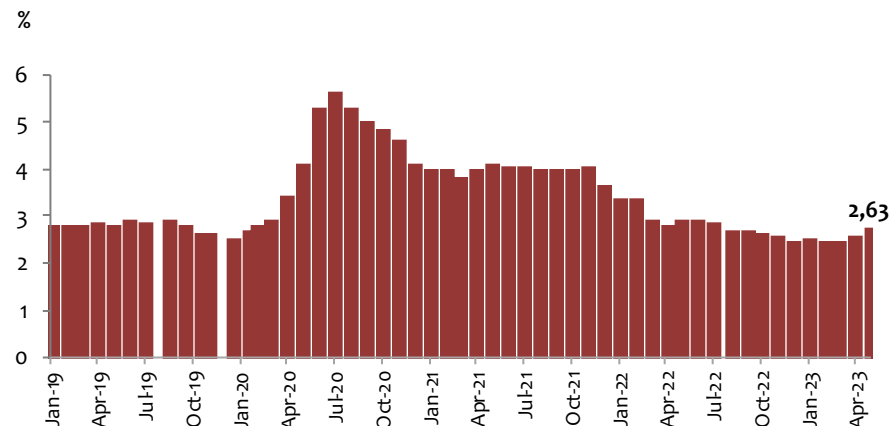
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable Non-Performing Financing (NPF) ratio, and a stable gearing ratio.



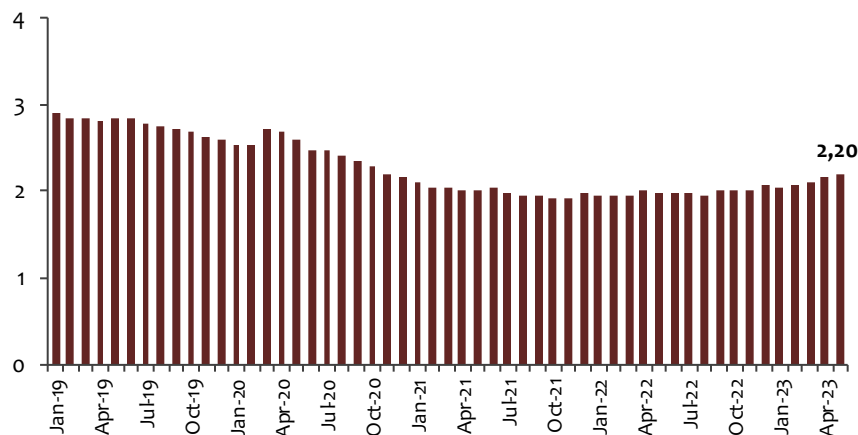
In **May 2023**, net financing continued its increasing trend and stood at **IDR441.23 Tn** or growing by **16.38%** yoy.



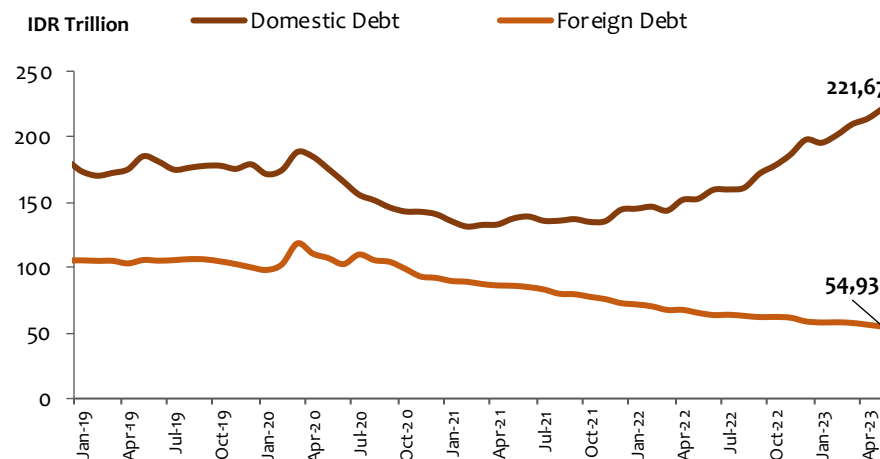
The Non-Performing Financing ratio of multi-finance companies remained manageable at **2.63%** in **May 2023**, well below the 5% threshold.



The gearing ratio of multi-finance companies stood at **2.20** times or well below the threshold in **May 2023**.



