Republic of Indonesia

Promoting Recovery: Policy Synergy to Maintain Macroeconomic Stability and Growth Momentum

March 2021

About Investor Relations Unit of the Republic of Indonesia

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

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

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

Published by Investor Relations Unit – Republic of Indonesia

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

Contact:
Rosita Dewi (International Department - Bank Indonesia, Ph.: +6221 2981 8232)
Thasya Pauline (Deputy Ministry for Macroeconomic and Finance Coordinator - Coordinating Ministry for Economic Affairs, Ph. +6221 352 1843)
Putri Rizki Yulianti (Fiscal Policy Office - Ministry of Finance, Ph.: +6221 345 0012)
Subhan Noor (Directorate General of Budget Financing and Risk Management - Ministry of Finance, Ph.: +6221 351 0714)

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

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

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
3. Economic Factor: Stable Growth Prospects Amid Temporary Moderation
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

Concerted Efforts to Mitigate Covid-19 Risk

General Measures

1. Establishment of a COVID-19 Task Force to Accelerate Coronavirus Disease 2019 (COVID-19) Handling.
2. Extension of the emergency status for COVID-19 until 29th May 2020.
3. Permission for civil servants to work from home, while maintaining the continuity of public services.
4. 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.
5. Closing and limiting the mobility of Indonesian citizens abroad and foreigners to enter Indonesian territory with strict immigration and health protocols.
6. Evacuation of Indonesian citizens from affected countries and strict quarantine processes with complete medical facilities.
7. Conducting Rapid Test in 17 provinces with positive patients of Covid-19.
8. Decentralized tests by increasing the number of Covid-19 test laboratories throughout Indonesia.
9. Providing Designated Hospitals, including additional designated hospital in Galang Island.
10. Utilization of four (4) of ten (10) Wisma Atlet Kemayoran Towers (former Athletes Hotel) as emergency hospital.
11. 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.
12. Establishment of Contingency Plans in the regions level.
13. 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.
14. Speed up the procurement and distribution of personal protective equipment for designated hospitals and the provision of incentives for medical personnel.

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. Strengthening 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

Fiscal Stimuli Phase 1

1. Brought forward the launch of the Pre-Employment Card in Bali, North Sulawesi and the Riau Islands.
2. Increased disbursements of the Noncash Food Assistance Program (BPNT) from IDR150,000 to IDR200,000 for a six-month period commencing March 2020.
3. 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.
4. Provided incentives for domestic and international travellers.
5. Reduced the air passenger service fee (PSF) by 20% for March-May 2020.
6. Discounted the price of aviation fuel at airports located around nine travel destinations for March-May 2020.
7. Subsidised or provided grants totalling IDR3.3 trillion to local governments affected by lower tax revenues food service activities.

Fiscal Stimuli Phase 2

1. Relaxation of Income Tax (PPh Article 21).
2. Relaxation of Income Tax on Imports (PPh Article 22).
3. Relaxation of Income Tax (PPh Article 25).
4. Relaxation of Value Added Tax (VAT) Restitution.

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

Stability of Financial System

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

Source: Coordinating Ministry for Economic Affairs

Government Measures to Mitigate Covid-19 Risk

Budget Refocusing Policy

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

II. **Presidential Instruction No 4/2020 concerning Refocusing of Activities, Reallocation of Ministry/Agency Budget, and Procurement of Goods and Services in the Framework of Mitigating COVID-19 Outbreak and Ministry of Finance Circular (SE) No 6/2020 on Refocusing Activity and Reallocation of Ministry/Agency Budget in the Framework of Mitigating COVID-19 Outbreak**

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

Comittee
(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
- Minister of Health
- Minister of Home Affairs
- Exceutive Secretary I
- Exceutive Secretary II

Vice Chairman + Executive Team Leader
Minister of SOEs

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

PEN Task Force
(Chairman: SOEs Vice Minister)

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

Economy Sector
(National Economic Recovery/PEN)

PEN and Covid-19 Stimulus Budget	2020	2021*
TOTAL	**IDR 695,2 T**	**IDR 553,1 T**
1. Health	IDR 87,55 T	IDR 104,70 T
2. Social Safety net	IDR 203,90 T	IDR 150,96 T
3. Business Incentives	IDR 120,61 T	Will be reported regularly
4. SME's Support	IDR 123,46 T	IDR 156,06 T
5. Corporate Financing	IDR 53,57 T	
6. Sectoral Institution/ Ministry and Regional Government Support for Economy	IDR 106,11 T	IDR 141,36 T

Source: Coordinating Ministry for Economic Affairs

Illustration of Health And Economic Recovery In One Wheel

Brake

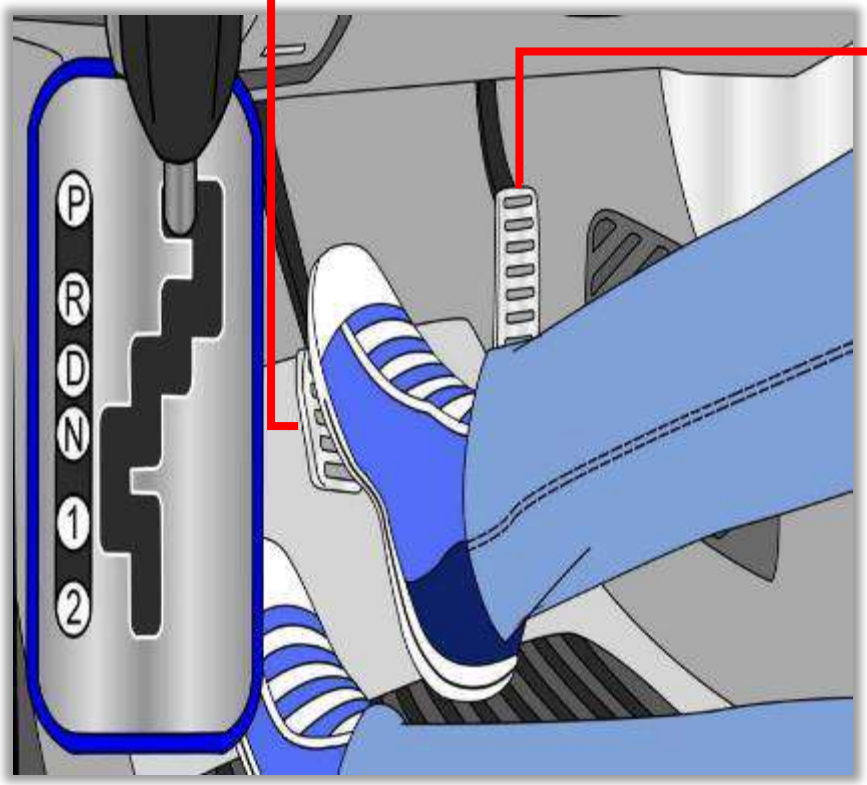
- Health Safety Net

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

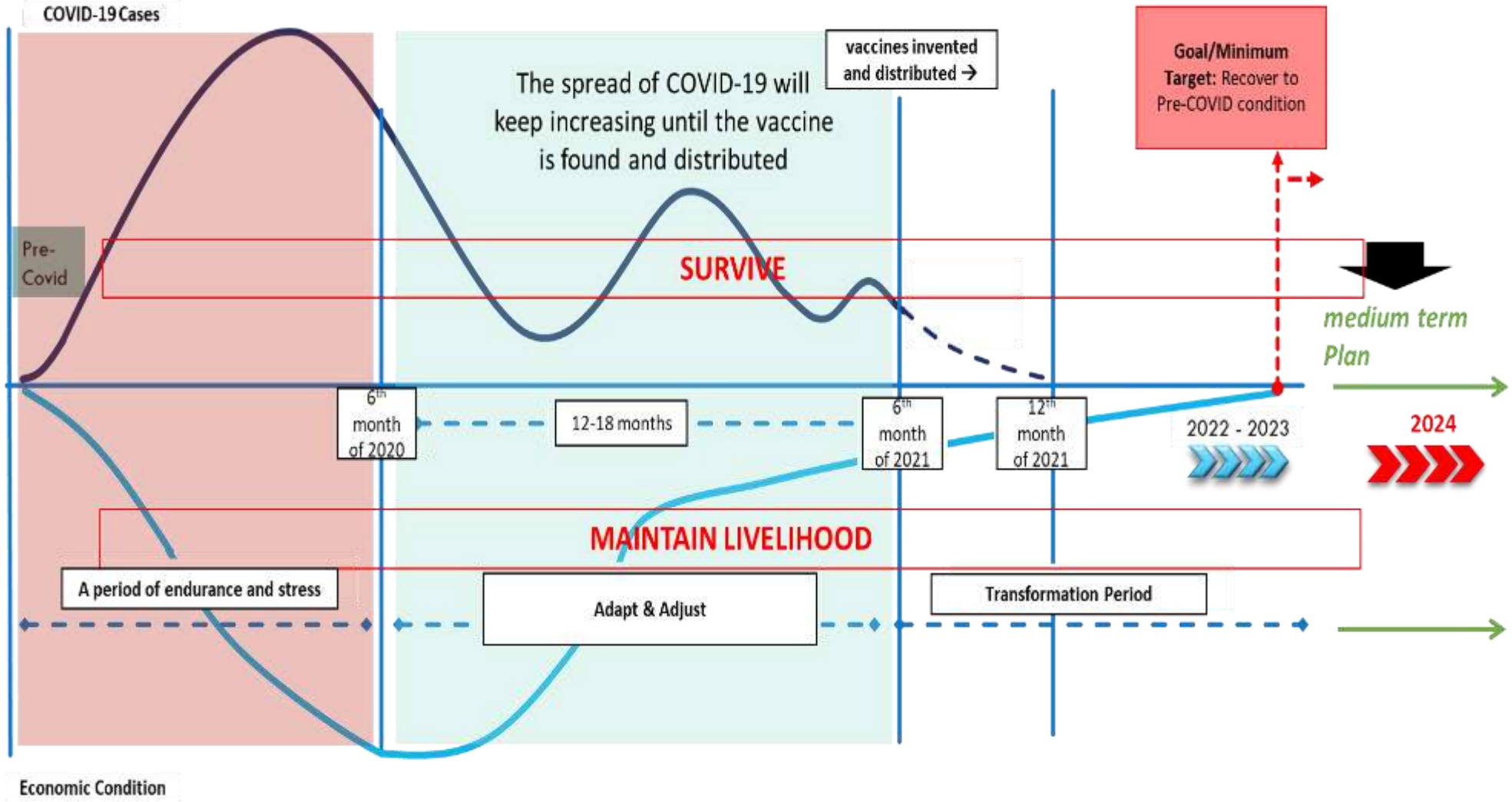
Step on The Gas!

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)



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

Vaccination Targets & Needs

181.5 million people

426.8 million doses

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

SINOVAC	NOVAVAC	COVAX	ASTRAZENECA
FO: 125.5 million doses AO: 100 million doses	FO: 50 million doses AO: 80 million doses	FO: 54 million doses AO: 54 million doses	FO: 50 million doses AO: 50 million doses

"Gotong Royong" Vaccine is a special vaccine program for workers whose implementation is the responsibility of the company

"Gotong Royong" Vaccine (20 million doses)

Sinopharm	Moderna
15 million	5.2 million
Q1-Q2 2021	Q3-Q4 2021

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
ELDERLY
21.6 M
VACCINATION PERIOD FEB-JUN 2021

3 VULNERABLE COMMUNITIES
Communities in areas with a high risk of transmission
63,9 M

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

VACCINATION PERIOD APR 2021 – DEC 2021

History of Vaccines Arrival in Indonesia

sinovac

Total Dosage	Type	Date
1.2 M	Ready To Use	(06/12/20)
1.8 M	Ready To Use	(31/12/20)
15 M	Bulk (Raw Materials)	(12/01/21)
10 M	Bulk (Raw Materials)	(02/02/21)
10 M	Bulk (Raw Materials)	(01/03/21)
16 M	Bulk (Raw Materials)	(25/03/21)

+ AstraZeneca

Efficacy: 70,4%*

Total Dosage	1,1 M
Type	Ready To Use
Date	(08/03/21)

Total Vaccine

55,1 M Doses
(4,1 M Ready To Use & 51 M Bulk (Raw Materials)

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

Vaccination Target 1.5 million (Health Workers)

Vaccination-1	Vaccination-2
1.43 Million (97,5%)	**1.27 Million (86,9%)**

PHASE-2 VACCINATION

Vaccination Target 38.9 million (Public Officers & Elderly)

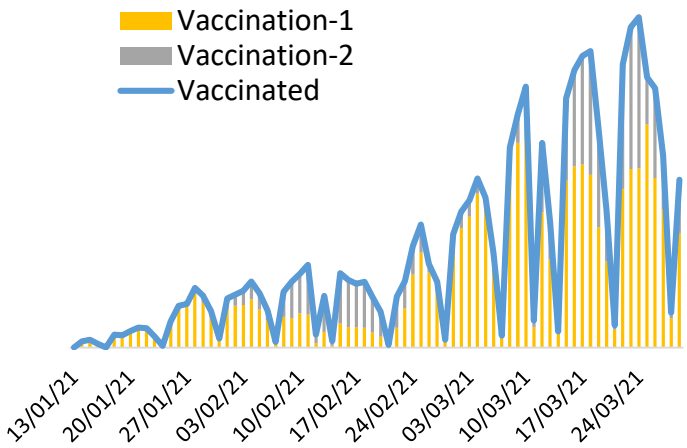
	Vaccination-1	Vaccination-2
Public Officers	4.54 Million (26,2%)	1.93 Million (11,2%)
Elderly	1.45 Million (6,7%)	118Thousand (0,6%)

The method of vaccination service phase-2 is delivered through health facilities (government, private), institutions (TNI (Military), POLRI (National Police), SOEs), on-site mass vaccination, mobile mass vaccination

Prospective Recipients of Phase-2 Vaccines		
Elderly	Market Trader	Public Transportation
Educator	Religious leaders	Tourism
People's representatives	Government employees	Journalists & Media Workers
State officials	Security	Athlete
Public Servant		

NO	Period	Capacity	Vaccination Target
1.	Jan-Feb	10 M Doses	10.000-100.000/day
2.	March-April	30 M Doses	100.000-500.000/day
3.	May-June	50 M Doses	500.000-1.000.000/day
4.	July-Dec	250 M Doses	1.000.000-1.500.000/day

vaccine trends



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

Community Activity Restriction (PPKM)

Micro-Scale PPKM will be continued and evaluated every 2 weeks and 5 provinces will be added every week to all provinces.

Periode:

- **PPKM Period I-II**: 11 Jan – 8 Feb 2021
- **Micro-Scale PPKM I**: 9 – 22 Feb 2021
- **Micro-Scale PPKM II** : 22 Feb – 8 Mar 2021
- **Micro-Scale PPKM III** : 9 Mar – 22 Mar 2021
- **Micro-Scale PPKM IV** : 23 Mar – 5 Apr 2021

PPKM criteria, namely:

1. The active case rate is above the national average
2. The death rate is above the national average
3. The cure rate is below the national average cure rate
4. The occupancy rate of hospital beds (Bed Occupancy Ratio / BOR) for intensive care units (ICU) and isolation rooms is above 70 percent

Micro PPKM Control Scenarios

Red	Orange	Yellow	Green
Higher Community Transmission	Moderate Community Transmission	Low Community Transmission	No Active Cases
> 10 houses in a neighborhood that have positive confirmed cases during the last 7 days	If there are **6-10 houses** in a neighborhood that have positive confirmed cases during the last 7 days	If there are **1-5 houses** in a neighborhood that have positive confirmed cases during the last 7 days	If there are **no house** 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)

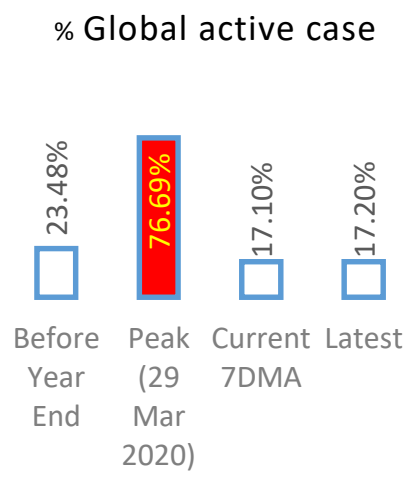
Micro-Scale PPKM I-IV (9 February - 27 March 2021) is effective in handling Covid

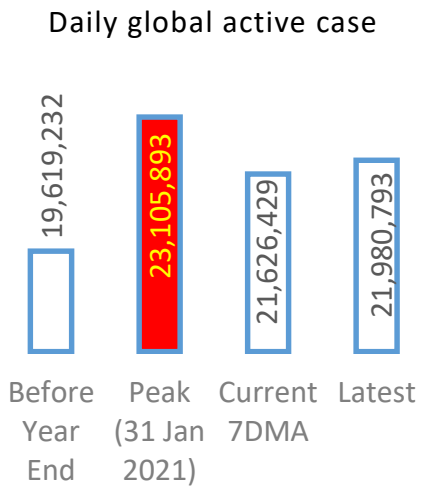
- Active Cases decreased from 169,351 (14.4%) to 128,250 (8.4%)
- Cure rate increased from 82.9% to 88.93%
- Death rate remains 2.7%

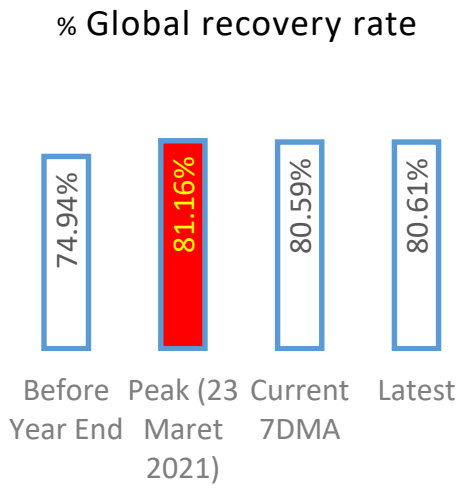
Source: Coordinating Ministry for Economic Affairs

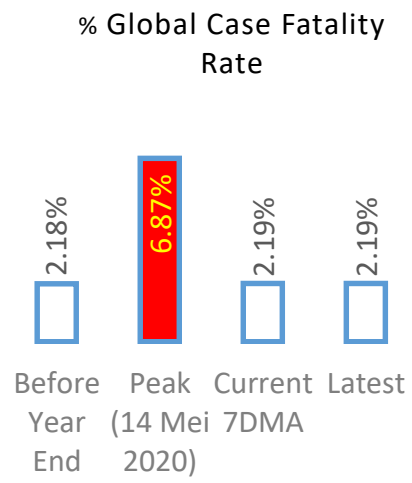
Implementation of Micro Scale Community Activity Restriction (PPKM) Shows a Good Progress

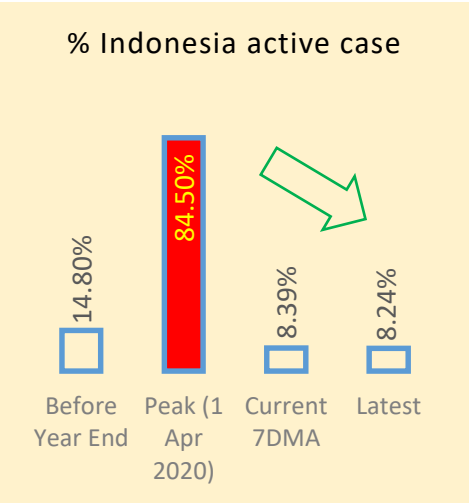
The Micro-Scale PPKM policy was running effectively, which was reflected in the decreasing trend in the percentage of active cases, the percentage of deaths and the percentage of cure

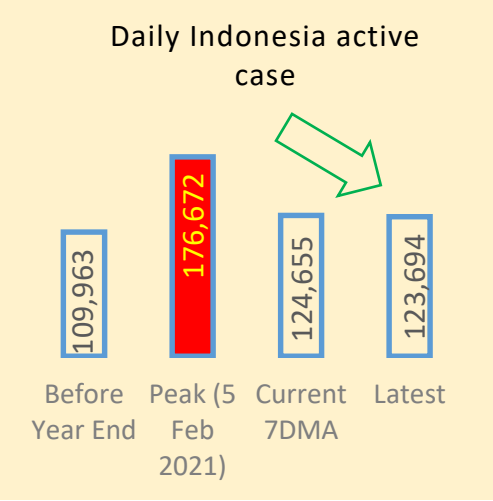


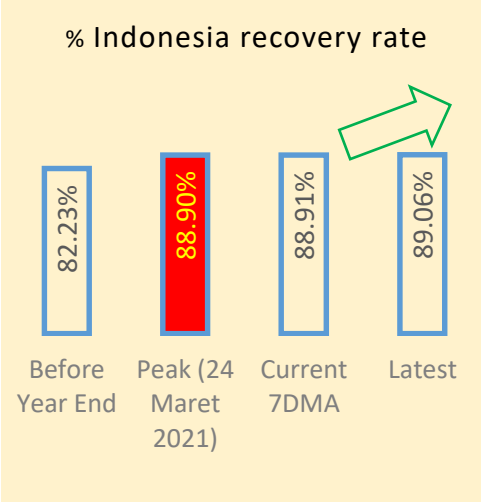


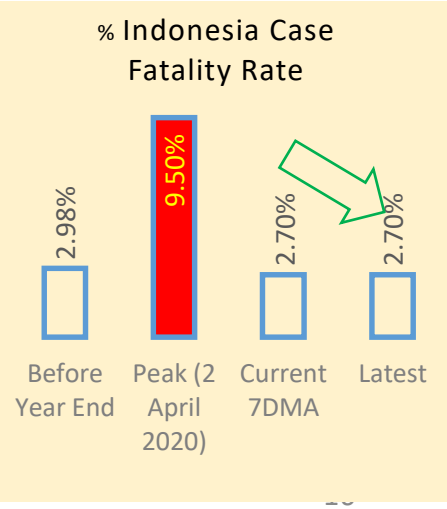








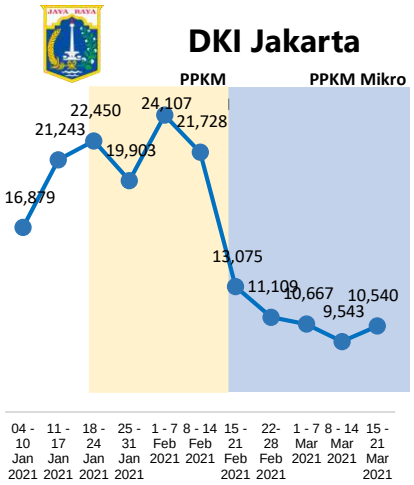


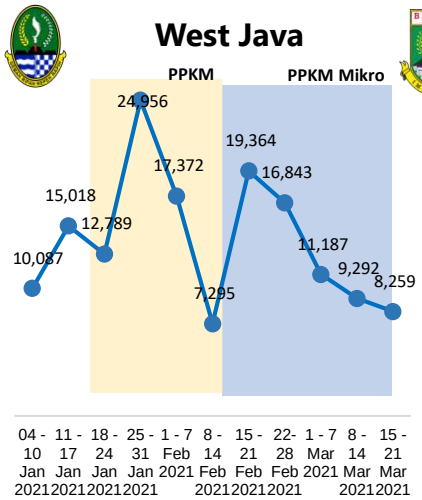


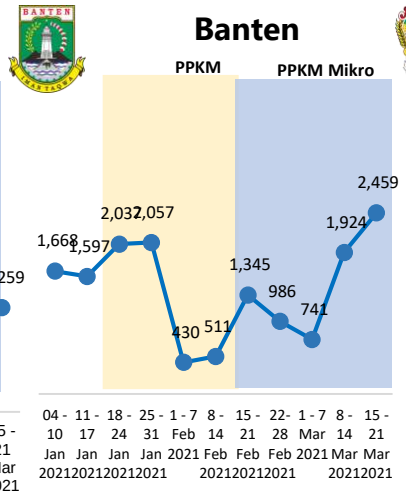
Source: worldometers.com, CEIC, as of 29 March 2021

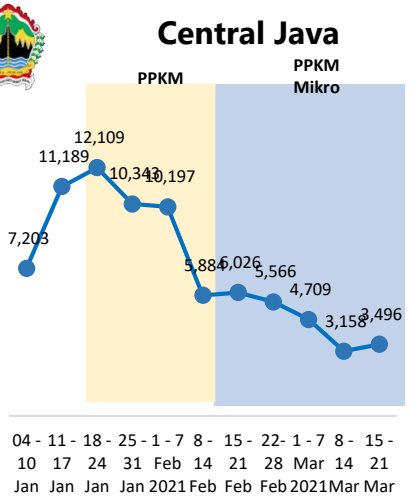
Implementation of Micro Scale Community Activity Restriction (PPKM) Shows a Good Progress

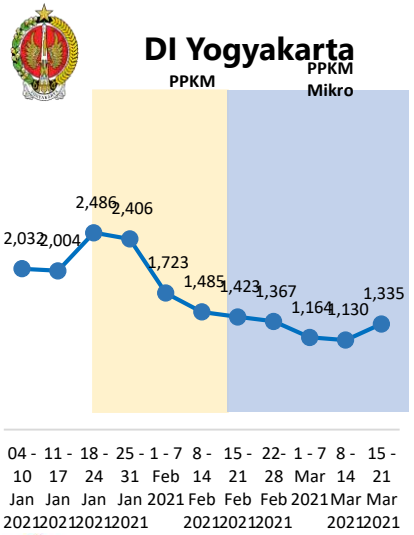
- Since Feb 9, 2021, Indonesia has implemented community activity restriction in the level of a neighbour-hood (community-watch).
- This policy is very effective. The number of new confirmed cases of Covid-19 at the implementation of the Micro Scale PPKM (9 Feb-21 Mar 2021), shows a trend of decreasing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

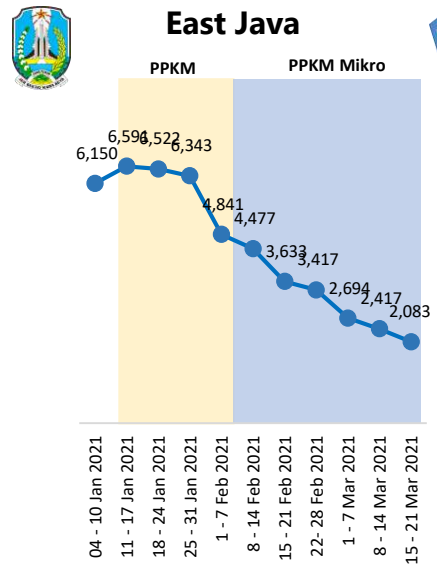


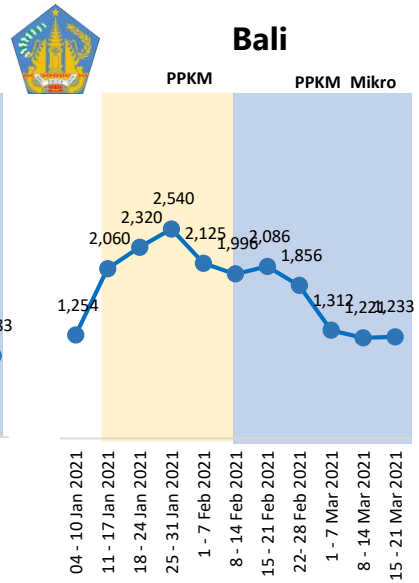


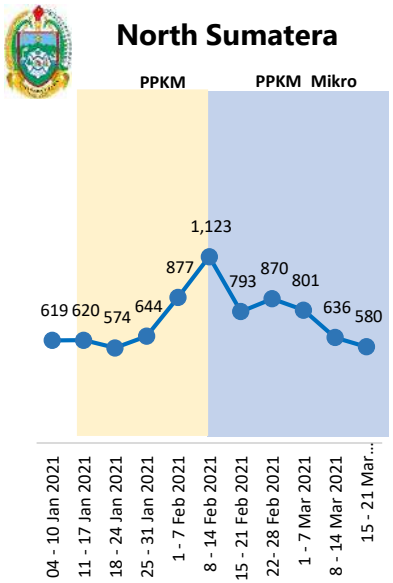


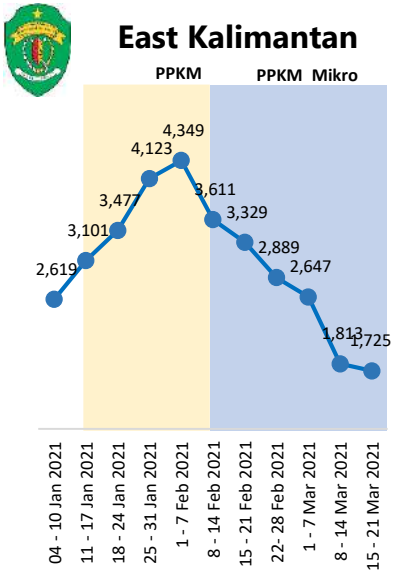


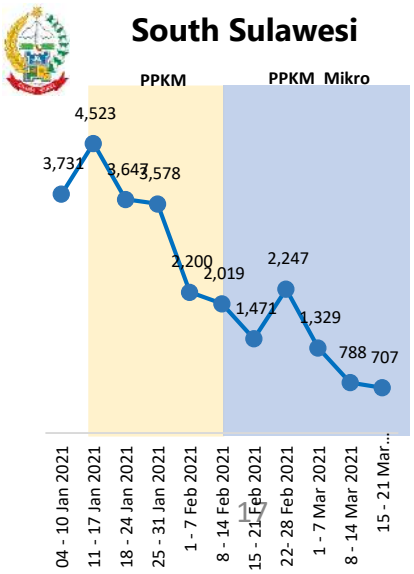












Policy Synergy in the Property and Automotive Sector

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
1 **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.	***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.***	**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**
2 **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 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.**

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

Registration

43,8 M

Registrant in Pre-Employment Card Websites From all Cities and Regencies in Indonesia

34 Province

514 Cities and Regencies

Recipients

5,5 M

Pre-Employment Card Recipient (Batch 1-11)*

5,316,499

Recipients Has received an incentive

13.4 T **Incentives** Have Been Disbursed

Pre-Employment Card Program Ecosystem

- **7 Digital Platform**
- **150 Training Institutions**
- **4 Educational Institutions**
- **3 Job Portals**
- **5 Payment Partners**

SEMI-SOCIAL ASSISTANCE:
Provides skills while protecting purchasing power

88.9% Increased participant work skills (* BPS)

81.2% Incentives are used to buy daily needs (* BPS)

>94% Skilling improvement in both skilling, reskilling, and upskilling (* Evaluation Survey)

EMPLOYMENT:
Encouraging employment, including entrepreneurship

35% Changed from previously unemployed as of February 2020 to working when surveyed (*Evaluation Survey)

17% Changed from unemployed to entrepreneurship (*Evaluation Survey)

18% 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

1 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

2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

KUR Super Mikro : Loan up to IDR 10 million

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

KUR MKM (SMEs):

Loan up to Rp10 million up to IDR 500 million

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

Loan > Rp500 million up to IDR 10 billion

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

UMi, Mekaar, Pegadaian (Pawnshop)

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

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

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

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

- Additional interest subsidy 3% for 6 months, debtors pays 3% interest.
- Increase the ceiling of KUR in 2021 to IDR 253 trillion.

WORKING CAPITAL CREDIT

3 LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

4 GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

OTHER SUPPORT

5 Income Tax for MSMEs is borne by Government

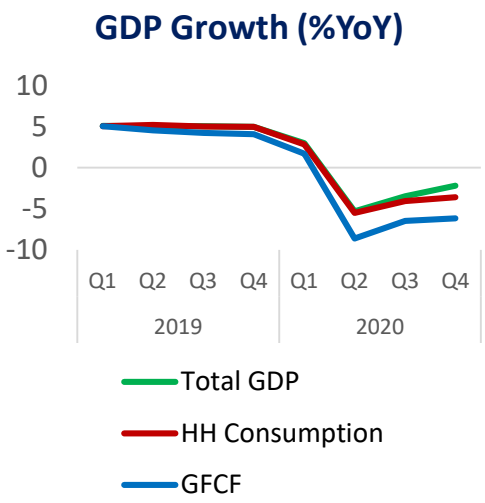
MSMEs receive a final PPh rate of 0.5% (PP 23/2018) borne by the government (DTP).

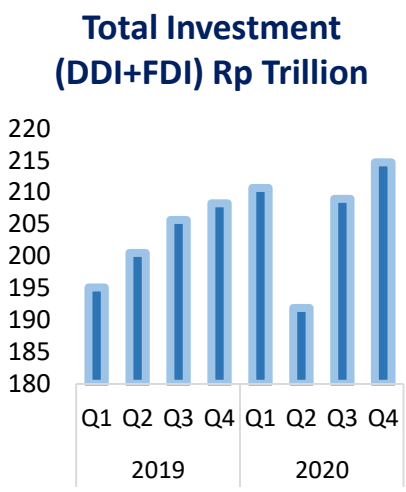
6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

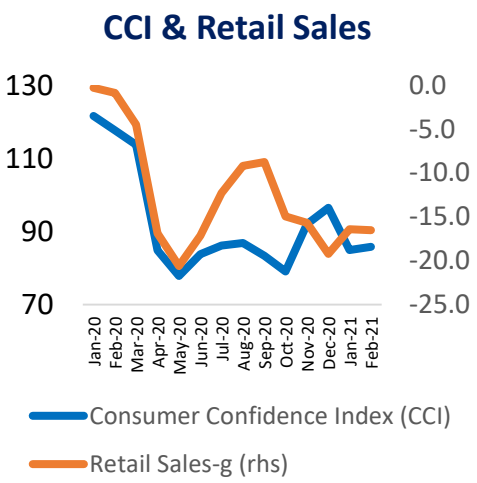
Direct assistance to 12 million Micro-Business Actors in the amount of IDR 2.4 million per recipient

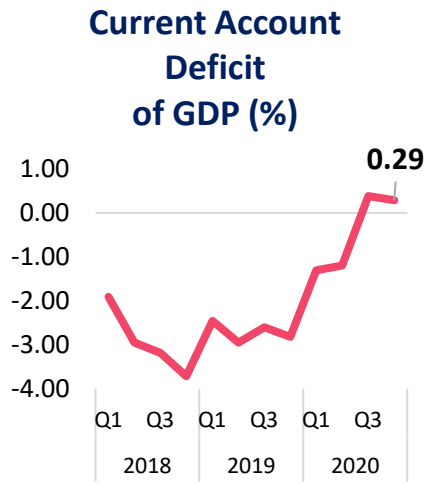
Source: Coordinating Ministry for Economic Affairs

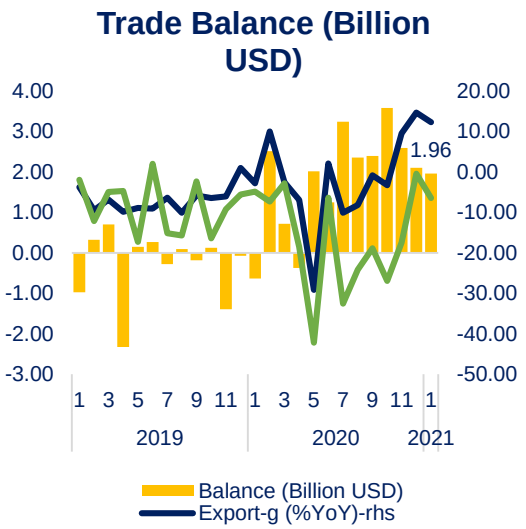
Indonesia's Economic Improvement Trend Continues

