Republic of Indonesia
Promoting Recovery: Policy Synergy to Maintain Macroeconomic Stability and Growth Momentum
March 2021
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What’s New in This Edition

- Economic Recovery Program and Its Updates
  ...page 13-17

- The Job Creation Law
  ...page 31-38

- Fiscal Policy Updates
  ...page 64-77

- Financing Policy Updates
  ...page 84-90

- Bank Indonesia Board of Meeting Decision
  ...page 101-102
Overview

1. Economic Recovery Program and Its Updates

2. Institutional and Governance Effectiveness: Accelerated Reforms Agenda with Institutional Improvement


4. External Factor: Improved External Resilience

5. Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

6. Commitment to Sustainability and Climate Change Mitigation

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

8. Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision
Section 1

Economic Recovery Program and Its Updates
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Extension of the emergency status for COVID-19 until 29th May 2020.</td>
</tr>
<tr>
<td>3</td>
<td>Permission for civil servants to work from home, while maintaining the continuity of public services.</td>
</tr>
<tr>
<td>4</td>
<td>Promoting massive prevention of the spread of Covid-19; application of health protocols in public areas, public transportation, and offices; calls for carrying out social distancing and the prohibition of carrying out activities that involve large crowds.</td>
</tr>
<tr>
<td>5</td>
<td>Closing and limiting the mobility of Indonesian citizens abroad and foreigners to enter Indonesian territory with strict immigration and health protocols.</td>
</tr>
<tr>
<td>6</td>
<td>Evacuation of Indonesian citizens from affected countries and strict quarantine processes with complete medical facilities.</td>
</tr>
<tr>
<td>7</td>
<td>Conducting Rapid Test in 17 provinces with positive patients of Covid-19.</td>
</tr>
<tr>
<td>8</td>
<td>Decentralized tests by increasing the number of Covid-19 test laboratories throughout Indonesia.</td>
</tr>
<tr>
<td>9</td>
<td>Providing Designated Hospitals, including additional designated hospital in Galang Island.</td>
</tr>
<tr>
<td>10</td>
<td>Utilization of four (4) of ten (10) Wisma Atlet Kemayoran Towers (former Athletes Hotel) as emergency hospital.</td>
</tr>
<tr>
<td>11</td>
<td>Preparation of 606 health workers and 192 non-health workers in Wisma Atlet Kemayoran and recruitment of 328 medical volunteers and 2590 non-medical personnel in the field of logistics and operations.</td>
</tr>
<tr>
<td>12</td>
<td>Establishment of Contingency Plans in the regions level.</td>
</tr>
<tr>
<td>13</td>
<td>Preparation of drugs that have been used for Covid-19 patients in China according to doctor's prescription. The drug has been distributed to designated facilities and its stock is continuously being augmented with domestic pharmaceutical production.</td>
</tr>
<tr>
<td>14</td>
<td>Speed up the procurement and distribution of personal protective equipment for designated hospitals and the provision of incentives for medical personnel.</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
# Bank Indonesia’s Measures to Mitigate Covid-19 Risk

To maintain Monetary and Financial Market Stability

## Measures Launched on March 2, 2020

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

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

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

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

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

## Measures Launched on March 18-19, 2020

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

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

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

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

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

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

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

*Source: Bank Indonesia*
# Government Measures to Mitigate Covid-19 Risk
## Fiscal and Non Fiscal Stimuli

<table>
<thead>
<tr>
<th>Fiscal Stimuli Phase 1</th>
<th>Fiscal Stimuli Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Brought forward the launch of the Pre-Employment Card in Bali, North Sulawesi and the Riau Islands.</td>
<td><strong>1</strong> Relaxation of Income Tax (PPh Article 21).</td>
</tr>
<tr>
<td><strong>2</strong> Increased disbursements of the Noncash Food Assistance Program (BPNT) from IDR150,000 to IDR200,000 for a six-month period commencing March 2020.</td>
<td><strong>2</strong> Relaxation of Income Tax on Imports (PPh Article 22).</td>
</tr>
<tr>
<td><strong>3</strong> Provided a stimulus package for housing in the form of an IDR800 billion subsidy as well as a subsidy on down payments totalling IDR700 billion.</td>
<td><strong>3</strong> Relaxation of Income Tax (PPh Article 25).</td>
</tr>
<tr>
<td><strong>4</strong> Provided incentives for domestic and international travellers.</td>
<td><strong>4</strong> Relaxation of Value Added Tax (VAT) Restitution.</td>
</tr>
<tr>
<td><strong>5</strong> Reduced the air passenger service fee (PSF) by 20% for March-May 2020.</td>
<td></td>
</tr>
<tr>
<td><strong>6</strong> Discounted the price of aviation fuel at airports located around nine travel destinations for March-May 2020.</td>
<td></td>
</tr>
<tr>
<td><strong>7</strong> Subsidised or provided grants totalling IDR3.3 trillion to local governments affected by lower tax revenues food service activities.</td>
<td></td>
</tr>
</tbody>
</table>

## Non-Fiscal Stimuli

| **1** Reduce and simplify restrictions on export activities to maintain export performance and competitiveness. |
| **2** Reduce and simplify restrictions on import activities to ensure the availability of raw materials. |

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

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

State Financial Policy

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

Stability of Financial System

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

Source: Coordinating Ministry for Economic Affairs
I. Presidential Regulation No. 7/2020 on Taskforce to Manage COVID-19 Outbreak → Renewed through Presidential Regulation No. 9/2020

1. Answer to the President → Director (Chair: Coordinating Minister for Economic Affairs) and Implementer (Chair: Head of Indonesian National Board for Disaster Management), focusing on accelerating the mitigation of COVID-19 through synergy between ministries and government

2. Funding comes from the state budget, regional budget, and other legal sources


1. Minister / Head of Institution prioritizes the use of budget allocations for the acceleration of mitigating COVID-19 outbreak following COVID-19 Handling Protocol

2. Done through a budget revision mechanism (done quickly and accountably)

III. Policy to support efforts to adjust regional allocations and relax transfers for handling Covid-19

1. Minister of Finance Regulation (PMK)19/2020 concerning Distribution and Use of Profit-Sharing Fund (DBH), General Allocation Fund (DAU), and Regional Incentive Fund (DID) budget year 2020 in the context of COVID-19 Countermeasures;

2. Minister of Finance Decree (KMK) 6/2020 concerning Distribution of Physical Special Allocation Fund (DAK) on Health and Health Operational Assistance (BOK) in the framework of Prevention and/or Handling of COVID-19;

3. Ministry of Home Affairs Regulation 20/2020 on the acceleration of COVID-19 Mitigation in the Scope of Regional Government

IV. Government Regulation No. 43 of 2020 concerning Amendments to Government Regulation No. 23 of 2020 concerning Implementation of the National Economic Recovery Program to support the country’s financial policies for handling the 2019 Corona Virus Disease pandemic and/or facing threats that endanger the national economy and/or financial system stability and save the national economy

Source: Coordinating Ministry for Economic Affairs
Covid-19 Handling Fund and National Economic Recovery

Health Sector
(COVID-19 Handling)

Reducing the Spread of Covid-19

Government Responsibilities: 3T
- Test of Covid-19 for Public
- Tracing for Every Positive Result, and
- Treat Every Case Well

Community Responsibilities: 3M
- Mask Awareness,
- Make Sure to Wash Hand Regularly, and
- Make Sure to Maintain Social Distancing

Reducing COVID-19 Death Rate

Government Responsibilities:
- Optimizing Health Facilities (Public Health Center & Hospital)
- Supporting Health Workers

COVID-19 Vaccines Provision

Presidential Law No. 99/2020 as Vaccination Roadmap

Committee
(Chairman: Coordinating Minister for Economic Affairs)

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

Vice Chairman + Executive Team Leader
Minister of SOEs

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

PEN Task Force
(Chairman: SOEs Vice Minister)

Economy Sector
(National Economic Recovery/PEN)

PEN and Covid-19 Stimulus Budget

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021*</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>IDR 695,2 T</td>
<td>IDR 553,1 T</td>
</tr>
<tr>
<td>1. Health</td>
<td>IDR 87,55 T</td>
<td>IDR 104,70 T</td>
</tr>
<tr>
<td>2. Social Safety net</td>
<td>IDR 203,90 T</td>
<td>IDR 150,96 T</td>
</tr>
<tr>
<td>3. Business Incentives</td>
<td>IDR 120,61 T</td>
<td>Will be reported regularly</td>
</tr>
<tr>
<td>4. SME's Support</td>
<td>IDR 123,46 T</td>
<td>IDR 156,06 T</td>
</tr>
<tr>
<td>5. Corporate Financing</td>
<td>IDR 53,57 T</td>
<td></td>
</tr>
</tbody>
</table>

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

Source: Coordinating Ministry for Economic Affairs
Illustration of Health And Economic Recovery In One Wheel

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

**Need:** Brake fluid
- Medicine
- Health Workers
- Vaccine

**Strong Brake**

**Gas Pedal**
- Social Safety Net
- Real Sector Safety Net

**Oil/Gas**
- Source of funding
- Make sure the drain is smooth and doesn't leak

**Step on The Gas!**

**SEATBELT:** Driver safety while driving
- Financial Sector Safety Nets

Source: Coordinating Ministry for Economic Affairs
Economic Recovery and Covid-19 Handling Requires a Medium-Term Plan (up to 2023/2024)

The spread of COVID-19 will keep increasing until the vaccine is found and distributed.

Goal/Minimum Target: Recover to Pre-COVID condition

Source: Coordinating Ministry for Economic Affairs
**Covid-19 Vaccination Will Restore Public Confidence**

Health Workers will get the priority, followed by Public Officers / Services and the Elderly.

### Procurement of Vaccines

**Total Firm Order (FO):** 329.5 millions doses  
**Total additional options (AO):** 334 millions doses  
**Total potential for procurement:** 663.5 millions doses

<table>
<thead>
<tr>
<th>Company</th>
<th>FO Doses</th>
<th>AO Doses</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINOVAC</td>
<td>125.5 M</td>
<td>100 M</td>
<td>Bulk (Raw Materials)</td>
</tr>
<tr>
<td>NOVAVAC</td>
<td>50 M</td>
<td>80 M</td>
<td>Bulk (Raw Materials)</td>
</tr>
<tr>
<td>COVAX</td>
<td>54 M</td>
<td>54 M</td>
<td>Bulk (Raw Materials)</td>
</tr>
<tr>
<td>ASTRazeneca</td>
<td>50 M</td>
<td>50 M</td>
<td>Bulk (Raw Materials)</td>
</tr>
</tbody>
</table>

### Vaccination Stages:

1. **HEALTH WORKERS:** Vaccinations are carried out for health workers in 34 provinces  
   - **1.5 M**  
   - **VACCINATION PERIOD JAN-FEB 2021**

2. **PUBLIC OFFICERS 17.3 M**  
   - ELDERS **21.6 M**  
   - **VACCINATION PERIOD FEB-JUN 2021**

3. **VULNERABLE COMMUNITIES:** Communities in areas with a high risk of transmission  
   - **63.9 M**  
   - **VACCINATION PERIOD APR 2021 – DEC 2021**

4. **OTHER COMMUNITIES 77.7 M**  
   - With a cluster approach according to vaccine availability

### “Gotong Royong” Vaccine (20 million doses)

<table>
<thead>
<tr>
<th>Vaccine</th>
<th>Doses</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinopharm</td>
<td>15 million</td>
<td>Q1-Q2 2021</td>
</tr>
<tr>
<td>Moderna</td>
<td>5.2 million</td>
<td>Q3-Q4 2021</td>
</tr>
</tbody>
</table>

**History of Vaccines Arrival in Indonesia**

<table>
<thead>
<tr>
<th>Total Dosage</th>
<th>Type</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 M</td>
<td>Ready To Use</td>
<td>(06/12/20)</td>
</tr>
<tr>
<td>1.8 M</td>
<td>Ready To Use</td>
<td>(31/12/20)</td>
</tr>
<tr>
<td>15 M</td>
<td>Bulk (Raw Materials)</td>
<td>(12/01/21)</td>
</tr>
<tr>
<td>10 M</td>
<td>Bulk (Raw Materials)</td>
<td>(02/02/21)</td>
</tr>
<tr>
<td>10 M</td>
<td>Bulk (Raw Materials)</td>
<td>(01/03/21)</td>
</tr>
<tr>
<td>16 M</td>
<td>Bulk (Raw Materials)</td>
<td>(25/03/21)</td>
</tr>
</tbody>
</table>

**Total Vaccine 55.1 M Doses**  
(4.1 M Ready To Use & 51 M Bulk (Raw Materials))

**Efficacy: 70.4%**

Source: Coordinating Ministry for Economic Affairs
Progress of Vaccination Implementation

Phase 1 has been carried out for health workers since the beginning of January 2021. Currently, the second phase of vaccination is being carried out for public officials and the elderly. As March 29, 2021, 10,78 million people have been vaccinated.

### PHASE-1 VACCINATION

<table>
<thead>
<tr>
<th>Vaccination Target</th>
<th>1.5 million (Health Workers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaccination-1</td>
<td>1.43 Million (97,5%)</td>
</tr>
<tr>
<td>Vaccination-2</td>
<td>1.27 Million (86,9%)</td>
</tr>
</tbody>
</table>

### PHASE-2 VACCINATION

#### Vaccination Target

38.9 million (Public Officers & Elderly)

<table>
<thead>
<tr>
<th>Vaccination</th>
<th>Public Officers</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaccination-1</td>
<td>4.54 Million (26,2%)</td>
<td>1.45 Million (6,7%)</td>
</tr>
<tr>
<td>Vaccination-2</td>
<td>1.93 Million (11,2%)</td>
<td>118 Thousand (0,6%)</td>
</tr>
</tbody>
</table>

#### Vaccination Trends

<table>
<thead>
<tr>
<th>N</th>
<th>Period</th>
<th>Capacity</th>
<th>Vaccination Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Jan-Feb</td>
<td>10 M Doses</td>
<td>10,000-100,000/day</td>
</tr>
<tr>
<td>2.</td>
<td>March-April</td>
<td>30 M Doses</td>
<td>100,000-500,000/day</td>
</tr>
<tr>
<td>3.</td>
<td>May-June</td>
<td>50 M Doses</td>
<td>500,000-1,000,000/day</td>
</tr>
<tr>
<td>4.</td>
<td>July-Dec</td>
<td>250 M Doses</td>
<td>1,000,000-1,500,000/day</td>
</tr>
</tbody>
</table>

#### Prospective Recipients of Phase-2 Vaccines

<table>
<thead>
<tr>
<th>Elderly</th>
<th>Market Trader</th>
<th>Public Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educator</td>
<td>Religious leaders</td>
<td>Tourism</td>
</tr>
<tr>
<td>People’s representatives</td>
<td>Government employees</td>
<td>Journalists &amp; Media Workers</td>
</tr>
<tr>
<td>State officials</td>
<td>Security</td>
<td>Athlete</td>
</tr>
<tr>
<td>Public Servant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Coordinating Ministry for Economic Affairs
Community Activity Restriction (PPKM) as a Support for Government Vaccination Program

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

### Micro PPKM Control Scenarios

<table>
<thead>
<tr>
<th>Red</th>
<th>Orange</th>
<th>Yellow</th>
<th>Green</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Community Transmission</td>
<td>Moderate Community Transmission</td>
<td>Low Community Transmission</td>
<td>No Active Cases</td>
</tr>
</tbody>
</table>

- **Red**
  - > 10 houses in a neighborhood that have positive confirmed cases during the last 7 days

- **Orange**
  - If there are 6-10 houses in a neighborhood that have positive confirmed cases during the last 7 days

- **Yellow**
  - If there are 1-5 houses in a neighborhood that have positive confirmed cases during the last 7 days

- **Green**
  - If there are no houses in a neighborhood that have positive confirmed cases during the last 7 days

### Fulfillment of Basic Needs for Self Isolation

**Target:** Citizens who are confirmed positive, close contacts, and suspects

**Assistance:** Rice (10 kg Pack) and Masks during the self-isolation period (14 days)

### Micro-Scale PPKM I-IV (9 February - 27 March 2021) is effective in handling Covid

- Active Cases decreased from 169,351 (14.4%) to 128,250 (8.4%)
- Cure rate increased from 82.9% to 88.93%
- Death rate remains 2.7%

**Source:** Coordinating Ministry for Economic Affairs
Implementation of Micro Scale Community Activity Restriction (PPKM) Shows a Good Progress

The Micro-Scale PPKM policy was running effectively, which was reflected in the decreasing trend in the percentage of active cases, the percentage of deaths and the percentage of cure.

% Global active case

- Before Year End: 23.48%
- Peak (29 Mar 2020): 17.20%
- Current 7DMA: 17.20%
- Latest: 17.20%

Daily global active case

- Before Year End: 19,619,232
- Peak (31 Jan 2021): 23,105,893
- Current 7DMA: 21,626,429
- Latest: 21,980,793

% Global recovery rate

- Before Year End: 74.94%
- Peak (23 April 2021): 81.16%
- Current 7DMA: 80.59%
- Latest: 80.61%

% Global Case Fatality Rate

- Before Year End: 2.18%
- Peak (14 Mei 2020): 6.87%
- Current 7DMA: 2.19%
- Latest: 2.19%

% Indonesia active case

- Before Year End: 14.80%
- Peak (1 April 2020): 8.24%
- Current 7DMA: 8.24%
- Latest: 8.24%

Daily Indonesia active case

- Before Year End: 109,963
- Peak (5 Feb 2021): 176,672
- Current 7DMA: 124,655
- Latest: 123,694

% Indonesia recovery rate

- Before Year End: 82.23%
- Peak (24 Maret 2021): 88.91%
- Current 7DMA: 88.91%
- Latest: 89.06%

% Indonesia Case Fatality Rate

- Before Year End: 2.99%
- Peak (2 April 2020): 2.70%
- Current 7DMA: 2.70%
- Latest: 2.70%

Source: worldometers.com, CEIC, as of 29 March 2021
Implementation of Micro Scale Community Activity Restriction (PPKM) Shows a Good Progress

- Since Feb 9, 2021, Indonesia has implemented community activity restriction in the level of a neighbour-hood (community-watch).
- This policy is very effective. The number of new confirmed cases of Covid-19 at the implementation of the Micro Scale PPKM (9 Feb-21 Mar 2021), shows a trend of decreasing cases.
Policy Synergy in the Property and Automotive Sector

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

**Government**

**Bank Indonesia**

**OJK**

**Automotive Sector**

- Giving VAT Incentives on Luxury Goods Borne by the Government for Motor Vehicles through PMK No. 20 of 2021
  - Expanded to: Car which produced within the country with an engine capacity of 1,501 < CC < 2,500 with local purchases > 60%.
  - The PPNBM Discount stimulus is given in stages:
    - As for 4x2: 50% during April-Aug and 25% for Sep-Dec 2021.
    - As for 4x4: 25% during Apr-Aug and 12.5% during Sep-Dec 2021.

**Property Sector**

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

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

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

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

- Letter of the Chief Executive of Banking Supervision and Non-Bank Financial Institutions:
  - Relaxation of Risk Weighting Policy for Credit Risk Weighted Assets / Motor Vehicle Financing
  - Exemption from the Maximum Credit Lending Limit to Battery-Based Electric Motor Vehicle Manufacturers

Source: Coordinating Ministry for Economic Affairs
The Pre-Employment Card Program Successfully Helped Indonesian Workers During the Pandemic Period

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

**Realization 2020**

<table>
<thead>
<tr>
<th>Registration</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>43,8 M</strong> Registrant in Pre-Employment Card Websites from all Cities and Regencies in Indonesia</td>
<td><strong>5,5 M</strong> Pre-Employment Card Recipient (Batch 1-11)*</td>
</tr>
<tr>
<td><strong>34 Province</strong></td>
<td><strong>514 Cities and Regencies</strong></td>
</tr>
<tr>
<td><strong>5,316,499</strong> Recipients Has received an incentive</td>
<td><strong>13.4 T</strong> Incentives Have Been Disbursed</td>
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</tbody>
</table>

**Pre-Employment Card Program Ecosystem**

- **SEMI-SOCIAL ASSISTANCE:** Provides skills while protecting purchasing power
  - Increased participant work skills (* BPS)
  - Incentives are used to buy daily needs (* BPS)
  - Skilling improvement in both skilling, reskilling, and upskilling (* Evaluation Survey)

- **EMPLOYMENT:** Encouraging employment, including entrepreneurship
  - Changed from previously unemployed as of February 2020 to working when surveyed (*Evaluation Survey)
  - Changed from unemployed to entrepreneurship (*Evaluation Survey)
  - Changed from being unemployed to being an employee / laborer / freelance (*Evaluation Survey)

**Source:** Coordinating Ministry for Economic Affairs

**Semester I Pre-Employment Card Program in 2021**

- **Budget:** IDR 10 trillion
- **Benefit value:**
  - Rp1 million training assistance
  - Total post-training incentives IDR 2.4 million (IDR 600 thousand x 4 months)
  - Post-survey incentives total IDR 150 thousand (IDR 50,000 x 3 surveys)
- **Batch 12:** 600,000 attendees
- **Target audience:** 2.7 million people
# Government Support for MSMEs During the Covid-19 Pandemic

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

## MSMEs CREDIT RESTRUCTURING

### ASSET QUALITY ASSESSMENT

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

**Asset Quality Arrangement:**
- Loans ≤ IDR 10 billion can be based only on the accuracy of principal / interest payments

**Restructurisation:**
- The credit quality for affected debtors is determined to be current since restructuring
- The restructuring is carried out without a ceiling limit / type of financing

### POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Description</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>KUR Super Mikro: Loan up to IDR 10 million</td>
<td>Interest subsidy will be 19% consist of additional interest subsidy 6% and regular interest subsidy 13%, debtors pays 0% interest from Aug – Dec 2020.</td>
<td></td>
</tr>
<tr>
<td>KUR MKM (SMEs):</td>
<td></td>
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<tr>
<td>Loan up to Rp10 million up to IDR 500 million</td>
<td>Postponement of installments and 6% additional interest subsidy for the period from Apr-Dec 2020 to 0%.</td>
<td></td>
</tr>
<tr>
<td>Loan &gt; Rp500 million up to IDR 10 billion</td>
<td>Postponement of installments and interest subsidies from 3% to 3% for the period Apr-Jun 2020 and interest subsidies from 2% to 4% for the period Jul-Sep 2020.</td>
<td></td>
</tr>
<tr>
<td>UMi, Mekaar, Pegadaian (Pawnshop)</td>
<td>Postponement of principal installments and interest subsidies for 6 months from Apr-Sep 2020</td>
<td></td>
</tr>
<tr>
<td>Fintech Loan, Co-op, Farmers, LPDB, LPMUKP, UMKM PEMDA</td>
<td>Relaxation is given a 6% interest subsidy for 6 months</td>
<td></td>
</tr>
</tbody>
</table>

Based on Coordination Meeting held by Financing Policy Committee for MSME on December 28, 2020, KUR implementation in 2021 are as follows:
- Additional interest subsidy 3% for 6 months, debtors pays 3% interest.
- Increase the ceiling of KUR in 2021 to IDR 253 trillion.

