







Strengthening Policy Synergy to Maintain Stability and Accelerate Recovery amid Heightened Global Uncertainty

June 2022

About Investor Relations Unit of the Republic of Indonesia



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

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

IRU also convenes an investor conference call on a quarterly 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



Economic Recovery Program and Its Updates

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Fitch Affirmed Indonesia's SCR at BBB/Stable Outlook ...page 20





Fiscal & Financing Policy Update

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Bank Indonesia
Board of Meeting Decision



...page 93-94

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 5.01% (yoy) economic growth in Q1-2022, endured on the back of stronger domestic demand and persistently solid exports.

Affirmation of Investment Grade Sovereign Credit Rating

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

Investment grade ratings affirmed by Fitch on 28 June 2022 recognizing macro stability and optimism on the growth prospect, as well as policy credibility in handling COVID-19 pandemic.

Sources: Fitch, Moody's, S&P

Overview



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Economic Recovery Program and Its Updates

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Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

2

Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development

6

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

3

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

7

Commitment to Sustainability and Preserving the Environment

4

External Factor: Improved External Resilience



Section 1

Economic Recovery Program and Its Updates

Indonesia's Economic Improvement Trend Continues





Total

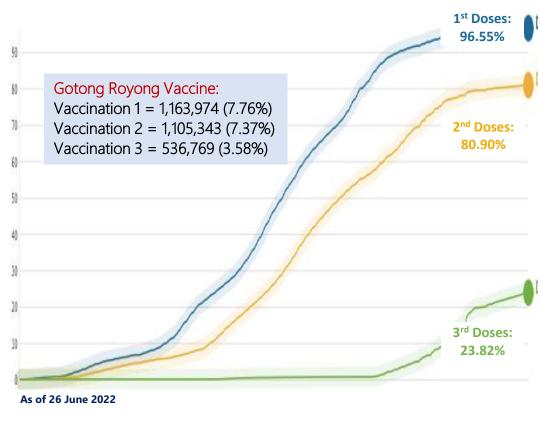
Progress of Vaccination Implementation



Vaccination has been carried out since January 2021. As of 26 June, 2022, the 1st vaccination dose was 201,3 million (96,7%), the 2nd dose vaccination was 168,8 million (81.06%), and the 3rd dose vaccination (booster) was 50 million (24%)

0,7 /0	o), trie zria u	USE VACCITIAN	JII was 100,0	
Vacci	nation Target	Vaccina	ation Progress	
-BA	TOTAL		208	,265,720
	HEALTH WORKER	Vaccination 1 2,032,824	Vaccination 2 1,979,940	Vaccination 3 1,645,773
1	1,468,764	(138.4%)	(134.8%)	(112.05%)
	PUBLIC OFFICERS	Vaccination 1 18,284,147	Vaccination 2 16,746,773	Vaccination 3 7,293,746
2	17,327,167	(105.52%)	(96.65%)	(42.09%)
	ELDERLY	Vaccination 1 17,967,790	Vaccination 2 14,533,274	Vaccination 3 5,184,441
3	21,553,118	(83.37%)	(67.43%)	(24.05%)
	COMMUNITY & VULNERABLE	Vaccination 1 115,108,874	Vaccination 2 95,325,188	Vaccination 3 34,674,796
4	141,211,181	(81.52%)	(67.51%)	(24.56%)
	TEENAGER	Vaccination 1 25,416,810	Vaccination 2 21,953,353	Vaccination 3 692,651
5	26,705,490	(95.17%)	(82.21%)	(2.59%)
(otal Target 1+2+3+4+5) 3,265,720	201,368,497 (96.69%)	168,825,996 (81.06%)	50,033,161 (24.02%)

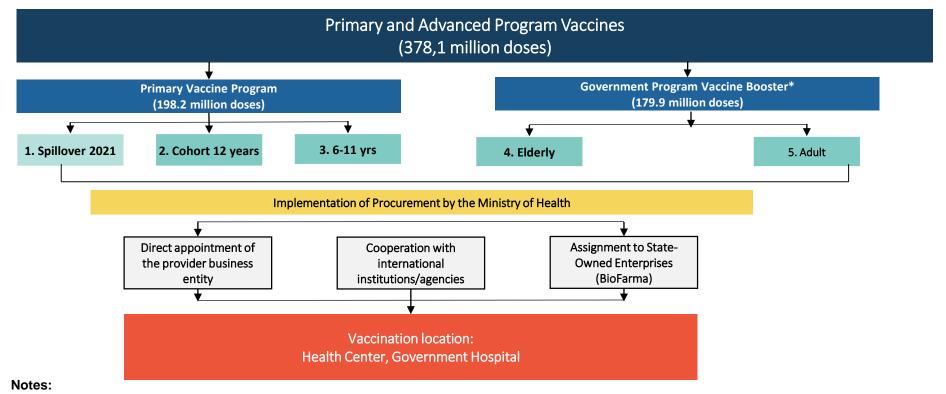
Coverage of Covid Vaccination Doses 1, 2 and 3



Source: Coordinating Ministry for Economic Affairs

Covid-19 Vaccination Plan in 2022





- *) Booster half dose
- The third dose (booster) COVID-19 vaccination program begins on January 12, 2022.
- The booster vaccine will be given to people over 18 who have received the second dose of the vaccine more than six months ago.
- This program is prioritized for districts/cities with 70% vaccination achievement for dose 1 and 60% for dose 2.
- The type of vaccine to be used as a booster awaits recommendations from ITAGI (Indonesian Technical Advisory Group on Immunization) and BPOM.



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



The purpose of PPKM is to suppress positive cases of covid-19 as a precondition for success for handling Covid-19 and for national economic recovery. As of April 26th, there is no district or city at level 4.

Large – Scale Social Restriction (PSBB) April 2020

PSBB Transition
October 2020

Community Activities Restriction Enforcement (PPKM) 11 Jan – 8 Feb 2021

Micro-Scale PPKM 9 Feb - 2 Jul 2021

The Emergency PPKM 3 Jul = 20 Jul 2021

PPKM Level 1 to 4 21 Jul 2021 – 4 Jul 2022

Assessment of the Covid-19 Pandemic Situation Level

transmission level response capacity pandemic situation level

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

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

Government and Society Prepare to Live With COVID-19

COVID-19 is a new disease that needs to be faced and prepared for its sustainable handling

Strategy on COVID-19 control and prevention

Intense intersectoral collaborations under the supervision of President Joko Widodo and coordination of the committee of national economic recovery and COVID-19 control (KPCPEN)

Case **detection**: Intensifying screening and epidemiological tests; Contact tracing; Genomic surveillance; Screening at country entry and exit points

Therapeutics: conversion of 30-40% of hospital beds for COVID-19, ensuring adequate logistics and human resources, tightening criteria of hospital admission, establishing a center for isolation

Vaccination: allocate more vaccines for high-risk areas, the establishment of vaccination centers, vaccination certificates as entry requirement of the public regions; rate acceleration on elderly and people with comorbidities

Public health measures: micro-scale of social activity restriction, implementation of digital tech in public health measures

Updates

People are allowed not to wear masks in open spaces from 18 May 2022. Mandatory mask use only for indoor activities and crowded areas

Domestic and international travelers do not require a PCR test and quarantine if they have been vaccinated at least two doses but still have a temperature check.

People were allowed to go home/ "mudik" for Eid al-Fitr

Only people with moderate and severe COVID-19 symptoms are suggested to be hospitalized

Medicine package delivery for COVID-19 confirmed positive individuals with asymptomatic or mild symptoms based on NAR database

Source: Coordinating Ministry for Economic Affairs

National Economic Recovery (PEN) Program Is Directed For Jobs-stimulating Recovery



2020



Extraordinary Measures.

- ☐ Handling Covid
- Social Protection
- ☐ Business Protection

2021



Surviving and Facilitating Recovery:

- ☐ Handling Covid
- ☐ Vaccination Program
- ☐ Social Protection
- Business Protection

2022



- Handling Covid
- Vaccination Program
- Social Protection
- Business Protection

Direct Support to the Community

- Job Creation Labor Intensive Program
 - PreEmployement Card

Social Protection .

PKH BLT

• Village • Grocery Fund Card

Stimulasi Kinerja UMKM dan Koperasi

Business Incentive

- Targeted Tax Incentives
- ve Business Ease Support

Financing Support

- KUR Interest Subsidy
- Credit Guarantee

ENABLING FACTOR

Health System
Strengthening
(Vaccinations,
3T and 5M
Health
Protocols)

Financial
System Support
Improved
Intermediary
Role

Structural Reform Job Creation Law HPP Law

Strengthening Economic Structure and Competitiveness, for Medium-Long-Term Growth

Strengthening Expenditure Side

Strengthening Production Side

EMPLOYMENT

GDP GROWTH

STABILITY

National Economic Recovery Program Will Continue In 2022 To Anticipate The Expansion Of The Impact Of Covid-19



During 2021 (Reached IDR658,6 T or 88,4% of IDR744.77 T)

HEALTH

Budget IDR.214.96 T

Realization IDR.198.5 T (78.8%)

SOCIAL PROTECTION

Budget IDR.186.64T

Realization IDR.171.0T (91,6%)

SUPPORT FOR MSME AND CORPORTATION

Budget IDR.162.40 T

Realization IDR.116.2T (71,5%)

PRIORITY PROGRAM

Budget IDR.117.94 T

Realization IDR.105.4T (89,3%)

BUSINESS INCENTIVE

Budget IDR.62.83 T

Realization IDR. 67.7T (107,7%)

2022

Potential Risks of the Increased of COVID-19 Impact in 2022 include:

Increased testing, tracing, dan treatment

Increased Patient Claims as the number of cases increases

Expansion of community protection



The allocation of the Program has the potential to increase in line with the development of handling COVID-19

TOTAL:

IDR455,6 T

Realization: 19.9% as of 27 May 2022

SOCIAL PROTECTION: IDR154.8 T

HEALTH: IDR122.5 T

STRENGTHENING ECONOMIC RECOVERY:

IDR178.3T

Increasing The Productivity And Competence Of The Workforce Through The Pre-employement Card Program



Number of Registration

112 Millions

Registrants on the Pre-Employment Card site from ALL Regencies and Cities

Provinces

514 Regent/City

Statistic of Recipients 2022

Pre-Employment Card Ecosystem

1.062.131

Total Pre-Employment Card Recipients (Batch 23-30**)

Statistics & Data Recipient Pre-**Employment untill 2021**

11.440.629

Employment Card Pre Recipient(Batch 1-22)

Rp27,74 Triliun

Incentives has distributes (Batch 1-22)



53%*



47%*

Between 18-35*

64%

Senior High School or more*

Unemployment (82% unemployed, cause of COVID-19 Pandemic*

From those who work (Employees/Labourer **74%** s/ Freelance Employee) is in the Informal Sector

SISNAKER, Pijar Mahir. Tokopedia, Pintaria, Karier.mu, Bukalapak

171 Training Course:

6 Payment Method:

6 Digital Platform:

BNI, BCA, GOPAY, DANA, LinkAja, OVO

1.009 training course. example: Skill Academy, Baking World, Baba Studio, Cakap, Cariilmu, Arkademi

8 Educational Institution:

Universitas Indonesia. Universitas Atma Java, Indonesia Mengajar, UGM, UNAIR, Institut Pertanian Bogor, **UMM** dan Universitas NU Indonesia (UNUSIA)

Job Portal:

Jobs.id, JobStreet.com, Top Karir, karir.com

The Pre-Employment Card Program to Increase Access to Finance for Entrepreneurs and SMEs

Year 2007

24% Micro KUR





People's Business Credit (KUR) working capital and/or a productive and feasible

credit/financing for investment to individual, business entity, and/or business group debtor that does not have additional collateral or does not have sufficient collateral. KUR is entirely sourced from the financial institution fund that distributed KUR loans.

2022 KUR POLICY

Increase of KUR ceiling to Rp373,17 Trillion

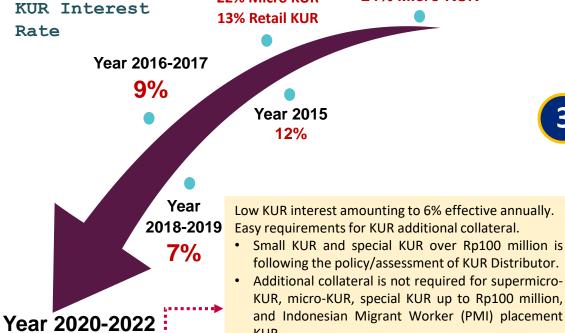
- 2022 KUR ceiling was initially stipulated at Rp250 trillion.
- Coordination Meeting of Committee of Financing Policy for MSMEs on 29 December 2021 has decided to add 2022 KUR ceiling from Rp250 trillion to Rp373.17 trillion and will be evaluated on the 1st semester of 2022.

KUR Policy Relaxation during Covid-19 Period

- Small KUR is without limitation in the loan ceiling accumulation until 31 December 2022
- Postponement of the production sector target until 31 December 2022 or by the consideration of the Committee of Financing Policy for MSMEs
- Follow-up incentive provision in the form of KUR restructuring extension
- Provision of administrative relaxation for prospective KUR debtor during Covid-19 pandemic period based on the objective assessment of KUR Distributor
- Provision of additional KUR interest subsidy of 3% until 31 December 2022

Change of KUR Policy to Expand and Increase KUR Distribution

- Change of Micro KUR ceiling (without additional collateral), starting from Rp10 million to Rp50 million to be beginning from Rp10 million to Rp100 million.
- Change of Special/Cluster KUR without KUR ceiling accumulation limitation for the production sector (non-trade) and interest subsidy by KUR type
- Increase PMI KUR ceiling, starting from Rp25 million to starting from Rp100 million, withdrawal (KUR disbursement) by the need of PMI and simplification of KUR distribution.
- Reduction of KUR interest subsidy/margin subsidy for Super Micro KUR by 1% to be amounting to 12%; Micro KUR is reduced by 0,5% to 10%; Small KUR interest subsidy remains at 5,5%, and PMI Placement KUR interest subsidy is reduced by 0,5% to 13,5%.



KUR.

Year 2014

22% Micro KUR

140.1 120.3 94.0 96.7 **KUR** 100 110 140 Distribution (IDR Trillion) 2015 2016 2017 2018 2019 Target Realization

285

2021

198.6

2020

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





INDUSTRIAL CONDITIONS



SECTORS FOCUS

STRATEGIC STEPS

- Require to deepen Industrial Structure
- Necessary to be independent on raw materials and production
- Unsupportive regulations and incentives
- The P3DN Program is not yet optimal



35% IMPORT
SUBSTITUTION
PROGRAM BY 2020

Food and Beverage

Textiles and Clothing

Automotive

Chemical

Electronic

Pharmacy

Medical Devices

Import Reduction through Import Substitution in Industries with Large Import Value



Increasing Production
Utilisation of All
Manufacturing
Industry Sectors

Encouraging the Deepening of Industrial Structure Increase in Investment and Absorption of New Workers

Utilisation 60% (2020) Utilisation 75% (2021) Utilisation 85% (2022)

- Absorption of workers affected by layoffs
- Increased domestic spending capacity
- Increase in the export market

Source: Ministry of Industry

Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY

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

Updated: 31 Dec 2020

- > 82 Taxpayers; 14 countries investors
- Investment plan of IDR 1.356 trillion
- Realization of IDR 204 Trillion
- Business locations in 24 provinces
- Workforce of 112 thousand

TAX ALLOWANCE

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

INVESTMENT ALLOWANCE

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

SUPER DEDUCTION TAX

Super Deduction Vocational

- Engaging industry in vocational activities to provide knowledge and encourage the transfer of knowledge
- A maximum reduction of 200% gross income from costs in the context of providing work practice, apprenticeship, and / or learning activities

R & D Super Deduction

- Increase the role of industry in fostering innovation and the use of the latest technology in the production process
- Maximum gross income deduction of 300% over R&D costs carried out in Indonesia

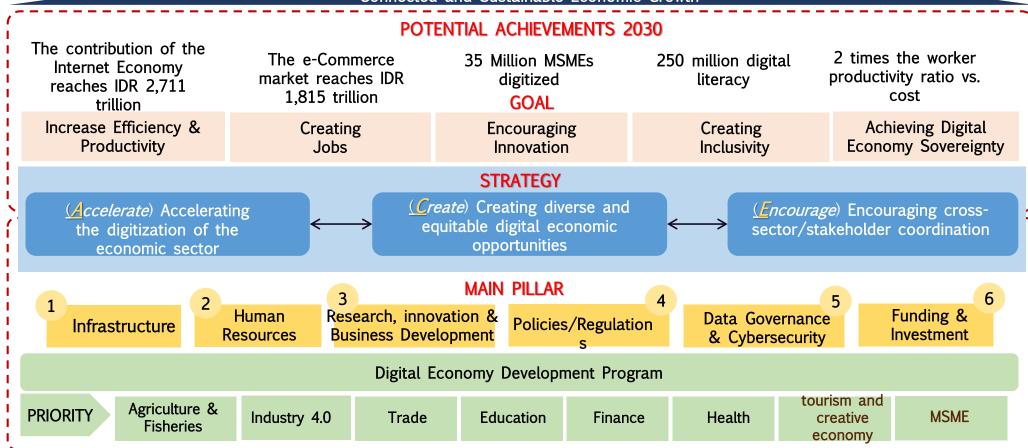
Source: Coordinating Ministry for Economic Affairs

Indonesian Digital Economy Development Framework Concept (2021-2030)





Become a Digital Economy Powerhouse to Realize Inclusive, Connected and Sustainable Economic Growth



Indonesia G20 Presidency 2022: a Snapshot

Through G20 Presidency, Indonesia will continue to take the lead on ensuring equitable access to COVID-19 vaccines, promoting sustainable and inclusive economic development through MSMEs participation and digital economy



Indonesia G20 Presidency Theme

"RECOVER TOGETHER, RECOVER STRONGER"



Main Topics of Indonesia's G20 Presidency

GLOBAL HEALTH ARCHITECTURE

DIGITAL TRANSFORMATION

SUSTAINABLE ENERGY TRANSITION

G20 Summit

429 Delegati

Countries/
International
Organizations

Ministerial Meeting

Ministerial Meeting

4.581

Delegation

Sherpa Meeting

Meeting

1.212

Delegation

Working Group Meeting

WG Meeting + Side Events

8.330

Delegation

Engagement Group
Meeting

Engagement
Group Meeting

6.436

Delegation

WORKSTREAM

SHERPA TRACK

Through the sherpa tracks, 11 working groups, 1 initiative group, and 10 engagement groups meets to discuss and provides recommendation on the G20 agenda and priorities

FINANCE TRACK

As part of the G20 process, a particular place is reserved for the "Finance Track", which includes the meetings held among Finance and Economy Ministers, Central Bank Governors, Vice Ministers and Sherpas (negotiators) designated by the respective economic ministries, mainly focuses on economic, financial, monetary and tax issues.

ESTIMATION OF ECONOMIC BENEFITS FOR INDONESIA



Rp1,7T

Increasing
Domestic
Consumption

Rp7,4T

Adding National GDP

33k

Involving
MSMEs and
Adding Labor
Absorption

1,5 - 2x

Economic benefits compared to the 2018 AM IMF-WB event

Source: Coordinating Ministry for Economic Affairs



Section 2

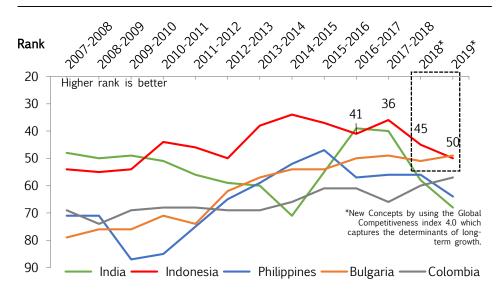
Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development

Improving Global Perception

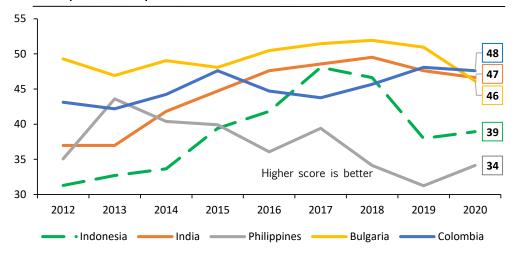
...with recent improvements on governance effectiveness



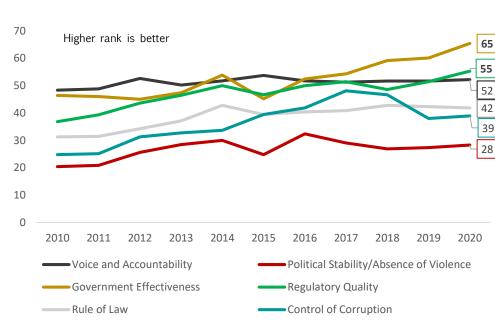
Global Competitiveness Index1



Corruption Perception Index³



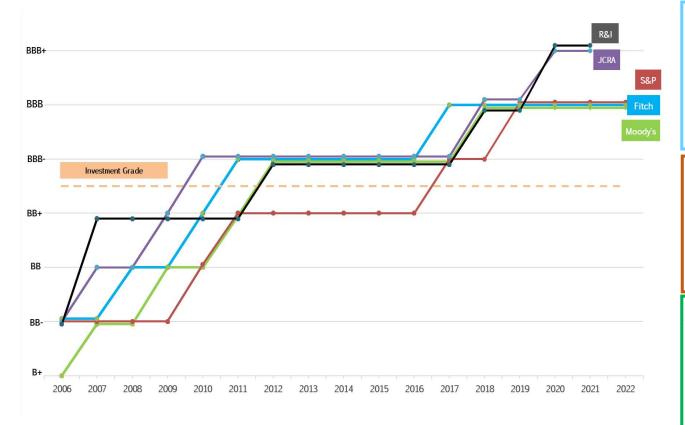
Worldwide Governance Indicators²



- 1. Source: World Economic Forum The Global Competitiveness Report 2019;
- 2. Source: World Bank The Worldwide Governance Indicators 2021 Update;
- 3. Source: Transparency International Corruption Perceptions Index 2021 Report

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





FitchRatings

BBB / Stable

June 2022, Rating Affirmed at BBB/Stable

"Indonesia's rating balances a favorable medium-term growth outlook and a still low government debt/GDP ratio against government revenue, sovereign external debt to GDP and structural features such as governance indicators and GDP per capita that are weak compared with that of 'BBB' category peers."

S&P Global

BBB / Stable

Ratings

April 2022, Outlook Revised To Stable; BBB Ratings Affirmed

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

Moody's

Baa2 / Stable

February 2022, Rating Affirmed at Baa2/Stable

"The affirmation of the rating is supported by continued economic resiliency and Moody's expectations that monetary and macroeconomic policy effectiveness will be maintained, containing risks as global interest rates rise. Moody's expects economic activity to revert to its historical average in 2023, with growth sustaining at those rates thereafter."



BBB+ / Stable

April 2021, Rating Affirmed at BBB+/Stable

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



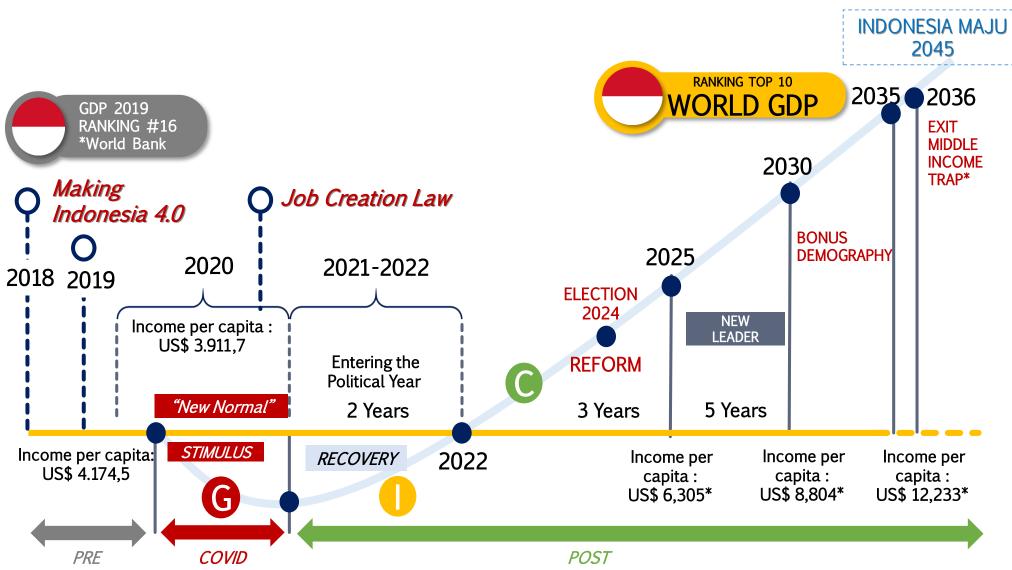
BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

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

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





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

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



President's Missions **Top 5 Presidential Priorities** 7 RPJMN Development Agenda Improving the Quality of the HR Strengthening Economic Resilience to Indonesian Labour Force Development Achieve Superior Economic Growth Achieving Productive, Independent and Competitive Economic Structure Developing More Remote Regions to Reduce Economic Gaps and Infrastructure Attaining Equitable and Prosperous Improve Equality Development National Development Improvement of Quality and Achieving Sustainable Competitiveness of the Labour Force **Environmental Climate** Regulation **Developing Cultural Progress Simplification** Engaging in Mental Revolution Reflecting the Nation's Personality and Culture Development Developing a Dignified and Trustworthy Strengthening Infrastructure to Legal System Free from Corruption Simplification of Support Economic Development Bureaucracy and Improve Basic Services Protection of All Nations and Provision of Security to All Conservation of Environment. Citizens Supporting Climate Change, and **Enhancing Disaster Resilience** Attaining Good, Effective, and Reliable Governance Enhancing Political, Legal, Defense Achieving Synergy of Governmental and Stability and Transforming Framework with the Regional Public Services Government

Source: National Development Planning Agency

Indonesia's Grand Strategy in Encouraging Sustainable Economic Growth



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

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

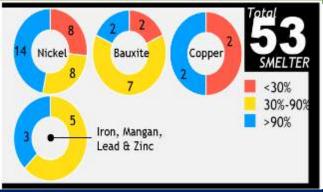




Government Continues to Support the Development of Downstream Industries



Smelter Development



Total Number and Investment Smelter 2021-2024

	Nur	Total		
Commodity	Existing	Plan	TOTAL	Investment (Mio \$)
Nickel	13	17	30	8.006,5
Bauxite	2	9	11	8.647,2
Iron	1	3	4	193,9
Copper	2	2	4	4.693,2
Mangan	1	1	2	23,9
Lead and Zinc	0	2	2	28,8
TOTAL	19	34	53	21.593,6

Indonesia's Coal Gasification Roadmap until 2045

2021 - 2025

- Establishment of 3 Gasification Plants for DME and/or Industry
- Import of LPG has decreased by 3,51 million tons by DME substitution
- Infrastructure and Product Distribution Channel for Coal Upgrading Phase-1 has been built
- Establishment of Coke Factory for Metallurgy
- Increased value-added of around 19.6 million tons of coal in the Coal Downstream Industry.

2026 - 2030

- Increased capacity of the Gasification Industry to meet the demand for DME and Industry
- Establishment of 2 Coal to SNG plants in Sumatra.
- Establishment of a bio-coal briquette factory and implement the use of bio-coal briquettes.
- Coal Upgrading industry started operation.
- Increased value-added of around 22.7 million tons of coal in the Coal Downstream Industry.