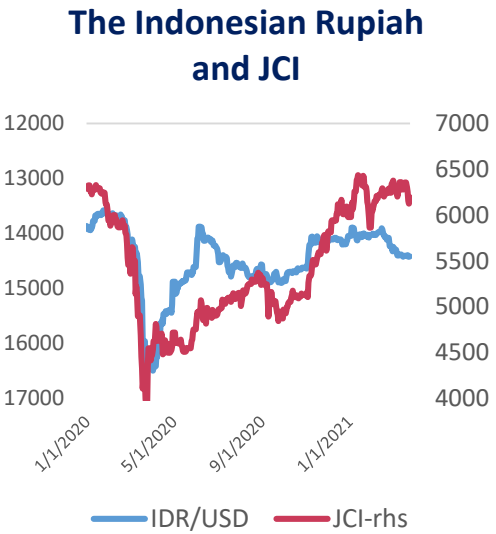


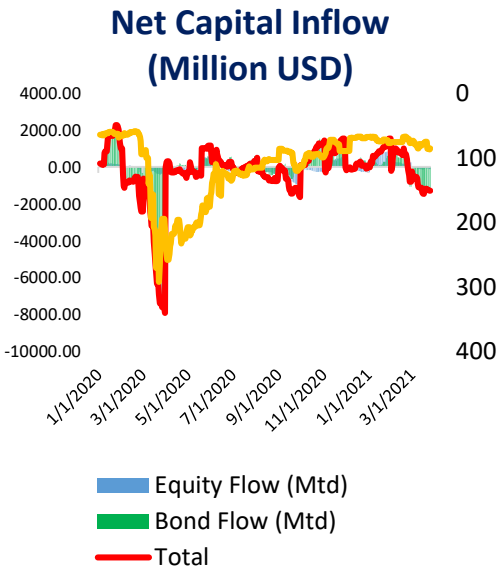












Source: CEIC, BI, BPS

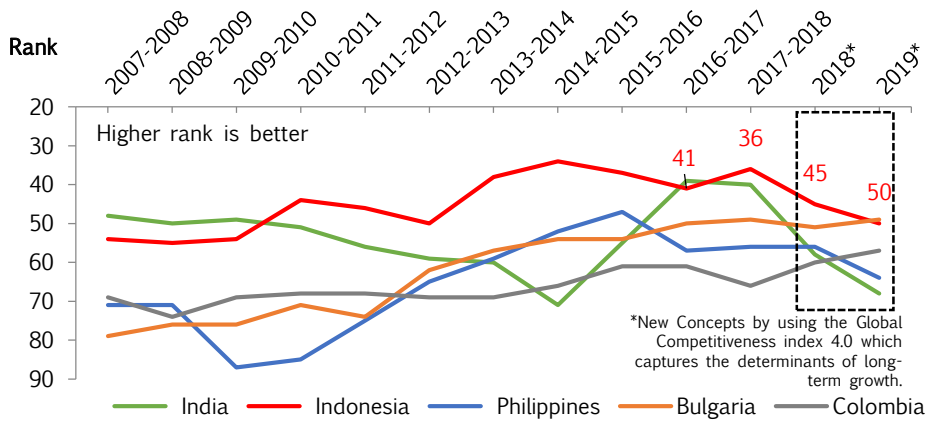
Section 2

Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

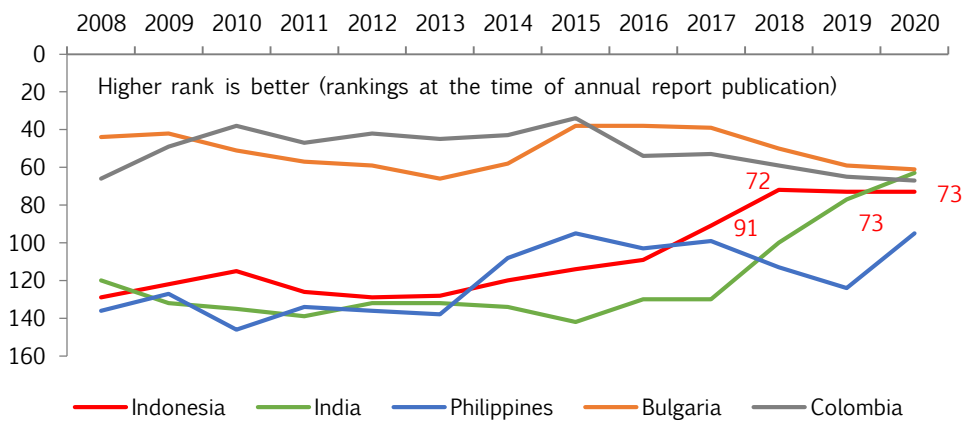
Improving Global Perception

...with recent improvements on governance effectiveness

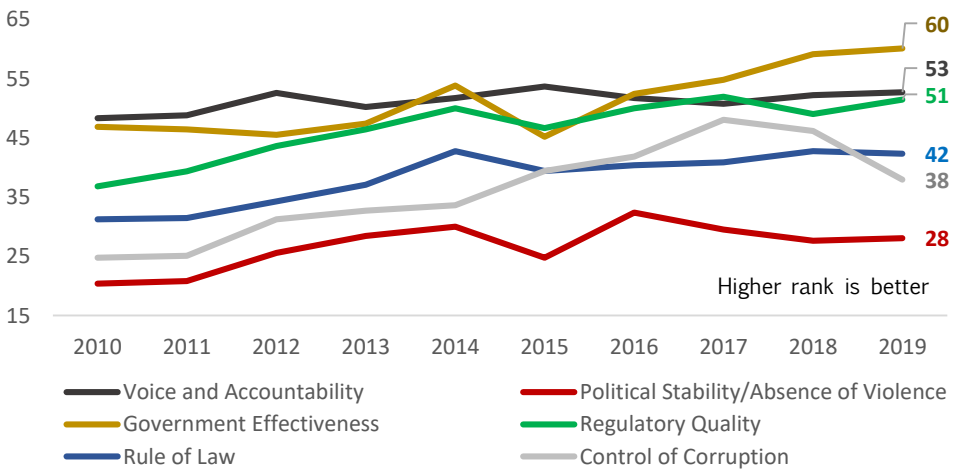
Global Competitiveness Index[1]



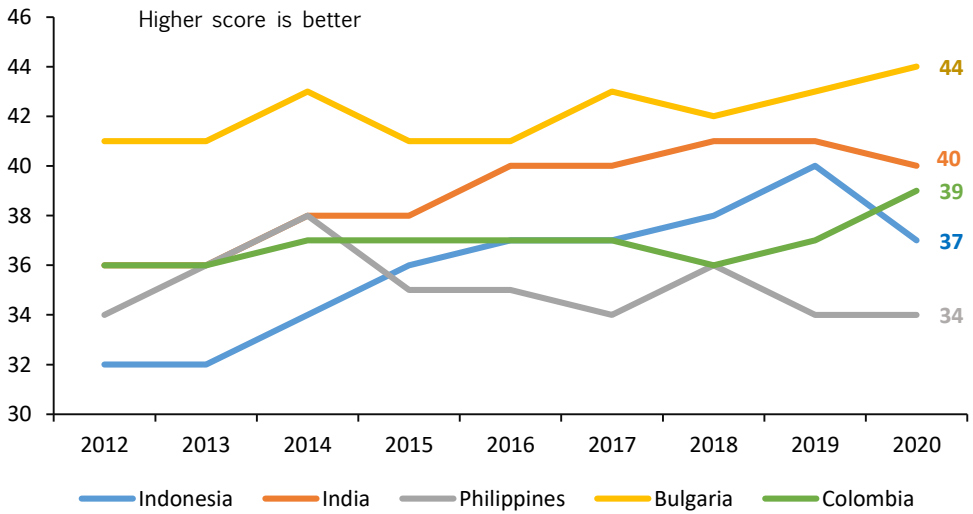
Ease of Doing Business[2]



Worldwide Governance Indicators[3]



Corruption Perception Index[4]



1. Source: World Economic Forum – The Global Competitiveness Report 2019;
2. Source: World Bank – Doing Business 2020 Report;
3. Source: World Bank – The Worldwide Governance Indicators 2020 Update;
4. Source: Transparency International – Corruption Perceptions Index 2020 Report

Continuous Improvement of Investment Climate

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

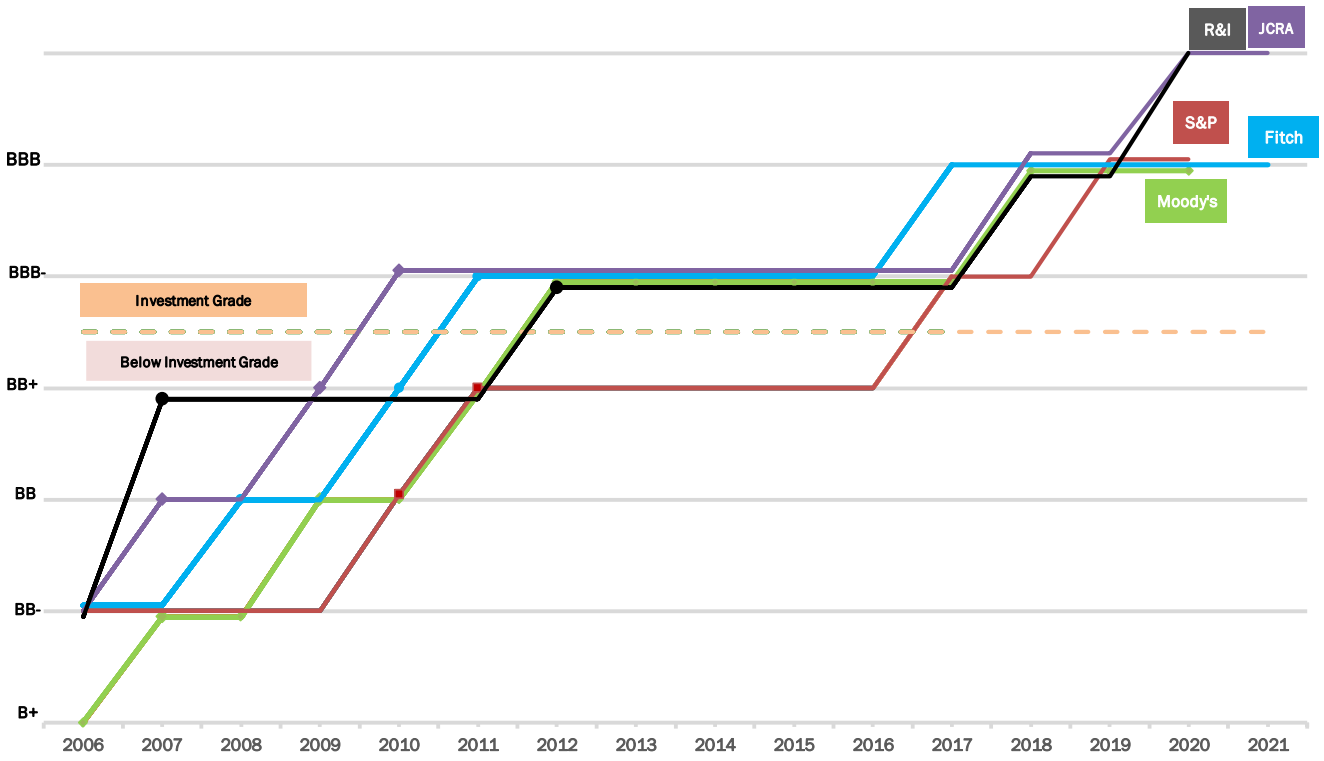
	EoDB 2020 Rank	EoDB 2019 Rank	Change in Rank	EoDB 2020 Points	EoDB 2019 Points	Change in Points
Overall	73	73	= 0	69.6	68.0	↑ 1.6
Starting a business	140	134	↓ 6	81.2	81.2	= 0.0
Dealing with Construction Permits	110	112	↑ 2	66.8	66.6	↑ 0.2
Getting Electricity	33	33	= 0	87.3	86.4	↑ 0.9
Registering Property	106	100	↓ 6	60.0	61.7	↓ 1.7
Getting Credit	48	44	↓ 4	70.0	70.0	= 0.0
Protecting Minority Investors	37	51	↑ 14	70.0	63.3	↑ 6.7
Paying Taxes	81	112	↑ 31	75.8	68.0	↑ 7.8
Trading Across Borders	116	116	= 0	67.5	67.3	↑ 0.2
Enforcing Contracts	139	146	↑ 7	49.1	47.2	↑ 1.9
Resolving Insolvency	38	36	↓ 2	68.1	67.9	↑ 0.2

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

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

Source: World Bank

Indonesia Has Been Rated as Investment Grade Country since 2017



FitchRatings — **BBB / Stable**

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.

S&P Global Ratings — **BBB / Negative**

April 2020, Rating Affirmed at BBB, 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 ."

Moody's — **Baa2 / Stable**

Feb 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."

R&I — **BBB+ / Stable**

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"

JCR — **BBB+ / Stable**

December 2020, Rating Affirmed at BBB+/Stable

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

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

35% IMPORT SUBSTITUTION PROGRAM BY 2020

7 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

Encouraging the Deepening of Industrial Structure

Increasing Production Utilisation of All Manufacturing Industry Sectors

Increase in Investment and Absorption of New Workers

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

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

Source: Ministry of Industry

Fiscal Incentives Policy to Boost the Economy

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

TAX HOLIDAY

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

Updated: 31 Dec 2020

- 82 Taxpayers; 14 countries investors
- Investment plan of IDR 1,356 trillion
- Realization of IDR 204 Trillion
- Business locations in 24 provinces
- Workforce of 112 thousand

TAX ALLOWANCE

- 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

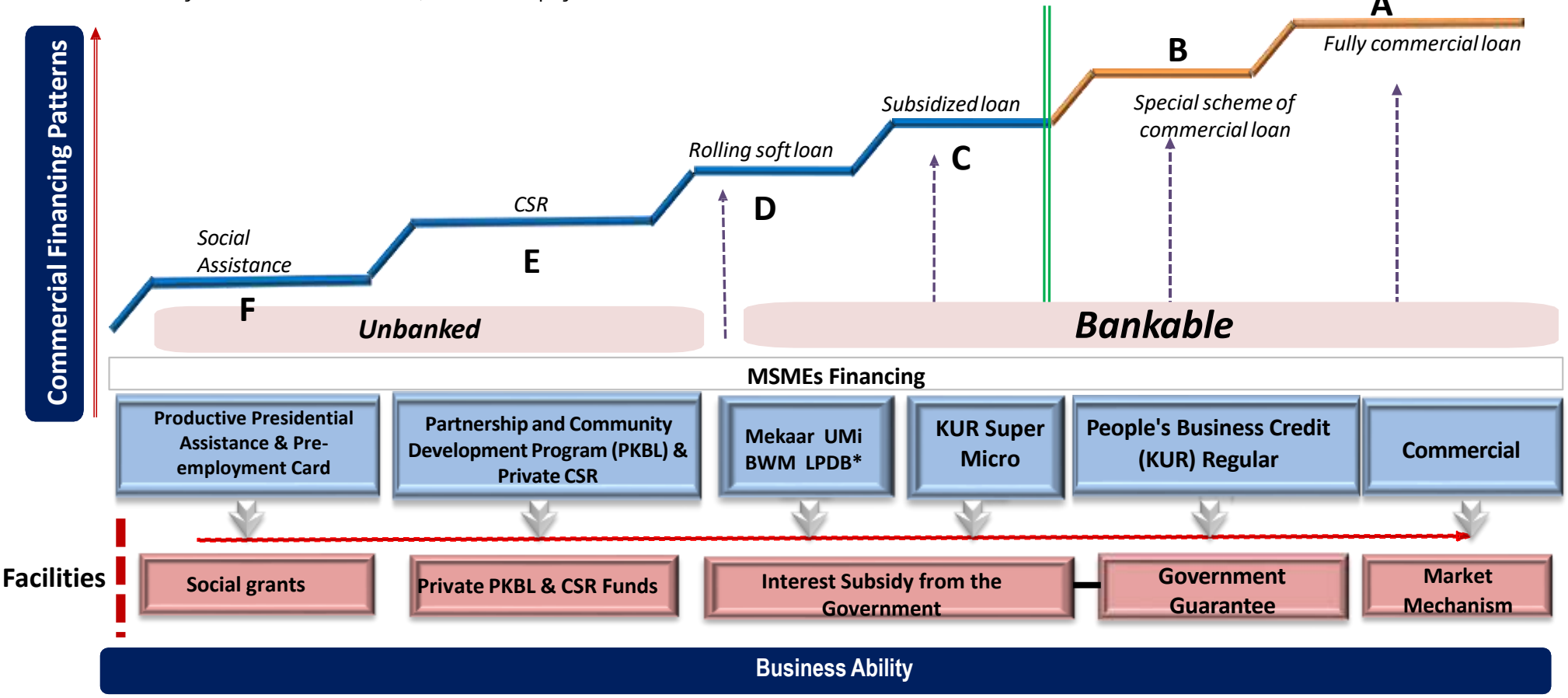
R & D Super Deduction

- 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

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".

President's Missions	Top 5 Presidential Priorities	7 RPJMN Development Agenda
1 Improving the Quality of the Indonesian Labour Force	1 HR Development	Strengthening Economic Resilience to Achieve Superior Economic Growth
2 Achieving Productive, Independent and Competitive Economic Structure	2 Infrastructure Development	Developing More Remote Regions to Reduce Economic Gaps and Improve Equality
3 Attaining Equitable and Prosperous National Development	3 Regulation Simplification	Improvement of Quality and Competitiveness of the Labour Force
4 Achieving Sustainable Environmental Climate	4 Simplification of Bureaucracy	Engaging in Mental Revolution and Culture Development
5 Developing Cultural Progress Reflecting the Nation's Personality	5 Economic Transformation	Strengthening Infrastructure to Support Economic Development and Improve Basic Services
6 Developing a Dignified and Trustworthy Legal System Free from Corruption		Conservation of Environment, Supporting Climate Change, and Enhancing Disaster Resilience
7 Protection of All Nations and Provision of Security to All Citizens		Enhancing Political, Legal, Defense and Stability and Transforming Public Services
8 Attaining Good, Effective, and Reliable Governance		
9 Achieving Synergy of Governmental Framework with the Regional Government		

Source: National Development Planning Agency

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)

Bill on Job Creation

- Investment, Business License (80 Articles)
- Land Procurement (19 Articles)
- Gov Investment and Strategic National Project (16 Articles)
- MSMEs & Cooperative (15 Articles)
- Ease of Doing Business (11 Articles)
- Employment (5 Articles)
- Economic Zones (4 Articles)
- Monitoring and Sanctions (3 Articles)
- Research and Innovation (1 Article)

Economic Transformation

Fundamental Problems

Hyper Regulation

- National and sub-national regulations = 43.604

Competitiveness

- Less conducive business environment
- Inefficient bureaucracy
- *High cost economy* hampering export

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

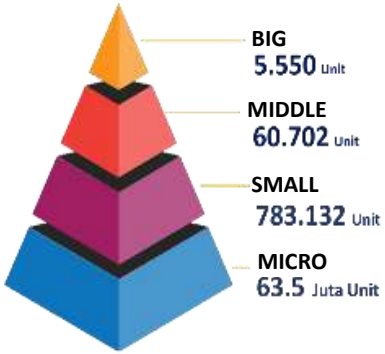
DATA & FACT

Labour Market

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)

MSME



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.

REGULATION

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

JOB CREATION LAW

SUBSTANCE

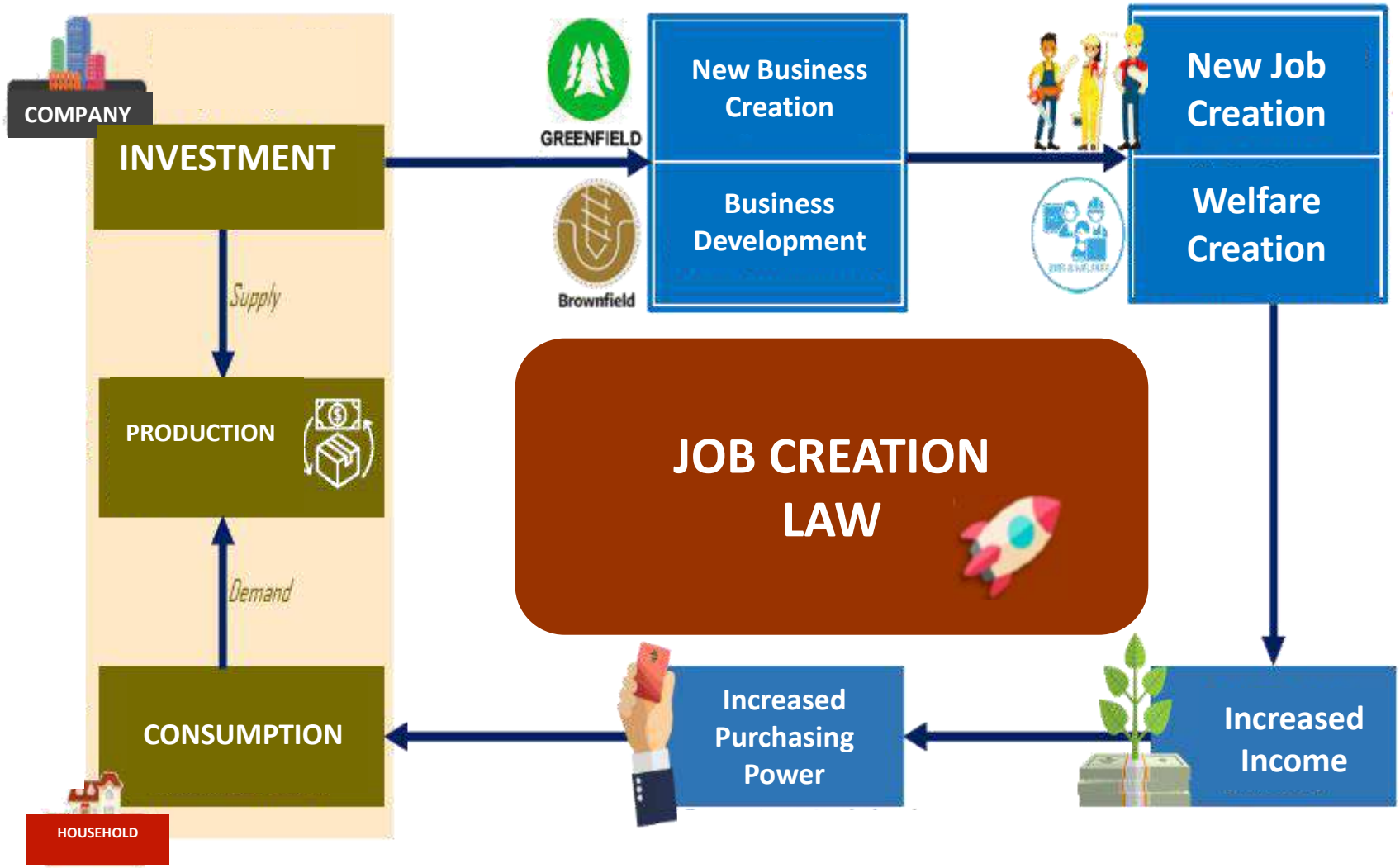
1. IMPROVING INVESTMENT ECOSYSTEM
2. BUSINESS LICENSING
3. LABOR
4. SUPPORTING MSMEs
5. EASE OF DOING BUSINESS
6. RESEARCH & INNOVATION
7. LAND PROCUREMENT
8. ECONOMIC ZONE
9. CENTRAL GOVERNMENT INVESTMENT & SPEEDING OF STRATEGIC NATIONAL PROJECT
10. GOVERNMENT ADMINISTRATION
11. IMPOSITION OF SANCTIONS

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 Institutions2.
6. Government Regulation No. 74 of 2020 concerning Authorized Capital for Management Institutions Investation

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)

Licensing and Sector Business Activities

1. Government Regulation No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing
2. Government Regulation No. 6 of 2021 concerning the Implementation of Business Licensing in Regions
3. Government Regulation No. 25 of 2021 concerning the Implementation of the Sector of Energy and Mineral Resources
4. Government Regulation No. 26 of 2021 concerning the Implementation of the Agricultural Sector
5. Government Regulation No. 27 of 2021 concerning the Implementation of the Marine and Fisheries Sector
6. Government Regulation No. 28 of 2021 concerning the Implementation of the Industrial Sector
7. Government Regulation No. 29 of 2021 concerning the Implementation of the Trade Sector
8. Government Regulation No. 30 of 2021 concerning Implementation of the Road Traffic and Transportation Sector
9. Government Regulation No. 31 of 2021 concerning the Implementation of the Shipping Sector
10. Government Regulation No. 32 of 2021 concerning the Implementation of the Aviation Sector
11. Government Regulation No. 33 of 2021 concerning the Implementation of the Railway Sector
12. Government Regulation No. 38 of 2021 concerning Accompanying Accounts for Umrah Travel Expenses
13. Government Regulation No. 39 Year 2021 concerning Implementation of the Halal Product Guarantee Sector
14. Government Regulation No. 46 of 2021 concerning Post, Telecommunication and Broadcasting
15. Government Regulation No. 47 of 2021 concerning the Implementation of Hospitalization

Source: Coordinating Ministry for Economic Affairs

Investment Priority List in the Presidential Regulation No.10 of 2021 for the Investment Business Sector

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

PRESIDENTIAL REGULATION OF INVESTMENT BUSINESS FIELDS

245 PRIORITY BUSINESS FIELDS
given fiscal incentives and
and non-fiscal, a.l. Tax Allowance and Tax Holiday

89 AREAS OF BUSINESS FIELDS OR PARTNERSHIP WITH COOPERATIONS AND MSMEs

46 BUSINESS FIELDS WITH SPECIFIC REQUIREMENTS

> 1700 BUSINESS FIELDS OPEN FOR INVESTMENT

Priority Business Field Criteria

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

Incentives provided

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

- 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

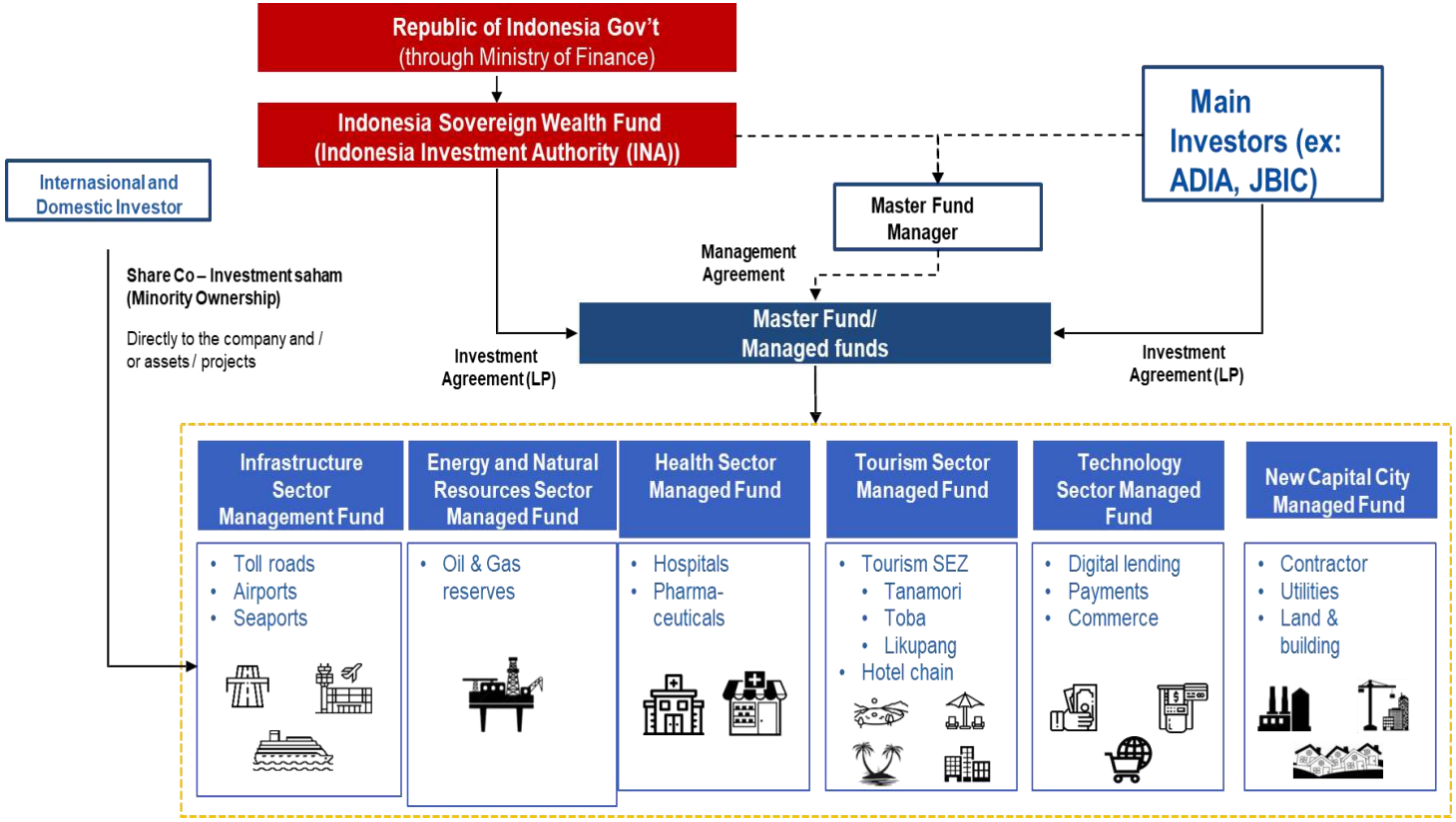
Indonesia Investment Authority (INA) as an Alternative Source of Economic Development Financing

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

Target

- Optimization of Central Government Investment Value
- Increase Foreign Direct Investment (FDI)
- Encouraging the improvement of the investment climate



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

Source: Coordinating Ministry for Economic Affairs

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

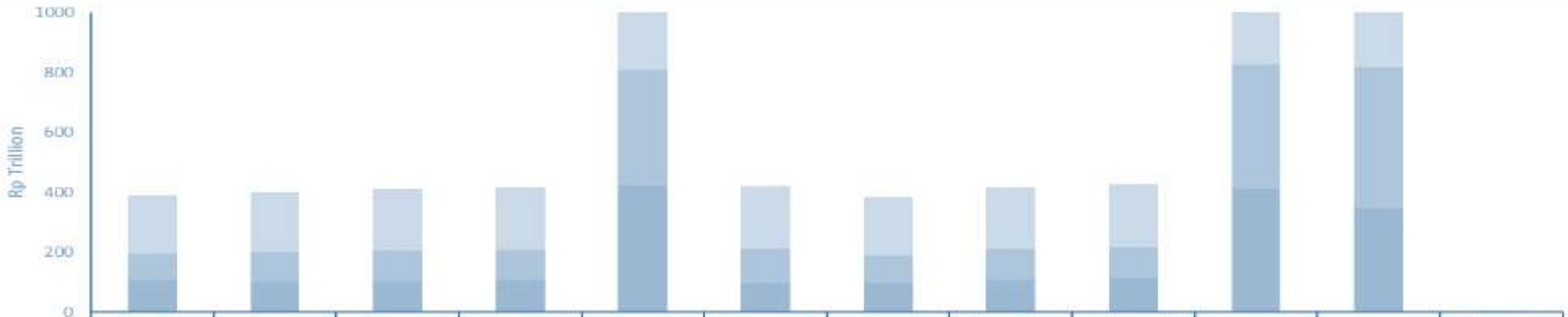
Conduct visits to companies (for example visiting Hyundai and Bonded Zone) to spur existing investment in addition to fiscal incentive facilitation

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



	Q I 2019	Q II 2019	Q III 2019	Q IV 2019	JAN-DEC 2019	Q I 2020	Q II 2020	Q III 2020	Q IV 2020	JAN-DEC 2020	Target *)	Achievement **)
Total	195.1	200.5	205.7	208.3	809.6	210.7	191.9	209.0	214.7	826.3	817.2	101.1%
DDI	87.2	95.6	100.7	103.0	386.5	112.7	94.3	102.9	103.6	413.5	469.1	88.2%
FDI	107.9	104.9	105.0	105.3	423.1	98.0	97.6	106.1	111.1	412.8	348.1	118.6%

DDI: Domestic Direct Investment
FDI: Foreign Direct Investment
*) The investment realization target for 2020 is based on the chairman of BKPM letter No. 102/A.1/2020 dated April 16th 2020 regarding the Proposed Revision of the Investment Targets for 2020-2024 due to the Impact of Covid-19 and the letter from Ministry of National Development Planning of the Republic of Indonesia to The Indonesia Investment Coordinating Board (BKPM) No. B.265/M.PPN/D1/PP.03.02/04/2020 dated April 24th 2020 regarding the Approval of the Proposed Revision of Investment Target 2020-2024 due to the Impact of Covid-19.
**) Towards the 2020 investment realization target

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

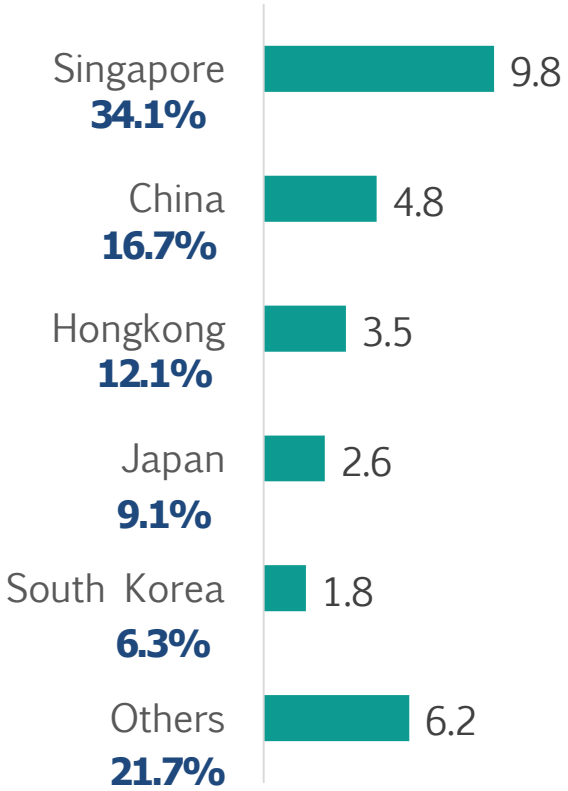
Q-4 2020	y-o-y	q-o-q
DDI	0.7%	0.8%
FDI	5.5%	4.6%
TOTAL	3.1%	2.7%

Jan-Dec 2020	y-o-y
DDI	7.0%
FDI	-2.4%
TOTAL	2.1%

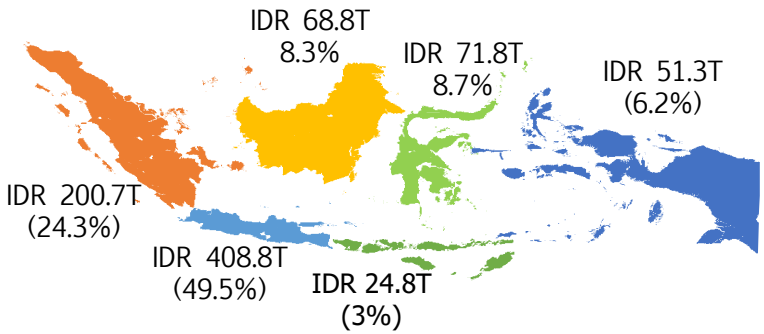
Source: Investment Coordinating Board (BKPM)

Investment Realization in 2020
(excluding the upstream oil and gas sector and financial services)

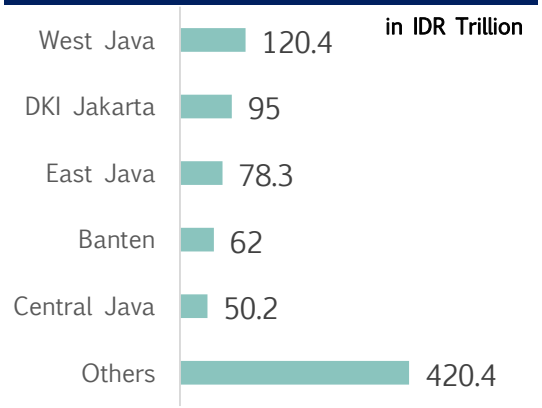
Top 5 Investors (by country)
(in USD billion)



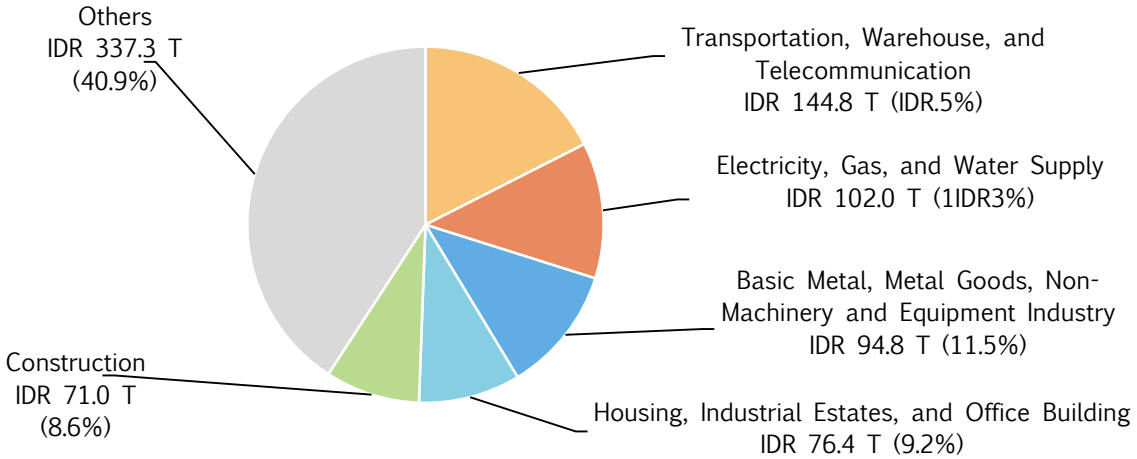
By Geography



By Region

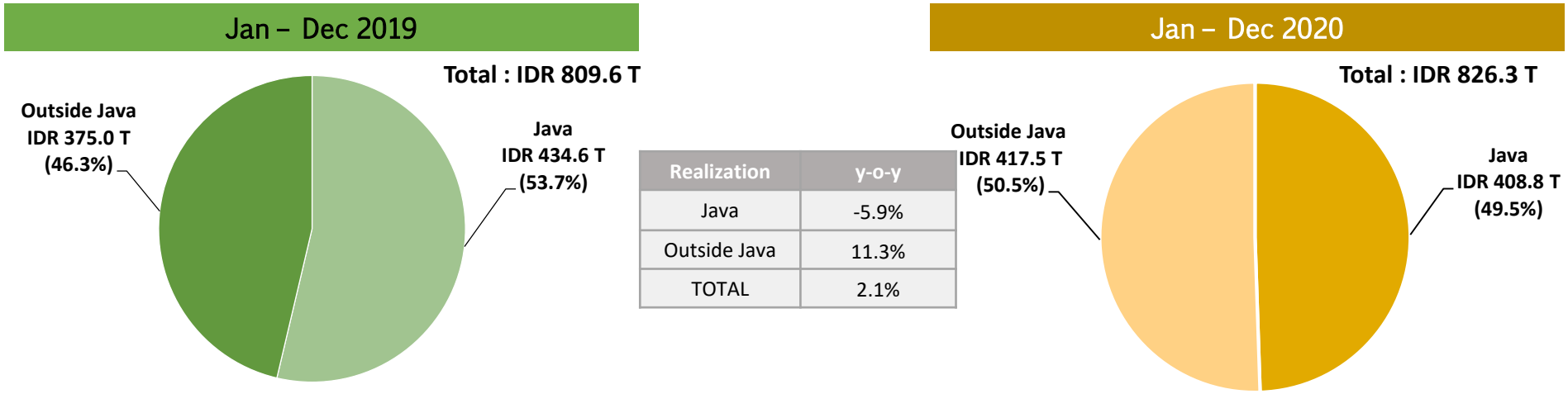


By Sector

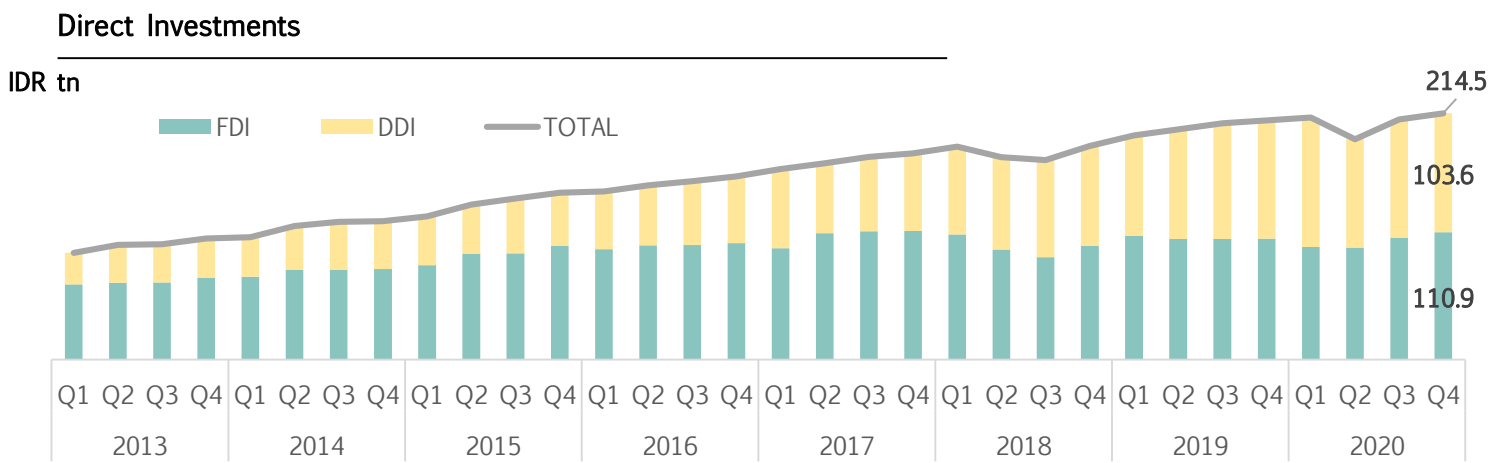


Source: Investment Coordinating Board (BKPM)

Investment Realization in 2020
(excluding the upstream oil and gas sector and financial services)



Realization	y-o-y
Java	-5.9%
Outside Java	11.3%
TOTAL	2.1%



Source: Investment Coordinating Board (BKPM)

Potential Investment Realization Reaches IDR 708 T

IDR 708T
Potential Investment Realization

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

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

Companies that had been facilitated:

Rosneft	IDR 211.9T	LOTTE CHEMICAL	IDR61.2T
VALE	IDR39.2T	YTL Power (Tanjung Jati Power)	IDR38.0T
HYUNDAI	IDR21.7T	KOBEXINDO	IDR14.0T
NINDYA	IDR9.5T	tlb Bengkulu Electric Power	IDR5.2T
ANJ Agri (Galempa Sejahtera Bersama)	IDR2.0T	Masdar	IDR1.8T
PT Sumber Mutiara Indah Perdana (SMIP)	IDR1.8T	Minahasa Cahaya Lestari	IDR1.8T
MALINDO	IDR1.1T	Others	IDR1.4T

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. Accelerate the business licensing process
3. Provide business licensing process assurance in terms of the costs and lead times
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

Improving Investment Climate

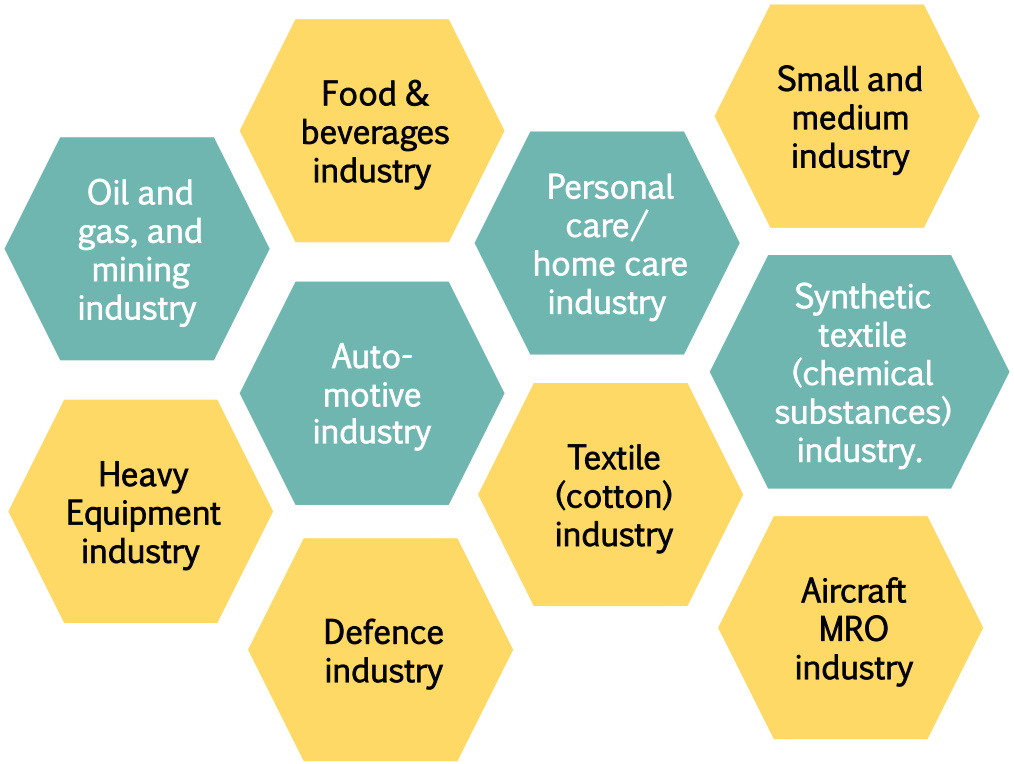
...Bonded Logistic Center launched in 2016 to Improve Indonesia's Competitiveness

Bonded Logistic Center

(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 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.



