



Republic of Indonesia

Strengthening Policy Synergy to Maintain Stability and Accelerate Economic Recovery

March 2022

About Investor Relations Unit of the Republic of Indonesia



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

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

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

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What's New



Economic Recovery Program and Its Updates

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Fiscal & Financing Policy Update

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Bank Indonesia Board of Meeting Decision

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Prudent Pandemic Management and Continued Economic Recovery



Big but measured steps including a strong vaccination program



Synergy between institutions nationwide



Responsive and flexible Government Budget



Resilient economic performance

Continued National economic recovery momentum, reflected by 3.69% (yoy) economic growth in 2021, amidst the Delta Variant Outbreak in the third quarter of 2021.

Affirmation of Investment Grade Sovereign Credit Rating

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
Moody's	Baa2 (Stable)
S&P Global	BBB (Negative)

Sources: Fitch, Moody's, S&P

Investment grade ratings affirmed by Moody's on 10 Feb 2022 recognizing macro stability and optimism on the growth prospect, as well as policy credibility in handling COVID-19 pandemic.

Overview



1

Economic Recovery Program and Its Updates

5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining
Fiscal Credibility

2

Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development

6

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

3

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

7

Commitment to Sustainability and
Preserving the Environment

4

External Factor:
Improved External Resilience



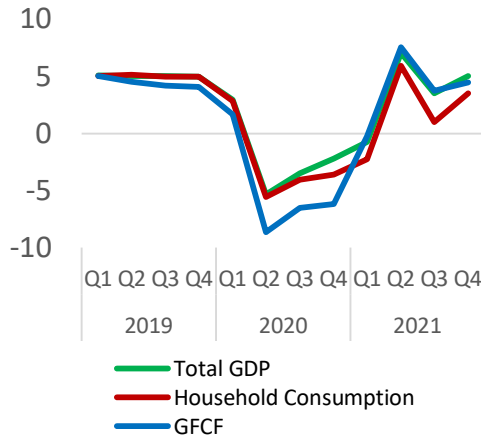
Section 1

Economic Recovery Program and Its Updates

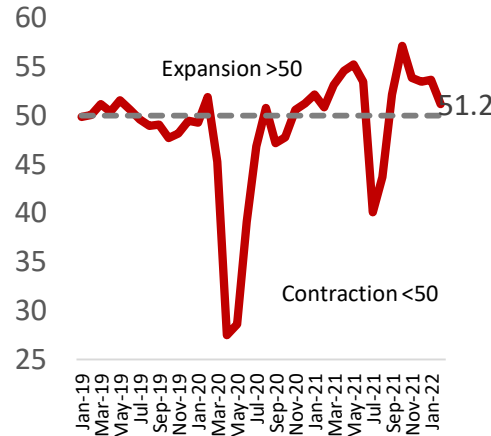
Indonesia's Economic Improvement Trend Continues



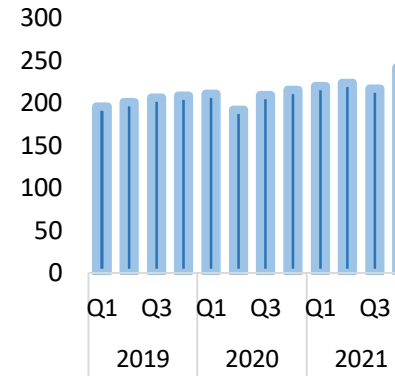
GDP Growth (%YoY)



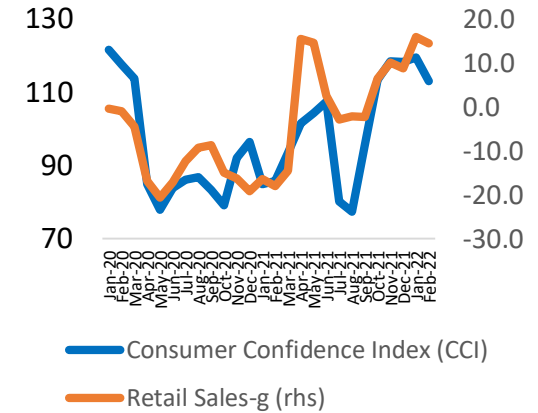
PMI Markit Indonesia



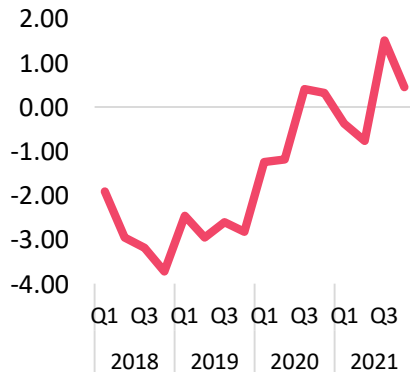
Total Investment (DDI+FDI) Rp Trillion



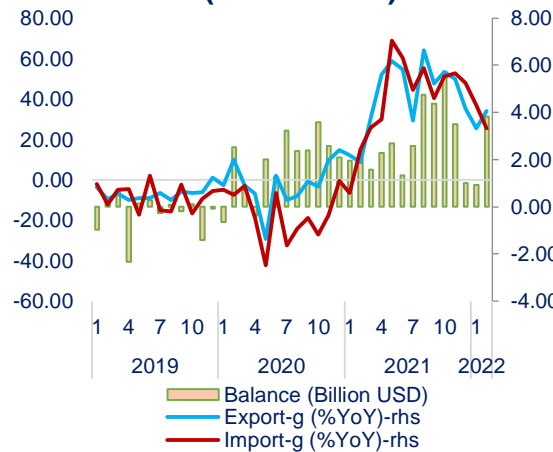
CCI & Retail Sales



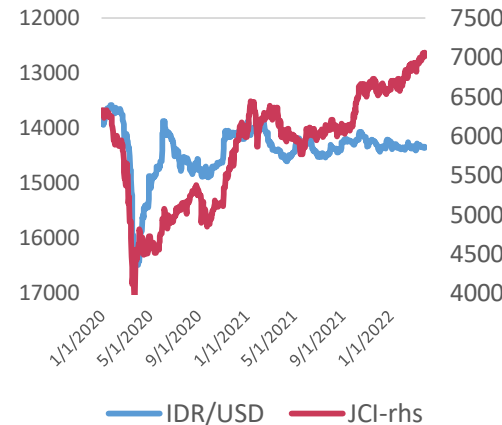
Current Account of GDP (%)



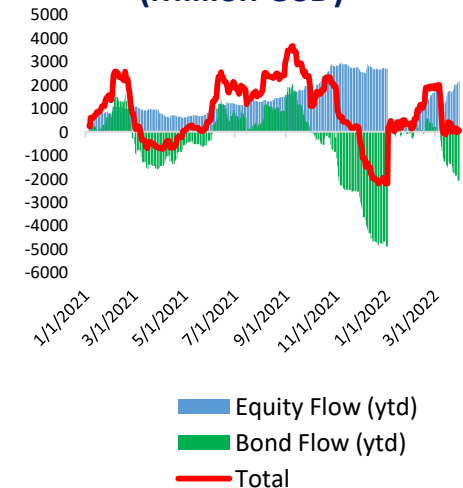
Trade Balance (Billion USD)



The Indonesian Rupiah and JCI









Net Capital flow (Million USD)



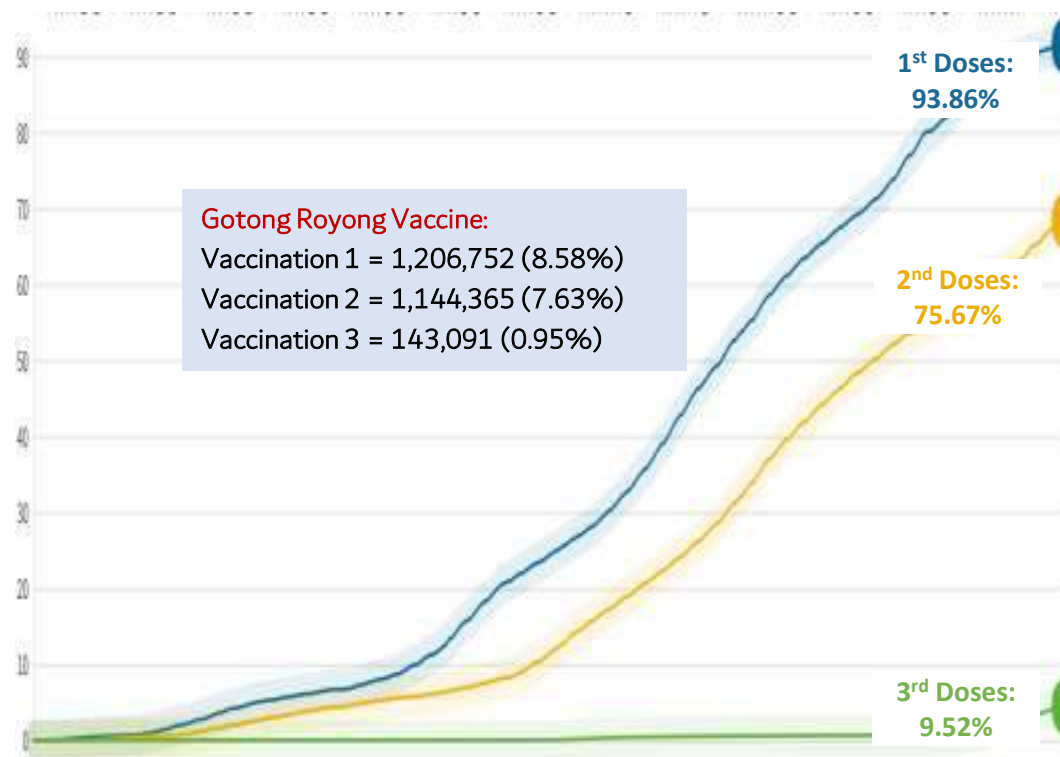
Progress of Vaccination Implementation



Vaccination has been carried out since January 2021. As of 30 March, 2022, the 1st vaccination dose was 196,35 million (94,2%), the 2nd dose vaccination was 159 million (76.3%), and the 3rd dose vaccination (booster) was 21,7 million (10,4%)

Vaccination Target		Vaccination Progress		
 TOTAL		208,265,720		
 1	HEALTH WORKER	Vaccination 1 2,023,027 (137.74%)	Vaccination 2 1,963,099 (133.66%)	Vaccination 3 1,475,227 (100.44%)
	1,468,764			
 2	PUBLIC OFFICERS	Vaccination 1 18,610,363 (107.41%)	Vaccination 2 16,895,403 (97.51%)	Vaccination 3 3,003,632 (17.33%)
	17,327,167			
 3	ELDERLY	Vaccination 1 17,091,934 (79.3%)	Vaccination 2 13,198,003 (61.23%)	Vaccination 3 2,263,351 (10.5%)
	21,553,118			
 4	COMMUNITY & VULNERABLE	Vaccination 1 111,809,951 (79.18%)	Vaccination 2 89,130,537 (63.12%)	Vaccination 3 14,674,592 (10.39%)
	141,211,181			
 5	TEENAGER	Vaccination 1 25,030,079 (93.73%)	Vaccination 2 21,220,601 (79.46%)	Vaccination 3 164,992 (0.62%)
	26,705,490			
Total Target (1+2+3+4+5)		196,354,667 (94.28%)	159,025,975 (76.36%)	21,728,296 (10.43%)
208,265,720				

Coverage of Covid Vaccination Doses 1, 2 and 3



As of 30 March 2022

Covid-19 Handling Strategies



DETECTION

- Increasing epidemiological tests vs screening tests.
- Increase traced close contact ratio

SURVEILLANCE

Genomic surveillance in areas with the potential to spike cases and tighten entry points:

- SGTF, WGS test & quarantine all travelers
- Integration of entrance data at several data collection points, including airline, immigration, PCR tests, quarantine, WGS
- Traveler quarantine period

THERAPETIC

- Conversion of TT 30-40% from total hospital capacity & supply (including oxygen), medical equipment, & human resources.
- Deploy backup staff: internship doctor, Koas, final year students.
- Tightening of hospital admission requirements: saturation <95%, shortness of breath. Supervised by officers or volunteers, so that only moderate, severe, critical cases are in the hospital.
- Increase utilization of centralized isolation.

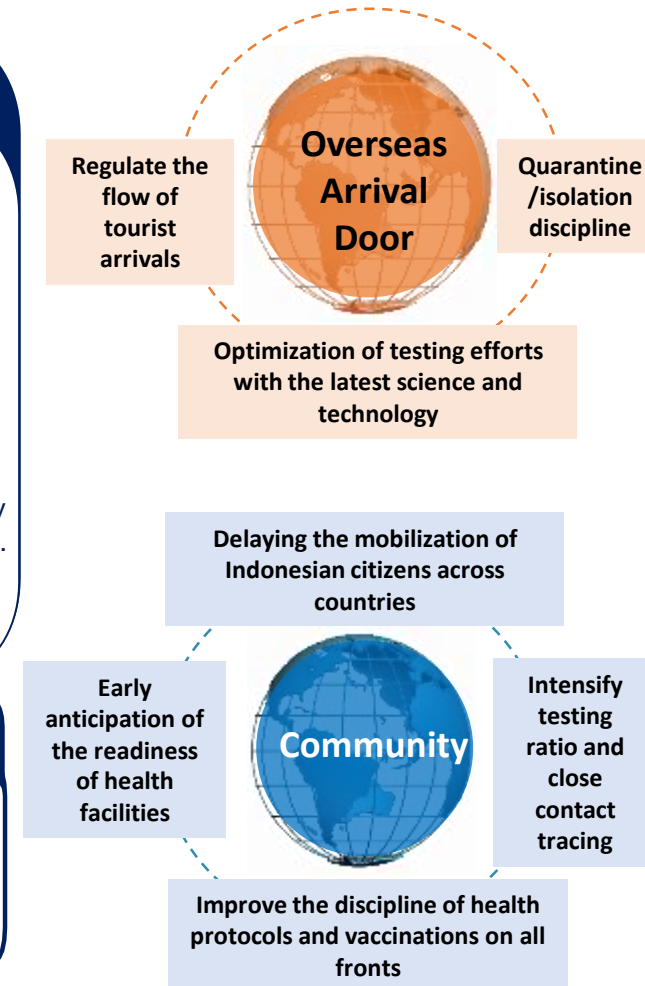
VACCINATION

- Vaccination centers in various places that are easily accessible to the public.
- Vaccination card requirements for travelers and in public spaces/facilities.
- Acceleration of vaccination in vulnerable groups, including the elderly & people with comorbidities.
- Implementation of booster vaccines from early 2022

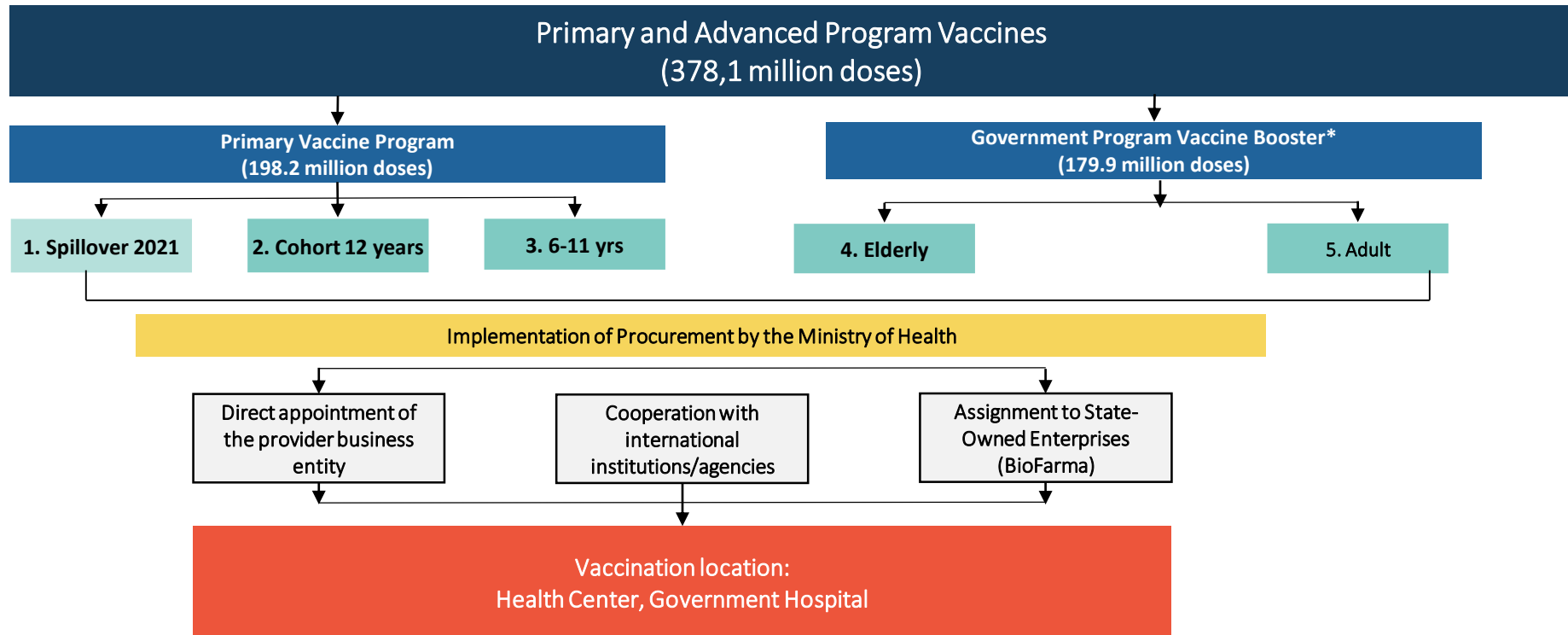
CHANGES IN BEHAVIOR & HEALTH PROTOCOLS

- Implementation of Community Activity Restriction
- Utilization of digital technology in the implementation of Health protocols (3M) and Screening

Efforts to prevent the entry of COVID-19 variant cases



Covid-19 Vaccination Plan in 2022



Notes:

*) *Booster half dose*

- The third dose (booster) COVID-19 vaccination program begins on January 12, 2022.
- The booster vaccine will be given to people over 18 who have received the second dose of the vaccine more than six months ago.
- This program is prioritized for districts/cities with 70% vaccination achievement for dose 1 and 60% for dose 2.
- There will be at least 21 million people targeted for the booster vaccine program in January 2022.
- As of January 3, 2022, the government has secured 113 million doses of booster vaccine stock.
- The type of vaccine to be used as a booster awaits recommendations from ITAGI (Indonesian Technical Advisory Group on Immunization) and BPOM.