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



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

Source: Financial Services Authority (OJK)

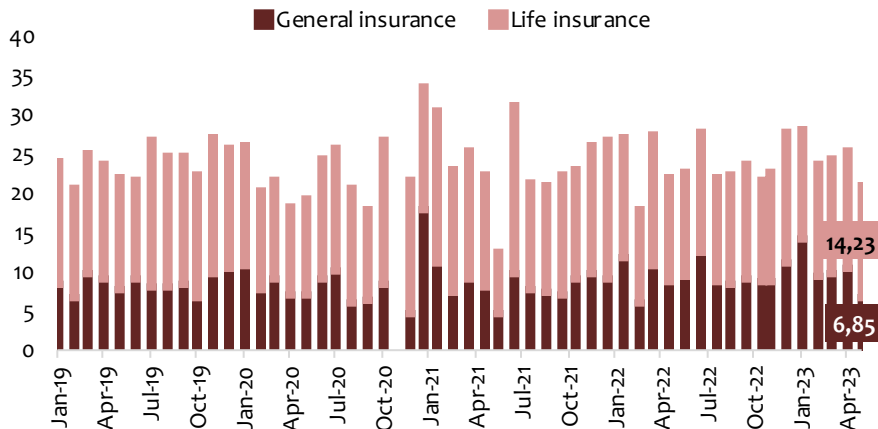
Insurance and Pension Funds

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

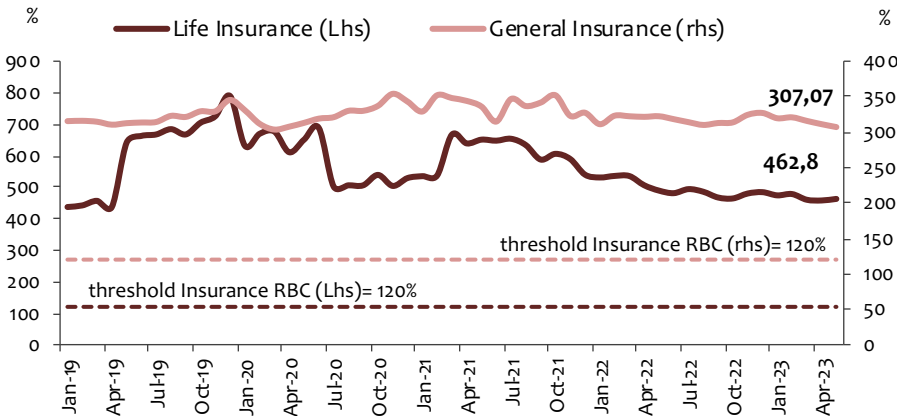


In **May 2023**, insurance premiums marked a total increase of **IDR21.08 Tn** (mtm) with General and Life insurance added premiums at **IDR6.85 Tn** and **IDR14.23 Tn**, respectively.

IDR Tn



Risk-Based Capital (RBC) of the insurance industry remained well above the minimum threshold with **Life Insurance at 462.8%** and **General Insurance at 307.07%** in **May 2023**.

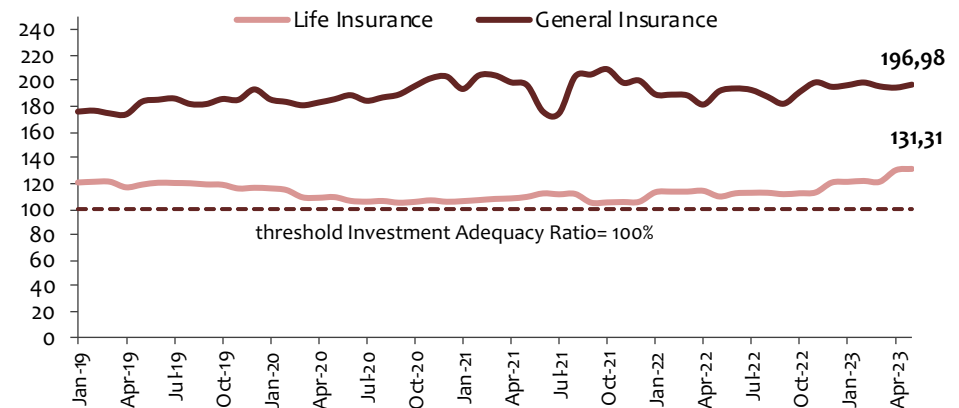


Source: Financial Services Authority (OJK)