Source: Coordinating Ministry for Economic Affairs

Improving Investment Climate

Online Single Submission (OSS) Has Been Launched in 2018

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

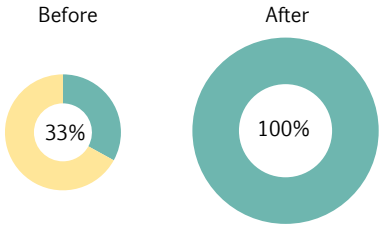
- Business licenses can be secured in under an hour
- Standardized business licenses are available
- Ellectronically integrated
- More practical
- Accessible at anytime and anywhere
- The whole licensing process is monitored by the Task Force

Source: Coordinating Ministry for Economic Affairs

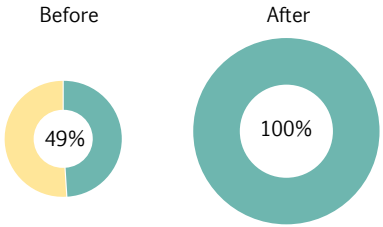
Improving Investment Climate
...revision of the Negative Investment List in 2018

Introduction of New Foreign Ownership Regulation for Strategic Sectors

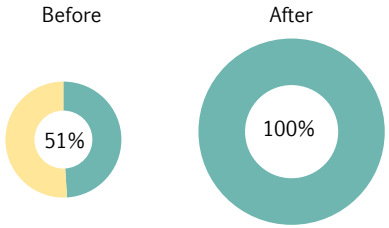
Cold storage



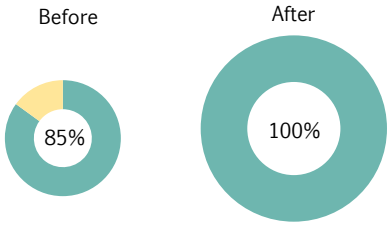
Sports Center, Film Processing Lab, Crumb Rubber



Restaurants, Bars



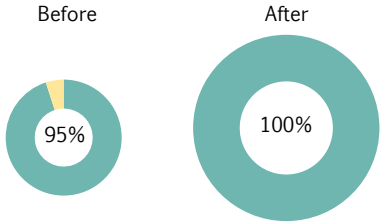
Pharmaceutical Raw Materials Manufacturing



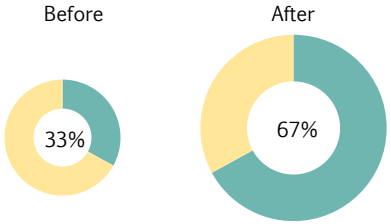
Key Reforms in Negative Foreign Investment List

- 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

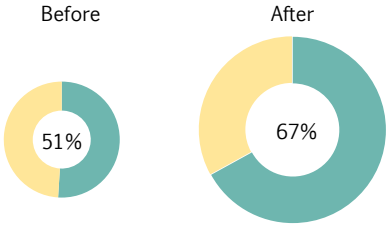
Toll Road Operator, Telecommunication Testing Company



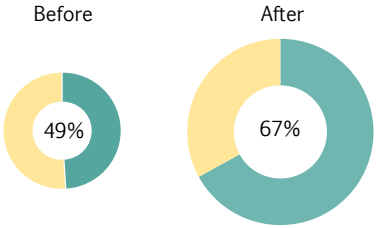
Distribution, Warehousing



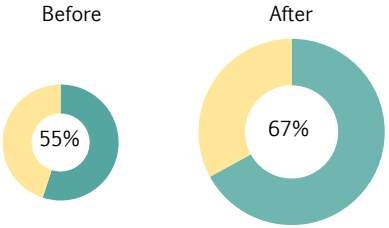
Private Museum, Catering, apparel Manufacturing, Exhibitions & Conventions



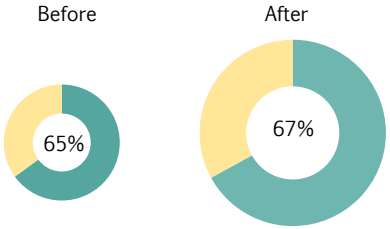
Professional Training, Golf Course Management, Air Transport Support Services, Travel Bureau



Consultancy for Construction[1]



Telecommunication Provider with Integrated Services



[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

Large and Stable Economy

- 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

Consistent Budget Reform

- Budget reform as a part of larger economic reform initiative
- Tax base to be broadened from one reduce dependency on commodities
- Fuel subsidies significantly reduced and spending redirected to more productive allocation
- Prudent debt management

Reform-Oriented Administration

New Economic Structure

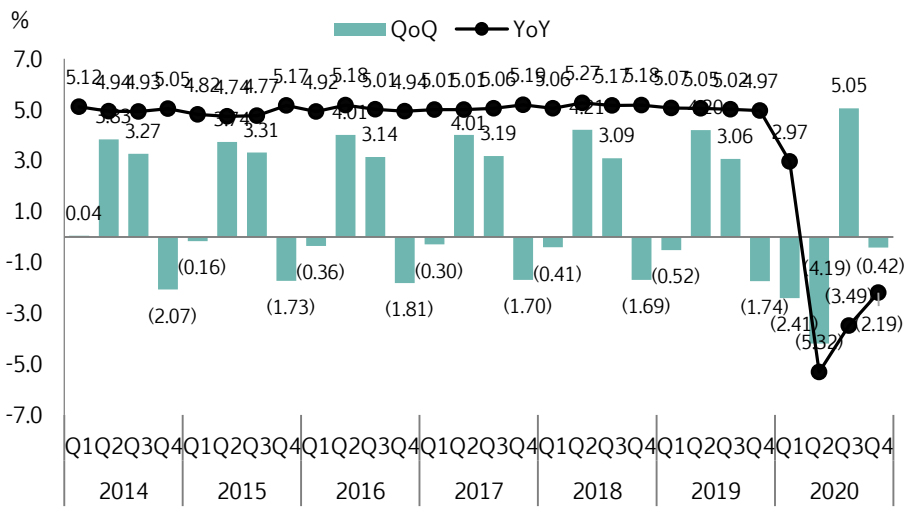
- From commodity-based to manufacturing and service sectors via infrastructure development
- From consumption-led to investment-led growth via a stronger manufacturing sector and more investment initiatives
- Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening macroeconomic conditions

High Infrastructure Investments

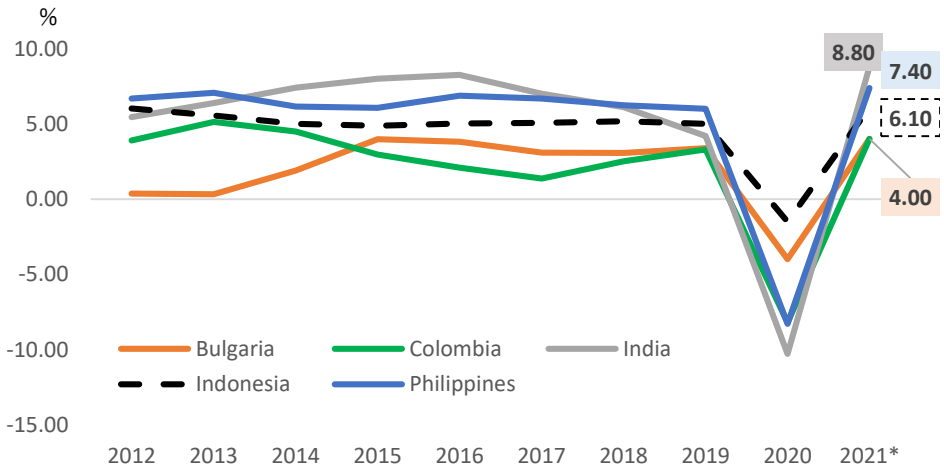
- Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and PPP
- Continuing from 2015 policy, infrastructure spending will be higher than fuel subsidy
- Infrastructure spending focused on basic infrastructure projects
- Fiscal and non-fiscal incentives to attract infrastructure investment and promote PPP

National Economic Growth Improved

Strong GDP Growth[1]



Favourable GDP Growth Compared to Peers[2]



- **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.

Growth Prospect

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	4.3-5.3
IMF (WEO, April 2021)	4.3
World Bank (Global Economic Prospects, Jan 2021)	4.4
ADB (ADOS Dec 2020)	4.5
Consensus Forecast (Mar 2021)	4.6

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

GDP Growth Breakdown

GDP Growth Based on Expenditures (%, YoY)[1]

By expenditure	2015					2016					2017					2018					2019					2020				
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot
HH. Consumption	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5	5.2	5	5.1	5.1	5.0	5.2	5.0	5.0	5.0	2.8	-5.5	-4.0	-3.6	-2.6
Non profit HH. consumption	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8.1	8.8	8.7	11	9.1	17.0	15.3	7.4	3.5	10.6	-5.0	-7.8	-2.0	-2.1	-4.3
Government consumption	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2.7	5.2	6.3	4.6	4.8	5.3	8.2	1.0	0.5	3.3	3.8	-6.9	9.8	1.8	1.9
Gross Fixed Cap. Formation	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7.9	5.8	6.9	6.1	6.7	5.0	4.6	4.2	4.1	4.5	1.7	-8.6	-6.5	-6.2	-4.9
Exports	(0.6)	(0.3)	(1.0)	(6.4)	(2.1)	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5.8	7.4	8.3	4.6	6.5	-1.5	-1.8	0.1	-0.4	-0.9	0.4	-12.0	-11.7	-7.2	-7.7
Imports	(2.6)	(7.1)	(6.5)	(8.6)	(6.2)	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	13	15	14	7.4	12	-6.5	-6.7	-8.3	-7.9	-7.4	-3.6	-18.3	-23.0	-13.5	-14.7
GDP	**4.8**	**4.7**	**4.8**	**5.2**	**4.9**	**4.9**	**5.2**	**5.0**	**4.9**	**5.0**	**5.0**	**5.0**	**5.1**	**5.2**	**5.1**	**5.1**	**5.3**	**5.2**	**5.2**	**5.2**	**5.1**	**5.1**	**5.0**	**5.0**	**5.0**	**3.0**	**-5.3**	**-3.5**	**-2.2**	**-2.1**

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

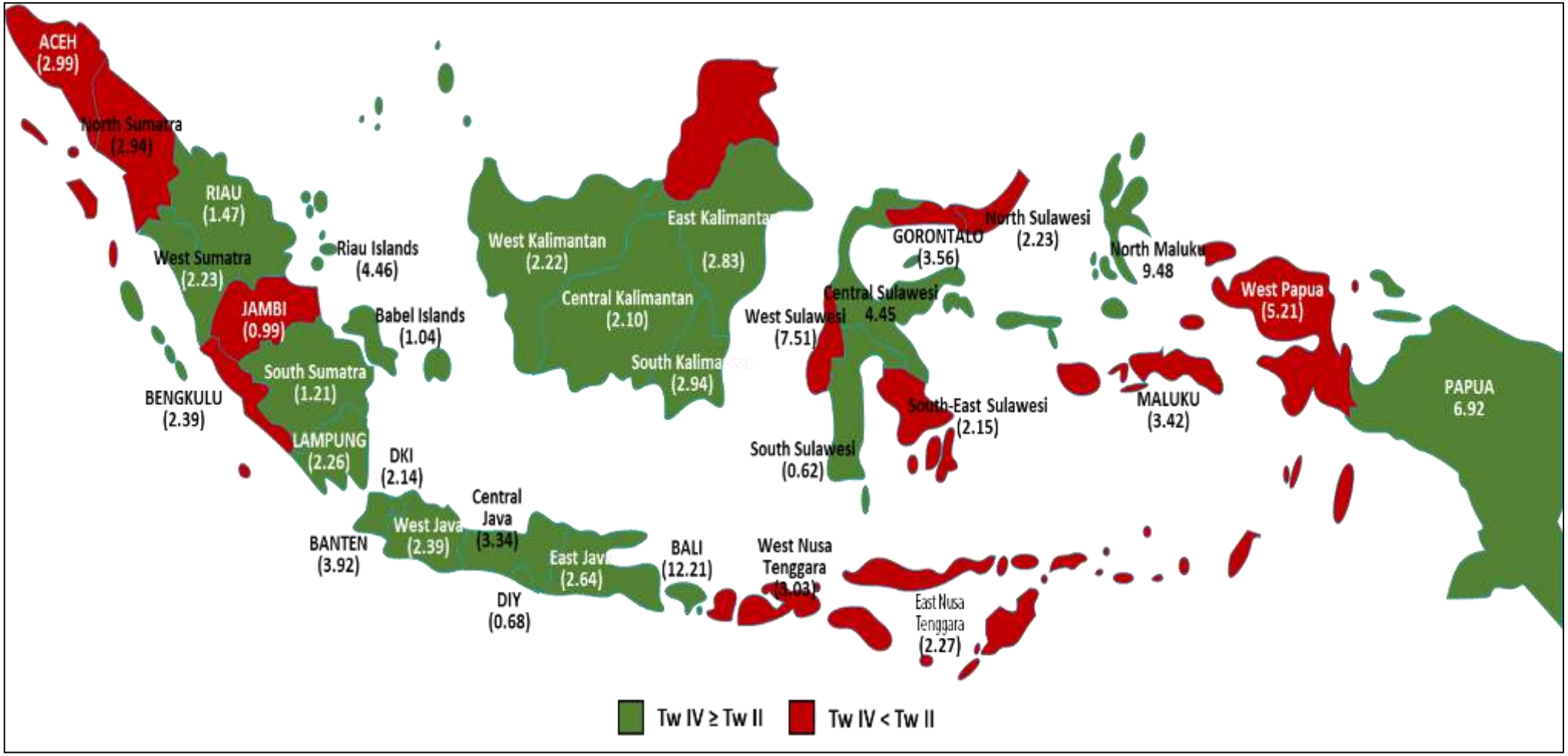
GDP Growth by Sector (%, YoY)

By sectors	2015					2016					2017					2018					2019					2020				
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot
Agriculture, forestry, and fishery	3.7	6.5	2.9	1.6	3.8	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3.3	4.7	3.6	3.8	3.9	1.8	5.3	3.1	4.2	3.6	0.0	2.2	2.2	2.6	1.8
Mining and Quarrying	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.0	0.2	1.4	0.9	(1.3)	2.1	1.8	0.0	0.7	1.1	2.6	2.7	2.2	2.2	2.3	-0.7	2.3	0.9	1.2	0.4	-2.7	-4.3	-1.2	-2.0
Manufacturing	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4.6	3.9	4.4	4.2	4.3	3.9	3.5	4.1	3.7	3.8	2.1	-6.2	-4.3	-3.1	-2.9
Construction	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7.4	5.7	5.8	5.6	6.1	5.9	5.7	5.6	5.8	5.8	2.9	-5.4	-4.5	-5.7	-3.3
Wholesale and Retail Trade, Repair of Car and Motorcycle	3.8	1.6	1.4	3.5	2.5	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5	5.2	5.3	4.4	5	5.2	4.6	4.4	4.2	4.6	1.6	-7.6	-5.0	-3.6	-3.7
Transportation and Storage	6.3	6.0	7.0	7.5	6.7	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8.5	8.7	5.7	5.5	7	5.4	5.9	6.7	7.6	6.4	1.3	-30.8	-16.7	-13.4	-15.0
Information and communication	9.7	9.3	10.6	9.2	9.7	7.6	9.3	8.9	9.6	8.9	10.5	11.1	8.8	8.3	9.6	7.8	5.1	8.1	7.1	7	9.1	9.6	9.2	9.8	9.4	9.8	10.8	10.7	10.9	10.6
Financial service	8.6	2.6	10.3	12.8	8.6	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4.3	3.1	3.1	6.2	4.2	7.2	4.5	6.2	8.5	6.6	10.6	1.1	-0.9	2.4	3.2
Other Services*	5.1	6.5	4.8	5.5	5.4	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4.6	5.4	6.2	6.7	6.4	6.2	6.8	7.3	6.4	6.2	6.7	4.6	-6.2	-1.4	-1.7	-1.2
GDP	**4.8**	**4.7**	**4.8**	**5.2**	**4.9**	**4.9**	**5.2**	**5.0**	**4.9**	**5.0**	**5.0**	**5.0**	**5.1**	**5.2**	**5.1**	**5.1**	**5.3**	**5.2**	**5.2**	**5.2**	**5.1**	**5.1**	**5.0**	**5.0**	**5.0**	**3.0**	**-5.3**	**-3.5**	**-2.2**	**-2.1**

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

Economic Performance Improved In Almost All Regions

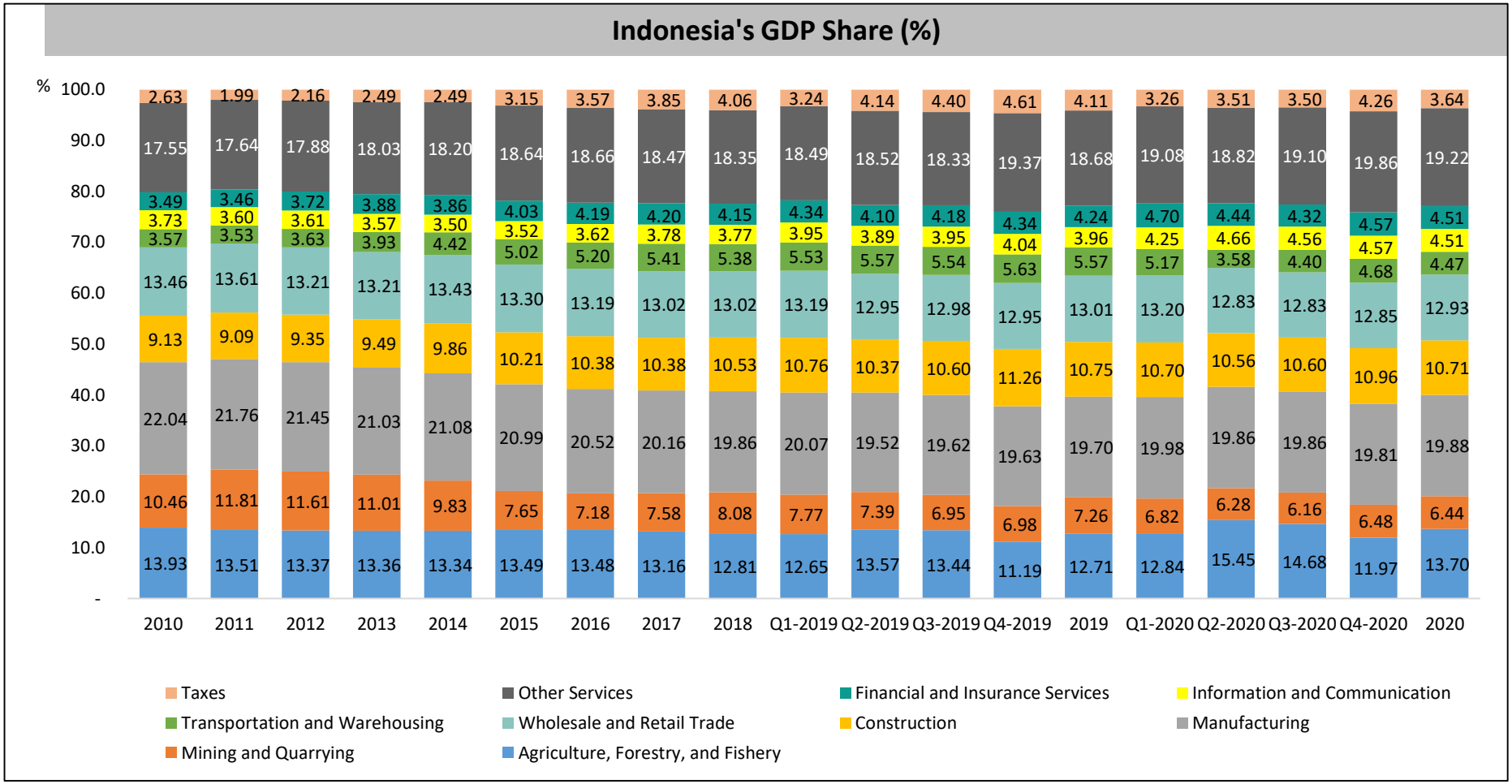
REGIONAL GDP Q4-2020 (% YOY)



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

Economic Performance in Most Sectors Starting to Improve

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.

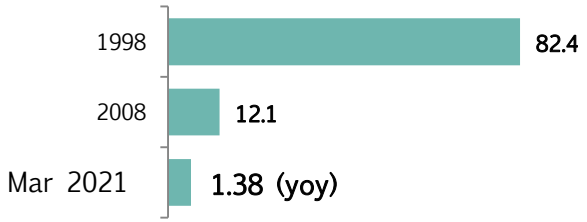


Source: Central Bureau of Statistics of Indonesia (BPS), calculated

Stronger Fundamentals Facing the Headwinds

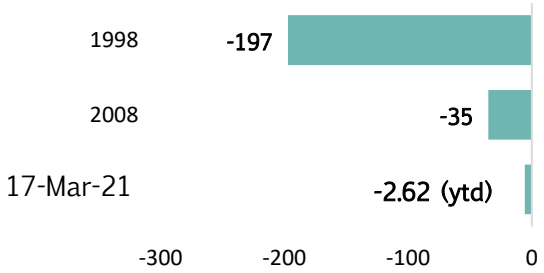
Inflation Rate (%)

Inflation controlled within the target range



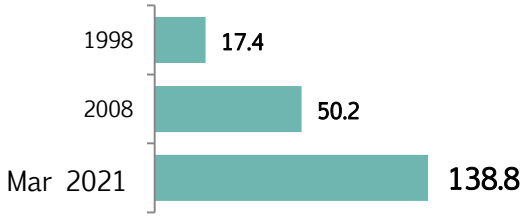
IDR Movement (%)

IDR appreciated year-to-date



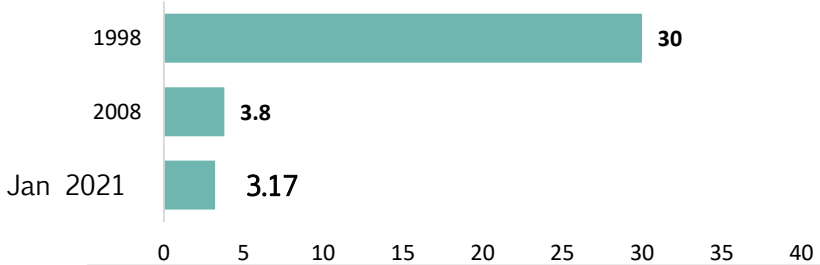
Foreign Reserves (USD bn)

Significantly higher than 1998 & 2008, ample to cover 10 months of import and external debt repayment



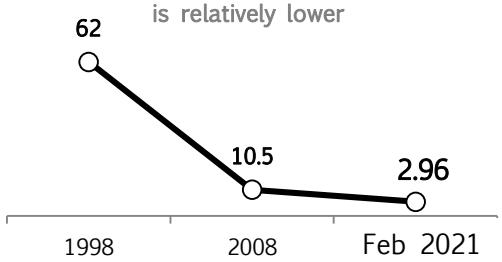
Non-Performing Loan/NPL (%)

NPL level (gross) is below the maximum threshold of 5%



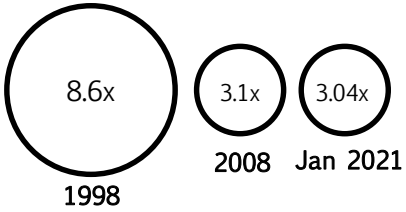
More Liquid Market (%)

Overnight interbank money market rate is relatively lower



External Debt (Public & Private) to FX Reserve Ratio

Significantly lower than 1998 crisis

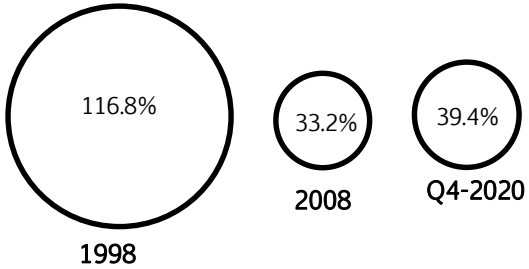


Government Debt/GDP

Consistently well-maintained

External Debt/GDP

Higher than 2008, but significantly lower than 1998



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%

	Economic Growth	Inflation	CAD (% of GDP)	Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021	4.3 - 5.3%	3.0±1%	1.0-2.0%	5.0-7.0%

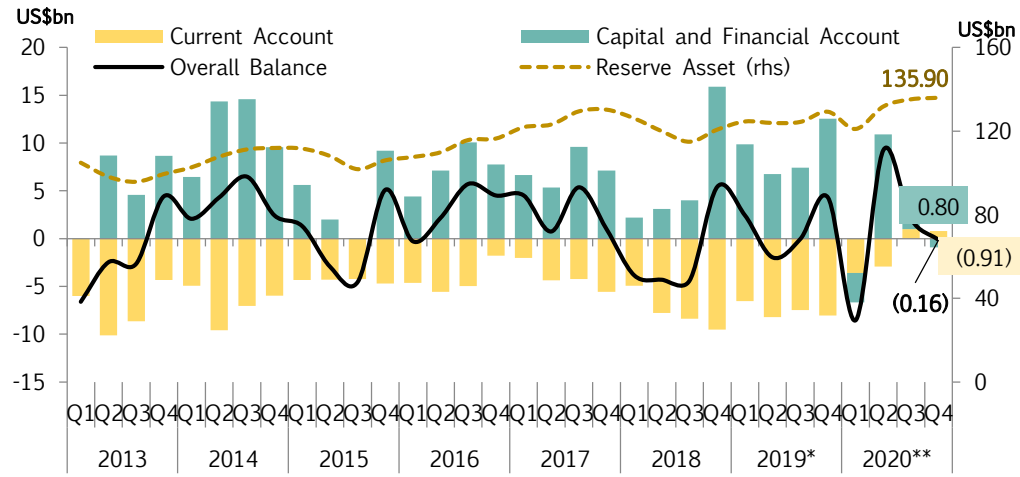
Source : Bank Indonesia

Section 4

External Factor:
Improved External Resilience

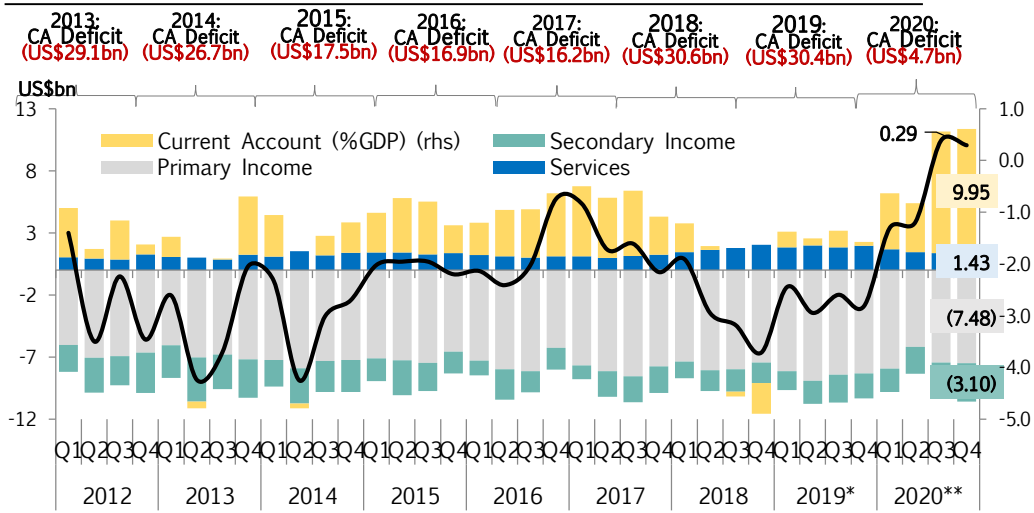
External Sector Remains Resilient Supported by Adequate Reserves and Sound Balance of Payments

Balance Of Payment Remains Solid



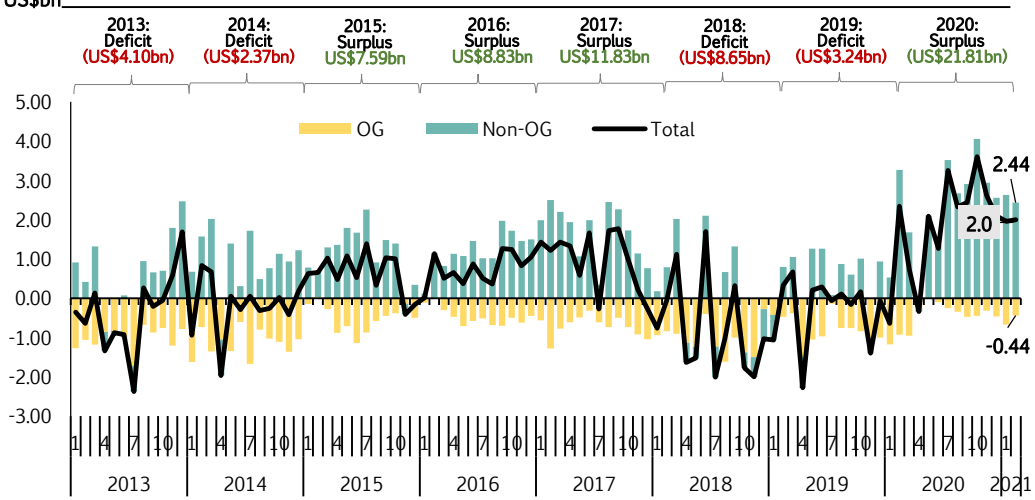
Source: Bank Indonesia

Current Account Continue Recorded Surplus in Q4-2020



Source: Bank Indonesia

Trade Balance Surplus Increases

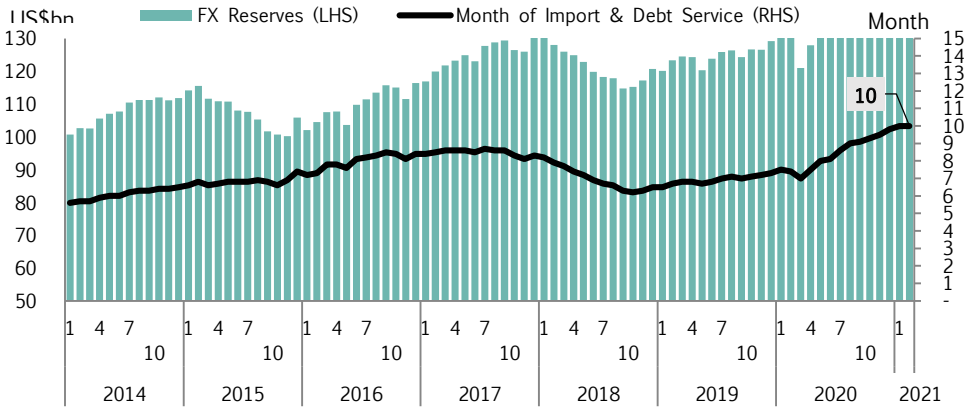


* Preliminary Figure ** Very Preliminary Figure

Source: BPS

Official Reserve Assets Increased to Reinforce External Sector Resilience

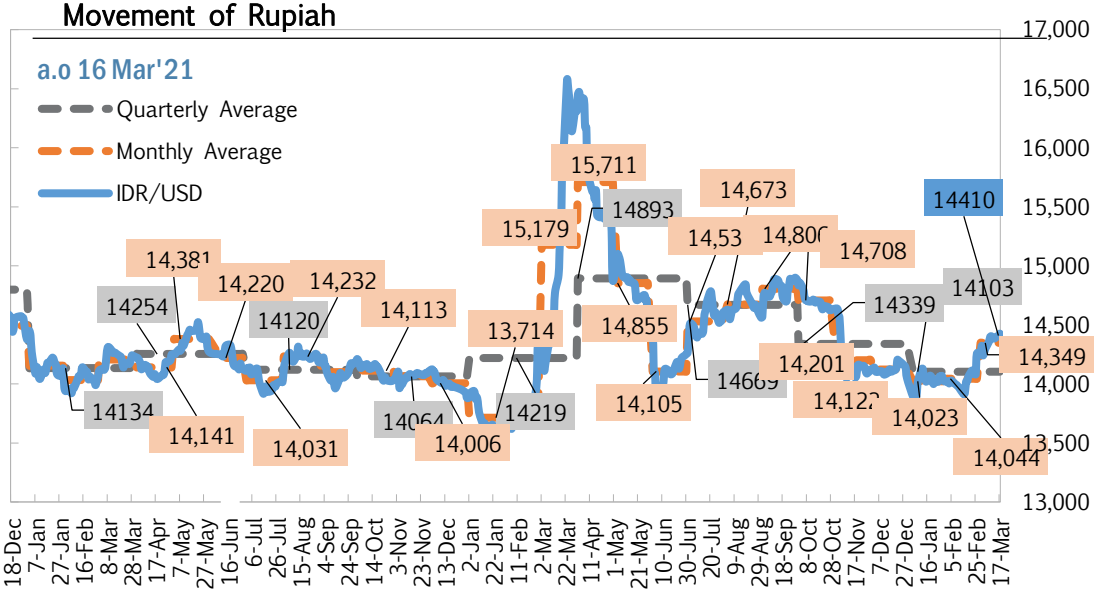
FX Reserves as of February 2021: US$138.80 bn
(Equiv. to 10 months of imports + servicing of government debt)