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



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

○ Large – Scale Social Restriction (PSBB)

April 2020

○ PSBB Transition

October 2020

○ Community Activities Restriction Enforcement (PPKM)

11 Jan – 8 Feb 2021

○ Micro-Scale PPKM

9 Feb – 2 Jul 2021

○ The Emergency PPKM

3 Jul – 20 Jul 2021

○ PPKM Level 1 to 4

21 Jul 2021 – 4 Apr 2022

Assessment of the Covid-19 Pandemic Situation Level

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

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

National Economic Recovery (PEN) PROGRAM IS DIRECTED FOR JOBS-STIMULATING RECOVERY



2020



2022

ENABLING FACTOR

Extraordinary Measures:

- ☐ Handling Covid
- ☐ Social Protection
- ☐ Business Protection

Job Stimulating Recovery:

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

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

Financial System
Support
Improved
Intermediary
Role

Structural
Reform
Job Creation Law
HPP Law

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

2021



Direct Support to the Community

- Job Creation
- Labor Intensive Program
 - PreEmployment Card

- Social Protection
- PKH
 - Village Fund
 - BLT
 - Grocery Card

Stimulasi Kinerja UMKM dan Koperasi

- Business Incentive
- Targeted Tax Incentives
 - Business Ease Support

- Financing Support
- KUR Interest Subsidy
 - Credit Guarantee

Strengthening
Expenditure Side

Strengthening
Production Side

EMPLOYMENT

GDP GROWTH

STABILITY

Surviving and Facilitating Recovery:

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

National Economic Recovery Program Will Continue in 2022 To Anticipate The Expansion of The Impact of Covid-19



During 2021

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

HEALTH

Budget **IDR.214.96 T**

Realization **IDR.198.5 T (78.8%)**

SOCIAL PROTECTION

Budget **IDR.186.64 T**

Realization **IDR.171.0T (91,6%)**

SUPPORT FOR MSME AND CORPORTATION

Budget **IDR.162.40 T**

Realization **IDR.116.2T (71,5%)**

PRIORITY PROGRAM

Budget **IDR.117.94 T**

Realization **IDR.105.4 T (89,3%)**

BUSINESS INCENTIVE

Budget **IDR.62.83 T**

Realization **IDR. 67.7 T (107,7%)**

2022

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

Increased testing, tracing, dan treatment

Increased Patient Claims as the number of cases increases

Expansion of community protection



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

TOTAL:
IDR455,6 T

HEALTH:
IDR122.5 T

SOCIAL PROTECTION:
IDR154.8 T

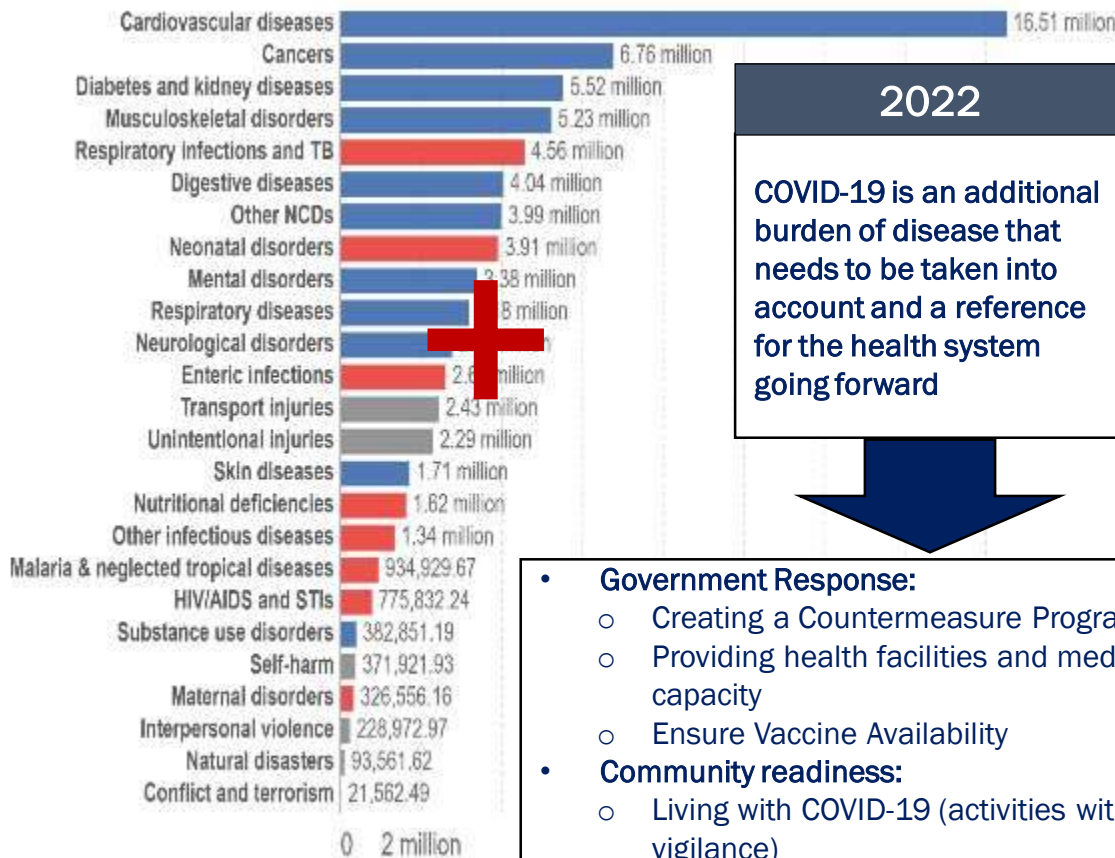
STRENGTHENING ECONOMIC RECOVERY:
IDR178.3T

Government And Society Prepare to Live with Covid-19



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

Burden of Disease in Indonesia (2019)



2022

COVID-19 is an additional burden of disease that needs to be taken into account and a reference for the health system going forward

1. Health Monitor independently;
2. Testing/screening is done by yourself;
3. Managing your own health (knowing when to go to the hospital, when to go to the doctor, also the type of medicine you need), including a healthy lifestyle and strengthening the immune system.
4. The community is given a guideline for the protocol for daily living with Covid-19, as people live with the previous disease which is shown in the graph below.

- **Government Response:**
 - Creating a Countermeasure Program
 - Providing health facilities and medicine capacity
 - Ensure Vaccine Availability
- **Community readiness:**
 - Living with COVID-19 (activities with vigilance)
 - Managing individual risk factors

IN THE NEW NORMAL LIFE, COVID 19 IS INCLUDED IN THE CATEGORY OF RESPIRATORY INFECTIONS, INCLUDING INFLUENS AND OTHER RESPIRATORY DISEASES

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 and will be continued in 2022 (regulations under discussion).



Government



Bank Indonesia



OJK

1



Automotive Sector

Giving VAT Incentives on Luxury Goods Borne by the Government for Motor Vehicles through PMK No. 120 of 2021 which amend PMK No 5/PMK.010/2022

- The PPnBM Discount stimulus is given in stages:
 - For LCGC (≤ 1500 cc; \leq IDR 200 M): 100% during Jan-Mar 2022; 66,6% during Apr-Jun 2022; 33,3% during Jul-Sep 2022
 - For Vehicles (≤ 1500 cc; IDR 200-250 M): 50% during Jan-Mar 2022

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 103 of 2021 which amend PMK 6/PMK.010/2022

- Incentives are given for
- Tread House; and
 - Apartment units

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.



Increasing Workforce's Productivity and Competence through Pre-Employment Card Program

Number of Registration

107 Millions

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

34 Provinces

514 Regent/City

2020
Recipient

5.509.055

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

Rp13,36 Triliun
Incentives have been
distributed

*The number of effective recipients for 2020, namely the designated recipients (5,987,674 people) minus the recipients whose participation was revoked (478,619 people).

2021
Recipient

5.931.574

Pre-Employment Card
Recipient (Batch 12-12)**

Rp14,38 Triliun
Incentives have been
distributed

**The number of recipients effective 2021, namely the designated recipients (6,019,842 people) minus the recipients whose participation was revoked (88,268 people).

Statistic of Recipients

11.440.629

Total Pre-Employment Card
Recipients (Batch 1-22)



53% Male
Recipient



47% Female
Recipient

58%

18 – 35 years
old

64%

High school
education and
above

90%

Unemployed (82%
unemployed, due to the
impact of the COVID-19
pandemic

74%

Of those who work
(Employees/Labour
ers/ Freelancing
Employees) are in
the Informal Sector

***Based on batch 12-22 receiver evaluation survey.

Semester I 2022 Pre-Employment Card Program, targeting 2.9 million recipients. Batch 23 opened on February 17, 2022, and batch 24 opened on March 17, 2022.

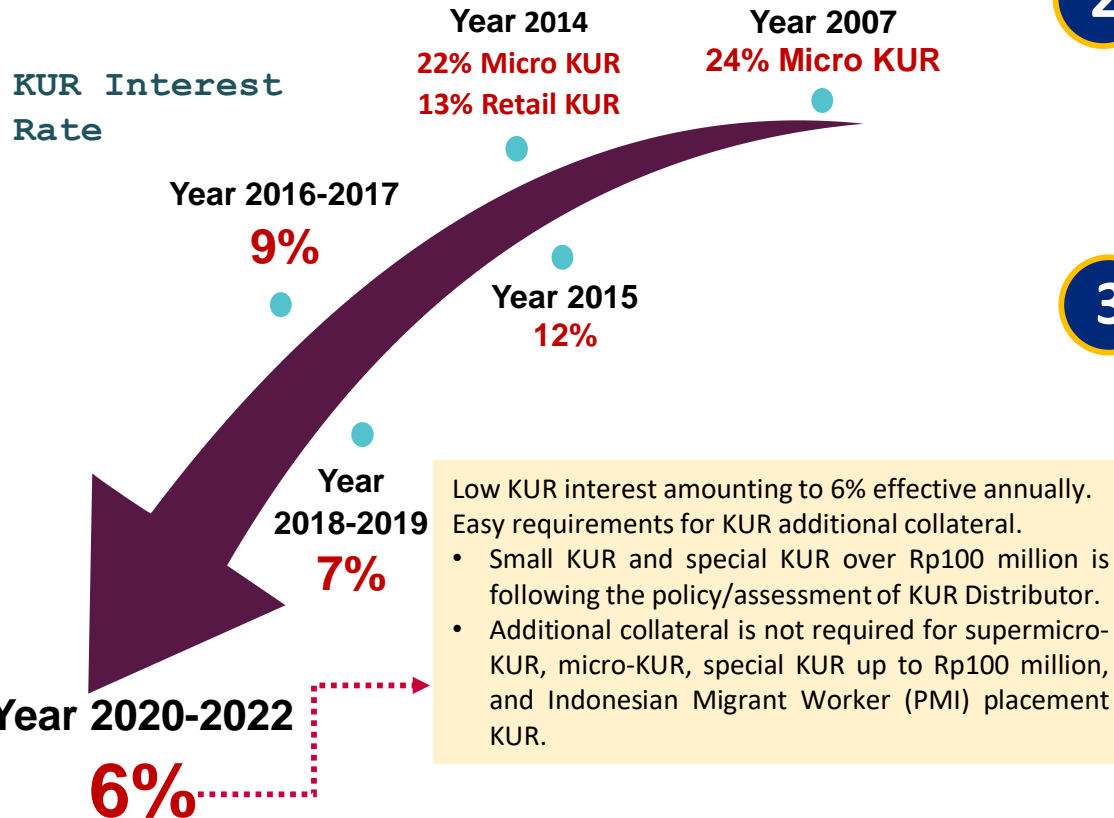
The Pre-Employment Card Program to Increase Access to Finance for Entrepreneurs and SMEs



2022 KUR POLICY



People's Business Credit (KUR) is a credit/financing for working capital and/or investment to a productive and feasible individual, business entity, and/or business group debtor that does not have additional collateral or does not have sufficient collateral. KUR is entirely sourced from the financial institution fund that distributed KUR loans.



1

Increase of KUR ceiling to Rp373,17 Trillion

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

2

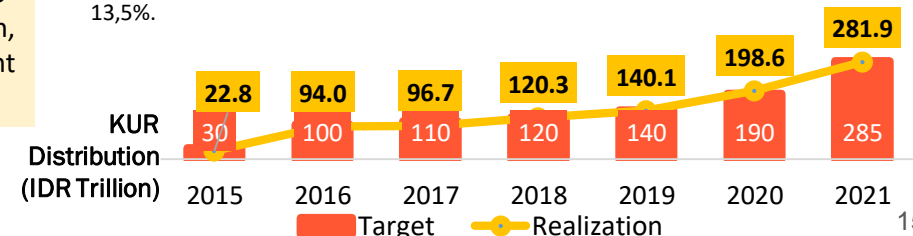
KUR Policy Relaxation during Covid-19 Period

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

3

Change of KUR Policy to Expand and Increase KUR Distribution

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



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**



SECTORS FOCUS

**Food and
Beverage**

**Textiles and
Clothing**

Automotive

Chemical

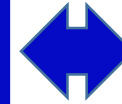
Electronic

Pharmacy

Medical Devices

STRATEGIC STEPS

Import Reduction through
Import Substitution in
Industries with Large
Import Value



Increasing Production
Utilisation of All
Manufacturing Industry
Sectors

*Encouraging the
Deepening of
Industrial Structure*

*Increase in Investment and
Absorption of New Workers*

Utilisation
60%
(2020)

Utilisation
75%
(2021)

Utilisation
85%
(2022)

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

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

TAX ALLOWANCE

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

INVESTMENT ALLOWANCE

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

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



Section 2

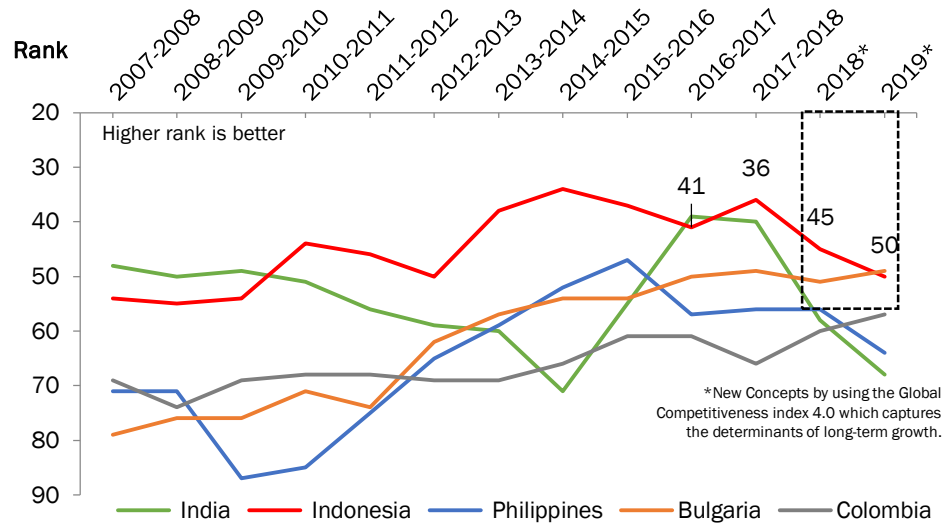
**Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development**

Improving Global Perception

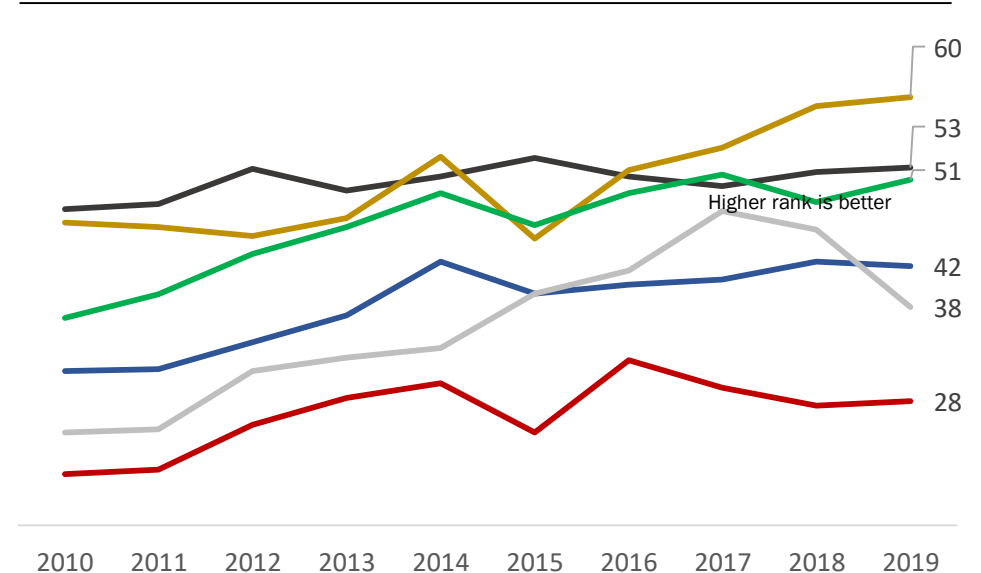
...with recent improvements on governance effectiveness



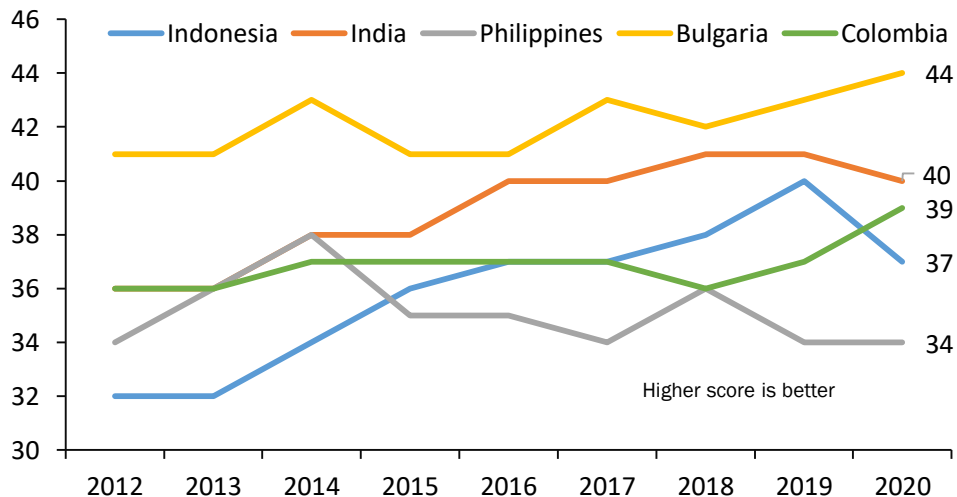
Global Competitiveness Index¹



Worldwide Governance Indicators²



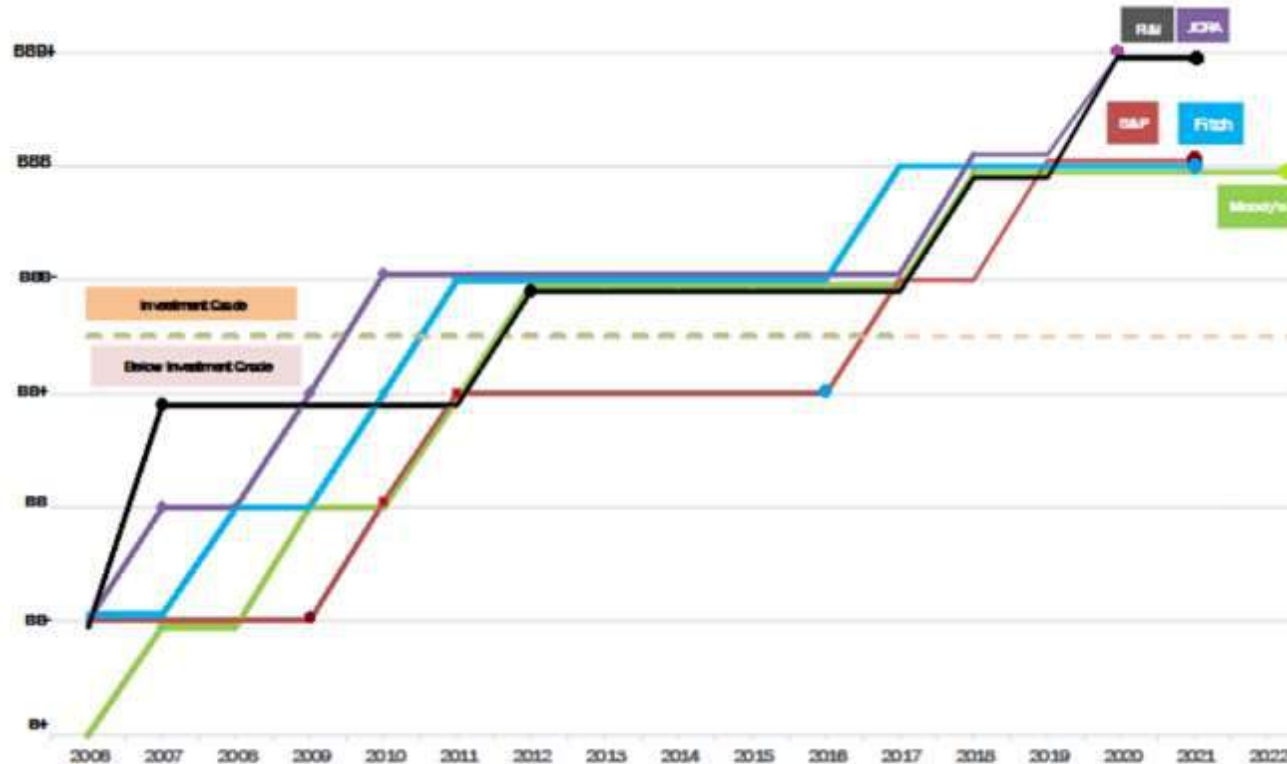
Corruption Perception Index³



- Voice and Accountability
- Government Effectiveness
- Rule of Law
- Political Stability/Absence of Violence
- Regulatory Quality
- Control of Corruption

- Source: World Economic Forum – The Global Competitiveness Report 2019;
- Source: World Bank – The Worldwide Governance Indicators 2020 Update;
- Source: Transparency International – Corruption Perceptions Index 2020 Report

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



FitchRatings

BBB / Stable

November 2021, Rating Affirmed at BBB/Stable

"Indonesia's rating balances a favourable medium-term growth outlook and a still low, but rising, government debt/GDP ratio against a high dependence on external financing, low government revenue and lagging structural features such as governance indicators and GDP per capita compared with 'BBB' category peers."