## WORKING CAPITAL CREDIT

### LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

### GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

## OTHER SUPPORT

### Income Tax for MSMEs is borne by Government

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

### MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

Direct assistance to 12 million Micro-Business Actors in the amount of IDR 2.4 million per recipient

Source: Coordinating Ministry for Economic Affairs
Indonesia's Economic Improvement Trend Continues

**GDP Growth (%YoY)**
- Total GDP
- HH Consumption
- GFCF

**PMI Markit Indonesia**
- Expansion >50
- Contraction <50

**Total Investment (DDI+FDI) Rp Trillion**

**CCI & Retail Sales**
- Consumer Confidence Index (CCI)
- Retail Sales-g (rhs)

**Current Account Deficit of GDP (%)**

**Trade Balance (Billion USD)**
- Balance (Billion USD)
- Export-g (%YoY)-rhs

**The Indonesian Rupiah and JCI**

**Net Capital Inflow (Million USD)**
- Equity Flow (Mtd)
- Bond Flow (Mtd)
- Total

Source: CEIC, BI, BPS
Section 2

Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement
Improving Global Perception
...with recent improvements on governance effectiveness

Global Competitiveness Index¹

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Higher rank is better

Ease of Doing Business²

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Higher rank is better (rankings at the time of annual report publication)

Worldwide Governance Indicators³

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Higher rank is better

Corruption Perception Index⁴

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Higher score is better

## Continuous Improvement of Investment Climate
...

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

<table>
<thead>
<tr>
<th>Category</th>
<th>EoDB 2020 Rank</th>
<th>EoDB 2019 Rank</th>
<th>Change in Rank</th>
<th>EoDB 2020 Points</th>
<th>EoDB 2019 Points</th>
<th>Change in Points</th>
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<td>Dealing with Construction Permits</td>
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<td>Resolving Insolvency</td>
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<td>68.1</td>
<td>67.9</td>
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* Higher rank is better, EoDB 2020 was published in October 2019

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

Source: World Bank
Indonesia Has Been Rated as Investment Grade Country since 2017

**March 2021, Rating Affirmed at BBB/ Stable**

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

**February 2020, Rating Affirmed at Baa2/ Stable**

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

**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".

**April 2020, Rating Affirmed at BBB+”/ Stable, Outlook Revised from Stable to Negative**

"The affirmation reflects Indonesia’s stable institutional settings, strong growth prospects, and historically prudent fiscal policy settings. The negative outlook reflects S&P expectation that Indonesia faces additional fiscal and external risks related to the COVID-19 pandemic in the next 24 months.”

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

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

**February 2020, Rating Affirmed at Baa2/ Stable**

"The affirmation of the ratings is underpinned by a number of credit strengths – including Indonesia’s robust and stable growth rates and a low government debt burden, preserved by consistent fiscal discipline and emphasis on macroeconomic stability – as well as persistent credit challenges."
National Economic Recovery Strategy Through Import Substitution Program (35% Reduction) in 2022

**Industrial Conditions**

- 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

**Sectors Focus**

- Food and Beverage
- Textiles and Clothing
- Automotive
- Chemical
- Electronic
- Pharmacy
- Medical Devices

**Strategic Steps**

- Import Reduction through Import Substitution in Industries with Large Import Value
- Increasing Production Utilisation of All Manufacturing Industry Sectors

**35% Import Substitution Program by 2020**

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

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

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

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

- **SUPER DEDUCTION TAX**
  - **Super Deduction Vocational**
    - Engaging industry in vocational activities to provide knowledge and encourage the transfer of knowledge.
    - A maximum reduction of 200% gross income from costs in the context of providing work practice, apprenticeship, and / or learning activities.
  - **R & D Super Deduction**
    - Increase the role of industry in fostering innovation and the use of the latest technology in the production process.
    - Maximum gross income deduction of 300% over R&D costs carried out in Indonesia.

Source: Coordinating Ministry for Economic Affairs

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

- Super micro, micro and small businesses that are un-bankable have begun to be empowered by the Government with the Productive Presidential Assistance & Pre-Work Card programs, while the BUMN through the partnership and community development program (PKBL) and private parties with CSR.

- KUR Super Micro scheme, people enjoy loans with 0% interest until December 31, 2020. Meanwhile, People's Business Credit (KUR) for micro small and medium enterprises (MSME) is given an additional interest subsidy of 6% until 31 Dec 2020. For 2021, MSME is given an additional interest subsidy of 3% for 6 months, so MSME pays 3% interest.

Source: Coordinating Ministry for Economic Affairs
Medium-Term National Development Plan (RPJMN) 2020-2024

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

<table>
<thead>
<tr>
<th>President’s Missions</th>
<th>Top 5 Presidential Priorities</th>
<th>7 RPJMN Development Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving the Quality of the Indonesian Labour Force</td>
<td>1. HR Development</td>
<td>Strengthening Economic Resilience to Achieve Superior Economic Growth</td>
</tr>
<tr>
<td>4. Achieving Sustainable Environmental Climate</td>
<td>4. Simplification of Bureaucracy</td>
<td>Engaging in Mental Revolution and Culture Development</td>
</tr>
<tr>
<td>5. Developing Cultural Progress Reflecting the Nation’s Personality</td>
<td>5. Economic Transformation</td>
<td>Strengthening Infrastructure to Support Economic Development and Improve Basic Services</td>
</tr>
<tr>
<td>6. Developing a Dignified and Trustworthy Legal System Free from Corruption</td>
<td></td>
<td>Conservation of Environment, Supporting Climate Change, and Enhancing Disaster Resilience</td>
</tr>
<tr>
<td>7. Protection of All Nations and Provision of Security to All Citizens</td>
<td></td>
<td>Enhancing Political, Legal, Defense and Stability and Transforming Public Services</td>
</tr>
<tr>
<td>8. Attaining Good, Effective, and Reliable Governance</td>
<td></td>
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</tr>
<tr>
<td>9. Achieving Synergy of Governmental Framework with the Regional Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Economic Transformation is Required to Recover the Economy and Avoid the Middle Income Trap

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

**Fundamental Problems**

<table>
<thead>
<tr>
<th>Hyper Regulation</th>
<th>Competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and sub-national regulations = 43,604</td>
<td>Less conducive business environment</td>
</tr>
<tr>
<td>Inefficient bureaucracy</td>
<td>High cost economy hampering export</td>
</tr>
</tbody>
</table>

**Employment**

- Low productivity albeit productive age
- Unemployed and part-time workforce amounting to 45,8 million people (34.3%) (before pandemic)

**License and Ease of Doing Business**

- Licensing approach
- Convoluted and overlapped
- Difficult to start and operate a business

**MSME & Cooperative**

- Complex licensing
- Without legal status
- Minimum protection and facilitation

**Legal Certainty**

- Criminal sanction for administrative sanction

**National Economy**

- Growth
- Equity
- Protection
- Competitiveness

**Indonesia Maju 2045**

- Top 5 Global Economy
- Out of middle-income trap
- GDP of USD 7.4 trillion
- Poverty Rate 0%
- Competitive workforce

Source: Coordinating Ministry for Economic Affairs
The Job Creation Omnibus Law Encourages Employment and Facilitates New Business Opening While Recovering the Post-Pandemic Economy

Of the total population aged 203.97 million people, there are 14.28 people affected by Covid-19
1. Unemployment due to covid-19 (2.56 million people)
2. Not labor force due to Covid-19 (0.76 million people)
3. Temporarily not working due to Covid-19 (1.77 million people)
4. Work with shorter hours due to Covid-19 (24.03 million people)

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

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

**SUBSTANCE**
1. IMPROVING INVESTMENT ECOSYSTEM
2. BUSINESS LICENSING
3. LABOR
4. SUPPORTING MSMEs
5. EASE OF DOING BUSINESS
6. RESEARCH & INNOVATION
7. LAND PROCUREMENT
8. ECONOMIC ZONE
9. CENTRAL GOVERNMENT INVESTMENT & SPEEDING OF STRATEGIC NATIONAL PROJECT
10. GOVERNMENT ADMINISTRATION
11. IMPOSITION OF SANCTIONS

**BENEFITS**
1. Encouraging Job Creation and Entrepreneurship through Ease of Doing Business from MSEs and Large Enterprises
2. Protecting Worker’s Rights through Worker’s Protection
3. Benefits for the General Public, including provision of housing and redistribution of land

Source: Coordinating Ministry for Economic Affairs
Framework of the Job Creation Law

Source: Coordinating Ministry for Economic Affairs
Development of Implementing Regulations for the Job Creation Law

The government has completed 51 implementing regulations consisting of 47 government regulations and 4 presidential regulations.

The implementing regulations are grouped into 11 regulatory clusters, namely:

1. Spatial (4)
2. Land and Land Rights (5)
3. Environment (1)
4. Construction and Housing (6)
5. Cooperatives and SMEs (4)
6. Investment (6)
7. Fiscal (3)
8. Employment (4)
9. Economic Zone (2)
10. Government Goods / Services (1)
11. Licensing and Sector Business Activities (15)

**Regulations**
- The ministry immediately makes internal implementation standards or guidelines no later than 2 months after the implementing regulations are enacted.

**Public Communication**
- Ministries / Institutions held intensive socialization in the form of electronic media and leaflets.

**Infrastructure and Supporting System**
- OSS and Supporting System will be ready for operation in July 2021.
- Readiness of Ministries / Agencies and Local Governments in providing networks, tools, and consultations.

**Human Resources**
- Training for OSS Operators and Supervisors.

Source: Coordinating Ministry for Economic Affairs
51 Regulations for Job Creation Law (Substance Grouping)

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

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

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

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

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

Source: Coordinating Ministry for Economic Affairs
51 Regulations for Job Creation Law (Substance Grouping)

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

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

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

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

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

Source: Coordinating Ministry for Economic Affairs
51 Regulations for Job Creation Law (Substance Grouping)

Source: Coordinating Ministry for Economic Affairs

<table>
<thead>
<tr>
<th>Licensing and Sector Business Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government Regulation No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing</td>
</tr>
<tr>
<td>2. Government Regulation No. 6 of 2021 concerning the Implementation of Business Licensing in Regions</td>
</tr>
<tr>
<td>4. Government Regulation No. 26 of 2021 concerning the Implementation of the Agricultural Sector</td>
</tr>
<tr>
<td>5. Government Regulation No. 27 of 2021 concerning the Implementation of the Marine and Fisheries Sector</td>
</tr>
<tr>
<td>6. Government Regulation No. 28 of 2021 concerning the Implementation of the Industrial Sector</td>
</tr>
<tr>
<td>7. Government Regulation No. 29 of 2021 concerning the Implementation of the Trade Sector</td>
</tr>
<tr>
<td>8. Government Regulation No. 30 of 2021 concerning Implementation of the Road Traffic and Transportation Sector</td>
</tr>
<tr>
<td>9. Government Regulation No. 31 of 2021 concerning the Implementation of the Shipping Sector</td>
</tr>
<tr>
<td>10. Government Regulation No. 32 of 2021 concerning the Implementation of the Aviation Sector</td>
</tr>
<tr>
<td>11. Government Regulation No. 33 of 2021 concerning the Implementation of the Railway Sector</td>
</tr>
<tr>
<td>12. Government Regulation No. 38 of 2021 concerning Accompanying Accounts for Umrah Travel Expenses</td>
</tr>
<tr>
<td>14. Government Regulation No. 46 of 2021 concerning Post, Telecommunication and Broadcasting</td>
</tr>
<tr>
<td>15. Government Regulation No. 47 of 2021 concerning the Implementation of Hospitalization</td>
</tr>
</tbody>
</table>
The government provides positive sentiment to the business world by establishing policies for regulating business sectors that are more open (positive) and prioritized.

With a positive approach, the Government provides assurance that in principle all business fields are open to investment, unless otherwise stated as covered by law. The investment value for Mandatory PMA is > IDR 10 billions.

This openness takes into account the protection and empowerment of MSMEs.

The government also provides information on the direction of investment policy in Indonesia by determining business fields that are Government's priorities.

Source: Coordinating Ministry for Economic Affairs
Indonesia Investment Authority (INA) as an Alternative Source of Economic Development Financing

**Progress**

- The President has appointed 3 Supervisory Boards from the professional element on 27 Jan 2021.
- Initial capital has been allocated IDR 15 T in 2020, in 2021 PMN non-cash IDR 60 T
- INA is planned to start operating in the first quarter of 2021
- Discussions with more than 50 companies as strategic partners, and several countries have expressed a desire to partner with INA

**Top SWF in Global with its total assets:**
- Norway Gov → USD 1.1 trillion
- China Inv. Co. → USD 1 trillion
- Abu Dhabi → USD 579 trillion

**Top SWF in ASEAN with its total assets:**
- GIC Private Limited → USD 453 billion
- Temasek Holdings → USD 417 billion
- Khazanah Nasional Berhad → USD 20 billion
Investment Facilitation Services During COVID-19 Pandemic

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

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

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

4. **Escorting Existing Investment Realization**
   Conduct visits to companies (for example visiting Hyundai and Bonded Zone) to spur existing investment in addition to fiscal incentive facilitation.

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

Source: Investment Coordinating Board (BKPM)
Investment Realization in 2020

**Source:** Investment Coordinating Board (BKPM)

- **DDI:** Domestic Direct Investment
- **FDI:** Foreign Direct Investment


**) Towards the 2020 investment realization target

- The investment realization figures of the fourth quarter of 2020 constitute the direct investment realization done for the three months period (October – December 2020) based on investment realization report (LKPM) from the DDI and FDI companies.
- Investment on Oil and Gas, Banking, Non-Bank Financial Institution, Insurance, Leasing, and Home Industry sectors are excluded.
- The investment value is in Trillion Rupiah (T), and US$ 1 = Rp 14,400 based on 2020 National Budget
- The total investment realization of the fourth quarter of 2020 is Rp 214.7 T, 2.7 % increase from the third quarter of 2020 (Rp 209.0 T) and 3.1 % increase from the fourth quarter of 2019 (Rp 208.3 T)
- Investment realization in January – December 2020 is Rp 826.3 T, 2.1% increase from the previous period in January – December 2019 (Rp 809.6 T)

<table>
<thead>
<tr>
<th>Q-4 2020</th>
<th>y-o-y</th>
<th>q-o-q</th>
</tr>
</thead>
<tbody>
<tr>
<td>DDI</td>
<td>0.7%</td>
<td>0.8%</td>
</tr>
<tr>
<td>FDI</td>
<td>5.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.1%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jan-Dec 2020</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>DDI</td>
<td>7.0%</td>
</tr>
<tr>
<td>FDI</td>
<td>-2.4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.1%</td>
</tr>
</tbody>
</table>
Investment Realization in 2020 (excluding the upstream oil and gas sector and financial services)

Top 5 Investors (by country) (in USD billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment (USD billion)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>9.8</td>
<td>34.1%</td>
</tr>
<tr>
<td>China</td>
<td>4.8</td>
<td>16.7%</td>
</tr>
<tr>
<td>Hongkong</td>
<td>3.5</td>
<td>12.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>2.6</td>
<td>9.1%</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.8</td>
<td>6.3%</td>
</tr>
<tr>
<td>Others</td>
<td>6.2</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

By Geography

- IDR 200.7T (24.3%)
- IDR 68.8T (8.3%)
- IDR 71.8T (8.7%)
- IDR 408.8T (49.5%)
- IDR 71.8T (3%)
- IDR 51.3T (6.2%)

By Region

- West Java: IDR 120.4T
- DKI Jakarta: IDR 95T
- East Java: IDR 78.3T
- Banten: IDR 62T
- Central Java: IDR 50.2T
- Others: IDR 420.4T

By Sector

- Transportation, Warehouse, and Telecommunication: IDR 144.8T (40.9%)
- Electricity, Gas, and Water Supply: IDR 102.0T (3%)
- Basic Metal, Metal Goods, Non-Machinery and Equipment Industry: IDR 94.8T (11.5%)
- Housing, Industrial Estates, and Office Building: IDR 76.4T (9.2%)
- Construction: IDR 71.0T (8.6%)
- Others: IDR 337.3T (40.9%)

Source: Investment Coordinating Board (BKPM)
Investment Realization in 2020
(excluding the upstream oil and gas sector and financial services)

**Jan – Dec 2019**

- **Outside Java** IDR 375.0 T (46.3%)
- **Java** IDR 434.6 T (53.7%)

Total : IDR 809.6 T

**Jan – Dec 2020**

- **Outside Java** IDR 417.5 T (50.5%)
- **Java** IDR 408.8 T (49.5%)

Total : IDR 826.3 T

**Realization**

<table>
<thead>
<tr>
<th>Realization</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Java</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Outside Java</td>
<td>11.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.1%</td>
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</tbody>
</table>

**Direct Investments**

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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>FDI</td>
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<td></td>
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<tr>
<td>DDI</td>
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<td></td>
<td></td>
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<td>TOTAL</td>
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</tbody>
</table>

Source: Investment Coordinating Board (BKPM)
Potential Investment Realization Reaches IDR 708 T

Companies that had been facilitated:

- IDR 211.9T
- IDR 39.2T
- IDR 21.7T
- IDR 9.5T
- IDR 2.0T
- IDR 1.8T
- IDR 1.1T
- IDR 61.2T
- IDR 38.0T
- IDR 14.0T
- IDR 5.2T
- IDR 1.8T
- IDR 1.8T
- IDR 1.4T

Potential Investment Realization: IDR 708 T

The potential value facilitated: IDR 410 T (58%)

Solving stalled investment issues is one strategy to attract investors.

Klaten, Central Java

Dumai, Riau

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

Source: Investment Coordinating Board (BKPM)
Enhancing Business License Service Standard
Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014

**Policy Goals**

1. Improve efficient, streamlined, & integrated business license service standards
2. Provide business licensing process assurance in terms of the costs and lead times
3. Accelerate the business licensing process
4. Increase coordination & synergy between central & regional government
5. Overcome the barriers to doing business in Indonesia
6. Implement integrated licensing process (single submission)

**Main Policy**

**1st Phase**
- Forming a Task Force to identify & overcome the end-to-end licensing barriers
- Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones
- Utilizing data sharing

**2nd Phase**
- Business license regulatory reforms
- Implementation of the Single Submission system

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

Source: Coordinating Ministry for Economic Affairs
(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 1st Economic Policy Package, launched on March 2016. PLB facility aims to improve efficiency and reduce the cost of transportation and logistics in Indonesia; support the growth of the domestic industry, including small and medium industries; increase investment; and to make Indonesia to become a logistics hub in Asia Pacific.

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

- Oil and gas, and mining industry
- Personal care/home care industry
- Synthetic textile (chemical substances) industry
- Aircraft MRO industry
- Food & beverages industry
- Automotive industry
- Textile (cotton) industry
- Heavy Equipment industry
- Defence industry
- Small and medium industry

Source: Coordinating Ministry for Economic Affairs
OSS is a web-based business licensing system intended to cut the red tape involved in obtaining business permits and integrated between the central government and regional administrations.