2031 - 2035

- Increased capacity of the Gasification Industry to meet the demand for DME and Industry
- Establishment of 2 Coal to SNG plants in Sumatra & 1 plant in Kalimantan.
- Establishment of the Coal Liquefaction Industry to substitute imported gasoline
- Establishment of REE industry and Advanced Materials, Agri-Industry, Materials from coal.
- Increased value-added of around 28.7 million tons of coal in the Coal Downstream Industry.

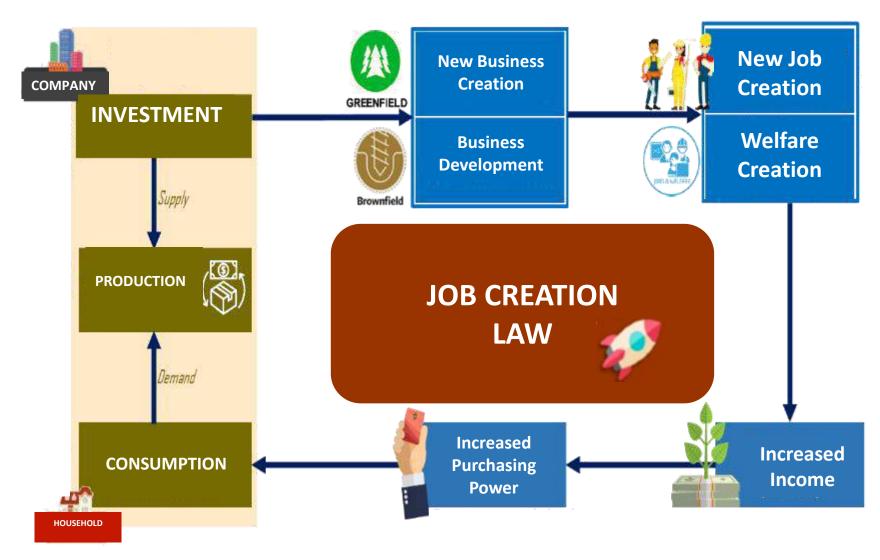
2036 - 2045

- Increased capacity of the gasification industry to meet the demand for 19.81 million tons of Methanol for DME and Industry
- Increased capacity (optimization) in each Coal Downstream Industry
- There has been an increase in value-added of around 40.7 million tons of coal in the Coal Downstream Industry.

Source: Ministry of Energy and Mineral Resources

The Framework of Job Creation Law





Source: Coordinating Ministry for Economic Affairs

The Government Immediately Follow Up The Constitutional Court's Decision On The Job Creation Law

FOLLOW

UP PLAN



COMPREHENSIVE EXPLANATION TO THE PUBLIC, MARKETS, ASSOCIATIONS, AND INVESTORS

To affirm that 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, facilities for MSMEs still applies.

IMPLEMENTING REGULATIONS OF THE JOB CREATION LAW:

- a. Governmental dan Presidential Regulations, which are issued after the Constitutional Court's ruling, are treated as operational and will utilize other legal bases. For example, Presidential Regulation on the Commodity Balance (Neraca Komoditas) will be based on Trade Law.
- b. The Ministerial/Head of Institution Regulations dan Regional/Head of Regional Regulations still need to be completed.
- c. The implementation of Risk-Based Business Licensing and Online Single Submission system continues as usual.

AMENDMENT OF LAW 12/2011:

- To add the methods and techniques for preparing Law through omnibus approach to fulfill positive legalistic aspects.
- b. Ratification of the Revision of Law 12/2011 concerning the establishment of legislation (PPP) ratified by the parliament on May 24, 2022

REVISION OF THE LAW ON JOB CREATION:

- Will refer to the amendments of Law 12/2011 (adjustment of the methods and techniques of Law preparation)
- To ensure sustainability and legal certainty, the revision of the Law on Job Creation must be completed immediately before the G-20 Summit
- c. The completion of the Law on Job Creation revision before the G-20 Summit will give a positive impression of Indonesia's consistency in structural transformation.

Source: Coordinating Ministry for Economic Affairs

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





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





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



Source: Ministry of Investment (BKPM)

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



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

THE GOVERNMENT'S FOLLOW UP OF THE CONSTITUTIONAL COURT'S DECISION ON THE JOB CREATION LAW



COMPREHENSIVE EXPLANATION TO THE PUBLIC, MARKETS, ASSOCIATIONS, AND INVESTORS

To affirm that 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, facilities for MSMEs still applies.

AMENDMENT OF LAW 12/2011:

- a. To add the methods and techniques for preparing Law through omnibus approach to fulfill positive legalistic aspects.
- b. Ratification of the Revision of Law Number 12 of 2011 concerning the Establishment of Legislation (PPP) ratified by the Parliament on May 24th,2022

IMPLEMENTING REGULATIONS OF THE JOB CREATION LAW:

- a. Governmental dan Presidential Regulations, which are issued after the Constitutional Court's ruling, are treated as operational and will utilize other legal bases. For example, Presidential Regulation on the Commodity Balance (Neraca Komoditas) will be based on Trade Law.
- b. The Ministerial/Head of Institution Regulations dan Regional/Head of Regional Regulations still need to be completed.
- c. The implementation of Risk-Based Business Licensing and Online Single Submission system continues as usual.

REVISION OF THE LAW ON JOB CREATION:

- a. Will refer to the amendments of Law 12/2011 (adjustment of the methods and techniques of Law preparation)
- b. To ensure sustainability and legal certainty, the revision of the Law on Job Creation must be completed within two years according to the rules of the constitutional court

Source: Coordinating Ministry for Economic Affairs

Positive Investment List: Improving the Investment Ecosystem in Indonesia



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



Changes in the Regulation of the Investment Business Field

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

- In principle, all business fields are open to investment, except for business fields that are declared closed for investment or activities that can only be carried out by the Central Government.
- Investment value for FDI > IDR 10 billion. However, to encourage technology-based startups in SEZs, FDI investment value can be <= IDR 10 billion

Priority Business Activities with the following criteria:				
National strategic project/program	Pioneer industry			
Capital intensive	Export oriented			
Labour intensive	Oriented in research,			
High technology	development, and innovation activities			

Fiscal Incentives

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

Non-Fiscal Facilities

- 1. Ease of obtaining business licenses
- 2. Provision of supporting infrastructure
- Guarantees on availability of energy and materials
- 4. Immigration
- 5. Manpower
- 6. Other non-fiscal supports

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 = 895.875 Period August 4, 2021 - March 2, 2022

Based on Business Actor: Business Entity = 193.124 Individual =

Based on Investment Type:

FDI = 4.549

DDI = 1.219.508

Based on Business Scale:

Micro = 1.132.908Small = 64.888

Medium = 15.079

Large = 11.102

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
- ensure the implementation of Inspection is carried out to 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).

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

1.030.933

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

Source: Coordinating Ministry for Economic Affairs

Action Plans

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)

Implementing Regulation on Risk-Based Licensing





Implementing Regulations that are directly related to Licensing and Ease of Doing Business:

- 1. PP No. 5/2021 concerning Implementation of Risk-Based Business Licensing;
- 2. PP No. 6/2021 concerning the Implementation of Business Licensing in the Regions;
- 3. PP No. 7/2021 concerning Ease, Protection, and Empowerment of K-UMKM
- 4. PP No. 8/2021 concerning Company's Authorized Capital and Registration of Establishment, Amendment, and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses
- 5. PP No. 16/2021 concerning Implementing Regulations of Law no. 28 of 2002 concerning Buildings
- 6. PP No. 21/2021 concerning the Implementation of Spatial Planning
- 7. PP No. 22/2021 concerning the Implementation of Environmental Protection and Management
- 8. PP No. 23/2021 concerning the Implementation of Forestry.
- 9. Presidential Decree No. 10/2021 concerning Investment Business Sector j.o. Presidential Decree No. 49/2021

The implementing regulation of the Job Creation Law are 194 Ministerial/Agency Regulations, and there are 22 Ministerial/Institutional Regulations that are directly related to the OSS System

Source: Ministry of Investment (BKPM)

Implementing Regulation on Risk-Based Licensing



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.

Source: Ministry of Investment (BKPM)

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

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 fulfil 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.

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.

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.

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

2. Transportation Infrastructure

1. Main and Social Commodity welfare

Sources: RPJMN 2020-2024; Presidential Regulation No.26/2012 Concerning Blueprint of National Logistics System Development **Key Drivers: Logistic Action Plan**

Transportation Infrastructure →

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

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

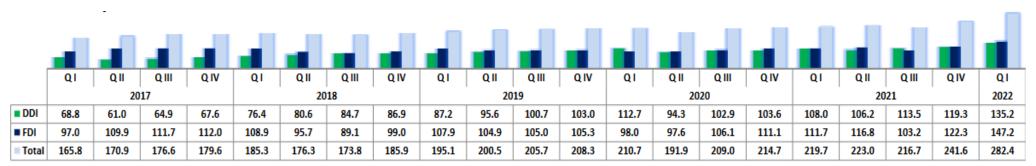
ICT > NLE is a system to provide one-stop services for the transmission of data, trade logistics documents, and secure and reliable information to serve G2G, G2B, and B2B transactions for domestic and international trade

Human Resource Management →

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

Investment Realization in Q1-2022





DDI: Domestic Direct Investment

FDI: Foreign Direct Investment

in IDR trillion

^{*)} The achievement of investment realization is rounding numbers

		20	21		2022	2022 Q-I 2022 T		Target	et Achievement*	
	Q-I	Q-II	Q-III	Q-IV	Q-I	Y-o-Y	Q-o-Q	2022**	**	
DDI	108.0	106.2	113.5	119.3	135.2	25.1%	13.3%	572.4	23.6%	
FDI	111.7	116.8	103.2	122.3	147.2	31.8%	20.5%	627.6	23.5%	
TOTAL	219.7	223.0	216.7	241.6	282.4	28.5%	16.9%	1,200.0	23.5%	
	JANUARY – DECEMBER 2021		JANUARY – MARCH 2022	2022 Abso		Absorp	resian Labor rption Q I : 311,793			
DDI	447.0 454.0		447.0 135.2	135.2	25.1%		Indonesian Labor Absorption Q I			
FDI			18	147.2	31	.8%	0.000	319,013		
TOTAL		90	1.0		282.4	28.	.5%	***		

^{**) 2022} Investment Realization Target: Rp. 968.4 T (Strategic Plan) As regulated in BKPM Regulation Number 2 of 2020 concerning BKPM Strategic Plan 2020- 2024 The adjustment of investment realization target for 2022: Rp. 1,200 T (President's Instruction ***) Towards the 2022 investment realization target according to the President's Instruction Source: Ministry of Investment (BKPM)



JANUARY - MARCH Y-o-Y 282.4

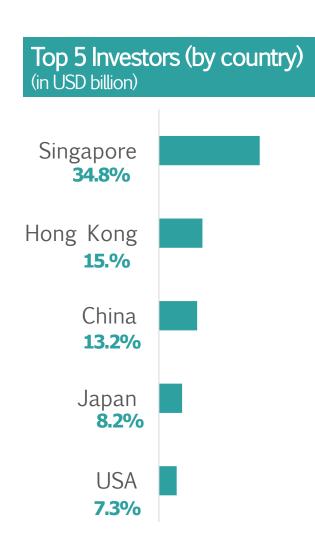


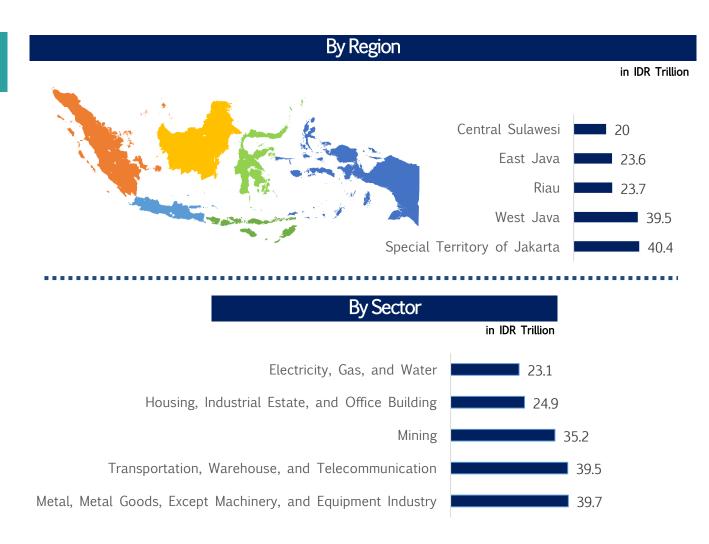
In Rupiah Trillion

Investment Realization in Q1-2022







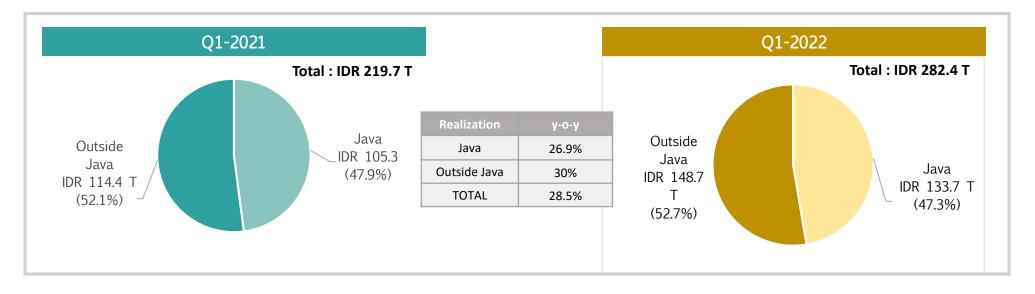


Source: Ministry of Investment (BKPM)
35

Investment Realization in Q1-2022

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



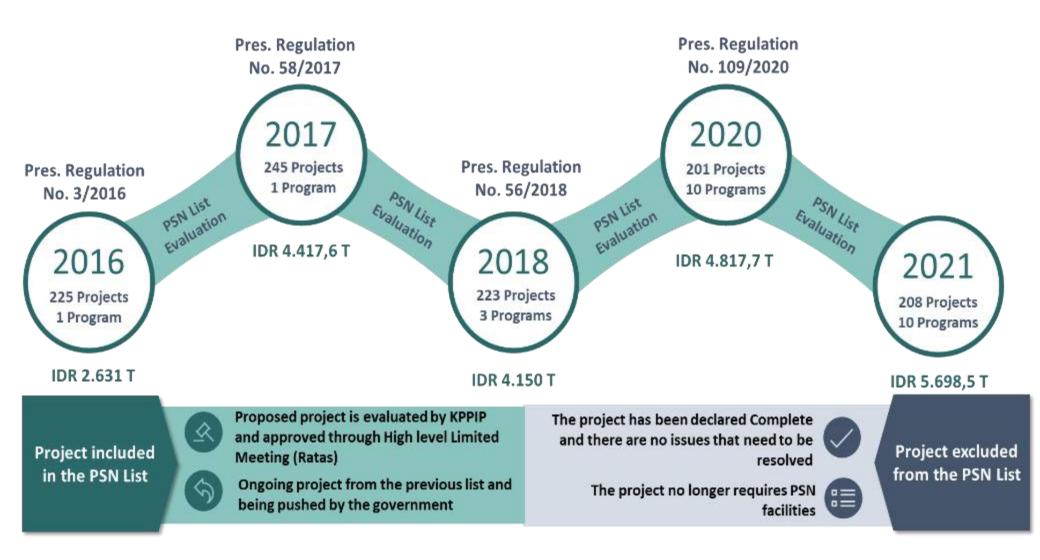




Source: Ministry of Investment (BKPM)

National Strategic Project (PSN) list is established in 2016, and have undergone several amendments until recently stipulated under Coordinating Minister Regulation No.7/2021





National Strategic Project (PSN) consists of 208 Projects and 10 Programs with estimated investment value of USD 396,23 Billion*





PSN covers 12 sectors and 10 program



Toll Road 56 Projects

Program









Industrial Estate 19 Projects



Railway 16 Projects



Energy 15 Projects



Seaport 16 Projects



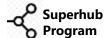
Water & Sanitation 12 Projects



Airport 8 Projects



Education 1 Project













National Tourism Program



Waste to **Energy Program**



Technology 5 Projects



Housing Sea Wall 2 Projects 1 Proyek



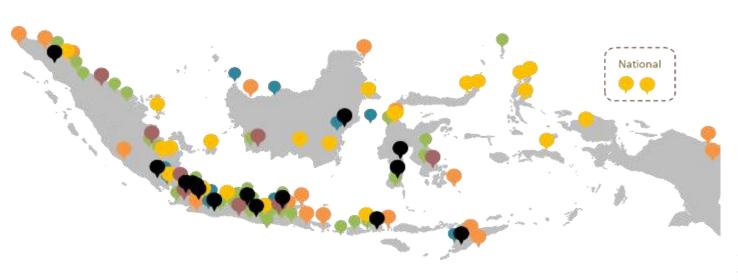
Border Dev. **Program**



The accumulated 130 Projects that have been completed

spread across various sector and have significant role in accelerating Economic Recovery during COVID-19 pandemic







11 Million

Estimated Labour Absorption* since 2016-2024



With 1,9 Million

Estimated direct labour absorption from 2020-2024

*Notes: Includes direct and indirect labour absorption through PSN

Completed in 2016

Completed in 2017

Competed in 2018

1 Aiport

4 Smelter

4 Ind. Estate

Completed in 2019

Completed in 2021 Completed in 2020

7 Airports

- 1 Toll Roads
- 6 Dams
- · 1 Seaport
- 1 Gas Pipeline
- 4 Border Dev.

10 Projects (USD 4,27 B)

- 2 Toll Roads
- 1 Access Road
- 1 Airport
- 1 Gas Facility
- · 3 Border Dev.
- 1 Dam
- 1 Irrigation

32 Projects (USD 14.43 B)

- 2 Railway
- 4 Dams
- · 1 Irrigation
- 10 Toll Roads 1 Marine
- 5 SEZ
- Agriculture

30 Projects (USD 11,5 B)

- 4 Airports
- 4 Dams
- 9 Toll Roads
- 6 Ind. Estate
- 2 Railway
- 1 Seaport
- 2 Smelter
- 2 Technology

12 Projects (USD 8,57 B)

- 1 Airport
- 1 Railway
- 3 Toll Roads
- 1 Seaport
- 1 Cleanwater Supply
- 3 Ind. Estate
- 2 Dams

24 Projects (USD 6,2 B)

- 2 Cleanwater Supply
- 11 Dams

6 Toll Roads

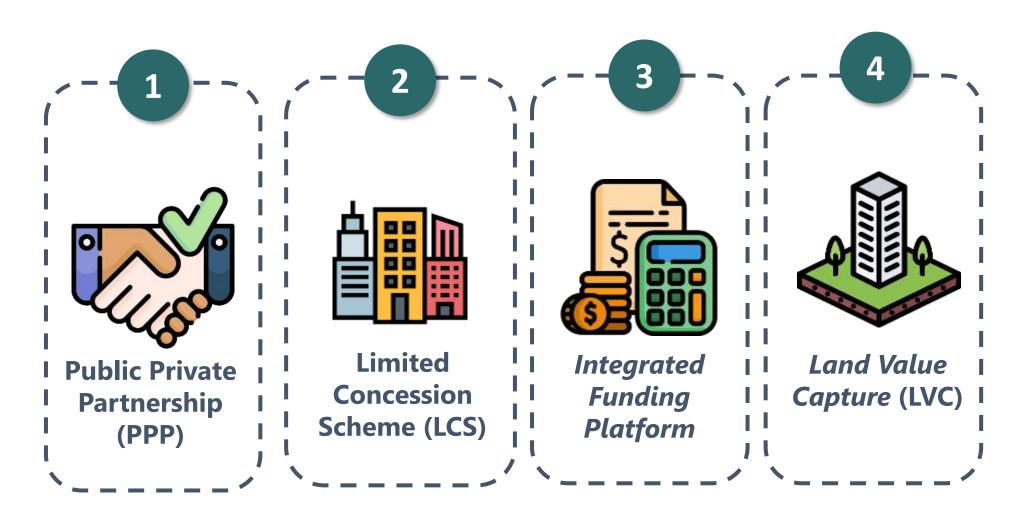
- 1 Seaport
- 1 Technology
- 1 Housing
- 1 Railway
- 1 Ind. Estate

^{*1} USD = 14,380 IDR

Government of Indonesia has set various initiatives

to drive private sector participation in Infrastructure sector especially for National Strategic Projects





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



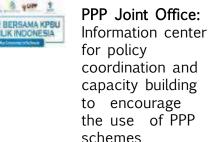


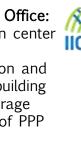
Institutional Reforms for PPP Implementation



KPPIP:

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







preparation



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

PPP Stages

Outline Business Case

Determination of **Funding** Scheme

Facility (PDF) Tender document preparation Final Business Case (FBC)

Transaction

PPP Agreement

Financial Close

Legend



Ministry of **National Development Planning**



Ministry **Finance**















Project Development









Business Entity

Business Entity

Lender

... and has issued end-to-end regulations and supports to encourage PPP projects implementation





Project
Development
Facility (PDF)

Viability Gap Funding (VGF)

Guarantee Scheme

Tax Facilities

Availability Payment Land Acquisition

Preparation

Bidding Process

Construction

Project development facility assists the Government Contracting Agency (GCA) in PPP project preparation (PDF&TA)

Managing entity: KPPIP, PT SMI and PT IIF, Ministry of Finance A facility which contributes to construction cost in order to increase project financial feasibility

Managing entity:
Ministry of
Finance based on GCA proposal
Govt's commitment:
Max 49% per project cost

Guaranteeing govt. contractual obligations under infra. concession agreements and MoF Reg. No. 130/PMK.08 /2016 re: Govt. guarantee for electricity project acceleration

Managing entity: Indonesia Infra. Guarantee Fund (IIGF) and MoF

Govt's commitment: US\$ 450 Mil MoF Reg.
No.150/2018 allowed
100% Tax Holiday for
18 Pioneering
Industries for 5 – 20
years depending on
the investment value.
The tax holiday is not
only given to the new
investments but can
also be obtained by
the existing
taxpayers who want
to expand their
business.

Managing entity: Ministry of Finance A scheme in which concessionaires receive periodic payments from central or regional government if the service standard is fulfilled. The MoF Regulation and MoHA Regulation on Availability Payment have been stipulated.

Managing entity: Ministry of Finance Ministry of Home Affairs A facility to support land acquisition for infrastructure projects particularly projects that involve private sector

Managing entity:
Ministry of Finance;
Ministry of Agrarian
and Spatial
Planningl/BPN, and
BLU-LMAN

Govt's commitment:

US\$ 1.2 Bio (2016) US\$ 2.4 Bio (2017) US\$ 2.6 Bio (2018) US\$ 1.6 Bio (2019)



The Government has just issued GR No. 78/2019 regarding Tax Allowance



Synchronization with Online Single Submission (OSS) System

Additional positive list from 145 to 183 type of business sectors

Certainty on specific eligible assets allowed to obtain the incentives

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





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





- 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

Does LCS serve as privatization?

NO

It does not eliminate the ownership and control of the Government

- Government remains the owner of the infrastructure asset
- LCS limits "super-profits" for concession holders
- Government will receive upfront payment yet its not selling the asset

Limited Concession Scheme as an Alternative of Financing through Presidential Regulation No 32/2020 on Infrastructure Financing through Limited Concession Scheme







Definition

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





LCS Principles

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

Infrastructure Financing Priority

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

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

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.





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

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





Legal basis

Development

- 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
- 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



Airport



Health Services



Industrial Area



Seaports



Digital Infrastructure



Renewable Energy



Traditional Energy



Plantation

Development of INA's Investment Cooperation

- ☐ 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 3Q 2022: 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

Source: Coordinating Ministry for Economic Affairs

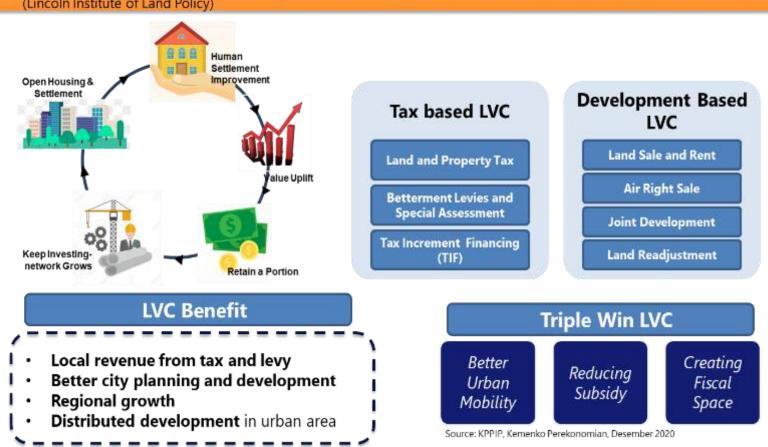
Currently KPPIP is developing a Land Value Capture Scheme to further unlock infrastructure investment potential





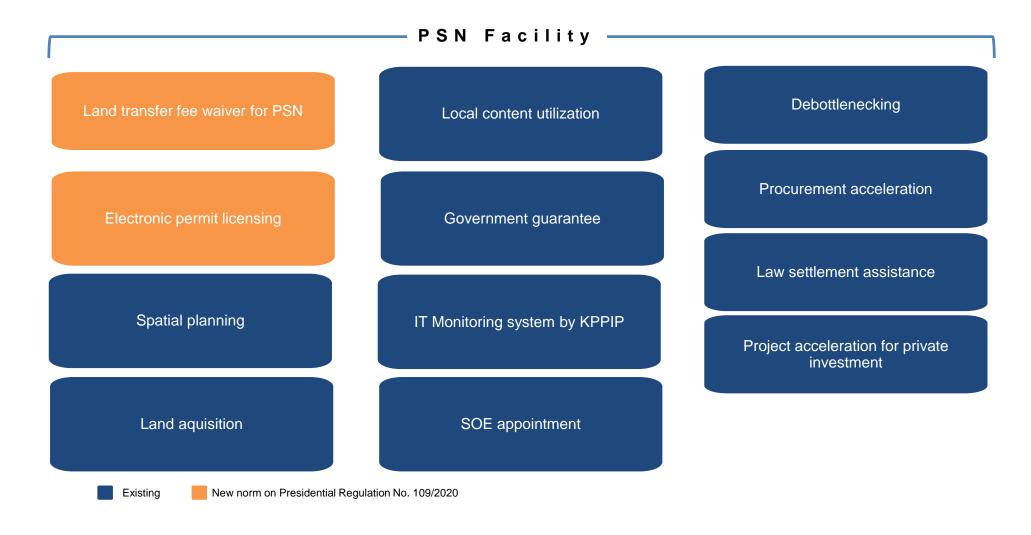
A policy approach that enables communities to recover and reinvest economic value increases and increases in economic productivity that result from public investment and other government actions.