S&P Global Ratings

BBB / Negative

April 2021, Rating Affirmed at BBB/Negative

"The affirmation reflects Indonesia's solid economic growth prospects and historically judicious policy dynamics. The negative outlook reflects our expectation that Indonesia will face sustained fiscal and external pressures related to the COVID-19 pandemic over the next 12-24 months".

Moody's

Baa2 / Stable

February 2022, Rating Affirmed at Baa2/Stable

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

R&I

BBB+ / Stable

April 2021, Rating Affirmed at BBB+/Stable

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

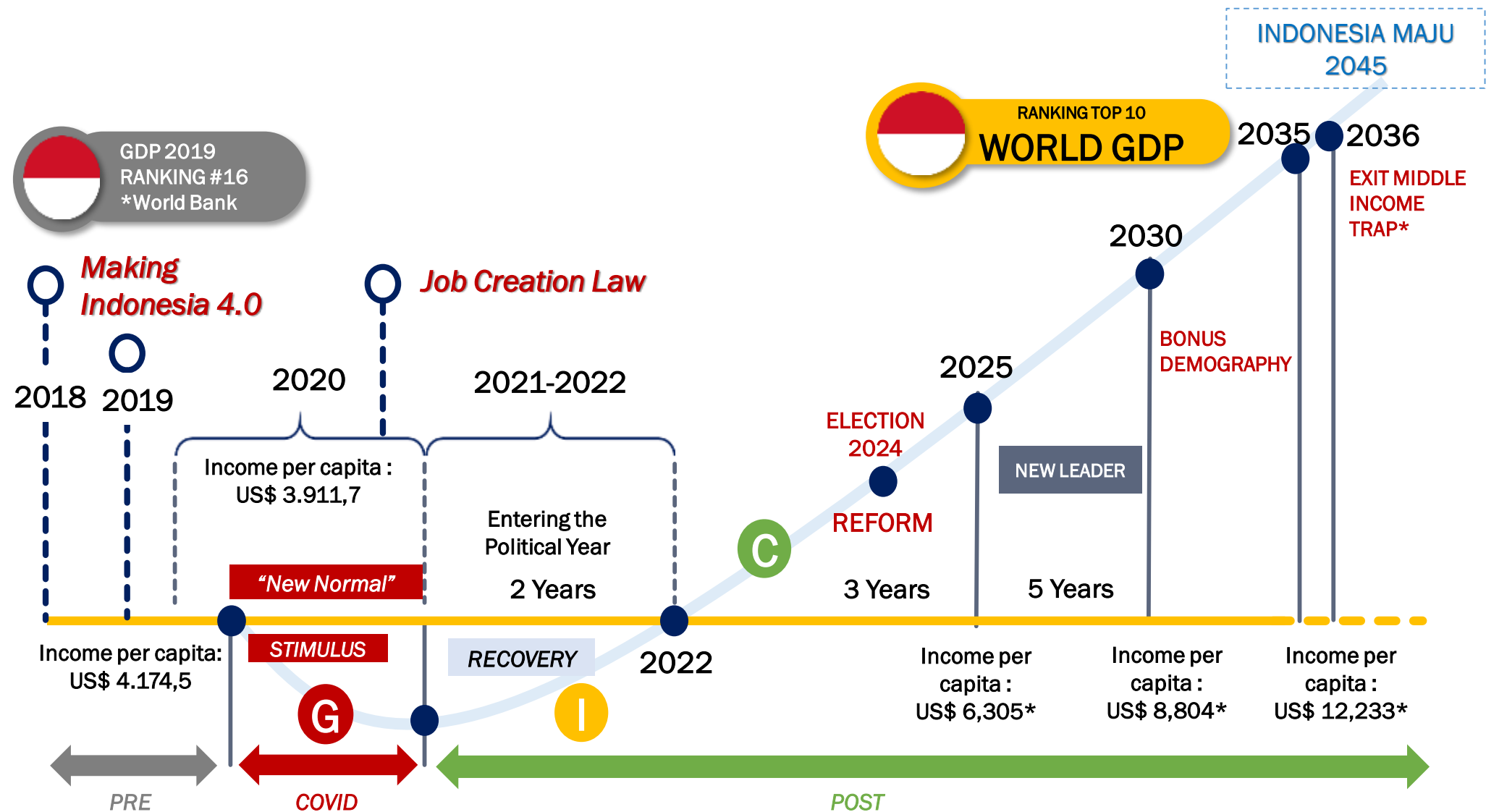
JCR

BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

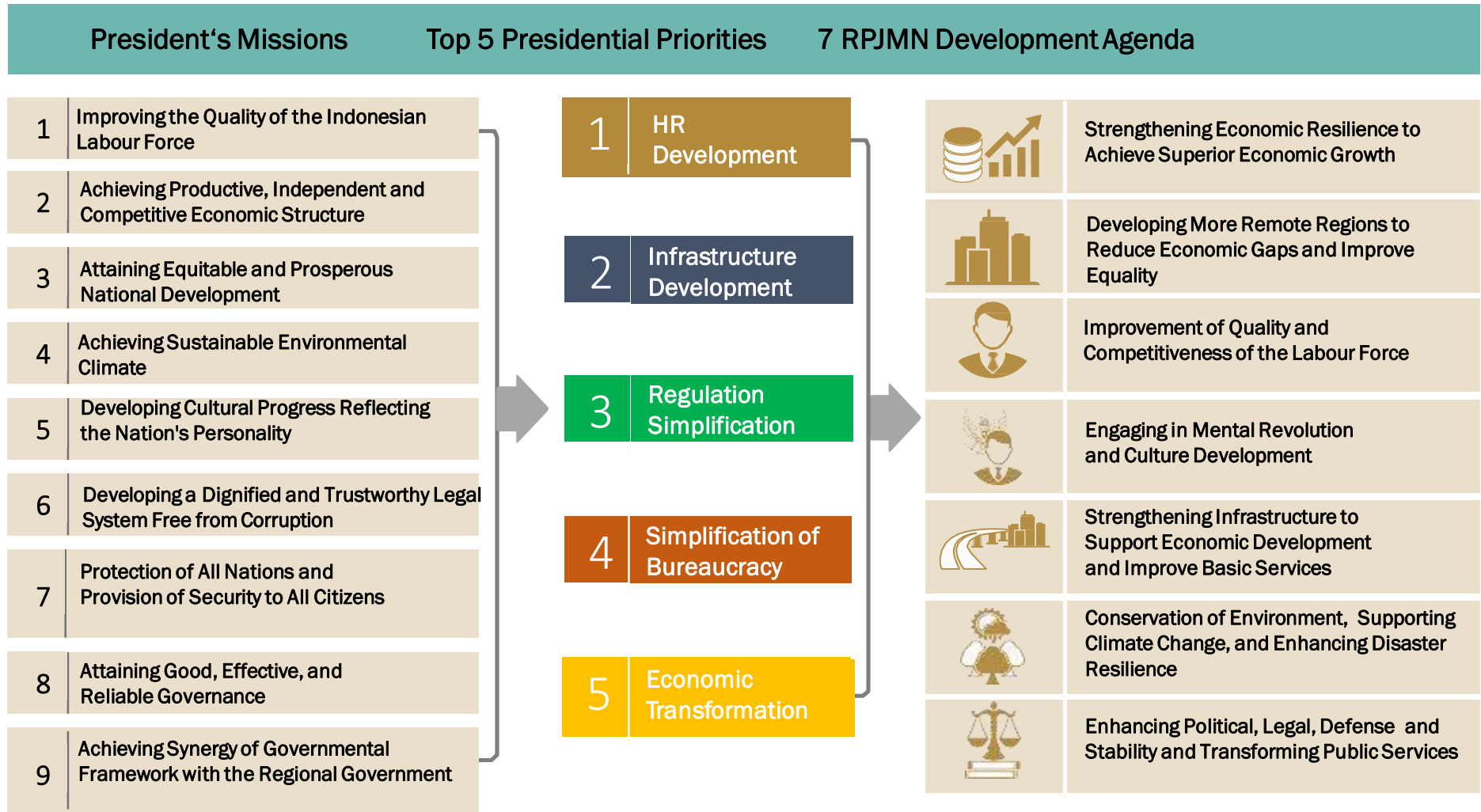
"The ratings mainly reflect the country's solid domestic demand-led economic growth potential, restrained public debt, and resilience to external shocks supported by flexible exchange rate and monetary policies and accumulation of foreign exchange reserves. Additionally, the government has been maintaining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

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

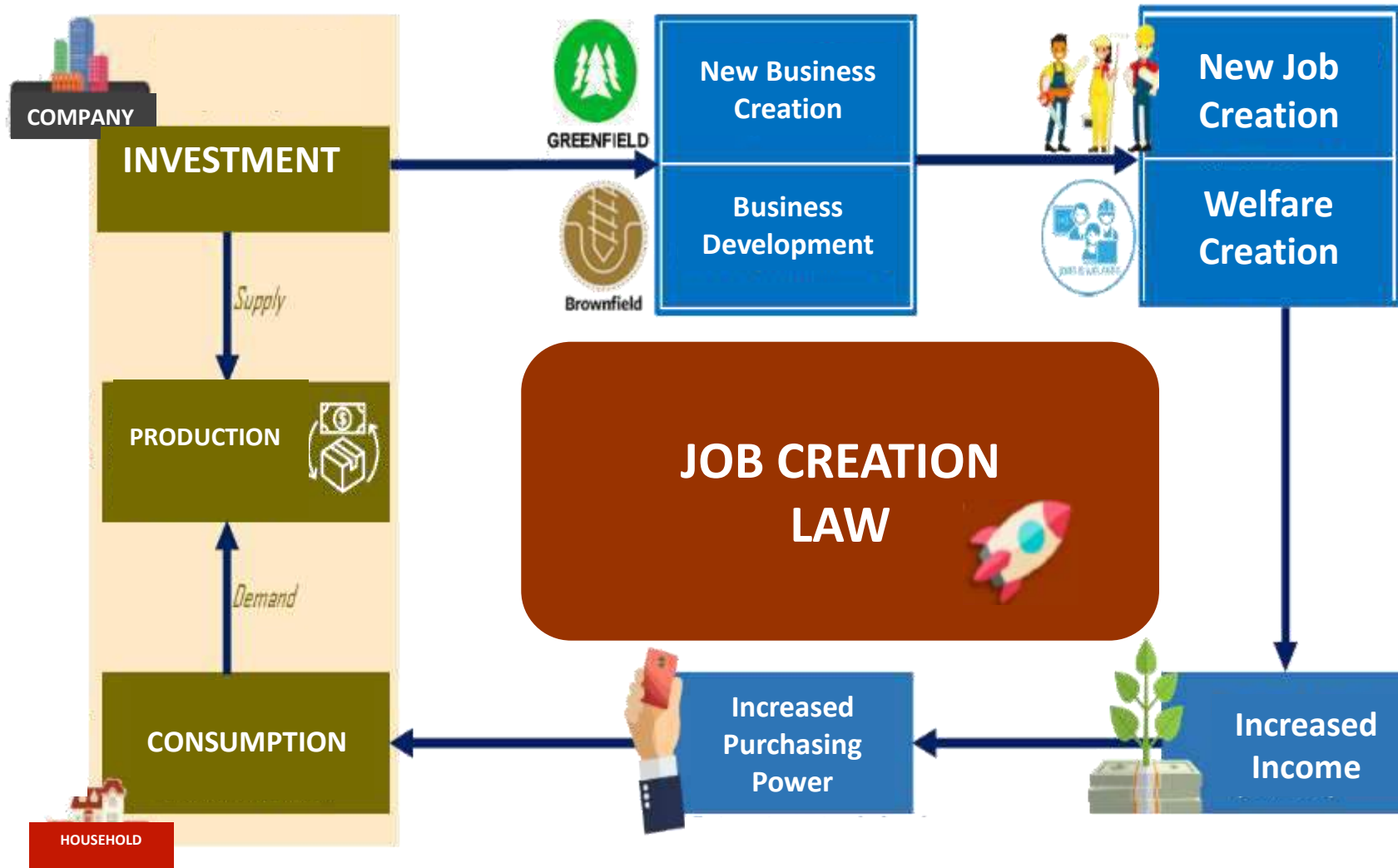


Medium-Term National Development Plan (RPJMN) 2020-2024

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



The Framework of Job Creation Law



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



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

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

IMPLEMENTING REGULATIONS OF THE JOB CREATION LAW:

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

FOLLOW UP PLAN

AMENDMENT OF LAW 12/2011:

- To add the methods and techniques for preparing Law through omnibus approach to fulfill positive legalistic aspects.
- The amendment will be included in the 2022 Priority Prolegnas.

REVISION OF THE LAW ON JOB CREATION:

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

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



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

Has simplified into



186 Article
dan **15 chapter**

11Cluster



Investment Ecosystem and Business Activities



Business Licensing



Employment



SME and Cooperatives



Research and Innovation



Land Acquisition



Economic Zones



Ease of Doing Business



Government Investment & National Strategic Project (PSN)



Public Administration



Imposition of Sanctions



Positive Investment List: Improving the Investment Ecosystem in Indonesia



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



Changes in the Regulation of the Investment Business Field

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

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

Priority Business Activities with the following criteria:

National strategic project/program	Pioneer industry
Capital intensive	Export oriented
Labour intensive	Oriented in research, development, and innovation activities
High technology	

Fiscal Incentives

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

Non-Fiscal Facilities

- Ease of obtaining business licenses
- Provision of supporting infrastructure
- Guarantees on availability of energy and materials
- Immigration
- Manpower
- Other non-fiscal supports

Risk-based Business Licensing Deregulation Measures To Encourage FDI



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

Starting a Business



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

Low Risk

Medium Risk

High Risk

NIB Issued = 895.875

Period August 4, 2021 – March 2, 2022

Based on Business Actor:

- Business Entity = 139.410
- Individual = 756.465

Based on Investment Type:

- FDI = 3.052
- DDI = 892.843

Based on Business Scale:

- Micro = 831.288
- Small = 46.068
- Medium = 10.594
- Large = 7.925

Action Plans

Short - Medium-term

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

Long-term

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

Doing Business

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

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

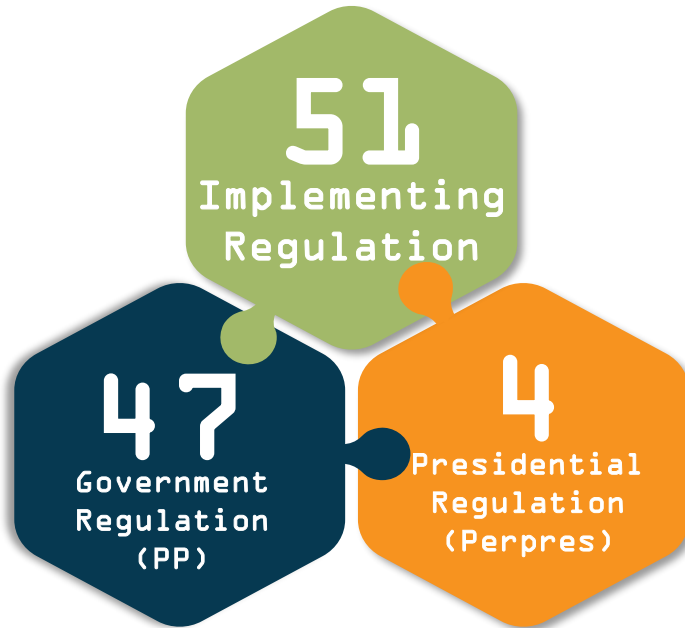
INSPECTION:

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

Action Plans

OSS RBA system development included monitoring subsystem

Implementing Regulation on Risk-Based Licensing



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

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

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

Implementing Regulation on Risk-Based Licensing



To Start and Carry Out Business Activity



Basic Requirement for Business Licensing

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

Risk Based Business Licensing (KBLI)

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

Business Licensing to Support Business Activity (PB UMKU)

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

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

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



Legal basis

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

Development

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

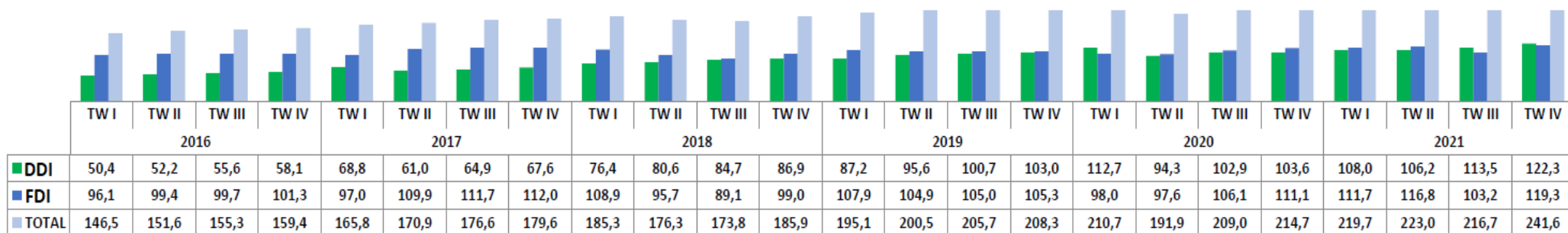
Main Sectors of Investment



Development of INA's Investment Cooperation

- The commitment covers various strategic sectors in Indonesia, including digital infrastructure, ports, energy and toll roads:
 - General: Investment Framework Agreement with ADG in the amount of USD 10 billion:
 - Digital infrastructure: ADG and ADIA participation in Mitratel IPO of ~USD 300 million
 - initial discussion with the Abu Dhabi Fund for Development (ADFD) regarding investment opportunities in the tourism sector with an expected value of USD 50 million in 2022.
 - ADG is planned to be an anchor investor for one of the digitalization thematic funds being formed by INA.
 - Alliance agreement with DP World for port development and supporting infrastructure of USD 7.5 billion over the concession period
 - MOU with Mubadala Petroleum regarding the exploration of investment opportunities in Pertamina Balikpapan in the amount of USD 250 million
 - Investment platform with committed ADIA of USD 1 billion of the total platform of USD 3.75 billion

Investment Realization in 2021



DDI: Domestic Direct Investment

FDI: Foreign Direct Investment

TW = Quarter

in IDR trillion

*) The achievement of investment realization is rounding numbers

	2020				2021			
	TW-I	TW-II	TW-III	TW-IV	TW-I	TW-II	TW-III	TW-IV
DDI	112,7	94,3	102,9	103,6	108	106,2	113,5	119,3
FDI	98	97,6	106,1	111,1	111,7	116,8	103,2	122,3
TOTAL	210,7	191,9	209	214,7	219,7	223,0	216,7	241,6
	JANUARI – DESEMBER 2020				JANUARI – DESEMBER 2021			
DDI	413,5				447,0			
FDI	412,8				454,0			
TOTAL	826,3				901,0			