Source: Bank Indonesia

Exchange Rate In Line with Fundamentals

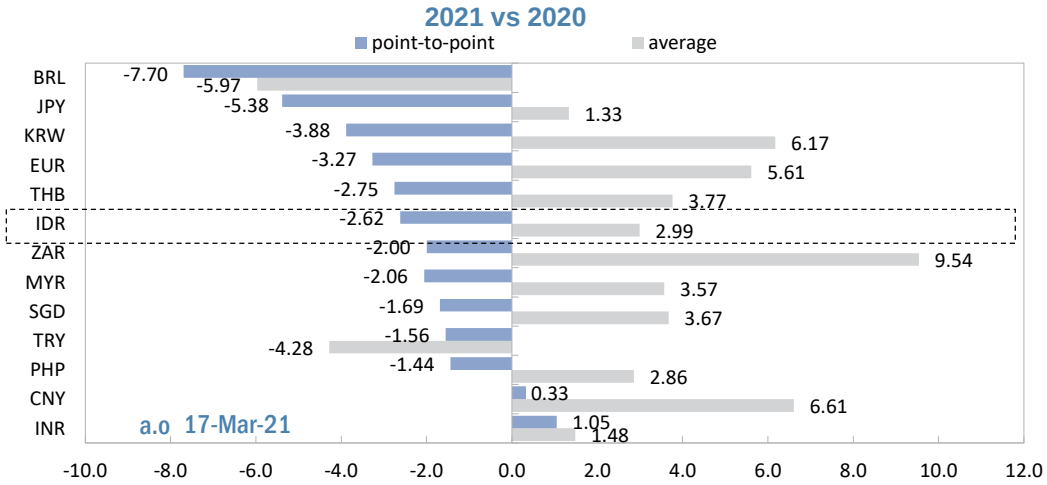
Movement of Rupiah



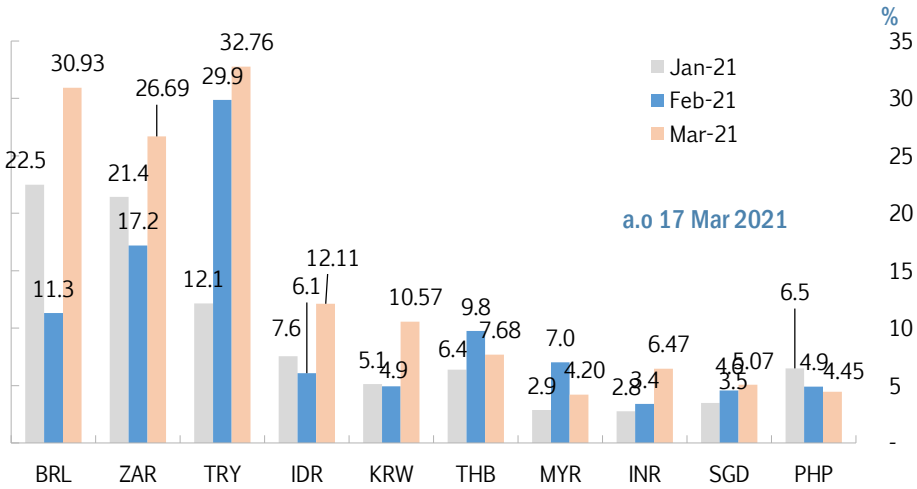
Sumber: Reuters

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.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers (ytd)



Rupiah Exchange Rate Volatilty



Source: Reuters, Bloomberg (calculated)

Ample Lines of Defense Against External Shocks

Ample Reserves

FX Reserve	• Ample level of FX reserves to buffer against external shock • FX Reserves as of of February 2021: US$138.8 bn

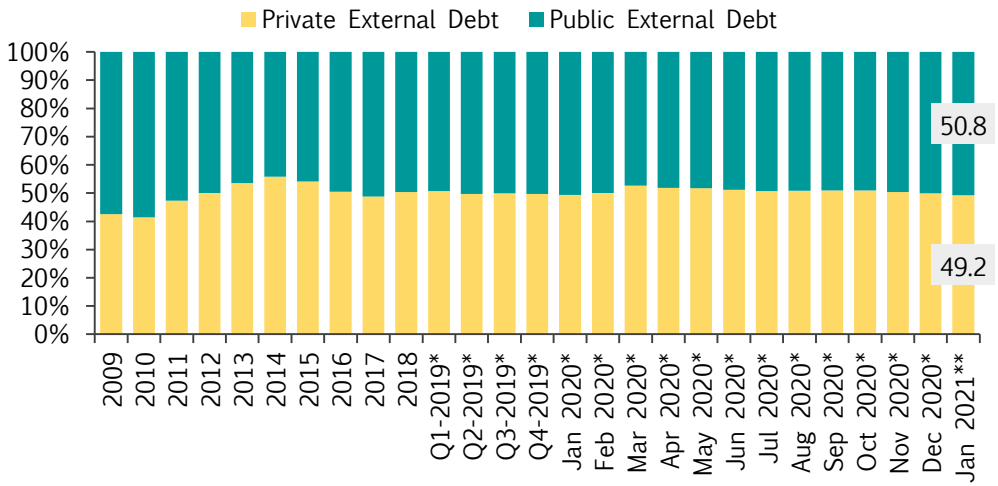
Swap Arrangement

Bilateral	Japan	• Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2018 • The facility is available in USD and JPY
	South Korea	• Renewed a 3 year KRW / IDR swap arrangement with the size of up to KRW 10.7 trillion / IDR 115 trillion in March 2020
	Australia	• Renewed a 3 year A$/IDR swap arrangement of up to A$10 billion or IDR 100 trillion in August 2018
	Singapore	• Renewed a one year SGD/IDR swap arrangement with a size up to USD10 billion (equivalent) in November 2020
	China	• Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018
	Malaysia	• Established a 3 year RM/IDR swap arrangement with a size up to USD2 billion (equivalent) in September 2019
Regional	ASEAN Swap Arrangement (ASA)	• Entitled to a maximum swap amount of USD600 million under ASA • The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million • Doubled to USD2 billion in 2005
	Chiang Mai Initiative Multilateralization (CMIM) Agreement	• Entitled to a maximum swap amount of US$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement • Came into effect in 2010 with a pool of US$120 bn and • Doubled to US$240 bn effective July 2014
Global	IMF Global Financial Safety Net - GSFN	• Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem • Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

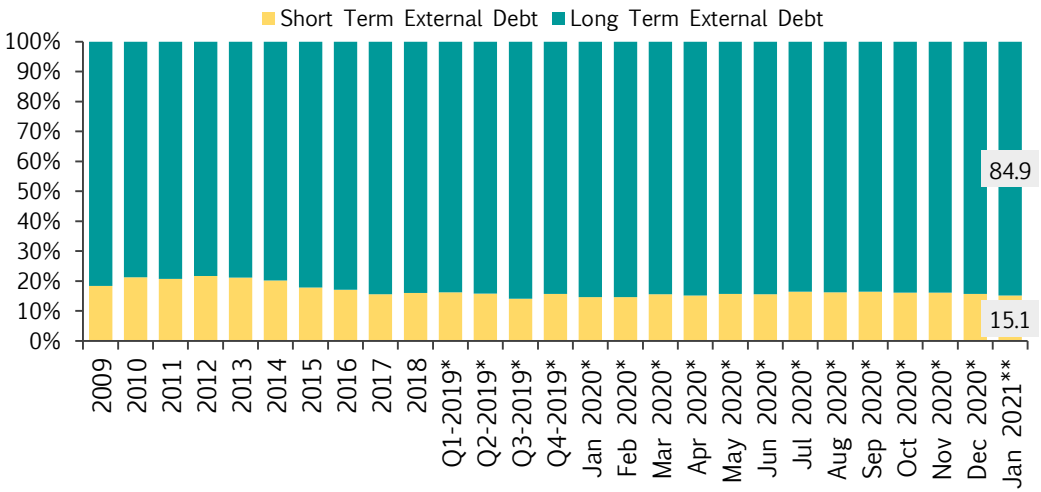
Source: Bank Indonesia

Healthy External Debt Profile

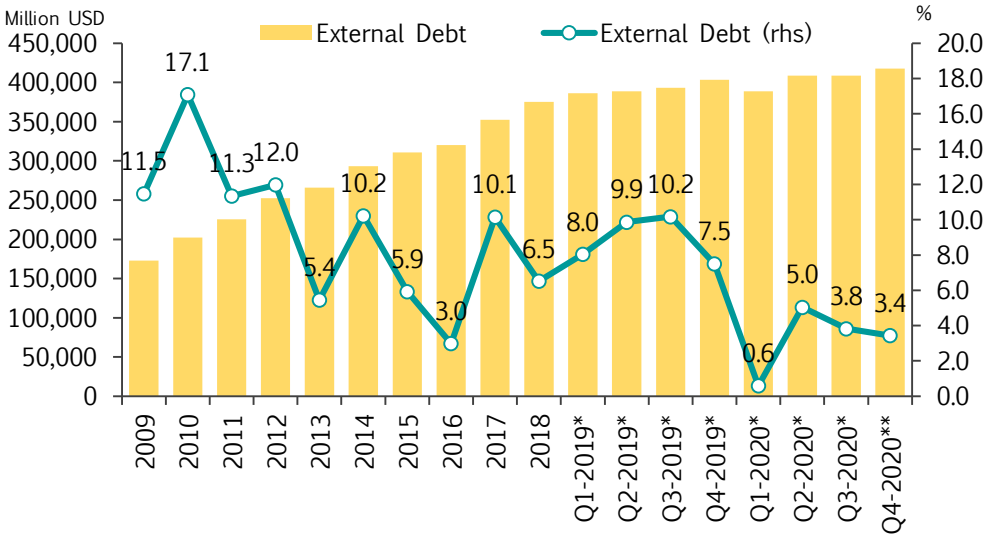
External Debt Structure



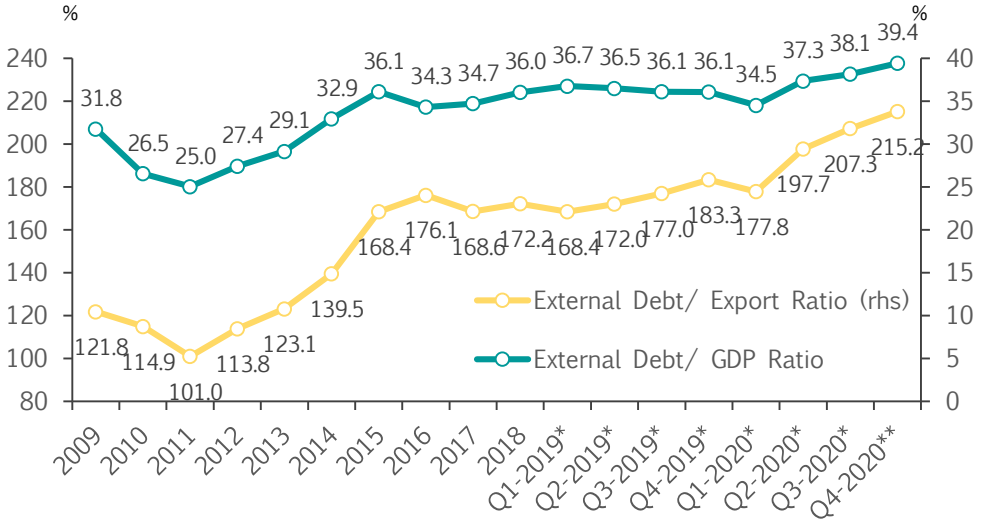
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



External Debt to GDP Ratio & Debt to Export Ratio

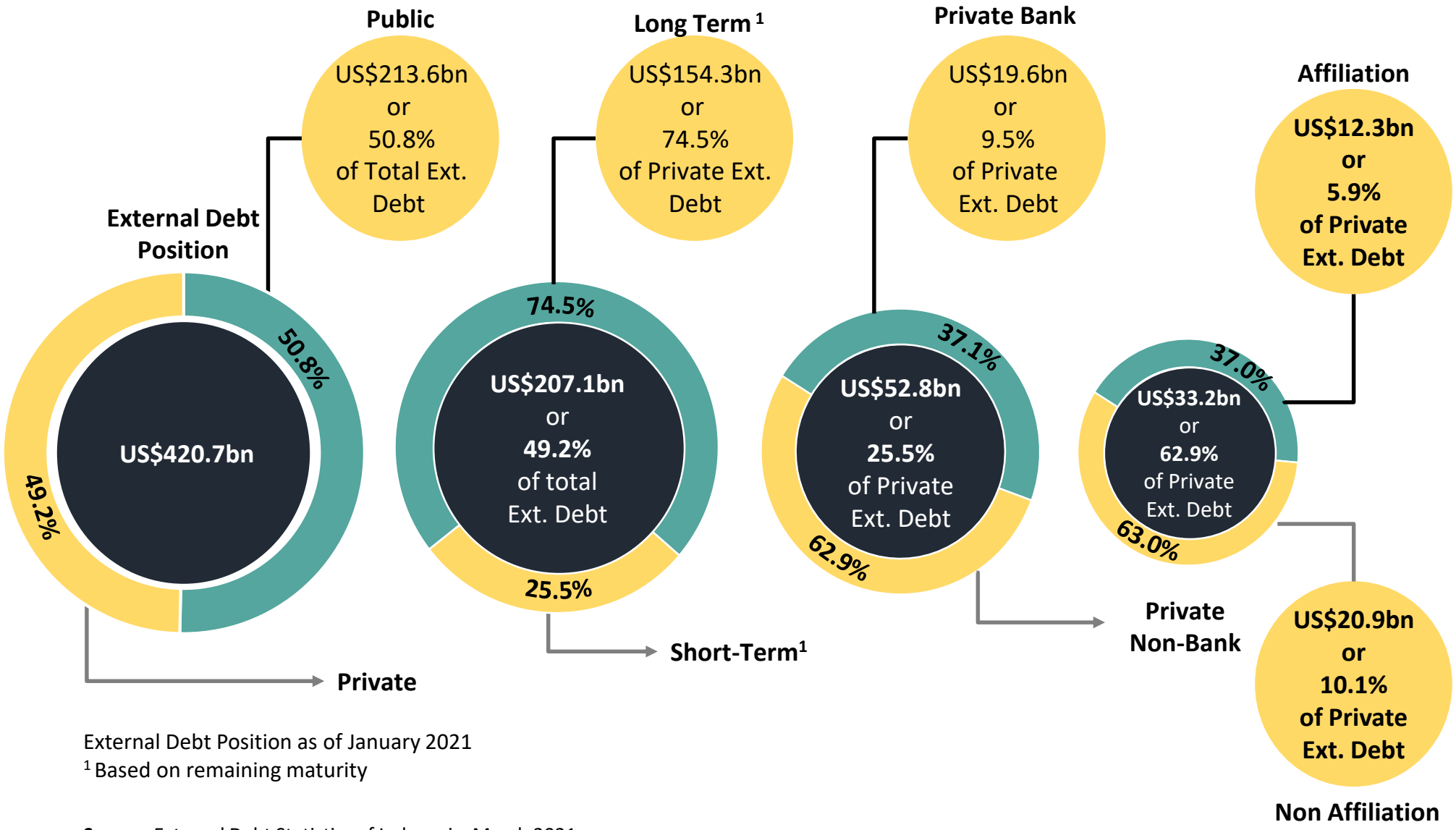


Source: Bank Indonesia, External Debt Statistics of Indonesia

*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



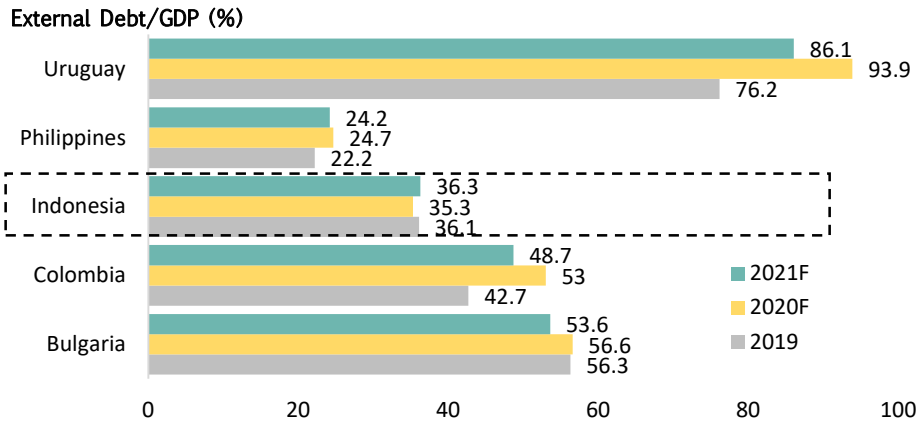
External Debt Position as of January 2021

[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



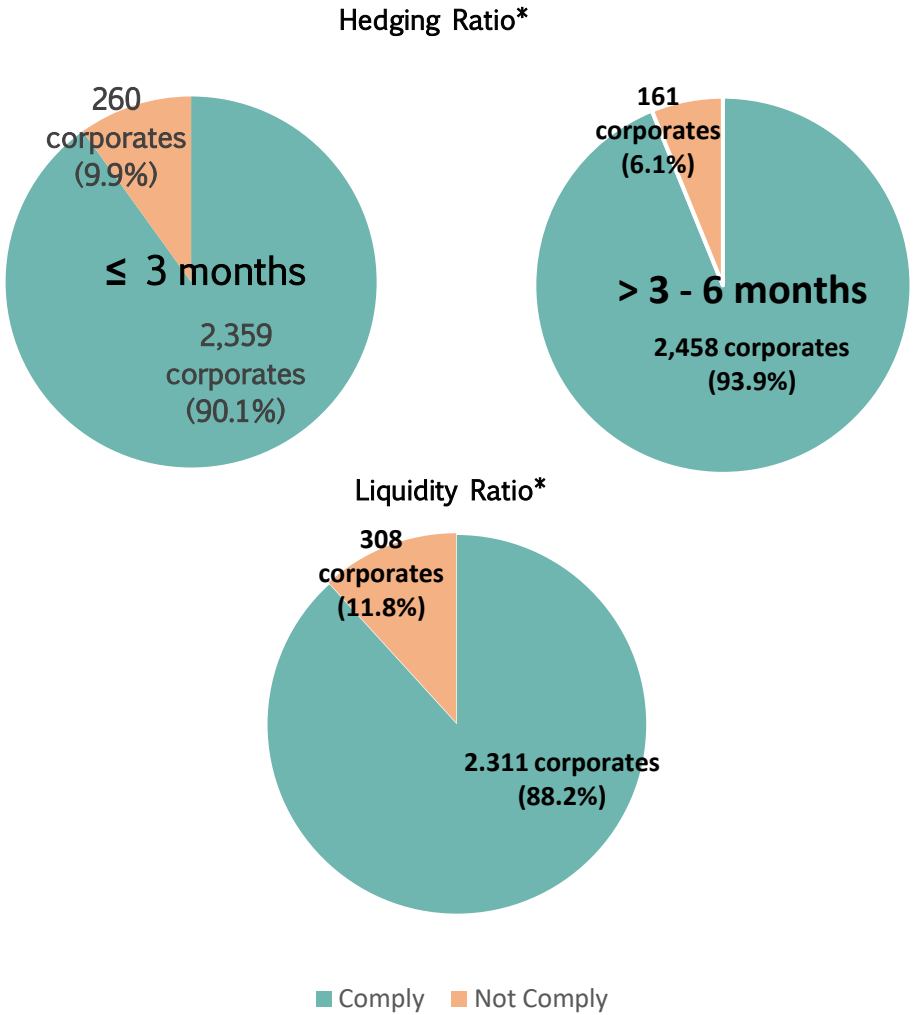
Source: Moody's Credit View Fundamental Data, July 2020

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



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

Source: Bank Indonesia

Solid Policy Coordination
In Managing Financial Markets Volatility

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

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

Swap facility arrangements based on international cooperation

Enhancing coordination between government institutions and continuous dialogue with market participants

CMP Implementing Crisis Management Protocol (CMP)

BSF Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

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

Bond Stabilization Framework

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

Source: Ministry of Finance

Section 5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility

2021 Economic Recovery will be Strengthen

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

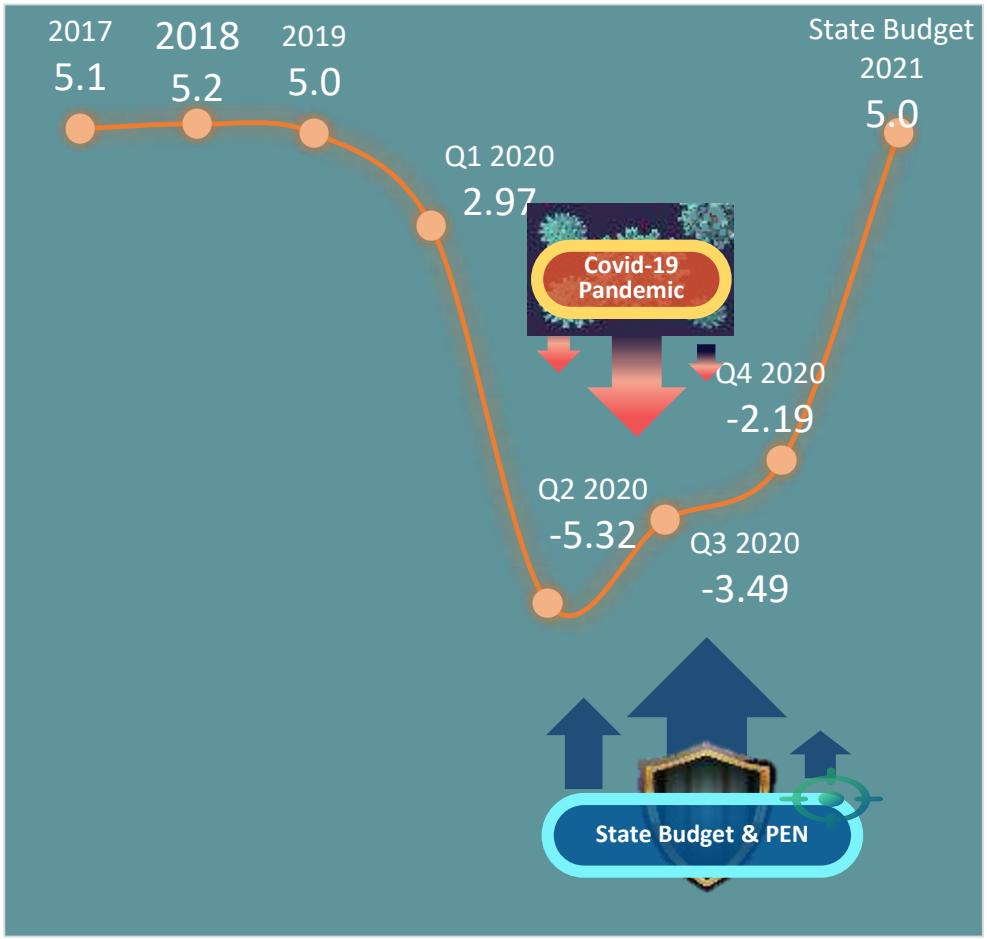
"We all have to be optimistic that the beginning of 2021 will be a turning point for the pandemic problem."

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

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

- 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

National Economic Recovery Program 2021 Supports The Economy Through Government Consumption, Household Consumption, And Public Investment

THE ROLE OF GOVERNMENT IN PROMOTING ECONOMIC RECOVERY

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

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

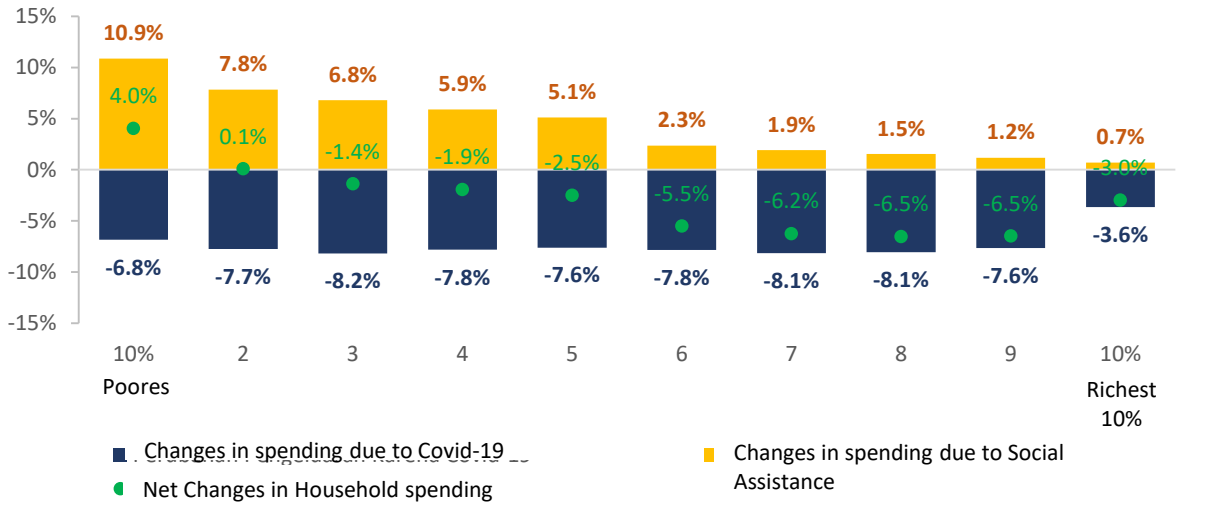
Government Consumption Grows Positively

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

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



- 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

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 Benficiaries**
- **Wage Assistance 12.4 mio employees**
- **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**

2020 State Budget Supports MSMEs Survivals Through Various Assistance Programs

The government spends **IDR112.44T** 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 IDR66.75 T

Total Credit Rp315.51 T
For 4.7 million debtors

Interest subsidy IDR12.83 T

For 19.1 million Debtors

Banpres for Micro Business Actors (BPUM) IDR28.8 T

Grant IDR 2.4 million / business for 12 million businesses

Credit Guarantee IDR2.09 T

- Accumulated working capital credit: IDR19.32 T
- Total working capital credit debtors: 923.67 Thousand

Final Income Tax for UMKM IDR0.67 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

Govt' borne income tax

131,889 Employers

Incentives to support business liquidity and continuity

Income Tax Exemption on Import	Reduction on Tax Installment	Accelerated Tax Refund
14,941	**66,682**	**2,529**

Incentive to support the MSMEs

Final Income Tax for MSMEs

248,275 MSMEs

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

Trade	Manufacturing	Construction
47%	**19%**	**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

Social Protection Programme

For bottom 40 and the vulnerable group: PKH, Sembako card, BST, BLT DD, Pre employment, electricity discount, internet subsidy

2 SURVIVAL AND RECOVERY KIT

Maintaining Business Continuity

- Support for SMEs and cooperation
- Priority programs to support job creation

GAME CHANGER 2021

3 STRUCTURAL REFORM

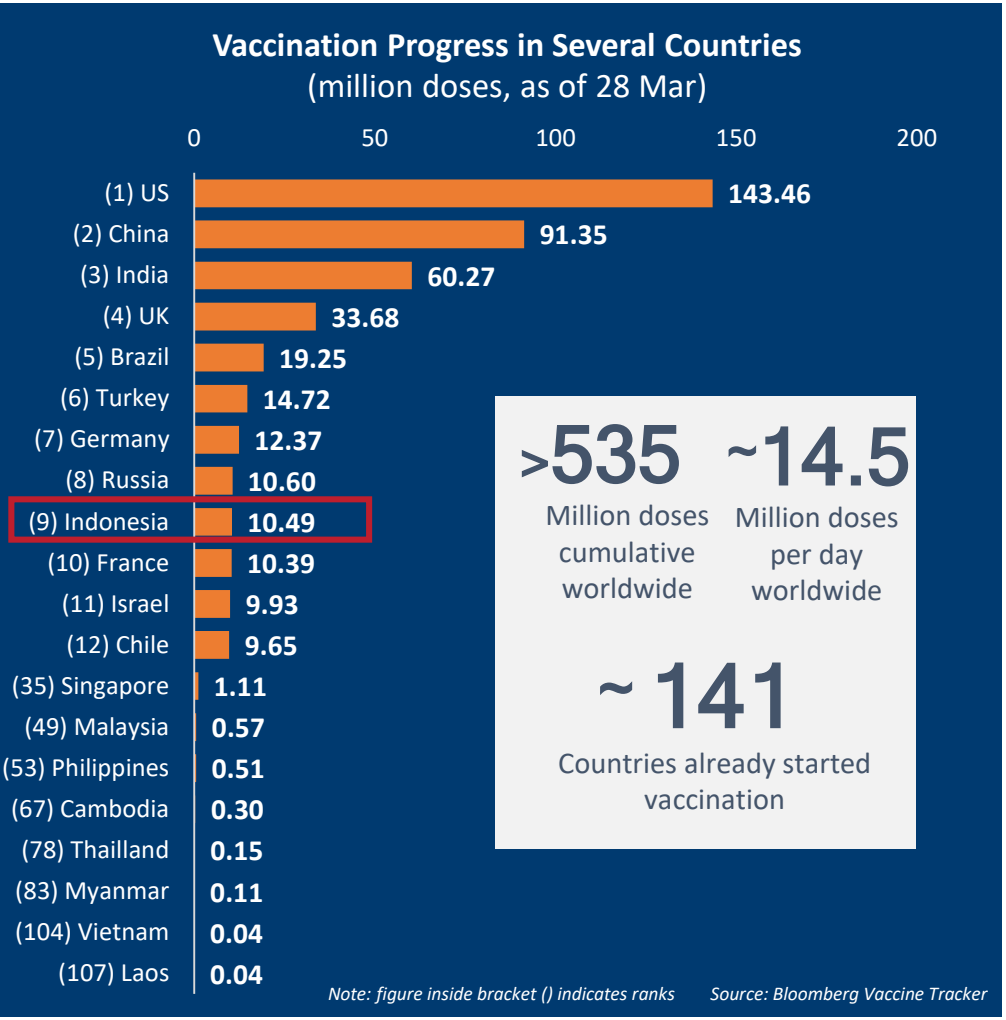
Through the Job Creation Law

to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)

NATIONAL ECONOMIC RECOVERY

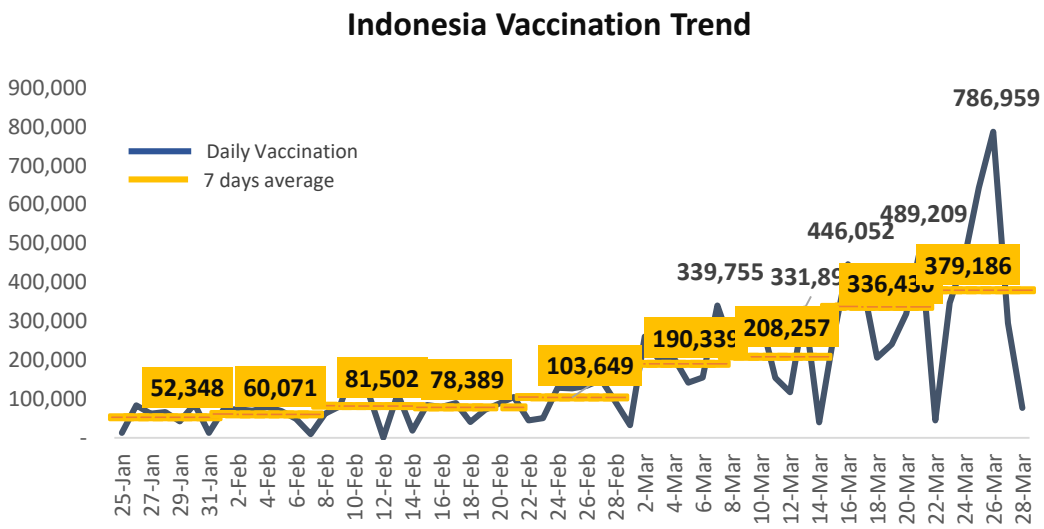
Vaccines As The Game Changer

Accelerated around the world, in a hope to soon end pandemic and strengthen economic recovery



Indonesia is planning to complete vaccination until March 2022

← First Wave →		← Second Wave →	
Health Workers 1.46 million	**Public Workers** 16.9 million **Elderly** 21.5 million	**Vulnerable Group** 63.9 million	**Others** 77.7 million



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

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

Development Indicator Target

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

	Budget
Unemployment Rate (%)	7.7 – 9.1
Poverty Rate (%)	9.2 – 9.7
Gini Ratio (index)	0.377 – 0.379
Human Development Index	72.78 – 72.95
Farmer Terms of Trade	102-104
Fisherman Terms of Trade	102-104

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

Account (IDR T)	2020		2021	
	Perpres 72/2020	Realization (Unaudited)	State Budget	Growth* (%)
Revenue	**1,699.9**	**1,633.6**	**1,743.6**	**6.7**
Tax Revenue	1,198.8	1,070.0	1,229.6	11.9
Customs & Excise	213.5	212.8	215	1.0
Non Tax Revenue	409.0	338.5	298.2	-11.9
Grant	1.3	12.3	0.9	-92.7
Expenditure	**2,739.2**	**2,589.9**	**2,750.0**	**6.2**
Central Government Expenditure	1,975.2	1,827.4	1,954.5	7.0
Regional Transfer & Village Funds	763.9	762.5	795.5	4.3
Primary Balance	(700.4)	(642.2)	(633.1)	-1.4
Surplus (Deficit)	(1,039.2)	(956.3)	(1,006.4)	5.2
% to GDP	*(6.3)*	*(6,09)*	*(5.70)*	
Financing	**1,039.2**	**1,190.9**	**1,006.4**	**-15.5**

** 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)**

HEALTH IDR176.30 T

2020 : IDR63.51 T

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)

SOCIAL PROTECTION IDR157.41 T

2020 : IDR220.39 T

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

PRIORITY PROGRAMS IDR125.06 T

Sectoral and Regional Government 2020 : IDR66.59 T

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

MSMEs SUPPORT & CORPORATION FINANCING IDR186.81 T

2020 : IDR173.17 T

1. KUR and non- KUR interest subsidy
2. Loss Limit Guarantee for MSMEs & Corporation
3. guarantee services (IJP) 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)

BUSINESS INCENTIVES IDR53.86 T

2020 : IDR56.12 T*

1. Government-Borne Income Tax
2. Income Tax Exemption on Import
3. VAT Refund
4. Government-Borne Income Tax for MSMEs
5. Reduction of Tax Installment
6. Corporate income tax tariff reduction
7. VAT not-collected/exempted (Bonded Zone/KITE)
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*;
- Strenthening public and private roles in education.