(Lincoln Institute of Land Policy)



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

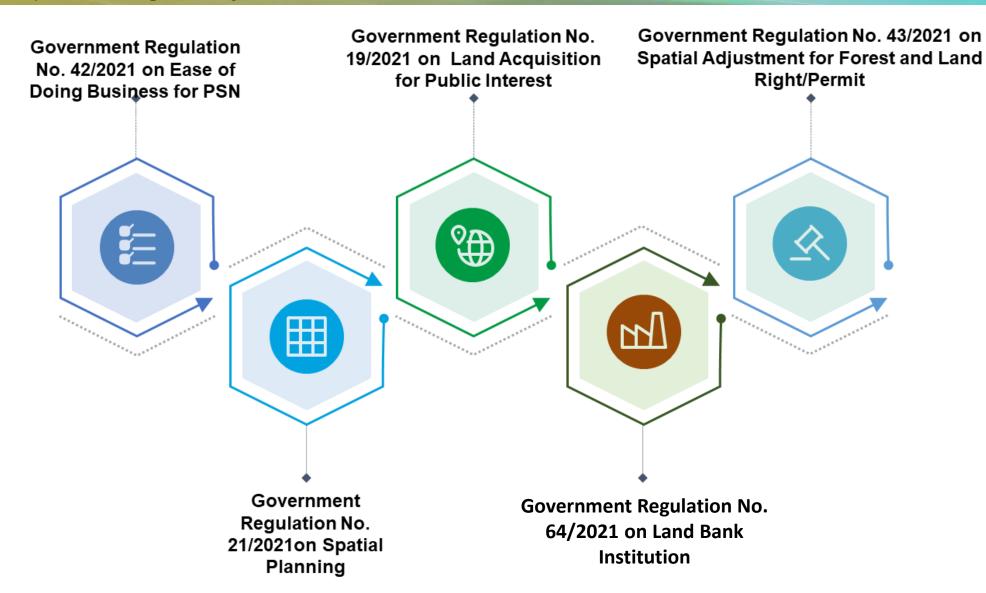




Government of Indonesia has ratified a number of significant implementing regulation



as part of regulatory reform to ease infrastructure investment



Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning



Government(Elevarianty)e-Programedit guarantee

for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.

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

Toll road – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads.

Infrastructure - Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing.

Public Transportation (Light Rail Transit) – Full credit guarantee for PT Kereta Api Power (Electricity) – Guarantee for PT PLN's obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*

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

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

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

Contingent Liabilities from Government Guarantee as of Q1 2022**

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	6	USD 0.43
2	Clean Water Supply Program	6	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	10	USD 2.34
4	Sumatra Toll Road	10	USD 3.07
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 4.00
6	Public-Private Partnerships (PPP)	7	USD 6.38
7	Regional infrastructure financing	1	USD 0.21
8	Public Transportation (Light Rail Transit)	2	USD 0.81
9	Electricity Infrastructure Fast Track Program (35 GW)	6	USD 6.28
	Total	55	USD 23.52

From 2008 to Q1-2022**, the government has issued 93 guarantee documents with total value of USD42.02 billion, there were 35 guarantee documents worth USD6.34 billion have been expired.

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

Source: Ministry of Finance

Credit

Guarantee

Business Viability

Guarantee (BVG)

PPP

Guarantee

Political Risk

Guarantee

^{**)} Currency conversion of IDR14,349.01/USD1 and IDR16.003.46/EUR1 (as of end March 2022)



Section 3

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

Conducive Environment Underpinning Stable Growth Fundamentals Amid Temporary Moderation



Largest Economy in South East Asia

4th Most Populous country in the World: 64% in productive age

Manageable Inflation Rate Rising Middle Class and Affluent Customers

From commodity-based to manufacturing and service sectors via infrastructure development

From consumption-led to investmentled growth via a stronger manufacturing sector and more investment initiatives

Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening macroeconomic conditions

Large and Stable **Economy**



New Structure

Consistent **Budget Reform**

> Reform-Oriented Administration

High Infrastructure Investments

Budget reform as a part of larger economic reform initiative

Fuel subsidies significantly reduced and spending redirected to more productive allocation

Tax base to be broadened from one reduce dependency on commodities

Prudent debt management

Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and

Continuing from 2015 policy, infrastructure spending will be higher than fuel subsidy

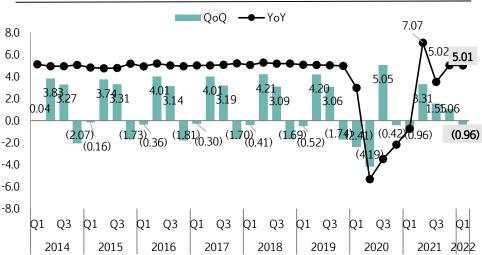
Infrastructure spending focused on basic infrastructure projects

Fiscal and non-fiscal incentives to attract infrastructure investment and promote PPP

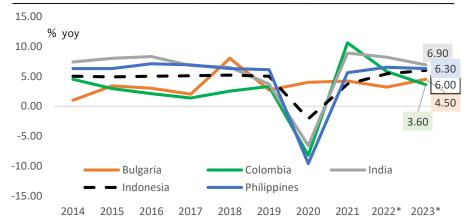
National Economic Recovery Continue to Accelerate







Favourable GDP Growth Compared to Peers²



Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
 Source: World Economic Outlook Database - April 2022; * indicates estimated figure

National economic recovery currently underway in Indonesia remains intact given increasing community mobility and amidst escalating geopolitical tensions between Russia and Ukraine. Domestic economic growth was solid and stable in the first quarter of 2022 at 5.01% (yoy) compared with 5.02% (yoy) in the previous quarter. Positive economic performance in Indonesia has been fuelled by growing domestic demand and maintained export performance. Furthermore, the national economic gains have been replicated in most sectors and all regions. Moving forward, the Indonesian economy is expected to gain momentum, with Bank Indonesia projecting growth at 4.5-5.3% in 2022, supported by a faster vaccination rollout, broad reopening of economic sectors as well as policy stimuli instituted by Bank Indonesia, the Government and other relevant authorities.

In terms of spending, the economic recovery in the first quarter of 2022 was driven primarily by household consumption, which accelerated significantly to 4.34% (yoy) from 3.55% (yoy) in the previous period. Such developments were explained by increasing community mobility in line with looser mobility restrictions in the first quarter of 2022 and a faster vaccination rollout. Investment grew 4.09% (yoy) in the reporting period, mainly supported by non-building investment, yet growth of building investment was also sustained. On the other hand, government consumption contracted 7.74% (yoy) in line with improving Covid-19 pandemic conditions that reduced procurement, and social assistance disbursements, particularly for Covid-19 containment and mitigation measures. Exports continued to perform well, expanding it 1622% (yoy) on the back of policy whem and in Indonesia's major trading partners and the limited impact of geopolitical tensions between Russia and Ukraine. Imports in the first 最級性性中のfsi2022 grew 15.03% (yoy) in response to 4.5tp3ng export parformance iland increasing domestic demand.

Nearly Ball (Geonomic 1025) sectors recorded positive growth in the first quarter of 2022, particularly the Manufacturing Industry, Retail and Wholesale Afrade as well as Transportation and Storage, given greater 53 community mobility in all regions

^{*)} Consensus Forecast number will be given later

GDP Growth Breakdown



GDP Growth Based on Expenditures (%, YoY)¹

			201	7				2018					2019					2020					2021			2022
By expenditure	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1
HH. Consumption	4.9	5.0	4.9	5.0	4.9	5,0	5,2	5,0	5,1	5,1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0	-3,6	-2,6	-2,2	6,0	1,0	3,6	2,0	4,3
Non profit HH. consumption	8.1	8.5	6.0	5.3	6.9	8,1	8,8	8,7	10,9	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-1,9	-2,1	-4,2	-3,7	4,0	2,8	3,3	1,6	6,0
Government consumption	2.7	(1.9)	3.5	3.8	2.1	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,8	-6,9	9,8	1,8	2,0	2,5	8,1	0,6	5,2	4,2	-7,7
Gross Fixed Cap. Formation	4.8	5.3	7.1	7.3	6.2	7,9	5,8	6,9	6,1	6,7	5,0	4,6	4,2	4,1	4,5	1,7	-8,6	-6,5	-6,2	-5,0	-0,2	7,5	3,8	4,5	3,8	4,1
Exports	8.4	2.7	16.5	8.4	8.9	5,8	7,4	8,3	4,6	6,5	-1,1	-1,2	0,9	-0,6	-0,5	0,2	-12,4	-13,0	-6,9	-8,1	6,9	31,5	29,2	29,8	24,0	16,2
Imports	4.8	0.2	15.4	11.9	8.1	12,5	15,2	14,2	7,4	12,1	-5,8	-5,9	-8,5	-8,1	-7,1	-5,4	-20,7	-24,5	-15,8	-16,7	4,4	31,8	29,9	29,6	23,3	15,0
GDP	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5,2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1	3,5	5,0	3,7	5,0

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

GDP Growth by Sector (%, YoY)

December		2017				2018			2019				2020				2021				2022					
By sectors	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1
Agriculture, forestry, and fishery	7.1	3.3	2.8	2.4	3.9	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	3,4	0,5	1,4	2,3	1,8	1,2
Mining and Quarrying	(1. 3)	2.1	1.8	0.0	0.7	1,1	2,6	2,7	2,2	2,2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3	-1,2	-2,0	-2,0	5,2	7,8	5,2	4,0	3,8
Manufacturing	4.3	3.5	4.9	4.5	4.3	4,6	3,9	4,4	4,2	4,3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3	-3,1	-2,9	-1,4	6,6	3,7	4,9	3,4	5,1
Construction	6.0	7.0	7.0	7.2	6.8	7,4	5,7	5,8	5,6	6,1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5	-5,7	-3,3	-0,8	4,4	3,8	3,9	2,8	4,8
Wholesale and Retail Trade, Repair of Car and Motorcycle	4.6	3.5	5.2	4.5	4.5	5,0	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,5	-7,7	-5,1	-3,7	-3,8	-1,3	9,5	5,2	5,6	4,7	5,7
Transportation and Storage	8.1	8.8	8.9	8.2	8.5	8,5	8,7	5,7	5,5	7	5,4	5,8	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,0	-13,1	25,1	-0,7	7,9	3,2	15,8
Information and communication	10. 5	11.1	8.8	8.3	9.6	7,8	5,1	8,1	7,1	7	9,1	9,6	9,2	9,8	9,4	9,8	10,8	10,7	11,0	10,6	8,7	6,9	5,5	6,2	6,8	7,1
Financialservice	6.0	5.9	6.1	3.8	5.5	4,3	3,1	3,1	6,2	4,2	7,2	4,5	6,2	8,5	6,6	10,6	1,1	-0,9	2,4	3,2	-3,0	8,3	4,3	-2,6	1,6	1,6
Other Services*	4.2	3.5	4.8	6.0	4,6	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,3	-1,4	-1,7	-1,2	-2,5	9,8	-0,8	3,4	2,4	3,2
GDP	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5,2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1	3,5	5,0	3,7	5,0

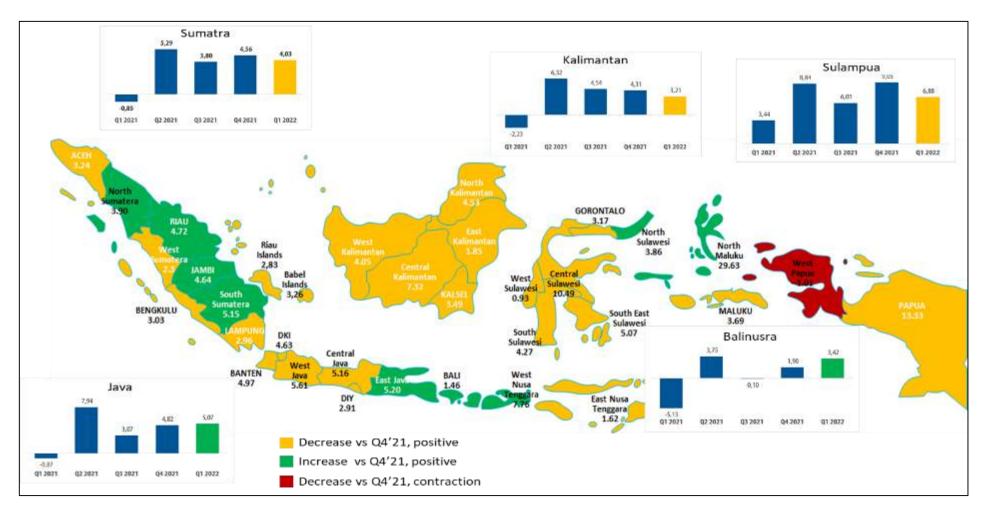
Source: Central Bureau of Statistics of Indonesia (BPS)

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

Economic Performance Improved In Almost All Regions



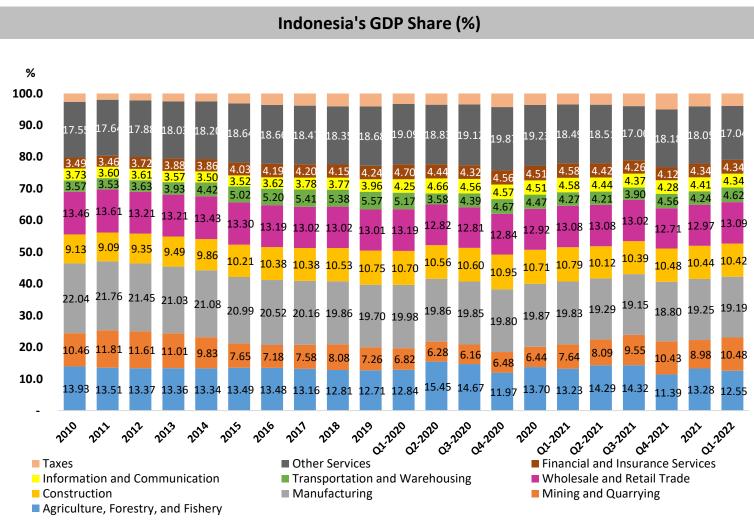
Growth of Regional Economic (GDRP) of the First Quarter of 2022 (%, yoy)



Economic Performance in Most Sectors Continue to Improve

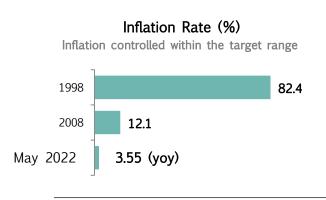


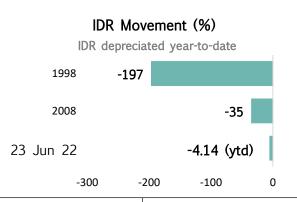
Indonesia's main economic sectors maintained positive momentum. Most economic sectors are contributing to domestic economic growth, including the manufacturing industry, wholesale and retail trade as well as transportation and storage.

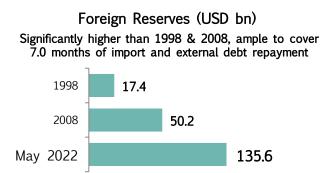


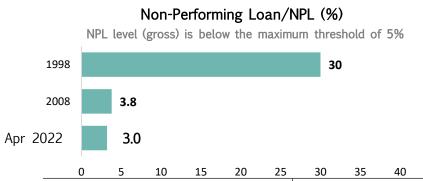
Stronger Fundamentals Facing the Headwinds

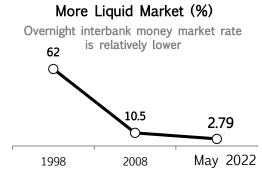


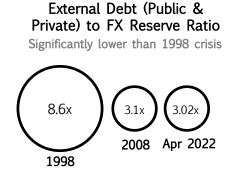


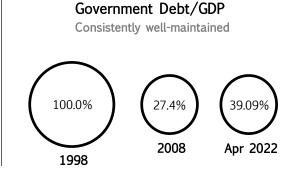


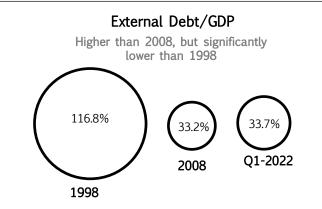












Outlook of Domestic Economy Remains Robust ...the domestic economic recovery is continued to strengthen in 2022



2022 Economic Outlook

- Bank Indonesia projects economic growth in 2022 to accelerate to 4.5-5.3% in 2022.
- Bank Indonesia projects inflation in 2022 to remain under control and within the 3.0±1% target corridor.
- Bank Indonesia projects current account deficit of approximately in the range 0.5-1.3% of GDP in 2022.
- Bank Indonesia projects credit growth in 2022 will be around 6.0-8.0%

	Economic Growth	π Inflation	CAD (% of GDP)	Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021 Realisation	3.69%	1.87%	surplus 0.3%	5.24%
2022	4.5-5.3%	3.0±1%	0.5-1.3%	6-8%

Source : Bank Indonesia



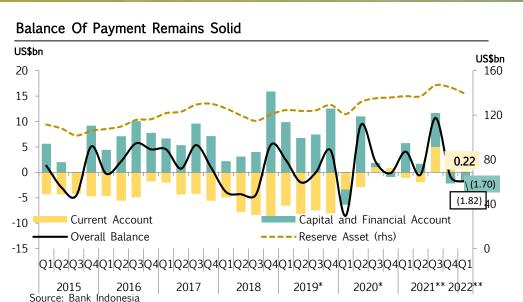
Section 4

External Factor: Improved External Resilience

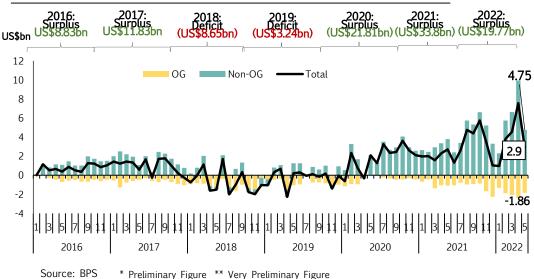
External Sector Remains Resilient

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

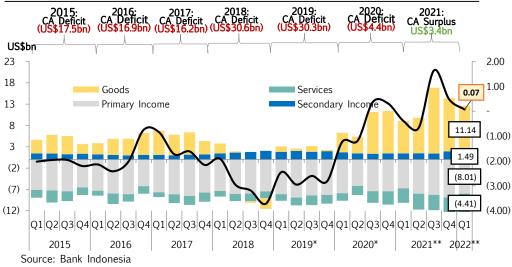




Trade Balance Surplus Continues

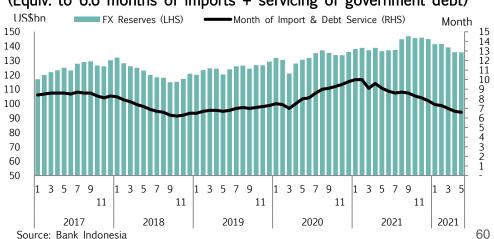


Current Account Recorded Surplus in Q4-2021



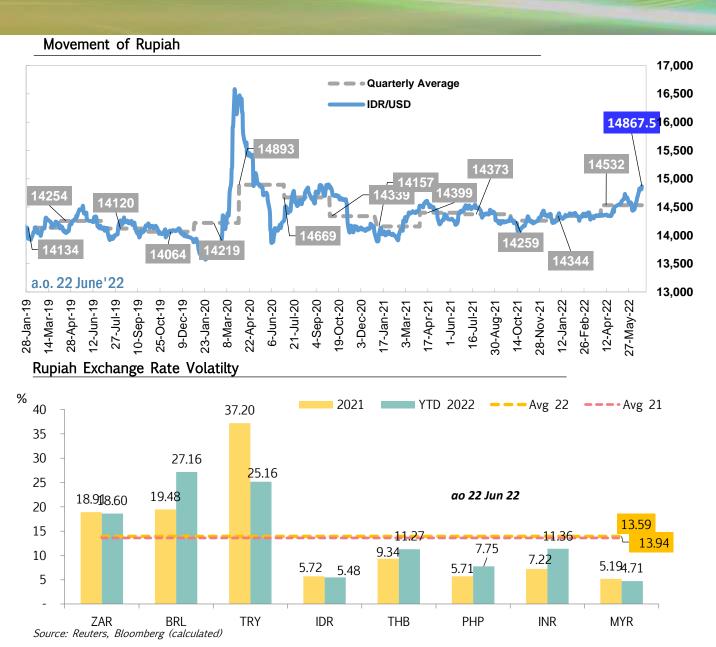
Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of May 2022: US\$135.6 bn (Equiv. to 6.6 months of imports + servicing of government debt)



Exchange Rate In Line with Fundamentals





is confronted The Rupiah escalating depreciatory pressures in line with other regional currencies due to elevated global financial market uncertainty. As of 22nd June 2022, the Rupiah depreciated 1.93% (ptp) on the level recorded at the end of May 2022, spurred by increasing global financial market uncertainty given more aggressive monetary policy tightening in several countries response to an uptick of inflationary pressures and concerns stoked by global economic moderation. Meanwhile, the domestic supply of foreign exchange has been maintained and the perception of Indonesia's economic outlook remains positive. Consequently, the Rupiah as of 22nd June 2022, experienced 4.14% (ytd) depreciation on the level recorded at the end of 2021, which is nevertheless relatively lower than the currency depreciation experienced in other developing countries, such as India (5.17%), Malaysia (5.44%) and Thailand⁶¹

Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of of May 2022: US\$135.6 bn

Swap Arrangement

Bilateral

Japan

Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2021

The facility is available in USD and JPY

Singapore

Renewed a 1 year SGD/IDR swap arrangement with the size up to USD10 bn (equivalent) on November 2021

China

Malaysia

- Renewed a 3 year swap arrangement and increased the size of swap line up to CNY250 bn / IDR550 tn (about USD 38.8 bn equiv.) in January 2022
- Established a 3 year RM/IDR swap arrangement with a size up to USD2 bn (equivalent) in September 2019

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

IMF Global Financial Safety Net - GSFN

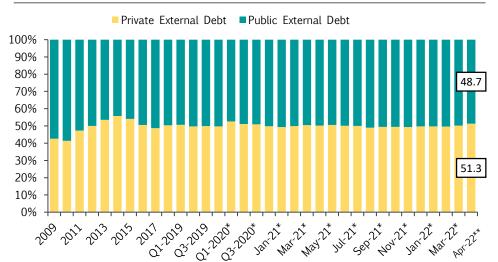
- Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem
- Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

62 Source: Bank Indonesia

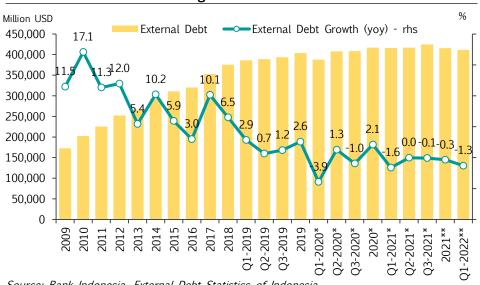
Healthy External Debt Profile



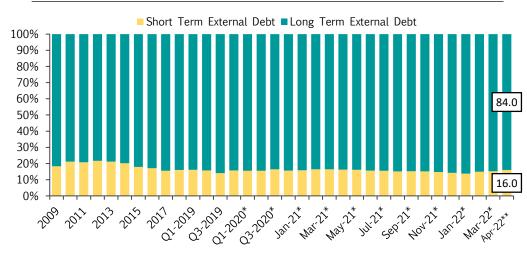
External Debt Structure



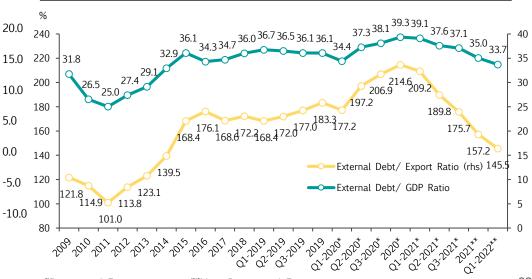
External Debt Remains Manageable



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



External Debt to GDP Ratio & Debt to Export Ratio



Source: Bank Indonesia. External Debt Statistics of Indonesia

**Very Provisional Figures *Provisional Figures

5.0

-5.0

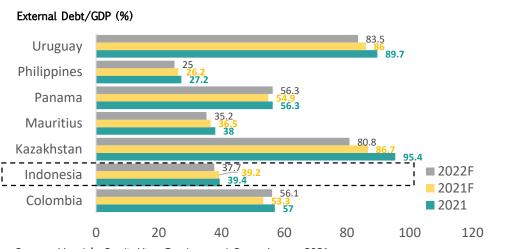
63

Strengthened Private External Debt Risk Management



64

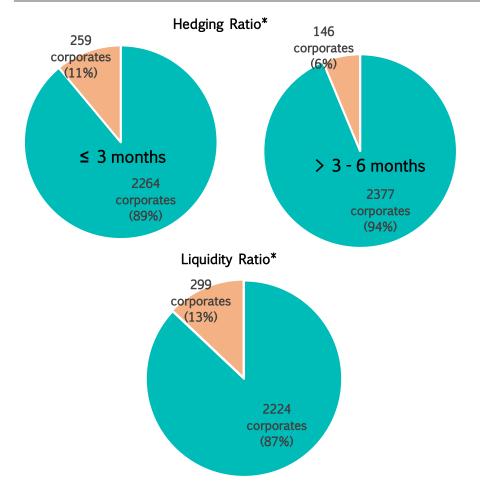
Debt Burden Indicator (External Debt/GDP) Remains Comparable to Peers Rating Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



Source: Moody's Credit View Fundamental Data, August 2021

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



Comply Not Comply

Source: Bank Indonesia

^{*}Data as of Q4-2021, with total population 2,,500 corporates Source: Bank Indonesia

Solid Policy Coordination In Managing Financial Markets Volatility





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



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



Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)

BSF

Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

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

Bond Stabilization Framework

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

Second Line of Defense							
Chatala Dandara	State General Treasury Account (Rekening KUN) (min. level Alert)						
State's Budget	Accumulated cash surplus (SAL) (min. Level Crisis)						

Source: Ministry of Finance 65



Section 5

Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

Strong Budget Performance Continued In 2022



Strong revenue collection has been broad-based, while expenditures started to grow positively

J		,	•		3	,			
A	20	021		20	022		Budget performance		
Account (IDR tn)	YTD as of 30 April	YoY Growth (%)	Budget	YTD as of 30 April	% of Budget	YoY Growth (%)		continued to improve 2022	
A. Revenue	584.9	6.4	1,846.1	853.6	46.2	45.9	_	Strong revenue growth from	
I. Tax Revenue	374.7	0.5	1,265.0	567.7	44.9	51.5		components driven by commodity price hikes	
II. Customs & Excise	78.7	36.5	245.0	108.4	44.2	37.7	-	increasing international tr	
III. Non-tax Revenue	131.3	14.9	335.6	177.4	52.9	35.0		recovering household activ	
B. Expenditure	723.0	15.9	2,714.2	750.5	27.7	3.8	←	Expenditure has been	
I. Central Government	489.8	28.1	1,944.5	508.0	26.1	3.7		accelerated especially for sprotection to minimize t	
1. Line Ministries	278.6	37.2	945.8	253.6	26.8	(9.0)		impact from commodity p	
2. Non-Line Ministries	211.3	17.7	998.8	254.4	25.5	20.4			
II. Regional Transfer & Village Funds	233.2	(3.4)	769.6	242.4	31.5	4.0	←	Regional Transfer and Vil	
1. Transfer to Region	216.4	(1.8)	701.6	220.1	31.4	1.7	L,	Funds distribution has improved compared to	
2. Village Fund	16.9	(19.7)	68.0	22.3	32.8	32.3		same period in 2021	
C. Primary Balance	(26.5)		(462.2)	220.9					
D. Surplus (Deficit)	(138.2)	85.7	(868.0)	103.1	(11.9)	174.7		Financing takes into acco	
% to GDP	(0.81)		(4.85)	0.58			→	market conditions and a liquidity	
E. Financing	397.0	76.3	868.0	142.7	16.4	(64.1)	4		
F. Surplus of Financing	258.8			245.8					