### Sectors

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

### The Advantage of Using OSS

- Business licenses can be secured in under an hour
- Standardized business licenses are available
- Electronically integrated
- More practical
- Accessible at anytime and anywhere
- The whole licensing process is monitored by the Task Force

Source: Coordinating Ministry for Economic Affairs
Improving Investment Climate
...revision of the Negative Investment List in 2018

Introduction of New Foreign Ownership Regulation for Strategic Sectors

<table>
<thead>
<tr>
<th>Cold storage</th>
<th>Sports Center, Film Processing Lab, Crumb Rubber</th>
<th>Restaurants, Bars</th>
<th>Pharmaceutical Raw Materials Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>After</td>
<td>Before</td>
<td>After</td>
</tr>
<tr>
<td>33%</td>
<td>100%</td>
<td>49%</td>
<td>100%</td>
</tr>
<tr>
<td>49%</td>
<td>100%</td>
<td>51%</td>
<td>100%</td>
</tr>
<tr>
<td>85%</td>
<td>100%</td>
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</tr>
</tbody>
</table>

Key Reforms in Negative Foreign Investment List

- Revision of "Partnership" category to refer to partnership with Micro, Small and Medium Enterprises (MSMEs)
- Grandfather Law: If a particular sector is tightened in future, existing foreign investor does not need to comply with tighter stake
- Strengthen implementation of negative investment law through active roles from ministries, agencies and regional governments

1 For total project value of IDR10bn and above

Source: Investment Coordinating Board (BKPM)
Section 3

Economic Factor: Stable Growth Prospects Amid Temporary Moderation
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

Large and Stable Economy
Manageable Inflation Rate
Rising Middle Class and Affluent Customers

Consistent Budget Reform
Budget reform as a part of larger economic reform initiative
Tax base to be broadened from one source to another
Fuel subsidies significantly reduced and spending redirected to more productive allocation
Prudent debt management

Reform-Oriented Administration
Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and PPP
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

New Economic Structure
From commodity-based to manufacturing and service sectors via infrastructure development
From consumption-led to investment-led 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

High Infrastructure Investments
Large and Stable Economy
Consistent Budget Reform
Reform-Oriented Administration
New Economic Structure
**National Economic Growth Improved**

**Strong GDP Growth**

- **QoQ**  
  - Q1 2014: 5.14  
  - Q2 2014: 4.95  
  - Q3 2014: 5.08  
  - Q4 2014: 4.74  
  - Q1 2015: 4.92  
  - Q2 2015: 4.74  
  - Q3 2015: 4.77  
  - Q4 2015: 3.31  
  - Q1 2016: 3.14  
  - Q2 2016: 3.31  
  - Q3 2016: 3.14  
  - Q4 2016: 3.14  
  - Q1 2017: 3.09  
  - Q2 2017: 3.09  
  - Q3 2017: 3.09  
  - Q4 2017: 3.09  
  - Q1 2018: 3.06  
  - Q2 2018: 3.06  
  - Q3 2018: 3.06  
  - Q4 2018: 3.06  
  - Q1 2019: 3.04  
  - Q2 2019: 3.04  
  - Q3 2019: 3.04  
  - Q4 2019: 3.04  
  - Q1 2020: 3.05  
  - Q2 2020: 3.05  
  - Q3 2020: 3.05  
  - Q4 2020: 3.05  
  - Q1 2021: 3.04  
  - Q2 2021: 3.04  
  - Q3 2021: 3.04  
  - Q4 2021: 3.04

- **YoY**  
  - Q1 2014: (5.12)  
  - Q2 2014: (2.07)  
  - Q3 2014: (3.27)  
  - Q4 2014: (0.36)  
  - Q1 2015: (1.73)  
  - Q2 2015: (1.70)  
  - Q3 2015: (1.69)  
  - Q4 2015: (1.74)  
  - Q1 2016: (3.02)  
  - Q2 2016: (3.09)  
  - Q3 2016: (3.09)  
  - Q4 2016: (3.09)  
  - Q1 2017: (2.03)  
  - Q2 2017: (2.03)  
  - Q3 2017: (2.03)  
  - Q4 2017: (2.03)  
  - Q1 2018: (2.03)  
  - Q2 2018: (2.03)  
  - Q3 2018: (2.03)  
  - Q4 2018: (2.03)  
  - Q1 2019: (2.03)  
  - Q2 2019: (2.03)  
  - Q3 2019: (2.03)  
  - Q4 2019: (2.03)  
  - Q1 2020: (2.03)  
  - Q2 2020: (2.03)  
  - Q3 2020: (2.03)  
  - Q4 2020: (2.03)  
  - Q1 2021: (2.03)  
  - Q2 2021: (2.03)  
  - Q3 2021: (2.03)  
  - Q4 2021: (2.03)

**Favourable GDP Growth Compared to Peers**

- **Bulgaria**
- **Colombia**
- **Indonesia**
- **Philippines**

**Growth Prospect**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>2021 GDP growth (%YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 Budget</td>
<td>5.0</td>
</tr>
<tr>
<td>Bank Indonesia</td>
<td>4.3-5.3</td>
</tr>
<tr>
<td>IMF (WEO, April 2021)</td>
<td>4.3</td>
</tr>
<tr>
<td>World Bank (Global Economic Prospects, Jan 2021)</td>
<td>4.4</td>
</tr>
<tr>
<td>ADB (ADOS Dec 2020)</td>
<td>4.5</td>
</tr>
<tr>
<td>Consensus Forecast (Mar 2021)</td>
<td>4.6</td>
</tr>
</tbody>
</table>

1. Source: Central Bureau of Statistics of Indonesia (BPS); ** Including non-profit household consumption
2. Source: World Economic Outlook Database – October 2020; * indicates estimated figure

**National economic growth maintained recovery momentum in the fourth quarter of 2020.** Based on data from BPS-Statistics Indonesia, economic growth in Indonesia recorded a shallower -2.19% (yoy) contraction in the fourth quarter of 2020, improving from -3.49% (yoy) in the third quarter of 2020. A fourth-quarter improvement was recorded across nearly all demand-side components and economic sectors. Therefore, national economic growth in Indonesia contracted 2.07% in 2020. Looking forward, domestic economic growth, which improved through to the end of 2020, is projected to gradually gain momentum in 2021. Bank Indonesia has oriented its accommodative policy mix towards supporting the national economic recovery, while strengthening synergy with the Government and other relevant authorities.

**Domestic economic improvements in the fourth quarter of 2020 were supported by stimulus realisation and a positive external sector contribution.** Government consumption expanded 1.94% (yoy) in 2020 due to the realisation of government stimuli, dominated by social assistance disbursements, other goods and services expenditure as well as regional transfers and village fund disbursements. Meanwhile, household consumption growth recorded a shallower -3.61% (yoy) contraction in the fourth quarter of 2020 compared with -4.05% (yoy) in the previous period in response to greater public mobility. Annually, household consumption contracted 2.63%. Investment growth also experienced a slightly shallower -6.15% (yoy) contraction in the reporting period compared with -6.48% (yoy) in the previous period, bringing the decline for the year in 2020 to negative 4.95%. On the other hand, net exports enjoyed a positive position as export performance improved in line with economic recovery momentum in several of Indonesia’s major export destinations amidst comparatively subdued import performance.

**Most economic sectors recorded incremental gains in the fourth quarter of 2020.** Sectors associated with healthcare as well as work-from-home and school-from-home activities continued to improve and maintained positive growth, including Information and Communication as well as Health Services. In addition, Agriculture and Education also recorded positive growth, while the Manufacturing Industry and Trade, accounting for large economic contributions, improved to experience shallower contractions.
## GDP Growth Breakdown

### GDP Growth Based on Expenditures (% YoY)\(^1\)

<table>
<thead>
<tr>
<th>By expenditure</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH. Consumption</td>
<td>5.0</td>
<td>5.0</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Non profit HH. consumption</td>
<td>8.1</td>
<td>6.6</td>
<td>8.3</td>
<td>6.6</td>
<td>8.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Government consumption</td>
<td>2.9</td>
<td>7.1</td>
<td>2.9</td>
<td>3.4</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Gross Fixed Cap. Formation</td>
<td>4.6</td>
<td>4.9</td>
<td>6.4</td>
<td>5.0</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Exports</td>
<td>0.6</td>
<td>1.0</td>
<td>6.4</td>
<td>3.1</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Imports</td>
<td>2.6</td>
<td>6.5</td>
<td>6.2</td>
<td>5.0</td>
<td>4.8</td>
<td>1.9</td>
</tr>
<tr>
<td>GDP</td>
<td>4.8</td>
<td>4.7</td>
<td>5.2</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

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

### GDP Growth by Sector (% YoY)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, and fishery</td>
<td>3.7</td>
<td>6.5</td>
<td>2.9</td>
<td>1.6</td>
<td>3.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>0.6</td>
<td>3.6</td>
<td>4.4</td>
<td>6.0</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.1</td>
<td>4.2</td>
<td>4.6</td>
<td>4.4</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Construction</td>
<td>6.0</td>
<td>5.4</td>
<td>6.8</td>
<td>7.1</td>
<td>6.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Wholesale and Retail Trade, Repair of Car and Motorcycle</td>
<td>3.8</td>
<td>1.6</td>
<td>1.4</td>
<td>3.5</td>
<td>2.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>6.3</td>
<td>6.0</td>
<td>7.0</td>
<td>7.5</td>
<td>6.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Information and communication</td>
<td>9.7</td>
<td>9.3</td>
<td>10.6</td>
<td>9.2</td>
<td>9.7</td>
<td>9.6</td>
</tr>
<tr>
<td>Financial service</td>
<td>8.6</td>
<td>2.6</td>
<td>10.3</td>
<td>12.8</td>
<td>8.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Other Services(^*)</td>
<td>5.1</td>
<td>6.5</td>
<td>4.8</td>
<td>5.5</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>GDP</td>
<td>4.8</td>
<td>4.7</td>
<td>4.8</td>
<td>5.2</td>
<td>4.9</td>
<td>5.0</td>
</tr>
</tbody>
</table>

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

51
Economic Performance Improved In Almost All Regions

REGIONAL GDP Q4-2020 (% YOY)

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
Most economic sectors recorded incremental gains in the fourth quarter of 2020. Sectors associated with healthcare as well as work-from-home and school-from-home activities continued to improve and maintained positive growth, including Information and Communication as well as Health Services. In addition, Agriculture and Education also recorded positive growth, while the Manufacturing Industry and Trade, accounting for large economic contributions, improved to experience shallower contractions.

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
### Stronger Fundamentals Facing the Headwinds

<table>
<thead>
<tr>
<th>Inflation Rate (%)</th>
<th>IDR Movement (%)</th>
<th>Foreign Reserves (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation controlled within the target range</td>
<td>IDR appreciated year-to-date</td>
<td>Significantly higher than 1998 &amp; 2008, ample to cover 10 months of import and external debt repayment</td>
</tr>
<tr>
<td>2008</td>
<td>2008</td>
<td>2008</td>
</tr>
<tr>
<td>Mar 2021</td>
<td>17-Mar-21</td>
<td>Mar 2021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Performing Loan/NPL (%)</th>
<th>More Liquid Market (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL level (gross) is below the maximum threshold of 5%</td>
<td>Overnight interbank money market rate is relatively lower</td>
</tr>
<tr>
<td>1998</td>
<td>Feb 2021</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>Jan 2021</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Debt (Public &amp; Private) to FX Reserve Ratio</th>
<th>Government Debt/GDP</th>
<th>External Debt/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly lower than 1998 crisis</td>
<td>Consistently well-maintained</td>
<td>Higher than 2008, but significantly lower than 1998</td>
</tr>
<tr>
<td>8.6x (1998)</td>
<td>100.0% (1998)</td>
<td>116.8% (1998)</td>
</tr>
<tr>
<td>3.04x (Jan 2021)</td>
<td>41.1% (Feb 2021)</td>
<td>39.4% (Q4-2020)</td>
</tr>
</tbody>
</table>
Outlook of Domestic Economy Remains Robust
...domestic economic growth is predicted to rebound in 2021

2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 4.3-5.3%.
- Bank Indonesia projects Inflation in 2021 to remain under control and within the 3.0±1% target corridor.
- Bank Indonesia projects the current account deficit at 1.0-2.0% of GDP in 2021, thereby supporting external sector resilience in Indonesia.
- Bank Indonesia projects credit growth in 2021 will be around 5.0-7.0%

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Growth</th>
<th>Inflation</th>
<th>CAD (% of GDP)</th>
<th>Credit Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.17%</td>
<td>3.13%</td>
<td>2.98%</td>
<td>11.75%</td>
</tr>
<tr>
<td>2019</td>
<td>5.02%</td>
<td>2.72%</td>
<td>2.71%</td>
<td>6.08%</td>
</tr>
<tr>
<td>2020</td>
<td>-2.07%</td>
<td>1.68%</td>
<td>0.4%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2021</td>
<td>4.3 - 5.3%</td>
<td>3.0±1%</td>
<td>1.0-2.0%</td>
<td>5.0-7.0%</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
Section 4

External Factor: Improved External Resilience
Balance Of Payment Remains Solid

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

Trade Balance Surplus Increases

Current Account Continue Recorded Surplus in Q4-2020

Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of February 2021: US$138.80 bn
(Equiv. to 10 months of imports + servicing of government debt)

Source: Bank Indonesia

* Preliminary Figure  ** Very Preliminary Figure
Despite increasing global financial market uncertainty, rupiah exchange rates remained relatively stable in line with Bank Indonesia’s stabilisation measures. As of 17th March 2021, the rupiah depreciated 2.20% on average, or by 1.16% (ptp) on the February 2021 level. Rupiah depreciation is a corollary of higher US Treasury yields and a stronger US dollar, which stifled foreign capital inflows in the form of portfolio investment to domestic financial markets. Consequently, the rupiah recorded 2.62% (ytd) depreciation as of 17th March 2021 against the yearend level in 2020, comparatively lower than several other emerging markets, however, such as Brazil, Mexico, South Korea and Thailand. Bank Indonesia continues to strengthen exchange rate stabilisation policy in line with the rupiah’s fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.
## 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 February 2021: US$138.8 bn

### Swap Arrangement

<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bilateral</strong></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2018</td>
</tr>
<tr>
<td></td>
<td>The facility is available in USD and JPY</td>
</tr>
<tr>
<td>South Korea</td>
<td>Renewed a 3 year KRW / IDR swap arrangement with the size of up to KRW 10.7 trillion / IDR 115 trillion in March 2020</td>
</tr>
<tr>
<td>Australia</td>
<td>Renewed a 3 year A$/IDR swap arrangement of up to A$10 billion or IDR 100 trillion in August 2018</td>
</tr>
<tr>
<td>Singapore</td>
<td>Renewed a one year SGD/IDR swap arrangement with a size up to USD10 billion (equivalent) in November 2020</td>
</tr>
<tr>
<td>China</td>
<td>Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Established a 3 year RM/IDR swap arrangement with a size up to USD2 billion (equivalent) in September 2019</td>
</tr>
</tbody>
</table>

| **Regional** |                                                                                                 |
| ASEAN Swap Arrangement (ASA) | Entitled to a maximum swap amount of USD600 million under ASA |
|            | The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million |
|            | Doubled to USD2 billion in 2005                                                                 |

<table>
<thead>
<tr>
<th>Chiang Mai Initiative Multilateralization (CMIM) Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
</tr>
<tr>
<td>Came into effect in 2010 with a pool of US$120 bn and</td>
</tr>
<tr>
<td>Doubled to US$240 bn effective July 2014</td>
</tr>
</tbody>
</table>

| **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) |

*Source: Bank Indonesia*
Healthy External Debt Profile

External Debt Structure

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

External Debt Remains Manageable

External Debt to GDP Ratio & Debt to Export Ratio

Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures  **Very Provisional Figures
Manageable External Debt Profile
Short term non-bank corporate debt (non affiliation) represents only 10.1% of total private external debt.

External Debt Position as of January 2021

1 Based on remaining maturity

Source: External Debt Statistics of Indonesia, March 2021
Strengthened Private External Debt Risk Management

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

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2020F</th>
<th>2021F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uruguay</td>
<td>86.1</td>
<td>93.9</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>76.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>53</td>
<td>56.1</td>
<td>56.6</td>
</tr>
<tr>
<td>Colombia</td>
<td>48.7</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>56.6</td>
<td>56.3</td>
<td></td>
</tr>
</tbody>
</table>

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

Regulation on Prudential Principle in Managing External Debt

<table>
<thead>
<tr>
<th>Regulation Key Points</th>
<th>Phase 1 Jan 1,2015 - Dec 31,2015</th>
<th>Phase 2 Jan 1,2016 - Dec 31,2016</th>
<th>Phase 3 Jan 1, 2017 &amp; beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Object of Regulation</td>
<td>Governs all Foreign Currency Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging Ratio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 3 months</td>
<td>20%*</td>
<td>25%**</td>
<td></td>
</tr>
<tr>
<td>&gt; 3 - 6 months</td>
<td>20%*</td>
<td>25%**</td>
<td></td>
</tr>
<tr>
<td>Liquidity Ratio (≤ 3 months)</td>
<td>50%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>Credit Rating</td>
<td>Not applicable</td>
<td>Minimum rating of BB-</td>
<td></td>
</tr>
<tr>
<td>Hedging transaction to meet hedge ratio</td>
<td>not necessarily be done with a bank in Indonesia</td>
<td>Must be done with a bank in Indonesia</td>
<td></td>
</tr>
<tr>
<td>Sanction</td>
<td>As of Q IV-2015</td>
<td>Applied</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio

Hedging Ratio*

- ≤ 3 months: 260 corporates (9.9%)
- > 3 - 6 months: 161 corporates (6.1%)

Liquidity Ratio*

- ≤ 3 months: 2,359 corporates (90.1%)
- > 3 - 6 months: 2,458 corporates (93.9%)

*Data as of Q3 2020, with total population 2,619 corporates

Source: Moody’s Credit View Fundamental Data, July 2020
Solid Policy Coordination
In Managing Financial Markets Volatility

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

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

- Swap facility arrangements based on international cooperation

- Enhancing coordination between government institutions and continuous dialogue with market participants

- Implementing Crisis Management Protocol (CMP)

- Implementing Bond Stabilization Framework (BSF)

---

**Gov’t Securities Crisis Management Protocol (CMP)**

- **Indicators**:  
  - Yield of benchmark series;  
  - Exchange rate;  
  - Jakarta Composite Index;  
  - Foreign ownership in government securities

- **Policies to address the crisis at every level**:  
  - Repurchase the government securities at secondary market  
  - Postpone or stop the issuance

---

**Bond Stabilization Framework**

<table>
<thead>
<tr>
<th>First Line of Defense</th>
<th>Second Line of Defense</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State’s Budget</strong></td>
<td><strong>State’s Budget</strong></td>
</tr>
<tr>
<td>Buyback fund at DG of Budget Financing and Risk Management</td>
<td>State General Treasury Account (Rekening KUN) (min. level Alert)</td>
</tr>
<tr>
<td>Investment fund at Public Service Agency (BLU) (min. level Aware)</td>
<td>Accumulated cash surplus (SAL) (min. Level Crisis)</td>
</tr>
<tr>
<td>Related SOEs (min. level Aware)</td>
<td>BPJS (min. level Aware)</td>
</tr>
</tbody>
</table>
Section 5
Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility
Achievement 2020

Indonesia is taking a big but measured steps to handle the pandemic
Overcoming the spread of Covid-19, protecting the purchasing power of poor and vulnerable people, maintaining the sustainability of the business world, including MSMEs

Supported by synergy between institutions and all elements of the Nation
Government, legislative institutions, law enforcement officers, KSSK, private sector, and society

Indonesia’s economic and fiscal pressures are better than many other countries
Indonesia’s economic contraction and widening fiscal deficit and debt were relatively moderate compared to many other countries

STRENGTHENING PANDEMIC HANDLING & ECONOMIC RECOVERY 2021

Priority policies will continue

- Mass vaccination
- Strengthening 3M & 3T
- Optimizing PEN program

Indonesia is optimistic, but remains vigilant that the pandemic can be controlled and socio-economic activities will continue to recover

“We all have to be optimistic that the beginning of 2021 will be a turning point for the pandemic problem.”
President RI’s remarks at the annual meeting of the financial services industry, 15 Jan
State Budget is Crucial to Contain the Impact Of COVID-19
State Budget plays critical role as countercyclical instrument in avoiding the deeper economic contraction.

Indonesia Economic Growth (%, yoy)

State Budget Continue To Strive in 2021

<table>
<thead>
<tr>
<th></th>
<th>2020 Realization (interim)</th>
<th>2021 Allocation (as of Feb 22 2021)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Budget</td>
<td>IDR2,589.9 T</td>
<td>IDR2,750.0 T</td>
<td>6.2</td>
</tr>
<tr>
<td>National Economic Recovery Program (PEN)</td>
<td>IDR579.8 T</td>
<td>IDR699.43 T</td>
<td>20.6</td>
</tr>
<tr>
<td>Health</td>
<td>IDR63.5 T</td>
<td>IDR176.3 T</td>
<td>177.6</td>
</tr>
<tr>
<td>Social Protection</td>
<td>IDR 220.4 T</td>
<td>IDR157.4 T</td>
<td>-28.6</td>
</tr>
<tr>
<td>MSMEs Support &amp; Cororation Financing</td>
<td>IDR 173.2 T</td>
<td>IDR186.8 T</td>
<td>7.9</td>
</tr>
<tr>
<td>Business Incentives</td>
<td>IDR 56.1 T</td>
<td>IDR53.9 T</td>
<td>-3.9</td>
</tr>
<tr>
<td>Priority Program</td>
<td>IDR 66.6 T</td>
<td>IDR125.1 T</td>
<td>87.8</td>
</tr>
<tr>
<td>Deficit (% to GDP)</td>
<td>6.09%</td>
<td>5.70%</td>
<td></td>
</tr>
</tbody>
</table>

- Through the widening of the 2020 state budget deficit to 6.1% of GDP, the realization of state expenditure of IDR 2,589.9 trillion, including the realization of PEN, IDR 579.8 trillion government role prevent a deeper economic contraction due to the 2020 pandemic.
- In 2021, state budget and fiscal policy will continue its role as a shrive to support national economic recovery.
The role of government in promoting economic recovery

<table>
<thead>
<tr>
<th>National Economic Recovery (PEN) 2021</th>
<th>Allocation</th>
<th>Realization up to March 17</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>699.43</td>
<td>76.59</td>
<td>10.9</td>
</tr>
<tr>
<td>Health</td>
<td>176.30</td>
<td>12.40</td>
<td>7.0</td>
</tr>
<tr>
<td>Social Protection</td>
<td>157.41</td>
<td>25.97</td>
<td>16.5</td>
</tr>
<tr>
<td>Priority Program</td>
<td>122.42</td>
<td>1.44</td>
<td>1.2</td>
</tr>
<tr>
<td>SMSEs and Corporation Support</td>
<td>184.83</td>
<td>29.63</td>
<td>16.0</td>
</tr>
<tr>
<td>Business Incentives</td>
<td>58.46</td>
<td>7.15</td>
<td>12.2</td>
</tr>
</tbody>
</table>

Expansion of social protection spending in cash includes PKH, incentives for pre-employment card, cash social assistance, and groceries.

**Government consumption expenditure** includes MSME support, personnel expenditure, operational goods expenditure, and government assistance.

**Government capital expenditures** include building health facilities, procurement of PSN land, procurement of defense and security equipment, construction of irrigation.