TW-IV 2021		Target 2021**	Realization ***
Y-o-Y	Q-o-Q		
15,2%	5,1%	430,2	103,9%
10,1%	18,5%	469,8	96,6%
12,5%	11,5%	900,0	100,1%



**) 2021 Investment Realization Target: IDR858.5 T (Strategic Plan)

As regulated in BKPM Regulation Number 2 of 2020 concerning BKPM Strategic Plan 2020-2024

The adjustment of investment realization target for 2021: IDR900 T (President's Instruction)

***) Towards the 2021 investment realization target according to the President's Instruction

Source: Investment Coordinating Board (BKPM)

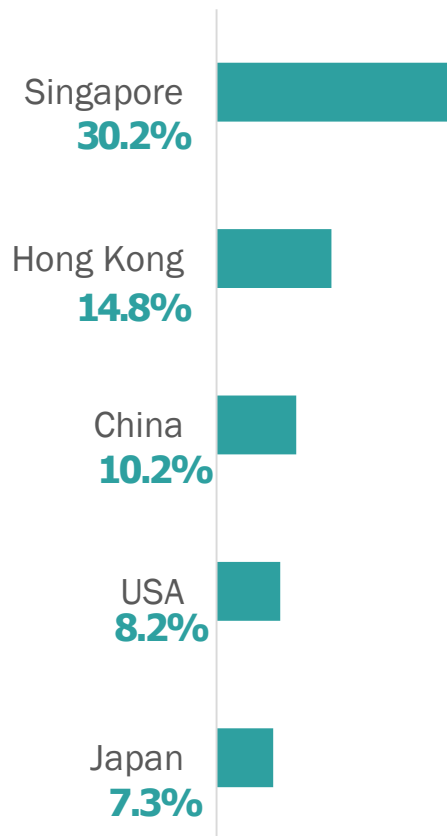
Investment Realization in 2021

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



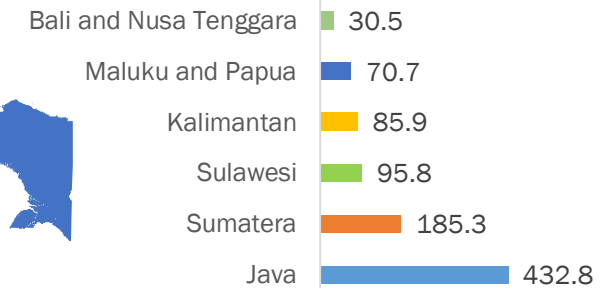
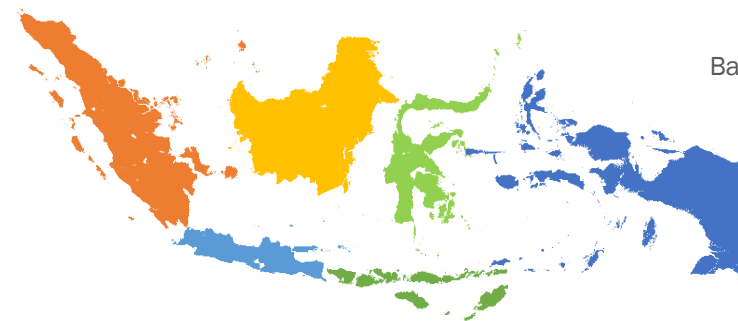
Top 5 Investors (by country)

(in USD billion)



By Region

in IDR Trillion



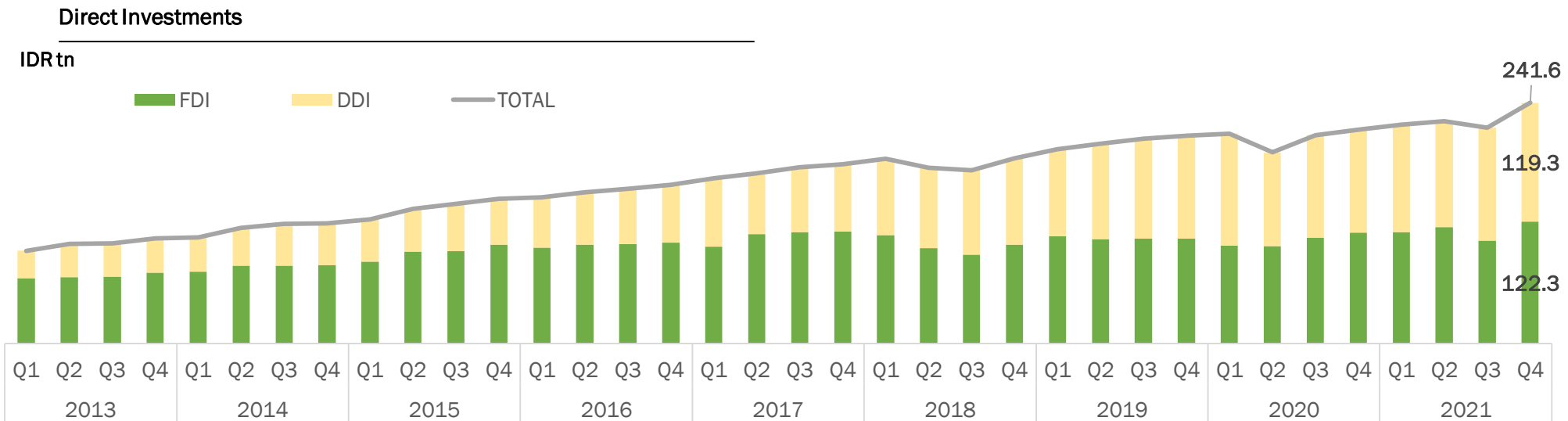
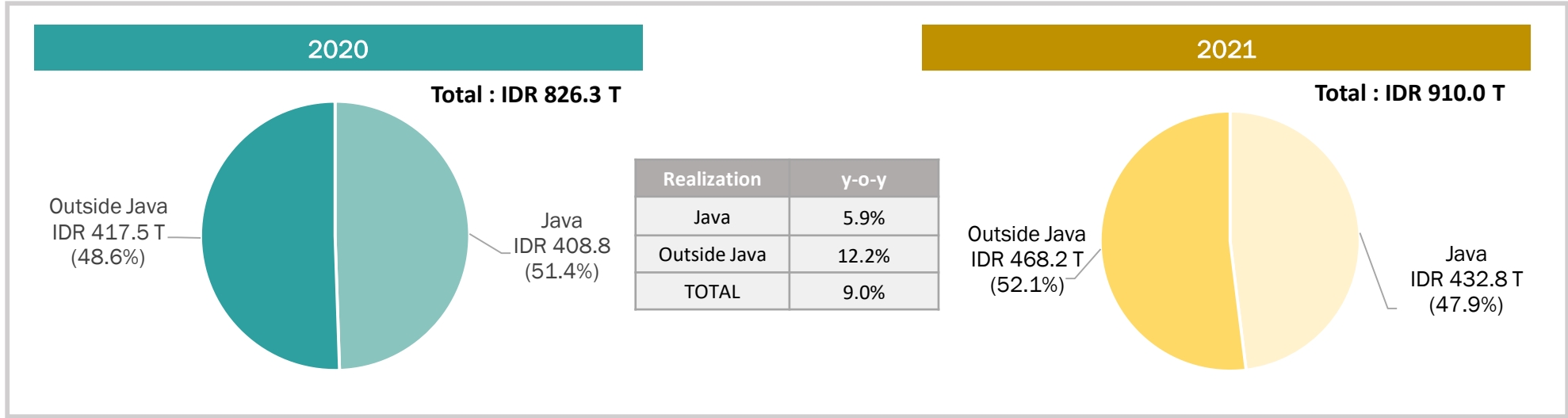
By Sector

in IDR Trillion



Investment Realization in 2021

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



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



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



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

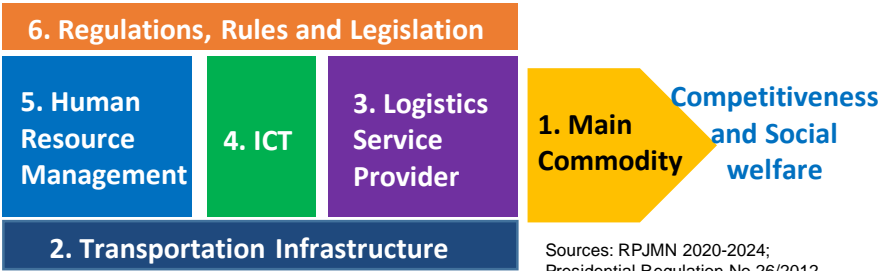
This focus aims to ensure the availability and reliability of logistics services to support the smooth distribution of goods at the district and city levels.

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

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

- 1 Commodity-based improvement framework**
 - Specify a specific commodity.
 - Identify demand patterns, supply patterns and logistics costs.
 - Set logistics efficiency targets for these commodities, for example:
 - Lead time for domestic goods delivery;
 - Lead time at the port for import-export goods.
- 2 Strengthen Key-Enabler**
 - Mapping and collaborating stakeholders and off-takers to implement the action plans.
 - Establish a responsible organization to ensure the implementation of action plans to support the achievement of logistics efficiency targets.
- 3 Organizing action plans based on 6 key drivers**

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



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

Key Drivers: Logistic Action Plan

Transportation Infrastructure →

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

Logistics Service Provider →

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

ICT →

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

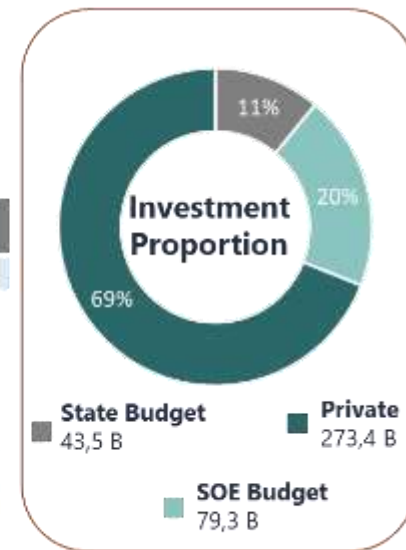
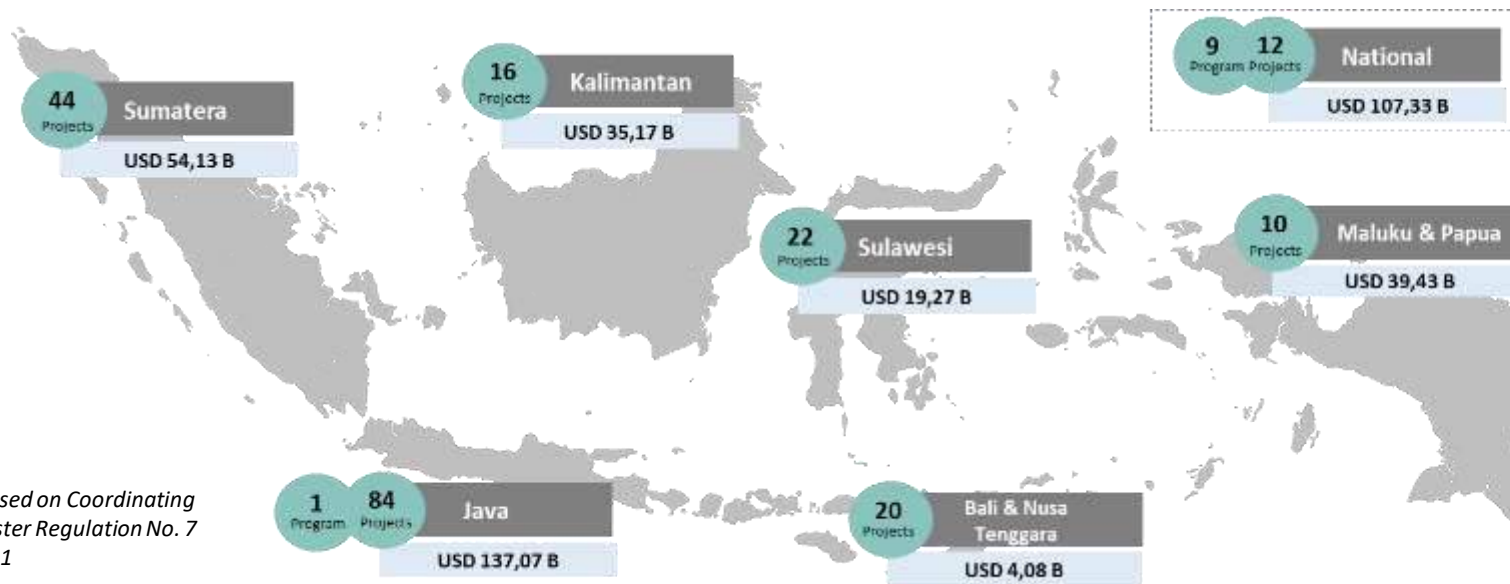
Human Resource Management →

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

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



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



*1 USD = 14,380 IDR

*) based on Coordinating Minister Regulation No. 7 / 2021

PSN covers 12 sectors and 10 program



The accumulated 130 Projects that have been completed

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



11 Million

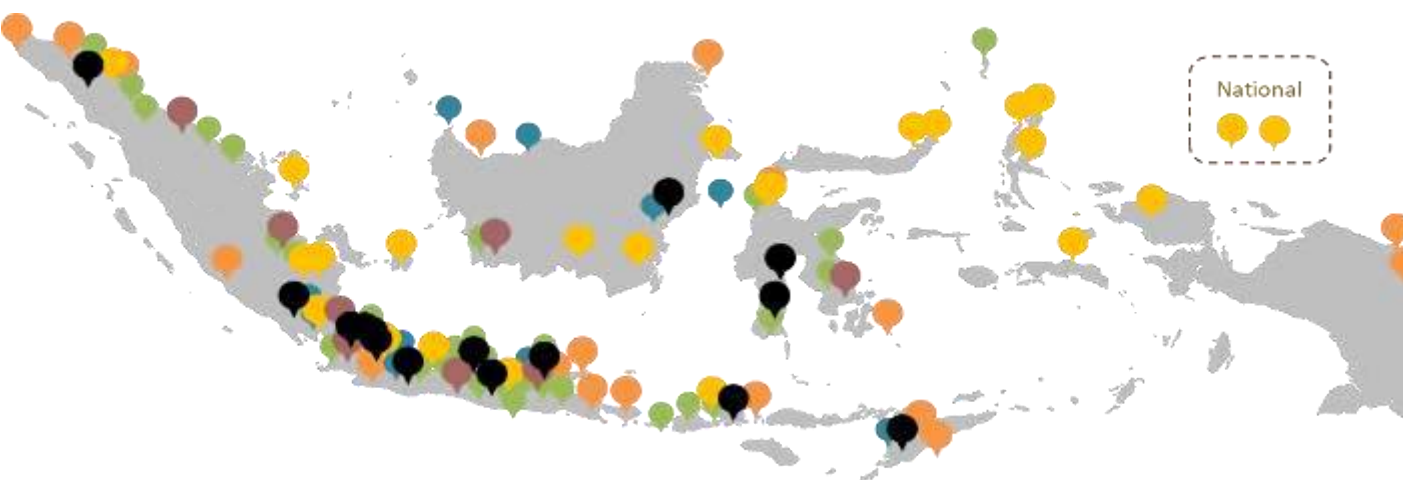
Estimated Labour Absorption* since 2016-2024

&

With 1,9 Million

Estimated direct labour absorption from 2020-2024

***Notes:** Includes direct and indirect labour absorption through PSN



Completed in 2016	Completed in 2017	Completed in 2018	Completed in 2019	Completed in 2020	Completed in 2021
<ul style="list-style-type: none"> 7 Airports 1 Toll Roads 6 Dams 1 Seaport 1 Gas Pipeline 4 Border Dev. 	10 Projects (USD 4,27 B) <ul style="list-style-type: none"> 2 Toll Roads 1 Access Road 1 Airport 1 Gas Facility 3 Border Dev. 1 Dam 1 Irrigation 	32 Projects (USD 14.43 B) <ul style="list-style-type: none"> 2 Railway 4 Dams 1 Irrigation 10 Toll Roads 5 SEZ 1 Aiport 4 Ind. Estate 4 Smelter 1 Marine Agriculture 	30 Projects (USD 11,5 B) <ul style="list-style-type: none"> 4 Airports 4 Dams 9 Toll Roads 6 Ind. Estate 2 Railway 1 Seaport 2 Smelter 2 Technology 	12 Projects (USD 8,57 B) <ul style="list-style-type: none"> 1 Airport 1 Railway 3 Toll Roads 1 Seaport 1 Cleanwater Supply 3 Ind. Estate 2 Dams 	24 Projects (USD 6,2 B) <ul style="list-style-type: none"> 6 Toll Roads 2 Cleanwater Supply 11 Dams 1 Seaport 1 Technology 1 Housing 1 Railway 1 Ind. Estate

*1 USD = 14,380 IDR

Government of Indonesia has set various initiatives

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



1



**Public Private
Partnership
(PPP)**

2



**Limited
Concession
Scheme (LCS)**

3



***Integrated
Funding
Platform***

4



***Land Value
Capture (LVC)***

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



Institutional Reforms for PPP Implementation



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



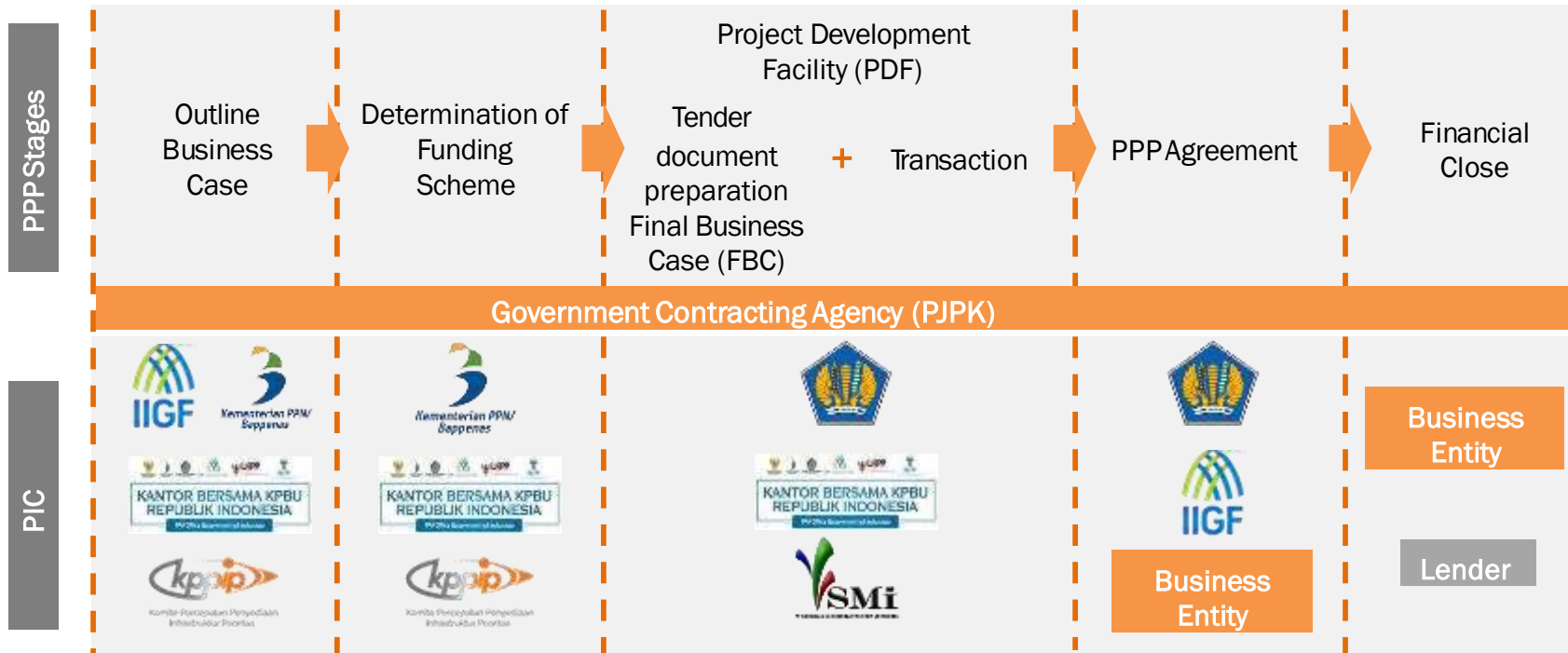
PPP Joint Office:
Information center for policy coordination and capacity building to encourage the use of PPP schemes