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Source: Ministry of Finance

Government Revenue Continues to Strengthen



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Tax Revenue Performance



Income Tax (non-oil and gas) reached IDR 342.48T (54.06% from target)



VAT (including for luxury goods) reached IDR192.12T (34.65% from target)



Property Tax and others reached ID2.43T (8.17% from target)



Income Tax (oil and gas) reached IDR 30.66T (64.80% from target)

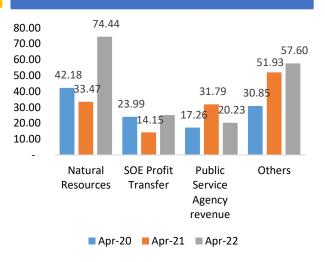
Excise and Customs Growth (IDR T)



Monthly Tax Revenue



Non-tax Revenue (IDR T)

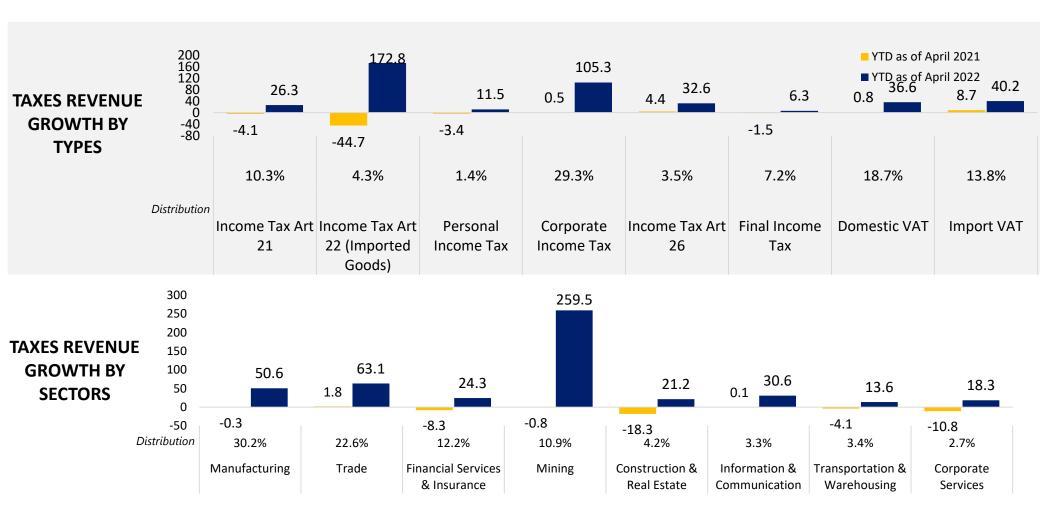


Source: Ministry of Finance

Tax Revenue Grew Outstandingly



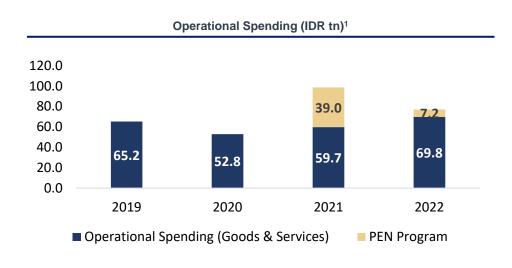
Up to April 2022, the increase in tax revenue was broad-based in all types and sectors

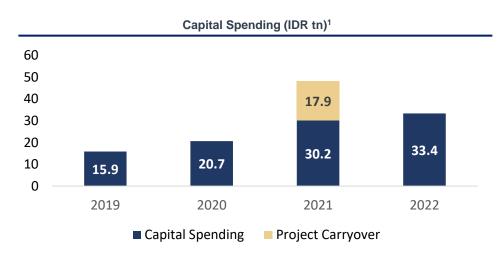


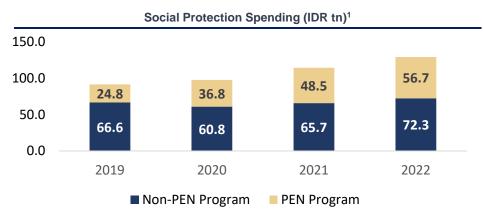
Maintained Acceleration Of Government Spending

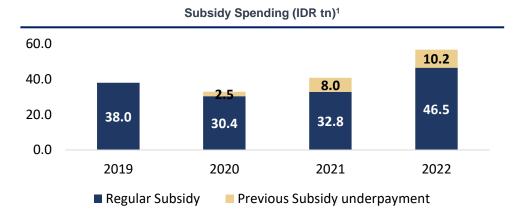


The success of controlling Covid-19 reduces overall costs and increases capacity for other government spending





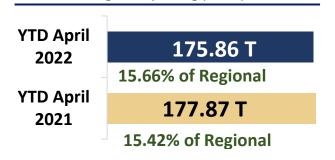




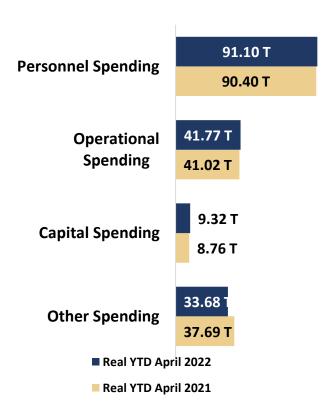
2022 Regional Bugdet Spending Continues To Be Improved







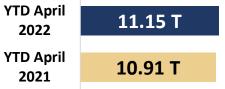
Regional Spending (IDR tn)



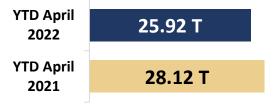
Regional Spending by Type (IDR tn)

Regional Spending by Function (IDR tn)

Economy Spending



Health Spending



Social Protection Spending

YTD April 2022	1.72 T
YTD April 2021	2.83 T

The National Economic Recovery Program (PEN) Has Effectively Cushioned The Impact of The Pandemic



The program continues to offer support for communities during hard times and accelerate the economic recovery

PEN 2020: IDR 575.9tn (realized)

National Economic Recovery Program (PEN) was enacted in response to the Covid-19 pandemic handling and was aimed at saving lives and supporting the economy

HEALTH SECTOR IDR62.7tn

SOCIAL PROTECTION IDR216.6tn

PRIORITY PROGRAMMES IDR65.2tn

CORPORATION & MSMEs SUPPORT IDR173.0tn BUSINESS INCENTIVES IDR58.4tn

PEN 2021: IDR 658.6tn (realized)

Initial PEN 2021 figures were lower than 2020, however, due to new developments of the Covid-19 outbreak, particularly on the delta variant in July, **PEN** was strengthened for social protection expansion and hospital costs

HEALTH SECTOR IDR198.5tn SOCIAL PROTECTION IDR171.0tn

PRIORITY PROGRAMMES IDR105.4tn CORPORATION & MSMEs SUPPORT IDR116.2tn BUSINESS INCENTIVES IDR67.7tn

ALLOCATION PEN 2022: IDR 455.6tn (realized*: IDR 80.8tn)

HEALTH SECTOR

Allocation

IDR 122.5 T

Vaccination Program, Treatment Cost, Pandemic Handling, and Health Worker incentives. SOCIAL PROTECTION

IDR 154.8 T

Social Assistance Programs, preemployment program, and Job Loss Support **ECONOMIC RECOVERY**

IDR 178.3 T

Labor Intensive Program, Tourism Supports, Food Security, Industry and IT-related program, and Business Incentives and Supports The allocation for Health Sector and Social Protection will later be adjusted, following the development of Covid-19 pandemic

Realized*

IDR 15.2 T

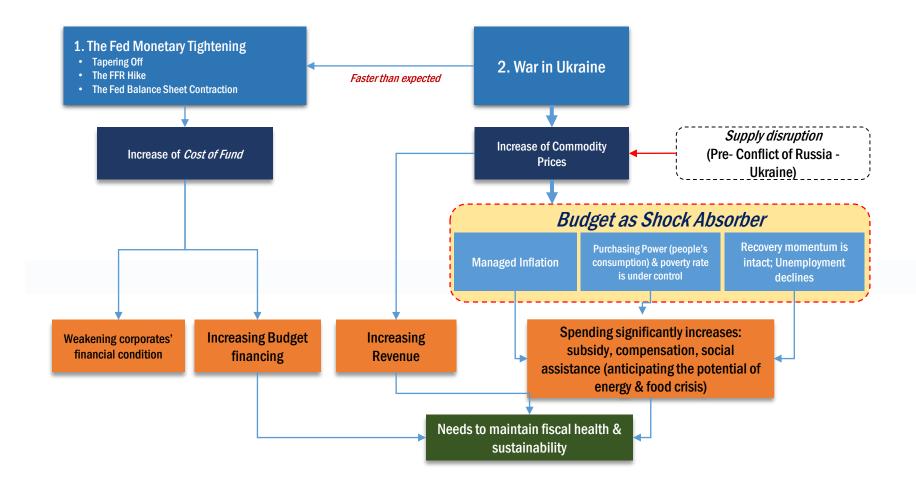
IDR 51.1 T

IDR 14.5 T

Source: Ministry of Finance *as of May 13, 2022

The Budget Plays an Important Role as Shock Absorber in The Current High Inflationary Pressure Environment





2022 State Budget Change Due to Incresing In Indonesia Crude Oil Price Outlook



The increase of Government revenues is followed by the increase of Government expenditure with a decreasing deficit

Account	2021	2022						
(IDR T)	Unaudited	Budget	Realization YTD April	% of Budget	Outlook	Diff to Budget		
A. Revenue	2,011.4	1,846.1	853.6	46.2	2,266.2	420.1		
I. Tax Revenue	1,547.9	1,510.0	676.1	44.8	1,784.0	274.0		
II. Non-tax Revenue	458.5	335.6	177.4	52.9	481.6	146.1		
B. Expenditure	2,786.4	2,714.2	750.5	27.7	3,106.4	392.3		
I. Central Government	2,000.7	1,944.5	508.0	26.1	2,301.6	357.1		
1. Line Ministries	1,190.8	945.8	253.6	26.8	945.8	3.0		
2. Non-Line Ministries	809,9	998.0	254.4	25.5	1,352.9	354.1		
a. Energy Subsidy	140.4	134.0	46.4	34.6	208.9	74.9		
b. Fuel and Electricity Compensation	47.9	18.5	18.5	100.0	293.5	275.0		
c. Adjustment on Education's budget	-	19.0	-	-	46.0	23.9		
d. Additional Social Protection budget	-	-	-	-	18.6	18.6		
II. Regional Transfer & Village Funds	785.7	769.6	242.4	31.5	804.8	35.2		
C. Primary Balance	(431.5)	(462.2)	220.9	(47.8)	(434.4)	27.8		
D. Surplus (Deficit)	(775.0)	(868.0)	103.1	(11.9)	(840.2)	27.8		
% to GDP	(4.57)	(4.85)	0.58		(4.50)	0.35		
E. Financing	871.7	868.0	142,7	16.4	840.2	(27.8)		
- Debt Financing	870.5	973.6	155.9	16.0	943.7	(29.9)		
- Education Financing	0.0	(49.5)	-	-	(97.4)	(47.9)		
- Surplus of Financing	144.0	77.3	0.0	0.0	127.3	50.0		

Government Budget responses to high commodity prices
(ICP change from USD 63 to USD100)

The Outlook for Government Revenue in 2022 is estimated to reach IDR 2,266.2 T

Additional Expenditure budget allocation for Non-Line Ministries Spending:

- a. Energy Subsidy of IDR208.9 T (IDR 74.9 T higher than the Government Budget).
- b. Compensation for fuel & electricity of IDR293.5
 T
 (IDR75.0 T higher than government budget)
- c. Additional social protection of IDR18.6 T
- d. Education Budget Adjustment (mandatory spending)

Transfer to region and village fund takes into account the Additional Revenue Sharing Fund (DBH) to the Regions and optimization of the Physical Specific Allocation Fund (DAK)

- ✓ The deficit will be maintained at 4.50% of GDP Reducing the deficit to keep the cost of debt rising sharply due to inflation and interest rates
- ✓ Accommodating additional Education Financing and utilizing an additional Surplus of Financing of IDR 50T

Voluntary Disclosure Program Has Been Utilized By More Than 46k Taxpayers



STATISTIC OF PARTICIPANTS



PLACEMENT IN GOVT' SECURITY

1. Gov't Bonds : IDR397.51bn and USD5.98 million

2. Gov't sharia security: IDR25.66bn

Note: PPS = Voluntary Disclosure Program

NUMBERS AND FACTS

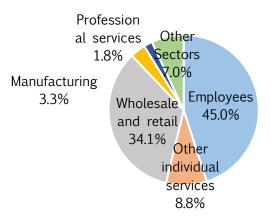
PPS is utilized mostly by personal taxpayers having less than 10 billion assets

No ·	Total Assets in the Tax Return (SPT)	Number of participants	%
1	Up to 10 million	3,596	7.78%
2	10 – 100 million	1,002	2.17%
3	100 million – 1 billion	4,995	10.81%
4	1– 10 billion	19,003	41.11%
5	10 – 100 billion	14,742	31.90%
6	100 billion – 1 trillion	2,688	5.82%
7	1 – 10 trillion	187	0.40%
8	Over 10 trillion	7	0.02%

3 Increasing Trend Over Time



Participants come from various sectors



- 4 PPS will keep optimizing through:
 - 1. Data analysis which has been conducted in both internal and external data.
 - 2. The result of data analysis which contains list of potential taxpayers participating in PPS has been delivered to tax office.

*As of 20 May 2022

Structural Reform as an Accelerator for Strong and Sustainable Economic

Fire wtorm will facilitate further structural reform to bolster long-term potential growth

Comprehensive Structural Reform



Structural reforms to improve productivity





Structural reforms along with fiscal reforms

Several Structural Reform Agenda has Taken Place



Launched on Aug 9th 2021 to speed up business licensing progress

Fiscal Reform



Implementati on of wages and Job Loss Guarantee Program





Positive list of investment to improve priority sectors





Climate
Change Fiscal
Framework
(CCFF) &
Energy
Transition
Mechanism

Tax Reform

- Voluntary Disclosure Program has been running
- VAT rate increasing to 11% since April 1st
- Other policy changes to be anticipated:
 - Integration of ID number and taxpayer number
 - Strengthening excise mechanism
 - Income tax policy change
 - Introduction of carbon tax

Impact: Broadening the tax base, raising tax ratio, improving compliance, enhancing fairness, and supporting MSMEs.

Law on Intergovernmental Transfer

- Reducing vertical and horizontal inequalities
- Harmonization of central and local government spending
- Quality local government spending
- Strengthening local taxing power

Impact: Efficient Allocation of National Resources by Developing Transparent and Accountable Financial Relationships Between the Central and Local Governments

Further Structural Reform Agenda

- Reforms on Financial Sector
- Reforms on Logistic (LSNW)
- Budgeting reforms

UTILIZATION OF STRUCTURAL REFORM OPPORTUNITIES

FOR ACCELERATION OF ECONOMIC GROWTH

2022 Budget Financing



Economic Recovery and Structural Reform

Description (IDR Trillion)	Budget 2022
A. State Revenue	1,846.1
1. Tax Revenue	1,510.0
2. Non-tax Revenue	335.5
3. Grants	0.6
B. State Expenditure	2,714.2
Central Government Expenditure	1,944.5
2. Regional Transfer & Village Fund	769.6
C. Primary Balance	(462.2)
D. Surplus (Deficit)	(868.0)
% of GDP	(4.85)
E. Financing	868.0

Macroeconomic Assumption for 2022 Budget



Economic Growth



3.0%



Exchange Rate 14.350 IDR/USD



10 years T-Bills



per barrel



thousand barrel/day



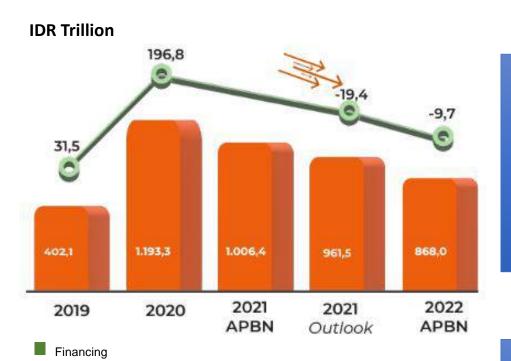
thousand barrel of oil equivalent/day

The main points of fiscal policy:

- (1) Consolidating economic recovery while still prioritizing the handling of the health sector as the key to economic recovery;
- (2) Social protection programs that strengthen the foundations of social welfare, alleviate poverty and vulnerability, including strengthening the leverage of MSMEs and the business world to be able to rise again stronger and more resilient;
- (3) Supporting increased competitiveness and productivity by implementing structural reforms (UU Cipta Kerja) and fiscal reforms; and
- (4) Optimizing revenue and strengthening spending better, both in the Central Government and in regional governments, as well as financing innovations in the context of equitable and sustainable fiscal consolidation.

Budget Financing Growth





Growth (%)

2019

Consistently implementing expansionary fiscal policy, but always controlling the budget deficit within safe limits and within the level of risk appetite.

Prior to the Covid-19 pandemic, budget financing had been successfully reduced by IDR 402.1 trillion 2020

There was a widening of the budget deficit above 3% of GDP along extraordinary steps in dealing with the Covid-19 pandemic in 2020

Budget financing increased to finance the widening of the deficit related to spending on the Covid-19 pandemic

2021

The 2021 Outlook budget deficit continue gradually decrease, through the implementation of fiscal consolidation and budget refocusing

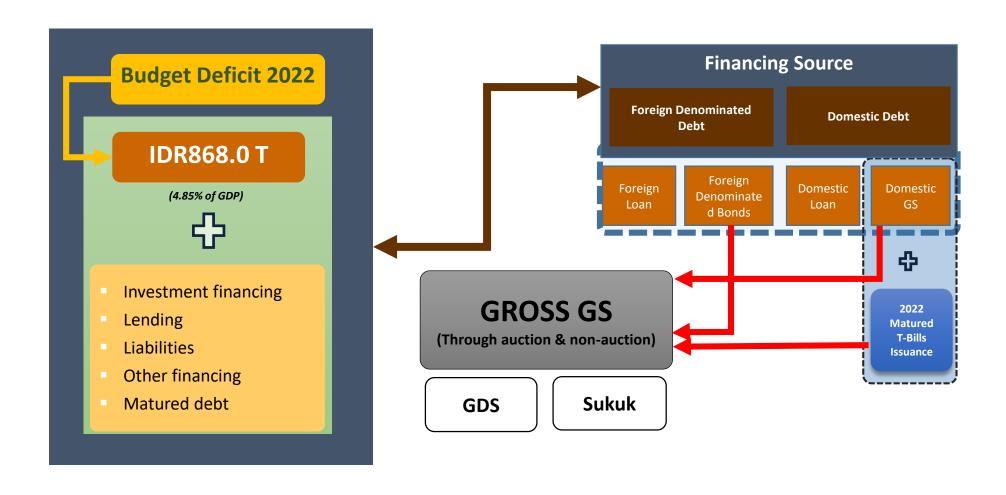
2022

Debt financing targets to be under control and decline with fiscal consolidation and budget refocusing

Continuing coordination with Bank Indonesia in fulfilling financing

2022 Financing Needs



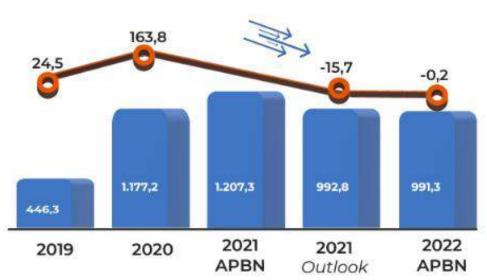


Deficit Financing 2022

Through Net SBN Issuance







GS

Growth (%)

Debt Management Strategy

> Prudent

Controlling debt risk and managing debt carefully and prudently to support fiscal consolidation and APBN sustainability

> Portfolio balance

Priority for issuance of SBN in the domestic market to control risk

> Flexibility

Optimizing non-debt sources Utilizing cash loans within the framework of flexibility

> Efficient

Market development and deepening (including supporting the issuance of regional bonds/sukuk) coordination with BI in financing fulfillment

GS Financing Realization 2022



(T	r	il	١	i	ıc	า	١	D	R
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	(TITITOTI IDK)
	Realization
	(ao. May, 2022)
Government Securities (GS)	412.58
Government Debt Securities (GDS)	255.90
IDR Denominated GDS	237.42
- Coupon GDS	171.39
- Conventional T-Bills	32.35
- Private Placement (+ Voluntary Disclosure Program)	8.61
- Retail Bonds	25.07
Foreign Denominated Bonds	18.49
- SEC USD-EUR (- Buyback LM)	18.40
- Samurai Bond	0.00
- SDG Bonds	0.00
- Valas Voluntary Disclosure Program	0.09
Sovereign Sharia Securities (Sukuk)	156.68
Domestic Sovereign Sharia Securitoes	109.02
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk	81.96
- Retail Sukuk	18.41
- Private Placement	8.65
Global Sukuk	47.66
BI Purchase (SKB III)	-

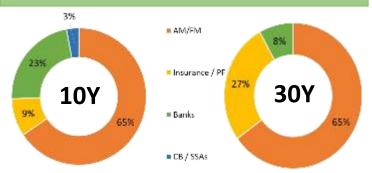
Republic Of Indonesia USD1.75 Bn Global Bonds Issuance & Liability Management USD1.57bn



Investor Breakdown by Region



Investor Breakdown by Investor Type



Transaction Highlights

- Skillfully navigated through the challenging market backdrop and a 30-year tranche represents the longest tenor issued by an Asian Sovereign in 2022YTD.
- Strong orderbook allowing significant price tightening from IPG

Issuer	Republic of Indonesia		
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Negative) BBB Fitch (Stable)		
Format	SEC-Registered Shelf Take-Down		
Pricing Date	March 22, 2022		
Settlement Date	March 31, 2022		
Issue Size	USD1,75 bn		
Tenor	10year	30year	
Maturity	March 31, 2032	March 31, 2052	
Tranche Size	USD1,0 bn	USD750 milion	
Coupon (p.a.)	3.550%	4.300%	
Price	99.583	99.167	
Yield (p.a.)	3.600% 4.350%		
Listing	Singapore, Frankfurt Stock Exchange		
Use of Proceeds	To repurchase certain of the Republic's outstanding global bonds pursuant to its tender offer separately announced on March 22, 2022, including related costs and expenses thereof, and any remaining net proceeds for the general purposes of the Republic		

Tender Offer Result

- On March 29, 2022, Republic of Indonesia announced the results of its second Tender Offer Exercise (the "Tender Offer" or "Liability Management Exercise") launched on nine series of Notes (the "Old Bonds").
- The Republic repurchased a total nominal amount of USD 467,485,000, accepting in full instructions received on its 5.375% Global Bonds due 2023, 5.875% Global Bonds due 2024, and 4.450% Global Bonds due 2024, while applying a pro-ration factor of 21.06% on its 4.750% Global Bonds due 2026. The Republic did not accept instructions received on the other series of the Old Bonds. The total cash consideration amounted to USD 499,999,756.
- The table below sets forth, for each series of Old Bonds accepted for purchase, the principal amount accepted for purchase, and where applicable, the proration factor:

Old Bonds	Principal Amount Accepted for Purchase	Proration Factor
2.950% due 2023	U.S.80	N/A
3.375% due 2023	U.5.50	N/A
5.375% due 2023	U.S \$61,449,000	100%
5.575% due 2024	U.S.\$273,615,000	100%
4,450% due 2024	U.S \$52,152,000	100%
4.125% due 2025	U.S.80	N/A
4.750% due 2026	U.S \$80,268,000	21.06%
4.350% due 2027	U.5.50	N/A
3.550% due 2027	0.5.50	N/A

 This Liability Management Exercise is a part of the Republic's general cash management program and its broader program to manage its external liabilities. This is the second buyback exercise by the Republic in the past 12 months following the first Liability Management Exercise conducted in September 2021 and is in line with the Republic's goals of extending its debt maturity profile and achieving cost savings through the reduction of interest expense.

REPUBLIC OF INDONESIA GLOBAL SUKUK US\$3.25bn



Summary of Terms & Conditions

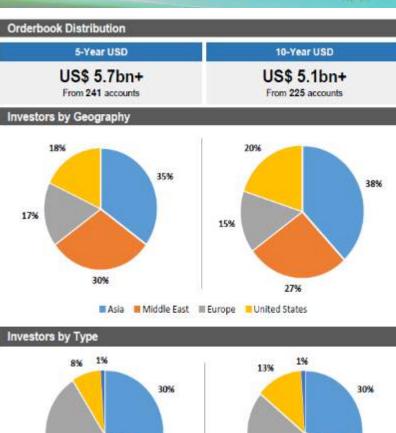
Issuer	Republic of Indonesia through Perusahaan Pe	nerbit SBSN Indonesia III
Issue Format	144A / Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate Issuance Programme	Trust Certificate ("Sukuk") issued under a USD\$35 billion
Country of Transaction	Indonesia	
Issuer Ratings (M/S/F)	Baa2 stable (Moody's) / BBB stable (S&P) / BB	B stable (Fitch)
Issue Ratings (M/S/F)	Baa2 (Moody's) / BBB (S&P) / BBB (Fitch)	
Pricing Date	24 May 2022	
Settlement Date	06 June 2022 (T+8)	
Tenor	5Y Sukuk	10Y Green Sukuk
Maturity Date	6-Jun-27	6-Jun-32
Tranche Size	USD1.75 billion	USD1.50 billion
Profit Rate	4.40% Fixed, Semiannual, 30/360	4.70% Fixed, Semi-annual, 30/360
Re-Offer Price	100.00%	100.00%
Reoffer Spread	UST + 164.4bps	UST + 193.3bps
144A ISIN	US71567PAU49	US71567PAV22
Reg S ISIN	US71567RAU05	US71567RAV87
Use of Proceeds	General financing requirements	In line with ROI's SDGs Government Securities Framework
Other Details	USD200k/1k denoms., English / Indonesian La	
Listing	SGX-ST and Nasdaq Dubai	
Joint Bookrunners	CIMB, Deutsche Bank (B&D), Dubai Islamic Ba	nk, HSBC, and Standard Chartered Bank
Co-Managers	PT BRI Danareksa Sekuritas and PT Trimegah	Sekuritas Indonesia Tbk

Achievement

- The largest ever Global USD Sukuk transaction from the Republic
- The largest Green Sukuk tranche ever printed by the Republic
- · The largest issuance from Indonesia year to date
- The first Green Sukuk tranche in 10 year maturity by the Republic

Transaction Highlights

- The final order size amounted to US\$10.8 bn combined, or an oversubscription rate or more than 3.3x or the issuance.
- · The green tranche was issued under the 10 year tenor, which is also the largest green tranche ever issued by the Republic.
- This aptly demonstrates the Republic's dedication and commitment to Green and sustainable finance, as well as diversifying financing methods in the effort against climate change.