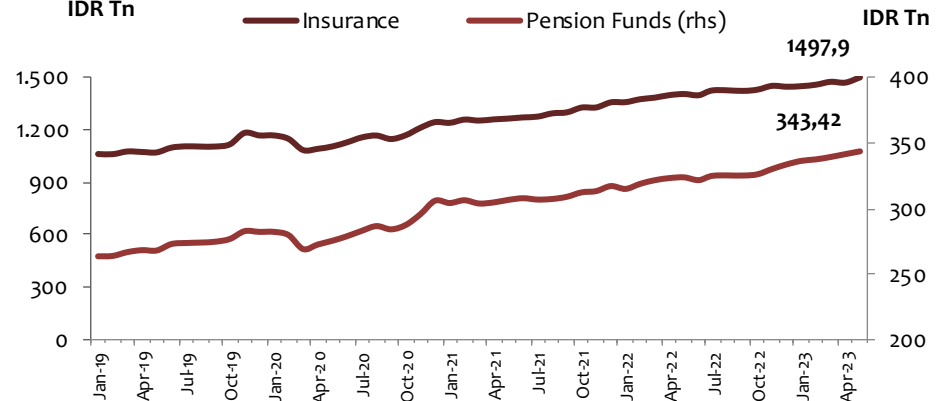
In **May 2023**, the Investment Adequacy Ratio of both Life Insurance and General Insurance stayed well above the threshold at **131.31%** and **196.98%**, respectively.

%



In **May 2023**, pension fund and insurance investment values continued the upward trend and stood at **IDR343.42 Tn** and **IDR1,497.9 Tn**, respectively.

IDR Tn



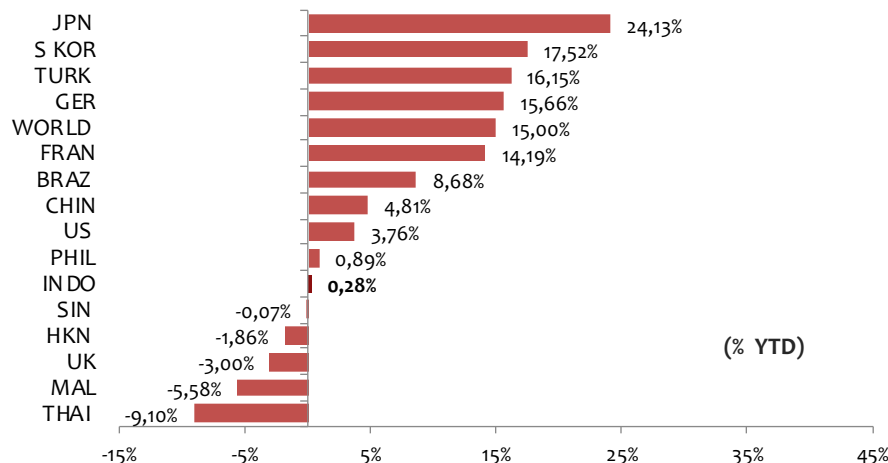
Domestic Capital Market Performance

Indonesia's capital market continued to maintain its stability despite global challenges

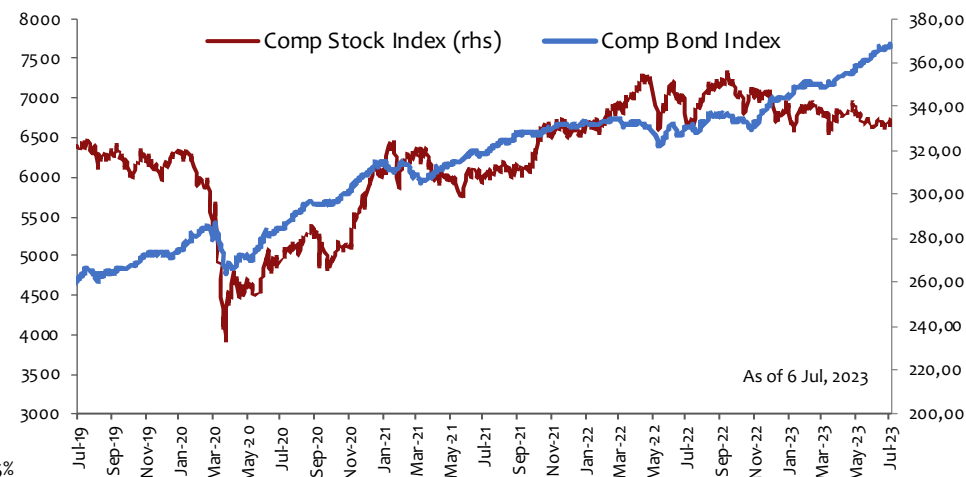


Some global stocks rallied following the report of US job data. However, most emerging markets fell into the negative territory.