2 HEALTH

- Strengthening health sector' facilities and human resources;
- Improving national health security program;
- Strenthening *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 cometitiveness;

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 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%

March-May	Jun-Aug	Sept-Dec
100%	50%	25%

Tax cut

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

Account (IDR T)	2020			2021			
	Realization as of 29 Feb 2020	% of Perpres 72/2020	Growth (%)	Budget	Realization as of 28 Feb 2021	% of Budget	Growth (%)
Revenue	**217.6**	**12.8**	**(0.1)**	**1,743.6**	**219.2**	**12.6**	**0.7**
Tax Revenue	153.6	12.8	(4.6)	1,229.6	146.1	11.9	(4.8)
Customs & Excise	25.1	12.2	51.6	215.0	35.6	16.6	42.1
Non Tax Revenue	38.8	13.2	(3.6)	298.2	37.3	12.5	(3.7)
Grant	0.2	14.0	63.3	0.9	0.1	6.2	(69.1)
Expenditure	**279.4**	**10.2**	**2.8**	**2,750.0**	**282.7**	**10.3**	**1.2**
Central Government Expenditure	161.7	8.2	11.0	1,954.5	179.7	9.2	11.1
Regional Transfer & Village Funds	117.7	15.4	(6.7)	795.5	103.0	13.0	(12.4)
Primary Balance	**(27.5)**	**3.9**	**37.8**	**(633.1)**	**(23.2)**	**3.7**	**(15.7)**
Surplus (Deficit)	**(61.8)**	**5.9**	**14.4**	**(1,006.4)**	**(63.6)**	**6.3**	**2.8**
% to GDP	*(0.40)*			*(5.70)*	*(0.36)*		
Financing	**113.6**	**10.9**	**(42.7)**	**1,006.4**	**273.1**	**27.1**	**140.5**
SiLPA (SiKPA)	**51.7**	**-**	**-**	**-**	**209.5**	**-**	**-**

- **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

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

Priorities in 2021

Health (IDR169.7 tn)
Accelerating health recovery, National Health Insurance (JKN) reforms, and vaccine procurement

Education (IDR550.0 tn)
Strengthening the quality of education and teacher competences

Social Protection (IDR421.7 tn)
Supporting social protection reform and comprehensive social protection

Infrastructure (IDR413.8 tn)
Provision of infrastructure for basic services, improving connectivity, and supporting economic recovery, and continuing pending priority programs

Food Security (IDR104.2 tn)
Increase food production and revitalizing the national food system and developing Food Estate

Tourism (IDR15.7 tn)
Encouraging the recovery of the tourism sector

ICT (IDR29.6 tn)
Optimizing the use of ICT to support and improve the quality of public services

Source: Ministry of Finance

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%

Foreign Loan

Foreign Denomina-ted Bonds

Domestic Loan

Domestic GS

2021 Matured T-Bills Issuance

GROSS GS
(Through auction & non-auction)

GDS 68-73%

Sukuk 27-32%

*GS: Government Securities

Debt to GDP Ratio

Realization*	Projection
2020 38.68%	2021 41.10%

*preliminary figure

Source: Ministry of Finance

2021 Financing Strategy

Opportunistic, Measured, and Prudent Financing Strategies to support counter cyclical policies

Debt is used as an instrument to support counter cyclical policy; managed in prudent manner, measurable and opportunistic

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 AIIB
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

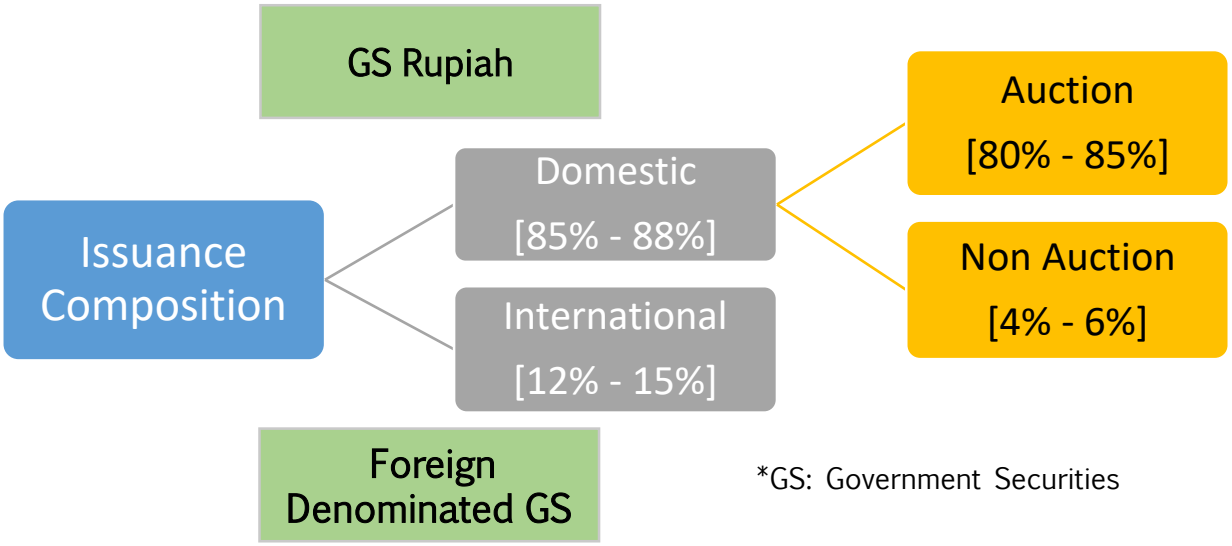
Source: Ministry of Finance

Government Securities Indicative Financing Plan for 2021

Government Securities

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: Government Securities

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

Source: Ministry of Finance

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)

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

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 on-MSME	Covered by Government with rate BI *Reverse repo* 3M minus 1%, and BI covered the remaining difference with market rate	Issuance through market mechanism (auction, Green Shoe Option, Private Placement according to the SKB on April 16, 2020)
3. Non-Public Goods: Others	Full Covered by Government amounting *market rate*	

COVID-19 HANDLING ALLOCATION
IDR 903,46 T

Public Goods
IDR 397.56T

- Health
  IDR 87.55T
- Social Protection
  IDR 203.90T
- Sectoral K/L, Local Govt
  IDR 106.11T

Non-Public Goods
IDR 505.90T

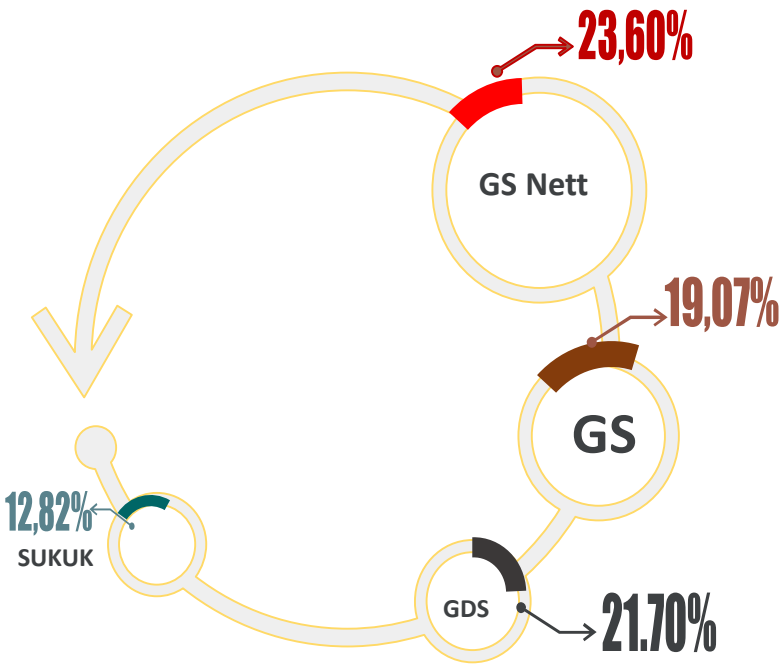
- Micro small and Medium Enterprises (MSME)
  IDR 123.46T
- Corporation Non-MSME
  IDR 53.57T

Others
IDR 328.87T

- 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)



(Trillion IDR)

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

* 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)

Source: Ministry of Finance

Republic of Indonesia - Dual Currency US$3bio and EUR1bio

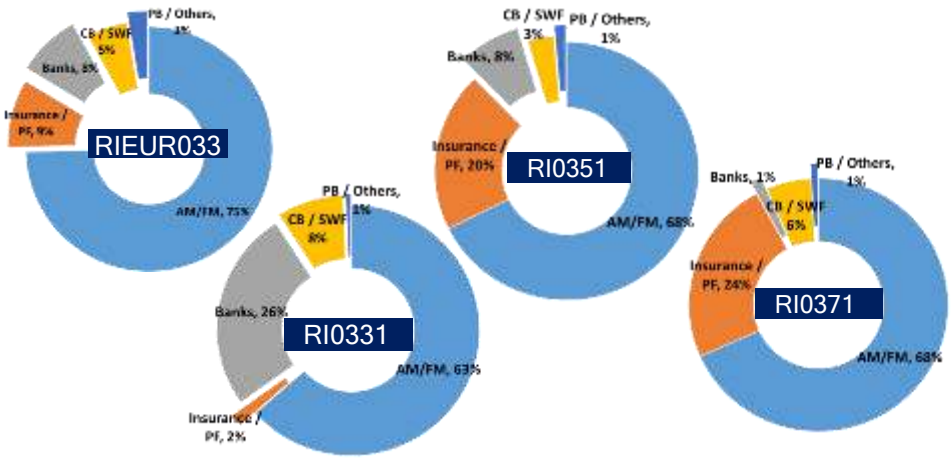
Issuer	Republic of Indonesia			
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)			
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	SEC Registered			
Issue	Senior unsecured fixed rate notes off US SEC Shelf			
Pricing Date	January 5, 2021			
Settlement Date	January 12, 2021			
Currency	USD			Euro
Size	US$1.25bio	US$1.25bio	US$0.5bio	€1bio
Tenor	Long 10-year	Long 30-year	Long 50-year	Long 12-year
Maturity	March 12, 2031	March 12, 2051	March 12, 2071	March 12, 2033
Coupon (p.a.)	1.850%	3.050%	3.350%	1.100%
Yield	1.900%	3.100%	3.400%	1.174
Price	99.538%	99.020%	98.794%	99.165%
Listing	Singapore, Frankfurt Stock Exchange			
Use of Proceeds	The net proceeds are for general purposes of the Republic of Indonesia, including its Covid-19 relief efforts			

Transaction Highlights

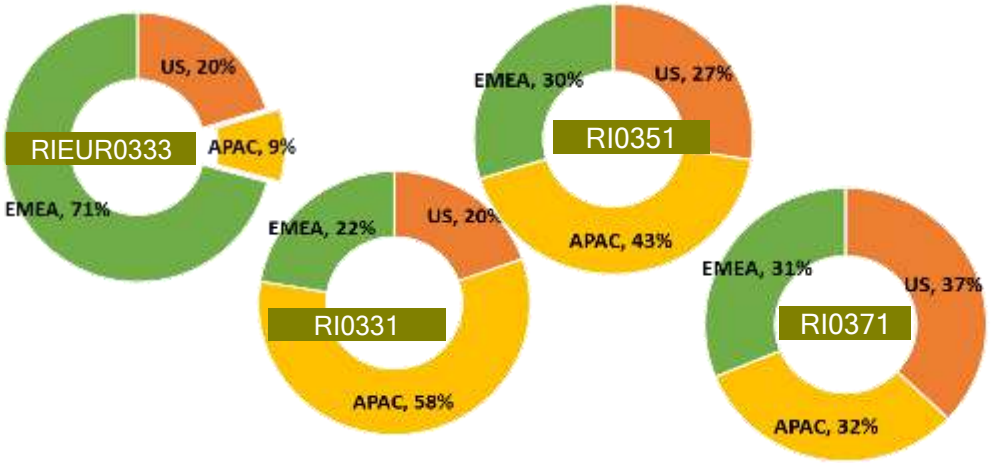
- The lowest yields and coupons throughout the issuance of Indonesian Global Bonds for all tenors and currencies
- All tranches priced inside of the Republic's existing credit curve with negative new issue premium and at the tightest levels for every one of the tranches
- The transaction was well-executed 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

Investor Breakdown by Investor Type



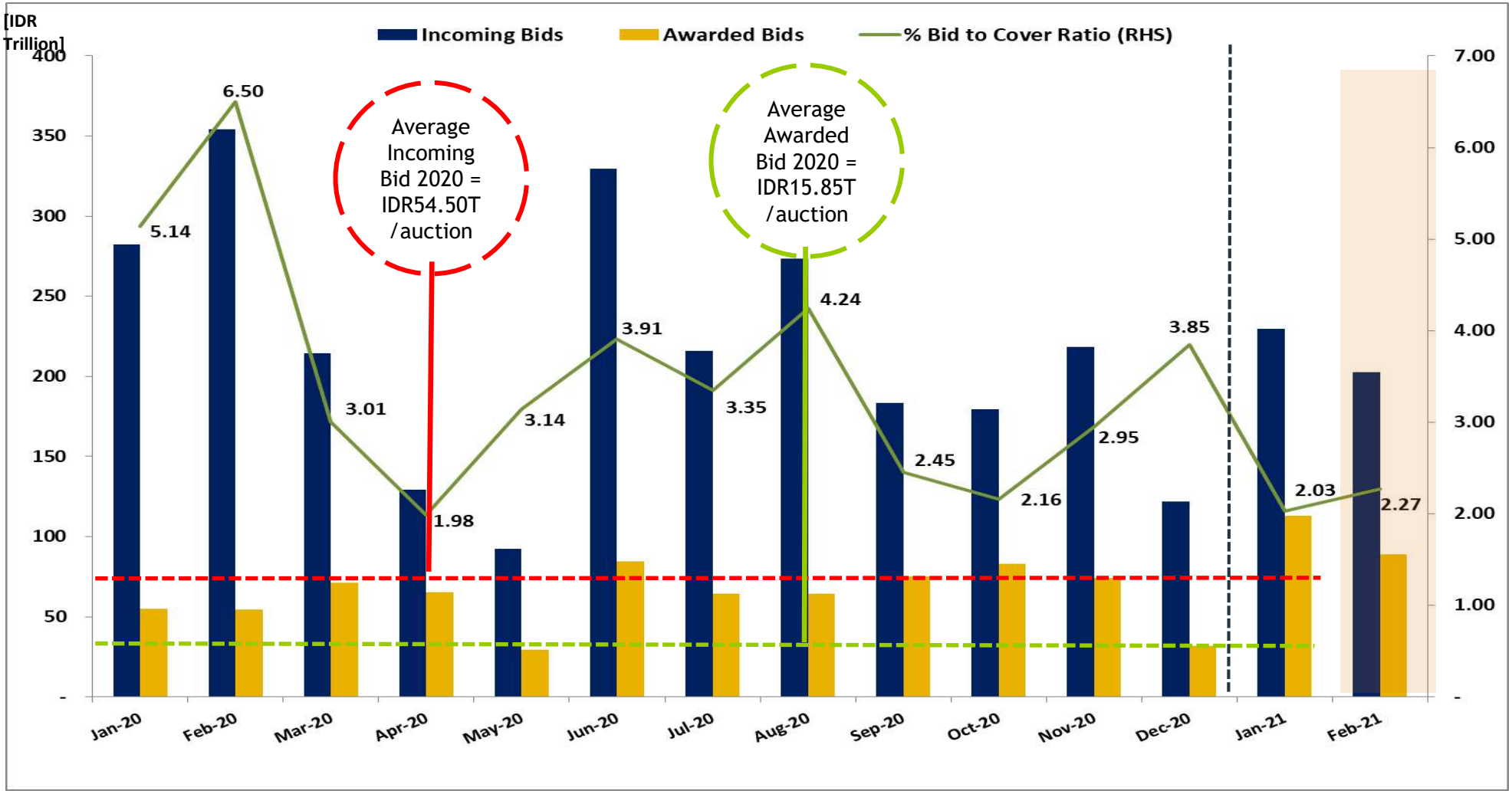
Investor Breakdown by Geography



GS Primary Market Performance 2020 - 2021

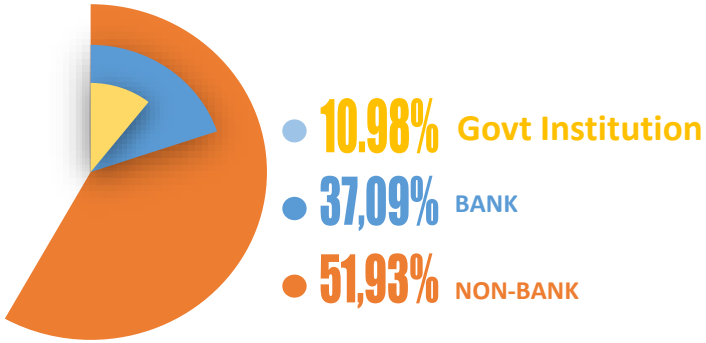
Through Auction

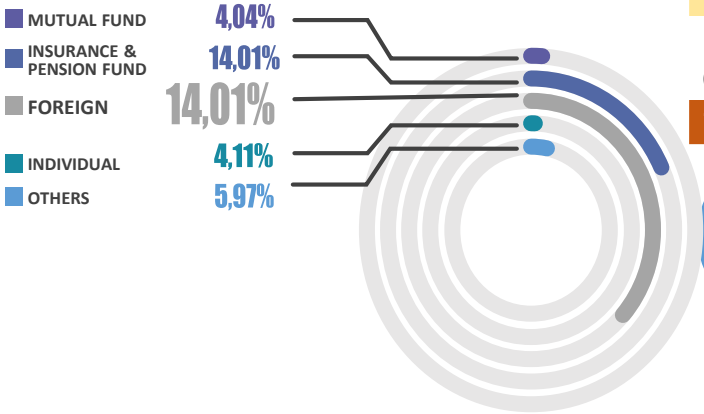
In 2021, average incoming bid = IDR52.92 tn/auction while average awarded bid = IDR24.10 tn/auction



Source: Ministry of Finance

Ownership of IDR Tradable Government Securities
(a.o February 26,2021)





(IDR tn)

Description	Dec-17		Dec-18		Dec-19		Dec-20		Feb 26 ,2021	
Banks*	**491.61**	**23.41%**	**481.33**	**20.32%**	**581.37**	**21.12%**	**1375.567**	**35.54%**	**1,513.09**	**37.09%**
Govt Institutions (Bank Indonesia)**	**141.83**	**6.75%**	**253.47**	**10.70%**	**262.49**	**9.54%**	**454.3606**	**11.74%**	**447.95**	**10.98%**
Bank Indonesia (gross)	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.875562	22.60%	925.48	22.69%
GS used for Monetary Operation	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.514938	10.86%	477.52	11.71%
Non-Banks	**1,466.33**	**69.83%**	**1,633.65**	**68.98%**	**1,908.88**	**69.34%**	**2,040.83**	**52.72%**	**2,118.51**	**51.93%**
Mutual Funds	104	4.95%	118.63	5.01%	130.86	4.75%	161.321131	4.17%	164.80	4.04%
Insurance Company and Pension Fund	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.817373	14.02%	571.34	14.01%
Foreign Holders	**836.15**	**39.82%**	**893.25**	**37.71%**	**1,061.86**	**38.57%**	**973.91**	**25.16%**	**971.40**	**23.81%**
Foreign Govt's & Central Banks	**146.88**	**6.99%**	**163.76**	**6.91%**	**194.45**	**7.06%**	**178.3111**	**4.61%**	**231.46**	**5.67%**
Individual	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.210288	3.39%	167.57	4.11%
Others	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.572274	5.98%	243.39	5.97%
Total	**2,099.77**	**100%**	**2,368.45**	**100%**	**2,752.74**	**100%**	**3,870.76**	**100%**	**4,079.55**	**100%**

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

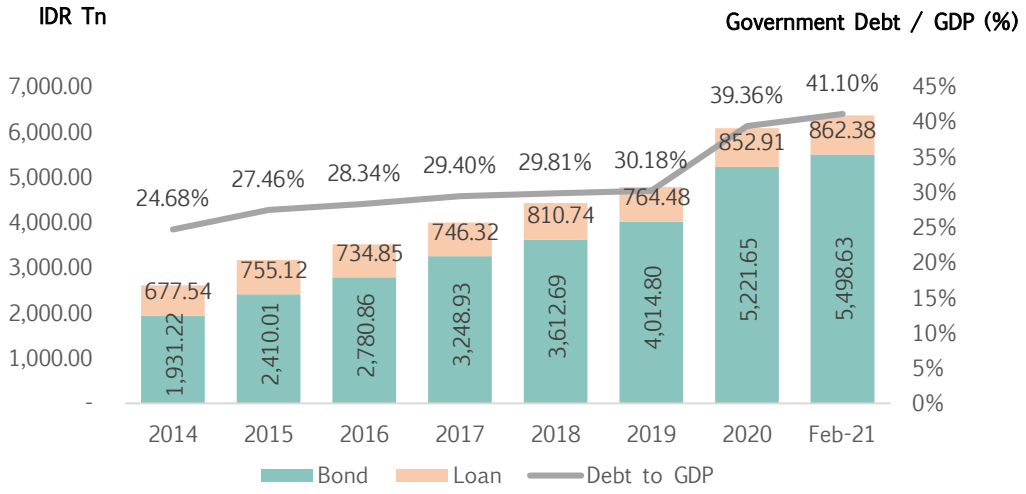
69,32% — Portion of foreign ownership in the mid & long term sector (≥ 5 years).

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

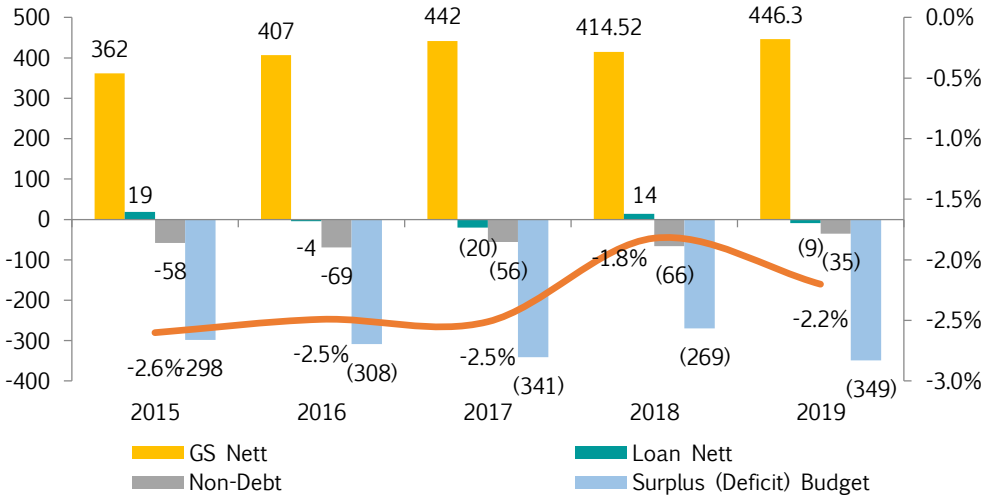
Source: Ministry of Finance

Disciplined and Sophisticated Debt Portfolio Management

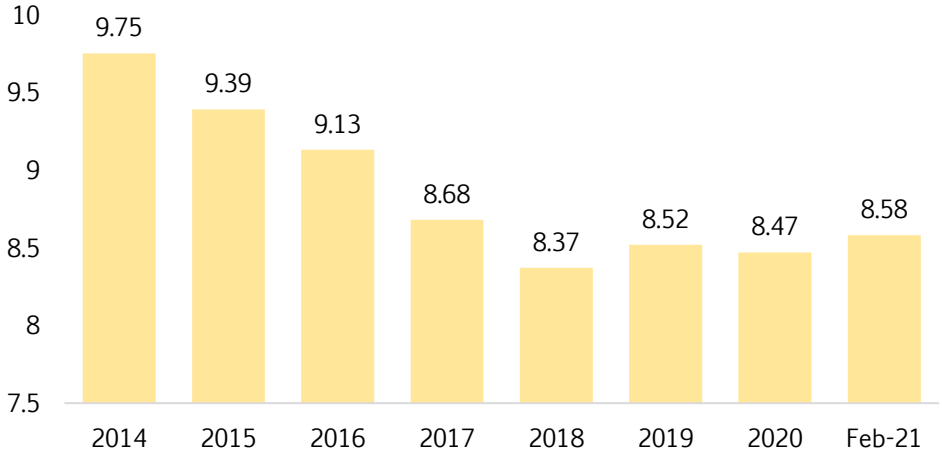
Stable Debt to GDP Ratio Over the Years



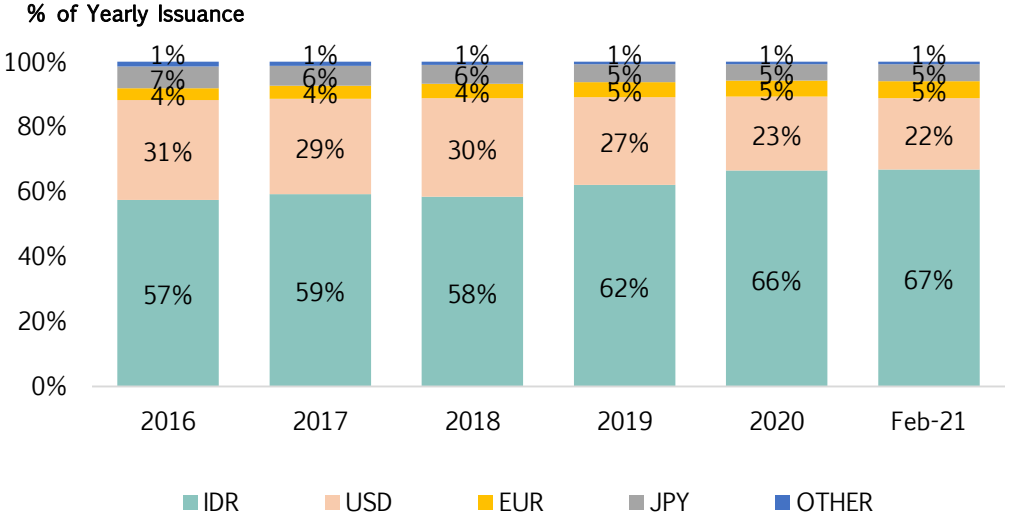
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.58 Years



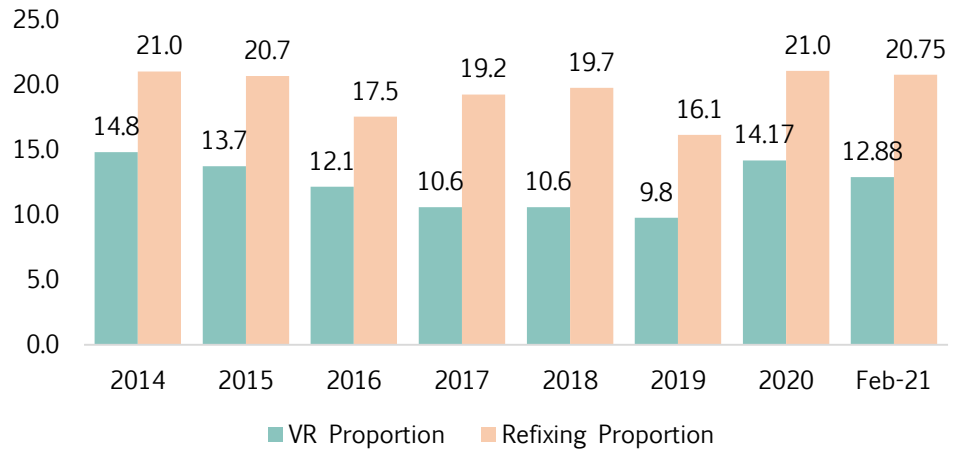
Well Diversified Across Different Currencies



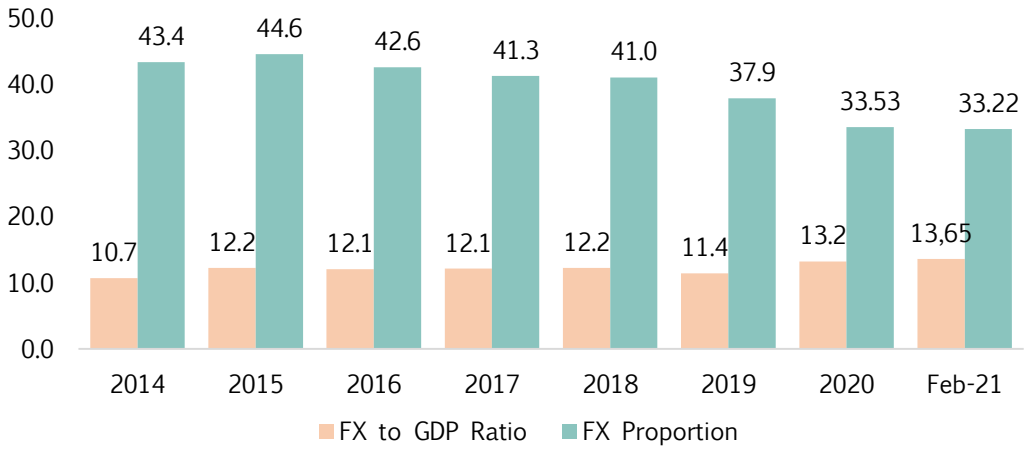
Source: Ministry of Finance

Well Balanced Maturity Profile with Strong Resilience Against External Shocks

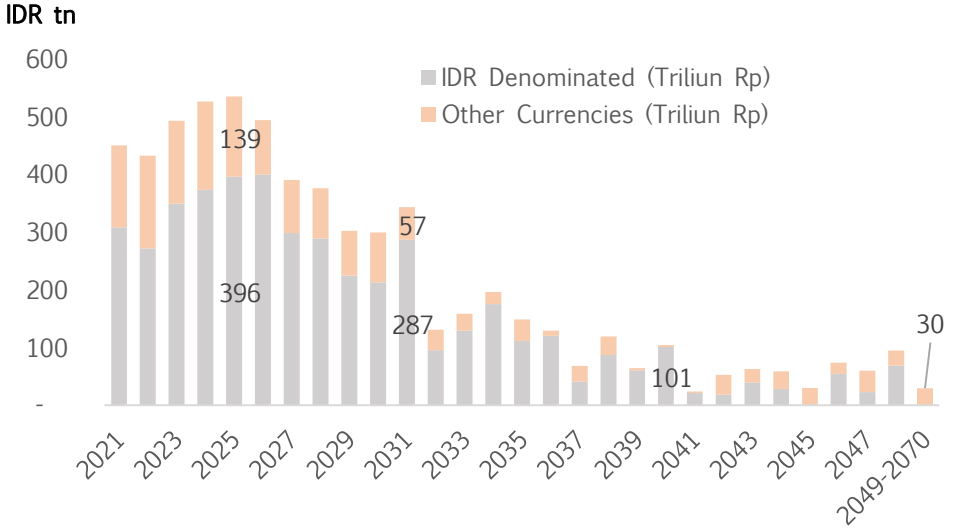
Interest Rate Risks



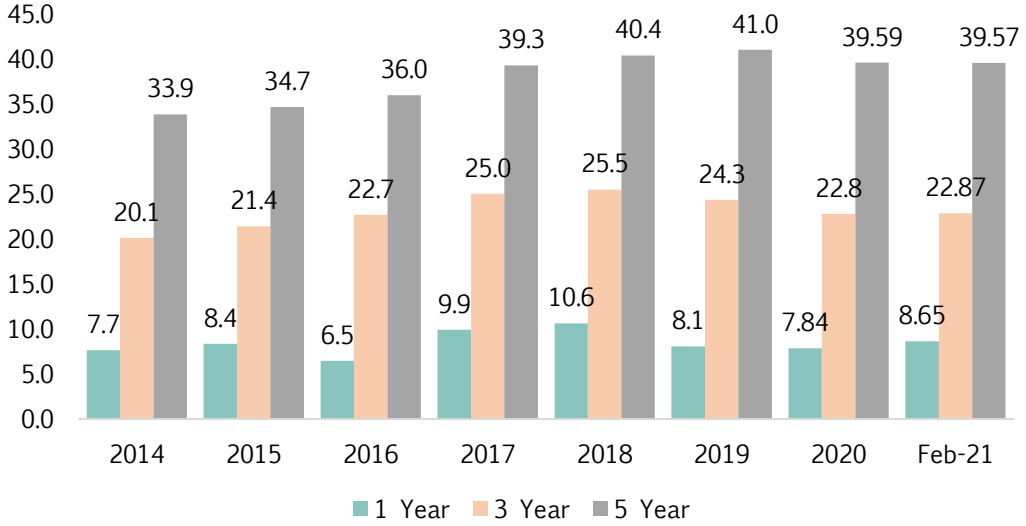
Declining Exchange Rate Risks



Debt Maturity Profile



Upcoming Maturities (Next 5 Years)

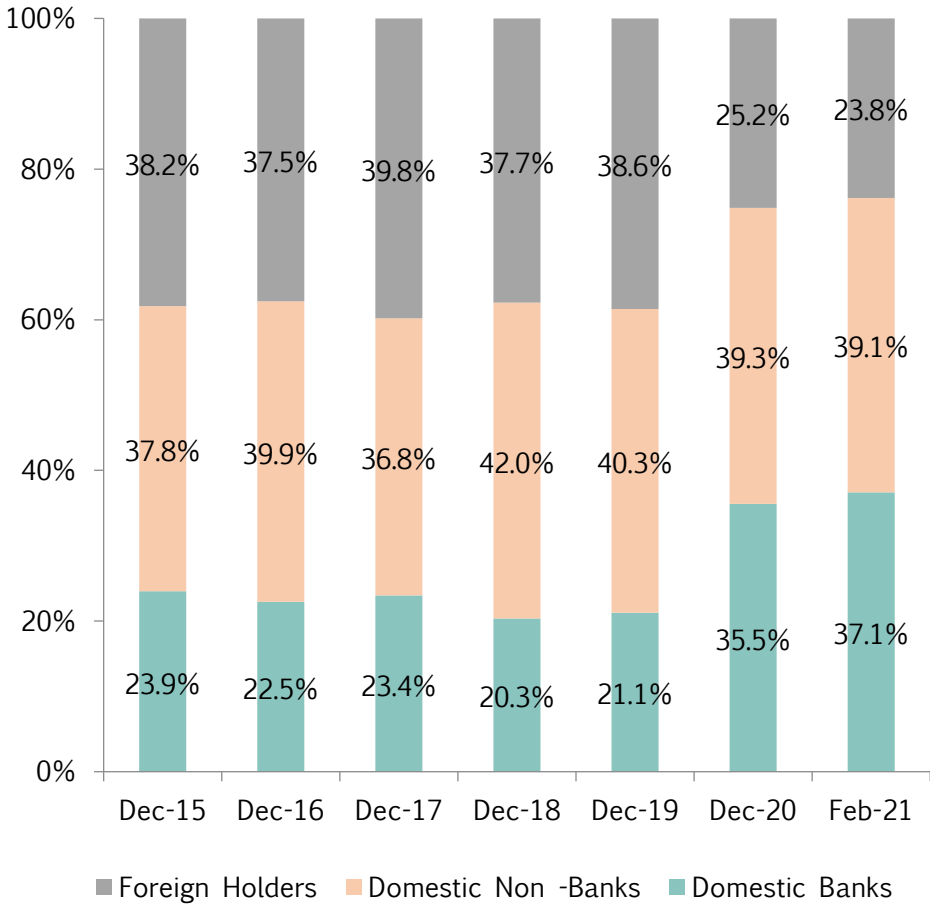


Source: Ministry of Finance

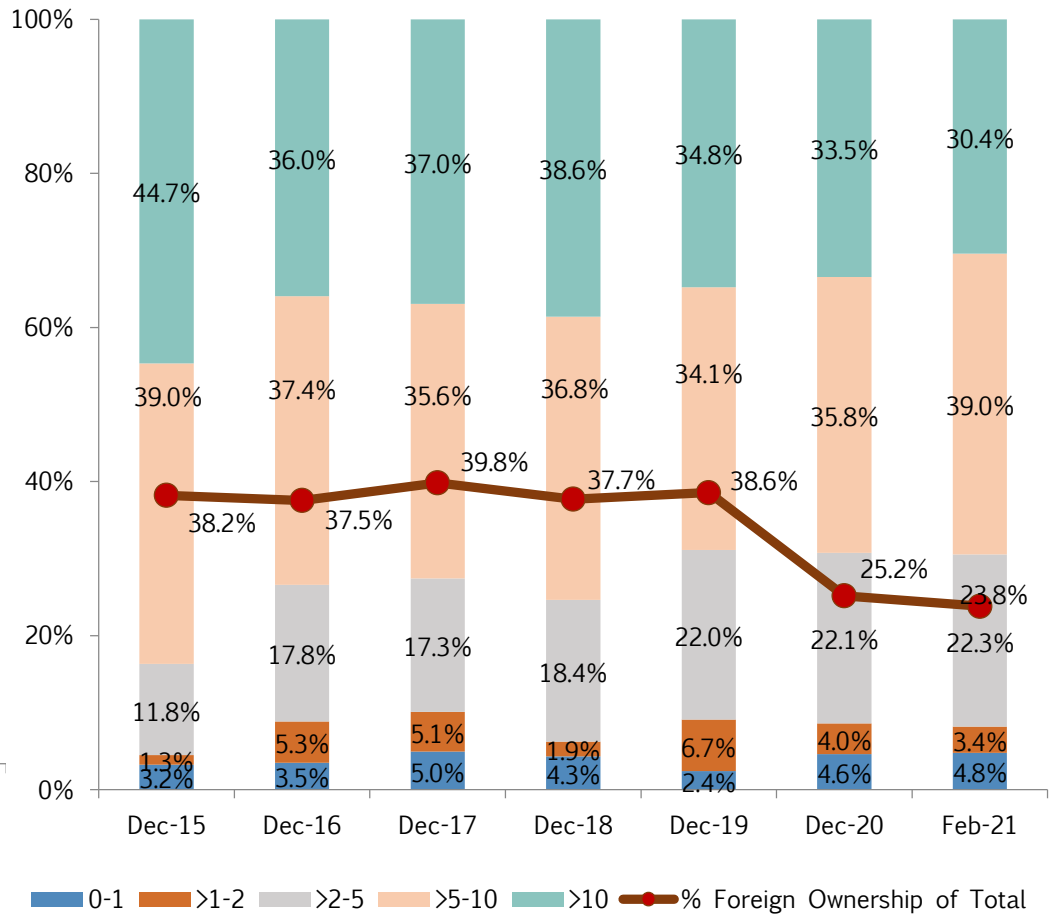
Holders of Tradable Central Government Securities

More Balance Ownership In Terms of Holders and Tenors

Holders of Tradable Gov't Domestic Debt Securities



Foreign Ownership of Gov't Domestic Debt Securities by Tenor



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

Commitment to Sustainability	Forefront of Environmental Protection	The President's *Nawacita* Programme
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	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	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

Indonesia's Environmental Commitment and Objectives

Mitigation

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

Adaptation

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

Biodiversity

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

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- 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

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**

2020 Issuance	2019 Issuance	2018 Issuance
USD 750 million	**USD 750 million** (or IDR 11.25 trillion)	**USD 1.25 billion** (or IDR 16.75 trillion)
34% allocated to Green investors*	29% allocated to Green investors*	29% allocated to Green investors*

Each issuance comprised of:

51% refinancing existing projects and 49% financing new projects

Allocation by Sector

- Renewable energy
- Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction
- Energy efficiency
- Waste and Waste to Energy Management
- Sustainable Transport

Managed by 3 Ministries:

- Ministry of Transportation
- Ministry of Energy and Mineral Resources
- Ministry of Public Works and Housing

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

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

	Renewable Energy	Resilience to Climate Change	Waste and Waste to Energy Management
Locations	Across the country	Across the country	Across the country
Amount Committed to Finance 2019 Projects	USD4.31 mil	USD96.57 mil	USD10.83 mil
Amount Committed to Refinance 2017 Projects	USD39.62 mil	-	USD63.13 mil
Target Impact / Emissions Reduction (2017)	134,872.41 tonnes of CO2e	-	In order to achieve 48,000,000 tonnes target set in RAN-GRK
Project Examples Financed / Refinanced	• **Planning, Development and Supervision of New, Renewable Energy and Energy Conservation Infrastructure** (Refinancing and Financing) 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*. Locations spread across 19 provinces in 2017 (Refinancing) and the 2019 development of such infrastructure are spread across all provinces (Financing)	• **Construction of Flood Control Facilities** (Financing) Construction of retention ponds/polders, flood canals, dikes, checkdam, and river maintenance and normalization. It aims to reduce the risk of flooding due to increased rainfall intensity and land use changes. Locations: West Java, Central Java, Yogyakarta, North Sumatera, West Sumatera, South Sulawesi, Maluku, Bali	• **Improvement of Municipal Solid Waste Management System** (Refinancing) 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 • **Improvement of Municipal Solid Waste Management System** (Financing) Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal site. Locations spread across 11 provinces

**Micro-hydro is of <100 kW and mini-hydro is of 100 kW-10 MW*
Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC
Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the amount spent on each project

Tangible Results from Indonesia's Green Sukuk Initiatives (Cont'd)

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

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

	Sustainable Transport	Energy Efficiency
Locations	Jakarta, Sumatera, Java	Across the country
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
Project Examples Financed / Refinanced in 2019	• **Development of Jabodetabek Urban Train** (Refinancing) Construction of double-double track of the Jabodetabek urban railway network. Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi) • **Construction and Management of Railways Infrastructure and Supporting Facilities in Sumatera** (Refinancing and Financing) 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, Riau, South	• **Construction and Management of Double Track Railways Infrastructure and Supporting Facilities** (Refinancing and Financing) The construction of the double track railway project in the Trans Java railway's northern section, upgrading the single-track railway. Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)	• **Installation of Navigation Facilities** (Refinancing) 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 • **Improvement of Land Transportation Traffic Management System** (Refinancing) 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 • **Construction, Rehabilitation and Maintenance of Airport Infra-structures** (Refinancing) 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

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

Section 7

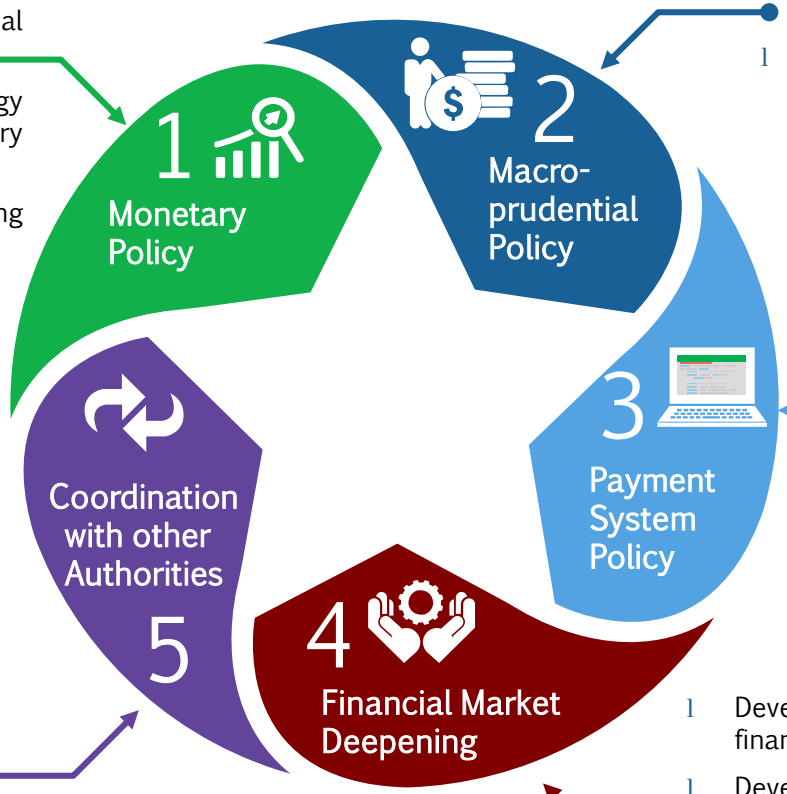
Monetary and Financial Factor: Credible Monetary Policy Track Record and Favourable Financial Sector

Bank Indonesia's Policy Mix 2020

Synergy to Build Economic Recovery Optimism

- Maintaining accommodative monetary policy stance (lowering policy rate 125bps in 2020).
- Maintaining rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms.
- Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
- Focusing on the quantity channel by providing liquidity to stimulate economic recovery

- Implementing Macro prudential Intermediation Ratio (RIM)
- Implementing Macro prudential Liquidity Buffer (MLB)



- Electronification: Social program, e-payment for Government
- Financial technology
- National Payment Gateway (NPG)
- QRIS (QR Indonesia Standard)
- Expanding National Clearing System (SKNBI) services

- Controlling inflation thru Inflation Control Team in national and regional level.
- Supporting the 2020 state budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability.
- Supporting national economic recovery program thru Burden Sharing Scheme with the MOF
- Promoting lower lending rates through close supervision and public communication in coordination with OJK.
- Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability.