Household Consumption Continues to Strengthen

Government Consumption Grows Positively

Public Investment remains promoted
The 2020 Social Protection Program Is Escalated To Mitigate The Negative Impact of Covid-19 Pandemic

Ministry of Finance estimation shows that Social Protection is able to maintain the consumption of the poor and vulnerable groups

- The poor and vulnerable people (the poorest 50%) have the most benefits.
- The Social Protection (Perlinsos) program reaches up to the affected middle class population (for example, wage assistance, pre-employment cards, and internet quota subsidies)
- Without the PEN program, poverty is expected to escalate even further by 2020
- The middle and rich classes (group of 10% to 6th and above) tend to hold back consumption, due to limited mobility. Third Party Funds (DPK) in banking grew to reach 10.9%

Source: BKF calculations, for the realization of various 2020 Perlinsos programs
Note: a) simulations are carried out on the growth of nominal household consumption in 2020 using Susenas 2019. b) distribution of the Perlinsos Program is carried out based on beneficiaries in Susenas

### Simulation of Changes in Household Expenditure Due to Covid-19 and Social Protection

- Changes in spending due to Covid-19
- Net Changes in Household spending

<table>
<thead>
<tr>
<th>Changes in spending due to Social Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in spending due to Covid-19</td>
</tr>
<tr>
<td>Net Changes in Household spending</td>
</tr>
</tbody>
</table>

Source: BKF calculations, for the realization of various 2020 Perlinsos programs
Note: a) simulations are carried out on the growth of nominal household consumption in 2020 using Susenas 2019. b) distribution of the Perlinsos Program is carried out based on beneficiaries in Susenas

### Realization of PEN & Social Protection

- **PKH 10 mio Beneficiaries**
- **Jabodetabek Food Aid 2,2 mio Beneficiaries**
- **Non Jabodetabek Cash Social Assistance 9,2 mio Beneficiaries**
- **Sembako Card 19,4 mio Beneficiaries**
- **Wage Assistance 12.4 mio beneficiaries**
- **Village Fund Cash Direct Assistance 8 mio penerima**
- **Non PKH Basic Food Cash Assistance 9 mio Beneficiaries**
- **Wage Subsidy Assistance for non-permanent teachers 2,6 mio teachers**
- **Pre Employment Card 5,6 mio beneficiaries**
- **PKH Participants Rice Aid 10 mio Beneficiaries**
- **Internet Quota Subsidy 51 Juta Beneficiaries**
- **Electricity Discount 32,1 mio households**
The government spends IDR 112.44T to support the sustainability of MSMEs through interest subsidies, credit distribution through fund placement, Micro Business President Assistance (BPUM), Final Income Tax exemption and investment financing through LPDB.

37 million MSMEs received at least one government aid.

Debtors who receive interest subsidies and debt restructuring benefit from loosening cash flows and reducing NPL risk.

Surveys conducted by LPEM-LD FEBUI, BRI Institute, LIPI and ITB show that MSMEs can survive thanks to government assistance.

Most of the beneficiaries used PEN funds for working capital (buying raw materials).

Fund Placement IDR 66.75 T
Total Credit Rp 315.51 T
For 4.7 million debtors

Interest subsidy IDR 12.83 T
For 19.1 million Debtors

Banpres for Micro Business Actors (BPUM) IDR 28.8 T
Grant IDR 2.4 million / business for 12 million businesses

Credit Guarantee IDR 2.09 T
- Accumulated working capital credit: IDR 19.32 T
- Total working capital credit debtors: 923.67 Thousand

Final Income Tax for UMKM IDR 0.67 T
For 248,275 Tax Payers

Investment Financing LPDB IDR 1.29 T
For 63 cooperative partners and 101,011 MSMEs
Tax Incentive Has Supported The Business Resilience

Tax incentives has been utilized and has supported 464,316 tax payers

- Incentive to improve people purchasing power: 131,889 Employers
- Incentives to support business liquidity and continuity: 14,941, 66,682, 2,529
- Incentive to support the MSMEs: 248,275 MSMEs

The tax payers most affected by pandemic has dominated the incentives utilization

- Trade: 47%
- Manufacturing: 19%
- Construction: 7%

*apart from MSME incentives (58% of trade sector)

The Majority of eligible sectors have utilized the incentives

- Government-Borne Income Tax: 90%
- Income Tax Exemption on Import: 72%
- Reduction of Tax Installment: 86%
- Accelerated Tax Refund: 43%
Economic Recovery Policy Framework 2021

1. **Health Intervention**
   - Free Vaccination → for 185.55 million people to achieve herd immunity
   - Encouraging 3M 3T
   - Other intervention → Health facilities, Health Protective Equipment

2. **Survival and Recovery Kit**
   - Social Protection Programme
     - For bottom 40 and the vulnerable group: PKH, Sembako card, BST, BLT DD, Pre employment, electricity discount, internet subsidy
   - Maintaining Business Continuity
     - Support for SMEs and cooperation
     - Priority programs to support job creation

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

NATIONAL ECONOMIC RECOVERY
Vaccines As The Game Changer
Accelerated around the world, in a hope to soon end pandemic and strengthen economic recovery

Indonesia is planning to complete vaccination until March 2022

Indonesia Vaccination Trend

Million doses cumulative worldwide
Million doses per day worldwide

>535 ~14.5

~ 141

Countries already started vaccination

Note: figure inside bracket () indicates ranks  Source: Bloomberg Vaccine Tracker
Gain Recovery Momentum With Expansive Yet Consolidative Fiscal Policy In 2021

Also continue to address the Covid-19 pandemic issues, while pursuing a sustainable development goals

**Macroeconomic Assumption**

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

<table>
<thead>
<tr>
<th>Budget</th>
<th>Economic Growth (%)</th>
<th>5.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inflation (%, yoy)</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Exchange Rate (Rp/US$)</td>
<td>14,600</td>
</tr>
<tr>
<td></td>
<td>10 years Government Securities Rate (%)</td>
<td>7.29</td>
</tr>
<tr>
<td></td>
<td>ICP (US$/barrel)</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Oil Lifting (rbph)</td>
<td>705</td>
</tr>
<tr>
<td></td>
<td>Gas Lifting (rbsmph)</td>
<td>1,007</td>
</tr>
</tbody>
</table>

**Development Indicator Target**

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

<table>
<thead>
<tr>
<th>Budget</th>
<th>Unemployment Rate (%)</th>
<th>7.7 – 9.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poverty Rate (%)</td>
<td>9.2 – 9.7</td>
</tr>
<tr>
<td></td>
<td>Gini Ratio (index)</td>
<td>0.377 – 0.379</td>
</tr>
<tr>
<td></td>
<td>Human Development Index</td>
<td>72.78 – 72.95</td>
</tr>
<tr>
<td></td>
<td>Farmer Terms of Trade</td>
<td>102-104</td>
</tr>
<tr>
<td></td>
<td>Fisherman Terms of Trade</td>
<td>102-104</td>
</tr>
</tbody>
</table>
2021 Budget Is A Critical Tool To Drive The Economy Amidst Uncertainty
Comprehensively designed to support the acceleration of economic recovery and address Covid-19 pandemic

<table>
<thead>
<tr>
<th>Account (IDR T)</th>
<th>2020</th>
<th>2021</th>
<th>Growth* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpres 72/2020</td>
<td>Realization (Unaudited)</td>
<td>State Budget</td>
<td>Growth* (%)</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,699.9</td>
<td>1,633.6</td>
<td>1,743.6</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>1,198.8</td>
<td>1,070.0</td>
<td>1,229.6</td>
</tr>
<tr>
<td>Customs &amp; Excise</td>
<td>213.5</td>
<td>212.8</td>
<td>215</td>
</tr>
<tr>
<td>Non Tax Revenue</td>
<td>409.0</td>
<td>338.5</td>
<td>298.2</td>
</tr>
<tr>
<td>Grant</td>
<td>1.3</td>
<td>12.3</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td><strong>2,739.2</strong></td>
<td><strong>2,589.9</strong></td>
<td><strong>2,750.0</strong></td>
</tr>
<tr>
<td>Central Government Expenditure</td>
<td>1,975.2</td>
<td>1,827.4</td>
<td>1,954.5</td>
</tr>
<tr>
<td>Regional Transfer &amp; Village Funds</td>
<td>763.9</td>
<td>762.5</td>
<td>795.5</td>
</tr>
<tr>
<td>Primary Balance</td>
<td>(700.4)</td>
<td>(642.2)</td>
<td>(633.1)</td>
</tr>
<tr>
<td>Surplus (Deficit)</td>
<td>(1,039.2)</td>
<td>(956.3)</td>
<td>(1,006.4)</td>
</tr>
<tr>
<td>% to GDP</td>
<td>(6.3)</td>
<td>(6.09)</td>
<td>(5.70)</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td><strong>1,039.2</strong></td>
<td><strong>1,190.9</strong></td>
<td><strong>1,006.4</strong></td>
</tr>
</tbody>
</table>

* Based on 2020 realization

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

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

**FINANCING STRATEGY**
- Supporting the restructuring of SOEs, PSA, Sovereign Wealth Fund (SWF)
- Increasing access to financing for MSMEs and housing for low-income household
- Continuing to support higher education, research and cultural activities
The PEN Program As The Key Instruments For Covid-19 Handling
Evidence of the government's commitment to accelerate the economic recovery

Projected Allocation for PEN 2021 IDR 699.43 T* (2020 PEN Realization at IDR 579.78 T)*

<table>
<thead>
<tr>
<th>Health Protection</th>
<th>Social Protection</th>
<th>Priority Programs</th>
<th>MSMEs Support &amp; Corporation Financing</th>
<th>Business Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDR 176.30 T</td>
<td>IDR 157.41 T</td>
<td>IDR 125.06 T</td>
<td>IDR 186.81 T</td>
<td>IDR 53.86 T</td>
</tr>
</tbody>
</table>

1. The COVID-19 vaccine
2. Medical Facilities and Infrastructure
3. Health Care Claim Costs
4. Medical Personnel Incentives and death compensation
5. Reserve BPJS Contribution Assistance for PBPU / BP
6. Health tax incentives (including VAT and import duty incentives for vaccine purchases)

1. PKH 10 million beneficiaries (KPM)
2. Basic Food/SEMBAKO Card
3. Pre-Employment Card
4. Cash Transfer - Village Fund
5. Cash Social Assistance 10 million KPM
6. Internet Subsidy
7. Electricity Discount

1. Tourism Supports
2. Food Security/Food Estate
3. ICT Development
4. Loan to Regions
5. Labor Intensive Program
6. Industrial Area
7. Other Priority Programs

1. KUR and non- KUR interest subsidy
2. Loss Limit Guarantee for MSMEs & Corporation
3. guarantee services (UJP) of MSMEs and cooperatives
4. Electrical Assistance
5. Other PEN Programs
6. Placement of Funds
7. PMN to SOEs carrying out assignments (HK, ITDC, Pelindo III, KIW)
8. Import duty incentives

*) The 2021 figure includes additional proposals. The 2020 figure is a temporary realization/unaudited.
Seven Areas To Be Strengthened Through Reforms

In order to thrive together and transform the economy

1. EDUCATION
   - Going digital;
   - Strengthening teacher quality;
   - Simplifying curriculum;
   - Global standard for measurement;
   - Link and match;
   - Strengthening public and private roles in education.

2. HEALTH
   - Strengthening health sector’ facilities and human resources;
   - Improving national health security program;
   - Strengthening health security preparedness;
   - Integrated health system.

3. SOCIAL PROTECTION
   - Improving program effectivity (data accuracy, synergy between programs);
   - Social security system covering all life cycle;
   - Adaptive Social safety net.

4. INFRASTRUCTURE
   - Improving basic infrastructure for human capital development;
   - Improving the quality of infrastructure to support economic transformation and strengthening competitiveness;

5. BUREAUCRATIC REFORM
   - System improvement:
     - Going digital for public services;
     - Simplifying process;
   - Improving human capacity:
     - Consistent reward & Punishment;
     - Pension reform

6. BUDGETING REFORM
   - Budget efficiency for basic function of the government;
   - Focus on priority programs (Zero based budgeting);
   - Synergy between central and local governments;
   - Result-based budgeting

7. DATA STRENGTHENING
   - Improving accuracy, reliability and data integration
Motor Vehicle And Housing Incentives To Maintain The Momentum Of Economic Recovery
By encouraging public consumption and restoring the business

OPPORTUNITIES TO INCREASE THE MIDDLE CLASS CONSUMPTION

Consumer spending is a key driver of the economy and contributes more than 50% to GDP

Reviving the middle-income group spending through incentives in vehicle and housing sectors
- opportunities to increase middle class household consumption, which has been decreasing due to restrictions on mobility
- reflected in the increase in savings in banking to around 11% in December 2020

Luxury Goods Sales Tax (PPnBM) Incentives for Cars
VAT is borne by the government for sedans and two-wheel drive cars with engine power below 1,500cc, that have local purchases of > 70%

<table>
<thead>
<tr>
<th>Month</th>
<th>Tax cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>March-May</td>
<td>100%</td>
</tr>
<tr>
<td>Jun-Aug</td>
<td>50%</td>
</tr>
<tr>
<td>Sept-Dec</td>
<td>25%</td>
</tr>
</tbody>
</table>

Value Added Tax (VAT) Incentives for Properties
VAT is borne by the government on the sale of a new landed house or apartment unit of 1 house for 1 person and is not resold within 1 year

- 100% tax cut for selling value up to IDR 2 billion
- 50% tax cut for selling value above IDR 2 to IDR 5 billion

March – August 2021
The State Budget Still Become The Only Game In Town
The realization as of February 2021 is still conserved, accelerated to support the continuation of the PEN program and expansion of vaccinations

<table>
<thead>
<tr>
<th>Account (IDR T)</th>
<th>2020 Realization as of 29 Feb 2020</th>
<th>2020 % of Perpres 72/2020</th>
<th>Growth (%)</th>
<th>2021 Budget Realization as of 28 Feb 2021</th>
<th>2021 % of Budget</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>217.6</td>
<td>12.8</td>
<td>(0.1)</td>
<td>1,743.6</td>
<td>219.2</td>
<td>12.6</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>153.6</td>
<td>12.8</td>
<td>(4.6)</td>
<td>1,229.6</td>
<td>146.1</td>
<td>11.9</td>
</tr>
<tr>
<td>Customs &amp; Excise</td>
<td>25.1</td>
<td>12.2</td>
<td>51.6</td>
<td>215.0</td>
<td>35.6</td>
<td>16.6</td>
</tr>
<tr>
<td>Non Tax Revenue</td>
<td>38.8</td>
<td>13.2</td>
<td>(3.6)</td>
<td>298.2</td>
<td>37.3</td>
<td>12.5</td>
</tr>
<tr>
<td>Grant</td>
<td>0.2</td>
<td>14.0</td>
<td>63.3</td>
<td>0.9</td>
<td>0.1</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td>279.4</td>
<td>10.2</td>
<td>2.8</td>
<td>2,750.0</td>
<td>282.7</td>
<td>10.3</td>
</tr>
<tr>
<td>Central Gov Exp</td>
<td>161.7</td>
<td>8.2</td>
<td>11.0</td>
<td>1,954.5</td>
<td>179.7</td>
<td>9.2</td>
</tr>
<tr>
<td>Regional Transfer &amp; Village Funds</td>
<td>117.7</td>
<td>15.4</td>
<td>(6.7)</td>
<td>795.5</td>
<td>103.0</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Primary Balance</strong></td>
<td>(27.5)</td>
<td>3.9</td>
<td>37.8</td>
<td>(633.1)</td>
<td>(23.2)</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td>(61.8)</td>
<td>5.9</td>
<td>14.4</td>
<td>(1,006.4)</td>
<td>(63.6)</td>
<td>6.3</td>
</tr>
<tr>
<td>% to GDP</td>
<td>(0.40)</td>
<td>(5.70)</td>
<td>(0.36)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>113.6</td>
<td>10.9</td>
<td>(42.7)</td>
<td>1,006.4</td>
<td>273.1</td>
<td>27.1</td>
</tr>
<tr>
<td>SiLPA (SIKPA)</td>
<td>51.7</td>
<td>-</td>
<td>-</td>
<td>209.5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- **State revenue grew positively, mainly supported by customs and excise performance;** (excise tax policy and increased exports align with rising commodity prices and the increase of import duty). Although still in contraction the tax and non tax revenue in better performance.

- **The expenditure also grew positively,** driven by growth in capital and goods spending. Central government spending grew better than last year. Line ministries spending continues to grow quite high.

- **Budget deficit reached IDR63.6 T (0.36% to GDP).**

- **Budget Financing can meet the financing needs at amount IDR273.1 T,** supported by positive trends in the financial market, as well as capital flows and foreign investment.
## 2021 Budget Financing

### Priorities in 2021

1. **Health (IDR 169.7 tn)**
   - Accelerating health recovery, National Health Insurance (JKN) reforms, and vaccine procurement

2. **Education (IDR 550.0 tn)**
   - Strengthening the quality of education and teacher competences

3. **Social Protection (IDR 421.7 tn)**
   - Supporting social protection reform and comprehensive social protection

4. **Infrastructure (IDR 413.8 tn)**
   - Provision of infrastructure for basic services, improving connectivity, and supporting economic recovery, and continuing existing priority programs

5. **Food Security (IDR 104.2 tn)**
   - Increase food production and revitalizing the national food system and developing Food Estate

6. **Tourism (IDR 15.7 tn)**
   - Encouraging the recovery of the tourism sector

7. **ICT (IDR 29.6 tn)**
   - Optimizing the use of ICT to support and improve the quality of public services

### Source: Ministry of Finance

### Table: 2021 Budget Financing

<table>
<thead>
<tr>
<th>(in IDR tn)</th>
<th>2020</th>
<th>2021</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pres. Decree 72/2020</td>
<td>APBN</td>
<td>Growth</td>
</tr>
<tr>
<td><strong>A. State Revenue</strong></td>
<td>1,699.9</td>
<td>1,743.6</td>
<td>2.6%</td>
</tr>
<tr>
<td>i. Domestic Revenue</td>
<td>1,698.6</td>
<td>1,742.7</td>
<td>2.6%</td>
</tr>
<tr>
<td>1. Tax Revenue</td>
<td>1,404.5</td>
<td>1,444.5</td>
<td>2.8%</td>
</tr>
<tr>
<td>2. Non-Tax Revenue</td>
<td>294.1</td>
<td>298.2</td>
<td>1.4%</td>
</tr>
<tr>
<td>ii. Grant</td>
<td>1.3</td>
<td>0.9</td>
<td>-30.8%</td>
</tr>
<tr>
<td><strong>B. State Expenditure</strong></td>
<td>2,739.2</td>
<td>2,750.0</td>
<td>0.4%</td>
</tr>
<tr>
<td>i. Central Government Expenditure</td>
<td>1,975.2</td>
<td>1,954.5</td>
<td>-1.0%</td>
</tr>
<tr>
<td>1. Line Ministries</td>
<td>836.4</td>
<td>1,032.0</td>
<td>23.4%</td>
</tr>
<tr>
<td>2. Non Line Ministries</td>
<td>1,138.9</td>
<td>922.6</td>
<td>-19.0%</td>
</tr>
<tr>
<td>ii. Regional Transfer and Village Fund</td>
<td>763.9</td>
<td>795.5</td>
<td>4.1%</td>
</tr>
<tr>
<td>1. Regional Transfer</td>
<td>692.7</td>
<td>723.5</td>
<td>4.4%</td>
</tr>
<tr>
<td>2. Village Fund</td>
<td>71.2</td>
<td>72.0</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>C. Primary Balance</strong></td>
<td>(700.4)</td>
<td>(633.1)</td>
<td>-9.6%</td>
</tr>
<tr>
<td><strong>D. Surplus/(Deficit)</strong></td>
<td>(1,039.2)</td>
<td>(1,006.4)</td>
<td>-3.2%</td>
</tr>
<tr>
<td>% to GDP</td>
<td>(6.3)</td>
<td>(5.7)</td>
<td></td>
</tr>
<tr>
<td><strong>E. Financing</strong></td>
<td>1,039.2</td>
<td>1,006.4</td>
<td>-3.2%</td>
</tr>
</tbody>
</table>
2021 Financing Needs

Financing Needs

- **Budget Deficit 2021**
  - IDR1,006.4 T (5.7% of GDP)
  - Investment financing
  - Lending
  - Liabilities
  - Other financing
  - Matured debt

Financing Sources

- **Foreign Denominated Debt** (15-20%)
- **Domestic Debt** (80-85%)
- **GROSS GS**
  - (Through auction & non-auction)
  - **GDS** 68-73%
  - **Sukuk** 27-32%

Debt to GDP Ratio

- **Realization**
  - 2020: 38.68%
  - 2021: 41.10%

- **Projection**

Source: Ministry of Finance
### Debt Policy

1. **Manage debt** by maintaining the debt over GDP ratio within the safe limit.
2. To adopt a flexible debt management which is responsive in supporting the countercyclical policy, while prudently manage the cost and risk.
3. To achieve an efficient debt cost, by doing market deepening exercises:
   - investor base widening
   - improving the infrastructure in the SBN market
   - debt instrument diversification eg. SDG bond issuance and municipal bond/sukuk issuance
4. To maintain macro stability by managing debt portfolio composition optimally.