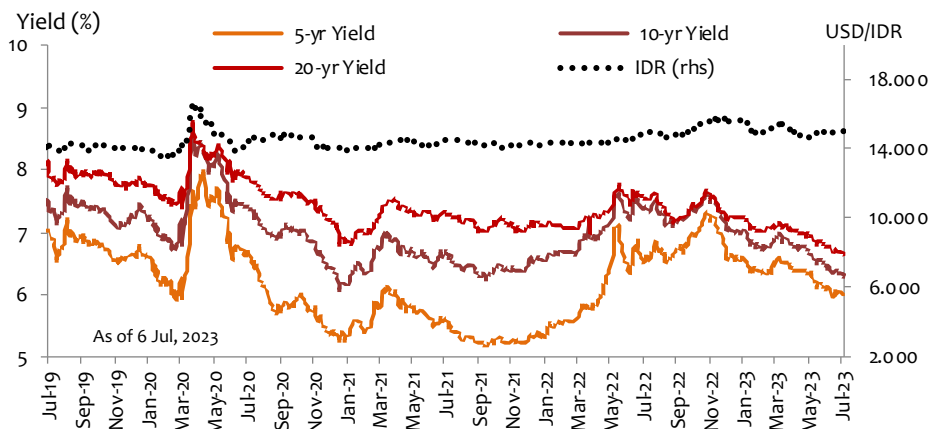
Stock Index Performance as of 14 July 2023 (compared to 30 Dec'22)



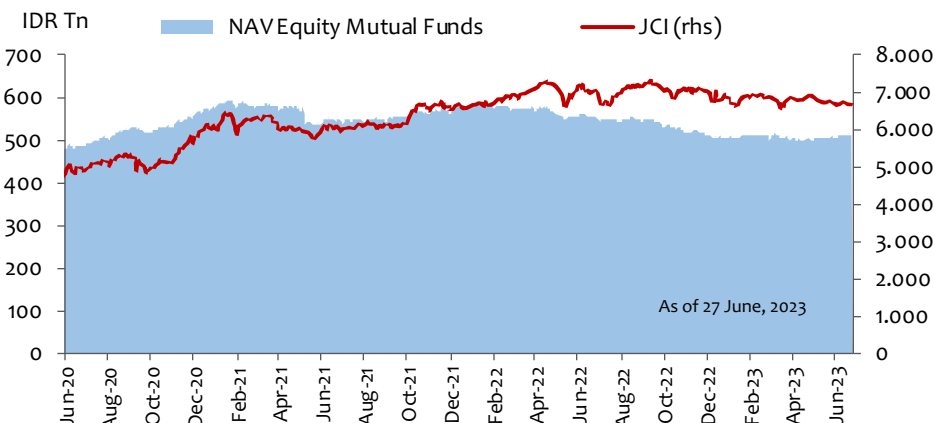
The domestic capital market showed a mixed performance with composite bond maintained its positive trend since the beginning of the year.