- 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)

Source: Bank Indonesia

Bank Indonesia Policy Mix: March 2021

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

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%

Hold the BI 7-Day Reverse Repo Rate at 3.50%

Strengthening the monetary operations strategy to bolster the accommodative monetary policy stance and strengthening Prime Lending Rate (SBDK) transparency in the banking industry

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.

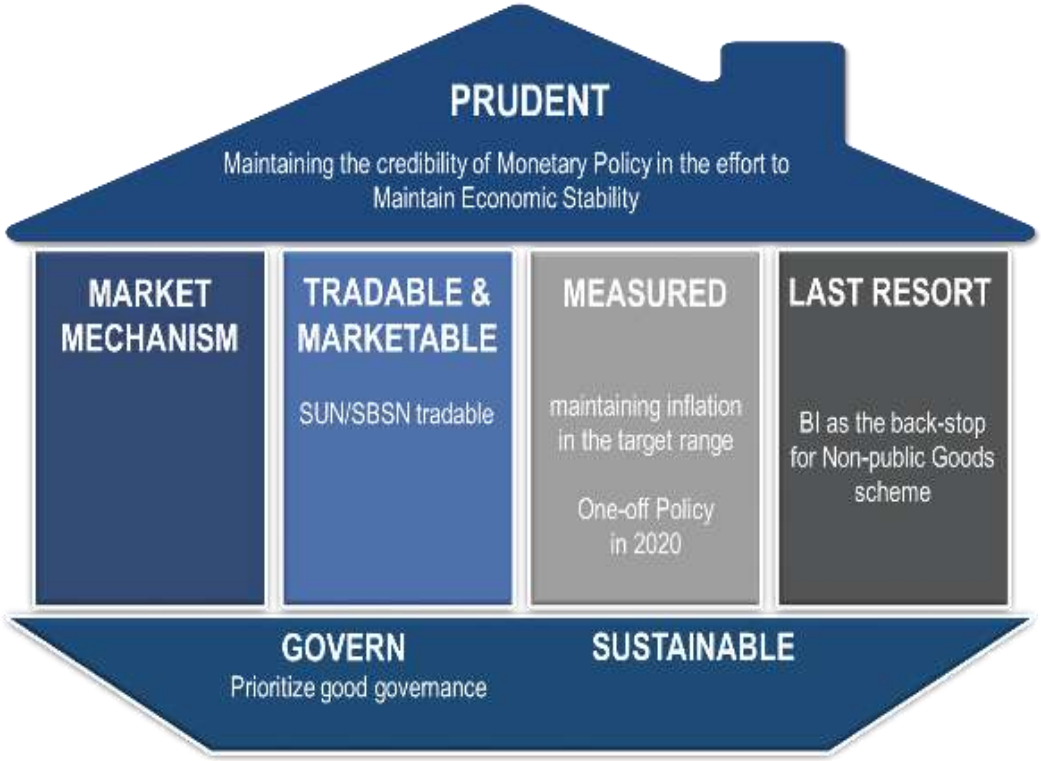
Accelerating money market deepening through repo transactions between market players and strengthening transaction infrastructure to enhance monetary policy transmission effectiveness and financial sector liquidity management.

- 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

PRINCIPLES OF FUNDING AND BURDEN SHARING



- 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

Source: Bank Indonesia

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix

- Lower/Hold BI 7-day Reverse Repo Rate
- Stabilization Of The Rupiah
- Money Market & Foreign Exchange
- Quantitative Easing
- Macro-Prudential Policy
- Payment System Policy

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

1. Lower BI7DRR by 25 bps in February to 4,75%, and other 25 bps in March to 4,50%
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
3. Lower Foreign Exchange Reserve Requirement from 8% to 4%
4. Rupiah accounts (vostro) of foreign investors as underlying of DNDF
5. Domestic custodian bank for global investors
6. Triple intervention: spot, DNDF, & purchasing SBN in the secondary market
7. Daily FX swap auction and Repo auction of SBN
8. Liquidity injection through monetary operation
9. Relaxation of Macro-prudential Intermediation Ratio
10. QRIS campaign to SME, traditional markets, students and worship places
11. Lower SKNBI cost

BGM 13-14 APRIL AND 18-19 MAY 2020

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

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

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

BGM 18-19 AUGUST 2020 BGM 16-17 SEPTEMBER 2020 BGM 12-13 OCTOBER 2020

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

BGM: Board of Governor Meeting
Source: Bank Indonesia

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix

Lower/HoldBI 7-day Reverse Repo Rate

Stabilization Of The Rupiah

Money Market & Foreign Exchange

Quantitative Easing

Macro-Prudential Policy

Payment System Policy

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. Accelerate the deepening of the development of the foreign exchange market and the domestic financial market through the implementation of BPPU 2025
6. Maintain a CCB ratio of 0%, RIM 84-94%, PLM 6% as well as 6% repo flexibility and LTF / FTV ratio for property loans.
7. Strengthening macroprudential policy to stimulate inclusive financing, in particular for small and medium enterprises (SMEs)
8. Strengthening payment system digitalization in order to build economic recovery momentum through several digital transformation initiatives, including: expanding access to digital financial economy services for SMEs & public, collaboration between banks & fintech; promoting broader acceptance of digital payments through the QRIS
9. Reducing service fees for the BI-RTGS, Extending the period of lower service fees for the SKNBI, & lower payment limit and late payment fees for CC

BGM 16-17 DECMBER 2020

1. Hold BI7DRR at 3,75% % for maintain external stability and inflation is predicted to remain low
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.g: 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 QRIS acceptance to 12 million merchants, while developing QRIS features, such as transfers, withdrawals and deposits, in order to boost public QRIS acceptance.
   b. Implementing payment system regulatory reforms in accordance with Bank Indonesia Regulation (PBI) No. 22/23/PBI/2020 through industry restructuring, license reclassification, ownership, technological innovation, including data and information, as well as strengthening supervision, including cyber risk management.

BGM:
Board of Governor Meeting
Source: Bank Indonesia

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix

- Lower/Hold BI 7-day Reverse Repo Rate
- Stabilization Of The Rupiah
- Money Market & Foreign Exchange
- Quantitative Easing
- Macro-Prudential Policy
- Payment System Policy

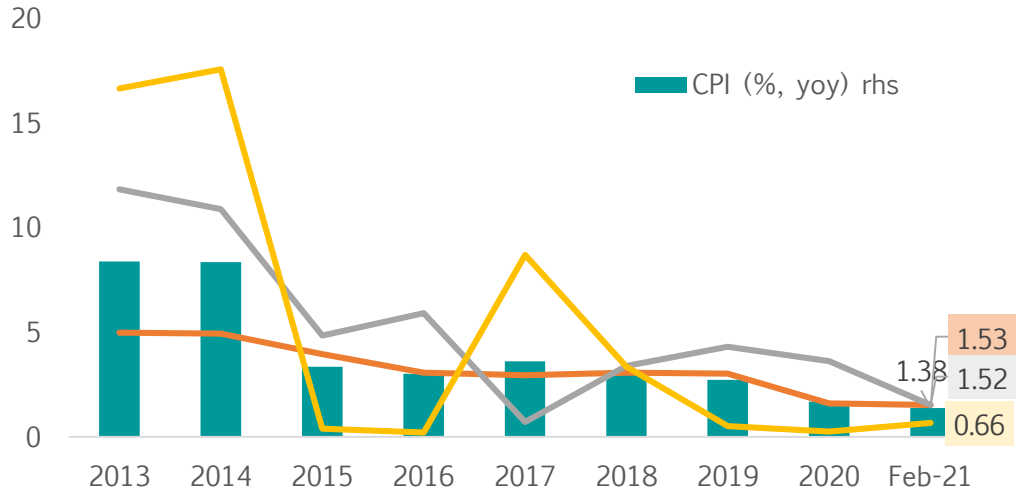
BGM 17-18 FEBRUARY 2021

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.

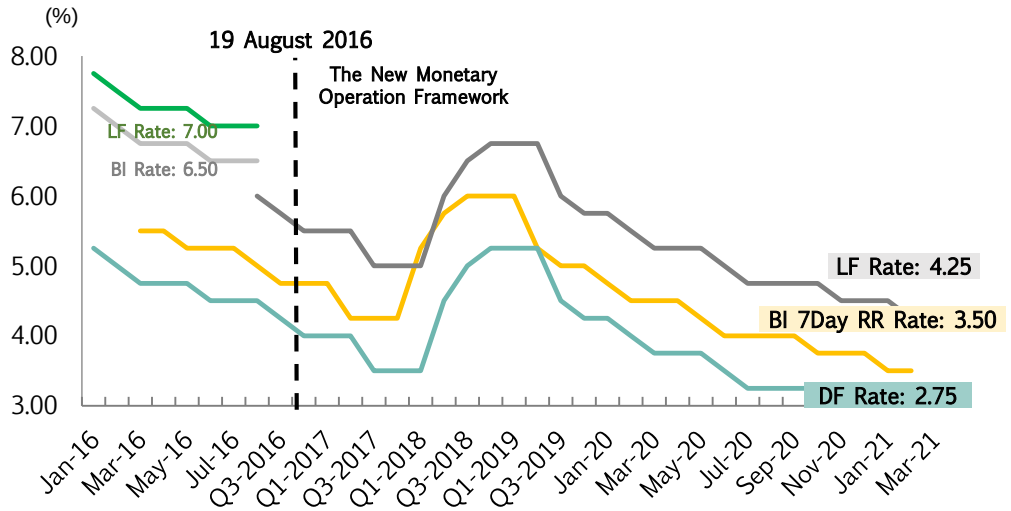
BGM:
Board of Governor Meeting
Source: Bank Indonesia

Stable Monetary Environment Despite Challenges

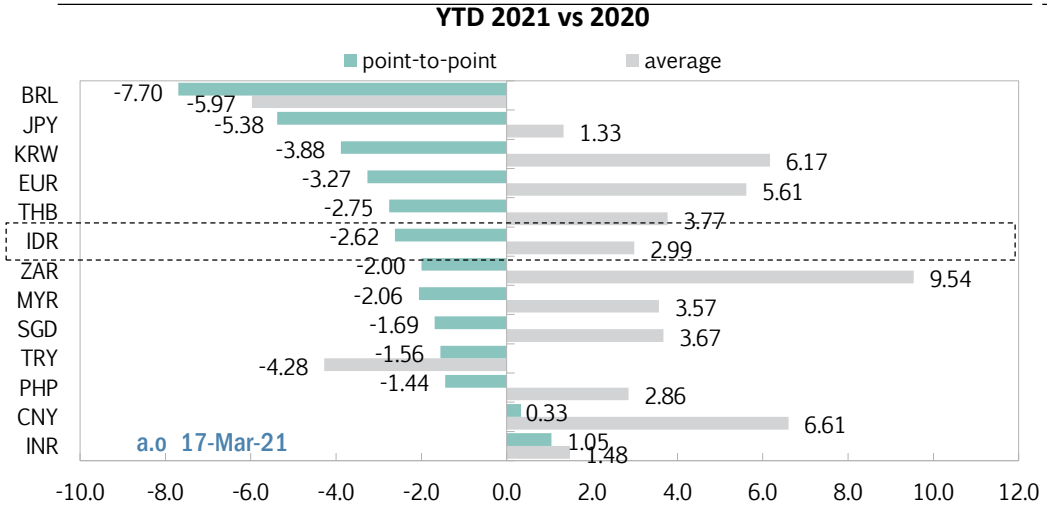
Well Maintained Inflation Ensured Price Stability



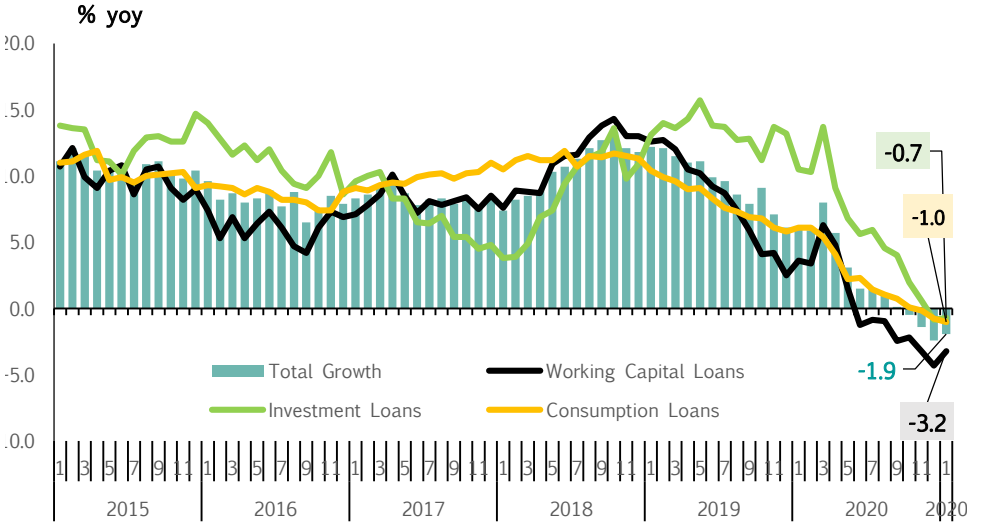
Strengthened Monetary Policy Framework



Rupiah Exchange Rate Fared Relatively Well Compared to Peers (ytd)



Credit Growth Profile



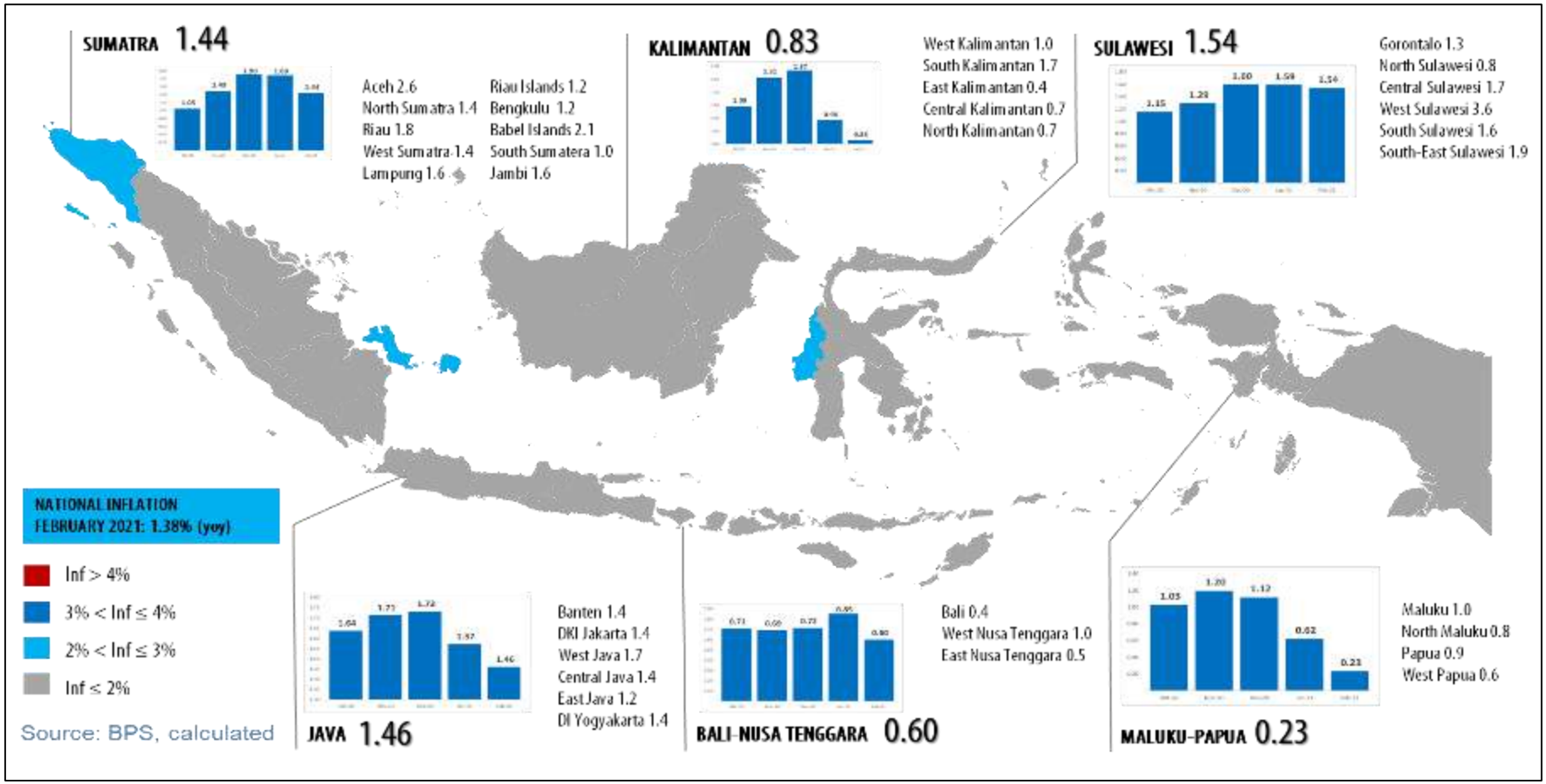
Source: Bank Indonesia

*) 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

2018-2019 Target

Achieving inflation at 3,5%±1%

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

2020-2021 Target

Achieving inflation at 3,0%±1%

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

4 Strategies

1. Price 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

Principles of Average Reserve Requirement Ratios Improvement

Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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

Source: Bank Indonesia

Relaxing Reserve Requirement Ratios

Lower reserve requirements, effective 1st May 2020

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

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 16th July 2018 and for sharia banks from 1st 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)*

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

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

Principles of Macroprudential Intermediation Ratio (MIR)*

	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
6	Percentage of the securities held	100%	
7	Criteria for securities issued	• medium-term notes (MTN), floating rate notes (FRN) and/or bonds other than subordinated bonds	• sharia-compliant medium-term notes (MTN) and/or sukuk other than subordinated sukuk
		• Issued by a nonbank corporation and by a resident • Offered to the public through a public offering • Equivalent to investment grade rating affirmed by a rating agency • Administrated by an authorised securities institution	
8	Securities Reporting	Offline delivery mechanism (email)	
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 DD MIR/Sharia DD MIR based on credit/financing 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

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

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

Policy Backgrounds

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

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:

$$\frac{\text{Credit + Owned Bond}}{\text{Deposit + Issued Bond + Loan/Financing Received}}$$

Lower disincentive parameter

MIR/sharia MIR RR=
Lower Disincentives Parameter x (Lower Bound of MIR/Sharia MIR Target – Bank's MIR/Sharia MIR) x Deposit

NPL	CAR	Lower Disincentives Parameter
≥ 5%	-	0.00
< 5%	KPMM ≤ 14%	0.00
	14% < KPMM ≤ 19%	0.10
	KPMM > 19%	0.15

Upper disincentive parameter

MIR/sharia MIR RR=
0.2 x (Bank's MIR/sharia MIR - Upper Bound of MIR/Sharia MIR Target –) x Deposit

*This disincentive applies for banks with CAR below 14%.

- 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%.

Current Regulation			New Regulation			
Regulation	MIR (CCB)	Sharia MIR (SCB and SBU)	Regulation		MIR (CCB)	Sharia MIR (SCB and SBU)
Criteria of Securities held	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;	Criteria of Securities held	i	In the form of corporate bonds and/or corporate sukuk;	In the form of 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. Administrated by an institution authorised to provide securities settlement and custodial services.				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. Administrated by an institution authorised to provide securities settlement and custodial services.	
				ii	In the form of export L/C;	

Current Regulation			New Regulation		
NPL/NPF	KPMM	Lower Disincentive Parameter	NPL/NPF	KPMM	Lower Disincentive Parameter
<5%	>19%	0.00	<5%	>19%	0.15
	14%<KPMM≤ 19%	0.00		14%<KPMM≤ 19%	0.10
	≤14%	0.00		≤14%	0.00
≥5%	-	0.00	≥5%	-	0.00

Applicable to banks with an MIR/Sharia MIRbelow 75% from 1stMay 2021, below 80% from 1stSeptember 2021 and below 84% from 1stJanuary 2022

Principles of Macroprudential Liquidity Buffer (MLB)

	Regulation	MLB (Conventional Commercial Bank)	MLB Sharia (Sharia Banks)
1	Rate	4% of rupiah deposits (including Sharia Business Units deposits)	4% of rupiah deposits
2	Components	• 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)	• Sharia-complaint securities denominated in rupiah held by an Sharia bank that may be used for sharia-compliant monetary operations (including SBIS/SBSN)
3	Calculation Formula	Percentage of rupiah securities held by a conventional commercial bank to rupiah deposits	Percentage of sharia-compliant rupiah securities held by an Sharia bank to rupiah deposits
4	Flexibility	Under certain conditions, the securities used to meet the MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits	Under certain conditions, the securities used to meet the sharia MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits
5	Sources of Data on Deposits	• 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	• 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

Macroprudential Liquidity Buffer (MLB) Policy and Credit card policy

Policy to increase the Macroprudential Liquidity Buffer (MPLB), effective 1st May 2020.

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

Credit card policy, effective 1st May 2020.

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

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

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

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

PROPERTY LOAN & PROPERTY FINANCING BASED ON MURABAHAH & ISTISHNA DEEDS					
PROPERTY TYPE (m²)	Current Regulation			Relaxation	
	Property Loan & Financing			Property Loan & Financing	
	I	II	III etc	I	II etc
HOUSE					
Type >70m²	85%	80%	75%	-	80%
Type 22-70m²	-	85%	80%	-	85%
Type <=21m²	-	-	-	-	-
APARTMENT					
Type >70m²	85%	80%	75%	-	80%
Type 22-70m²	90%	85%	80%	-	85%
Type <=21m²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

PROPERTY FINANCING BASED ON MMQ & IMBT DEEDS					
PROPERTY TYPE (m²)	Current Regulation			Relaxation	
	Property Financing			Property Financing	
	I	II	III etc	I	II etc
HOUSE					
Type >70m²	90%	85%	80%	-	85%
Type 22-70m²	-	90%	85%	-	90%
Type <=21m²	-	-	-	-	-
APARTMENT					
Type >70m²	90%	85%	80%	-	85%
Type 22-70m²	90%	85%	80%	-	85%
Type <=21m²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

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

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:

Current Regulation

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

Relaxation

Stage and Disbursement Rate	Conditions
House/Office House/Shop House	
Max. Cumulative disbursement up to 30% of ceiling	After loan deeds
Max. Cumulative disbursement up to 50% of ceiling	Footing finished
Max. Cumulative disbursement up to 90% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and covernote

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

Source: Bank Indonesia

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

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

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria					
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%
Type >21 - 70	-	85%	-	90%	-	80%	70%	-	80%	70%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%
Type >21 - 70	-	85%	-	85%	90%	80%	70%	90%	80%	70%
Type ≤21	-	85%	-	85%	-	80%	70%	-	80%	70%
Office House	-	85%	-	85%	-	80%	70%	-	80%	70%

Table 2. Adjusted LTV/FTV Ratio

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria					
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%
Office House	-	90%	-	90%	-	85%	75%	-	85%	75%

Source: Bank Indonesia

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

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

(Effective December 2nd, 2019)

Main Regulatory Points

2. Additional incentive on the LTV ratio for green property loans and FTV ratio for green property financing.
   a. The Green Property criteria refers to the standards/certificates issued by 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:

Table 3. LTV/FTV Ratio for Green Property

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

3. Adjustment 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:

Table 4. Current Down Payment on Automotive Loan or Financing

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

Table 5. Adjusted Down Payment on Automotive Loan or Financing

	Adjusted Down Payment	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	15%	20%
3-Wheeled or more (non productive)	15%	25%
3-Wheeled or more (productive)	10%	15%

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

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

(Effective December 2nd, 2019)

Main Regulatory Points

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

Table 6. Down Payment on Green Automotive Loan or Financing

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

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

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

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

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

Main Regulatory Points

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

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

1. Applicable to banks with a non-performing loans (NPL) ratio below 5%
2. Effective 1st 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 (PPnBM).
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

Current Regulation				
Vehicle Type	Downpayment Requirements on Non-Green Vehicles		Downpayment Requirements on Green Vehicles	
	NPL Requirements Met**	NPL Requirements Not Met**	NPL Requirements Met**	NPL Requirements Not Met**
Two Wheels	15%	20%	0%	15%
Two Wheels or More (Non-Commercial)	15%	25%	0%	20%
Two Wheels or More (Commercial)	10%	15%	0%	10%

New Regulation				
Vehicle Type	Downpayment Requirements on Non-Green Vehicles		Downpayment Requirements on Green Vehicles	
	NPL Requirements Met**	NPL Requirements Not Met**	NPL Requirements Met**	NPL Requirements Not Met**
Two Wheels	0%	10%	0%	0%
Two Wheels or More (Non-Commercial)	0%	10%	0%	0%
Two Wheels or More (Commercial)	0%	5%	0%	0%

*) previous regulation, PBI No. 21/13/PBI/2019

**) Requirements as follows:
1. Gross NPL/NPF ratio <5%; and
2. Net NPL/NPF 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 he 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

Current Regulation

	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financing based on MMQ and IMBT Contracts		
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%
Shop House/Office House	-	90%	-	90%	-	85%	75%	-	85%	75%

Notes:
1. '-' denotes LTV ratio policy at bank discretion
2. Based on PBI No. 21/13/PBI/2019

New Regulation

	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financing based on MMQ and IMBT Contracts		
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100 %	95%	95%	100 %	95%	95%
Apartment										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100 %	95%	95%	100 %	95%	95%
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%

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

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

Ketentuan Saat Ini

	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financing based on MMQ and IMBT Contracts		
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Type ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%
Shop House/Office House	-	95%	-	95%	-	90%	80%	-	90%	80%

Notes:
1. '-' denotes LTV ratio policy at bank discretion
2. Based on PB No. 21/13/PBI/2019
3. Criteria for a 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 ≥ 2500m², certified by an approved green building appra sal institution.

Ketentuan Baru

	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contracts			PP Bdsr Akad MMQ & Akad IMBT		
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Apartment										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%

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

c. Changes to Indent Regulations

Current Regulation			New Regulation
Maximum cumulative liquidation	up to 30% of ceiling	upon completion of loan contract	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.
Maximum cumulative liquidation	up to 50%	upon completion of foundations	
Maximum cumulative liquidation	up to 90% of ceiling	upon completion of roof	
Maximum cumulative liquidation	up to 100% of ceiling	upon signing of BAST, accompanied by AJB and a cover note.	

Source: Bank Indonesia

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)[2] 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

[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

Prime Lending Rate and Deposit Rate Response to BI7DRR [1]

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.

Graph 1.
BI7DRR – Monthly Deposit Rate – SBDK – Prime Lending Rate (SBDK)

Graph 2.
Prime Lending Rate (SBDK) based of banking group

- Regional Govt Banks (BPD)
- State Owned Banks (BUMN)
- National Private Commercial Banks (BUSN)
- Foreign Branch Banks (KCBA)

Graph 3.
Prime Lending Rate (SBDK) based of credit segment

- Mortgage (KPR)
- Non Mortgage (non KPR)
- Corporation
- Micro
- Retail

Improving the Effectiveness of Monetary Policy Transmission

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

Reformulation of
Monetary Policy Operational Framework

Implementation of BI 7 Day Reverse Repo Rate	Implementation of Money Market Deepening Program	Implementation of Reserve Requirement (RR) Averaging
Enhancement of monetary policy signal	Enhancement of instruments and transactions	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	Initiative II	Initiative III
Promoting Digitalization and Strengthen Financial Market Infrastructures	**Strengthening Effectiveness of Monetary Policy Transmission**	**Developing Economic Financing Sources and Risk Management**
(Trading venue, central counterparty, BI-SSSS, BI-RTGS, trade repository)	(Repo, IndONIA and JIBOR, Overnight Index Swap, DNDF, LCS)	(long-term hedging, sustainability and green financing, investor retail, asset securitization)

Blueprint is accessible here: https://www.bi.go.id/en/publikasi/kajian/Pages/Blueprint-Pengembangan-Pasar-Uang-2025.aspx

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

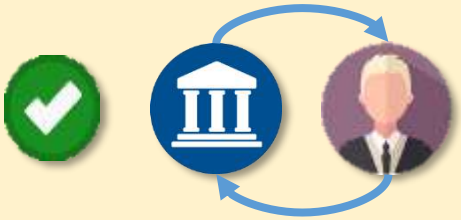
Source: Bank Indonesia

Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Bank can perform DNDF Transactions as follows:

Transaction between:

Bank – Customer



Bank – Foreign Party

Bank – Bank

Can only be performed to hedge rupiah exchange rate risk.

1. Must have *Underlying* Transactions:

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

   Excluding following activities:
   a. Bank Indonesia certificates;
   b. Placement of funds with bank;
   c. Unwithdrawn credit facilities;
   d. Documents of foreign currencies sales againts rupiah;
   e. Money transfer by fund transfer companies
   f. Intercompany loan
   g. Money changer activities.

2. Nominal of DNDF Transactions ≤ Nominal of Underlying Transactions

3. Tenor of DNDF Transactions ≤ Tenor of Underlying Transactions

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

BI Regulation No. 20/10/PBI/2018	AMENDMENT	BI Regulation No. 21/7/PBI/2019
Article 3 1. DNDF transactions must have Underlying		**Article 3** 1. Sell FX/IDR through DNDF up to $ 5 mio can be done without underlying documents
Article 6 2. Not Regulated;		**Article 6** 2. DNDF can be terminated (unwind);
Article 11 3. Underlying documents must be final (firm) with additional supporting documents		**Article 11** 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 4. Not Regulated;		**Article 11** 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

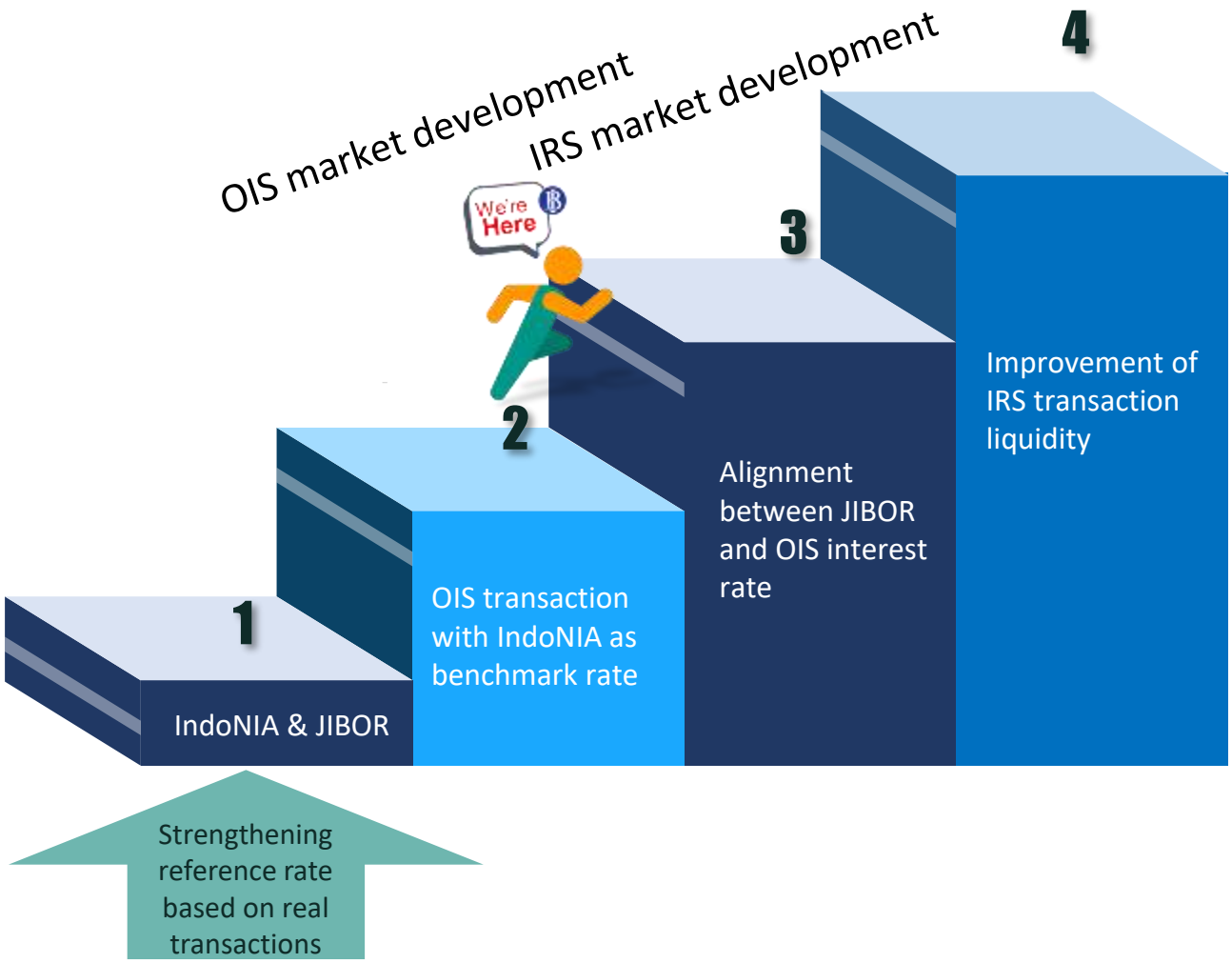
Specification	Before Implementation	After Implementation	Information
Currency Pair	USD/IDR		Not changed
Data type	Actual USD/IDR spot transactions traded in interbank market		Not changed
Data Reporting Media	SISMONTAVAR		Not changed
Publisher Administrator	Bank Indonesia		Not changed
Observation Range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

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

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

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

OIS and IRS Transactions: General Provisions

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

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

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

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

Market Conventions

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

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 — IN PROGRESS
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)

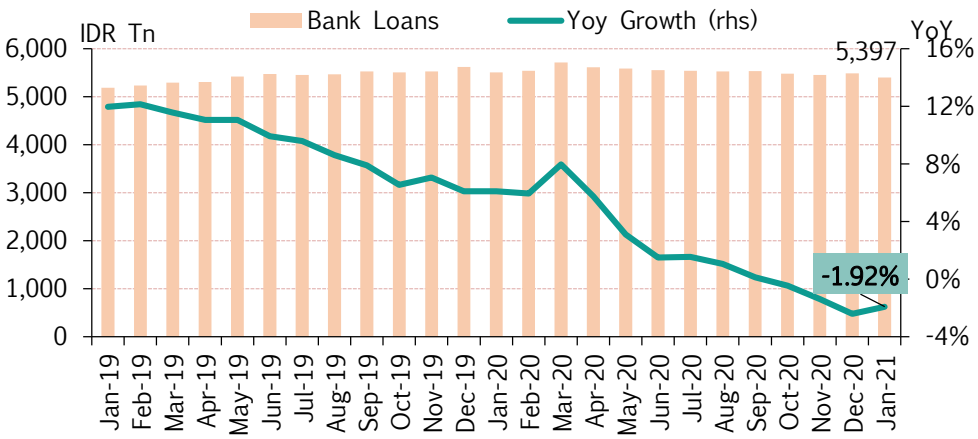
- Can be traded among contributor banks for 20 minutes.
- Up to a total of IDR20 billion.
- Up to 3-month tenor.