### Overall Funding Strategy

1. Non-debt funding source optimization, including SAL utilization
2. Targeting Loan Program from Development Partners, for both bilateral and multilaterals, i.e. World Bank, ADB, KfW, JICA, EDFC, and AfDB.
3. A well targeted SBN (Government Bond) issuance by optimizing all available sources:
   - Targeting domestic/onshore bond issuance (including retail bond) for up to IDR 80 tn
   - Targeting Foreign Currency/Global Bond issuance amount at 12-15% from total SBN funding (subject to market conditions)
   - Private Placement from specific institutions
4. Support from Bank Indonesia as the funding of the last resort / back stop

Source: Ministry of Finance
Government Securities Indicative Financing Plan for 2021

Source: Ministry of Finance

**Government Securities**

**Issuance Composition**

- **Auction:**
  - Conventional Securities – 24x
  - Islamic Securities – 24x

- **Non-Auction**:
  - Retail GDS (tradable/ORI & non tradable), Retail Sovereign Sukuk (tradable/sukri & non-tradable)
  - Private Placement – based on request

**GS Rupiah**

- Domestic [85% - 88%]
- International [12% - 15%]

**Foreign Denominated GS**

- Foreign denominated GS as complementary (avoid crowding out in domestic market)
- The target amount can be adjusted to the potential of other financing sources and financing needs

*GS: Government Securities*
Synergy Between Central Bank and the Government in Accelerating National Economic Recovery

The Enactment of Emergency Law No. 1/2020 (becoming Law No. 2/2020) allows Central Bank 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 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)

Burden Sharing Scheme

1. Public Goods
   - Covered by BI with rate based on BI Reverse repo 3M
   - Issuance specifically to BI through private placement

2. Non-Public Goods:
   - MSME
   - Corporation
   - Covering rate with BI Reverse repo 3M minus 1%, and BI covered the remaining difference with market rate

3. Non-Public Goods: Others
   - Full Covered by Government amounting market rate

Realization of Gov’t Securities purchased by Bank Indonesia under SKB I IDR 75,855 tn

COVID-19 HANDLING ALLOCATION
IDR 903,46 T
- Health IDR 87.55 T
- Social Protection IDR 203.90 T
- Sectoral K/L, Local Govt IDR 106.11 T
- Micro small and Medium Enterprises (MSME) IDR 123.46 T
- Corporation Non-MSME IDR 53.57 T
- Others IDR 328.87 T

- SBN purchased by BI (SKB II) for Public Goods IDR397,56T or 100% from target and issuance of SBN for Non Public Goods reach IDR177,03T (100%).
- Non-Public Goods: Others, refer to all issuance (incl: auction, private placement, retail, and foreign denominated GS.

Source: Ministry of Finance
### Government Securities Financing Realisation (a.o February 26, 2021)

<table>
<thead>
<tr>
<th>Realization (ao. Feb 26, 2021)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities (GS) Nett</td>
<td>269.91</td>
</tr>
<tr>
<td>Government Securities (GS)</td>
<td>298.48</td>
</tr>
<tr>
<td>Government Debt Securities (GDS)</td>
<td>238.98</td>
</tr>
<tr>
<td>IDR Denominated GDS</td>
<td>179.00</td>
</tr>
<tr>
<td>- Coupon GDS</td>
<td>132.15</td>
</tr>
<tr>
<td>- Conventional T-Bills</td>
<td>13.85</td>
</tr>
<tr>
<td>- Private Placement</td>
<td>7.00</td>
</tr>
<tr>
<td>- Retail Bonds</td>
<td>26.00</td>
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<tr>
<td>Foreign Denominated Bonds</td>
<td>59.97</td>
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<tr>
<td>- SEC USD-EUR REG SHELF TAKE-DOWN</td>
<td>59.97</td>
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<tr>
<td>- Samurai Bond</td>
<td>0.00</td>
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<tr>
<td>- SEC USD REG SHELF TAKE-DOWN</td>
<td>0.00</td>
</tr>
<tr>
<td>- USD Onshore Bonds</td>
<td>0.00</td>
</tr>
<tr>
<td>Sovereign Sharia Securities (Sukuk)</td>
<td>59.50</td>
</tr>
<tr>
<td>Domestic Sovereign Sharia Securities</td>
<td>59.50</td>
</tr>
<tr>
<td>- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)</td>
<td>56.00</td>
</tr>
<tr>
<td>- Retail Sukuk</td>
<td>0.00</td>
</tr>
<tr>
<td>- Private Placement</td>
<td>3.50</td>
</tr>
<tr>
<td>Global Sukuk</td>
<td>0.00</td>
</tr>
</tbody>
</table>

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

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

*** Global Sukuk issuance amounted USD2.5 bn on June 16, 2020, settlement on June 23, 2020 (BI mid day exchange rate on June 16, 2020; 1 USD = 14,265 IDR)

**** Samurai bonds issuance using public offering amounted JPY100bn, settlement on July 8, 2020 (BI mid day exchange rate on July 2, 2020 : 1 JPY = 134.34 IDR)
Republic of Indonesia - Dual Currency US$3bio and EUR1bio

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Republic of Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Rating</td>
<td>Baa2 Moody’s (Stable)</td>
</tr>
<tr>
<td></td>
<td>BBB S&amp;P (Neg)</td>
</tr>
<tr>
<td></td>
<td>BBB Fitch (Stable)</td>
</tr>
<tr>
<td>Exp. Issue Rating</td>
<td>Baa2 Moody’s / BBB S&amp;P / BBB Fitch</td>
</tr>
<tr>
<td>Format</td>
<td>SEC Registered</td>
</tr>
<tr>
<td>Issue</td>
<td>Senior unsecured fixed rate notes off US SEC Shelf</td>
</tr>
<tr>
<td>Pricing Date</td>
<td>January 5, 2021</td>
</tr>
<tr>
<td>Settlement Date</td>
<td>January 12, 2021</td>
</tr>
<tr>
<td>Currency</td>
<td>USD</td>
</tr>
<tr>
<td>Size</td>
<td>US$1.25bio</td>
</tr>
<tr>
<td>Tenor</td>
<td>Long 10-year</td>
</tr>
<tr>
<td>Maturity</td>
<td>March 12, 2031</td>
</tr>
<tr>
<td>Coupon (p.a.)</td>
<td>1.850%</td>
</tr>
<tr>
<td>Yield</td>
<td>1.900%</td>
</tr>
<tr>
<td>Price</td>
<td>99.538%</td>
</tr>
<tr>
<td>Listing</td>
<td>Singapore, Frankfurt Stock Exchange</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>The net proceeds are for general purposes of the Republic of Indonesia, including its Covid-19 relief efforts</td>
</tr>
</tbody>
</table>

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

Source: Ministry of Finance
In 2021, average incoming bid = IDR52.92 tn/auction while average awarded bid = IDR24.10 tn/auction

Source: Ministry of Finance
Ownership of IDR Tradable Government Securities (a.o. February 26, 2021)

1) Non Resident consists of Private Bank, Fund/Asset Manager, Securities Company, Insurance Company and Pension Fund.
2) Others such as Securities Company, Corporation, and Foundation.
*) Including the Government Securities used in monetary operation with Bank Indonesia.
**) net, excluding Government Securities used in monetary operation with Banks.

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
<th>Dec-20</th>
<th>Feb 26, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks*</td>
<td>491.61</td>
<td>23.41%</td>
<td>481.33</td>
<td>20.32%</td>
<td>581.37</td>
</tr>
<tr>
<td>Govt Institutions (Bank Indonesia**)</td>
<td>141.83</td>
<td>6.75%</td>
<td>253.47</td>
<td>10.70%</td>
<td>262.49</td>
</tr>
<tr>
<td>Bank Indonesia (gross)</td>
<td>179.84</td>
<td>8.56%</td>
<td>217.36</td>
<td>9.18%</td>
<td>273.21</td>
</tr>
<tr>
<td>GS used for Monetary Operation</td>
<td>38.01</td>
<td>1.81%</td>
<td>-36.11</td>
<td>-1.52%</td>
<td>10.72</td>
</tr>
<tr>
<td>Non-Banks</td>
<td>1,466.33</td>
<td>69.83%</td>
<td>1,633.65</td>
<td>68.98%</td>
<td>1,908.88</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>104</td>
<td>4.95%</td>
<td>118.63</td>
<td>5.01%</td>
<td>130.86</td>
</tr>
<tr>
<td>Insurance Company and Pension Fund</td>
<td>348.86</td>
<td>16.61%</td>
<td>414.47</td>
<td>17.50%</td>
<td>471.67</td>
</tr>
<tr>
<td>Foreign Holders</td>
<td>836.15</td>
<td>39.82%</td>
<td>893.25</td>
<td>37.71%</td>
<td>1,061.86</td>
</tr>
<tr>
<td>Foreign Gov't &amp; Central Banks</td>
<td>146.88</td>
<td>6.99%</td>
<td>163.76</td>
<td>6.91%</td>
<td>194.45</td>
</tr>
<tr>
<td>Individual</td>
<td>59.84</td>
<td>2.85%</td>
<td>73.07</td>
<td>3.09%</td>
<td>81.17</td>
</tr>
<tr>
<td>Others</td>
<td>117.48</td>
<td>5.60%</td>
<td>134.22</td>
<td>5.67%</td>
<td>163.32</td>
</tr>
<tr>
<td>Total</td>
<td>2,099.77</td>
<td>100%</td>
<td>2,368.45</td>
<td>100%</td>
<td>2,752.74</td>
</tr>
</tbody>
</table>

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

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

Source: Ministry of Finance
Disciplined and Sophisticated Debt Portfolio Management

**Stable Debt to GDP Ratio Over the Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR Tn</th>
<th>Government Debt / GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,931.22</td>
<td>24.68%</td>
</tr>
<tr>
<td>2015</td>
<td>2,410.01</td>
<td>27.46%</td>
</tr>
<tr>
<td>2016</td>
<td>2,780.86</td>
<td>28.34%</td>
</tr>
<tr>
<td>2017</td>
<td>3,248.93</td>
<td>29.40%</td>
</tr>
<tr>
<td>2018</td>
<td>3,612.69</td>
<td>29.81%</td>
</tr>
<tr>
<td>2019</td>
<td>4,014.80</td>
<td>30.18%</td>
</tr>
<tr>
<td>2020</td>
<td>5,221.65</td>
<td>39.36%</td>
</tr>
<tr>
<td>Feb-21</td>
<td>5,498.63</td>
<td>41.10%</td>
</tr>
</tbody>
</table>

**Weighted Average Debt Maturity of ~8.58 Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9.75</td>
</tr>
<tr>
<td>2015</td>
<td>9.39</td>
</tr>
<tr>
<td>2016</td>
<td>9.13</td>
</tr>
<tr>
<td>2017</td>
<td>8.68</td>
</tr>
<tr>
<td>2018</td>
<td>8.37</td>
</tr>
<tr>
<td>2019</td>
<td>8.52</td>
</tr>
<tr>
<td>2020</td>
<td>8.47</td>
</tr>
<tr>
<td>Feb-21</td>
<td>8.58</td>
</tr>
</tbody>
</table>

**Prudent Fiscal Deficit**

<table>
<thead>
<tr>
<th>Year</th>
<th>GS Nett</th>
<th>Loan Nett</th>
<th>Non-Debt Surplus (Deficit) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>362</td>
<td>19</td>
<td>-2.6%</td>
</tr>
<tr>
<td>2016</td>
<td>407</td>
<td>-4</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2017</td>
<td>442</td>
<td>(20)</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2018</td>
<td>414.52</td>
<td>14</td>
<td>1.8%</td>
</tr>
<tr>
<td>2019</td>
<td>446.3</td>
<td>(9)</td>
<td>(2.2%)</td>
</tr>
</tbody>
</table>

**Well Diversified Across Different Currencies**

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR</th>
<th>USD</th>
<th>EUR</th>
<th>JPY</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1%</td>
<td>7%</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2015</td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2016</td>
<td>1%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2017</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
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<tr>
<td>2018</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2019</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2020</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Feb-21</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Well Balanced Maturity Profile with Strong Resilience Against External Shocks

### Interest Rate Risks

<table>
<thead>
<tr>
<th>Year</th>
<th>VR Proportion</th>
<th>Refixing Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>14.8</td>
<td>14.17</td>
</tr>
<tr>
<td>2015</td>
<td>13.7</td>
<td>12.88</td>
</tr>
<tr>
<td>2016</td>
<td>12.1</td>
<td>12.0</td>
</tr>
<tr>
<td>2017</td>
<td>10.6</td>
<td>10.6</td>
</tr>
<tr>
<td>2018</td>
<td>9.8</td>
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<td>2020</td>
<td>21.0</td>
<td>21.0</td>
</tr>
<tr>
<td>Feb-21</td>
<td>20.75</td>
<td>20.75</td>
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</tbody>
</table>

### Declining Exchange Rate Risks

<table>
<thead>
<tr>
<th>Year</th>
<th>FX to GDP Ratio</th>
<th>FX Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>10.7</td>
<td>43.4</td>
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<tr>
<td>2015</td>
<td>12.2</td>
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<td>42.6</td>
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<tr>
<td>2017</td>
<td>12.1</td>
<td>41.3</td>
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<tr>
<td>2018</td>
<td>12.2</td>
<td>41.0</td>
</tr>
<tr>
<td>2019</td>
<td>11.4</td>
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<td>33.53</td>
</tr>
<tr>
<td>Feb-21</td>
<td>13.65</td>
<td>33.22</td>
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</table>

### Debt Maturity Profile

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR Denominated (Triliun Rp)</th>
<th>Other Currencies (Triliun Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>396</td>
<td>57</td>
</tr>
<tr>
<td>2023</td>
<td>396</td>
<td>57</td>
</tr>
<tr>
<td>2025</td>
<td>396</td>
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<td>2027</td>
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</tr>
<tr>
<td>2049-2050</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

### Upcoming Maturities (Next 5 Years)

<table>
<thead>
<tr>
<th>Year</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7.7</td>
<td>8.4</td>
<td>6.5</td>
</tr>
<tr>
<td>2015</td>
<td>20.1</td>
<td>21.4</td>
<td>22.7</td>
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<tr>
<td>2016</td>
<td>33.9</td>
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<td>36.0</td>
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<tr>
<td>2017</td>
<td>39.3</td>
<td>40.4</td>
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<td>2018</td>
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</tr>
<tr>
<td>2019</td>
<td>39.59</td>
<td>39.59</td>
<td>39.59</td>
</tr>
<tr>
<td>2020</td>
<td>39.57</td>
<td>39.57</td>
<td>39.57</td>
</tr>
<tr>
<td>Feb-21</td>
<td>33.53</td>
<td>33.53</td>
<td>33.53</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Holders of Tradable Central Government Securities
More Balance Ownership In Terms of Holders and Tenors

Holders of Tradable Gov't Domestic Debt Securities

<table>
<thead>
<tr>
<th></th>
<th>Dec-15</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
<th>Dec-20</th>
<th>Feb-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Holders</td>
<td>44.7%</td>
<td>36.0%</td>
<td>37.0%</td>
<td>38.6%</td>
<td>34.8%</td>
<td>33.5%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Domestic Non-Banks</td>
<td>39.0%</td>
<td>37.4%</td>
<td>35.6%</td>
<td>36.8%</td>
<td>34.1%</td>
<td>35.8%</td>
<td>39.0%</td>
</tr>
<tr>
<td>Domestic Banks</td>
<td>11.8%</td>
<td>17.8%</td>
<td>17.3%</td>
<td>18.4%</td>
<td>22.0%</td>
<td>22.1%</td>
<td>22.3%</td>
</tr>
</tbody>
</table>

Foreign Ownership of Gov't Domestic Debt Securities by Tenor

<table>
<thead>
<tr>
<th></th>
<th>0-1</th>
<th>&gt;1-2</th>
<th>&gt;2-5</th>
<th>&gt;5-10</th>
<th>&gt;10</th>
<th>% Foreign Ownership of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-15</td>
<td>5.3%</td>
<td>11.8%</td>
<td>3.2%</td>
<td>1.9%</td>
<td>6.7%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Dec-16</td>
<td>5.0%</td>
<td>5.3%</td>
<td>17.8%</td>
<td>4.3%</td>
<td>2.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Dec-17</td>
<td>5.1%</td>
<td>17.3%</td>
<td>18.4%</td>
<td>6.7%</td>
<td>4.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Dec-18</td>
<td>1.9%</td>
<td>18.4%</td>
<td>22.0%</td>
<td>4.0%</td>
<td>3.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Dec-19</td>
<td>2.4%</td>
<td>22.1%</td>
<td>22.1%</td>
<td>4.6%</td>
<td>4.8%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Dec-20</td>
<td>4.6%</td>
<td>22.3%</td>
<td>22.3%</td>
<td>4.8%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Feb-21</td>
<td>4.8%</td>
<td>23.8%</td>
<td>23.8%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Section 6

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

**Background**

<table>
<thead>
<tr>
<th>Commitment to Sustainability</th>
<th>Forefront of Environmental Protection</th>
<th>The President’s Nawacita Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to implement the United Nation’s (“UN”) Sustainable Development Goals (“SDG”) in order to achieve the 2030 development agenda introduced by the UN. Through Presidential Regulation No. 59/2017 relating to the implementation of SDGs in Indonesia, the National Development Planning Agency was instructed to present a roadmap to implement the SDGs.</td>
<td>Indonesia’s Environmental Law was enacted in 2009 based on the concept of sustainable development, prevention, precaution and a “polluter pays” principle. To better address environmental issues, the Ministry of Environment and the Ministry of Forestry were merged to become the Ministry of Environment and Forestry in October 2014.</td>
<td>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.</td>
</tr>
</tbody>
</table>

**Indonesia’s Environmental Commitment and Objectives**

<table>
<thead>
<tr>
<th>Mitigation</th>
<th>Adaptation</th>
<th>Biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Focuses on reducing greenhouse gas emission through a National Determined Contribution with an unconditional reduction target of 29% by 2030 compared to the 2010 baseline. An additional 12% reduction is conditional on technology transfer, capacity building, results for payment and access to finance.</td>
<td>- Medium Term Development Plan 2020-2024 (RPJMN): reflects Indonesia’s strong commitment to shift to a low carbon development based approach to economic development and a more climate resilient path. Includes key priorities such as renewable energy and energy efficient development, forest conservation and reforestation, waste management, land intensification, food security as well as governance and institutionalization of investment and regulation.</td>
<td>- Indonesian Biodiversity Strategy and Action Plan 2015-2020: launched to provide an outline on how biodiversity could be utilized sustainably to improve economic and development opportunities.</td>
</tr>
<tr>
<td>- Environmental Fund Management Agency (BPLDH): established in October 2019 with the vision to create a trusted institution to attract national and international donors as well as effectively mobilize public and private fund in order to support protection programmes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Green Sukuk Report 2020, Bank Indonesia, Ministry of Finance*
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

3. **Management of Proceeds**
   - Management by 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.

**Source:** Indonesia’s Green Bond & Green Sukuk Framework
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
- Medium to Dark
  - Sustainable Transport
  - Waste and Waste to Energy Management
  - Green Tourism
  - Sustainable Agriculture
- Light to Medium
  - Energy Efficiency
  - Sustainable Management of Natural Resources
- Light Green
  - Green Building
- The Framework Excluded Use of Proceeds for
  - New Fossil Fuel-Based Electric Power
  - Large Scale Hydro power Plants > 30 MW
  - Nuclear Assets

Source: Green Sukuk Issuance Allocation and Impact Report (February 2020)
Indonesia’s Green Initiatives: Financing Green Projects
Development of Indonesia’s Green Projects Financing

The Republic of Indonesia has issued three sovereign global Green Sukuk, consecutively in February 2018, 2019 and June 2020, with the total amount of USD 2.75 Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Issue Amount</th>
<th>Allocation</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>USD 750 million</td>
<td>34%</td>
<td>Renewable energy</td>
</tr>
<tr>
<td>2019</td>
<td>USD 750 million</td>
<td>29%</td>
<td>Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction</td>
</tr>
<tr>
<td>2018</td>
<td>USD 1.25 billion</td>
<td>29%</td>
<td>Waste and Waste to Energy Management</td>
</tr>
</tbody>
</table>

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

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

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

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

Environmental Benefits Arising from Indonesia’s Green Sukuk Issuance

- **3,218,014.41 tonnes**
  - CO2e emissions reduced, towards a low carbon future

- **691.4 km**
  - Of railway constructed, linking the nation

- **7,429 kWh**
  - Of additional power generation capacity

- **2,056,200**
  - Of households benefitting from improved waste management

**Breakdown by Sector**

- 1,319,620.41
- 355,394
- 1,319,620.41
- 1,543,000

Source: Green Sukuk Issuance Allocation and Impact Report (February 2020)
### Tangible Results from Indonesia’s Green Sukuk Initiatives

Green Projects Refinanced and Financed with Proceeds from Indonesia’s Green Sukuk Issuance

<table>
<thead>
<tr>
<th>Locations</th>
<th>Renewable Energy</th>
<th>Resilience to Climate Change</th>
<th>Waste and Waste to Energy Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across the country</td>
<td></td>
<td>Across the country</td>
<td>Across the country</td>
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</tbody>
</table>

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>USD4.31 mil</td>
<td></td>
<td>USD96.57 mil</td>
<td>USD10.83 mil</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USD39.62 mil</td>
<td></td>
<td>-</td>
<td>USD63.13 mil</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>134,872.41 tonnes of CO2e</td>
<td></td>
<td>-</td>
<td>In order to achieve 48,000,000 tonnes target set in RAN-GRK</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Examples Financed / Refinanced</th>
<th>Renewable Energy</th>
<th>Resilience to Climate Change</th>
<th>Waste and Waste to Energy Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Planning, Development and Supervision of New, Renewable Energy and Energy Conservation Infrastructure (Refinancing and Financing)</td>
<td></td>
<td>• Construction of Flood Control Facilities (Financing)</td>
<td>• Improvement of Municipal Solid Waste Management System (Refinancing)</td>
</tr>
<tr>
<td>Construction of new and renewable energy infrastructure, with a focus on areas outside current electricity coverage. The project aims to improve the electrification ratio in off-grid areas across the country. Power generation is sourced from solar, mini hydro, and micro hydro power plants*.</td>
<td></td>
<td>Construction of retention ponds/polders, flood canals, dikes, checkdam, and river maintenance and normalization. It aims to reduce the risk of flooding due to increased rainfall intensity and land use changes.</td>
<td>Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal sites. Locations: All provinces except East Kalimantan</td>
</tr>
<tr>
<td>Locations spread across 19 provinces in 2017 (Refinancing) and the 2019 development of such infrastructure are spread across all provinces (Financing)</td>
<td></td>
<td>Locations: West Java, Central Java, Yogyakarta, North Sumatera, West Sumatera, South Sulawesi, Maluku, Bali</td>
<td>Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal site. Locations spread across 11 provinces</td>
</tr>
</tbody>
</table>

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

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

Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the amount spent on each project.
Provisions from Indonesia’s Green Sukuk Initiative has been Successfully Deployed to a Range of Eligible Green Projects