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



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



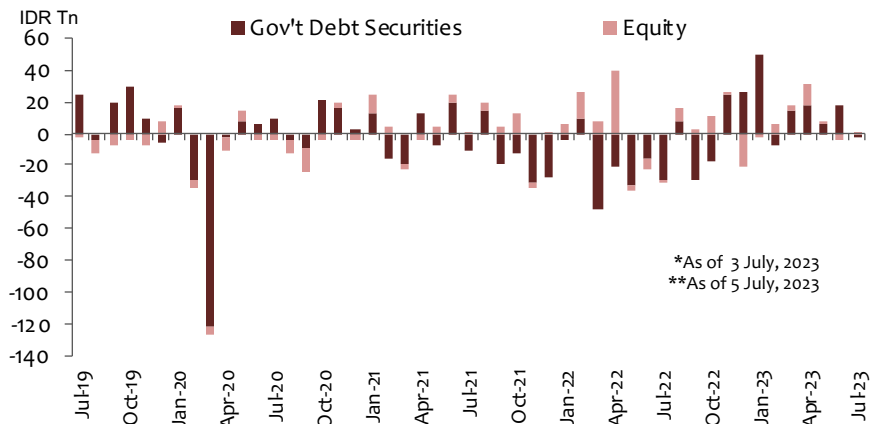


Domestic Capital Market Performance

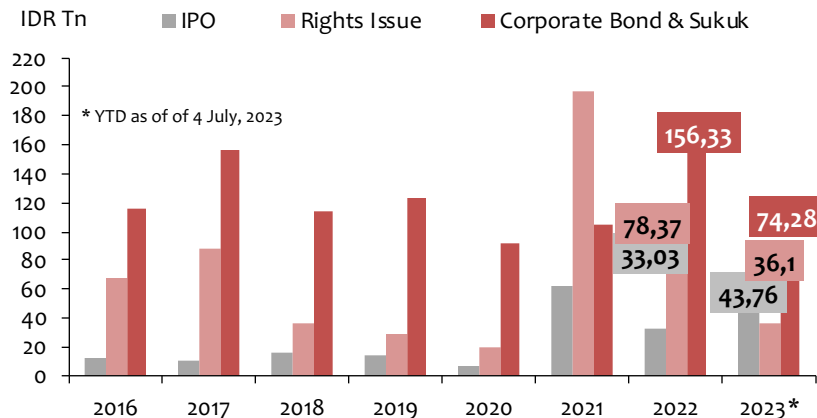
Several capital market indicators recorded positive performance and remained stable.



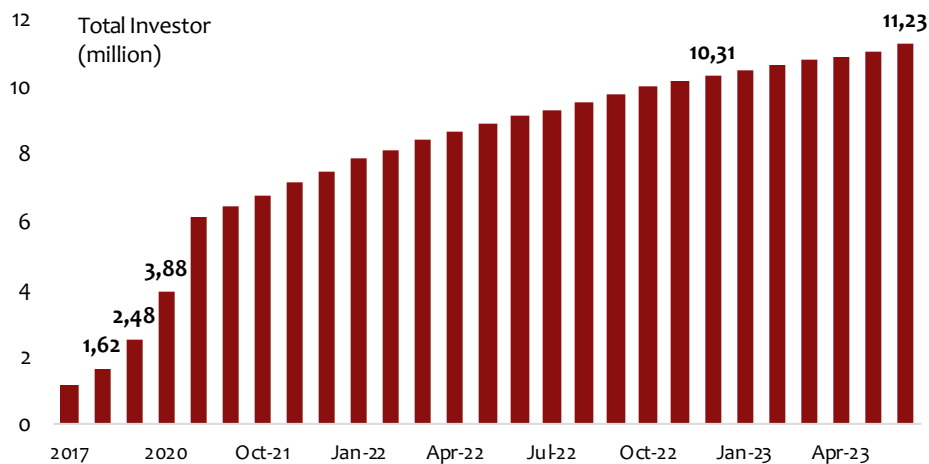
Non-resident portfolios of government bonds recorded a **YTD net buy of IDR98.33 Tn (YTD)***, while equity market recorded a **YTD net buy of IDR16.54 Tn****.



Total securities issuance reached IDR154.14 Tn (YTD) as of 4 July 2023.



Capital Market Investors continued to grow to 11.23 million by the end of June 2023, representing a **15.38% (yoy) increase**.

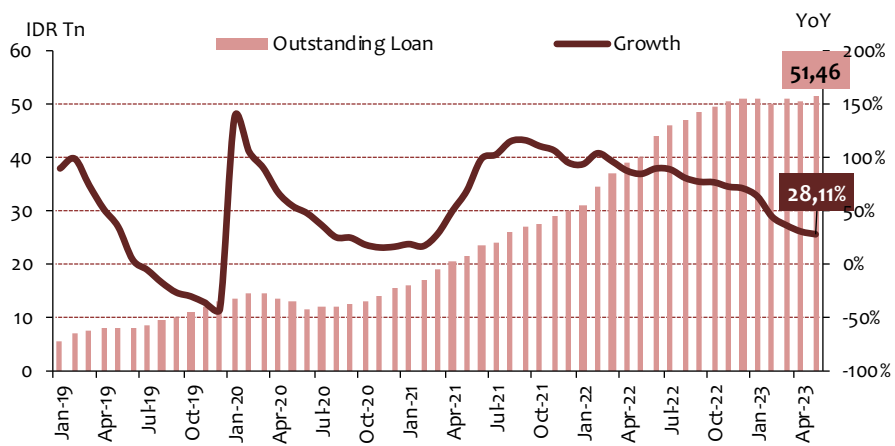


Fintech (Peer to Peer Lending and Securities Crowdfunding)