Source: Bank Indonesia

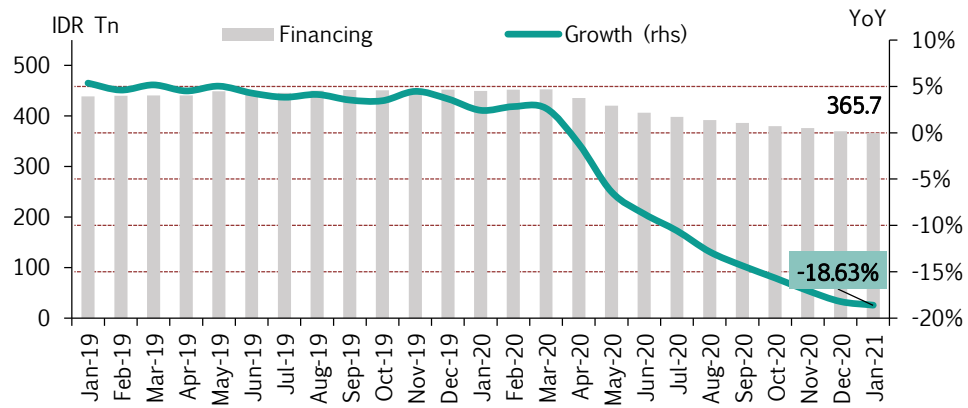
Financial Intermediation Affected Economic Activities

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...

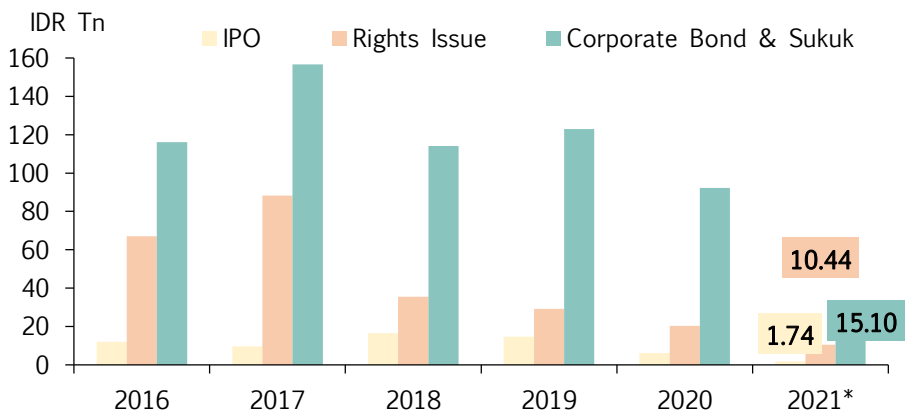
Following the Bank's restructuring program, credit growth shows a declining trend in 2020 with a -2.41% growth in December 2020.



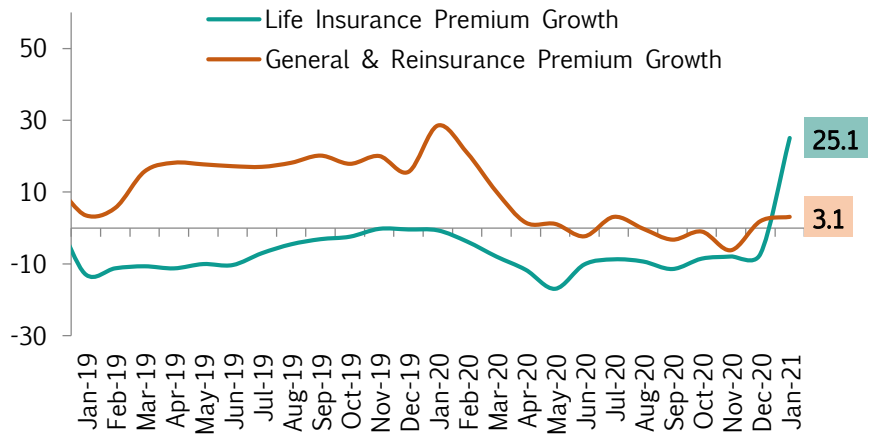
New financing distribution are still restrained and contracted by -18.63% in January 2021.



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.

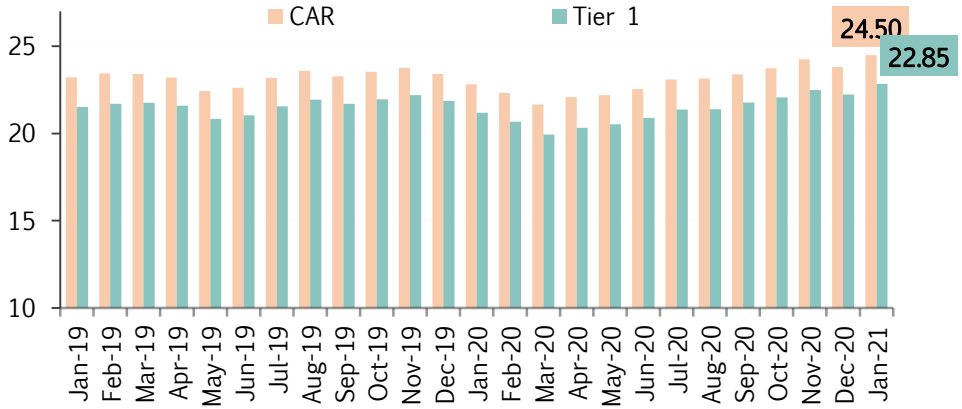


Source: Financial Service Authority (OJK)

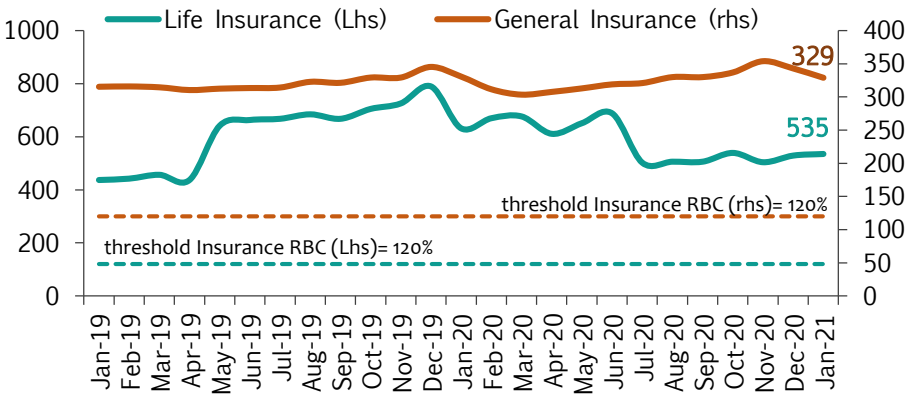
Resilient Financial Institutions

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

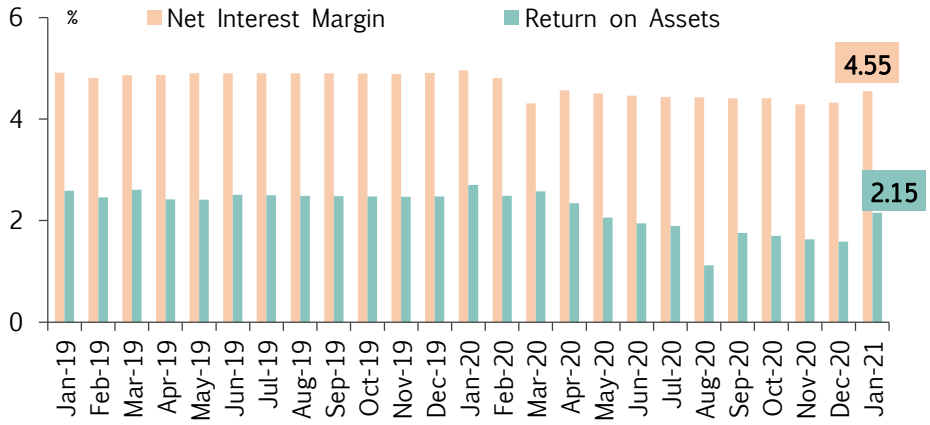
CAR of the banking sector remained high and stable at 24.50%, with Tier-1 capital at 22.85% as of January 2021.



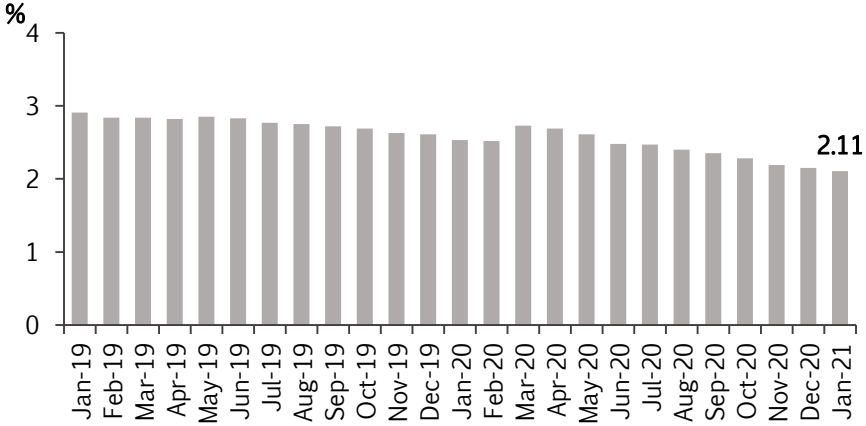
RBC of the insurance industry remained high and well above the minimum threshold (120%) with Life Insurance RBC at 535% and General Insurance RBC at 329%.



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



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

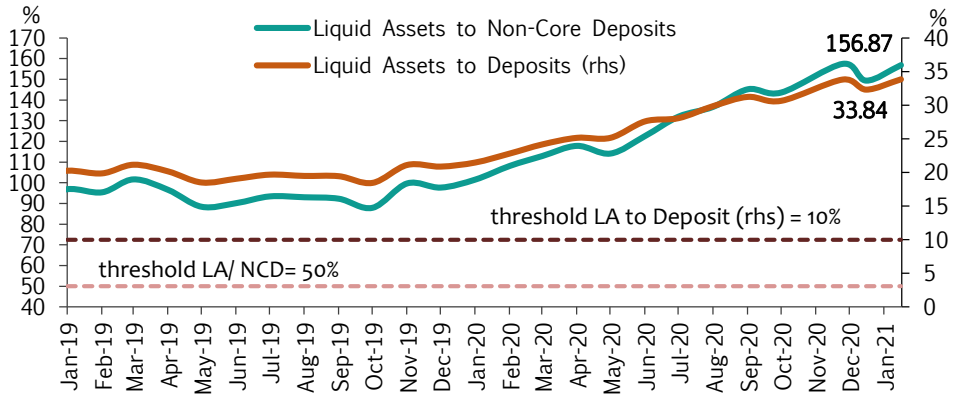


Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

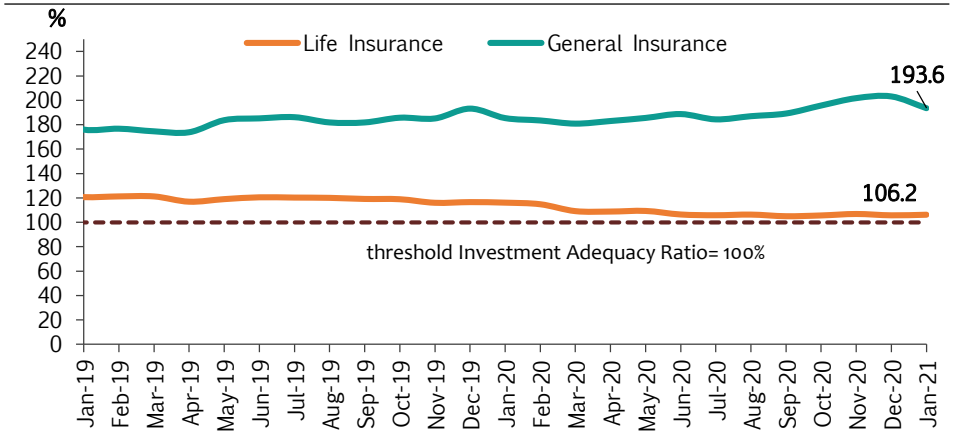
Manageable Credit Risks with Adequate Liquidity

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

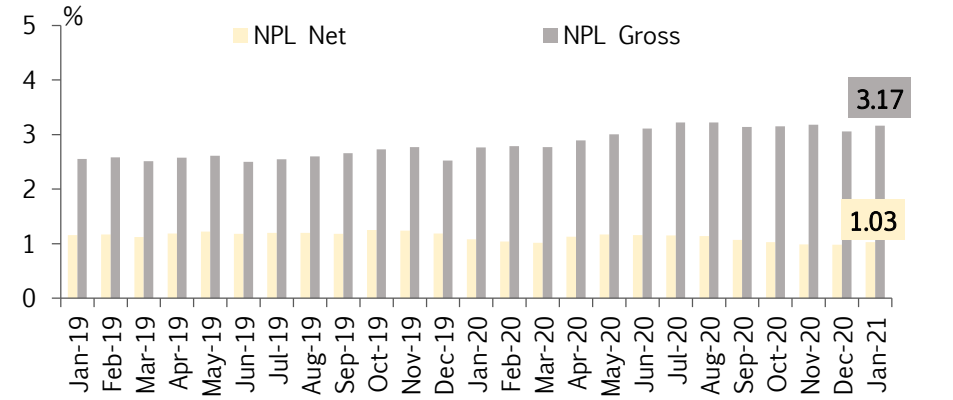
The ratios of liquid assets to deposit and non-core deposits remained well above the threshold following banks' cautious appetite for lending. *)



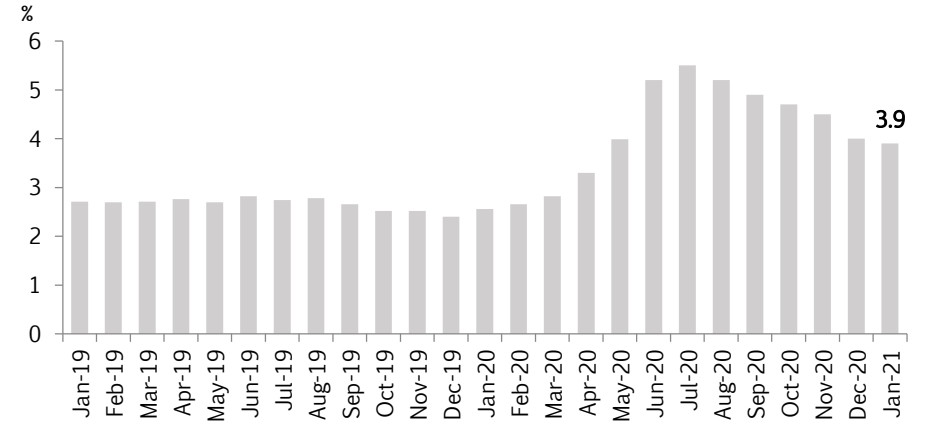
Investment adequacy ratios in the insurance industry, both life and general insurance, were maintained above the threshold of 100% and remained steady in January 2021. *)



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



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

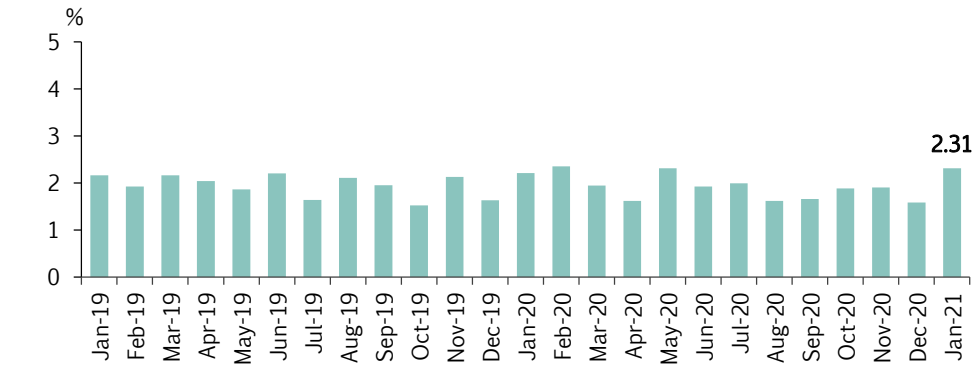


Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

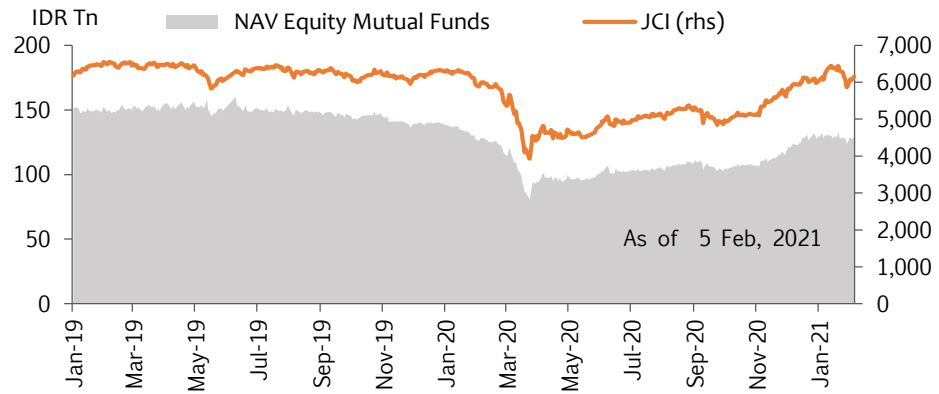
Manageable Market Risks

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

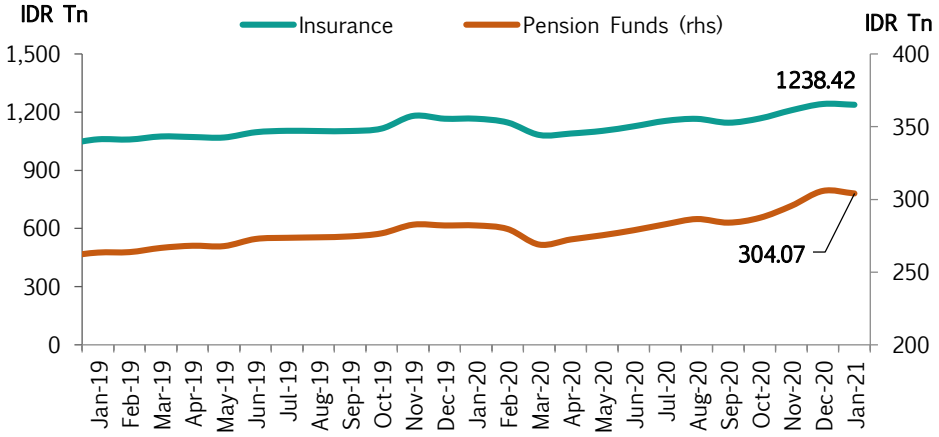
Net open position in the banking sector still maintained far below the maximum limit of 20% in January 2021. *)



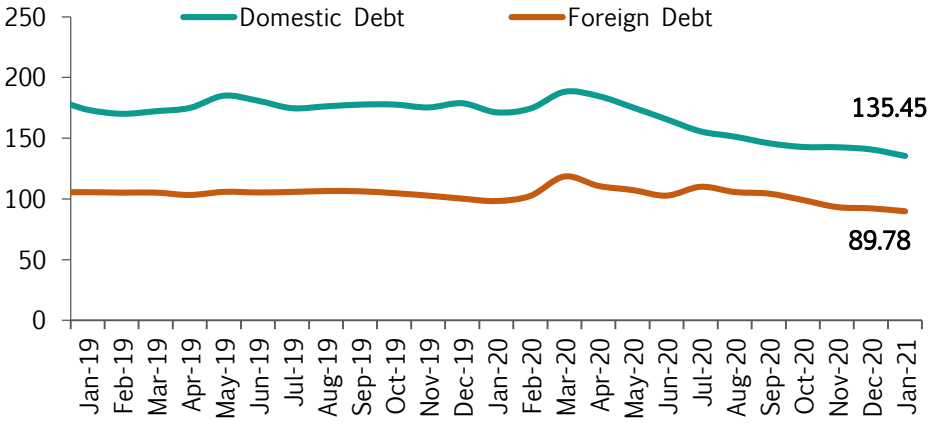
The net asset value (NAV) of Equity Mutual Funds continues to recover, following JCI's upward trend.



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. *)



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

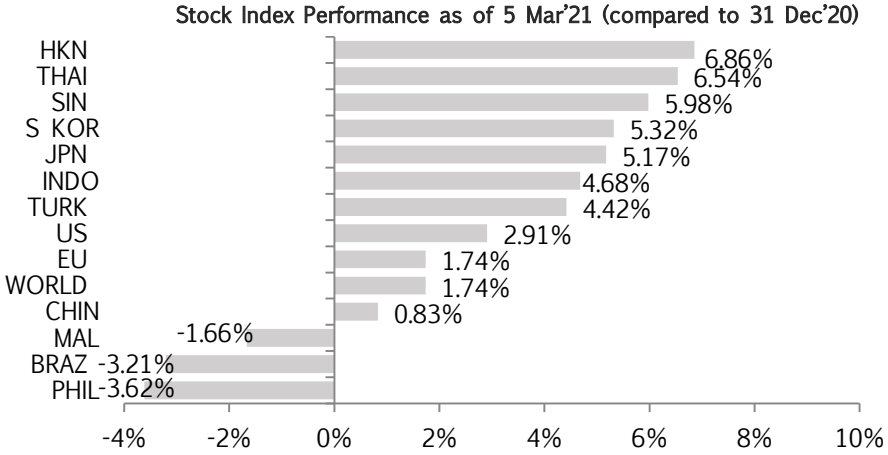


Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

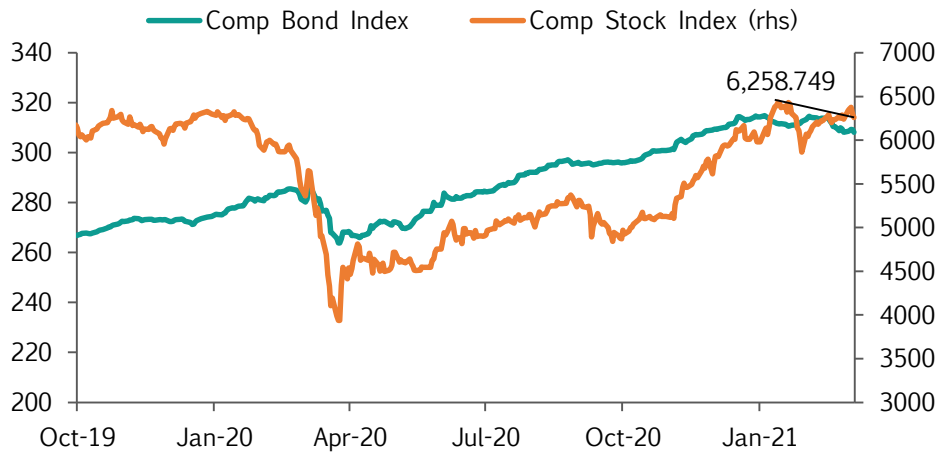
Domestic Capital Market Performance Amid Global Challenges

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

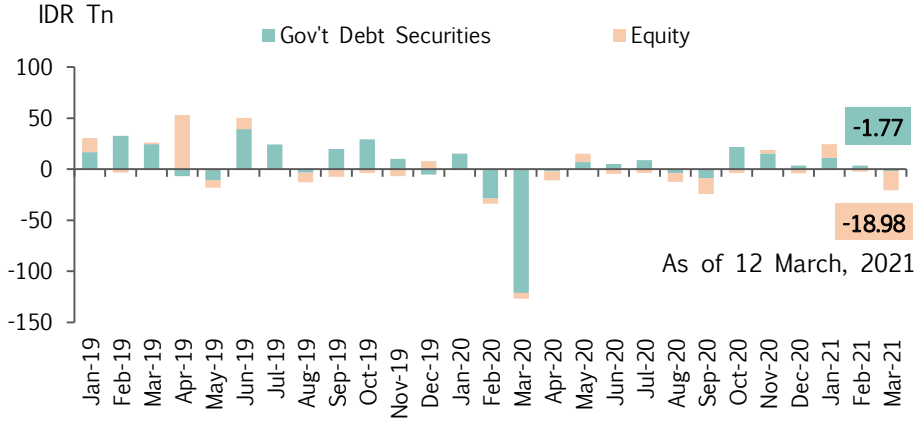
Global indices continue to strengthen as market confidence is improving due to recovery progress.



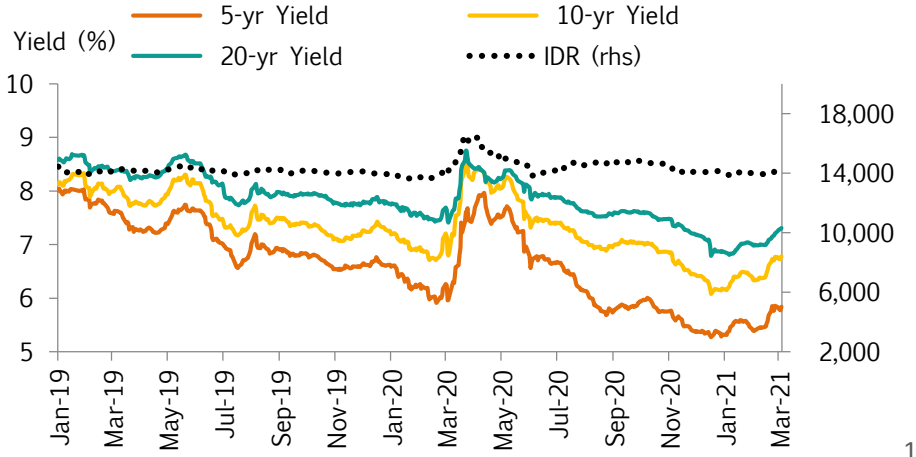
JCI has returned to its pre-pandemic level and continues to perform steadily in March.



Non-resident portfolios of gov't bonds and equity have recorded a total of 4.72 Tn net buy YTD in March 2021.



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



Source: Bloomberg and Ministry of Finance

Stimuli to Support Indonesia's Financial Industry

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

1 Maintaining business fundamental of the real sector

Bank

OJK Regulation No. 11/POJK.03/2020:
"National Economic Stimulus as A Countercyclical Policy of The Impacts of COVID-19 Outbreak"

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

**) OJK Regulation No.18/POJK.03/2020:*
"Written Orders to Handle Bank Problems"

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

NBFI

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

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

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)

→ 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.

Adjustment of Banking Provisions Implementation during Relaxation Period

→

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

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

→

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.

Relaxation for Rural and Rural Sharia Banks

→

i. Relaxing the General Loan Loss Provision (PPAP) to less than 0.5%
ii. Exemption of Interbank Placement for Legal Lending Limit (BPMK) and Maximum Limit of Fund Channeling (BPMD) to a maximum 30% of capital
iii. Temporary Halt on Foreclosed Collateral (AYDA) calculation based on period of ownership
iv. Providing 5% less on Education, Training, and Human Resource Fund from the previous year

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)

OJK's Role

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

Mechanism

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 Goverment 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.

Strengthening market infrastructure

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

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 governance & customer protection

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

Source: Financial Service Authority (OJK)

Enhancing Financial Literacy & Inclusion

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

- 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.

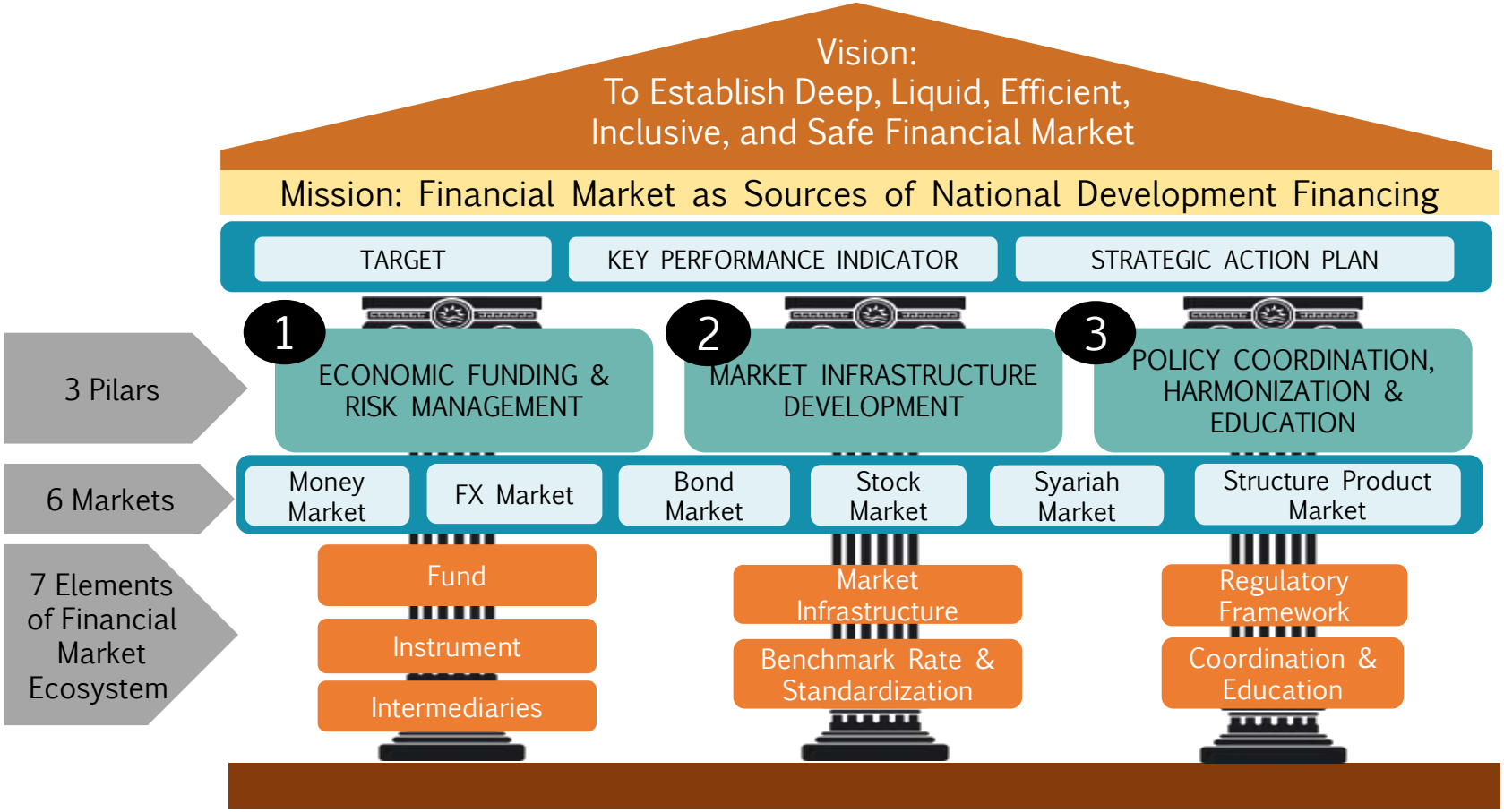
	2013	2016	2019
Financial Literacy	21.8%	29.7%	38.03% (2019 Target: 35%)
Financial Inclusion	59.7%	67.8%	76.19% (2019 Target: 75%)

Source: Financial Service Authority (OJK)

A Comprehensive Financial Deepening Program

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

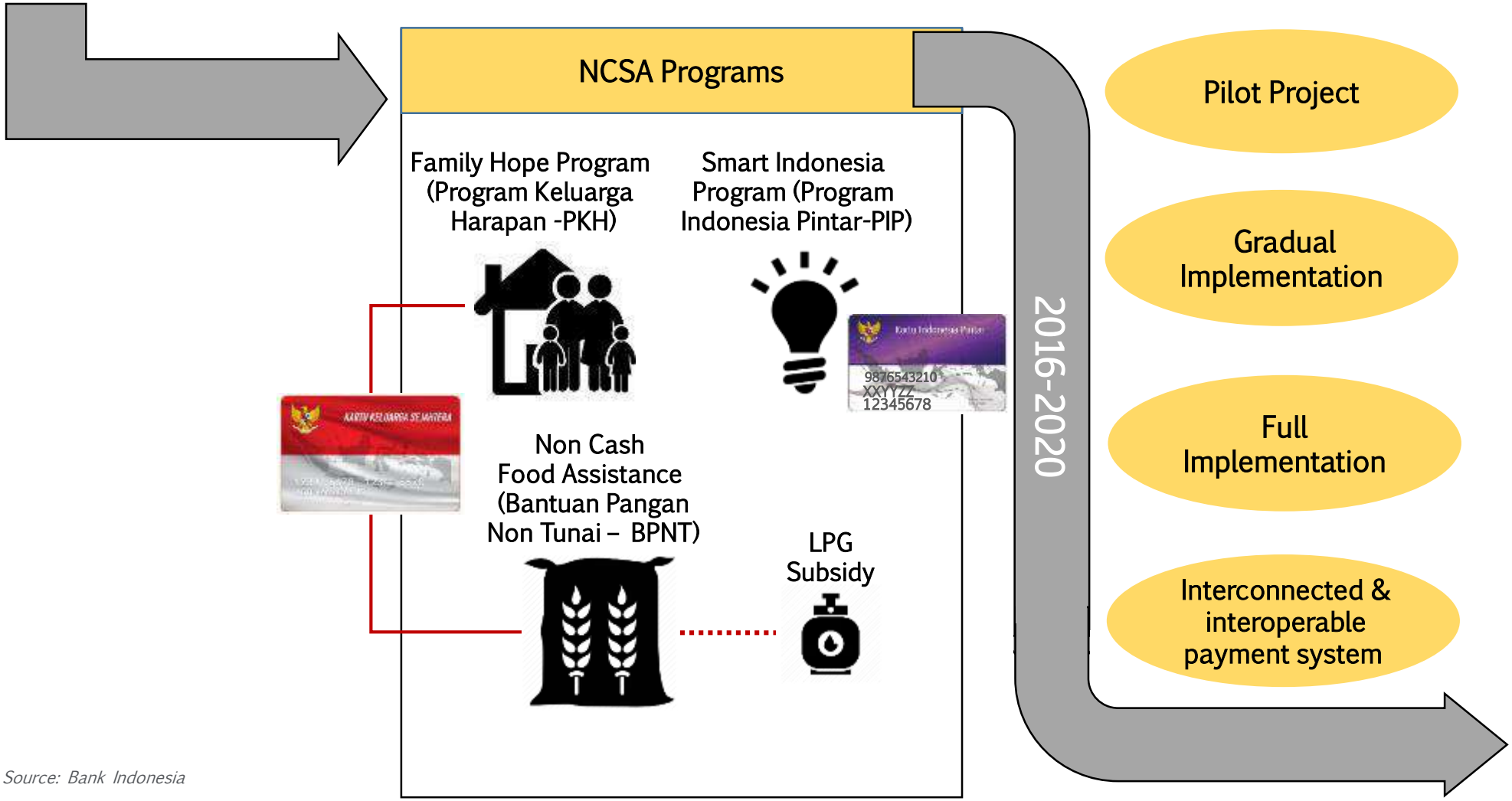
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate "The National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



Source: Bank Indonesia

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.



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. IDR1.89 million /year will be granted for each household. PKH will be granted every February, May, August, and November.
- As of December 2017, PKH has been distributed to 6.0 million households on non-cash basis.
- In 2018, PKH has been distributed to 10 million households on non-cash basis.
- In 2019, PKH has been distributed to 9.84 million house hold on noncash basis with total realization of IDR32.75T.