<table>
<thead>
<tr>
<th>Locations</th>
<th>Sustainable Transport</th>
<th>Energy Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jakarta, Sumatera, Java</td>
<td>Across the country</td>
</tr>
</tbody>
</table>

| Amount Committed to Finance 2019 Projects | USD288.77 mil |
| Amount Committed to Refinance 2017 Projects | USD77.95 mil, USD202.72 mil |

| Target Impact / Emissions Reduction (2017) | 1,543,000 tonnes of CO2e | 355,394 tonnes of CO2e |

<table>
<thead>
<tr>
<th>Project Examples Financed / Refinanced in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable Transport</strong></td>
</tr>
<tr>
<td>• Development of Jabodetabek Urban Train (Refinancing)</td>
</tr>
<tr>
<td>Construction of double-track railway network. Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)</td>
</tr>
<tr>
<td>• Construction and Management of Railways Infrastructure and Supporting Facilities in Sumatera (Refinancing and Financing)</td>
</tr>
<tr>
<td>Construction of the Trans Sumatera Railway from Aceh to Lampung province. The Trans Sumatera Railway causes a mode shift from road transport to rail transport and logistics. Locations: Aceh, North Sumatera, West Sumatera, South Sumatera</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Energy Efficiency</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Installation of Navigation Facilities (Refinancing)</td>
</tr>
<tr>
<td>Construction, rehabilitation and replacement of marine navigation aids and the installation of solar cells to power marine navigation aids. The shift towards solar powered marine navigation aids reduces the use of fossil-fuel sources of power. Locations: spread across 21 provinces in 2017</td>
</tr>
<tr>
<td>• Improvement of Land Transportation Traffic Management System (Refinancing)</td>
</tr>
<tr>
<td>Installation of road traffic equipment such as traffic signs, area traffic control systems (ATCS) and navigation aids for river and take crossings (SBNP) with energy-saving sensors. Locations: Jakarta, West Java, Central Java, Yogyakarta, East Java</td>
</tr>
<tr>
<td>• Construction, Rehabilitation and Maintenance of Airport Infrastructure (Refinancing)</td>
</tr>
<tr>
<td>The installation of solar-powered street lights and solar power plants. It improves the energy efficiency of airports and ensure electricity is sourced from renewable sources. Locations: spread across 30 provinces in 2017</td>
</tr>
</tbody>
</table>

Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC. Projects were financed in Indonesian Rupiah (IDR) and converted to USD using the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the spent amount on each project.
Section 7

Monetary and Financial Factor:
Credible Monetary Policy Track Record
and Favourable Financial Sector
Bank Indonesia’s Policy Mix 2020
Synergy to Build Economic Recovery Optimism

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

- Implementing Macro prudential Intermediation Ratio (RIM)
- Implementing Macro prudential Liquidity Buffer (MLB)
- Electronification: Social program, e-payment for Government
- National Payment Gateway (NPG)
- QRIS (QR Indonesia Standard)
- Expanding National Clearing System (SKNBI) services
- Developing market instruments for financing infrastructure
- Developing financial market infrastructures
- Rupiah Interest Rate Swaps (IRS) and Overnight Index Swap (OIS)
- Domestic non-Deliverable Forward (DNDF)
- Developing the Commercial Papers (Surat Berharga Komersial)
The BI Board of Governors agreed on 17th and 18th March 2021 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%

- Strengthening rupiah exchange rate policy by maintaining market presence through triple intervention policy to preserve exchange rate stability.
- Strengthening Macroprudential Intermediation Ratio (MIR/Sharia MIR) policy through the inclusion of export L/C as a financing component, while incrementally introducing regulatory disincentives in the form of MIR related reserve requirement, to stimulate bank lending to the corporate sector and export-oriented businesses.
- Accelerating money market deepening through repo transactions between market players and strengthening transaction infrastructure to enhance monetary policy transmission effectiveness and financial sector liquidity management.
- Facilitating trade and investment promotion as well as socialising the use of Local Currency Settlement (LCS) in conjunction with relevant institutions.
- Supporting development of an inclusive and efficient digital economic and financial ecosystem, targeting SMEs, by expanding the use and features of Quick Response Code Indonesia Standard (QRIS) as well as organising the Indonesia Digital Economy and Finance Festival (FEKDI) and Karya Kreatif Indonesia (KKI) to stimulate economic recovery.
- Supporting the Regional Digitalisation Acceleration and Expansion Teams (TP2DD) to stimulate innovation, accelerate and expand Electronification of Regional Government Transactions (ETP) and integrate the digital economy and finance.

Source: Bank Indonesia
Loose Liquidity Persist, In Line with Strengthened Synergy Between Monetary and Fiscal Policy

- **Beginning in 2020**, Bank Indonesia has injected liquidity through quantitative easing to the banking industry totalling Rp776.87 trillion (5.03% of GDP), consisting of Rp726.57 trillion in 2020 and Rp50.29 trillion in 2021 (as of 16 March 2021)

- **Synergy between monetary expansion and fiscal stimuli** has been strengthened through SBN purchases by Bank Indonesia in the primary market

- After making purchases in the primary market totalling Rp473.42 trillion to fund the 2020 State Budget, Bank Indonesia is continuing to purchase SBN in the primary market in 2021 to help fund the 2021 State Budget through mechanisms pursuant to the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 16 April 2020, which was subsequently extended on 11 December 2020 until 31 December 2021

- **As of 16 March 2021**, Bank Indonesia has purchased SBN worth Rp65.03 trillion in 2021 in the primary market, including Rp22.90 trillion through primary auction and Rp42.13 trillion through greenshoe options (GSO)

- **Loose liquidity conditions** in February 2021 have edged up the ratio of liquid assets to deposits to 32.86%, accompanied by solid 10.11% (yoy) deposit growth

- **In terms of monetary aggregates**, M1 and M2 growth remained high in February 2021 at 18.6% (yoy) and 11.3% (yoy) respectively
Further Strengthening of an Accommodative Bank Indonesia’s Policy Mix

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Lower BI7DRR by 25 bps in February to 4.75%, and other 25 bps in March to 4.50%</td>
<td>1. Hold the BI 7-Day Reverse Repo Rate at 4.50% for external stability &amp; stimulate growth</td>
<td>1. Lower BI7DRR to 4.00%, 25 bps in June and 25 bps in July</td>
<td>1. Hold BI7DRR at 4.00%</td>
</tr>
<tr>
<td>2. Lower a 50bps of daily rupiah reserve requirement (RR) for the banks engaged in export-import financing, and expanding rupiah RR cut for SME</td>
<td>2. Strengthening the intensity of triple intervention policy</td>
<td>2. Maintaining Rupiah exchange rate stabilization policy in line with the currency’s fundamental value and market mechanisms</td>
<td>2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization</td>
</tr>
<tr>
<td>3. Lower Foreign Exchange Reserve Requirement from 8% to 4%</td>
<td>3. Providing liquidity for the banking industry on restructuring MSME loans and ultra-micro with formal loans</td>
<td>3. Providing reserve requirement remuneration of 1.5% per year for banks meeting daily and average rupiah reserve requirements</td>
<td>3. Maintaining rupiah stabilization policy in line with fundamental value &amp; market mechanisms</td>
</tr>
<tr>
<td>4. Rupiah accounts (vostro) of foreign investors as underlying of DNDF</td>
<td>4. Lower the rupiah RR ratios by 200bps for conventional commercial banks and by 50bps for Islamic banks</td>
<td>4. Strengthening a synergized expansive monetary policy response with accelerated fiscal stimuli from the Government:</td>
<td>4. Strengthening MO strategy in order to accelerate monetary policy transmission</td>
</tr>
<tr>
<td>5. Domestic custodian bank for global investors</td>
<td>5. Strengthening Monetary operations and Islamic financial market deepening through FlisBI, PaSBI and SiPA</td>
<td>✓ firmly committed to funding the APBN 2020 through SBN purchases in the primary market to finance the budgets for healthcare, social protections, sectoral government ministries and agencies &amp; local government</td>
<td>5. Accelerating money market and foreign exchange market deepening through infrastructure development, including ETP &amp; CCP</td>
</tr>
<tr>
<td>6. Triple intervention: spot, DNDF, &amp; purchasing SBN in the secondary market</td>
<td>6. Relaxing the additional demand deposit obligations on the MIR</td>
<td>✓ Burden sharing with the Government to accelerate MSME and corporate sector recoveries</td>
<td>6. Lowering the minimum limit of DP on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles</td>
</tr>
<tr>
<td>7. Daily FX swap auction and Repo auction of SBN</td>
<td>7. Raised the MLB by 200bps for conventional commercial banks and by 50bps for Islamic banks</td>
<td>5. Expediting payment system digitalization to hasten the digital economy and finance implementation as part of the economic recovery efforts</td>
<td>7. Extending the 50bps lower on rupiah reserve requirements, as an incentive for banks disbursing loans to SMEs and for export-import activity and to non-SMEs operating in priority sectors as stipulated in the PEN, from 31 Dec’ 20 previously until 30 Jun’21;</td>
</tr>
<tr>
<td>8. Liquidity injection through monetary operation</td>
<td>8. Increasing the non-cash payment instruments uptake</td>
<td>6. Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program</td>
<td>8. Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program</td>
</tr>
<tr>
<td>9. Relaxation of Macro-prudential Intermediation Ratio</td>
<td>9. Strengthening policy mix and coordination with the Government &amp; other authorities</td>
<td>9. Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), and promoting the use of QRIS for e-commerce</td>
<td>9. Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), and promoting the use of QRIS for e-commerce</td>
</tr>
<tr>
<td>10. QRIS campaign to SME, traditional markets, students and worship places</td>
<td>10. Accelerating implementation of digital economy &amp; finance</td>
<td>10. Expanding QRIS acceptance to bolster economic recovery and accelerate SME by extending 0% MDR for micro-businesses from 30 Sept’20 previously until 31 Dec’20</td>
<td>10. Expanding QRIS acceptance to bolster economic recovery and accelerate SME by extending 0% MDR for micro-businesses from 30 Sept’20 previously until 31 Dec’20</td>
</tr>
<tr>
<td>11. Lower SKNBI cost</td>
<td></td>
<td>11. Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with Gernas BBI</td>
<td>11. Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with Gernas BBI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12. Strengthening the digital economy &amp; finance ecosystem through the use of digital payment instruments &amp; collaboration between the banking industry, FinTech &amp; e-commerce to support PEN</td>
<td>12. Strengthening the digital economy &amp; finance ecosystem through the use of digital payment instruments &amp; collaboration between the banking industry, FinTech &amp; e-commerce to support PEN</td>
</tr>
</tbody>
</table>

BGM: Board of Governor Meeting
Source: Bank Indonesia
### BGM 18-19 NOVEMBER 2020

1. BI7DRR lower 25 bps at 3.75% for maintain external stability and inflation is predicted to remain low
2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization
3. Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
4. Strengthening MO strategy to accelerate MP transmission
5. Promoting lower lending rates through close supervision and public communication in coordination with the Indonesian Financial Services Authority (OJK) in terms of interest rate transparency in the banking industry
6. Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in forex market
7. Strengthening integrated bank supervision coordination between BI, OJK and LPS to maintain financial system stability
8. Accelerating digital transformation & synergy to strengthen economic recovery momentum with robust payment system policy and faster implementation of BSPI’25
9. Extending the 0% MDR on QRIS transactions for micro enterprises until 31/3/2021
10. Strengthening and expanding electronification and digitalization centrally and regionally
11. Promoting technology innovation, utilization & collaboration between the banking & FinTech industries through faster implementation of Sandbox 2.0, encompassing, i.e.: the regulatory sandbox, industrial tests, innovation lab & start-ups

### BGM 16-17 DECEMBER 2020

1. Hold BI7DRR at 3.75% % for maintain external stability and inflation is predicted to remain low
2. Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
3. Strengthening MO strategy in order to accelerate monetary policy
4. Strengthening accommodative macroprudential policy to stimulate growth of loans allocated to priority sectors towards national economic recovery, while maintaining financial system resilience
5. Promoting lower lending rates through close supervision and public communication in coordination with the Indonesian Financial Services Authority (OJK) in terms of interest rate transparency in the banking industry
6. Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in forex market
7. Strengthening integrated bank supervision coordination between BI, OJK and LPS to maintain financial system stability
8. Accelerating digital transformation & synergy to strengthen economic recovery momentum with robust payment system policy and faster implementation of BSPI’25
9. Extending the 0% MDR on QRIS transactions for micro enterprises until 31/3/2021
10. Strengthening and expanding electronification and digitalization centrally and regionally
11. Promoting technology innovation, utilization & collaboration between the banking & FinTech industries through faster implementation of Sandbox 2.0, encompassing, i.e.: the regulatory sandbox, industrial tests, innovation lab & start-ups

### BGM 20-21 JANUARY 2021

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

1. Lower BI7DRR to 3.50% to support national economic recovery
2. Maintaining rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
3. Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
4. Relaxing down payment requirements on automotive loans/financing to minimum 0% for all new motor vehicles to stimulate credit growth in the automotive sector, while maintaining prudential principles and risk management, effective from 1st March 2021 until 31st December 2021.
5. Relaxing the Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property to stimulate credit growth in the property sector, while maintaining prudential principles and risk management, effective from 1st March 2021 until 31st December 2021.
6. Publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry" to accelerate monetary policy transmission and expand the dissemination of information to corporate and individual consumers in order to enhance governance, market discipline and competition in the credit market.
7. Facilitating trade and investment promotion for productive sectors and tourism as well as socialising the use of local currency settlement (LCS) domestically and internationally in conjunction with other relevant institutions and stakeholders. In February and March 2021, a series of promotional and socialisation activities will be held in Japan, Singapore, Malaysia and Thailand as well as in Indonesia as part of the National BBI Movement that promotes pride in Indonesian-made products (Gernas BBI).
8. Supporting development of an inclusive and efficient digital economy and finance ecosystem, specifically targeting SMEs, to drive the economic recovery, including Gernas BBI and the Indonesia Proud of Travelling Movement (GBWI) by:
   • Extending the QRIS 0% merchant discount rate (MDR) for micro enterprises until 31st December 2021;
   • Expanding QRIS acceptance to 12 million merchants in collaboration with payment system service providers as well as the central and local government;
   • Encouraging collaboration between e-commerce, SMEs and the Government to strengthen the competitiveness of domestic SME products for the domestic and export markets.
Well Maintained Inflation Ensured Price Stability

Strengthened Monetary Policy Framework

Credit Growth Profile

Source: Bank Indonesia
*) Source: Reuters and Bloomberg
Regional Inflation Remains Under Control

...supported by maintained inflation in all regions

Inflation remains low on subdued domestic demand and adequate supply, FEBRUARY 2021(%, YOY)

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
### 4 Strategies to Achieve the Inflation Target

<table>
<thead>
<tr>
<th>2018-2019 Target</th>
<th>2020-2021 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving inflation at 3.5%±1%</td>
<td></td>
</tr>
<tr>
<td>- Maintaining core inflation</td>
<td></td>
</tr>
<tr>
<td>- Maintaining volatile food stability at 4-5%</td>
<td></td>
</tr>
<tr>
<td>- Controlling administered price inflation</td>
<td></td>
</tr>
<tr>
<td>Achieving inflation at 3.0%±1%</td>
<td></td>
</tr>
<tr>
<td>- Maintaining core inflation</td>
<td></td>
</tr>
<tr>
<td>- Maintaining volatile food inflation less than 4%</td>
<td></td>
</tr>
<tr>
<td>- Controlling administered price inflation</td>
<td></td>
</tr>
</tbody>
</table>

#### 4 Strategies

1. **Price Affordability**
   - Stabilizing the price
   - Managing demand side

2. **Supply Availability**
   - Strengthening production, Government food reserves and food export-import management
   - Strengthening institution

3. **Well Managed Distribution**
   - Encouraging trade cooperation between regions
   - Improving trade infrastructure

4. **Effective Communication**
   - Improving data quality
   - Strengthening central-regional coordination

Source: Bank Indonesia
Considerations for the Average Reserve Requirement Ratios Improvement

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

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

* Complemented by harmonisation feature to align with the average reserve requirement in rupiah feature for conventional commercial banks (e.g. Calculation period, lag period, and Maintenance period of 2 weeks)
## Lower reserve requirements, effective 1<sup>st</sup> May 2020

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

Source: Bank Indonesia
Principles of Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)

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

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

2. The regulation is effective for conventional commercial banks from 16\textsuperscript{th} July 2018 and for sharia banks from 1\textsuperscript{st} October 2018.

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

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

Source: Bank Indonesia
## Principles of Macroprudential Intermediation Ratio (MIR)*

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

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019*
# Principles of Macroprudential Intermediation Ratio (MIR)*

<table>
<thead>
<tr>
<th>Regulation</th>
<th>MIR (Conventional Commercial Bank)</th>
<th>MIR Sharia (Sharia Banks and Sharia Business Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Percentage of the securities held</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>7 Criteria for securities issued</td>
<td>- medium-term notes (MTN), floating rate notes (FRN) and/or bonds other than subordinated bonds</td>
<td>- sharia-compliant medium-term notes (MTN) and/or sukuk other than subordinated sukuk</td>
</tr>
<tr>
<td>8 Securities Reporting</td>
<td>Offline delivery mechanism (email)</td>
<td></td>
</tr>
</tbody>
</table>
| 9 Scope of deposits to meet DD MIR /DD MIR Sharia | - Average daily total deposits in rupiah at all branch offices in Indonesia  
- Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities | - Average daily total deposits in rupiah at all branch offices and sharia business units in Indonesia  
- Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities |
| 10 Relaxation of DD MIR/Sharia DD MIR | - Bank Indonesia may relax the provisions of the disbursement and fund accumulation  
- The provisions may be relaxed based on a request from a conventional commercial bank, Sharia bank or Sharia business unit or a recommendation from the Financial Services Authority (OJK)  
- Conventional commercial banks, Sharia banks or Sharia business units that receive the relaxed policy are exempt from sanctions | |

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019*
Bank Indonesia strengthens accommodative macroprudential policy through an adjustment to the Macroprudential Intermediation Ratio by including the loan/financing received by banks as a component of funding in MIR/sharia MIR.

**Policy Backgrounds**

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

**Main Regulatory Points**

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

\[
\text{Credit + Owned Bond} = \text{Deposit + Issued Bond + Loan/Financing Received}
\]

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

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

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

Source: Bank Indonesia
Strengthened MIR and Sharia MIR to accelerate economic recovery

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

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

c. The upper disincentive parameter is set at 0.00 for banks with a Minimum Capital Adequacy Requirement below or equal to 14% and banks with a Minimum Capital Adequacy Requirement above 14%.

<table>
<thead>
<tr>
<th>Current Regulation</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation</strong></td>
<td><strong>MIR (CCB)</strong></td>
</tr>
<tr>
<td><strong>Criteria of Securities held</strong></td>
<td>In the form of corporate bonds and/or corporate sukuk; 1. Issued by nonbank corporation and residents; 2. Offered to the public through a public offering; 3. Rated by a rating agency no lower than investment grade; 4. Administered by an institution authorised to provide securities settlement and custodial services.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria of Securities held</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation</strong></td>
<td><strong>MIR (CCB)</strong></td>
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<table>
<thead>
<tr>
<th>Current Regulation</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NPL/NPF</strong></td>
<td><strong>KPMM</strong></td>
</tr>
<tr>
<td>&lt;5%</td>
<td>&gt;19%</td>
</tr>
<tr>
<td>14%&lt;KPMM≤19%</td>
<td>0.00</td>
</tr>
<tr>
<td>≤14%</td>
<td>0.00</td>
</tr>
<tr>
<td>≥5%</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria of Securities held</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation</strong></td>
<td><strong>NPL/NPF</strong></td>
</tr>
<tr>
<td><strong>Criteria of Securities held</strong></td>
<td>In the form of export L/C;</td>
</tr>
</tbody>
</table>
## Principles of Macroprudential Liquidity Buffer (MLB)

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

### Policy to increase the Macroprudential Liquidity Buffer (MPLB), effective 1\textsuperscript{st} May 2020.

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Increase in the Macroprudential Liquidity Buffer (MLB) for conventional commercial banks</td>
<td>4% of rupiah deposits</td>
<td>6% of rupiah deposits</td>
</tr>
<tr>
<td>2 Increase in the Macroprudential Liquidity Buffer (MLB) for Islamic banks and Islamic business units</td>
<td>4% of rupiah deposits</td>
<td>4.5% of rupiah deposits</td>
</tr>
</tbody>
</table>

### Credit card policy, effective 1\textsuperscript{st} May 2020.

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Before</th>
<th>After</th>
<th>Effective Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Lower upper limit on credit card interest</td>
<td>2.25% per month</td>
<td>2% per month</td>
<td>1\textsuperscript{st} May 2020</td>
</tr>
<tr>
<td>2 Temporary reduction of minimum payment requirements</td>
<td>10%</td>
<td>5%</td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
<tr>
<td>3 Temporary reduction of late payment penalties</td>
<td>3% or maximum of IDR150,000</td>
<td>1% or maximum of IDR100,000</td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
<tr>
<td>4 Supporting credit card issuer policy to extend the due date for customers</td>
<td>Issuer discretion</td>
<td></td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
</tbody>
</table>
Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios*

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

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

2. Relaxing the amount of loan/financing facility through indent mechanism to a maximum of 5 facilities without taking account of the orders

3. Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

```
<table>
<thead>
<tr>
<th>Property Type &amp; Property Financing Based on Murabahah &amp; Istisna Deeds</th>
<th>Relaxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Regulation</td>
<td>Relaxation</td>
</tr>
<tr>
<td>Property Loan &amp; Financing</td>
<td>Property Loan &amp; Financing</td>
</tr>
<tr>
<td>House</td>
<td>Type &gt;70m²</td>
</tr>
<tr>
<td>Type 22-70m²</td>
<td>85%</td>
</tr>
<tr>
<td>Type ≤21m²</td>
<td>85%</td>
</tr>
<tr>
<td>Apartment</td>
<td>Type &gt;70m²</td>
</tr>
<tr>
<td>Type 22-70m²</td>
<td>90%</td>
</tr>
<tr>
<td>Type ≤21m²</td>
<td>-</td>
</tr>
<tr>
<td>Shop/Office House</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property Financing Based on MMQ &amp; IMBT Deeds</th>
<th>Relaxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Regulation</td>
<td>Relaxation</td>
</tr>
<tr>
<td>Property Financing</td>
<td>Property Financing</td>
</tr>
<tr>
<td>House</td>
<td>Type &gt;70m²</td>
</tr>
<tr>
<td>Type 22-70m²</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21m²</td>
<td>-</td>
</tr>
<tr>
<td>Apartment</td>
<td>Type &gt;70m²</td>
</tr>
<tr>
<td>Type 22-70m²</td>
<td>90%</td>
</tr>
<tr>
<td>Type ≤21m²</td>
<td>-</td>
</tr>
<tr>
<td>Shop/Office House</td>
<td>-</td>
</tr>
</tbody>
</table>

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

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

Source: Bank Indonesia
**Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios**

1. The requirements of the LTV ratio for property credit and FTV ratio for property financing are as follows:
   i. The net ratio of NPL to total credit or NPF to total financing must not exceed 5%; and
   ii. The gross ratio of property NPL to total property credit or property NPF to total financing must not exceed 5%.

2. Banks must make sure that there is no loan transfer to another borrower at the same bank or different bank for tenors of less than 1 year. The requirements are valid for banks that will disburse pre-order property loan/financing.

3. Banks are required to comply with prudential principles when disbursing loans.

4. Gradual loan liquidation is only allowed for developers that comply with bank’s risk management policy (e.g., the business feasibility of the developer).

5. Banks are required to ensure that transactions to disburse loans (including down payment) and gradual liquidation must be processed through the debtor and developer/seller’s bank account.

**LTV / FTV Exemptions**

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

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

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

**Policy Backgrounds**

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

**Main Regulatory Points**

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

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

<table>
<thead>
<tr>
<th>Property Loan &amp; Property Financing based on Akad Murabahah &amp; Akad Istisna</th>
<th>Property Financing based on akad MMQ &amp; akad IMBT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Landed House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
<tr>
<td>Apartment</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
<tr>
<td>Office House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
<tr>
<td>Project House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Property Loan &amp; Property Financing based on Akad Murabahah &amp; Akad Istisna</th>
<th>Property Financing based on akad MMQ &amp; akad IMBT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Landed House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
<tr>
<td>Apartment</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
<tr>
<td>Office House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>-</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>-</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>-</td>
</tr>
</tbody>
</table>

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

Source: Bank Indonesia
2. Additional incentive on the LTV ratio for green property loans and FTV ratio for green property financing.

a. The Green Property criteria refers to the standards/certificates issued by a nationally or internationally recognized environmental institution.

b. Green property that is granted for the incentive has to meet the following standards:
   i. For residential areas/buildings in certified green belt areas, each unit in the residential area/building is considered to meet the criteria.
   ii. In case that the residential area/building is not a certified green belt area, an evaluation will be conducted on each unit as follows:
      ▪ For buildings < 2500m², the bank may conduct a self-assessment using the tools/applications provided by a recognized institution.
      ▪ For buildings > 2500m², the assessment must be conducted by a recognized institution;
      ▪ For new buildings constructed in an area by one developer or group of developers, the assessment must be conducted by a recognized institution and the certificate must be submitted by the developer.

i. Additional incentive for green property on LTV ratio for property loans and FTV ratio for property financing is 5% from the LTV/FTV ratio presented in Table 2 as follows:

3. Adjustment of Down Payments on Automotive Loans/Financing

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

Source: Bank Indonesia

*This adjustment will be effective from December 2nd, 2019
4. Adjustment of Down Payments on Green Automotive Loans/Financing
   
   a. The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.
   
   b. The down payments on green automotive loans or green automotive financing is adjusted as follows:
      
      i. Additional incentive of 5% on green vehicles from the down payment presented in Table 5;
      
      ii. The down payment incentives considers the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans/financing;
      
      iii. The down payment regulation for green automotive loans or green automotive financing in points a and b is as follows:

<table>
<thead>
<tr>
<th>2-Wheeled</th>
<th>3-Wheeled or more (non productive)</th>
<th>3-Wheeled or more (productive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meets NPL/NPF Criteria</td>
<td>Does Not Meet NPL/NPF Criteria</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>10%</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>5%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

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

*This adjustment will be effective from December 2nd, 2019
Adjustment of Minimum Down Payments on Green Automotive Loans/Financing
(Effective 1\textsuperscript{st} October 2020)

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

Main Regulatory Points

1. Adjustment of Minimum Down Payments on Green Automotive Loans/Financing

The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.

<table>
<thead>
<tr>
<th>Type of Green Motor Vehicle</th>
<th>Current regulation (PBI No. 21/13/PBI/2019 *)</th>
<th>New Regulation *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-wheel</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Three-wheel or more (non-commercial)</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Three-wheel or more (commercial)</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

Requirements:

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

Source: Bank Indonesia
Adjustment of LTV/FTV Requirements on Automotive loans/financing
(effective from 1st March 2021 until 31st December 2021)

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

Policy Objectives and Background

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

Changes to Down payment Requirements on Automotive Loans/Financing

<table>
<thead>
<tr>
<th>Current Regulation</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*) previous regulation, PBI No. 21/13/PB/2019
**) Requirements as follows:
1. Gross NPL/NPF ratio <5%; and
2. Net NPUNPF ratio <5%
Notes:
Green vehicles include battery electric vehicles (BEVs) as stipulated in prevailing laws and regulations on accelerating the battery electric vehicle program for road transportation.

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

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

Policy Objectives and Background

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

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

<table>
<thead>
<tr>
<th>Current Regulation</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NPL/NPF Criteria Met</strong></td>
<td><strong>NPL/NPF Criteria Not Met</strong></td>
</tr>
<tr>
<td>Property Loans/Financing based on Murabahah and Istishna Contracts</td>
<td>Property Financing based on MMQ and IMIT Contracts</td>
</tr>
<tr>
<td>Property Loans/Financing based on Murabahah and Istishna Contracts</td>
<td>Property Financing based on MMQ and IMIT Contracts</td>
</tr>
<tr>
<td>Property Loans/Financing based on Murabahah and Istishna Contracts</td>
<td>Property Financing based on MMQ and IMIT Contracts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facility</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landed House</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type &gt;20</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>Type 21-70</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Type 21</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Type &gt;21-70</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>Type 21</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Type &gt;21</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Shop House/Office House</td>
<td>90%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notes:
1. LTV/FTV ratio policy is subject to bank discretion.
2. Based on PR No. 21/13/2021/19

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

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

<table>
<thead>
<tr>
<th>Ketentuan Saat Ini</th>
<th>Ketentuan Baru</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NPL/IFC Criteria Met</strong></td>
<td><strong>NPL/IFC Criteria Not Met</strong></td>
</tr>
<tr>
<td>Property Loans/financing based on Murabahah and Istrinha Contracts</td>
<td>Property Loans/financing based on MMQ and IMBT Contracts</td>
</tr>
<tr>
<td>Property Financing based on Murabahah and Istrinha Contracts</td>
<td>Property Financing based on MMQ and IMBT Contracts</td>
</tr>
<tr>
<td><strong>Facility</strong></td>
<td>1</td>
</tr>
<tr>
<td>Landed House</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>–</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>–</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>–</td>
</tr>
<tr>
<td>Apartment</td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>–</td>
</tr>
<tr>
<td>Type &gt;21 - 70</td>
<td>–</td>
</tr>
<tr>
<td>Type ≤21</td>
<td>–</td>
</tr>
<tr>
<td>Shop House/Office House</td>
<td>–</td>
</tr>
</tbody>
</table>

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

*) NPL/IFC Criteria:
1. Gross NPL/IFC ratio < 5%; and
2. Net NPL/IFC ratio on property loans/financing < 5%

**c. Changes to Indent Regulations**

<table>
<thead>
<tr>
<th>Current Regulation</th>
<th>New Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum cumulative liquidation</td>
<td>up to 30% of ceiling upon completion of loan contract</td>
</tr>
<tr>
<td>Maximum cumulative liquidation</td>
<td>up to 50% upon completion of foundations</td>
</tr>
<tr>
<td>Maximum cumulative liquidation</td>
<td>up to 90% of ceiling upon completion of roof</td>
</tr>
<tr>
<td>Maximum cumulative liquidation</td>
<td>up to 100% of ceiling upon signing of BAST, accompanied by AJB and a cover note.</td>
</tr>
</tbody>
</table>

1. Repeals regulations concerning the gradual liquidation of indent and the maximum cumulative liquidation of property loans or property financing.
2. Banks are required to maintain prudential principles and risk management when liquidating property loans/financing on indent.
Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry

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

Key Takeaways
- Prime lending rate response to lower policy rate (BI7DRR) still rigid.
- Greater prime lending rate rigidity at state-owned banks compared with other bank groups.
- Prime lending rate rigidity found across all credit segments, excluding micro loans.

Notwithstanding, the lending rate response to a lower policy rate and loose liquidity conditions in the banking industry remains rigid. This is reflected by significant rigidity in the Prime Lending Rate (PLR) in response to the lower policy rate.
- The prime lending rate is used as the basis for determining the interest rate to be charged by the bank to the customer yet does not include the risk premium. Therefore, the interest rate charged by the bank to the borrower is not necessarily the same as the prime lending rate.

PLR rigidity is a facet of nearly all credit segments, affecting consumer loans, corporate loans and retail loans. The rigid banking industry response, as reflected by smaller increments of prime lending rate reductions, has been observable in non-housing consumer loans (67bps) as well as housing loans (57bps) since June 2019.

Prime Lending Rate and Deposit Rate Response to BI7DRR

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

1 Assessment period until December 2020 based on data availability.
2 The prime lending rate is the base rate published by banks in accordance with OJK Regulation (POJK) No. 37/POJK.03/2019, dated 19th Dec 2019, concerning Bank Report Transparency and Publication.

Source: Bank Indonesia
Improving the Effectiveness of Monetary Policy Transmission

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

- Implementation of BI 7 Day Reverse Repo Rate
  Enhancement of monetary policy signal

- Implementation of Money Market Deepening Program
  Enhancement of instruments and transactions

- Implementation of Reserve Requirement (RR) Averaging
  Enhancement of banking liquidity management

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

Initiative I
Promoting Digitalization and Strengthen Financial Market Infrastructures
(Trading venue, central counterparty, BI-SSSS, BI-RTGS, trade repository)

Initiative II
Strengthening Effectiveness of Monetary Policy Transmission
(Repo, IndONIA and JIBOR, Overnight Index Swap, DNDF, LCS)

Initiative III
Developing Economic Financing Sources and Risk Management
(long-term hedging, sustainability and green financing, investor retail, asset securitization)

Source: Bank Indonesia

Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Purposes

1. To support the effort of stabilizing the Rupiah exchange rate through the additional of alternative hedging instruments

2. To support the development and deepening of the domestic financial market

3. To increase the confidence of exporters, importers, and investors in conducting economic and investment activities through the flexibility of hedging transactions against Rupiah currency risk

General Provisions

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

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

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

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

Source: Bank Indonesia
Bank can perform DNDF Transactions as follows:

**Transaction between:**
- Bank – Customer
- Bank – Foreign Party
- Bank – Bank

1. **Must have Underlying Transactions:**
   - Including all following activities:
     a. Trade of goods and services
     b. Investments, loans, capital, and other investments.
     c. Banks credit or financing in foreign currencies (specifically for transactions between bank and customers)
   - Excluding following activities:
     a. Bank Indonesia certificates;
     b. Placement of funds with bank;
     c. Unwithdrawn credit facilities;
     d. Documents of foreign currencies sales against rupiah;
     e. Money transfer by fund transfer companies
     f. Intercompany loan
     g. Money changer activities.

2. Nominal of DNDF Transactions ≤ Nominal of Underlying Transactions

3. Tenor of DNDF Transactions ≤ Tenor of Underlying Transactions

Source: Bank Indonesia
Principles of Domestic Non Deliverable Forward (DNDF) Transaction

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

**Roll over and early termination for DNDF is prohibited**
However, unwind can be done by opening the reverse DNDF transactions

**Cover Hedging**
Bank may conduct DNDF Transactions with Bank Overseas for cover hedging purpose.
- Underlying Transactions: DNDF Transaction between Bank and Customer/Foreign
- Purpose: Hedging

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

Source: Bank Indonesia
Amendment on DNDF Regulation
*to provide more flexibility in DNDF transaction
*to increase liquidity and efficiency in domestic foreign exchange market

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

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

Source: Bank Indonesia
Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR)
To accelerate money market deepening

- The strengthening of JISDOR to increase domestic foreign exchange market credibility and support exchange rate stability. This measures is in line with the benchmark reform initiatives taking place on global financial markets, to establish a reference rate that represents daily exchange rates based on transactions supported by best practice methodologies.

  - Effective starting April 5, 2021
- JISDOR is obtained by calculating the weighted average based on transaction volume of the Rupiah exchange rate against USD on the spot market within the specified time window

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

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

JISDOR is available on every working days on [https://www.bi.go.id/en/statistik/indikator/Default.aspx](https://www.bi.go.id/en/statistik/indikator/Default.aspx)
Overnight Index Swaps (OIS) & Interest Rate Swaps (IRS)

As hedging instruments against Rupiah interest rate changes

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

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

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

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

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

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

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

---

**Market Conventions**

<table>
<thead>
<tr>
<th>Calculation Base</th>
<th>Interest Payment based on Netting</th>
<th>OIS Quotation rates based on 2 decimals</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT/360</td>
<td>IndONIA Index with 5 decimals</td>
<td>Quotation : 1W, 2W, 1M, 2M, 3M, 4M, 5M, 6M</td>
</tr>
<tr>
<td></td>
<td>Notional of Net interest payment in IDR with 0 decimals</td>
<td></td>
</tr>
<tr>
<td>Compound Floating Rates (CFR) based on 5 decimals</td>
<td>Settlement Date = 1 business days after Maturity Date (MD)</td>
<td>At the 1st phase, OIS settlement will only be done at the end of the OIS tenor (MD+1bd).</td>
</tr>
</tbody>
</table>

---

*Source: Bank Indonesia*
Enhancement of Monetary Operations Framework

1. Strengthened the role of JIBOR as reference rate by regulatory enhancement.

2. Accelerated market repo transactions by promoting GMRA.

3. Reduced segmentation and improve the capacity of market transactions by encouraging banks to open more access to counterparties.

4. Moving from fixed rate tender (FRT) to variable rate tender (VRT).

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

Current JIBOR (as per June 1st, 2016)
- Can be traded among contributor banks for 20 minutes.
- Up to a total of IDR20 billion.
- Up to 3-month tenor.

Source: Bank Indonesia
Financial Intermediation Affected Economic Activities

Recovery of financial services intermediation remains a challenge as credit demand has not fully recovered due to limitations on daily activities. Nevertheless, optimism linked to Covid-19 vaccine rollout and government’s continuous stimulus and reform bring hopes to recovery in 2021...

Following the Bank’s restructuring program, credit growth shows a declining trend in 2020 with a -2.41% growth in December 2020.

New financing distribution are still restrained and contracted by -18.63% in January 2021.

Capital raising through securities issuance reached IDR 27.28 Tn in 2021 (YTD). Covid-19 vaccines and government’s stimulus program are expected to boost IPO back to its pre-pandemic level.

After experiencing a contraction since 2019, life insurance premium growth rebounded by 25.1% in January 2021 while general insurance premium growth increased by 3.1% from the previous month.
Resilient Financial Institutions

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

CAR of the banking sector remained high and stable at 24.50%, with Tier-1 capital at 22.85% as of January 2021.

As of January 2021, banking sector profitability remained stable with an increase from the previous month.

RBC of the insurance industry remained high and well above the minimum threshold (120%) with Life Insurance RBC at 535% and General Insurance RBC at 329%.

Gearing ratio of multi-finance companies remained steady far below the threshold in January 2021.

Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19
Manageable Credit Risks with Adequate Liquidity

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

The ratios of liquid assets to deposit and non-core deposits remained well above the threshold following banks’ cautious appetite for lending. *)

Banking NPL ratios are kept low and below the threshold, at 3.17% gross and 1.03% net as of January 2021. *)

Investment adequacy ratios in the insurance industry, both life and general insurance, were maintained above the threshold of 100% and remained steady in January 2021. *)

NPF of multi-finance companies are well-managed and steadily declining at 3.9% as of January 2021. *)

Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19
Amidst global pressure, the risk profile of domestic financial institutions remains manageable...

Net open position in the banking sector still maintained far below the maximum limit of 20% in January 2021. *)

Insurance & pension fund investment value was steadily increasing with insurance investment reaching IDR 1238.42 Tn and pension fund investment at IDR 304.07 Tn in January 2021. *)

The net asset value (NAV) of Equity Mutual Funds continues to recover, following JCI’s upward trend.

Multi-finance companies’ exposure to foreign and domestic debt remained stable. *)

Source: Financial Service Authority (OJK)  *) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19
Domestic Capital Market Performance Amid Global Challenges

Positive development of Covid-19 vaccines and prospect of economic recovery have kept a positive tone in the global capital market...

Global indices continue to strengthen as market confidence is improving due to recovery progress.

JCI has returned to its pre-pandemic level and continues to perform steadily in March.

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

Non-resident portfolios of gov’t bonds and equity have recorded a total of 4.72 Tn net buy YTD in March 2021.
Stimuli to Support Indonesia’s Financial Industry

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

1. Maintaining business fundamental of the real sector

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

- *) OJK Regulation No.18/POJK.03/2020: “Written Orders to Handle Bank Problems”
  - Stabilizing financial sector particularly in banking sector amid COVID-19 outbreak by allowing merger, consolidation, acquisition, and/or integration to banks permitted by OJK.

2. Maintaining financial market stability

- OJK Circular Letter No. 3/SEOJK.04/2020: “Other Conditions as Significantly Fluctuating Market Condition on Stock Buyback issued by Issuers or Public Companies”
  - Prohibition of short-selling
  - Asymmetric Auto Rejection (current auto rejection limits under 7%)
  - 30-minute Trading Halt for 5% decrease in IHSG
  - Negation of trade in the pre-opening session
  - Stock buyback without prior general shareholders meeting

- *) OJK Regulation No.15/POJK.04/2020: “Plan and Organization of the General Meeting of Shareholders of Public Companies”
  Aimed to enhance the participation of shareholders in General Shareholders Meeting (RUPS) by allowing electronic authorization to third parties.

- *) OJK Regulation No.16/POJK.04/2020: “The Implementation of Electronic General Shareholders Meeting (GSM)”
  Regulating the implementation of electronic corporate decision making by requiring a member of the board of director/commissioner in charge of GSM, while other electronic attendances are counted as fulfillment of attendance quorum.

- *) OJK Regulation No.17/POJK.04/2020: “Material Transaction and Changes in Business Activities”
  Improving the definition and procedure of Material Transaction, as well as the effectiveness of regulation to enhance the protection of public shareholders and the quality of information disclosure in Material Transaction and Business Activities Changes.

Source: Financial Service Authority (OJK) * OJK Regulations in Response to Government Regulation in Lieu of Law No. 1 Year 2020 to maintain financial stability and economic activities.
Further Stimuli to Provide Liquidity and Capital in Banking Industry

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

Adjustment of Banking Provisions Implementation during Relaxation Period

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

Relaxation for Rural and Rural Sharia Banks

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

i. Eliminating the obligation to fulfill Capital Conservation Buffer by 2.5 percent of Risk Weighted Assets (ATMR) for BUKU 3 and BUKU 4 banks (until 31 March 2021)

ii. Maintaining the obligation of fulfilling Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for BUKU 3, BUKU 4, and foreign banks at a minimum level of 85 percent (until 31 March 2021)

iii. Dismissing the quality assessment of Foreclosed Collateral (AYDA) based on the period of ownership (until 31 March 2021)

iv. Reducing the obligation of education funds provision to less than 5 percent

i. The deferment reforms include Risk-Weighted Assets (RWA) for operational risk, credit risk, market risk, and Credit Valuation Adjustment (CVA)

ii. Until then, the Capital Adequacy Requirement still refers to the current RWA standard.

i. Relaxes the General Loan Loss Provision (PPAP) to less than 0.5%

ii. Exemption of Interbank Placement for Legal Lending Limit (BPMK) and Maximum Limit of Fund Channeling (BPMD) to a maximum 30% of capital

iii. Temporary Halt on Foreclosed Collateral (AYDA) calculation based on period of ownership

iv. Providing 5% less on Education, Training, and Human Resource Fund from the previous year

Source: Financial Service Authority (OJK)
OJK’s Role in the National Economic Recovery Program (PEN)

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

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

**Fund Placement**

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

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

**Providing Interest Subsidies for MSMEs**

Article 20 Paragraph 2 Government Regulations No. 23 of 2020

All debtors with credits up to IDR500 million will be given interest subsidies while debtors with credits up to IDR10 billion will go through the same mechanism with credit restructuring program. The program is eligible for debtors of banks/multi-finance companies with Performing Loan (Kol 1 and Kol 2) before COVID-19, valid from 29 February 2020.