49%

■ Banks ■ CBs/Ols ■ Fund Managers ■ Ins/Pension ■ PBs/Others

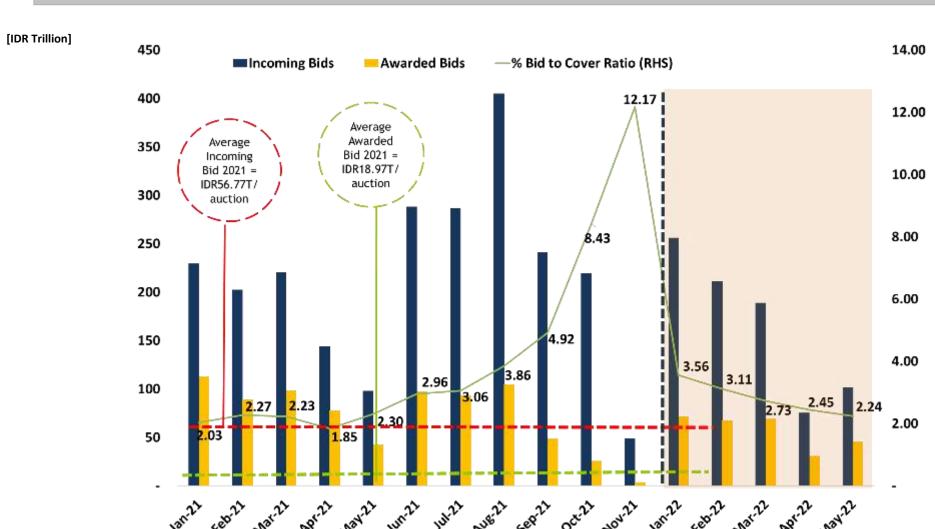
GS Primary Market Performance 2021 - 2022

Through Auction



84

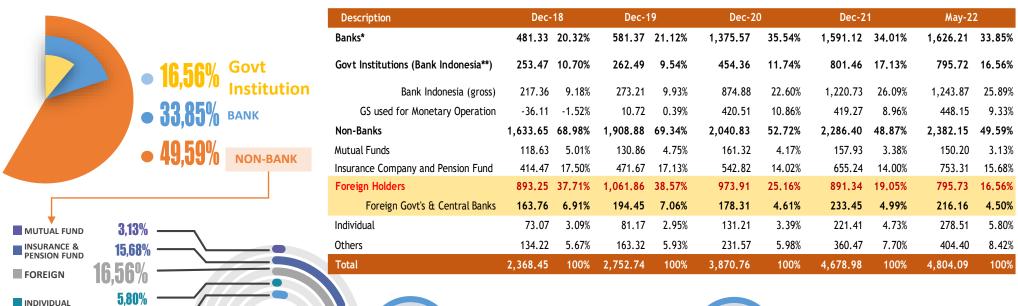
In 2022, average incoming bid = IDR41.72 tn/auction, while average awarded bid = IDR14.29 tn/auction



Ownership of IDR Tradable Government Securities



(IDR tn)



IDR 1.092,02T on January 24, 2020, foreign holders reach a record high in nominal terms.



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

Note:

OTHERS

- 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.

8.42%

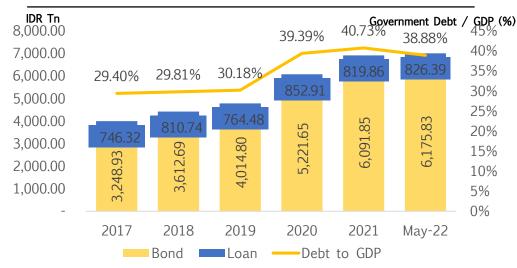
*) Including the Government Securities used in monetary operation with Bank Indonesia.

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

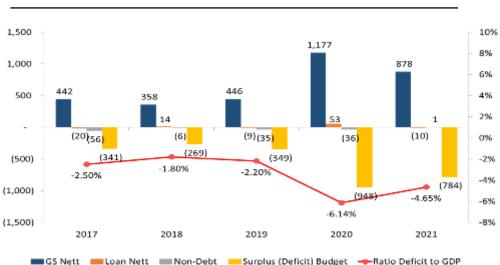
Disciplined and Advanced Debt Portfolio Management



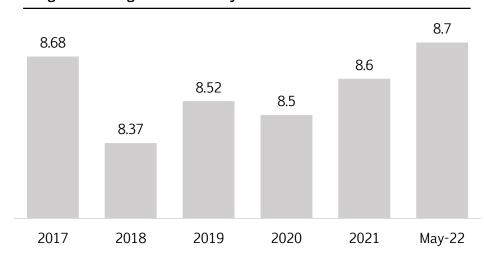




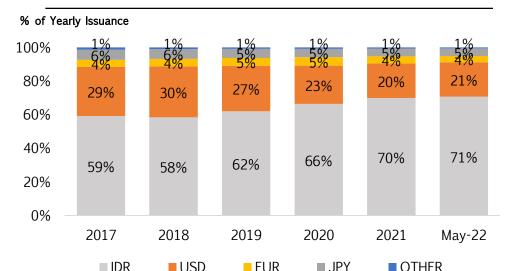
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.7 Years



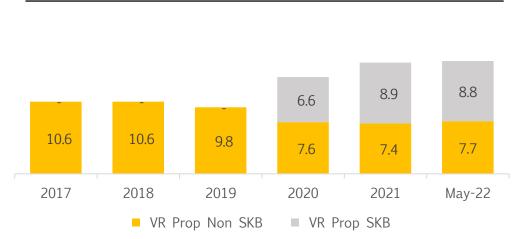
Well Diversified Across Different Currencies



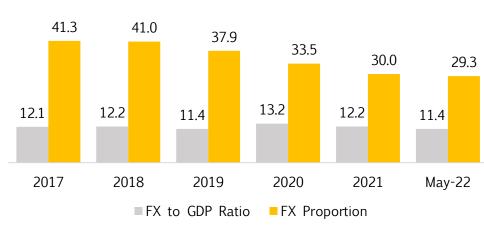
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



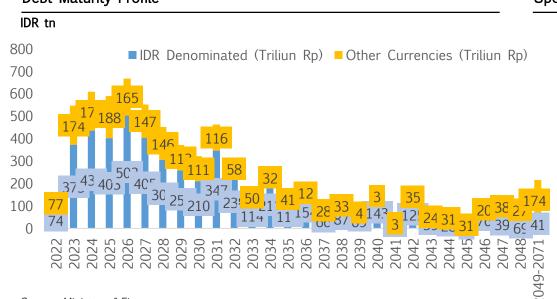




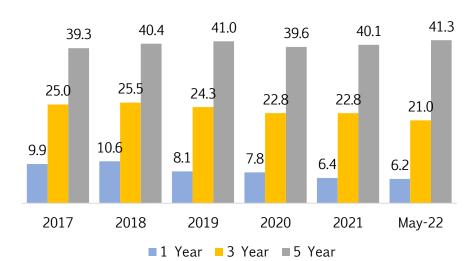
Declining Exchange Rate Risks (%)



Debt Maturity Profile



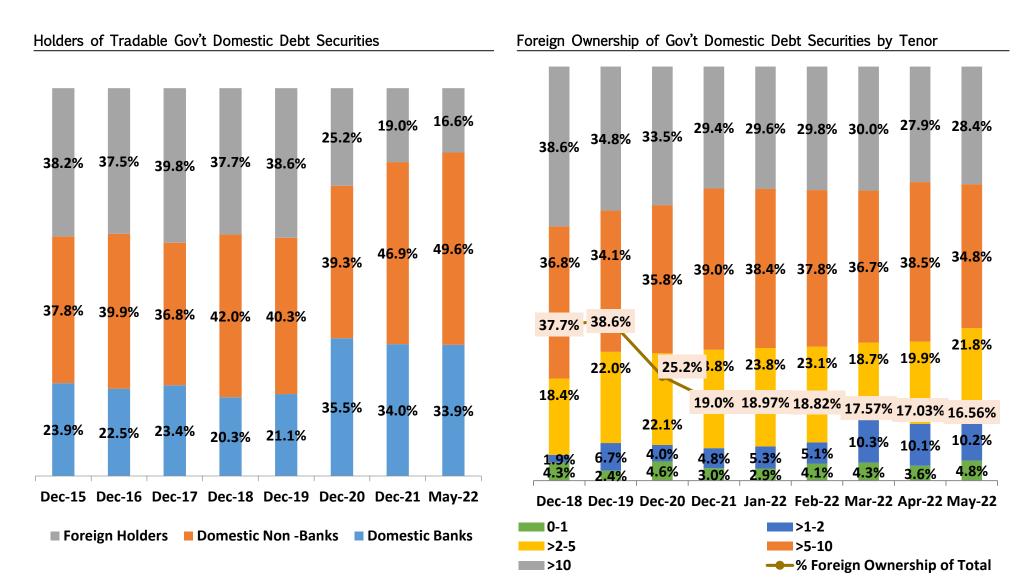
Upcoming Maturities (Next 5 Years)



Holders of Tradable Central Government Securities

Balanced Ownership In Terms of Holders and Tenors





Strengthened Synergy Between Monetary and Fiscal Policy



Background

- The increase in the spread of Covid-19 including the delta variant requires large financing, among others, for handling health and humanity as a result of the COVID-19 pandemic
- 2. The government and Bank Indonesia (BI) are coordinating solidly, in which BI actively participates in the purchase of SBN in the primary market, including the contribution to health and humanitarian financing.
- 3. The agreement between the Government and BI is stated in the Joint Decree of the Minister of Finance and the Governor of Bank Indonesia concerning the Scheme and Coordination Mechanism between the Government and Bank Indonesia in the Context of Financing for Health and Humanitarian Management to Handle the Impact of the Corona Virus Disease 2019 (COVID-19) Pandemic through Purchases in the Market Initial by Bank Indonesia on Government Securities and/or Government Sukuk (or referred to as SKB III)

Principles



- 1. Maintaining fiscal space and fiscal sustainability in the medium term
- 2. Reduce the APBN deficit gradually below 3% in accordance with the provisions of the legislation
- 3. Maintaining the exchange rate stability, interest rate and inflation under control
- 4. Prioritizing credibility and integrity of fiscal and monetary management
- 5. Encouraging sustainable economic growth
- 6. Maintaining financial sustainability of the Government and Bank Indonesia

Strengthened Synergy Between Monetary and Fiscal Policy

Policy Synergy Between Bank Indonesia and the Government Contributes to the Acceleration of Economic Recovery



The Enactment of Emergency Law No.1 / 2020 (Becoming Law No.2 / 2020) Allows BI to Buy GS in the Primary Market

1st Joint Decree between Minister of Finance and Governor of Bank Indonesia (BI) on April 16, 2020 (SKB I). The role of BI is to act as backstop buyer in the primary market

2nd **Joint Decree** between Minister of Finance and Governor of BI on July 7, 2020 amended with Joint Decree on July 20, 2020 (SKB II) puts in place the **burden sharing scheme** between Government and BI

3rd Joint Decree Between Minister of Finance and Governor of BI on August 23, 2021 (SKB III)

The Third Joint Decree concerns the scheme and coordination between the Government and Bank Indonesia in the context of financing **healthcare and humanitarian handling** as a response to the current condition of the COVID-19 pandemic

GOVERNMENT SECURITIES (SBN) ISSUANCE AND BI CONTRIBUTION SCHEME

- BI contributes all interest costs on the financing for vaccination and healthcare with a maximum amount of IDR58T (2021) and IDR40T (2022), taking into account BI's balance sheet capacity and capability
- The remaining interest costs for financing other health care as well as humanitarian handling will be covered by the Government with a reference interest rate for BI RR 3M (below market rate)

Cluster A

2021 → IDR58 T 2022 → IDR40 T

Cluster B

2021 → IDR157 T

2022 → IDR184 T

Cluster A:

 Healthcare includes vaccination program and other healthcare financing related to COVID-19 pandemic

Cluster B:

- Healthcare related to COVID-19 pandemic other than Cluster A
- Humanitarian handling in the form of various protection programs for affected communities/ small businesses

Interest Rate Bl reverse repo 3 Months Tenor



BANK INDONESIA

Interest Rate BI reverse repo 3 Months Tenor



GOVERNMENT

- The issuance of Government
 Securities is done through a private placement: reducing the target for SBN auction and manage cost of debt
- All Government
 Securities are issued
 at variable rate
 using BI 3-month
 Reverse Repo
 Interest Rate.
- · SBN is tradable and marketable

Source: Ministry of Finance, Bank Indonesia



Section 6

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

Bank Indonesia's Policy Mix

Synergy Maintaining Stability and Strengthening National Economic Recovery



- Monetary policy towards maintaining stability
- Strengthening exchange rate policy to maintain Rupiah stability in line with the market mechanism and economic fundamental.
- Accelerating liquidity policy normalization by incrementally raising Rupiah reserve requirements
- Low interest rate until early sign of pressure in core inflation
- Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the monetary policy transmission
- Controlling inflation through Inflation Control Team in national and regional level
- Supporting the State Budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability
- Supporting national economic recovery program in cooperation with the MOF
- Strengthening 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



- Strengthening the accommodative macroprudential policy stance in 2022 to revive bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability
- Increasing incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or meeting the target Macroprudential Inclusive Financing Ratio (RPIM) from 1st September 2022
- Strengthening implementation of the RPIM, primarily through bank commitment to the RPIM target, based on the expertise and business models available
- Accommodative macroprudential policy stance by:
 - Relaxing the Loan / Financing-to-Value (LTV / FTV) ratio on housing loans / financing
 - Relaxing down payment requirements on automotive loans / financing
 - Holding the countercyclical buffer (CCB) at 0%
 - Macroprudential Intermediation Ratio (MIR) in the 84-94% range
 - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, and the Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%

- Accelerating foreign exchange market deepening to support rupiah exchange rate stability, while expanding the availability of hedging instruments and promoting international trade and investment.
- Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the forex market
- Accelerating infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
- Developing Money Market Development Blueprint 2025
- Promoting inclusive and green economy and finance

- Accelerating payment system digitalization to stimulate economic recovery, particularly household consumption, while advancing an inclusive and efficient economy and finance
- Increasing the QRIS transaction limit from Rp5 million to Rp10 million per transaction, from 1st March 2022, to drive private consumption and accelerate the national economic recovery
- Strengthening payment system policy to reinforce economic recovery and accelerate inclusive digitalization by:
 - Extending the grace period on a min credit card payments and late fees from 30th June 2022 previously to 31st
 Dec 2022 to support credit card transactions while mitigating credit risk.
 - Extending the 0% QRIS merchant discount rate (MDR) for micro merchants from 30th June 2022 previously to 31st Dec 2022 to continue efforts to expand the digital ecosystem and boost transactions, particularly amongst MSMEs.
- Strengthening and expanding electronification: Social program, e-payment for Government
- Increasing the number of participants, expanding the services and garnering greater acceptance of BI-FAST for more efficient transactions between banks and members of the public

Source: Bank Indonesia

Bank Indonesia Policy Mix: June 2022





The BI Board of Governors agreed on 22nd and 23rd June 2022 to hold the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%













Hold the BI 7-Day Reverse Repo Rate at 3.50% Strengthening exchange rate policy to maintain Rupiah stability and to support managing inflation in line with market mechanisms and economic fundamentals.

Accelerating liquidity policy normalisation by strengthening the effectiveness of increasing reserve requirements and Rupiah monetary operations

Maintaining prime lending rate transparency in the banking industry with a focus on the overhead cost component Extending low National Clearing System (SKNBI) fees of Rp1 from Bank Indonesia to the banking industry and up to Rp2,900 charged by banks to their customers from 30th June 2022 to 31st December 2022 to increase cost efficiency and stimulate economic activity, while facilitating financial transactions to foster economic recovery.

Strengthening international policy by expanding cross-border payment connectivity, promoting trade and investment in priority sectors in synergy with the relevant institutions as well as ensuring the success of the six priority agendas in the Finance Track of Indonesia's G20 Presidency in 2022.

Source: Bank Indonesia

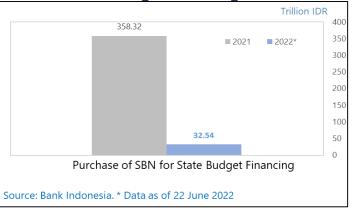
The Policy to Normalize Liquidity Continues Without Disrupting Liquidity in The Banking System



Principles for Long Term Government Bond Purchasing by Bank Indonesia in the Primary Market



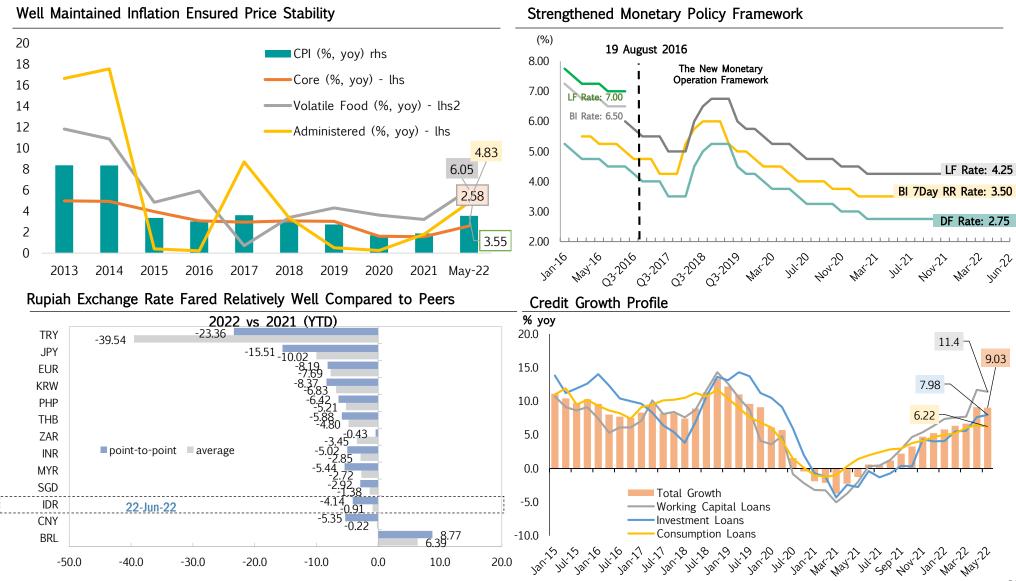
SBN Purchases by Bank Indonesia for State
Budget Financing



- The initial phase of higher Rupiah reserve requirements and RR incentives, introduced on 1st March 2022, has absorbed approximately Rp119 trillion of liquidity in the banking industry without eroding the banks' ability to disburse loans/financing to the corporate sector or purchase SBN to fund the State Revenue and Expenditure Budget (APBN).
- In May 2022, the ratio of liquid assets to third-party funds remained high at 30.80%, thus supporting the banking industry's ability to disburse loans. Bank Indonesia increased the Rupiah RR incentives in June 2022, demonstrating support for bank loans to priority and inclusive sectors.
- Meanwhile, through fiscal-monetary coordination in accordance with the Joint Decree of the Minister of Finance and Governor of Bank Indonesia, effective until 31st December 2022, Bank Indonesia has continued to purchase SBN in the primary market to fund the national economic recovery as part of the State Budget in 2022 totalling Rp32.54 trillion (as of 22nd June 2022) via primary auction, greenshoe options and private placement.
- In May 2022, liquidity in the economy remained ample, as reflected by narrow money (M1) and broad money (M2) aggregates, which grew 18.37% (yoy) and 12.15 % (yoy) respectively.

Source: Bank Indonesia 9,

Manageable Monetary Environment Despite Increasing Global Uncertaint



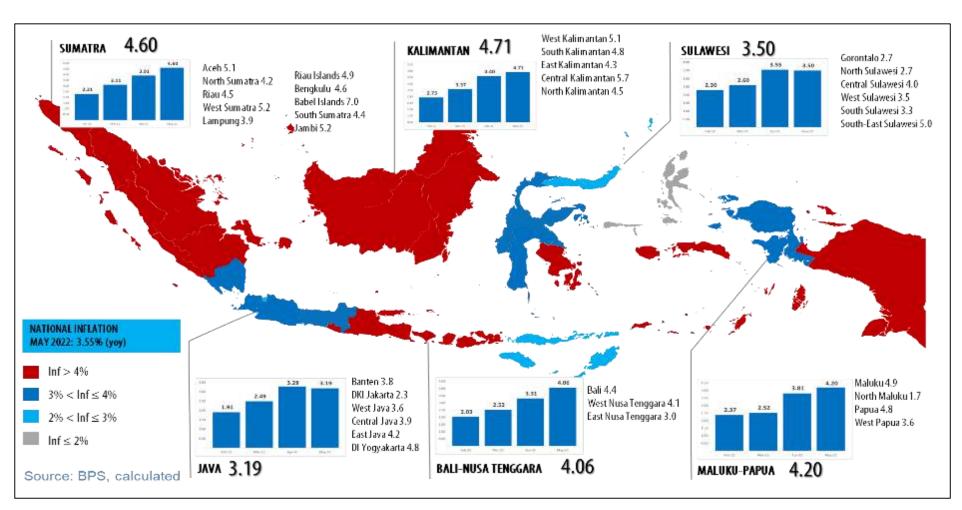
Source: Reuters, Bloomberg (calculated)

Regional Inflation Remains Under Control

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



Regional Inflation, May 2022



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

5 Strategies to Achieve the Inflation Target



2022 Target

Achieving inflation at 3,0%±1%

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

5 Strategies

Strengthening
policy
coordination to
maintain
macroeconomic
stability and
nurture national
economic recovery
momentum

Mitigating the impact of upside risks, including global liquidity policy normalisation and rising international commodity prices, on inflation and public purchasing power

Controlling inflationary pressures on volatile food within the 3.0-5.0% range by maintaining supply availability and orderly distribution, particularly during national religious holidays. Strategy implementation is focused on optimising the use of technology and end-to-end agricultural digitalisation, increasing connectivity and strengthening interregional cooperation

Strengthening policy communication synergy to anchor public inflation expectations

Strengthening
coordination between the
central and regional
governments to control
inflation through the
National Coordination
Meeting on Inflation
Control 2022, entitled
Food MSME Digitalisation
for Access and Price
Stability

Signs of Recovery in Financial Intermediations

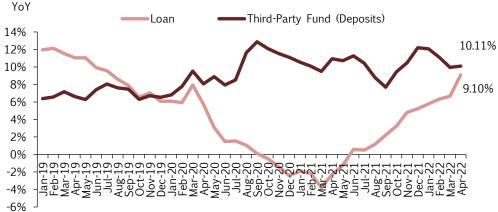


As the economy continues its recovery, bank loans experience growth, supported by consumer and MSME loans, while the funding side grows at a slower pace, indicating a growing lending appetite.

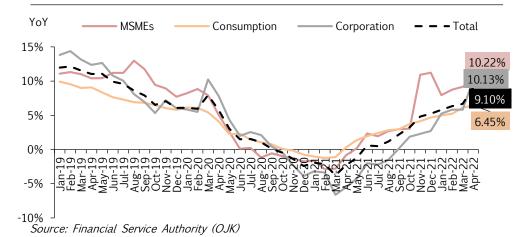
indicating a growing lending appetite.



In April 2022, bank loans continued to grow by 9.10% (y-on-y) while TPF grew relatively stable at 10.11% (y-on-y).

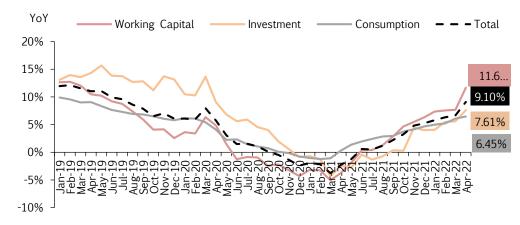


Loan growth by segmentation continued to improve in **April 2022**, driven by the Micro, Small, and Medium Enterprises (MSMEs) loans which grew by **10.22%** (y-on-y).



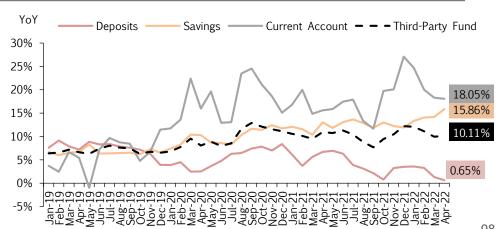


Based on types of loans, bank credit grew higher than the previous year, particularly Working Capital loans with 11.67% (y-on-y) growth in April 2022, indicating that businesses are gradually recovering.





In **April 2022**, TPF grew as lending appetite started to recover, supported by Current Account and Savings which grew by **18.05**% and **15.85**% **(y-on-y)**, respectively.



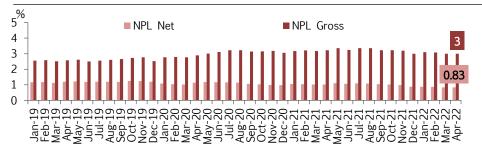
Manageable Credit Risks with Ample Liquidity



The banking industry is equipped with ample liquidity, strong capitalization, and manageable credit risk maintained below the threshold. Profitability is also recorded at a steady level.

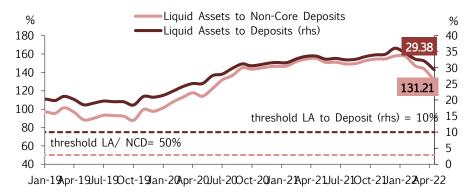


Banking NPL ratios continued to improve with the value below the threshold at 3% gross and 0.83% net as of April 2022.





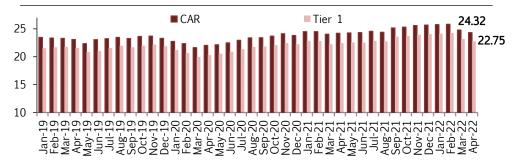
Liquid Assets to Non-Core Deposits and Liquid Assets to Third-Party Funds (Deposits) remained well-above the thresholds, following banks' cautious appetite for lending. *)



Source: Financial Service Authority (OJK)



CAR of the banking sector was steadily high and stable with a value of **24.32%** and Tier-1 capital stood at **22.75%** as of **April 2022**.*)



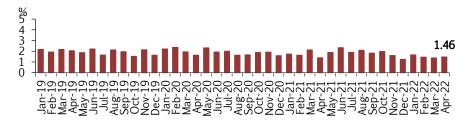


Net Interest Margin and Return on Assets of the banking industry **remained stable** at 4.63% and 2.32% respectively in **April 2022**.



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Net Open Position was maintained well below the maximum limit of 20% and was recorded at **1.46%** in April 2022.



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

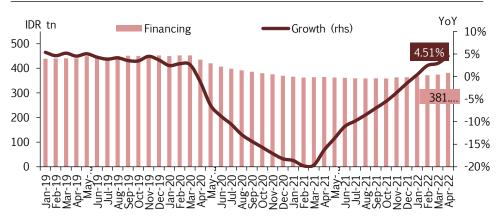
Multi-finance Companies' Performance Continues to Improve



Multi-finance companies' performance continues to improve, shown by growing financing, manageable NPF and a stable gearing ratio.

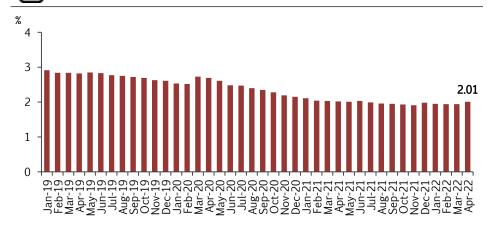


In **April 2022**, financing stood at **IDR381.16** Tn and continued to grow **positively** (4.51% y-on-y).