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

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

Source: Bank Indonesia

Section 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision

Institutional Reforms to establish a conducive PPP ecosystem

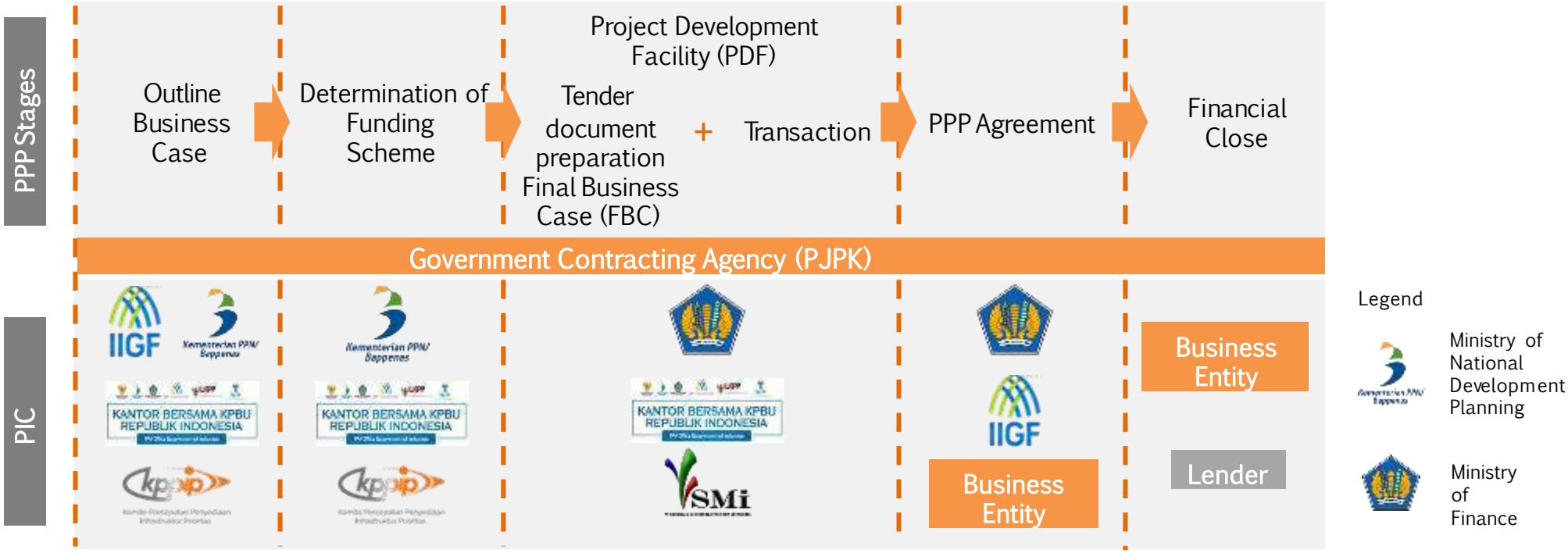
Institutional Reforms for PPP Implementation

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: Provides guarantee and supports project preparation

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



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)	Viability Funding Gap (VGF)	Guarantee Scheme	Tax Facilities	Availability Payment	Land Acquisition
Preparation	Bidding Process				Construction
Project development facility assists the Government Contracting Agency (GCA) in PPP project preparation (PDF&TA) Managing entity: KPPIP, PT SMI and PT IIF, Ministry of Finance	A facility which contributes to construction cost in order to increase project financial feasibility Managing entity: Ministry of Finance based on GCA proposal Govt's commitment: Max 49% per project cost	Guaranteeing govt. contractual obligations under infra. concession agreements and MoF Reg. No. 130/PMK.08 /2016 re: Govt. guarantee for electricity project acceleration Managing entity: Indonesia Infra. Guarantee Fund (IIGF) and MoF Govt's commitment: US$ 450 Mil	MoF Reg. No.150/2018 allowed 100% Tax Holiday for 18 Pioneering Industries for 5 – 20 years depending on the investment value. The tax holiday is not only given to the new investments but can also be obtained by the existing taxpayers who want to expand their business. Managing entity: Ministry of Finance	A scheme in which concessionaires receive periodic payments from central or regional government if the service standard is fulfilled. The MoF Regulation and MoHA Regulation on Availability Payment have been stipulated. Managing entity: Ministry of Finance Ministry of Home Affairs	A facility to support land acquisition for infrastructure projects particularly projects that involve private sector Managing entity: Ministry of Finance; Ministry of Agrarian and Spatial Planningl/BPN, and BLU-LMAN 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

Infrastructure Financing Priority

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

LCS Principles

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

Technical Criteria for the LCS assets

- The asset has been fully **operated** for minimum **2 years**
- The asset needs to **improve operation** efficiency based on international standard
- Asset's useful life minimum is **10 years**
- For the **SOE's asset**, the asset must have **positive cash flow** for minimum 2 years in a row and has been audited at least 3 years in a row
- 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

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

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)

Tax based LVC

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

Development Based LVC

- Land Sale and Rent
- Air Right Sale
- Joint Development
- Land Readjustment

LVC Benefit

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

Triple Win LVC

Better Urban Mobility

Reducing Subsidy

Creating Fiscal Space

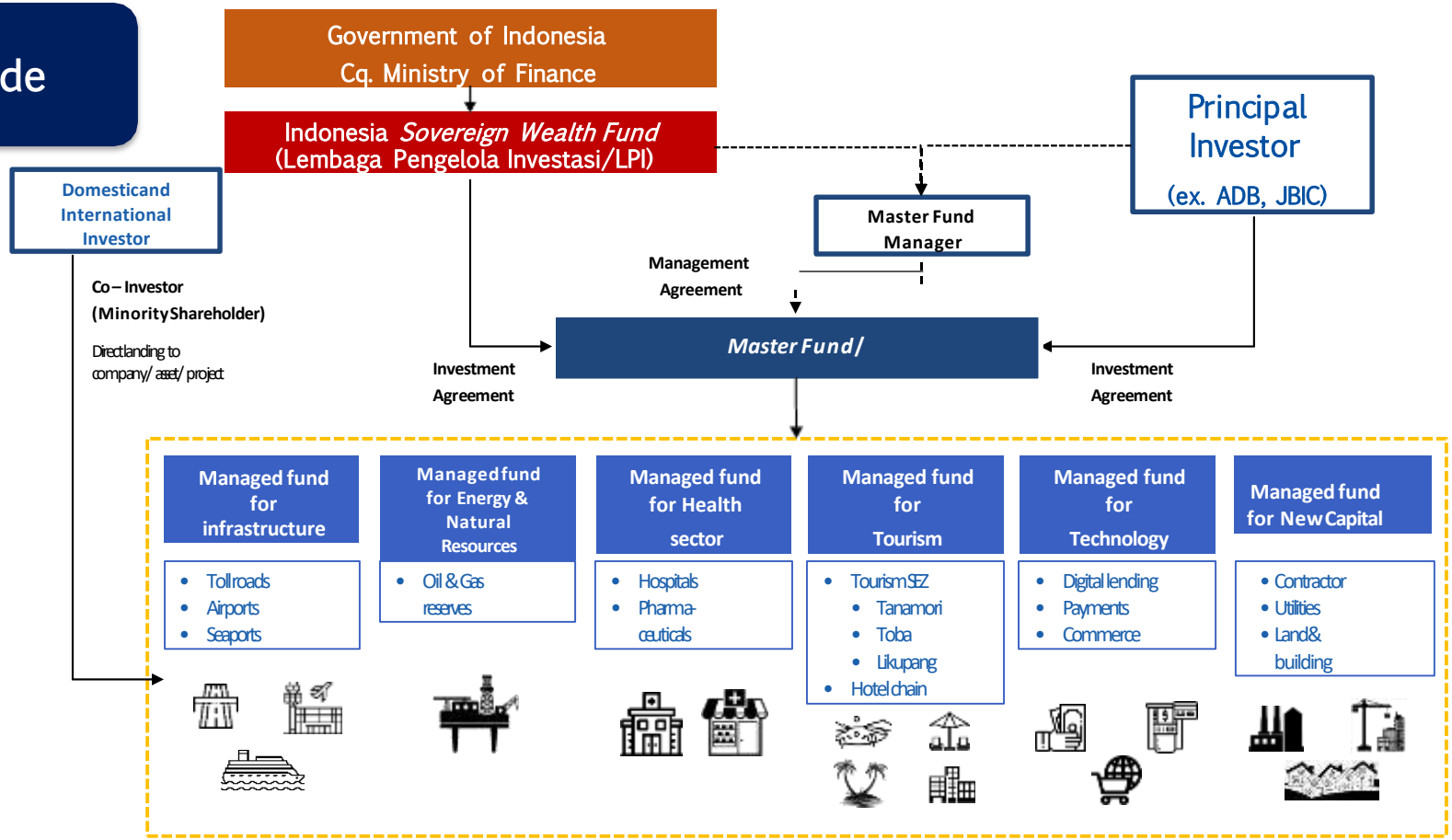
Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

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



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

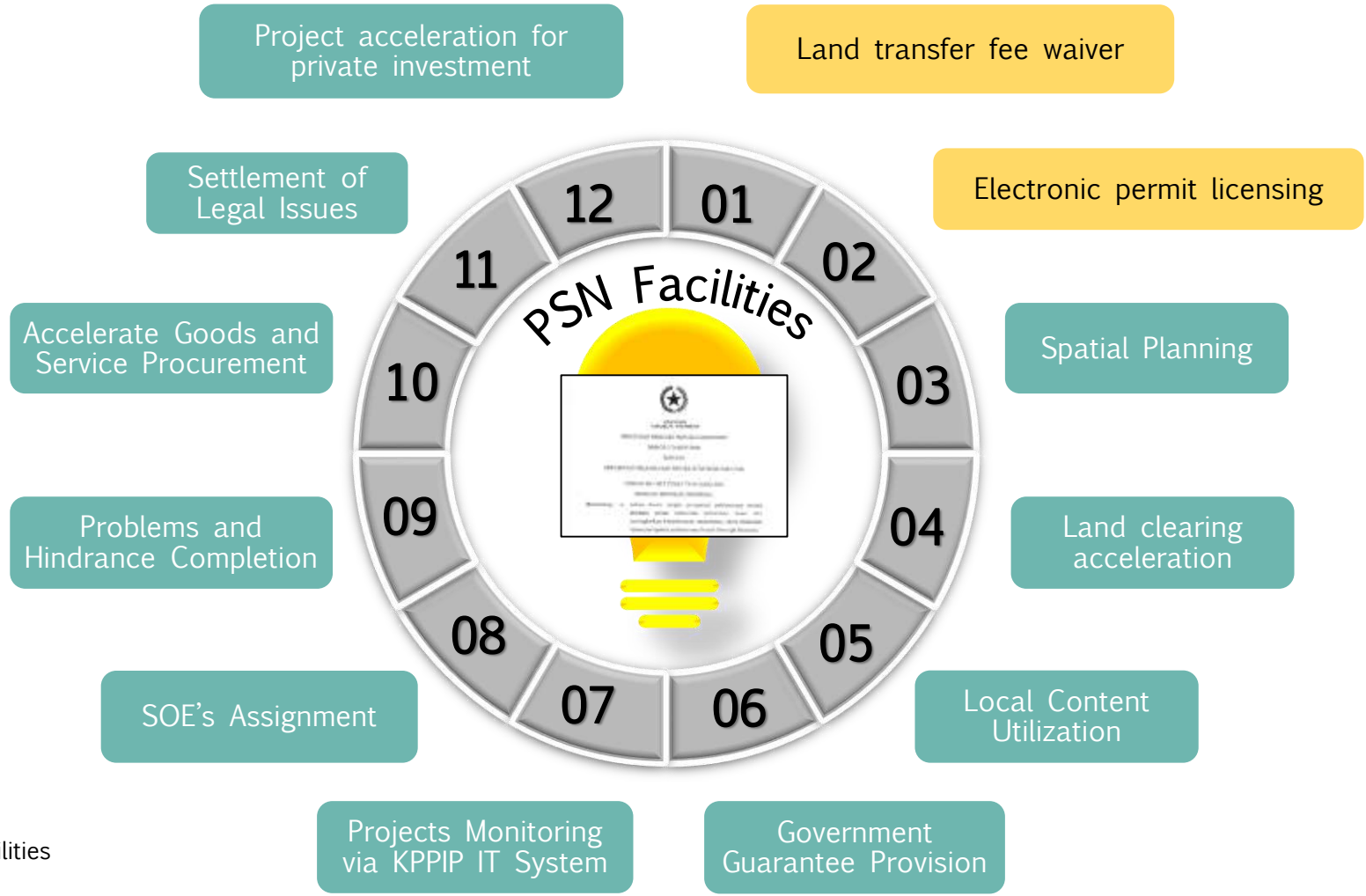
5

MoF Reg. No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects (PSN) and Asset Management of Land Acquisition by State Asset Management Agency (j.o. MoF Reg. No. 5/2019, j.o. MoF Reg. No. 209/2019, j.o. MoF Reg. No. 139/2020)
The implementing regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU 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

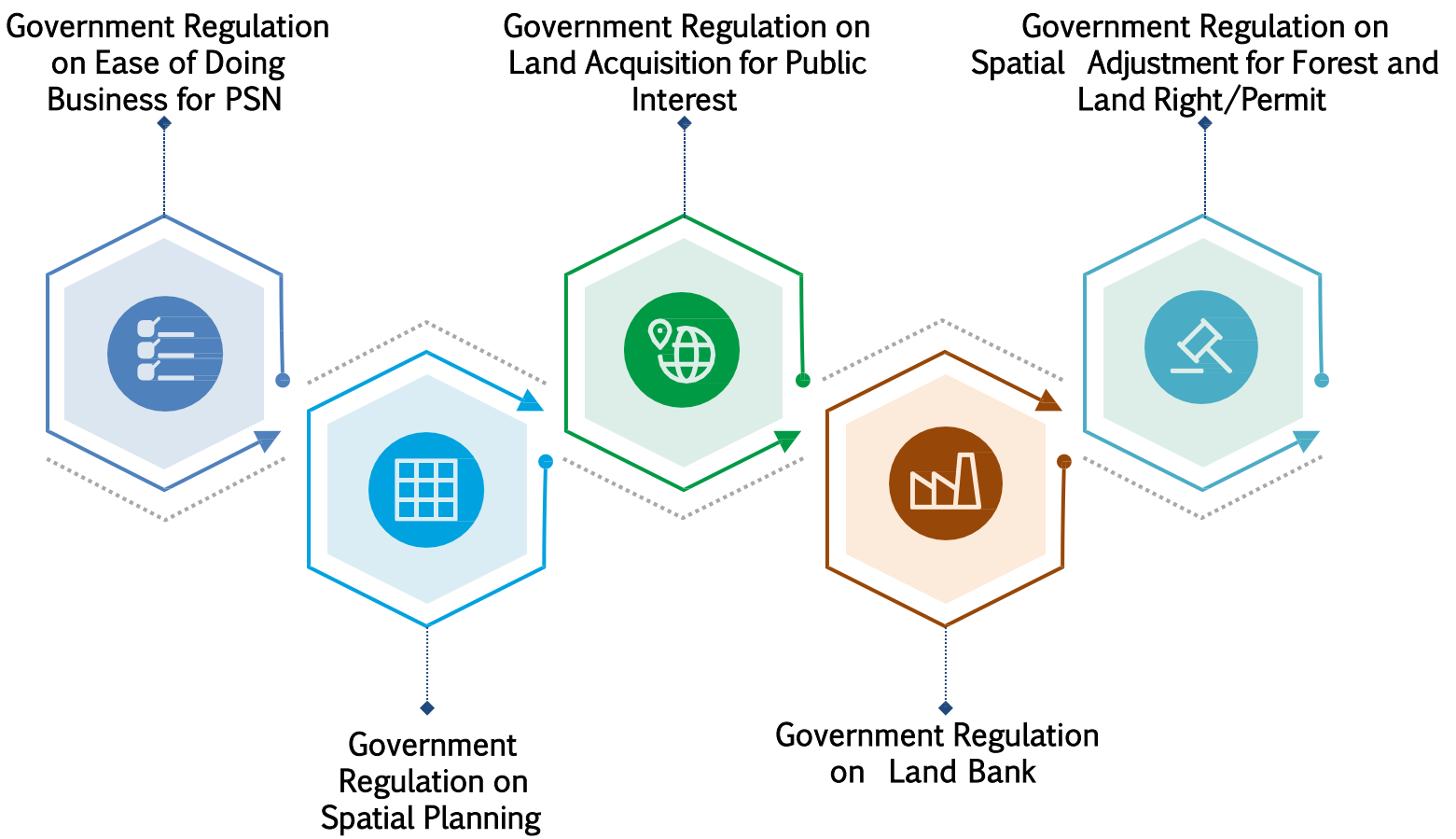


New Facilities

Existing Facilities

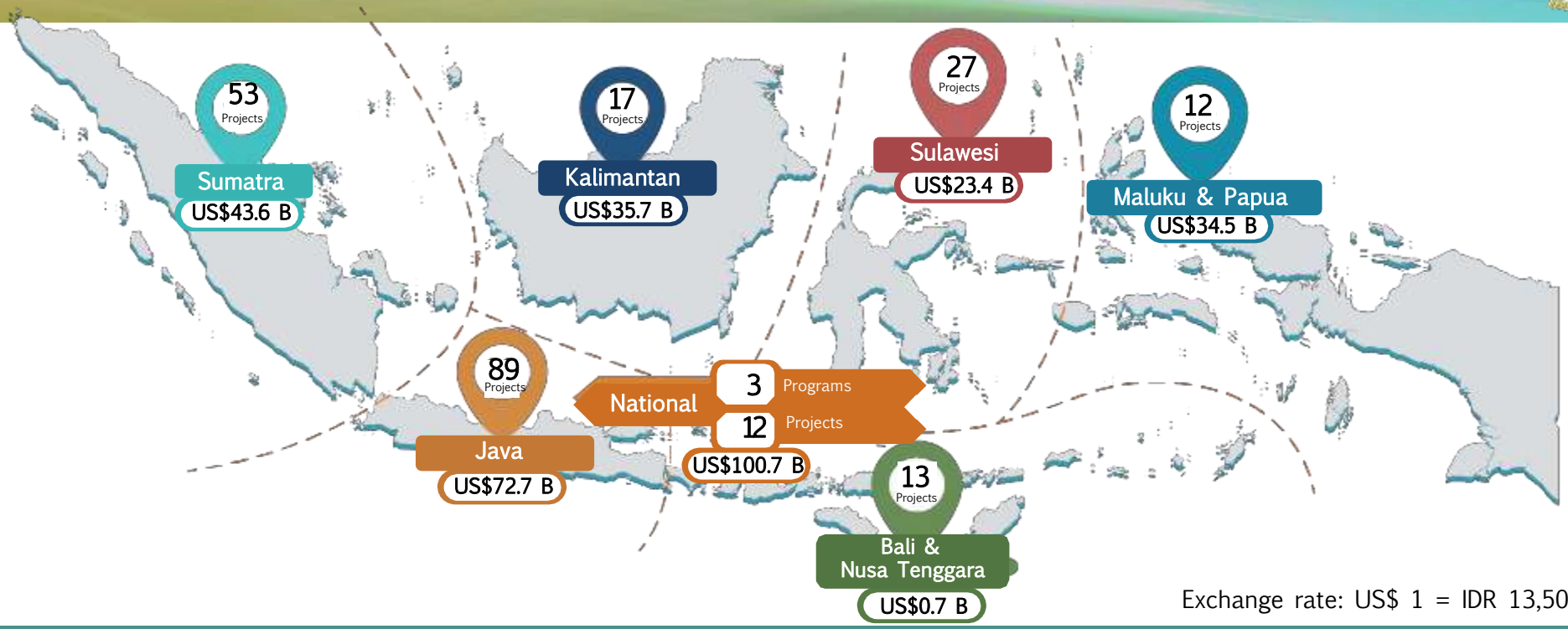
Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

Job Creation Law ‘s Positive Development of PSN



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



Exchange rate: US$ 1 = IDR 13,500

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
- Irigation: 6 Projects

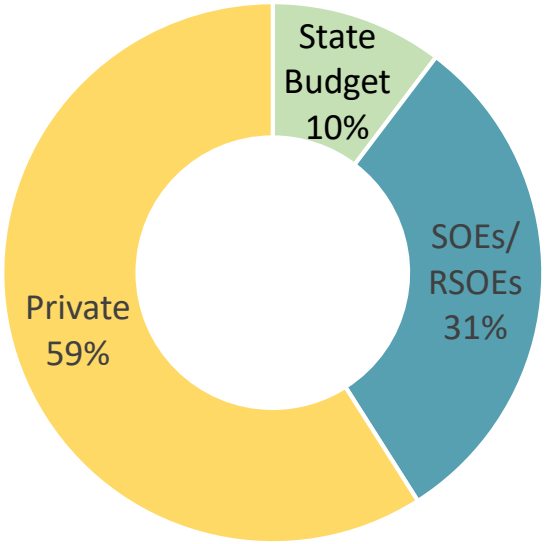
Program

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

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

PSN Profile of 223 Projects and 3 Programs

The Estimated Investment Value for 223 Projects + 3 Programs PSN[1]



Total Investment Value[2]

US$ 307.4 Billion

- State Budget US$ 31.6 Bn
- SOEs/RSOEs US$ 96.6 Bn
- Private US$ 179.2 Bn

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

5 Sectors with Highest Investment Value

Energy
11 Projects
US$ 89.8 Bn

Electricity
1 Program
US$ 76.7 Bn

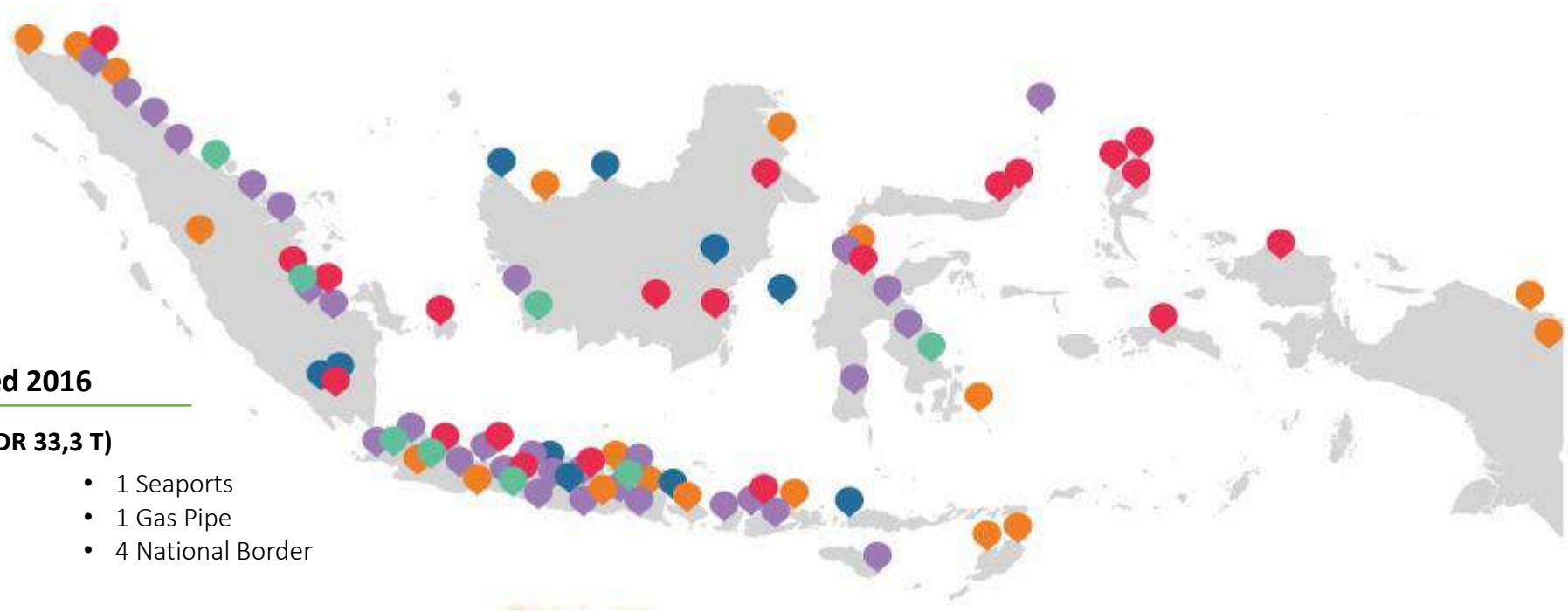
Roads
69 Projects
US$ 49.7 Bn

Railways
16 Projects
US$ 29.2 Bn

SEZs and IEs
31 Projects
US$ 31 Bn

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



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

[1]In cumulative, including projects that are already taken out in 2016 and 2017

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

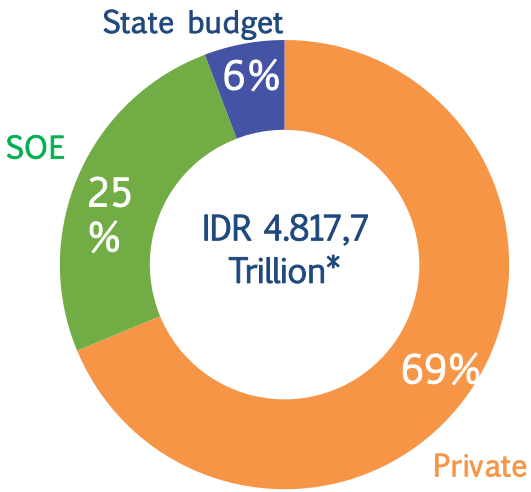
Since January 2020, 12 PSN projects completed
with 19 projects operate partially and 99 under construction

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)

**Include10 programs -> 6 Operate partially, 1 Construction, and 3 Preparation*

PSN Investment contributor

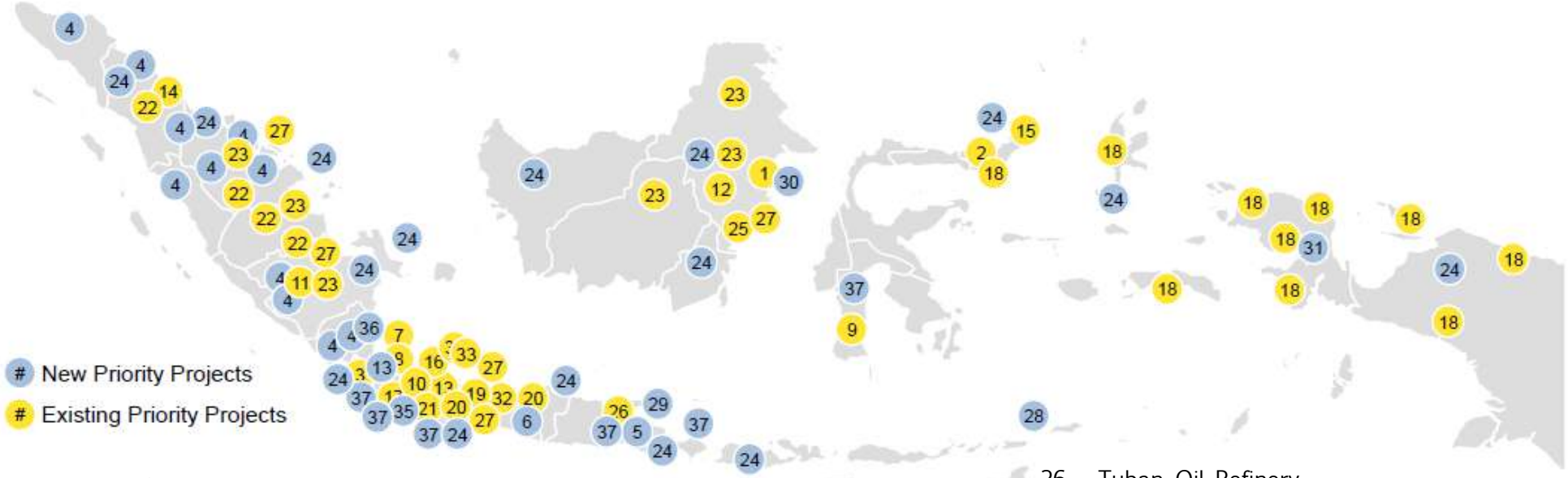


**Exclude Regional Development program, food estate program and Bali Utara airport investment*

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.

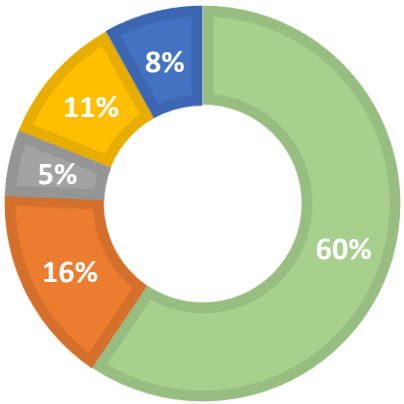


1. Balikpapan-Samarinda Toll Road
2. Manado-Bitung Toll Road
3. Panimbang-Serang Toll Road
4. 15 Segments of Trans – Sumatera Toll Road
5. Probolinggo – Banyuwangi Toll Road
6. Yogyakarta – Bawean Toll Road
7. SHIA Express Railway
8. MRT Jakarta South-North Line
9. Makassar-Parepare Railway
10. Light 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
19. Batang, Central Java Power Plant (CJPP)
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. Unilization Field Has Jambaran-Tiung Biru
30. Indonesian Deepwater Development (IDD)
31. Tangguh LNG Train 3 Development
32. West Semarang Drinking Water Supply System
33. Jakarta Sewerage System
34. National Capital Integrated Coastal Development (NCICD) Phase A
35. Jatiluhur Drinking Water Supply
36. Lampung Drinking Water Supply
37. Waste to Energy Program in 8 cities

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

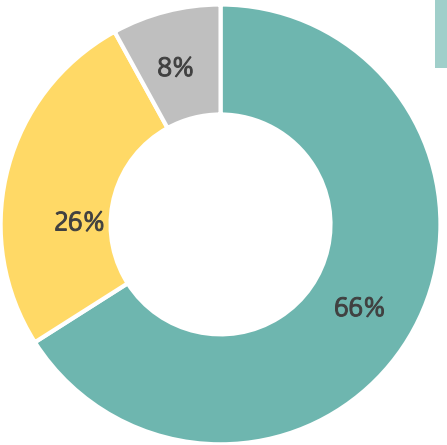
Progress on 37 Priority Projects

Progress of 37 Priority Projects (as of June 2020)



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

Funding Scheme of 37 Priority Projects



Total Investment Value
US$ 183.9 Billion

- 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 operasional 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.

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

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

Energy Sector: the Progress of 35.000 MW Program

17 Dec '14

Cabinet Meeting
"There's electricity crisis in Indonesia, requires construction of large capacity plant "

Jan '15

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)

Jan '15

Debottlenecking through regulation:

1. Regulation No.1/2015 concerning electricity supply cooperation & joint utilization of the electrical network among license holders.
2. Regulation No.3/2015, concerning Procedures of Purchasing Electrical Power and benchmark prices for Electrical Power through the Direct Selection & Appointment.

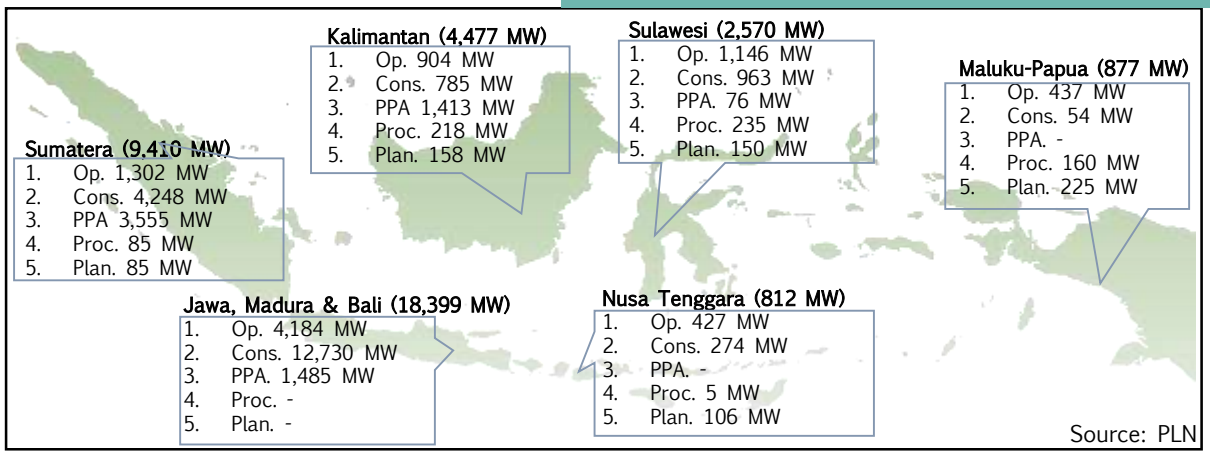
16 Mar '15

Cabinet Meeting
Progress of 35,000 MW

4 May '15

Launching 35.000 MW
by the President in Goa Beach Sanden DIY

35,000 MW Program Distribution
Update Electricity Supply Business Plan (*RUPTL*) 2019-2028)



The progress so far: **Aug'20**

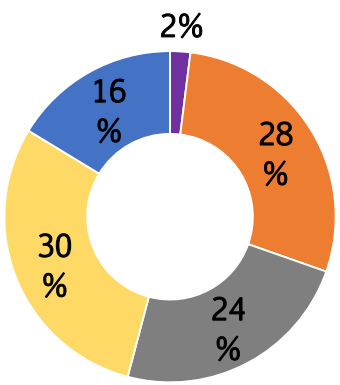
No	Phase	MW	%
1	Operating	8,400	24
2	Construction	19,055	54
3	Signed Power-Purchase Agreement	6,528	18
4	Procurement	839	2
5	Planning	724	2

Note : Progress of 35,000 MW Electricity Program as of **August 2020**

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

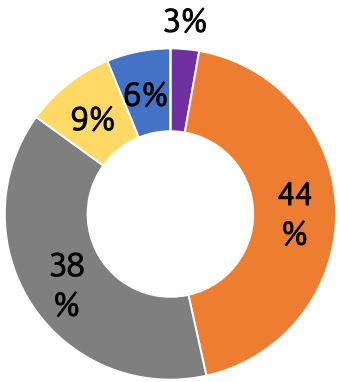
Energy Sector: the Progress of 35.000 MW Program

December 2016



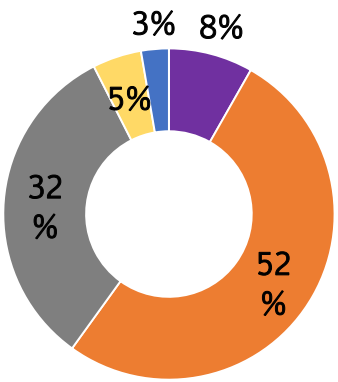
- 706 MW in operating phase
- 10,141 MW in construction phase
- 8,478 MW signed Power-purchase Agreement
- 10,560 MW in procurement phase
- 5,824 MW in planning phase

November 2017



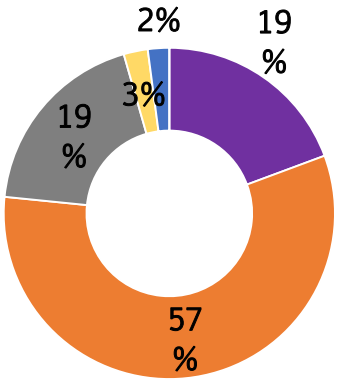
- 998 MW in operating phase
- 15,676 MW in construction phase
- 13,782 MW signed Power-purchase Agreement
- 3,163 MW in procurement phase
- 2,228 MW in planning phase

December 2018



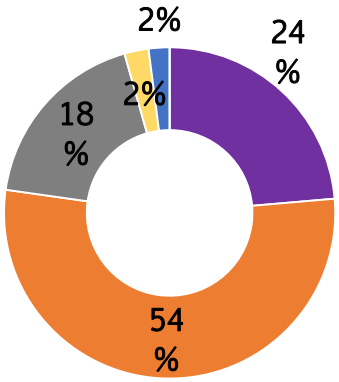
- 2,899 MW in operating phase
- 18,207 MW in construction phase
- 11,467 MW signed Power-purchase Agreement
- 1,683 MW in procurement phase
- 954 MW in planning phase

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)

Acceleration of 35.000 MW Program

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

Government

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.

Assignment

PT PLN

Provision of Electricity

1 → EPC Powerplant and Transmission

2A → PLN Subsidiary (Joint Venture) → SJKU* Ministry of Finance

2B → Independent Power Producer ← SJKU* Ministry of Finance

Strengthen PLN's Balance Sheet
- Refinancing
- Hedging
- Financial Asset Optimization

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

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

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

Significant Progress on Infrastructure Projects

Roads

Trans-Sumatra Toll Road

Merah Putih Bridge, Ambon

Dams

Jatigede Dam (Operational)

Drinking Water Processing

Umbulan Drinking Water Provision System, East Java

Transportation

Jakarta MRT Project[2]

Terminal 3 Ultimate Soekarno-Hatta[2]

New Tanjung Priok Port Project[2]

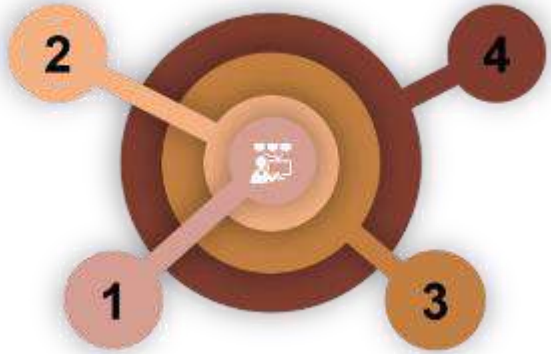
Nop Goliat Dekai, Papua

Improving Monitoring System on Infrastructure Projects[1]

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

Infrastructure Projects and Financing Schemes

Promotion of Infrastructure Development to Accelerate Economic Growth

Infrastructure Development is a Key Priority

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

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

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

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

Government Guarantee Program

Credit Guarantee	• **Power (Electricity)** – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*. • **Clean Water** – Guarantee for 70% of PDAM's debt principal payment obligations. • **Toll road** – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads. • **Infrastructure** - Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing. • **Public Transportation (Light Rail Transit)** – Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.
Business Viability Guarantee (BVG)	• **Power (Electricity) –** Guarantee for PT PLN's obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*
PPP Guarantee	• **Infrastructure** – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements
Political Risk Guarantee	• **Infrastructure** – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

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

Contingent Liabilities from Government Guarantee as of Q4 2020 **

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)**
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	14	USD 1.18
2	Clean Water Supply Program	6	USD 0.01
3	Direct Lending from International Financial Institution to SOEs	9	USD 1.86
4	Sumatra Toll Road	10	USD 3.07
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 3.92
6	Public-Private Partnerships (PPP)	7	USD 5.06
7	Regional infrastructure financing	1	USD 0.22
8	Public Transportation (Light Rail Transit)	1	USD 0.56
9	Electricity Infrastructure Fast Track Program (35 GW)	6	USD 4.59
	Total	**61**	**USD 20.47**

- 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.
- The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
- Beginning in 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

**) Currency conversion of IDR14,105.01/USD1 and IDR17,330.13/EUR1 (as of end December 2020)

Source: Ministry of Finance

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)

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.

Scheme Characteristics

- 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)

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.

Scheme Characteristics

- Asset is owned by private sector
- Greenfield / brownfield / operating projects

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**, 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.

wonderful
indonesia
indonesia.travel
@indtravel
indonesiatravel
@indtravel
www.indonesia.travel
Borobudur Temple,
Central Java