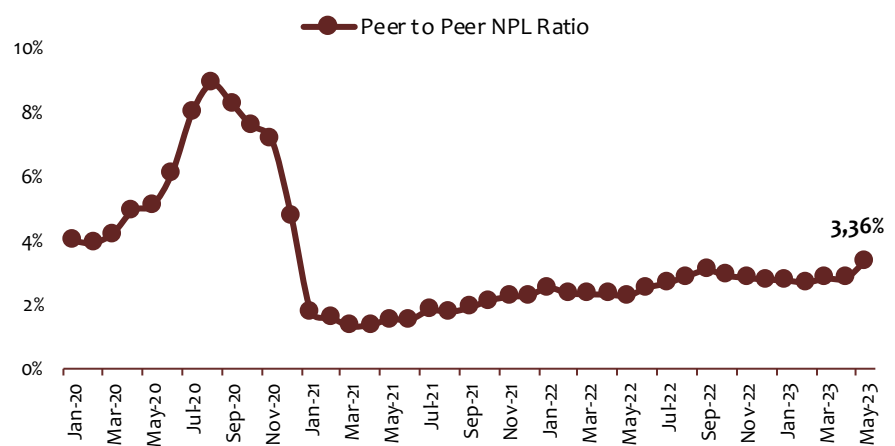
Peer to Peer Lending (P2PL) Fintech intermediation grows with a manageable NPL ratio and Securities Crowdfunding fundraising continues to rise.



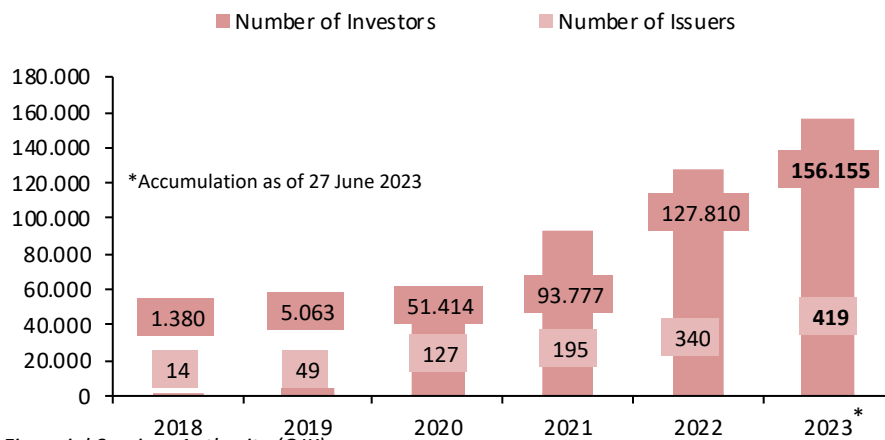
The outstanding loan of P2PL Fintech remained steady and stood at **IDR51.46 Tn** or grew by **28.11%** (yoy) as of **May 2023**.



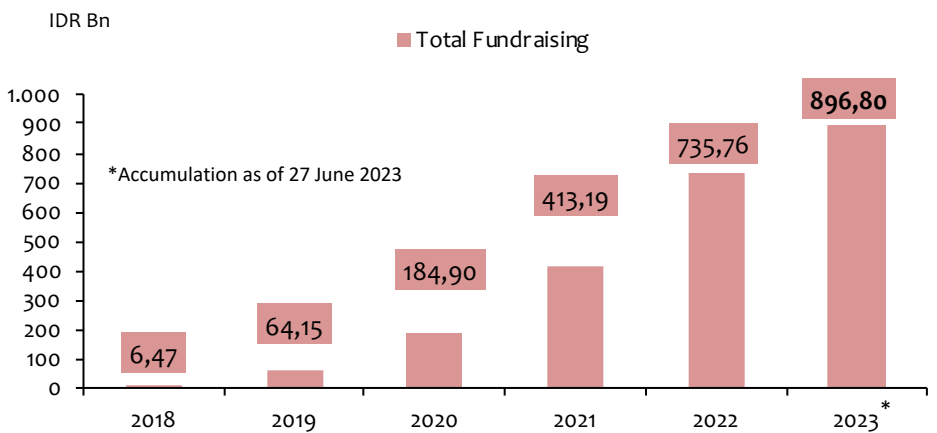
The Non-Performing Loan ratio of P2PL Fintech remained manageable at **3.36%** in **May 2023**.