Indonesia Infrastructure Guarantee Fund: Provides guarantee and supports project preparation



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



Legend

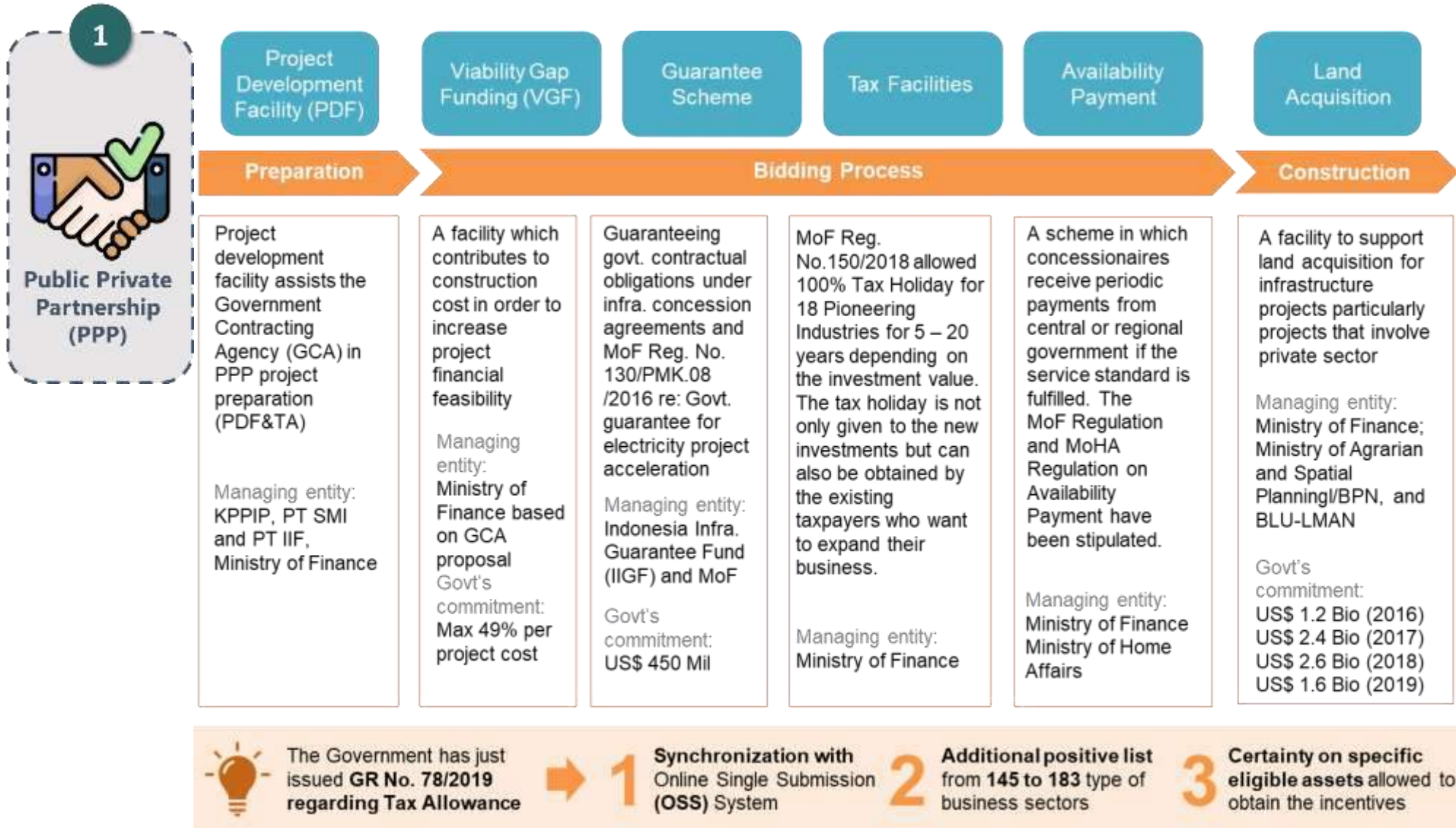


Ministry of National Development Planning



Ministry of Finance

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



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



2



Limited
Concession
Scheme (LCS)

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

LCS Concept

Government can get:

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



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



Government guarantees the issuance of permits and licenses



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

Does LCS serve as privatization?

NO

It does not eliminate the ownership and control of the Government



Government remains the owner of the infrastructure asset



LCS limits "super-profits" for concession holders



Government will receive upfront payment yet its not selling the asset

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



2



Limited
Concession
Scheme (LCS)



Definition

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



LCS Principles

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



Infrastructure Financing Priority

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



Technical Criteria for the LCS assets

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

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



Profile of PT SMI

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

SDGs Initiative

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

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



Source: PT SMI, 2019



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

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



4



Land Value Capture (LVC)

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

(Lincoln Institute of Land Policy)



Tax based LVC

Land and Property Tax

Betterment Levies and Special Assessment

Tax Increment Financing (TIF)

Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

LVC Benefit

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

Triple Win LVC

Better Urban Mobility

Reducing Subsidy

Creating Fiscal Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

All National Strategic Projects have been given a special facility to ease each of the project's implementation as stipulated in the Pres. Regulation No. 109 /2020



PSN Facility

Land transfer fee waiver for PSN

Local content utilization

Debottlenecking

Electronic permit licensing

Government guarantee

Procurement acceleration

Spatial planning

IT Monitoring system by KPPIP

Law settlement assistance

Land aquisition

SOE appointment

Project acceleration for private investment

Existing

New norm on Presidential Regulation No. 109/2020

Government of Indonesia has ratified a number of significant implementing regulation

as part of regulatory reform to ease infrastructure investment



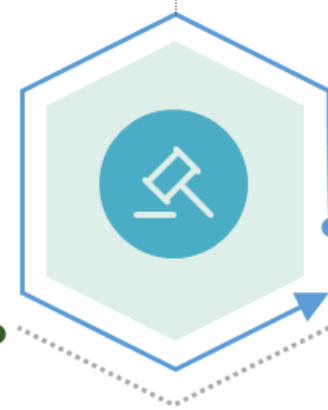
**Government Regulation
No. 42/2021 on Ease of
Doing Business for PSN**



**Government Regulation No.
19/2021 on Land Acquisition
for Public Interest**



**Government Regulation No. 43/2021 on
Spatial Adjustment for Forest and Land
Right/Permit**



**Government
Regulation No.
21/2021 on Spatial
Planning**



**Government Regulation No.
64/2021 on Land Bank
Institution**



Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning



Government Guarantee Program

Credit Guarantee	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements
Political Risk Guarantee	<ul style="list-style-type: none"> 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 2021 **

No.	Central Government Guarantee for Infrastructure Programs	Guaranteed Party	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	SOE	9	USD 0.75
2	Clean Water Supply Program	Non SOE	6	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	SOE	10	USD 2.22
4	Sumatra Toll Road	SOE	10	USD 3.08
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	SOE	7	USD 4.00
6	Public-Private Partnerships (PPP)	SOE & Non SOE	7	USD 6.58
7	Regional infrastructure financing	Non SOE	1	USD 0.22
8	Public Transportation (Light Rail Transit)	SOE	2	USD 0.79
9	Electricity Infrastructure Fast Track Program (35 GW)	SOE	6	USD 5.28
Total			58	USD 22.94

- From 2008 to Q4-2021**, the government has issued 93 guarantee documents with total value of USD42.11 billion, there were 35 guarantee documents worth USD5.45 billion have been expired.
- The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

**) Currency conversion of IDR14,269.01/USD1 and IDR16,126.84/EUR1 (as of end December 2021)

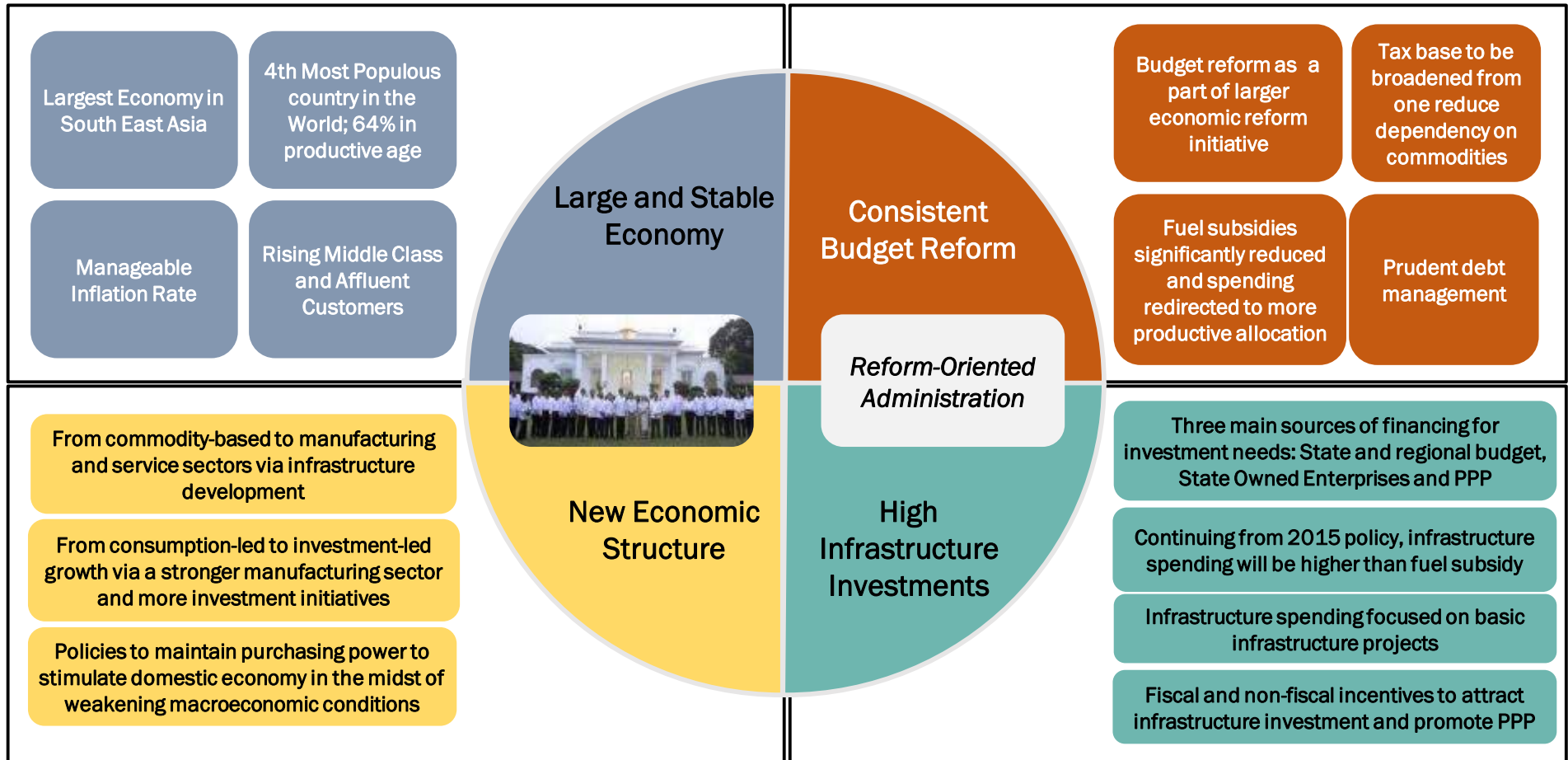


Section 3

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

Conductive Environment

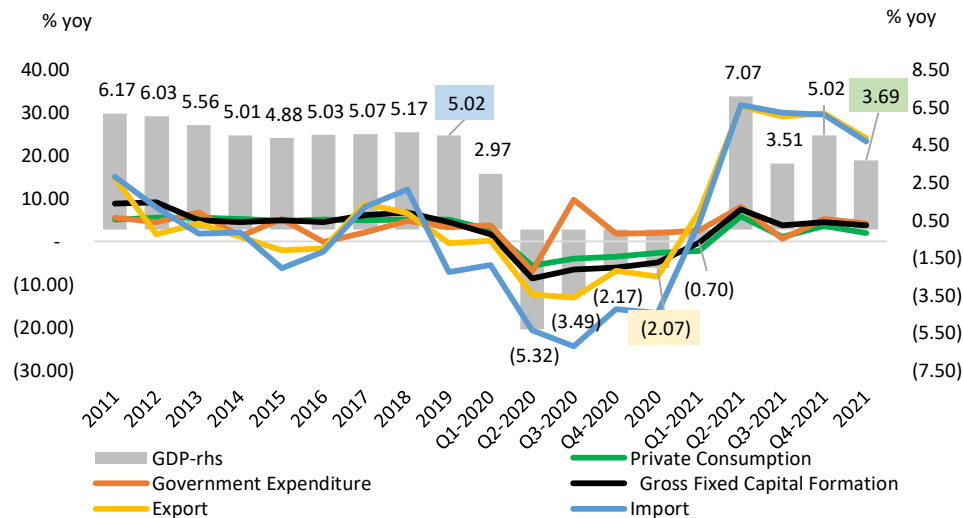
Underpinning Stable Growth Fundamentals Amid Temporary Moderation



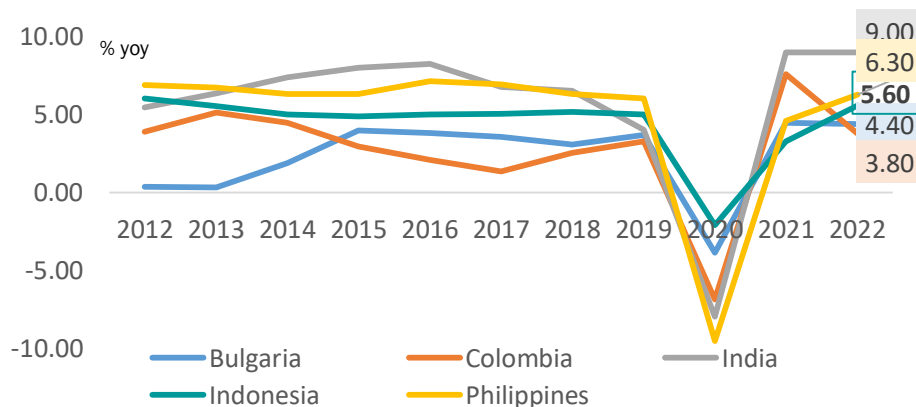
National Economic Recovery Expected to Continue



Strong GDP Growth¹



Favourable GDP Growth Compared to Peers²



- Source: Central Bureau of Statistics of Indonesia (BPS). ** Including non-profit household consumption
- Source: World Economic Outlook Database – October 2021; * indicates estimated figure

*) Consensus Forecast number will be given later

National economic recovery momentum has continued in 2022. In the fourth quarter of 2021, Indonesia's economy expanded 5.02% (yoy), improving from 3.51% (yoy) in the previous period. Broad gains were recorded across most economic sectors and GDP components on the expenditure side in line with the domestic economic recovery from the Delta outbreak in the third quarter of 2021. Overall, the economy grew 3.69% in 2021 to reverse the 2.07% (yoy) contraction experienced in 2020. Spatially, stronger economic growth in 2021 occurred in all regions, led by Sulawesi-Maluku-Papua (Sulampua), followed by Java, Sumatra and Kalimantan. The national economic recovery process is expected to persist in 2022, though the recent spike in Omicron cases demands heightened vigilance. Several economic indicators in February 2022 are still solid, including retail sales, consumer expectations and Manufacturing PMI, though community mobility improvements are fading. The domestic economy, therefore, is expected to accelerate to 4.7-5.5% in 2022, supported by a faster vaccination program, broader reopening of the economy and maintained policy stimuli by Bank Indonesia, the Government and relevant authorities.

In terms of spending, nearly all GDP components recorded positive and stronger growth in the fourth quarter of 2021. Household consumption grew 3.55% (yoy) in the reporting period, up significantly from 1.02% (yoy) in the previous period given increasing public mobility in various regions of Indonesia. Investment grew 4.49% (yoy), boosted by non-building investment. Government consumption growth stood at 5.25% (yoy), supported by increased spending on the national economic recovery program, including Covid-19 handling and containment measures. Meanwhile, export growth remained solid at 29.83% (yoy) on strong demand in Indonesia's major trading partners. On the other hand, imports also recorded high growth in the fourth quarter of 2021 at 29.60% (yoy).