**Targeted Beneficiaries**

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

**Other Requirements**

- Obedient taxpayer
- Excluded from National Blacklist (DHN)

**Mechanism**

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

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

Source: Financial Service Authority (OJK)
Strategic Policies in Financial Sector

- Providing financing alternatives for Government Priority Sectors
- Supporting acceleration of national economic growth
- Providing financial access to MSMEs especially in remote areas
- Preparing financial services industry to cope with Industrial Revolution 4.0
- Improvement of business process in the industry

Source: Financial Service Authority (OJK)
Continuous Program on Capital Market Deepening
…continuously strengthened, including through capital market deepening initiatives

Enhancing the supply-side

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

Enhancing the demand-side

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

Strengthening market infrastructure

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

Strengthening governance & customer protection

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

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

Developing financial education models utilizing various delivery channels

Enhancing the role of the “Investment Alert Taskforce”

Developing micro-credit products with additional business support (“KUR Klaster”)

Promoting the establishment of Islamic microfinance institutions (“Bank Wakaf Mikro”)

Strengthening the role of Financial Access Acceleration Taskforce (TPAKD) in local areas

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

<table>
<thead>
<tr>
<th>Financial Literacy</th>
<th>2013</th>
<th>2016</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>21.8%</td>
<td>29.7%</td>
<td>38.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Inclusion</th>
<th>2013</th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59.7%</td>
<td>67.8%</td>
<td>76.19%</td>
</tr>
</tbody>
</table>

Source: Financial Service Authority (OJK)
A Comprehensive Financial Deepening Program

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

In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate “The National Strategy of Financial Market Development”
Bi’s Roles in Supporting Distribution of Non-Cash Social Assistance (NCSA)

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

NCSA Programs

- Family Hope Program (Program Keluarga Harapan -PKH)
- Smart Indonesia Program (Program Indonesia Pintar-PIP)
- Non Cash Food Assistance (Bantuan Pangan Non Tunai – BPNT)
- LPG Subsidy

Pilot Project
Gradual Implementation
Full Implementation
Interconnected & interoperable payment system

Source: Bank Indonesia
Progress of NCSA Programs

**Family Hope Program**
(Program Keluarga Harapan - PKH)

- The Family Hope Program (PKH) is a program that provides cash to very poor households. IDR 1.89 million /year will be granted for each household. PKH will be granted every February, May, August, and November.

- As of December 2017, PKH has been distributed to 6.0 million households on non-cash basis.

- In 2018, PKH has been distributed to 10 million households on non-cash basis.

- In 2019, PKH has been distributed to 9.84 million households on noncash basis with total realization of IDR 32.75T.

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

- BPNT is a poverty alleviation and social protection program that is managed by the central government. It provides subsidized rice and eggs to low - income households. IDR 110 thousand/month will be granted for each household as BPNT that can be used in certain stores which called e-waorgan.

- As of December 2017, BPNT was distributed to 1.2 million households in 44 cities.

- In 2018, BPNT has been distributed to 10.1 million households (65.1% of the target of 15.5 million households target).

- In 2019, BPNT has been distributed to 15 million households on non cash basis with total realization of IDR 15.44T.

Source: Bank Indonesia
Section 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision
Institutional Reforms to establish a conducive PPP ecosystem

**Institutional Reforms for PPP Implementation**

- **KPPIP**: Coordinating unit in decision-making processes and debottlenecking efforts for infrastructure acceleration
- **PPP Joint Office**: Information center for policy coordination and capacity building to encourage the use of PPP schemes
- **Indonesia Infrastructure Guarantee Fund (IIGF)**: Provides guarantee and supports project preparation
- **Sarana Multi Infrastruktur**: Facilitating infrastructure financing, preparing project, and serving advisory

**PPP Stages**

1. **Outline Business Case**
2. **Determination of Funding Scheme**
3. **Project Development Facility (PDF)**
4. **Tender document preparation**
5. **Final Business Case (FBC)**
6. **Transaction**
7. **PPP Agreement**
8. **Financial Close**

**Government Contracting Agency (PJPK)**

- **IIGF**: Kementerian PUPR Supanan
- **Kantor Bersama KPBU Republik Indonesia**: The Coordination of Infrastructures
- **Kantor Pusat Pengembangan**
- **Kantor Pusat Penyelenggaraan**

**Legend**

- Ministry of National Development Planning
- Ministry of Finance
- **Business Entity**
- **Lender**

*Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)*
Reforms Along the Project’s Life Cycle
...to encourage and accelerate infrastructure project using PPP scheme

Government of Indonesia

**Project Development Facility (PDF)**
- 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

**Viability Funding Gap (VGF)**
- A facility which contributes to construction cost in order to increase project financial feasibility
  - Managing entity: Ministry of Finance based on GCA proposal Gov’t’s commitment: Max 49% per project cost

**Guarantee Scheme**
- 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
  - Gov’t’s commitment: US$ 450 Mil

**Tax Facilities**
- 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

**Availability Payment**
- 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

**Land Acquisition**
- 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 Planning/BPN, and BLU-LMAN
  - Gov’t. commitment: US$ 9.3 bn (2016-2021)*
  - *USD1=IDR13,500

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)
Efforts to Accelerate Infrastructure Provision
The establishment of Indonesia Asset Management Agency (LMAN)

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

LMAN at a Glance

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

Land Acquisition Budgeting Scheme

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

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Efforts to Accelerate Infrastructure Provision
Limited Concession Scheme as an Alternative of Infrastructure financing

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

Definition

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

LCS Principles

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

Infrastructure Financing Priority

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

Technical Criteria for the LCS assets

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

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

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

**Tax based LVC**
- Land and Property Tax
- Betterment Levies and Special Assessment
- Tax Increment Financing (TIF)

**Development Based LVC**
- Land Sale and Rent
- Air Right Sale
- Joint Development
- Land Readjustment

**Triple Win LVC**
- Better Urban Mobility
- Reducing Subsidy
- Creating Fiscal Space

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Efforts to Accelerate Infrastructure Provision
Sovereign Wealth Fund (SWF)

**SWF Investment Guide**

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

**Indonesia Sovereign Wealth Fund (Lembaga Pengelola Investasi/LPI)**

- Government of Indonesia Cq. Ministry of Finance

**Managed Fund**

- **Managed fund for infrastructure**
  - Tollroads
  - Airports
  - Seaports

- **Managed fund for Energy & Natural Resources**
  - Oil & Gas reserves

- **Managed fund for Health sector**
  - Hospitals
  - Pharmaceuticals

- **Managed fund for Tourism**
  - Tourism SEZ
  - Tamaniri
  - Toba
  - Uluwating
  - Hotel chain

- **Managed fund for Technology**
  - Digital lending
  - Payments
  - Commerce

- **Managed fund for New Capital**
  - Contractor
  - Utilities
  - Land & building

**Principal Investor** (ex. ADB, JBIC)

**Domestic and International Investor**

- Co-Investor (Minority Shareholder)
  - Declaring to company/asset/project

**Master Fund**

- Investment Agreement

**Source:** Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Fundamental Regulations Initiation to accelerate infrastructure projects delivery

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

2. **MoF Reg. No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation**
   The supporting regulation for Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulates the scope and general requirements and procedures to propose and grant guarantees, as well as allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.

3. **Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN**
   This Presidential Reg. allows the Executing Agency to pay land acquisition compensation to the impacted community who does not have official rights over the land required for PSN. This regulation helps to solve the land acquisition problem due to community objection over the land use.

4. **Presidential Reg. No. 66/2020 on Land Acquisition Funding for Public Interest in Implementing PSN**
   This Presidential Reg. was issued to accelerate the process of land acquisition funding for PSN as well as replacing the Presidential Reg. No. 102/2016.

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
National Strategic Projects (PSN) may receive privileges as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017 j.o. the Presidential Reg. No. 56/2018, j.o Presidential Decree no.109/2020

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Job Creation Law ‘s Positive Development of PSN

Government Regulation on Ease of Doing Business for PSN

Government Regulation on Land Acquisition for Public Interest

Government Regulation on Spatial Adjustment for Forest and Land Right/Permit

Government Regulation on Land Bank

Government Regulation on Spatial Planning

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Under Presidential Reg. No.56/2018, PSN list has been revised into 223 Projects and 3 Programs

PSN includes 15 sectors at project level and 3 sectors at program level

**Project**
- Road: 69 Projects
- Dams: 51 Projects
- SEZs & IEs: 29 Projects
- Railway: 16 Projects
- Energy: 11 Projects
- Ports: 10 Projects
- Clean Water & Sanitation: 8 Projects
- Airports: 7 Projects
- Smelter: 6 Projects
- Technology: 4 Projects
- Housing: 3 Projects
- Fisheries/Farming: 1 Projects
- Sea Dike: 1 Projects
- Education: 1 Projects
- Irrigation: 6 Projects

**Program**
- Electricity: 1 Program
- Aeroplane Industry: 1 Program
- Economic Equality: 1 Program

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

Exchange rate: US$ 1 = IDR 13,500
PSN Profile of 223 Projects and 3 Programs

The Estimated Investment Value for 223 Projects + 3 Programs PSN¹

Total Investment Value²
US$ 307.4 Billion

State Budget
US$ 31.6 Bn

SOEs/RSOEs
US$ 96.6 Bn

Private
US$ 179.2 Bn

Energy
11 Projects
US$ 89.8 Bn

Electricity
1 Program
US$ 76.7 Bn

Roads
69 Projects
US$ 49.7 Bn

Railways
16 Projects
US$ 29.2 Bn

SEZs and IEs
31 Projects
US$ 31 Bn

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
From 2016 – 2020, there were 92 projects\(^1\) completed with total estimated investment value of IDR 847 tn

\(^1\)In cumulative, including projects that are already taken out in 2016 and 2017

**Completed 2016**

20 Projects (IDR 33,3 T)
- 7 Airports
- 1 Toll Road
- 6 Dam
- 1 Seaports
- 1 Gas Pipe
- 4 National Border

**Completed 2017**

10 Projects (IDR 61,4 T)
- 2 Toll Road
- 1 Access Road
- 1 Airports
- 1 Gas Facility
- 3 National Border
- 1 Dam
- 1 Irrigation

**Completed 2018**

32 Projects (IDR 207,4 T)
- 2 Railway
- 4 Dam
- 1 Irrigation
- 10 Toll Road
- 5 SEZ
- 1 Airports
- 4 Industrial Zone
- 4 Smelter
- 1 Fishery Center

**Completed 2019**

30 Projects (IDR 165,3 T)
- 4 Airports
- 9 National Road
- 6 Industrial Zone
- 2 Smelter
- 4 Dam
- 2 Technology
- 2 railways
- 1 seaport

**Completed 2020**

12 Projects (IDR 135,3 T)
- 1 Airport
- 1 Train
- 3 Highway
- 1 SPAM
- 3 Industrial Estate
- 2 Dam
- 1 Port

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Since January 2020, 12 PSN projects completed with 19 projects operate partially and 99 under construction.

PSN Progress (January – December 2020)

- Completed (IDR 124,2 T)
- Operate Partially (IDR 1,442,2 T)
- Construction (IDR 1,749,9 T)
- Transaction (IDR 214,7 T)
- Preparation (IDR 1,286,8 T)

PSN Investment contributor

- State budget 69%
- SOE 25%
- IDR 4,817,7 Trillion*
- Private 6%

*Exclude Regional Development program, food estate program and Bali Utara airport investment

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Progress on 37 Priority Projects

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

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)
Progress on 37 Priority Projects

Progress of 37 Priority Projects (as of June 2020)

- 4 projects completed
- 6 projects in construction and partial operation phase
- 22 projects in construction and will start operating after 2019
- 3 projects in transaction
- 2 projects in preparation

Funding Scheme of 37 Priority Projects

- **Total Investment Value**
  - US$183.9 Billion

- **Breakdown**
  - US$120.7 billion from Private/PPP
  - US$47.7 billion from SOE/Regional SOE
  - US$15.5 billion State/Regional Budget (including G-to-G loan)

Exchange rate: US$ 1 = IDR 13,500

Recent Milestones

- **Palapa Ring**
  - West package has been fully operational since April 2018.

- **Trans Sumatera Toll Road**
  - Segment of Pekanbaru-Dumai (131.5Km) has been operated on Sept 26th, 2020.

- **West Semarang Water Supply System**
  - On March 2018, pre-qualification stage has resulted 4 shortlisted bidders

- **Mass Rapid Transit (MRT) Jakarta South-North**
  - Allocation of repayment liability on additional-loan for Phase I and Phase II has been decided in the KPPIP Ministerial meeting – 49% will be borne by Central Government and 51% will be borne Provincial Government of DKI Jakarta.

- **Patimban Port**
  - Loan Agreement has been signed on 15 November 017.

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

*Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)*
### Energy Sector: the Progress of 35.000 MW Program

#### Average economic growth of 6.7% requires 7,000 MW / year or 35,000 MW / 5 years
(Kepmen ESDM No. 0074/2015 on RUPTL 2015-2024)

#### Debottlenecking through regulation:
1. Regulation No.1/2015 concerning electricity supply cooperation & joint utilization of the electrical network among license holders.

### 35,000 MW Program Distribution

#### Update Electricity Supply Business Plan (RUPTL) 2019-2028

<table>
<thead>
<tr>
<th>Region</th>
<th>MW</th>
<th>No.</th>
<th>Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jawa, Madura, &amp; Bali</td>
<td>18,399</td>
<td>1</td>
<td>Operating 8,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Construction 19,055</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>Signed Power-Purchase Agreement 6,528</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>Procurement 839</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>Planning 724</td>
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<tr>
<td>Sumatera (9,410 MW)</td>
<td>1</td>
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<td>1,302</td>
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<tr>
<td></td>
<td>2</td>
<td>Cons.</td>
<td>4,248</td>
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<td>3</td>
<td>PPA</td>
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<td>Plan.</td>
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<td>Kalimantan (4,477 MW)</td>
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<td></td>
<td>5</td>
<td>Plan.</td>
<td>158</td>
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<tr>
<td>Sulawesi (2,570 MW)</td>
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<td>Cons.</td>
<td>963</td>
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<td>Maluku-Papua (877 MW)</td>
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<tr>
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<tr>
<td>Nusa Tenggara (812 MW)</td>
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<td>2</td>
<td>Cons.</td>
<td>274</td>
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<tr>
<td></td>
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<td>PPA</td>
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<tr>
<td></td>
<td>4</td>
<td>Proc.</td>
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<tr>
<td></td>
<td>5</td>
<td>Plan.</td>
<td>106</td>
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<tr>
<td>Jawa, Madura, &amp; Bali</td>
<td>18,399</td>
<td>1</td>
<td>Operating 8,400</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
<td>5</td>
<td>Planning 724</td>
</tr>
</tbody>
</table>

#### The progress so far:

<table>
<thead>
<tr>
<th>No</th>
<th>Phase</th>
<th>MW</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operating</td>
<td>8,400</td>
<td>24</td>
</tr>
<tr>
<td>2</td>
<td>Construction</td>
<td>19,055</td>
<td>54</td>
</tr>
<tr>
<td>3</td>
<td>Signed Power-Purchase Agreement</td>
<td>6,528</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>Procurement</td>
<td>839</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Planning</td>
<td>724</td>
<td>2</td>
</tr>
</tbody>
</table>

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

Note: Progress of 35,000 MW Electricity Program as of August 2020
Energy Sector: the Progress of 35,000 MW Program

December 2016
- 706 MW in operating phase
- 10,141 MW in construction phase
- 8,478 MW signed Power-purchase Agreement
- 10,560 MW in procurement phase
- 5,824 MW in planning phase

November 2017
- 998 MW in operating phase
- 15,676 MW in construction phase
- 13,782 MW signed Power-purchase Agreement
- 3,163 MW in procurement phase
- 2,228 MW in planning phase

December 2018
- 2,899 MW in operating phase
- 18,207 MW in construction phase
- 11,467 MW signed Power-purchase Agreement
- 1,683 MW in procurement phase
- 954 MW in planning phase

December 2019
- 6,811 MW in operating phase
- 20,168 MW in construction phase
- 6,678 MW signed Power-purchase Agreement
- 829 MW in procurement phase
- 734 MW in planning phase

August 2020
- 8,400 MW in operating phase
- 19,055 MW in construction phase
- 6,528 MW signed Power-purchase Agreement
- 839 MW in procurement phase
- 724 MW in planning phase

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)
The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects.

**Government Support (outside Guarantee)**
- Provision of Primary Energy
- Provision of Renewable Energy
- Simplicity of Permits and non-Licensing
- Spatial Planning
- Land acquisition
- Resolution on Legal Matters

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

**Strengthen PLN’s Balance Sheet**
- Refinancing
- Hedging
- Financial Asset Optimization

**Strengthen Equity**
- Loan from independent lenders
- Equity Injection by the Government
- PT PLN’s dividend allocation
- Bond issuance by PT PLN
- Asset Revaluation
- Direct Lending
- Company Tax Holiday
- Other types of funding

**Assignment**

**Government**

**PT PLN**

**PLN Subsidiary (Joint Venture)**

**SJKU* Ministry of Finance**

**Independent Power Producer**

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)
Significant Progress on Infrastructure Projects

Improving Monitoring System on Infrastructure Projects

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

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

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

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

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

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

---

**Roads**
- Trans-Sumatra Toll Road
- Merah Putih Bridge, Ambon

**Dams**
- Jatigede Dam (Operational)
- Umbulan Drinking Water Provision System, East Java

**Drinking Water Processing**
- Umbulan Drinking Water Provision System, East Java

**Transportation**
- Jakarta MRT Project
- Terminal 3 Ultimate Soekarno-Hatta
- New Tanjung Priok Port Project
- Nop Goliat Dekai, Papua
Infrastructure Projects and Financing Schemes
Promotion of Infrastructure Development to Accelerate Economic Growth

Infrastructure Development is a Key Priority

1. **Infrastructure Development in order to:**
   1. Accelerate growth particularly in rural areas
   2. Support industrial development and tourism
   3. Reduce unemployment and poverty

2. **Infrastructure fundraising needs:** $357.9 bn (or equivalent to IDR4,796.2 tn)
4. **37 priority infrastructure projects** with an estimated cost of IDR 2,490 tn (USD 180 billion)
5. Majority of 37 priority projects are expected to commence commercial operation by 2018 - 2022

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

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

**Establishment of PPP Unit**

**Broad Objective**
- Champion project preparation and acceleration of the PPP agenda in Indonesia

**Core Mandates**
- Improve quality of project selection under KPPIP – OBC criteria
- Support project preparation through PDF support and highly qualified transaction advisors
- Act on behalf the Minister of Finance in providing government support and approvals for projects

**Additional Mandates**
- Coordinate all public finance instruments
- Provide input for PPP Policy program Development and Regulations
- Implement capacity building for Govt. Contracting Agency (GCAs)
- One stop shop for PPP promotion & Information

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

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

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Government Guarantee For Basic Infrastructure Development
Reflects strong commitment to national development planning

### Credit Guarantee

<table>
<thead>
<tr>
<th>No.</th>
<th>Guarantee Document</th>
<th>Guarantee Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coal Power Plant 10,000MW Fast Track Program (FTP 1)</td>
<td>1 Power (Electricity)</td>
<td>Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.</td>
</tr>
<tr>
<td>2</td>
<td>Clean Water Supply Program</td>
<td>1 Clean Water</td>
<td>Guarantee for 70% of PDAM's debt principal payment obligations.</td>
</tr>
<tr>
<td>3</td>
<td>Direct Lending from International Financial Institution to SOEs</td>
<td>1 Toll road</td>
<td>Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads.</td>
</tr>
<tr>
<td>4</td>
<td>Sumatra Toll Road</td>
<td>1 Infrastructure</td>
<td>Full credit guarantee on SOE's borrowing from international financial institution &amp; guarantee for PT SMI's local infrastructure financing.</td>
</tr>
<tr>
<td>5</td>
<td>Renewable energy, Coals &amp; Gas Power Plant 10,000 MW (FTP 2)</td>
<td>1 Public Transportation (Light Rail Transit)</td>
<td>Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.</td>
</tr>
<tr>
<td>6</td>
<td>Public-Private Partnerships (PPP)</td>
<td>1 Infrastructure</td>
<td>Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements</td>
</tr>
<tr>
<td>7</td>
<td>Regional infrastructure financing</td>
<td>1 Renewable energy</td>
<td>Guarantees for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</td>
</tr>
<tr>
<td>8</td>
<td>Public Transportation (Light Rail Transit)</td>
<td>1 Infrastructure</td>
<td>Guarantees for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements</td>
</tr>
<tr>
<td>9</td>
<td>Electricity Infrastructure Fast Track Program (35 GW)</td>
<td>1 Infrastructure</td>
<td>Guarantees for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</td>
</tr>
</tbody>
</table>

### Contingent Liabilities from Government Guarantee as of Q4 2020 **

<table>
<thead>
<tr>
<th>No.</th>
<th>Central Government Guarantee for Infrastructure Programs</th>
<th>Guarantee Document</th>
<th>Credit Outstanding /Investment Exposure (billion)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coal Power Plant 10,000MW Fast Track Program (FTP 1)</td>
<td>14</td>
<td>USD 1.18</td>
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<td>2</td>
<td>Clean Water Supply Program</td>
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<td>3</td>
<td>Direct Lending from International Financial Institution to SOEs</td>
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<td>USD 1.86</td>
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<td>Sumatra Toll Road</td>
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<td>Renewable energy, Coals &amp; Gas Power Plant 10,000 MW (FTP 2)</td>
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<td>7</td>
<td>Regional infrastructure financing</td>
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<tr>
<td>8</td>
<td>Public Transportation (Light Rail Transit)</td>
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<tr>
<td>9</td>
<td>Electricity Infrastructure Fast Track Program (35 GW)</td>
<td>6</td>
<td>USD 4.59</td>
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</tbody>
</table>

** Total 61 USD 20.47

1 From 2008 to Q4-2020 **, the government has issued 91 guarantee documents with total value of USD41.69 billion, there were 30 guarantee documents worth USD4.19 billion have been expired.
1 The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
1 Beginning in 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

Source: Ministry of Finance

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

**) Currency conversion of IDR14,105.01/USD1 and IDR17,330.13/EUR1 (as of end December 2020)
Government Financial Facilities for PPP Projects

Financial Facilities to Attract More Private Participation

- Viability Gap Fund (VGF)
- Project Development Facility (PDF)
- Government Guarantees (directly by MoF or through IIGF)
- Availability Payment Schemes
- Financing from PT. SMI and PT. IIF

Those financial facilities were instrumental in supporting the execution of PPP projects, indicated by the signing of financial close of the following PPP projects:

More Funding Schemes are on the Pipelines

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

- PINA (Non-Government Budget Infrastructure Financing)
  - Asset is owned by private sector
  - Greenfield / brownfield / operating projects

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

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

Source: Ministry of Finance
New Guarantee Schemes for Non-PPP Projects

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

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

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

- State finance soundness
- Fiscal sustainability
- Best practice of fiscal risk management

Guarantee for Regional Infrastructure Financing Provision

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

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

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