The total number of investors and issuers in Securities Crowdfunding increased to **156,155** and **419**, respectively, as of 27 June 2023.



Continuing the positive trend, the total value of SCF fundraising stood at **IDR896.80 billion** as of 27 June 2023.



OJK Policy Directions 2023

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



Strengthening the Financial Services Sector

- Strengthening capital and consolidation in the banking sector
- Enhancing product and service innovations
- Strengthening governance and integrated supervision
- Restoring public trust in the insurance industry
- Implementation of Statements of Financial Accounting Standards (PSAK) 74
- Strengthening the role of actuaries
- Funding source diversification in the multi-finance industry
- Massive education programs to enhance financial literacy
- Strengthening complaint handling and dispute resolution as well as civil lawsuits by OJK



Maintaining Economic Growth

- Increasing investors' interest in green and sustainable instruments as well as Shari'a investments
- Enhancing the attractiveness of domestic financial market
- Supporting the Government's strategic policies and programs
- Enhancing financial access for MSMEs



Improving Services and Strengthening OJK's Capacity

- Enhancing Financial Information Services System (SLIK) to create a level playing field
- Expediting single window licensing
- Facilitating coordination among the financial services industry, authorities, and other relevant institutions
- Strengthening integrity and professionalism
- Implementing Anti-Bribery Management System (SMAP)
- Harmonizing rules with international standards
- Integrated data and information management
- Development of SupTech and RegTech

In consumer protection, OJK will focus on creating swift and just resolutions for financial consumers, imposing still financial penalties to create deterrent effects on violators, eradicating illegal investments, and establishing service centers to channel consumer complaints at all OJK offices across Indonesia.

In the implementation of Financial Sector Omnibus Law (P2SK Law), OJK hopes for stakeholders' active participation in the P2SK Law implementation process, including synergy with relevant authorities and institutions during the regulatory and supervisory transition process. Other important measures include Shari'a financial sector landscape restructuring through spin-offs and banking consolidation, preparing for the implementation of the Insurance Policy Holder Protection Program, strengthening market conduct supervision, and gradually extending activities and financial products to encompass areas, such as carbon exchanges, bullion activities, digital and crypto assets.

OJK Policy Directions 2023

Extended Loans and Financing Restructuring Policy



As global economic uncertainties remain high and economic sectors face different impacts due to the scarring effect of the Covid-19 pandemic, OJK extended the loans/financing restructuring policy until 31 March 2024 to targeted sectors as follows:

Targeted Segments of Covid-19 Restructured Loan



MSME segment (covering all sectors)



Accommodation and food service activities



Labor-intensive industries, such as textile and textile products and footwear industries

Act No. 4/2023 – Financial Sector Reform



FUNDAMENTAL ISSUES

- Short-term financing is still **dominated by Banks**
- **Small non-bank asset** portion should be enlarged to finance development
- **Limited financial instruments** – huge potential for market deepening
- **Digital assets**: high risk and complex financial instruments
- **Weak governance** and **law enforcement** in the financial sector

EXTERNAL CHALLENGES

Technology Disruptions

New financial risks from **climate change** and current **geopolitical** situation

OBJECTIVE : Optimizing **financial intermediation** and **financing portfolio** for productive sectors; improving **financial access, inclusion and literacy**, and **consumer protection**; expanding **long-term financing resources**; enhancing **competitiveness** and **efficiency** of the financial sector; and strengthening the **authorities and responsibilities of financial regulators**.

OTORITAS JASA KEUANGAN *Indonesia Financial Services Authority*

- Strengthening OJK's role in some areas, including integrated supervision, financial conglomerate supervision, market conduct supervision, consumer protection, etc.
- Giving new mandates among others: **cooperative in the financial sector, digital assets, carbon exchange, bullion activities**.