2022 Growth Projection *)

Institutions	GDP growth
2022 Budget	5.2
Bank Indonesia	4.7-5.5
IMF (WEO, Jan 2022)	5.6
World Bank (GEP, Jan 2022)	5.2
ADB (ADO, Dec 2021)	5.0

GDP Growth Breakdown



GDP Growth Based on Expenditures (% YoY)¹

By expenditure	2016					2017					2018					2019					2020					2021				
	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	5.1	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	-2.2	6.0	1.0	3.6	2.0
Non profit HH. consumption	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	-1.9	-2.1	-4.2	-3.7	4.0	2.8	3.3	1.6
Government consumption	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	2.0	2.5	8.1	0.6	5.2	4.2
Gross Fixed Cap. Formation	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	-5.0	-0.2	7.5	3.8	4.5	3.8
Exports	(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	-1.1	-1.2	0.9	-0.6	-0.5	0.2	-12.4	-13.0	-6.9	-8.1	6.9	31.5	29.2	29.8	24.0
Imports	(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	-5.8	-5.9	-8.5	-8.1	-7.1	-5.4	-20.7	-24.5	-15.8	-16.7	4.4	31.8	29.9	29.6	23.3
GDP	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	-0.7	7.1	3.5	5.0	3.7

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

GDP Growth by Sector (% YoY)

By sectors	2016					2017					2018					2019					2020					2021				
	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	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	3.4	0.5	1.4	2.3	1.8
Mining and Quarrying	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	-2.0	5.2	7.8	5.2	4.0
Manufacturing	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	-1.4	6.6	3.7	4.9	3.4
Construction	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	-0.8	4.4	3.8	3.9	2.8
Wholesale and Retail Trade, Repair of Car and Motorcycle	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	1.5	-7.7	-5.1	-3.7	-3.8	-1.3	9.5	5.2	5.6	4.7
Transportation and Storage	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	5.8	6.7	7.6	6.4	1.3	-30.8	-16.7	-13.4	-15.0	-13.1	25.1	-0.7	7.9	3.2
Information and communication	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	11.0	10.6	8.7	6.9	5.5	6.2	6.8
Financial service	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	-3.0	8.3	4.3	-2.6	1.6
Other Services*	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4.6	5.4	6.2	6.7	6.4	6.2	6.8	7.3	6.4	6.2	6.7	4.6	-6.3	-1.4	-1.7	-1.2	-2.5	9.8	-0.8	3.4	2.4
GDP	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	-0.7	7.1	3.5	5.0	3.7

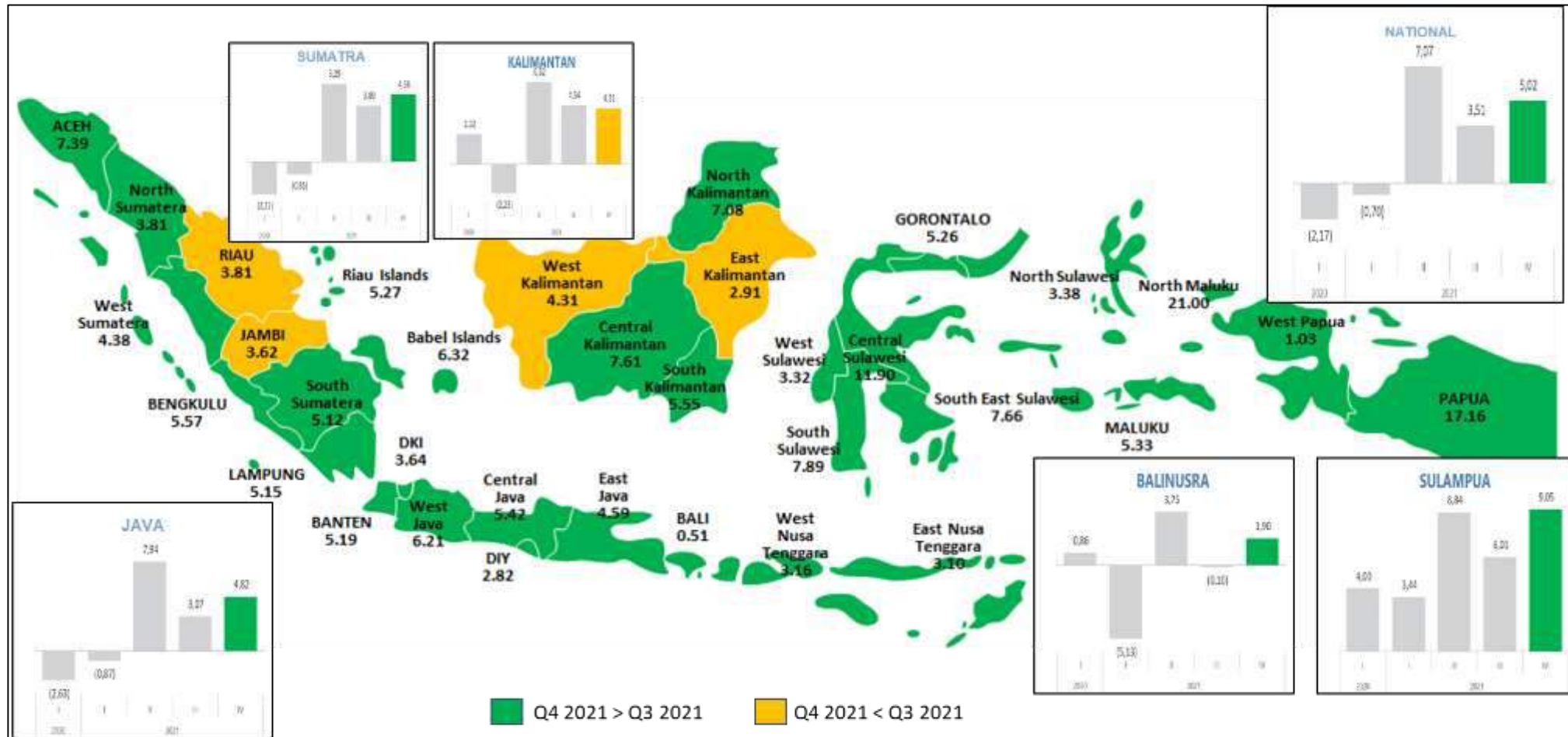
Source: Central Bureau of Statistics of Indonesia (BPS)

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

Economic Performance Improved In Almost All Regions



Regional GDP of The Fourth Quarter of 2021 (% , yoy)



Source: BPS

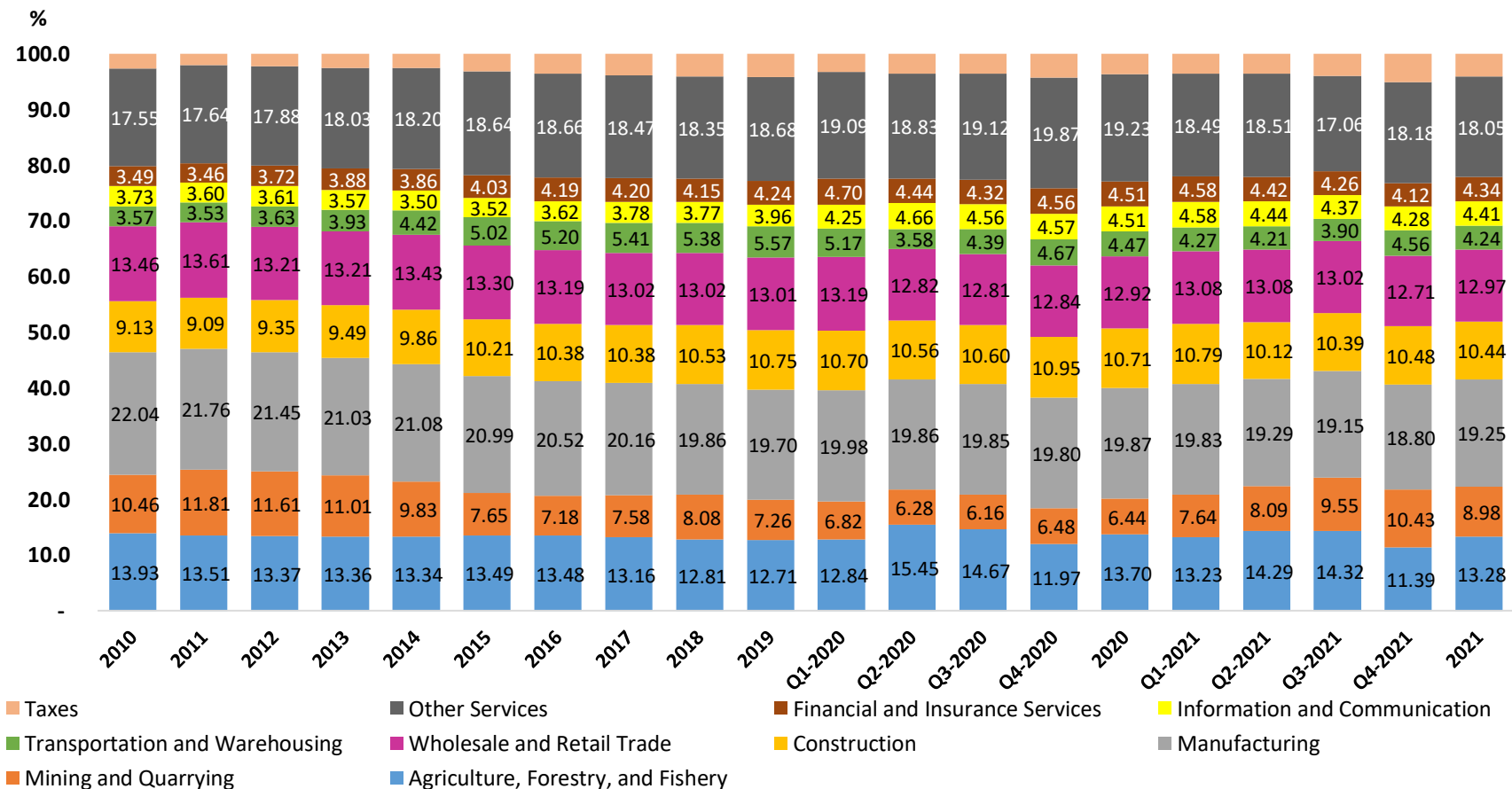
Source: Central Bureau of Statistics of Indonesia (BPS), calculated

Economic Performance in Most Sectors Continue to Improve

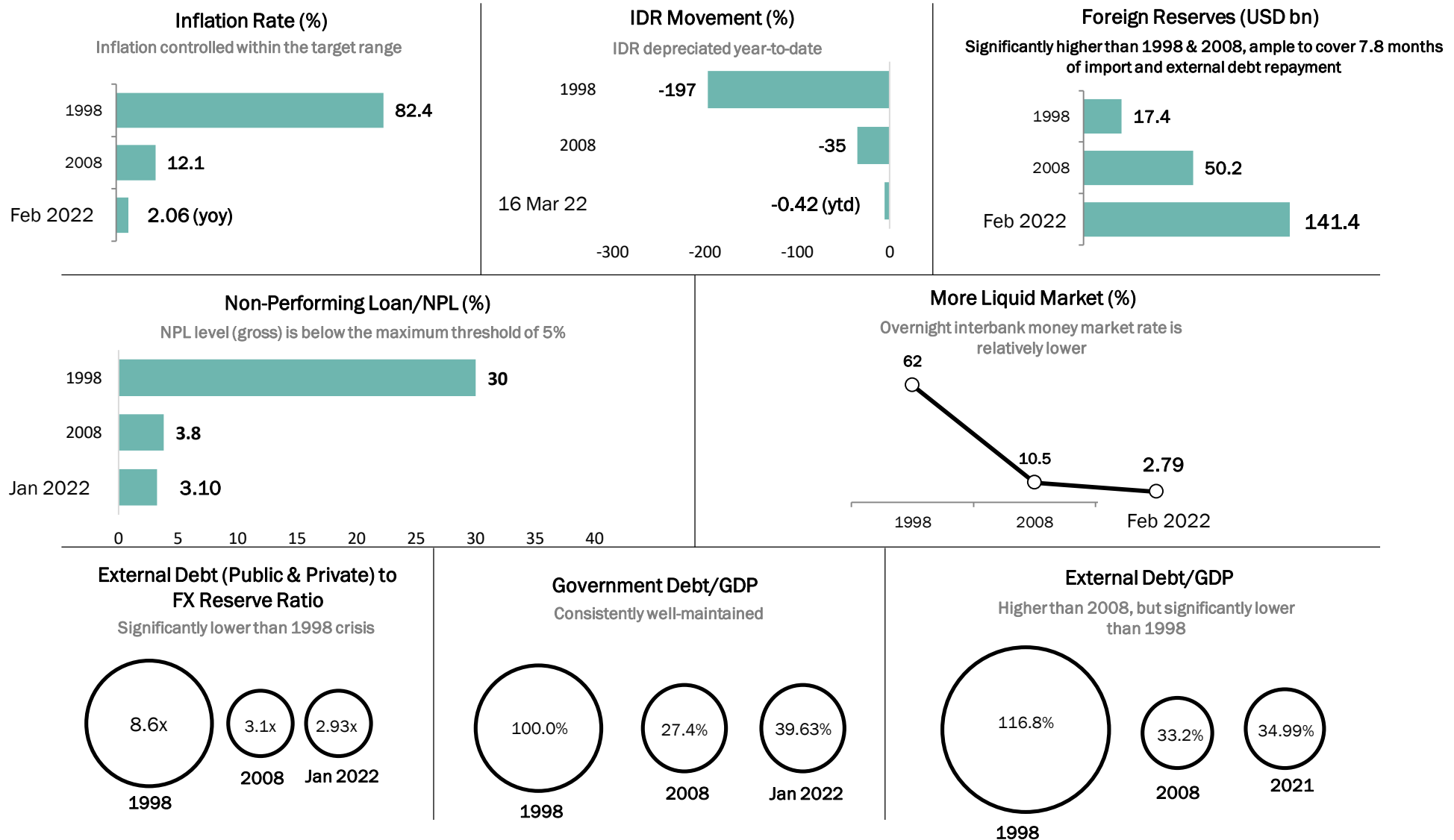


Indonesia's main economic sectors maintained positive momentum, and the performance was driven by several major sectors, namely the Manufacturing Industry, Trade and Construction. Sectors associated with mobility, namely Accommodation and Food Service Activities as well as Transportation and Storage also posted gains.

Indonesia's GDP Share (%)



Stronger Fundamentals Facing the Headwinds






Outlook of Domestic Economy Remains Robust

...the domestic economic recovery is continued to strengthen in 2022



2022 Economic Outlook

- Bank Indonesia projects economic growth in 2022 to accelerate to 4.7%-5.5% in 2022.
- Bank Indonesia projects inflation in 2022 to remain under control and within the 3.0±1% target corridor.
- Bank Indonesia projects current account deficit of approximately in the range 1.1-1.9% of GDP in 2022.
- Bank Indonesia projects credit growth in 2022 will be around 6.0-8.0%

	 Economic Growth	π Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021 Realisation	3.69%	1.87%	surplus 0.3%	5.24%
2022	4.7-5.5%	3.0±1%	1.1-1.9%	6-8%



Section 4

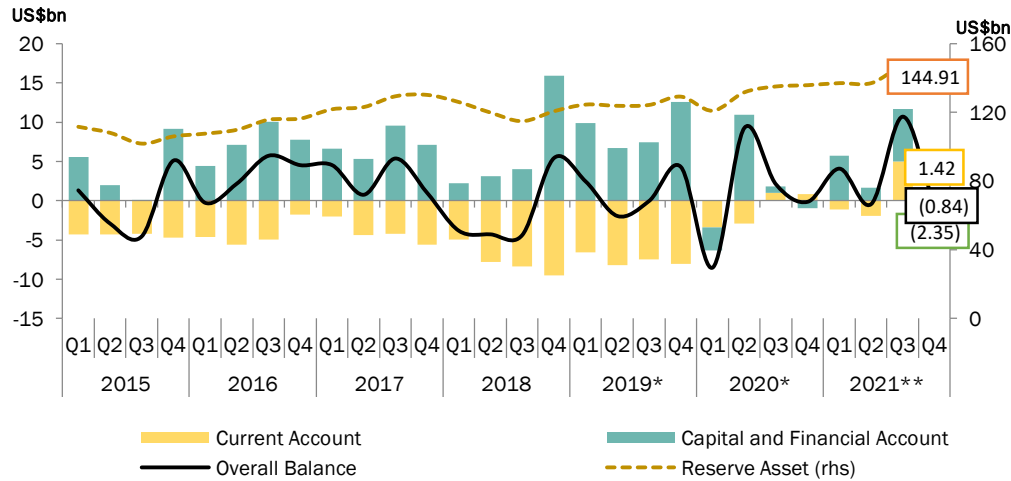
External Factor:
Improved External Resilience

External Sector Remains Resilient

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

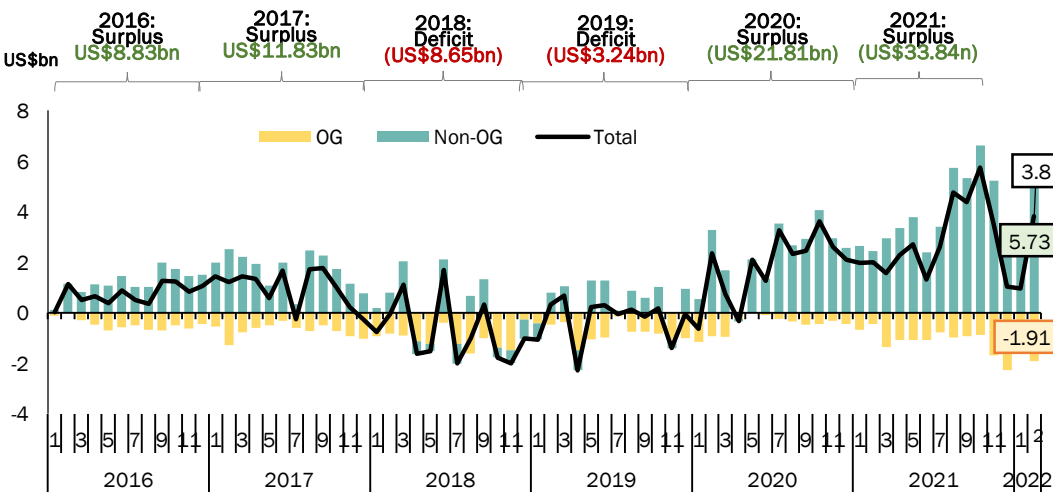


Balance Of Payment Remains Solid



Source: Bank Indonesia

Trade Balance Surplus Continues

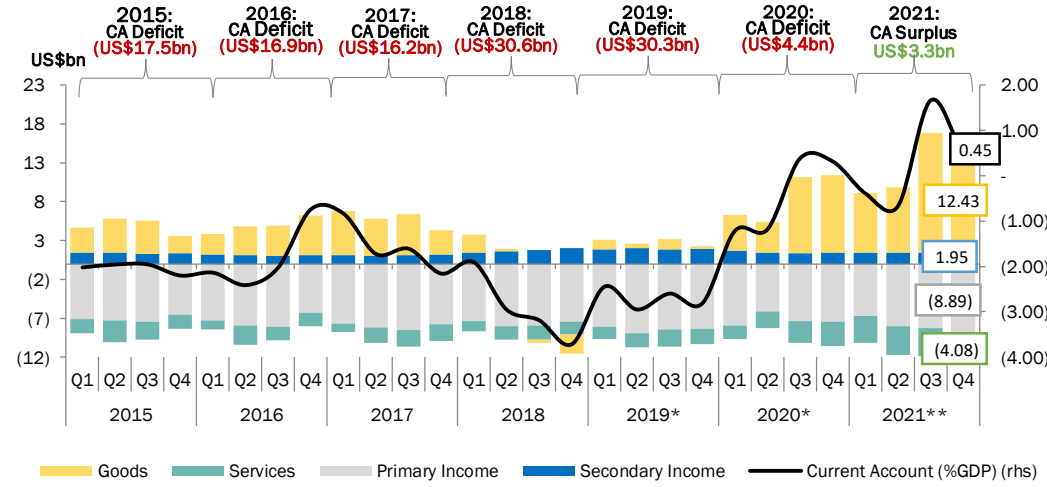


Source: BPS

* Preliminary Figure

** Very Preliminary Figure

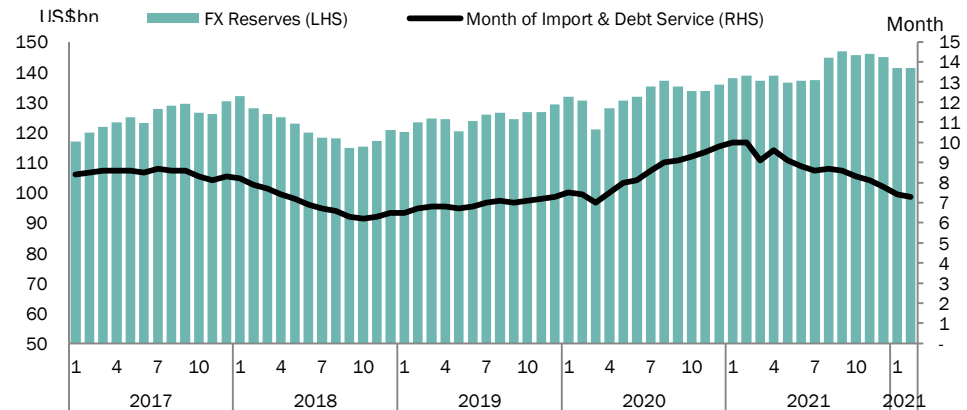
Current Account Recorded Surplus in Q4-2021



Source: Bank Indonesia

Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of February 2022: US\$141.4 bn
(Equiv. to 7.3 months of imports + servicing of government debt)