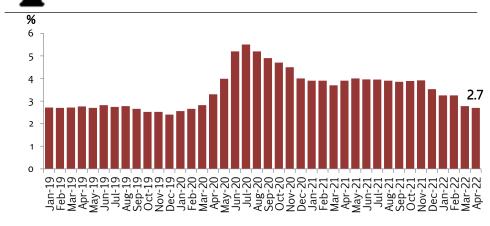


Gearing ratio of multi-finance companies remained stable and below the threshold with a ratio of **2.01** times in **April 2022.**



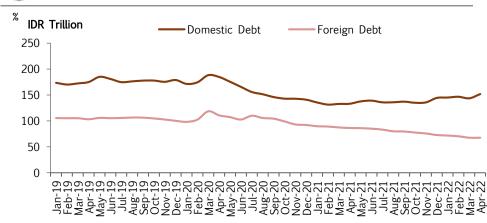


NPF of multi-finance companies remained below the 5% threshold and was returning to the pre-pandemic level at **2.7%** as of **April 2022**. *)





Multi-finance companies' exposure to foreign and domestic debt remained low despite an increase in the domestic debt. *)



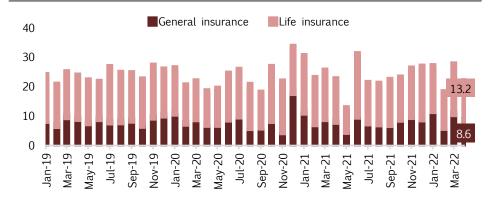
Manageable Insurance and Pension Risks with Adequate Performance



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

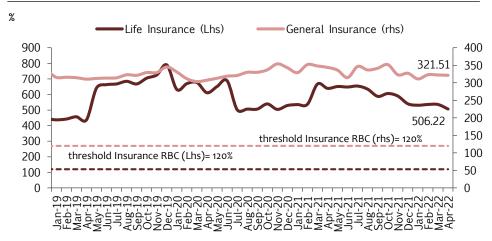


In April 2022, insurance premium marked a total increase of **IDR21.8 Tn** (mto-m) with General and Life insurance added premium at **IDR8.6 Tn** and **IDR13.2 Tn** respectively.



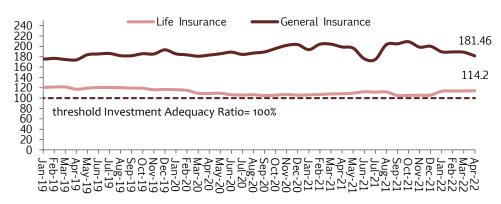


RBC of the insurance industry remained well above the minimum threshold (120%) with Life Insurance at 506.22% and General Insurance at 321.51% in April 2022.



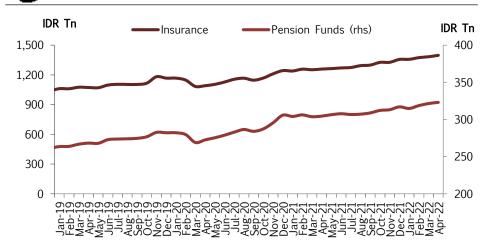


In **April 2022**, both General Insurance and Life Insurance Investment Adequacy Ratios were steadily kept above the threshold.





In **April 2022**, both insurance and pension fund investment values remained stable at **IDR1,396.81** Tn and **IDR323.05** Tn, respectively.



Domestic Capital Market Performance Amid Global Challenges



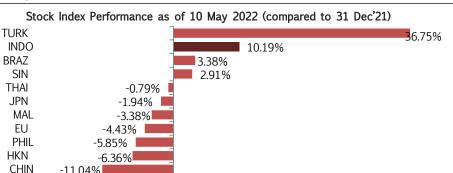
Despite the Fed's hawkish stance, investors are still optimistic for a faster economic recovery, supported by the progress of 3rd vaccination rates.

(% YTD)

30%

40%

Following The Fed's tightening stance and persistent conflict, the global stock market, particularly in Advanced Economies endured guite a fall to the negative zone.





US

S KOR

WORLD

-11.04%

-11.19%

-10%

0%

-12.02%

-13.76%

-20%

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

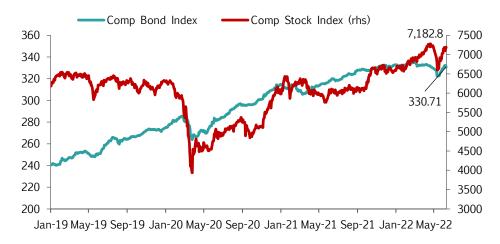
10%

20%



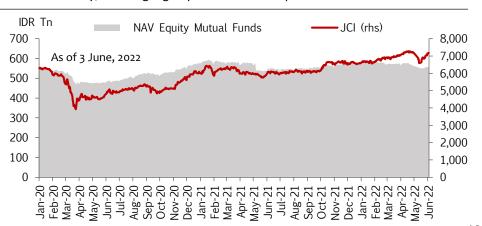


Composite Bond and Stock Index continued to move positively in April-May 2022, reflecting public confidence in the market.





Net asset value (NAV) of equity mutual funds was stable with low volatility, showing high optimism in the capital market.



Source: Reuters and Ministry of Finance

Domestic Capital Market Performance (continued)

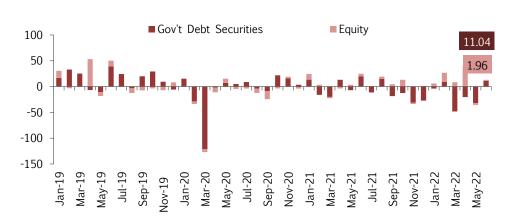


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Several capital market indicators still show a favorable performance and remain stable.

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Non-resident portfolios of equity & government bonds recorded a **net buy** of **IDR13 Tn as of 10 June 2022,** while the Equity market recorded a **YTD net buy** of **IDR70.58 Tn**.



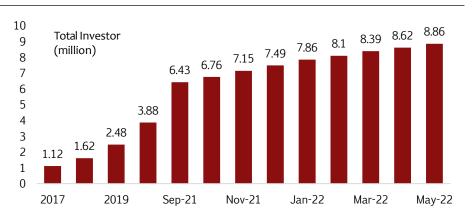


Total of securities issuance reached IDR93.51 Tn (YTD) as of **7 June 2022**, indicating maintained trust to economic recovery.





Capital Market Investors continued to increase with a total of **8.86 Mn** investors as of May 2022 or growing **65% (y-on-y).**



Source: Source: Financial Service Authority, KSEI

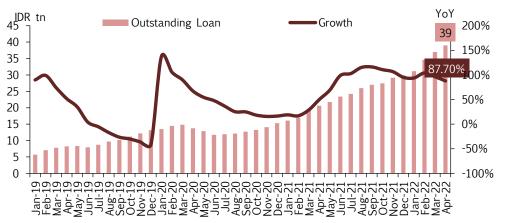
Manageable NPL within Fintech Intermediation



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

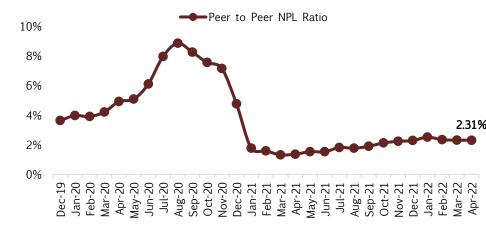


Outstanding loan of P2PL Fintech continued to increase and stood at **IDR39 Tn** or grew by 87.70% (y-on-y) as of April 2022.



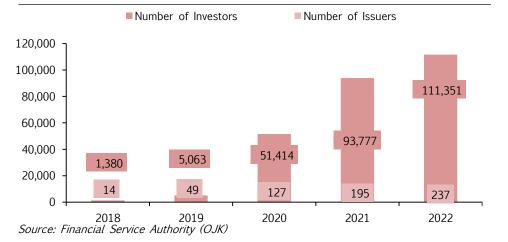


In April 2022, P2PL Non-Performing Ratio decreased to **2.31%**, improving from the 2.32% figure in March 2022.



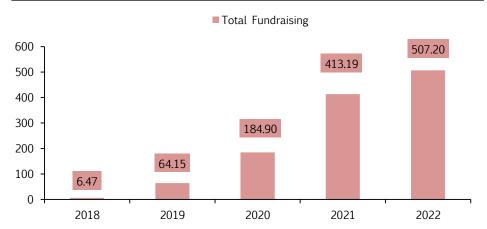


Total number of investors and issuers in Securities Crowdfunding increased and stood at **111,351** and **237** as of 3 June 2022, respectively.





Continuing the positive trend, the total value of SCF fundraising grew and stood at **IDR507.2 billion** as of 3 June 2022.



Five OJK Priority Policies in 2022



Enhancing The Role of the Financial Services Sector in the Context of National Economic Recovery

Increasing Preparedness of the Financial Services Sector for Policy Normalization in Advanced Economies and the Domestic Level



OJK's
Policy Priorities
2022

Developing a Sustainable Financing Scheme in the Financial Services Industry to Boost the Development of A New Economy, prioritizing Green Economy



Strengthening Digital Transformation Policy in The Financial Services Sector

Enhancing Financial Access of All Segments of Society, particularly MSMEs and Improving Financial Literacy as Part of Strengthening Consumer Protection

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

Enhancing Financial Services Sector's Resilience and Competitiveness

	7	•
STRENGTHENING RESILIENCE AND COMPETITIVENESS	DEVELOPMENT OF FINANCIAL SERVICES SECTOR (FSS) ECOSYSTEM	DIGITAL TRANSFORMATION ACCELERATION
Strengthening capital and accelerating consolidation of Financial Services Institutions (FSI)	increasing the role of the FSS in supporting priority economic sectors, MSMEs, job creation and regional development	Support FSS digital transformation innovation and acceleration
Strengthening governance, risk	Establish FSS integration to add value of Sharia Finance in the development of halal	Developing regulatory framework which supports digital financial sector ecosystem
management and market conduct	industry and sharia economic ecosystem	Improving human capital capacity in the financial services sector in line with the
Synchronize FSS regulations and	Expand the financial access and foster public financial literacy	development of the digital industry
supervision by referring to the best practices and/or international standards	Strengthening consumer protection in the FSS	Strengthening the role of research to support FSS digital innovation and transformation
	Accelerating financial market deepening	Accelerate the implementation of IT-based supervision (Suptech) in OJK and use of
Strengthening Integrated Supervision of Financial Conglomerates and	Supporting FSI business expansion to carry out multi- activities business	Regtech by FSS
Cross Cutting Issues	Increase the role of financial services in the sustainable finance to achieve the SDGs	Perform Business Process Reengineering to increase the quality of licensing, regulation an

Source: Financial Service Authority (OJK) 106

Indonesian Financial Literacy National Strategy (SNLKI) 2021 - 2025

Taking into account some strategic programs of Strategi Nasional Literasi Keuangan Indonesia (SNLKI) 2013, SNLKI (Revisit 2017), results from SNLIK 2019, and recommendations from various parties, SNLKI 2021-2025 was launched.

VISIONS

Creating Well Literate Indonesian Society to be Able to Get Suitable Financial Products and Services to Achieve Sustainable Financial Prosperity



3 STRATEGIC PROGRAMS

Financially Competent

Wise Financial Attitude And Behavior

Access To Finance



10 priority targets in the SNLKI 2021-2025

- 1. Students:
- 2. Youths:
- 3. Employees;
- Farmers and fishermen;
- 5. Migrant workers;
- 6. MSMEs;

- 7. People with disability;
- People in 3T
 (Foremost,
 Outermost, Behind)
 areas;
- 9. Women/housewives;
- 10. Community

ROADMAP SNLKI STRATEGIC PROGRAMS





- Conduct the 4th National Survey on Financial Literacy and Inclusion (SNLIK)
- Curriculum Intensification
- Implementation of Affirmative Action in Financial Literacy and Education for 3T Area and the Disabled



Intensifying the use of LMS through Inter-Agency Strategic Alliances



e Expand the scope of Financial Literacy and Inclusion, specifically in generic financial inclusion products



- Enhance Digital Financial Literacy and Education (Smartphone-based Dashboard Application and Tools)
- Evaluate the Effectiveness of SNLKI 2021
 Implementation

Source: Financial Service Authority (OJK)

Loan Restructuring Extension

under POJK No.17/2021



Rationality

- Avoid Cliff Effect
- Push factor to the economy
- Higher certainty in preparing 2022
 Business Plan

Applicability

- ✓ Extension period from 31 March 2022 to 31 March 2023
- ✓ Applicable for Commercial Banks and Rural Banks







Key Points on the Stimulus



LOAN QUALITY ASSESSMENT

- Loan quality assessment with 1 pillar only for loan with a ceiling of ≤IDR 10 Billion
- Loan quality on restructuring of loan and/or financing to Covid-19 affected debtors is determined to be "Current" since restructured
- □ Banks can provide **new loan/financing/**providing other funds to debtors affected by COVID-19 **without applying uniform classification**



RISK MANAGEMENT

- Specific Criteria for Restructuring Debtors
- ❖ Adequacy of Loan Provision
- Dividend Distribution Prerequisites
- Stress testing: The impact of restructuring on capital and liquidity

Source: Financial Service Authority (OJK)

Digital Banking Transformation Blueprint



The Blueprint for Digital Banking Transformation, which was released on 26 Oct 2021, will provide directions for the development of banking digitalization which includes the following aspects:



Data

Data Protection

> Data Transfer

Data Governance

Technology

IT Governance

Technology Architecture

Emerging Technology & Application

- Machine Learning
- Al
- · Cloud Computing
- Open API
- Block Chain / Distributed Ledger Technology
- Regtech / Suptech

Risk Management

IT Risk

Management

Outsourcing

Cybersecurity

9-8 9-8

Collaboration

Platform Sharing

Cooperation between financial institutions and nonfinancial institutions Institutional Arrangement

Finance & Investment

Culture

Leadership

Organizational Design

Talent

Customer

Customer Engagement

Customer Experience

Customer Insight

Customer Trust and Perception Customers with Disability

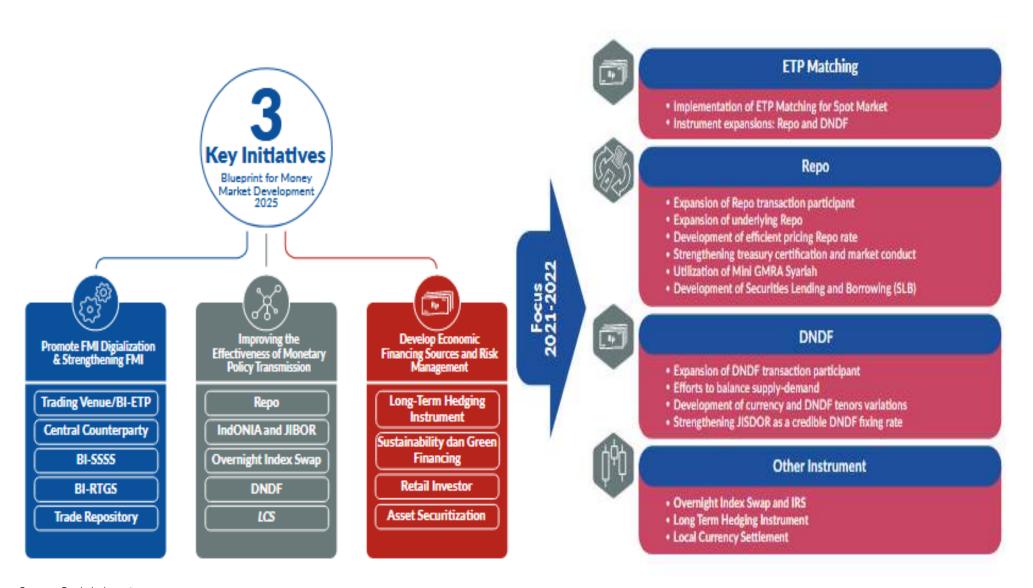
Source: Financial Service Authority (OJK)

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Bank Indonesia's Comprehensive Financial Deepening Program



Acceleration of Money Market Deepening in 2022...



Source: Bank Indonesia 110

Bank Indonesia's Continue to Expand Payment System Digitalization in 2022

..to accelerate integration of the digital economic and financial ecosystem, including financial and economic inclusion



2021 & 2022 : RECOVERY AND REFORM

DIGITALIZATION TREND

- FASTER DIGITAL BANKING TRANSFORMATION
- GREATER COMPETITION AND COLLABORATION (BANK-FINTECH)
- RAPID E-COMMERCE INNOVATION

ELECTRONIFICATION

- SOCIAL ASSISTANCE (BANSOS) ELECTRONIFICATION IMPROVEMENT WITH G2P 4.0
- 2 STRENGTHENING ETP WITH TP2DD
- EXPANDING ELECTRONIFICATION IN THE
 TRANSPORTATION SECTOR

PUR

RUPIAH CURRENCY MANAGEMENT DIGITALIZATION

PAYMENT SYSTEM AND RUPIAH CURRENCY MANAGEMENT (SPPUR) POLICY IN 2021

SUPPORTING NATIONAL ECONOMIC RECOVERY THROUGH A NON-CASH PAYMENT SYSTEM POLICY

ENCOURAGING THE INCLUSIVE AND EFFICIENT DIGITAL ECONOMY AND FINANCE

ENSURING THE AVAILIBILTY
OF CASH-IN-CIRCULATION
FOR ECONOMIC REACTIVATION



COORDINATION AND SYNERGY

Source: Bank Indonesia 111

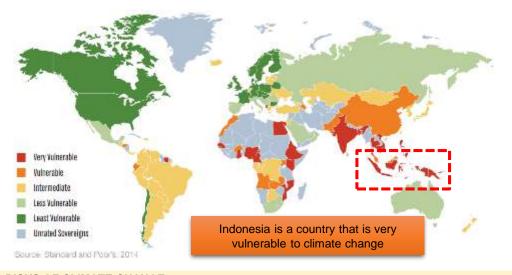


Section 7

Commitment to Sustainability and Preserving the Environment

Climate Change Risk on Indonesia

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



Indonesia is an archipelagic country WITH >17,000 islands and is vulnerable to climate change risks such as the rise of sea level

From 1981-2018, Indonesia experienced increasing temperature of **0.03** °C per year

Source: BMKG (2020)

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

Sumber Data: KLHK (2020), data diolah

Indonesia experiences a sea level rise of 0.8-1.2 cm/year, while around 65% of the population lives in coastal areas

Source: Bappenas (2021)

RISKS OF CLIMATE CHANGE



WATER SCARCITY

Increasing levels of floods and severe drought will exacerbate the scarcity of clean water.



LAND ECOSYSTEM DAMAGE

It is scientifically predicted that severe forest fires will occur. This can lead to loss of ecosystems, biodiversity, and changes in



MARINE ECOSYSTEM DAMAGE

Rising sea surface temperatures cause the extinction of coral reefs, seaweed, mangroves, some biodiversity and marine ecosystems.



HEALTH QUALITY DECREASE

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



FOOD SCARCITY

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

Climate Change may increase the risk of hydrometeorological disasters, which currently reach

80%

of the total disasters that occurred in Indonesia. Source: NDC, 2016

Indonesia's potential economic losses can reach 0,66% to 3,45% of GDP in 2030

source: Roadmap NDC Adaptasi, 2020

Global Trends Strengthening Attention to Climate Change



UNFCCC-COP26 GOALS



01

Secure global net zero by midcentury and keep 1.5 degrees within reach

- accelerate the phase-out of coal
- curtail deforestation
- speed up the switch to electric vehicles
- encourage investment in renewables

(

02

Adapt to protect communities and natural habitats

- protect and restore ecosystems
- build defences, warning systems and resilient infrastructure and agriculture



03

Mobilise finance

- developed countries mobilise at least \$100bn in climate finance per year by 2020.
- •International financial institutions unleashing the trillions in private and public sector finance



04

Work together to deliver

- finalise the Paris Rulebook
- collaboration
 between
 governments,
 businesses and
 civil society.

G20 FORUM

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

EUROPEAN UNION

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

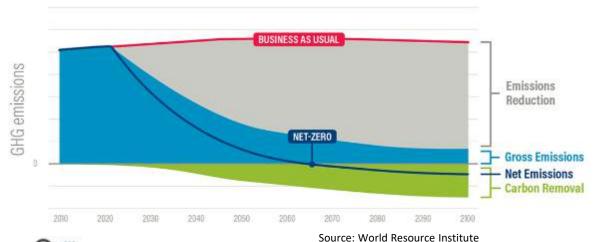
INTERNATIONAL FINANCE INSTITUTIONS

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

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

Net Zero Emission (NZE)







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



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



10 Key Solutions to Achieve NZE 2050



Sumber: World Resource Institute

Long Term Strategy was mandated ini Paris Agreement Article 4.19

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

Indonesia's Net Zero Emission





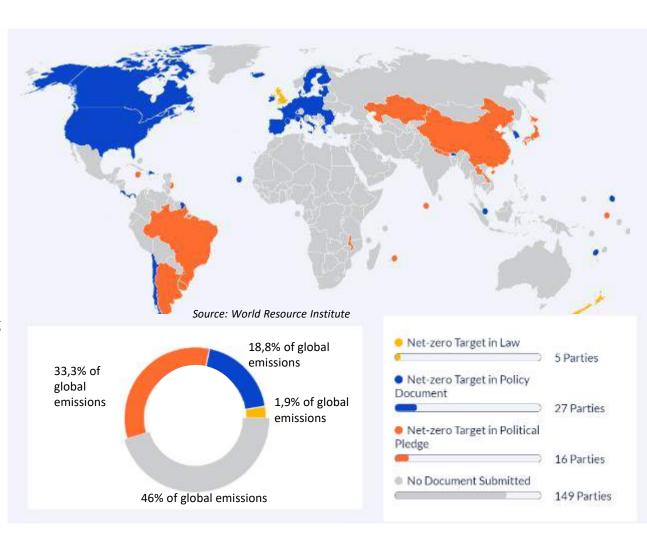
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



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



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



The Government's commitment to climate change mitigation has been formulated in the Nationally Determined Contribution (NDC) and Net Zero Emission (NZE)



INDONESIA'S CLIMATE CHANGE AGENDA

MITIGATION

Paris Agreement and Nationally Determined Contribution (NDC) 2030

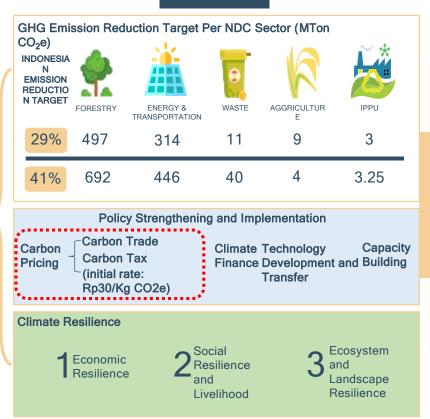
Target:

29% national effort

41% with international support

Stated in:

- First NDC (2016)
- Updated NDC (2021)



Long-Term Strategy for Low Carbon and Climate Resilience 2060

Mandate from:

- Paris Agreement Article, 4.19
- Dec.1/CP.21 Para 35.

LCCP Scenario:

- Peak emission 5 sector in 2030 = 540 Mton CO2e
- Net-Sink FOLU in 2030
- Net Zero Emission in 2060 or sooner

Toward Net Zero Emission 2060

ADAPTATION

Commitment to Sustainability and Climate Change Mitigation

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



Background of Commitment

Commitment to Sustainability

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

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

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

The President's Nawacita Programme

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





































Environment Commitment and Objectives

Mitigation

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

Adaptation

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

Biodiversity

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

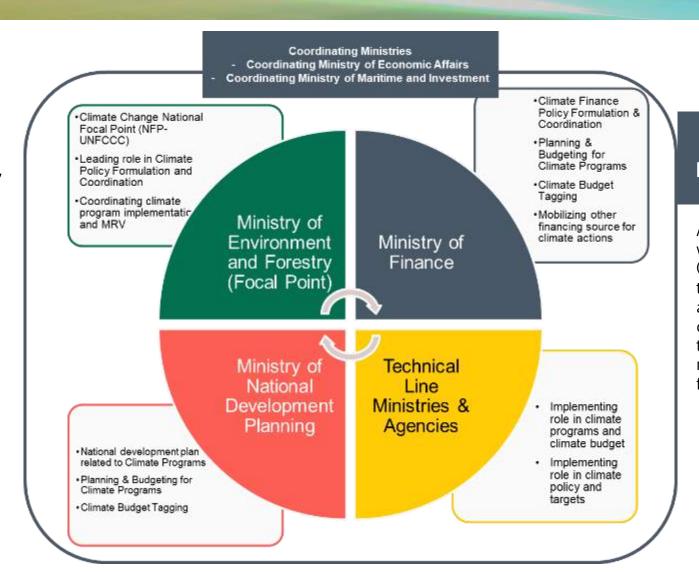
Note: (1) SDG Indonesia One. PT Sarana Multi Infrastruktur

Climate Governance in Indonesia



Ministry of Finance is responsible for climate fiscal policy

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

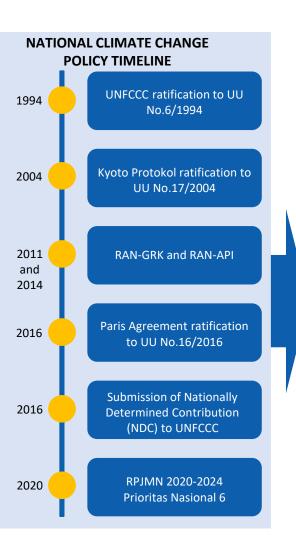


Central Bank and Financial Sector Authority

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

Commitment to Handling Climate Change





FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

Mitigation Fiscal Frameworl

Tax Incentives for NRE and clean technology development

Revocation of Fuel Subsidy

Implementaion of Climate
Budget Tagging

Indonesia's Green
Bond/Sukuk Framework

Mainstreaming Climate Budget Tagging in local government budget

Ecology-based Fiscal Transfer

NEXT STEP OF CLIMATE RELATED FISCAL POLICY



Preparation of fiscal instruments related to Carbon Tax and Carbon Trading



updating Mitigation Fiscal Framework



Change Planning, Budgeting and MRV Systems

Integration of Climate



Preparation of SDGs Government Securities Framework

CLIMATE CHANGE AGENDA NATIONAL AND GLOBAL



Nationally
Determined
Contribution (NDC)



SDGs 13: Climate Action



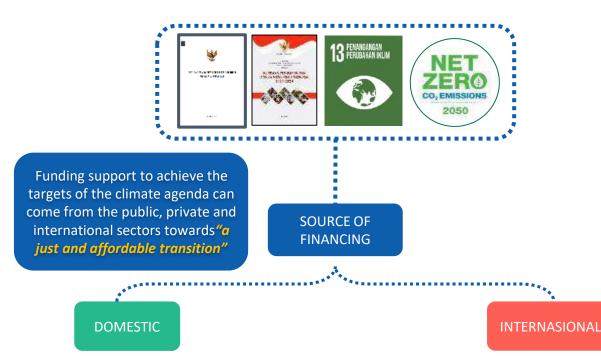
Low Carbon Development Planning in RPJMN 2020-2024



Agenda Net-Zero Emission

National Climate Financing





STATE BUDGET

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

NON-STATE BUDGET

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

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

BILATERAL

- Government
- Private

MULTILATERAL

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

CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



Limited fiscal space

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



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



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



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



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

The Need of Climate Change Funding



Indonesia's commitments are derived into each sector's agenda. The commitments have significant financial consequences

Cost Estimation of Climate Change Mitigation

Reference	Scope	Cost/Impact Estimation
Second Biennial Update Report, KLHK (2018)	The cost of mitigating climate change to achieve NDC	Accumulated mitigation cost reaches IDR3.461 trillion until 2030
Roadmap NDC Mitigation Indonesia, KLHK (2020)	Cost of climate change mitigation to achieve NDC (using mitigation action cost approach)	Accumulated mitigation cost in 2020-2030 reaches IDR3.779 trillion (IDR343,6 trillion per year)

The Need of Climate Change Mitigation Funding, by Sector

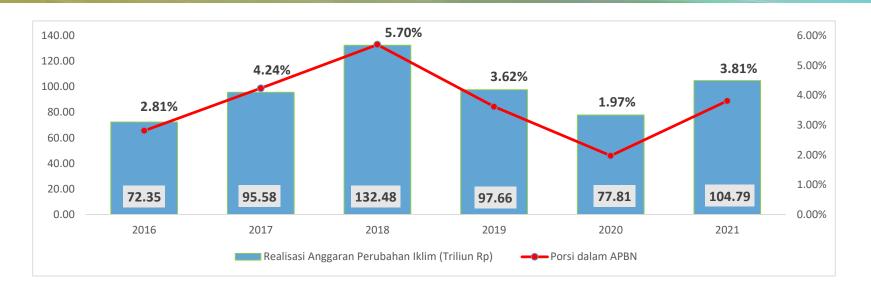
Sectors	Second BUR (Rp trillion)	NDC Mitigation Roadmap (Rp trillion)
Forestry	77,82	93,28
Energy and Transportation	3.307,20	3.500,00
IPPU	40,77	0,92
Waste	30,34	181,40
Agriculture	5,18	4,04
Total	3.461,31	3.779,63

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

Policies are required to ensure that financing requirements are met.