BANK INDONESIA *The Central Bank of The Republic of Indonesia*

- Strengthening BI's role in some areas, such as maintaining financial system stability to support sustainable economic growth, maintaining the smooth running of the payment system, implementing macroprudential policies.

LEMBAGA PENJAMIN SIMPANAN *Indonesia Deposit Insurance Corporation*

- Strengthening the role of IDIC in deposit guarantee and bank resolution.
- Giving a new mandate: IDIC establishes policies and implement the **insurance policy guarantee program**.

KEMENTERIAN KEUANGAN *The Ministry of Finance*

- Strengthening the role of the Ministry of Finance as a coordinator for Financial System Stability Committee and Sustainable Finance committee.
- The MoF coordinates with OJK, BI, and IDIC in some areas, including financial literacy and inclusion, financial sector development, etc.

Act No. 4/2023 - Substances



Act No. 4/2023 modifies, removes, and/or establishes new provisions for 17 existing laws in the financial sector and repeals one law. The Act also introduces new provisions regarding a) Financing Service Business, b) Consumer Protection in the Financial Sector, c) Technological Innovation in the Financial Sector, d) Human Resources, e) Financial Reporting, and f) Mutual Insurance.

CHAPTER I General Provisions

CHAPTER II. Principles, Purposes, Objectives and Scope

CHAPTER III Institutional Aspect

CHAPTER IV Bank

CHAPTER V Capital Market, Money Market and Foreign Exchange Market

CHAPTER VI Insurance

CHAPTER VII Mutual Insurance

CHAPTER VIII Policy Guarantee Program

CHAPTER IX Guarantee Agencies

CHAPTER X Financing Service Business

CHAPTER XI Bullion Business Activity

CHAPTER XII Pension Fund, Old Age Protection Program, and Pension Program

CHAPTER XIII Cooperative in the Financial Services Sector

CHAPTER XIV Microfinance Institution

CHAPTER XV Financial Conglomerate

CHAPTER XVI Financial Sector Technology Innovation

CHAPTER XVII Sustainable Finance Implementation

CHAPTER XVIII Financial Literacy, Financial Inclusion and Consumer Protection

CHAPTER XIX Access to Micro, Small, and Medium Financing

CHAPTER XX Human Resources

CHAPTER XXI Financial System Stability

CHAPTER XXII Indonesia's Export Financing Institutions

CHAPTER XXIII Administrative Sanction

CHAPTER XXIV Criminal Provisions

CHAPTER XXV Other Provisions

CHAPTER XXVI Transition Provisions

CHAPTER XXVII Closing Provisions

Macroprudential Policy remains accommodative in 2023

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



MACRO-FINANCIAL LINKAGES: OPPORTUNITIES AND CHALLENGES

ECONOMIC GROWTH AND INFLATION-
PERFORMANCE OF CORPORATE
AND HOUSEHOLD

NORMALIZATION OF FISCAL
AND MONETARY POLICY

EXCHANGE RATE VOLATILITY
AND FOREIGN DEBT

INCREASE OF SBN YIELD AND MARKED
TO MARKET BALANCE SHEET

MACROPRUDENTIAL POLICY "Pro Growth"

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

MACROPRUDENTIAL POLICY TRILEMMA

BALANCED INTERMEDIATION



1

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

2

FINANCIAL SYSTEM STABILITY COMMITTEE (KSSK)

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



Bank Indonesia's Comprehensive Financial Deepening Program

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



STRENGTHENING INTEGRATED MONETARY OPERATION STRATEGY	OPTIMIZATION OF FOREIGN EXCHANGE RESERVE ASSET MANAGEMENT	MONEY MARKET AND FOREIGN EXCHANGE MARKET DEEPENING	SINERGY & COORDINATION
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Money Market Deepening Policy "Pro-Growth" : Integrated, Modern, Efficient



1

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

2

COORDINATION FORUM FOR DEVELOPMENT FINANCING THROUGH FINANCIAL MARKETS (FK-PPPK)
1. Stabilization of Financial Market
2. Development of Economic Financing Instruments
3. Financial Literacy and Consumer Protection

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

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



NATIONAL DIGITAL FINANCE AND ECONOMY : OPPORTUNITIES AND CHALLENGES

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

“Pro-Growth” Payment System Policy:





National Digital Economic-Financial Integration, Digital Rupiah





Jakarta - Special Capital District of Indonesia



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