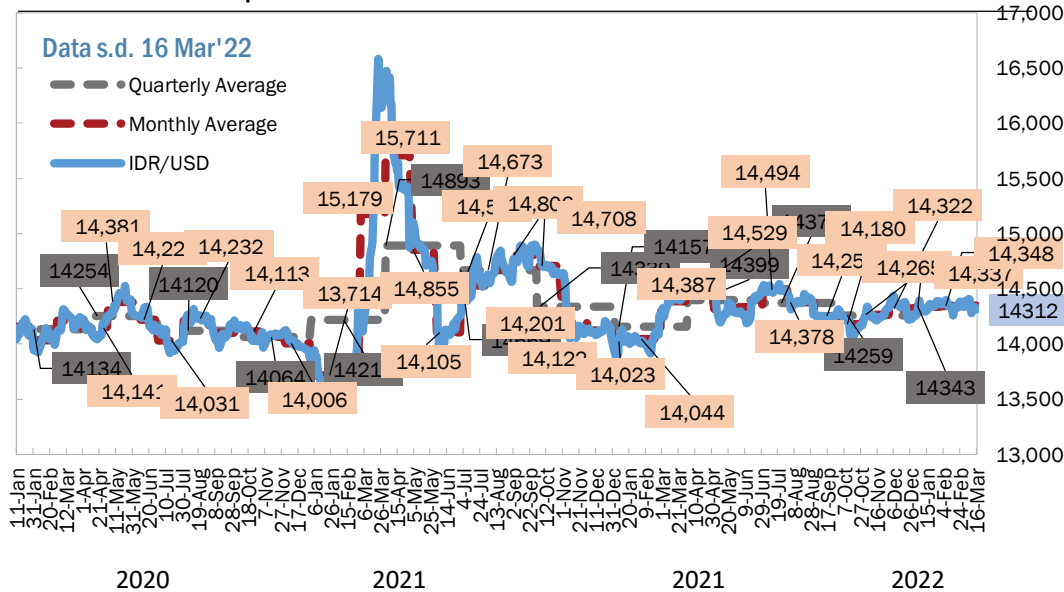


Source: Bank Indonesia

Exchange Rate In Line with Fundamentals

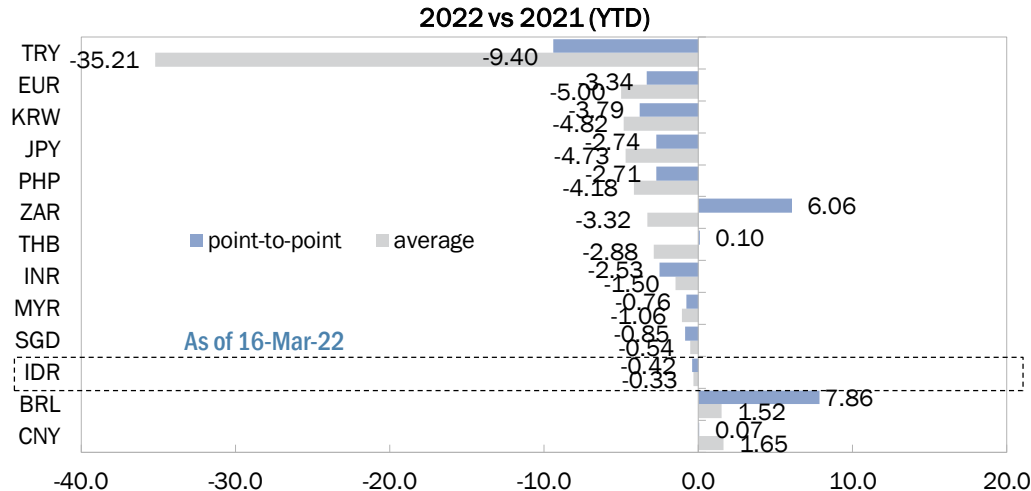


Movement of Rupiah

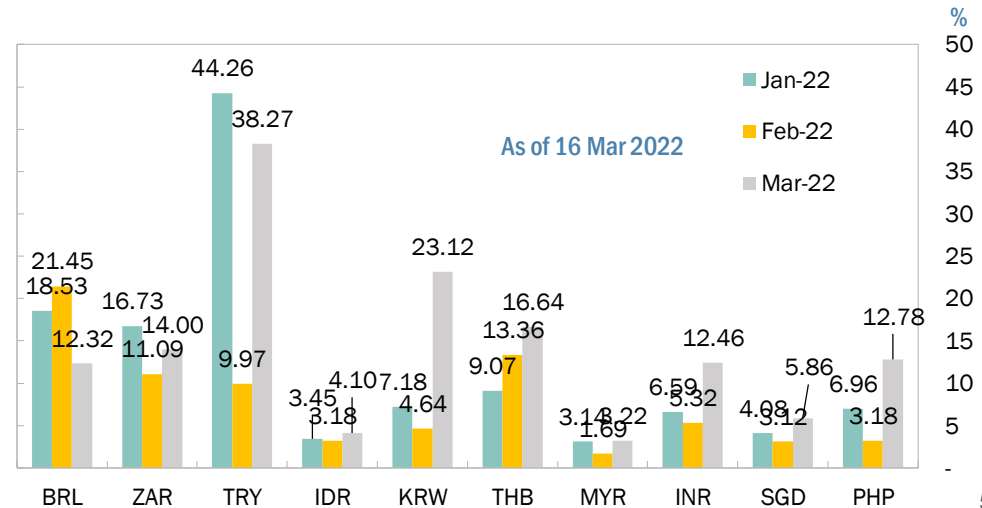


Rupiah exchange rate movements remain under control despite rising global financial market uncertainty. As of 16th March 2022, the rupiah appreciated 0.38% (ptp) and by 0.01% on average compared with the level recorded at the end of February 2022. Rupiah exchange rate developments are supported by domestic foreign-exchange supply and positive perception concerning the domestic economic outlook despite elevated global financial market uncertainty. As of 16th March 2022, therefore, the rupiah has depreciated 0.42% since the end of 2021, comparatively less than the currency depreciation experienced in several other developing economies, such as Malaysia (0.76% ytd), India (2.53% ytd) and the Philippines (2.56% ytd). Moving forward, the value of the rupiah is expected to remain stable in line with solid economic fundamentals in Indonesia. Furthermore, Bank Indonesia will continue to strengthen exchange rate stabilisation policy in line with market mechanisms and economic fundamentals through measures to enhance the effectiveness of monetary operations and preserve adequate market liquidity.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Rupiah Exchange Rate Volatility



Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of February 2022: **US\$141.4 bn**

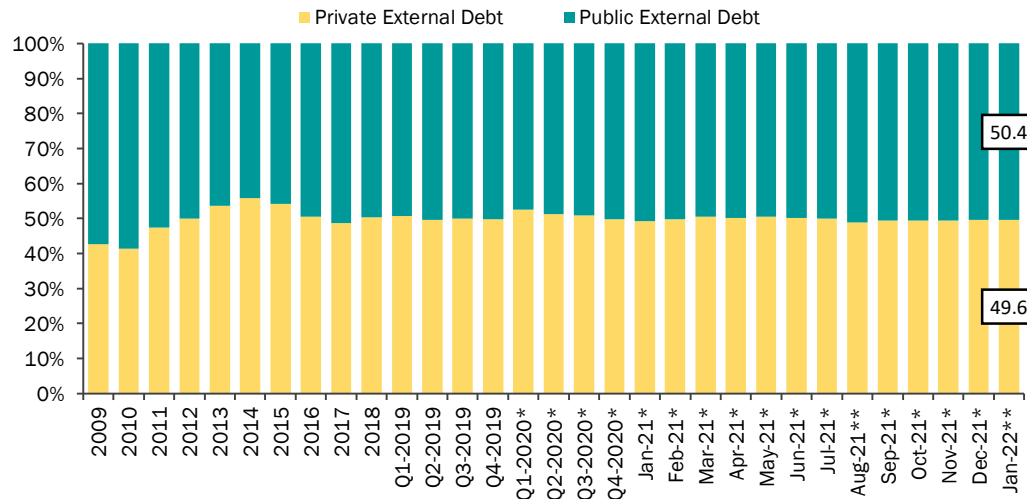
Swap Arrangement

Bilateral	Japan	<ul style="list-style-type: none"> • Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2021 • The facility is available in USD and JPY
	Singapore	<ul style="list-style-type: none"> • Renewed a 1 year SGD/IDR swap arrangement with the size up to USD10 bn (equivalent) on November 2021
	China	<ul style="list-style-type: none"> • Renewed a 3 year swap arrangement and increased the size of swap line up to CNY250 bn / IDR550 tn (about USD 38.8 bn equiv.) in January 2022
	Malaysia	<ul style="list-style-type: none"> • Established a 3 year RM/IDR swap arrangement with a size up to USD2 bn (equivalent) in September 2019
	Australia	<ul style="list-style-type: none"> • Renewed a 3 years swap arrangement with a size up to A\$10 bn or IDR 100 tn in February 2022
Regional	ASEAN Swap Arrangement (ASA)	<ul style="list-style-type: none"> • 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 • Increased in size to U.S.\$2 billion in 2005
	Chiang Mai Initiative Multilateralization (CMIM) Agreement	<ul style="list-style-type: none"> • Entitled to a maximum swap amount of US\$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement • Came into effect in 2010 with a pool of US\$120 bn • Doubled to US\$240 bn effective July 2014
Global	IMF Global Financial Safety Net - GSFN	<ul style="list-style-type: none"> • Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem • Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

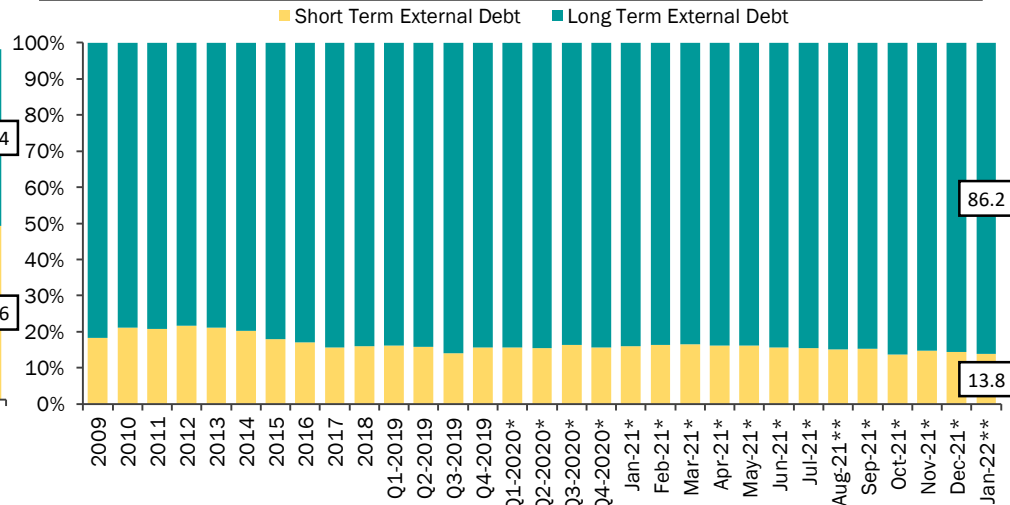
Healthy External Debt Profile



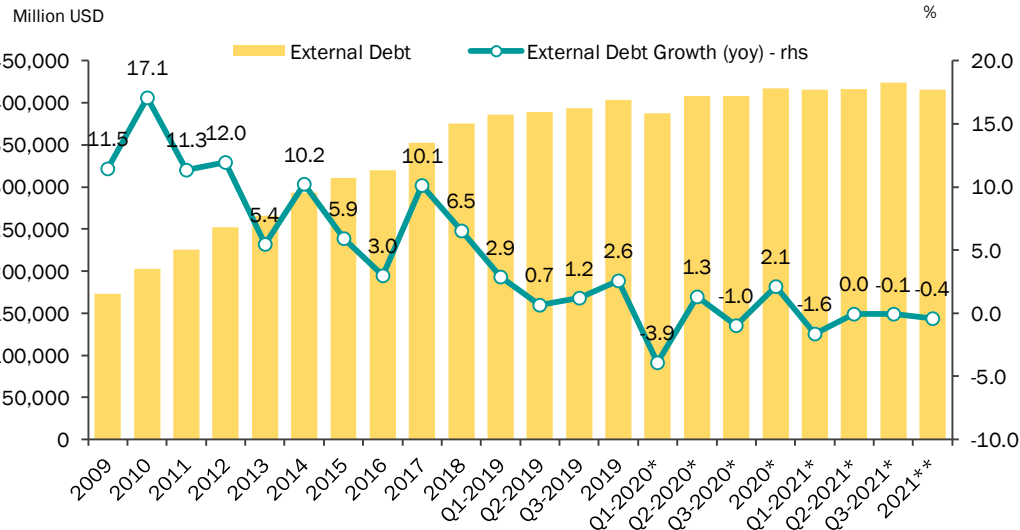
External Debt Structure



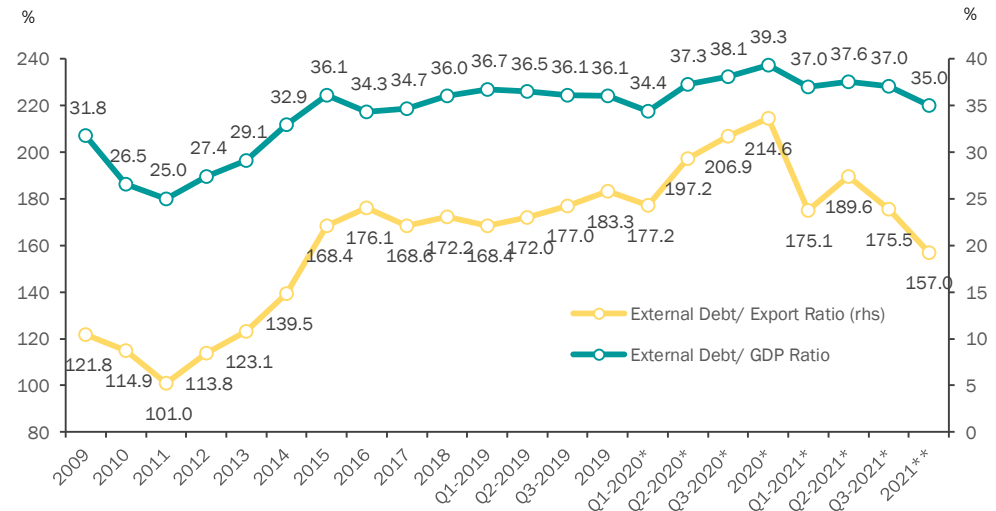
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



External Debt to GDP Ratio & Debt to Export Ratio



Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures

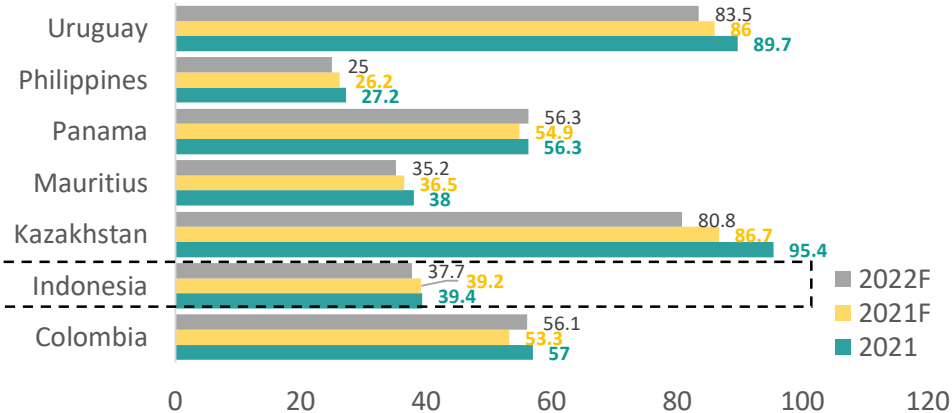
**Very Provisional Figures

Strengthened Private External Debt Risk Management



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

External Debt/GDP (%)



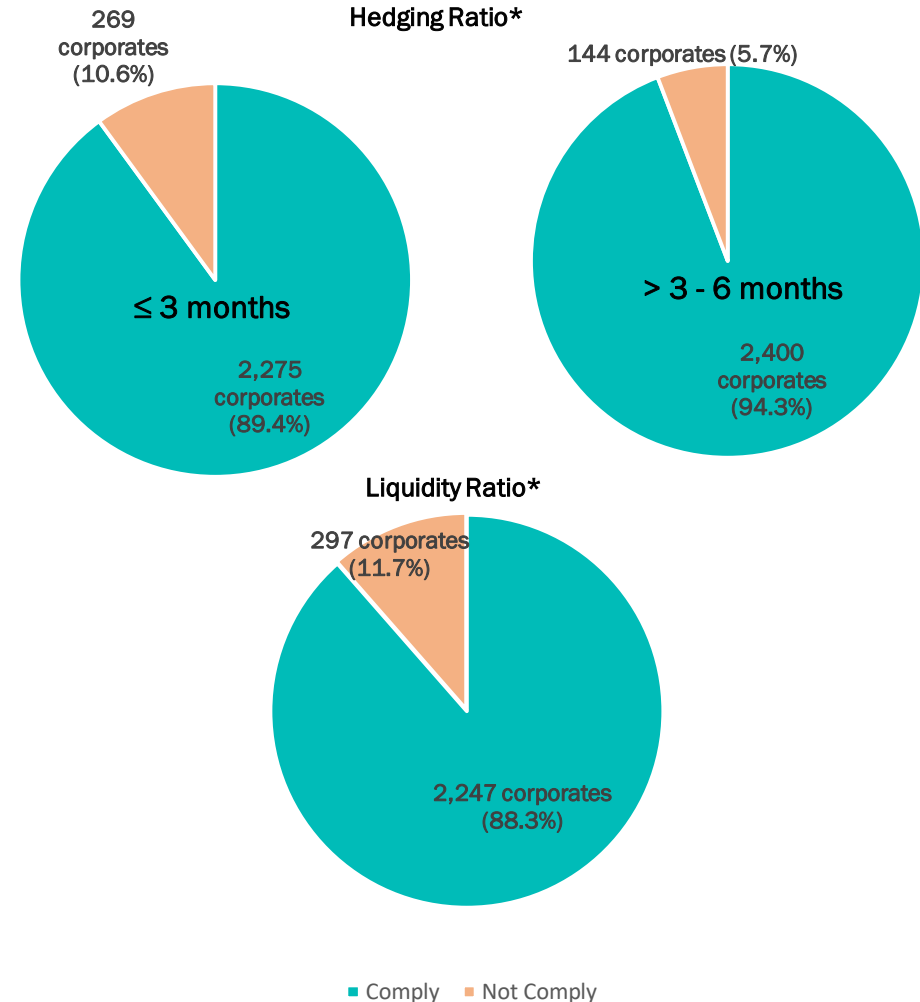
Source: Moody's Credit View Fundamental Data, August 2021

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



*Data as of Q3-2021, with total population 2,544 corporates

Source: Bank Indonesia

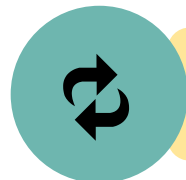
Solid Policy Coordination In Managing Financial Markets Volatility



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



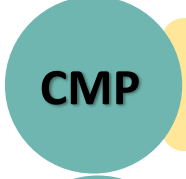
KSSK members: the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the Deposit Insurance Corporation



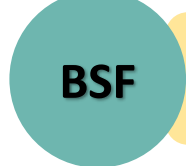
Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)



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)