State Expenditure for Climate Change





- Nominally, the climate change budget in Indonesia experienced an increasing trend from 2016-2018.
- For the year 2019 s.d. 2020, there was a decline as a result of the policy of reallocating and refocusing the budget for handling Covid-19.
- Along with the economic recovery, the climate change budget will increase again in 2021 with a total budget ceiling of IDR 104.79 trillion.
- During the last 6 years, the average climate change budget has reached IDR 83.8 T per year or 3.66% of the APBN per year.
- This means that **since 2016 s.d. In 2021**, the APBN allocation is only equivalent to **31.5% of the total financing needs** for climate change which will reach Rp. 3,461 trillion (Rp 266.2 trillion/year).

Source: Ministry of Finance, calculated 123

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









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

- SDG Indonesia One is an integrated funding cooperation platform managed by PT. SMI by combining public funds and private funds through a blended finance scheme to be channeled into infrastructure projects in Indonesia related to the achievement of the SDGs.
- SDG Indonesia One funding sources come from the private sector, donors/philanthropy, financial institutions, institutional investors, and bilateral and multilateral institutions.
- BLU BPDLH or Indonesia Environment Fund (IEF) is a merger between the BLU of the Center for Forest Development Financing and the environmental conservation program of the Ministry of Environment and Forestry.
- IEF manages and provides the funds needed for environmental and forestry protection, preservation and conservation, biodiversity management, and climate change mitigation and adaptation.
- IEF not only manages funds in the environmental & forestry sector, but also in the fields of energy, agriculture, transportation, marine & fisheries, and industry.

GCF Approved Indonesian Projects/Programs



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



Grants:

Readiness I USD850.000 Readiness II USD998.000

THE WORLD BANK

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

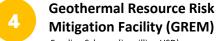


Grant: USD788.000 **Result-based Payment** (RBP) REDD+ Indonesia (2014-2016)

600

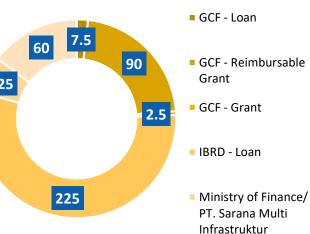


RBP: USD103,8 m

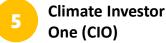




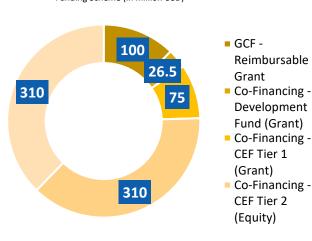
Funding Scheme (in million USD)



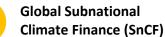
GCF Funding: USD100 m; Co-financing: USD310 m.



Funding Scheme (in million USD)



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



Funding Scheme (in million USD)







GCF - Equity

■ IUCN - Grant

Pegasus Capital Advisors - Equity

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

Achievements of SDG Indonesia One



Achievement of SDG Indonesia One Quarter 1 2021

Blended Finance Project (Indicative)

19 Projects

consists of 4 financing projects and 15 project development activities

Sustainability Promotor

Ecosystem Enabler

9 Activities

Consists of capacity building activities and sharing sessions

Funds Mobilization

USD791 m

Support for grants, derisking and loans as stated in the agreement with the donor

On-Going Programs



Technical Assistance on Green Finance Facility



Technical
Assistance on
Global Green
Bond Issuance



Solar Rooftop Program



Clean Water Program



Renewable Energy Program



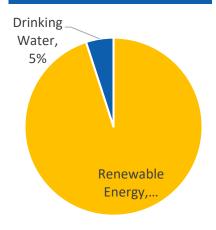
Urban Infrastructure Program

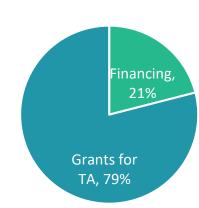


Disaster Area Rehabilitation Program

Sectors

Supports





Indonesian SDG Performance One had been supporting the following SDGs Target









Indonesia Environment Fund / BPDLH



13 PRIORITY PROGRAMS

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





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



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



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



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



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



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



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



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



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



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



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



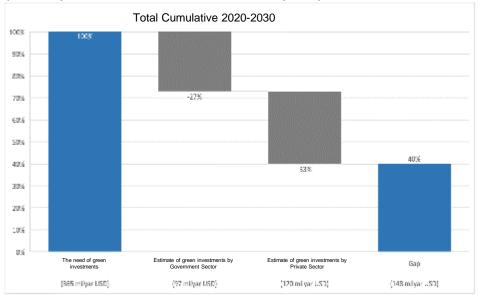
13. Other environmental protection and management activities

Funding Gap for Climate Change Management



NDC Unconditional Target

(avoiding emission in 2030 as much as 29% of BAU)



(1) The effects of covid are estimated to be apparent until 2023. (2) The need for green investment refers to the actual amount of green investment per tonne of emissions averted in the past, as well as the ratio of investment in mitigatied sector vs adaptation in the past. (3) does not take into account the role of local governments. (4) The cost of non-field works is factored into the calculations.

Fiscal Policy Responses



Optimization of budget utilization



Optimal mobilization of non-Budget climate change funding sources, domestically and internationally.

Taxation and Excise incentives

 to stimulate the role of the private sector, for example through efforts to develop EBT and electric vehicles

Ministries/Agencies Budget for Climate Change Mitigation and Adaptation

CBT in planning and budgeting systems

Transfer to Regions and Village Funds (TKDD)

- TKDD also encourages the increase of regional governments role in dealing with climate change :
 - a. Physical DAK (food, water, health, environment and forestry sectors)
 - b. Non-Physical DAK (waste management)
 - Regional Incentive Fund (incentive from waste management performance)
 - d. Village Funds (use of low-emission alternative energy)
 - e. Ecology Based Fiscal Transfer (financial assistance for environmental improvement)

Innovative Financing for Sustainable Development

 Strengthening green infrastructure financing and deepening the Islamic financial market through Green Bond/Sukuk Framework dan SDGs Government Securities Framework









PISP

Government Expenditure for Climate Change



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

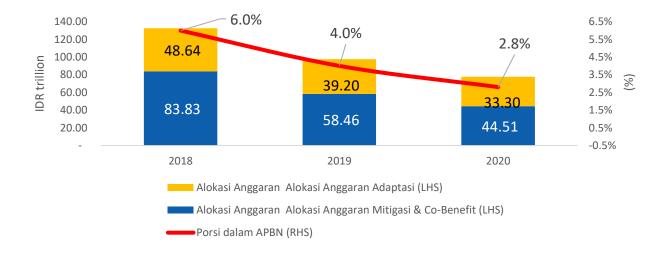
IDR102.65 trillion per year

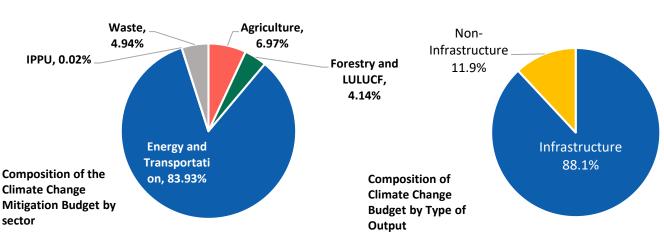
the average mitigation and co-benefit budget reached

IDR 62.7 trillion per year

the average adaptation budget reaches IDR 40.4 trillion per year

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





Source: Ministry of Finance, calculated 129

Recent Policies



Facing the existing challenges, the Government continues to develop innovative policies. Two of them are:

- a. Climate Change Fiscal
 Framework (CCFF)
- b. Carbon Pricing

CCFF is a framework for formulating fiscal policies and strategies to mobilize funds outside the Budget Financing Supply Financing Gaps Climate Fiscal Strategy Financing Needs Analyze current spending on climate activities from Strategy to mobilize public sector. public finance Identify total Map next-NDC sectors finance gap decade Ministries. for all need for Non-ministries (public and climate Strategy to mobilize private finance. Map current spending on private finance sectors). climate activities from private sector. Indonesia Commitment Identify barriers. to Climate enabling environments. Change and innovative public-Fiscal and non-fiscal policies affecting climate action private financing mechanisms. Improved coordination mechanism across Policy and governance of climate finance actors, mandates and coordination actors to deploy climate finance and monitor impact Climate Finance Mobilization. Governance and Impact - Strengthening Fiscal Functions - Supporting NDC, SDGs & RPJMN commitments **URGENCY** - Mobilizing funding sources - Strengthening the framework of funding institutions

Green Economy Has Become One Of Indonesia's Economic Transformation Strategies



- The energy transition is inevitable, and we have to face it. As a country that still relies on fossil energy, **Indonesia views the energy transition to reduce the share of fossil energy in the energy mix**. This decline in share shortly will not necessarily reduce the amount of fossil energy used.
- For doing so, **Indonesia has several policies on compensation and incentives**, i.e., clean energy acquisition, energy transition mechanism (coal-fired PP early retirement), conversion of dirty energy sources, carbon trading, **carbon tax**.
- The Carbon Tax will be enforced from April 1, 2022, based on Law Number 7 of 2021 concerning the Harmonization of Tax Regulations.



- Fossil fuel share will be decrese, but the magnitude not recessarily reduced
- Renewable energy share will increase and dominate the energy mix.

- · Corporate that still use non-renewable energy
 - a) Upgrading technology to clean technology
 - b) Use of CCS (Carbon Capture Storage);
 - c) Early retirement Coal power plant;
 - d) Carbon trading; and
 - e) Clean energy R&D investment
- New corporation
 - a) Clean energi utilization
 - b) Carbon trading
 - c) Clean Energy R&D Investment

Policy – Compensation & Incentives



Incentives to companies that will conduct R&D and invest in clean/renewable energy (hydrogen, hydro, PLTS, etc.)

Energy Transition Mechanism (Coal-fired PP Early Retirement)

Compensation for early retirement of dirty/non-renewable energy plants (PLTU)

Conversion of Dirty Energy Sources

Incentives to convert dirty energy sources into clean energy sources (Coal to DME)

Carbon Trading

The mechanism for buying and selling carbon, and emission certificates as securities that can be traded on the carbon exchange

Carbon tax

Dis-incentive on the use of dirty/non-renewable energy, and the use of funds from carbon tax to encourage the development and utilization of

ean/renewable energy

3

Source: Coordinating Ministry for Economic Affairs

Roadmap New Renewable Energy (NRE) to Net Zero Emission



- The NRE Roadmap towards Net Zero Emission is a form of energy transition roadmap from fossil energy to renewable energy to achieve net zero emission in the energy sector.
- Some of the important points in this roadmap include: NRE development to reach 100% in the national energy mix, Reducing the operating emissions of PLTD which is getting bigger, Reducing fossil energy consumption, both in the residential, transportation, and power generation sectors, Utilization of energy efficiency equipment on a large scale.

2021: President decree RNE, President decree Retirement Coal, Cofiring electric Steam Pwr Plant, CCT, conversion Diesel Pwr Plant to gas & EBT 2022: Act NRE, Electric stove 2 millon

bousehold wear

household/year

2024: Interconnection, *smart grid & smart meter* 2025: NRE 23% dominate by Solar Power Plant

- Electrification ratio 100%

- Electricity .217 kWh/kapita.

2021-2025

2026-2030

2031: Retirement Steam Pwr Plant Phase I sub-critical, interconnection inter-island start COD

2035: RNE 57% dominate by Solar Pwr Plant, *hydro, geothermal*

- Electricity 2.085 kWh/kapita

2045: First Nuclear Pwr Plant start COD 2050: RNE 87% dominate *Biomass* & Solar Pwr Plant

- Stop selling conventional car
- Electricity 4.299 kWh/kapita

2031-2035 2036-2040

2036-2040 2041-2050

2027: Stop import LPG

2030: NE 42% dominate Solar Pwr Plant

- No New PLTS fosil pasca 2030
- EV 2 million car & 13 mil motorcycle
- Gas fuel vehicle 300.000
- Household Gas 10 million
- DME fuel
- Electric 1.548 kWh/kapita

2037: Retirement Steam Pwr phase 2 sub-critical, critical & some super critical

2040: NRE 71% dominate Solar pwr plant & biomass

- Stop selling conventional motorcycle
- No Diesel pwr plant
- LED lamp 70%
- Electricity 2.847 kWh/kapita

2054: Last Steam pwr plant *retired* 2055: Last Steam gas pwr plant *retired* 2060: NRE 100% dominate Solar pwr plant, *hydro*

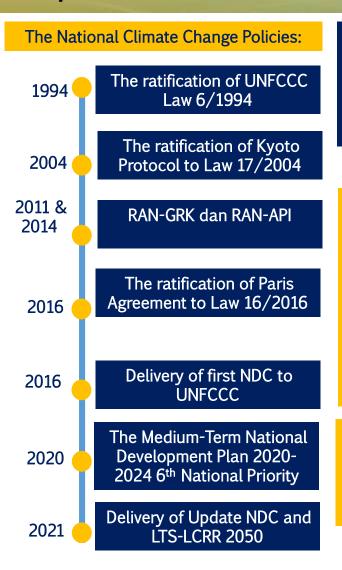
- All vehicle electricity basis
- Electric stove 52 million household
- Household gas 23 milion
- Electricity 5.308 kWh/kapita

э.эов күүп/карца

132

The Government Has Committed to Address Climate Change **Impacts**





Low carbon development and climate resilience are one of national priorities in Indonesia Medium-Term National Development Plan 2020-2024

> Waste Management & Circular Economy Green Industry

- Development Sustainable Energy Development
- Marine & Coastal Low Carbon
- Land Rehabilitation Sustainability

Climate Resilience

Low Carbon

Development

- Marine and Coastal Sector
- · Water Sector
- Agricultural Sector
- · Health Sector

Nationally Determined Contribution (NDC) is a national commitment to contribute the reduction of GHG emission from the BaU scenario by 2030: 29% by self-effort and 41% with international cooperation

Mitigation

GHG Reduction Emission Target per NDC Sector (Mton CO2e)



Forest Energy & Transportati





on

29%

Target

497

314

11

26

2,75

41%

650

398

Estimate cost of mitigation

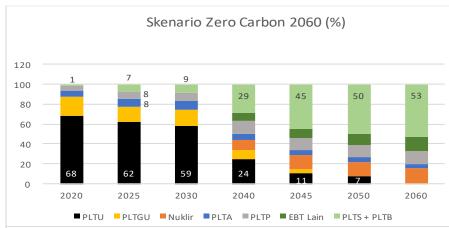
Rp3.461 trillion* (accumulated cost until 2030)

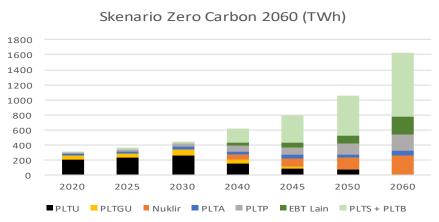
Rp3.779 trillion** (accumulated cost in 2020-2030 reaches Rp343 trillion per year)

3.25

Phasing Out Coal Scenario







In 2060 All Power Plants in Indonesia are Using Clean Energy

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

Source: PT PLN 134

Carbon Pricing or Carbon Economic Value (NEK) is a part of a comprehensive policy package for climate change mitigation



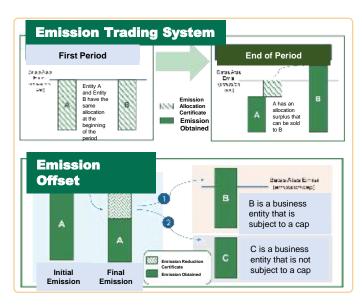
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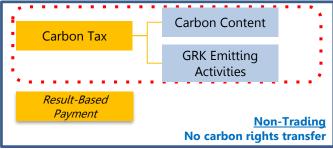
Trading instruments, consists of 2 types:

- **a.** Emission Trading System (ETS) an entity that emits more buys emission permit from other entities that emits less
- **b.** Crediting Mechanism: entities undertaking emission reduction activities can sell their carbon credits to other entities requiring carbon credits

Non-trading instruments, consists of 2 types:

- a. Carbon tax, imposed on carbon content or carbon emitting activity
- **b.** Result Based Payment (RBP): payment is given as a result of emission reduction





Carbon tax is one of the instruments of Carbon Economic Value (NEK)



OBJECTIVES

1

CHANGE BEHAVIOR

Aims to change the behavior of economic actors to switch to low-carbon green economic activities.

2

SUPPORTS EMISSION REDUCTION

Support GHG emission reduction targets in the medium and long term.

3

ENCOURAGE INNOVATION AND INVESTMENT

Encouraging carbon markets development, technological innovations, and investments that are more efficient, low-carbon, and environmentally friendly.

PRINCIPLES

1

JUST

Based on the *polluters-pay-principle*.

2

AFFORDABLE

Paying attention to affordability aspect for the benefit of the wider community.

GRADUAL

Paying attention sector readiness so as not to burden the community.

Principles of Rate Arrangement and Basis for Carbon Tax Imposition

Carbon Tax Implementation

- 1. The Carbon Tax will be imposed for the first time on entities operating in the coal-fired power plant sector with a tax mechanism based on emission limits.
- 2. The implementation of the carbon tax was decided to be postponed to July 1, 2022 from the initial plan of April 1, 2022, taking into account the Indonesia conditions The Government focused on ensuring the availability and stabilization of energy and food prices, ensuring the acceleration of the national economic recovery after the pandemic, as well as to harmonize with efforts to improve various technical regulations for implementing carbon market schemes.
- 3. Technical regulations related to the carbon tax need to be implemented immediately to support the implementation of the carbon market that has been started in the coal-fired power plant sector.
- 4. The Ministry of Finance is currently preparing a Government Regulation on the Carbon Tax Roadmap which will be aligned with the Carbon Market Roadmap. The Government Regulation on Carbon Tax Roadmap will be issued in 2022. This is conveyed to comply with the provisions of the HPP Law, that the determination of the Draft Minister of Finance Regulation (RPMK) on Tariffs and Basis for Imposition of Carbon Taxes requires prior consultation with the parliament.

Tax Base

Excess Carbon Emission

within **1 tax year** above the emission technical approval issued for the emitting unit

Tax Rate

2022

IDR30/ kg CO2e

2023

1.2 x average carbon price*

*in the previous tax year's carbon market or IDR30/kg CO2 (whichever is higher)

Carbon Market Definition

"The place where carbon trading takes place which is integrated in the National Registry System for Climate Change Control (SRN-PPI)¹

Refers to carbon trading that is already running and determined by the relevant minister or carried out through the PPI sub-SRN which is registered and registered at the PPI SRN¹

Stages of Application in Coal-fired Power Plants

2022

limited to the State Electricity Company (PLN) and IPP* generating units with a capacity of

> 100 MW

2023

Coal-Fire
Power Plant
with a
capacity of
≥ 25MW

Connectivity NDC And Carbon Pricing



In-scope NDC

- Sector, sub-sector and activities included on the 29% NDC target;
- Sector, sub sector and activities baseline;
- Financing sources from APBN/APBD, Green Sukuk, SDG Bonds, Carbon bonds, Carbon pricing;

Qut-scope

- Sector/sub-sector not included yet on the 29% NDC target;
- Potential to become NDC upgraded commitment;

Examples:

- Blue economy, blue carbon, sea grass submitted on the 2021 NDC updated,
- Energy Efficiency through CCS and CCUS submitted on the 2021 NDC updated;

Beyond NDC

Voluntary Carbon Market

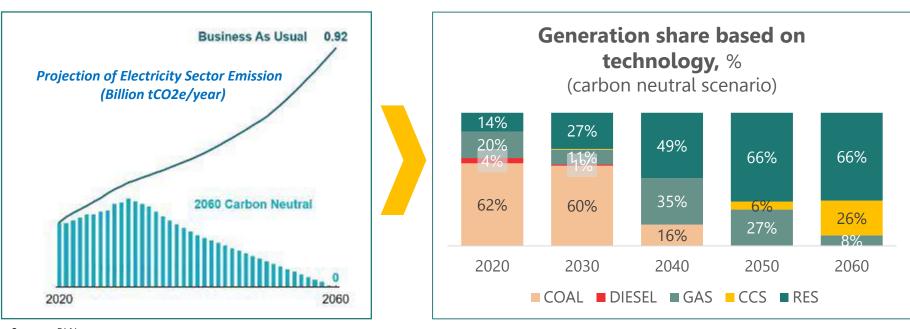
- Sector, sub-sector and activities already included on the 29% NDC target and beyond achievement;
- Basic requirement: beyond achievement, government authorization and registered on the SRN;

Source: draft Ministerial Regulation on NDC, 2022

The Roadmap To Net Zero Emission In The Electricity Sector



Without carbon abatement, the electricity sector is estimated to contribute 0.92 billion tCO2e/year emissions by 2060.



- Source: PLN
- In the **business as usual scenario**, Electricity contributed 0.92 billion tCO2e/year in 2060.
- Getting around this needs to be devised a strategy to reduce emissions through increased RE and decrease in fossil-based generation.
- According to PLN's estimation, current best scenario is a shift in power generation to 66% based on EBT and 26% CCS technology in 2060.
- This scenario also supports the PLTU phasing down program in the future. The PLTU early retirement scheme through the ETM has the potential to be carried out.

The ETM Mechanism To Address The Energy Transition Challenges



The Main Objectives



Shortening the economic life of the PLTU project (early retirement of coal)



Getting additional reduction of greenhouse gas emissions to achieve Indonesia's NDC (CO2 emission avoidance)



Gaining access to financing with lower cost of fund

Limitation:



Does not provide additional burden from the fiscal side / APBN (minimum fiscal burden)



Does not change the electricity tariff as stated in the Electricity Sale and Purchase Agreement (PJBL) / Power Purchase Agreement (PPA) which will increase the electricity rates





Support for Cost of Capital Reduction



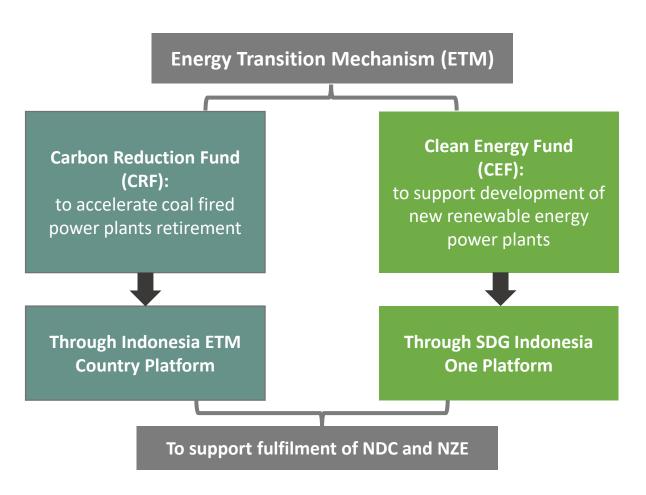
Support to reduce the Cost of Equity



Support to reduce Cost of Debt

Energy Transition Mechanism Overview



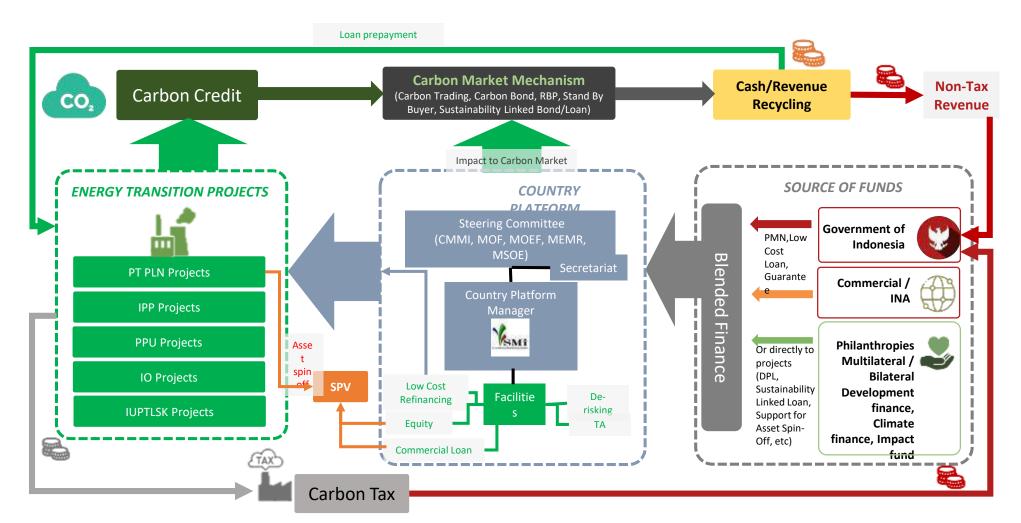


Note:

The CRF is not bundled with CEF, but there will be a commitment to use the proceeds of CRF directly and indirectly to develop new renewable energy projects

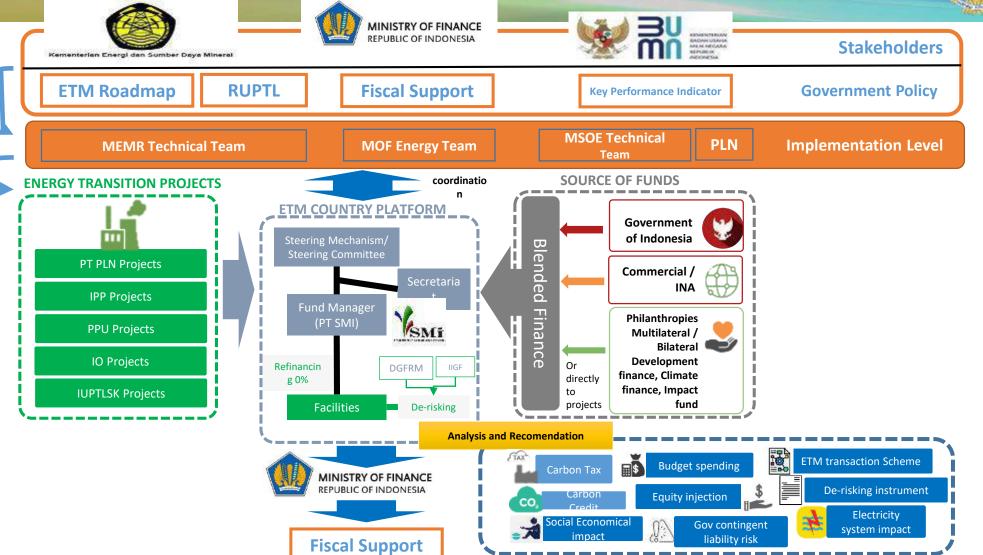
INDONESIA ENERGY TRANSITION MECHANISM COUNTRY PLATFORM (Carbon Reduction Fund)





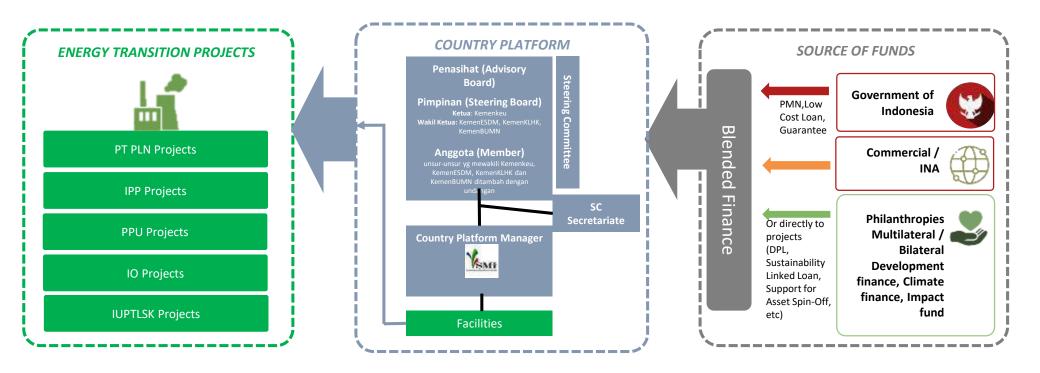
ETM Transaction Mechanism





Indonesia Energy Transition Mechanism Country Platform





The Steering Committee (SC) provides directions, sets targets and KPIs, and makes critical decisions regarding the provision of financing instruments (facilities) to energy transition projects.

The SC Secretariate plays role in carrying out daily tasks related to the SC function.

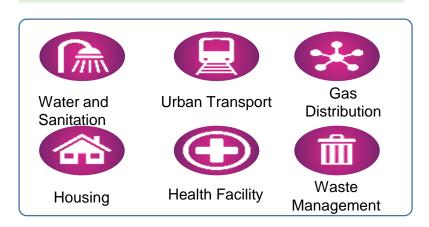
The Country Platform Manager manages the related funds and provides the facilities to the projects according to the direction of the SC.

Indonesia's Green Project Priority Sector



- ☐ Indonesia realizes that investment in green and sustainable infrastructure is becoming increasingly important in post-pandemic.
- Regarding the NDC targets in reducing carbon emission, Indonesia has outlined the PPP priority sectors of 2020-2024, in which two sectors are related to climate issue, respectively:
 - · Urban Transport, and
 - Waste Management
- Environmental quality aspects of projects are considered since the beginning of PPP project cycle, notably in planning and preparation stage, such as climate change issues and promoting green financing.
- ☐ The Project Development Facility (PDF) from MoF is focused to assist those priority sectors while considering environmental and other quality aspects during project preparation and its implementation..
- Additionally, GOI also initiate the development of ESG framework to be implemented to projects which involve private financing and at the same time obtain government supports.

PPP Focused Sectors 2020-2024



Ongoing Initiative on Sustainable Infrastructure: ESG Implementation

- ESG aspects will be applied on the Government Support (GS) Product for Infrastructure Projects
- The scope of Implementation are:
 - 1. Initial stage: Govt. Support for infrastructure projects through the Public Private Partnership (PPP) scheme;
 - 2. Further staging: Govt. Support for infrastructure projects for non-PPP projects which will be determined later; and
- The development of ESG Framework

The Role of Fiscal Policy in Green Economic Transformation

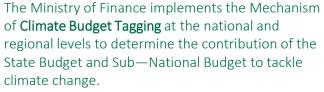




State **revenue** policy is directed to support the development of **renewable energy** as well as **environmentally friendly business** areas

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

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



Implementation of climate budget tagging in the region in collaboration with the Ministry of Home Affairs and Local Government.



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

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



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







- 1. Mitigation Fiscal Framework
- 2. Implementation of Govt. Expenditure for Climate Change
- 3. Tax Facilities
- 4. Republic of Indonesia's Green Bond/Sukuk Framework
- 5. Indonesia SDGs Government Securities Framework
- 6. Sustainable Finance Platform: SDG Indonesia One, Green Climate Fund, BPDLH
- 7. Development of Climate Change Fiscal Framework
- 8. Government support for new and renewable energy (NRE) development



Central Bank Policy:

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

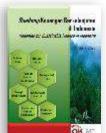


Financial Sector Authority Policy:

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

Sustainable Finance Initiatives





Sustainable Finance Roadmap Phase I (2015-2019)

OJK is committed to supporting the Indonesian Government's target to achieve Net Zero Emission and enhancing stakeholders' awareness on the importance of sustainable finance development.



Sustainable Finance Roadmap Phase II (2021-2025)

focuses on sustainable finance ecosystem development consisting of 7 components. The Roadmap reflects OJK's commitment to realizing transparent regulations, building synergies in cooperation with relevant ministries/agencies and stakeholders, as well as improving the capabilities of the financial industry.

Phase I Achievement

Strategic Policies

- 1. Implementation of 8 sustainable finance principles.
- 2. Reports of SF Action Plan from financial institutions.
- 3. Corporate Social Responsibility fund allocation.
- 4. Financial institutions' Sustainability Report.

Enhancing Awareness

- 1. Capacity building for OJK's supervisors and stakeholders.
- 2. Guideline on Sustainable Credit, Financing. Investment for palm oil plantation and industry, clean energy, green building, and organic farming with sharia scheme.

Institutional Collaboration

1. Collaboration with ministries and other national/international organizations, including universities and research centers.

Regulation on Sustainable Finance

OJK stipulated some regulations to support SF

- a. POJK No.51/2017 regarding the Implementation of SF for Financial Institutions, Issuers and Public Companies, which aims to enhance awareness of the financial industry, regulate financial institutions' obligation to submit action plan for enhancing sustainable finance and to publish sustainability report.
- b. POJK No.60/2017 regarding framework and incentives for issuance of green bonds.
- c. In 2020, OJK also issued supervisory guidance and policy regarding incentives for electric vehicle-related financing.

- Green Taxonomy
- ESG Risk Integration in **Financial Institutions Risk** Management
- **Developing Incentives**
- Guidance of Sustainable

Development of

- Guidebook of Credit/Financing/ Investment in Sectors
- National Campaign Indonesia Sustainability Week
- Sustainable Finance Inclusion Program
- Informative Publications for New Investors



- Sustainable Finance Institutions

 Sustainable Finance Taskforce Sustainable Finance · Monitoring and Evaluation of Information Hub the Implementation of Sustainable Finance

OJK's Support for Sustainable Finance Development



- **OJK strategic actions** to ensure effective implementation of Sustainable Finance principles and to respond to climate change:
- 1. Developing a Green Taxonomy
- 2. Preparing for carbon exchange operations, in line with the Government's policy
- 3. Developing a reporting system for financial institutions, including green financing/instruments in accordance with the Green Taxonomy
- 4. Developing a risk management framework for financial services industry and a risk-based supervision guideline for supervisors to implement climate-related financial risks
- 5. Developing innovative and feasible project financing schemes
- 6. Enhancing awareness and providing capacity building programs for all stakeholders





The establishment of the Financial Services Sector Sustainable Finance Task Force as a forum for cooperation and coordination with the industry to respond to developments in sustainable finance at national, regional and global forums.

Urgency of the Development of Green Taxonomy



Urgency of Green Taxonomy Development at OJK

- To standardize green definitions and criteria.
- To regularly monitor credit/financing disbursement to the green sectors.
- To improve reporting process carried out by the Financial Services Industry.

Targets

- Policy in the green sector, as the basis for developing innovative products and/or sustainable financial services as well as incentive and disincentive mechanisms for financial services sector.
- Availability of database for green sectors.

Strategic Goals

- To develop standard definitions and green criteria of economic sector activities that support sustainable development, and climate change agenda in Indonesia.
- To encourage innovation and investment in economic activities that have a positive impact on improving the quality of the environment.
- To encourage the financial sector to provide financing for green economy activities.
- To provide a reference for financial services sector, investors, business players (national and international) to disclose information related to financing, funding, or investment in green economy activities.

Green Taxonomy



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Proposed Definition of Green Taxonomy

Classification of sectors based on business activities that support environmental protection and climate change mitigation and adaptation.

- The Green Taxonomy is used as a guideline for information disclosure in the Financial Services Sector and can be used as a reference for creating innovative sustainable financial products and/or services.
- In developing the Green Taxonomy, OJK actively participates in the **Financial Stability Board**, particularly regarding sustainable financial disclosure for Financial Services Institutions in the **Financial Stability Board Workstream on Climate Disclosures/WSCD** and **the ASEAN Taxonomy Board**.
- The finalization of the Green Taxonomy involved 43 Directorate Generals in 8 related ministries to confirm the thresholds and to categorize around 2,700 sectors and sub-sectors classification.

Green
Taxonomy
Definition

Green taxonomy is a classification system that establishes a list of environmentally sustainable economic activities.

(EU Green Taxonomy, 2019)

A classification tool for the financial industry (banking) to protect the environment and reduce greenhouse gas emissions.

(China Green Catalogue, CBRC, 2013).

Benefits of Green Taxonomy

- As a guideline for allocating capital, a tool to support risk assessment, and a reference for other stakeholders in supporting efforts to mitigate and adapt to climate change.
- ❖ In its development, the green taxonomy is flexible and dynamic so that it can adapt to investment strategies and patterns and changes in technology, science, activities and new data.

(ASEAN Taxonomy for Sustainable Finance ver.1, Nov 2021)

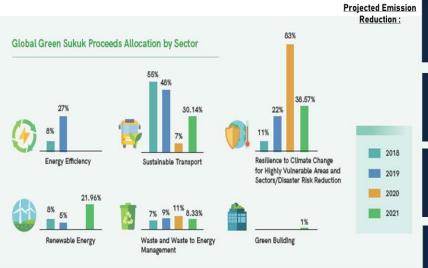
Innovative Financing: Sovereign Green Sukuk and SDGs Bond



Sovereign Green Sukuk and SDG Bond

No	Issuance	Value
1	Global Green Sukuk (Mar 2018)	USD1.25 billion
2	Global Green Sukuk (Feb 2019)	USD750 million
3	Green Sukuk Retail (Nov 2019)	IDR1.46 trillion
4	Global Green Sukuk (Jun 2020)	USD750 million
5	Green Sukuk Retail (Nov 2020)	IDR5.42 trillion
6	Global Green Sukuk (Jun 2021)	USD750 million
7	SDG Bond (Sep 2021)	EUR500 million
8	Green Sukuk Retail (Nov 2021)	IDR5.00 trillion
9	Global Green Sukuk (Jun 2022)	USD1.50 billion

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: USD5.00 billion
- Total green sukuk retail financing: IDR11.88 trillion
- Green sukuk has financed various projects in 6 sectors, mostly for sustainable transportation and resilience to climate change projects.
- in June 6th, 2022, RoI has successfully issued its 5th global green sukuk by the amount of USD1.5 billion (10y tenor).



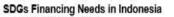


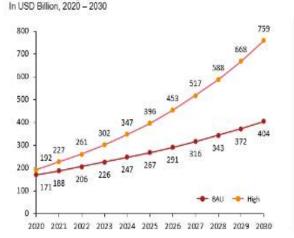




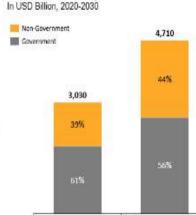


High





Est, SDGs Financing Distribution



BAU

2022 Republic of Indonesia Global Green Sukuk USD1.50 Billion



Issuer	Republic of Indonesia through Perusahaan Penerbit SBSN Indonesia III
Issuer Rating	Moody's: Baa2 (Stable) / S&P: BBB (Stable) / Fitch: BBB (Stable)
Format	144A / Reg S
Settlement Date	June 6 th , 2022
Tenor	10 Year
Maturity Date	June 6 th , 2032
Issue Size	USD1.50 billion
Profit Rate	4.70% p.a
Reoffer Price	100.00%
Use of Proceeds	In line with Rol'S SDGs Government Securities Framework
Listing	SGX-ST and Nasdaq Dubai
Joint Bookrunners	CIMB, Deutsche Bank, Dubai Islamic Bank, HSBC, and Standard Chartered Bank
Co-Managers	PT BRI Danareksa Sekuritas Tbk and PT Trimegah Sekuritas Indonesia Tbk

Transaction Highlights

- The USD1.50 billion 10-year global green sukuk issuance was part of two-tranches USD3.25 billion Rol sukuk issuance in international market at June 2022.
- The largest green sukuk issuance in international market has received a very positive response from investors, indicated by the total order more than USD5.1 billion, reflecting an oversubscription of 3.4x
- The first green sukuk issuance in 10-year maturity by the Rol.
- The successful 5th issuance of global green sukuk demonstrates the Rol's dedication and commitment to green and sustainable finance, as well as diversifying financing methods in the effort against climate change.

Source: Ministry of Finance

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Republic of Indonesia Sustainable Development Goals (SDG BOND) EUR500 Million



Issuer		Republic of Indonesia	
Issuer Rating	Moody's: Baa2 (Stable) / S&P: BBB (Negativ		e) / Fitch: BBB (Stable)
Format		SEC-Registered	
Settlement Date	September 23, 2021		
Tranche	USD Tap of 2031s	USD 40 Year	EUR Long-12 Year
Currency	USD	USD	EUR
Issue Size		\$650 million	€500 million (SDG)
Original Principal Amount	\$600 million		
Reopening Size	\$600 million		
Maturity	July 28, 2031	September 23, 2061	March 23, 2034
Coupon (p.a.)	2.150%	3.200%	1.300%
Reoffer Yield	2.180%	3.280%	1.351%
Reoffer Price	99.734%	98.225%	99.419%
Use of Proceeds	Repurchase certain of its outstanding global bonds pursuant to its tender offer announced on September 13, 2021 Invest in projects that may qualify as Eligible SDGs Expenditures		
Listing	SGX-ST and Frankfurt Stock Exchange		

Transaction Highlights

- Debut Sustainable Development Goals (SDG) EUR issuance by an Asian Sovereign
- **Debut Liability Management transaction** and Debut US\$ 40 Year issuance by ROI
- Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date yet again (implied spread of +85.8 over 10Y UST)
- Tightest ever spread achieved by ROI for a EUR 12 / long-12 Year issuance
- Achieved zero to negative new issue concessions across all 3 tranches despite a crowded primary market on the day of bookbuild
- The successful debut SDG Offering demonstrates Rol's commitment towards financing environmental and social projects in contribution to the 2030 National Development Agenda and to be aligned with the SDGs.

Source: Ministry of Finance

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Indonesia's Existing Green Bond and Sukuk Framework

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



1

Use of proceeds of Green Bond and Green Sukuk

Eligible Green Projects must fall into one of the nine eligible sectors 2

Project Evaluation and Selection

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

Project selection will utilize the Climate Budget Tagging (CBT) mechanism 3

Management of Proceeds Management – Ministry of Finance

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

Line Ministries

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

4

Reporting

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

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

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

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



Eligible Sectors

Green Shading according to CICERO's second-party opinion

Dark Green



Renewable Energy



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

Light to Medium



Energy efficiency



Sustainable Management of Natural Resources

Medium to Dark



Sustainable Transport



Waste and Waste to Energy Management



Green Tourism



Sustainable Agriculture

Light Green



Green Building

The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants 30 MW



Nuclear Assets

Indonesia SDG Government Securities Framework (cont)

Updated Green Bond and Sukuk Framework which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects (of social (SDGs), green or blue projects)



Eligible SDGs Expenditures with Green and Blue focus



^{*} Eligible SDGs Expenditures with Green focus can be further linked to Blue (ocean related) projects

Alignment with the Rol's 2030 SDGs Target













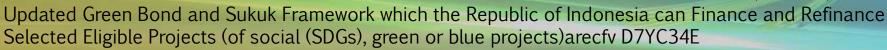








Indonesia SDGs Government Securities Framework (cont)





Eligible SDGs Expenditures with Social focus



Employment Generation including through the Potential Effect of SME Financing and Microfinance



Access to Essential Services



Socioeconomic Advancement and Empowerment



Food Security and Sustainable Food Systems



Affordable Basic Infrastructure

Alignment with the Rol's 2030 SDGs Target





















The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW



Nuclear Assets

Overview of the Indonesia SDGs Government Securities Framework

The SDGs Government Securities Framework is the Key to the Issuances of Green and SDGs Securities



Journey of The Republic of Indonesia SDGs Government Securities Framework ("SDGs Framework")

2018 - 2021 January 2018 August 2021

Published a Green Bond and Green Sukuk Framework & obtained a Second Party Opinion based on ROI Green Bond and from CICERO

Successfully issued 4 Green Sukuk Green Sukuk Framework

SDGs Framework developed to demonstrate how ROI intends to issue Green and Blue Bonds and Sukuk ("Green Securities") and Social and Sustainability Bonds and Sukuk ("SDGs Securities")

SDGs Government Securities Framework



Use of Proceeds

New or existing Eligible SDGs Expenditures with Green and/or Social focus ("Eligible Expenditures")

Process for Project Evaluation and Selection

Budget Tagging Process to select Eligible SDGs **Expenditures for Green and SDGs Securities**



Management of Proceeds

Managed within the Government's general account; allocation register will be established



Reporting

Annual allocation reporting and impact reporting

Source: Republic of Indonesia SDGs Government Securities Framework

Aligned with International Standards & Principles

All Green and SDGs Securities issued under The Republic of Indonesia ("ROI") SDGs Government Securities Framework will align with international standards and principles











External Review of Indonesia SDGs Government Securities Framework

Engaged with CICERO and IISD to Adhere to the Best Market Practice of External Reviews



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Joint Second Party Opinion from CICERO Shades of Green and IISD2



*CICERO Shades of Green



Extracts of Republic of Indonesia SDGs Framework Second Opinion

"In alignment with the green bond principles, social bond principles, and sustainability bond guidelines."



"CICERO Shades of Green governance procedures in the Republic of Indonesia's framework to be Good."



"Eligible social projects credibly aim for enabling sustainable development that will be supported by proposed comprehensive reporting of impacts"

"We rated Republic of Indonesia's green bond and sukuk issuances under this framework CICERO Medium Green".

Aligned with Best Practice and to Obtain Assurance on Post-Issuance Annual Reporting

The Republic of Indonesia will engage an independent third party to provide assurance on its annual reporting on Green and SDGs Securities and the compliance of each Green and SDGs Securities issued with this Framework

Source: Joint Second Party Opinion from CICERO and IISD on the Republic of Indonesia SDGs Government Securities Framework

- 1. CICERO is a global, independent, research-based second party opinion provider on green bond frameworks
- 2. IISD is a Second Party Opinion provider offering practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development

Regulability of instances is a good of the control of the control

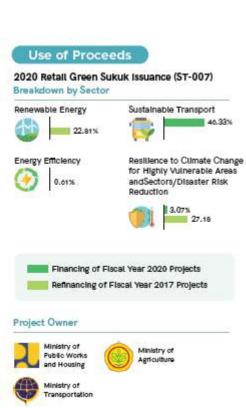
Indonesia's Green Initiatives: Financing Green Projects

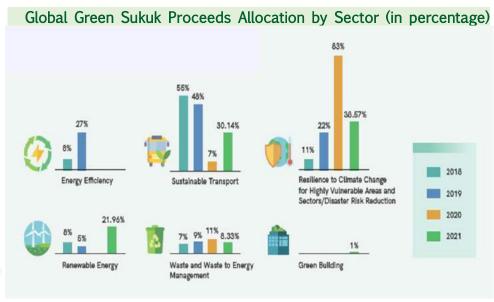
Indonesia's Green Projects Financed by a Combination of Green Sukuk and Other Funding Sources

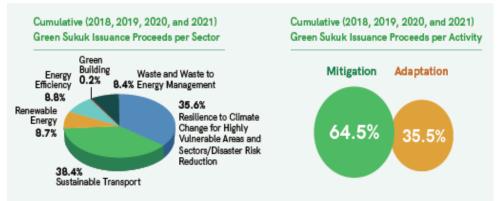
The Government of Indonesia has issued five sovereign global green sukuk, consecutively in March 2018, February 2019 and June 2020, 2021 & 2022, with the total amount of **USD5.00 billion**

In 2019-2021, the Government of Indonesia issued three retail green sukuk (all issuances held in November), with the total amount of IDR11.88 trillion.









Note:

Information extracted from Green Sukuk Issuance Allocation and Impact Report 2022, which has obtained a limited assurance statement from EY

Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2021 budget year of IDR 14,600 per USD.

Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2021 Global Green Sukuk



Projected Environmental and Social Impacts For 2021 Global Green Sukuk

Renewable Energy

Expected to:

- Reduce 136.86 tCO2e and generate 150kWp clean electricity
- Reduce 4,972 tCO2e, generating 2,456,654 kVA of clean electricity

Resilience to **Climate Change**

Expected to

- Improve drinking water supply debit serving 180,000 household connections or 900.000 individuals
- Benefit 58,624 ha, 1,175 ha and 3,650 ha irrigated rice/crop areas in Central Java, DI Yogyakarta and South Sulawesi, improving cultivation intensity
- 685 building units benefitting low-income labours, vulnerable communities and students

Sustainable **Transport**

Expected to:

· The railway infrastructure and facility development shows insignificant GHG reduction due to the decline of public transportation demand resulted from lockdown and work from home policies, and changes in lifestyle and movement pattern during the COVID-19 pandemic period

Waste Management

Expected to:

- Benefit **865.357** households due to the improved waste management
- Benefit 75,780 households from sewerage systems

Green **Buildings**

Expected to

- Reduce electricity consumption at 10,371m2 floor-sized green buildings
- Benefit 670 MSMEs

Indonesia is highly committed to the achievement of the Sustainable Development Goals, which have been integrated into the national mid-term development plan. The Green Sukuk proceeds have contributed to the achievement of these goals:

































Tangible Results from Indonesia's Green Sukuk Initiatives

Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance in 2021



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

	Renewable Energy	Resilience to Climate Change	Sustainable Transport	Waste Management	Green Buildings
Locations	DKI Jakarta	Across the country	Jakarta, Java, Sumatera	Sumatera, Sulawesi Selatan, Yogyakarta, Riau	North Sumatera, Jakarta, Lampung
Amount Committed to Finance 2021 New Projects	USD 2.0 million	USD 204.4 million	USD 91.9 million	USD 62.6 million	USD 7.5 million
Amount Committed to Refinance 2017 Projects	USD 162.9 million	USD 85.2 million	USD 134.4 million	-	-
Relevant SDGs	¥ 🕻 🙃 🖫		* 4 × 5 0	📆 👸 😨 🖫 🚳 🖫 🗓	👸 👸 👺 🖺 🚳
Project Examples Financed / Refinanced	Planning, Development, and Supervision of New, Renewable Energy and Energy Conservation Infrastructure Installation of 23 units of rooftop solar PV plants on the State's border stations and 2 volcano observation stations Provision and revitalisation of solar PV powered aids to navigation at sea to enhance the sea safety transportation and traffic services	Flood and Lava Control, Urban Drainage Management, and Coastal Protection Construction of seawalls, sea dikes or breakwaters of 160 meters in length, and were built to protect the housings inhabited by 758 residential areas and public facilities of fishermen settlements, as one of the climate vulnerable communities Development of Drinking Water Supply System Construction, expansion and improvement of reservoirs, intakes, transmission pipes, water treatment plants serving 3 to 4 neighbouring municipalities. The development is prioritized at areas prone to prolonged drought or flooding due to the impact of climate change and improve the drinking water supply debit	Construction and Management of Railways Infrastructure and Supporting Facilities Improvement of operational facilities of the Palembang Light Rail Transit (LRT), to reduce traffic congestion and reduce duration of commute, with use of electricity as the LRT's system main source of power Development of electric-powered railway systems in other urban areas, including an airport railway system in Jakarta, Medan, and Yogyakarta	Improvement of Municipal Solid Waste Management System at Regional- and City-scale Development of sanitation services, which cover municipal solid waste (MSW) management and sewerage management systems	Construction and rehabilitation of buildings that meet the green and environmental friendly criteria and indicators set by the Government; Reconstruction of the Aksara Traditional Market buildings with a green building concept The Aksara Traditional Market in Medan provides 670 kiosks benefiting for 670 MSMEs.

Noto:

Information extracted from Green Sukuk Issuance Allocation and Impact Report 2022, which has obtained a limited assurance statement from EY

Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2021 budget year of IDR 14,600 per USD.

Green Sukuk issued in 2018-2021 will follow the Rol Green Bond and Green Sukuk Framework. Going forward, Green and SDGs Securities will follow the SDGs Framework.

Government Support for New and Renewable Energy

PISP Fund & Government Guarantee for Electricity Projects



- To promote new and renewable energy development, the Government provides fiscal support in the form of government guarantee for electricity projects (credit guarantee and business viability guarantee), guarantee for SOEs direct lending from international financial institutions, and Geothermal Fund Facility (PISP Fund).
- Several guarantees has been provided to renewable energy power plant construction and Power Purchase Agreement (PPA), i.e hydropower, geothermal, and solar PV.
- PISP funds (and its co-finance), can be used for geothermal development in the exploration stage and eligible for *Government Drilling, SOE Drilling/Public Window, and Private Drilling/Private Window.*

PISP Fund Exploration Financing Facilities (MOF Regulation 80/2022)

Objective	Unlocking geothermal market by providing support and financing for geothermal exploration
Fund Manager	PT Sarana Multi Infrastruktur (SMI)
Total Funds	IDR 3,1 Trillion (revolving fund)
Fund Distribution	Loans and data provisions
Main feature	De-risking facility for exploration stage
	 Minister of Finance's Assignment Letter (SK) to PT SMI to finance exploration project. Monitoring and supervision by The Joint Committee between MoF and MEMR.
Governance	 Engaging academic, professional experts, and independent appraisal to provide review and assessment for strategic decision of the Joint Committee.
	 Strengthening the role and synergy of MOF's Special Mission Vehicles

PISP Co-financing

(Collaboration with international funding)

	CTF grant (USD49million) and GEF grant (USD6,25million).
Geothermal Energy Upstream Development Project (GEUDP) - World Bank	Aims to support the government's geothermal data and information provisioning facility (Government Drilling). PT SMI as fund manager & PT GDE as implementing agency.
Goothormal Pasaurea Bisk	Total USD655 million (loan, grant, and PISP co-finance)
Geothermal Resource Risk Mitigation (GREM)	Aims to support exploration on the SOE Drilling & Private Drilling scheme.