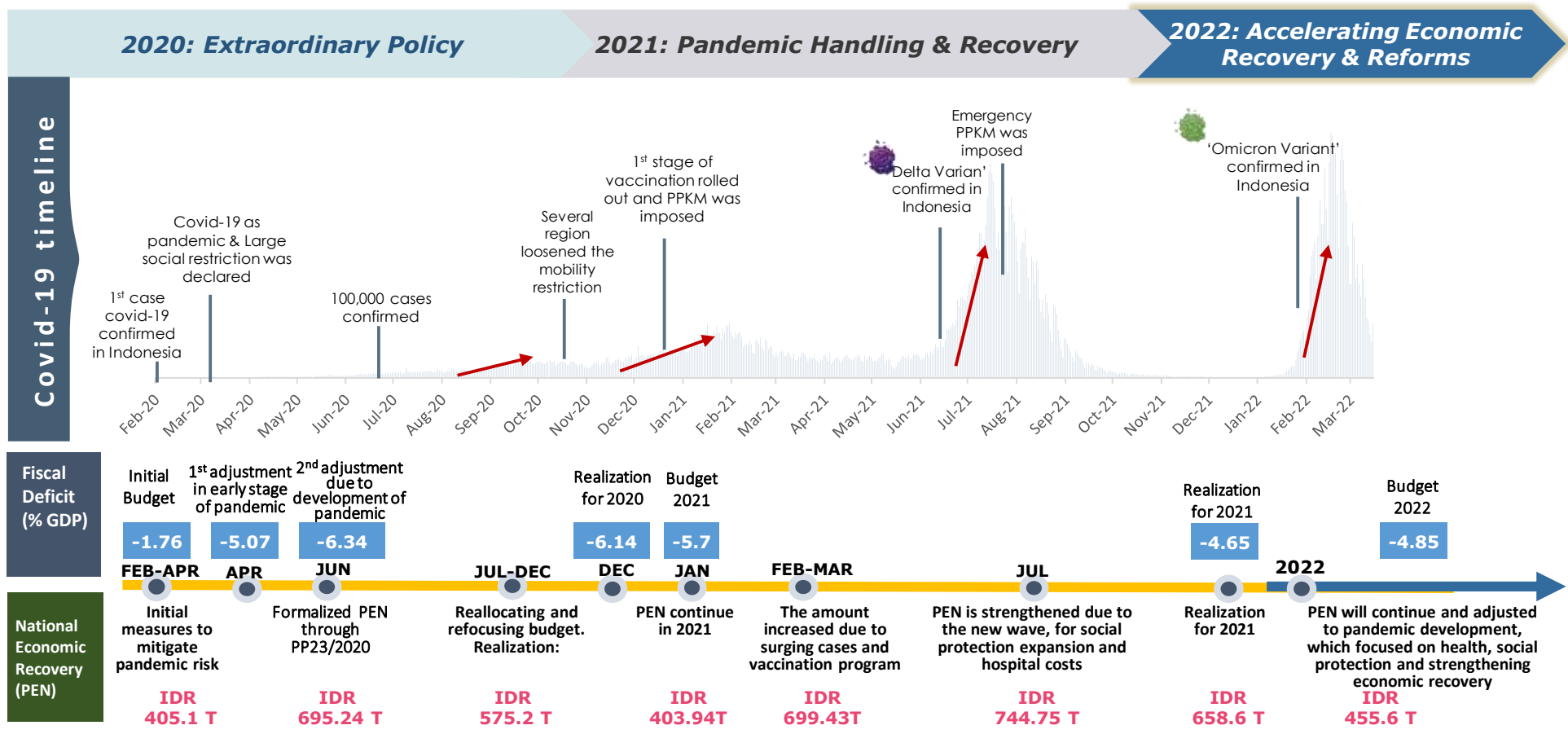
Section 5

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



Government Budget Is Flexible To Respond To The Uncertainty

National Economic Recovery (PEN) program was initiated to respond to the COVID-19 pandemic as well as to stabilize and stimulate the economy;





2021 Budget Outturn Recorded An Outstanding Performance

Revenue collection exceeded its target, lowering budget deficit and in turn reducing financing needs

Account (IDR T)	2019		2020		2021				
	Audited	Growth (%)	Audited	Growth (%)	Budget	Realized*	Diff from budget	% of Budget	YoY (%)
A. Revenue	1,960.6	0.9	1,647.8	16.0	1,743.6	2,003.1	259.4	114.9	21.6
I. Tax Revenue	1,332.7	1.5	1,072.1	(19.6)	1,229.6	1,277.5	47.9	103.9	19.2
II. Customs & Excise	213,5	3.9	213.0	0.2	215.0	269.0	54.0	125.1	26.3
III. Non-tax Revenue	409,0	(0.1)	343.8	(15.9)	298.2	452.0	153.8	151.6	31.5
B. Expenditure	2,309.3	4.3	2,595.5	12.4	2,750.0	2,786.8	36.7	101.3	7.4
I. Central Government	1,496.3	2.8	1,833.0	22.5	1,954.5	2,001,1	46.5	102.4	9.2
1. Line Ministries	873,4	3.2	1,59.6	21.3	1,032.0	1,189.1	157.1	115.2	12.2
2. Non-Line Ministries	622,9	2.3	773.3	24.2	922.6	812.0	(110.6)	88.0	5.0
Of which: a. Interest Rate	275.5	6.8	314.1	14.0	373.3	343.5	(29.8)	92.0	9.4
b. Subsidy	201.9	(7.0)	196.2	(2.8)	175.4	243.1	67.7	138.6	23.9
II. Regional Transfer & Village Funds	813.0	7.3	762.5	(6.20)	795.5	785.7	(9.8)	98.8	3.0
C. Primary Balance	(73.1)	536.4	(633.6)	766.4	(633.1)	(440.2)	192.9	69.5	(30.5)
D. Surplus (Deficit)	(348.7)	29.4	(947.7)	171.8	(1,006.4)	(783.7)	222.7	77.9	(17.3)
<i>% to GDP</i>	(2.2)		(6.14)		(5.70)	(4.65)			
E. Financing	402.1	31.5	1,193.3	196.8	1,006.4	868.6	(137.7)	86.3	(27.2)
F. Surplus of Financing	53.4		245.6				84.9		

*preliminary figures



Strong Budget Performance Continued in 2022

Strong revenue collection has been broad-based, expenditures need to be accelerated to strengthen the recovery

Account (IDR tn)	2021		2022			
	YTD as of 28 Feb	YoY Growth (%)	Budget	YTD as of 28 Feb	% of Budget	YoY Growth (%)
A. Revenue	219.6	0.9	1,846.1	302.4	16.4	37.7
I. Tax Revenue	146.1	(4.8)	1,265.0	199.4	15.8	36.5
II. Customs & Excise	35.6	42.1	245.0	56.7	23.2	59.3
III. Non-tax Revenue	37.7	(2.8)	335.6	46.2	13.8	22.5
B. Expenditure	282.9	1.2	2,714.2	282.7	10.4	(0.1)
I. Central Government	179.7	11.1	1,944.5	172.2	8.9	(4.2)
1. Line Ministries	97.0	15.8	945.8	78.6	8.3	(19.0)
2. Non-Line Ministries	82.7	6.1	998.8	93.6	9.4	13.2
II. Regional Transfer & Village Funds	103.2	(12.3)	769.6	110.5	14.4	7.1
1. Transfer to Region	99.4	(14.4)	701.6	107.1	15.3	7.8
2. Village Fund	3.8	130.3	68.0	3.4	5.0	(11.9)
C. Primary Balance	(22.9)	(16.7)	(462.2)	61.7	(13.3)	366.1
D. Surplus (Deficit)	(63.3)	2.5	(868.0)	19.7	(2.3)	131.0
<i>% to GDP</i>	(0.4)		(4.9)	0.1		
E. Financing	274.8	142.0	868.0	84.0	9.7	(69.4)
F. Surplus of Financing	211.5			103.7		

Budget performance continued to improve in 2022

Strong revenue growth as of YTD 28 February 2022 relative to the same period in 2021

Stable expenditure growth

Regional Transfer and Village Funds distribution has improved compared to the same period in 2021

Financing takes into account market conditions and ample liquidity

Macro-Economic Assumptions 2022

Economic Growth	Inflation	Exchange Rate (to USD1.00)	10-year T-Bonds Rate	ICP (USD/barrel)	Oil Lifting (thousand bpd)	Gas Lifting (million bpd)
5.2%	3.0%	IDR 14,350	6.80%	63	703	1,036

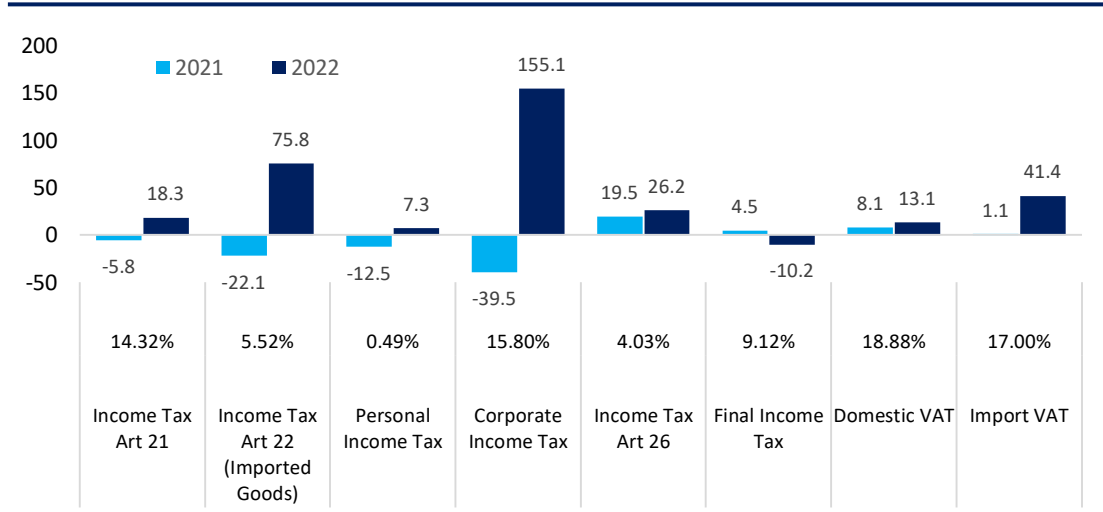
Source: Ministry of Finance



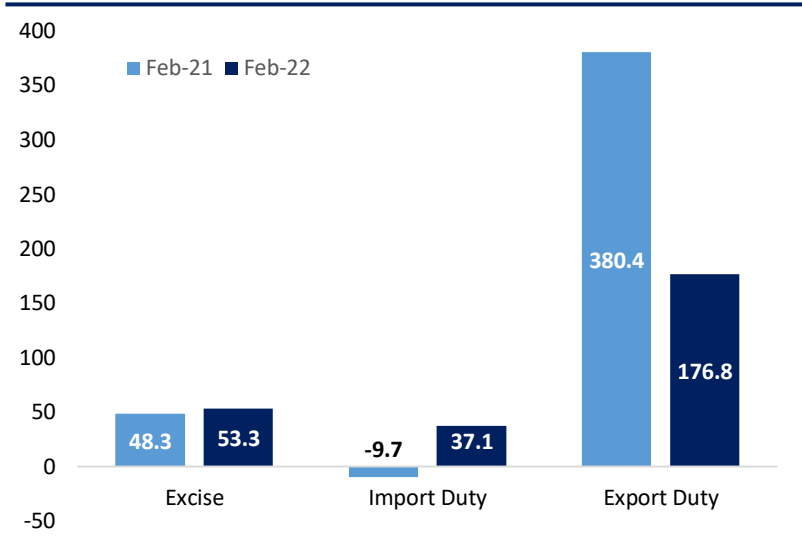
Government Revenue Continues to Strengthen

Supported by the economic recovery and rising commodity prices

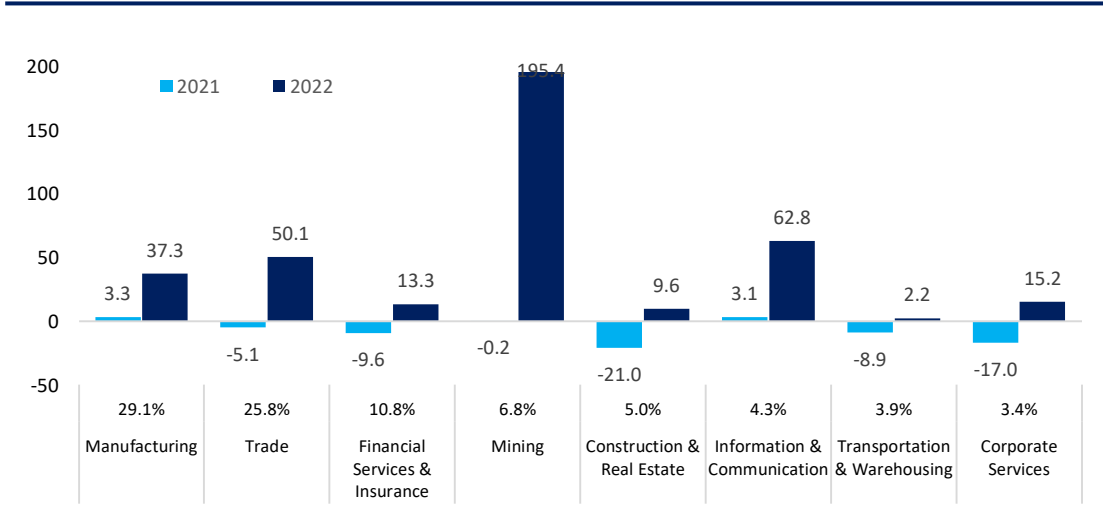
Tax Revenue Growth by Type (%YoY)



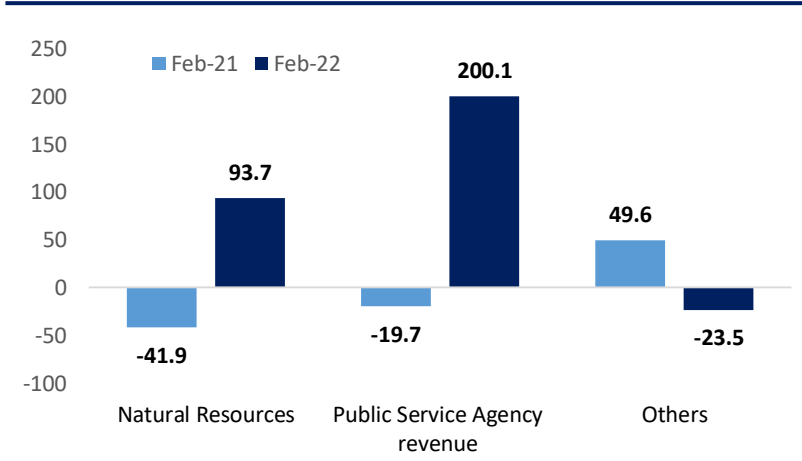
Excise and Customs Growth (%YoY)



Tax Revenue Growth by Sector (%YoY)



Non-tax Revenue (%YoY)

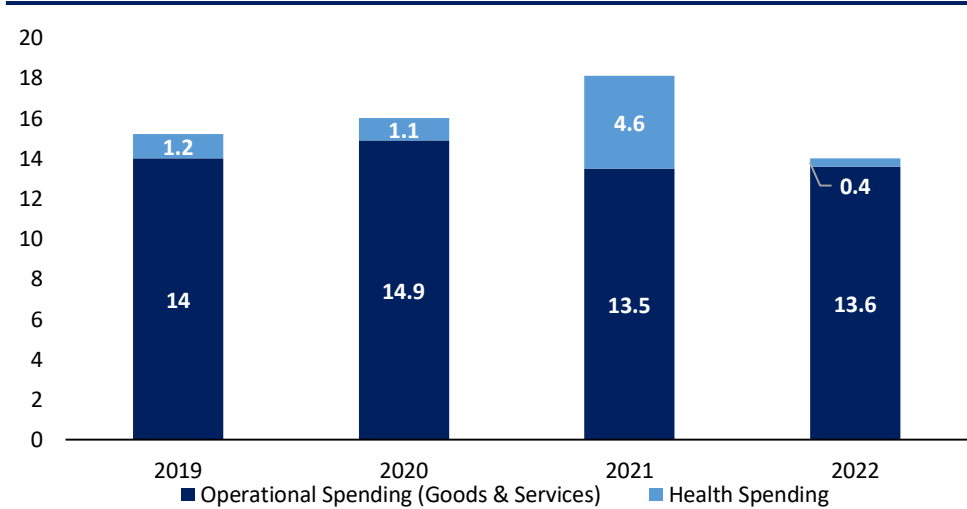




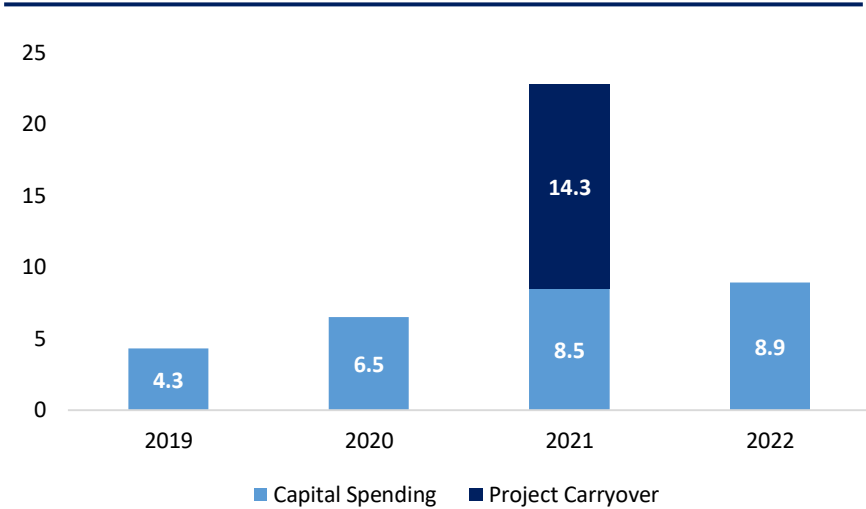
Maintained Acceleration of Government Spending

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

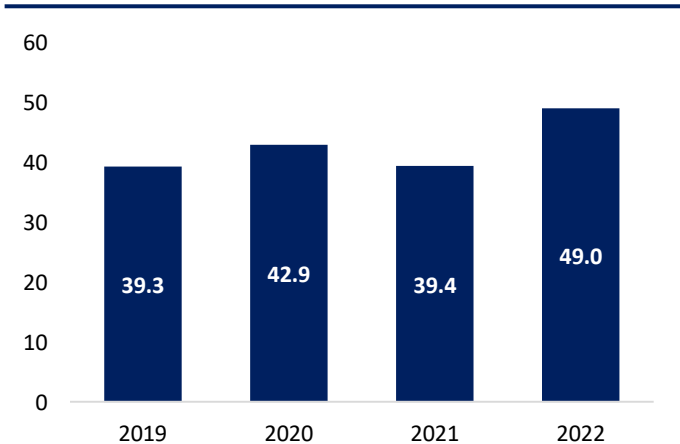
Operational Spending (IDR tn)



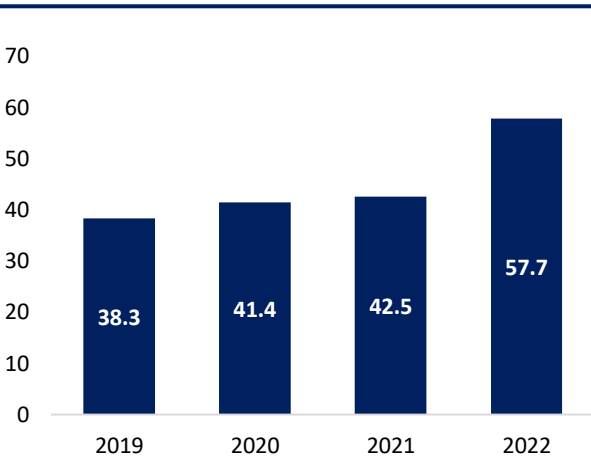
Capital Spending (IDR tn)



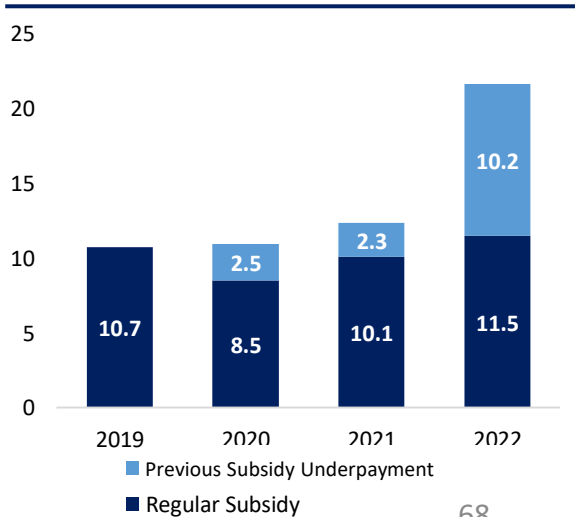
Social Protection Spending (IDR tn)



Education Spending (IDR tn)



Subsidy Spending (IDR tn)



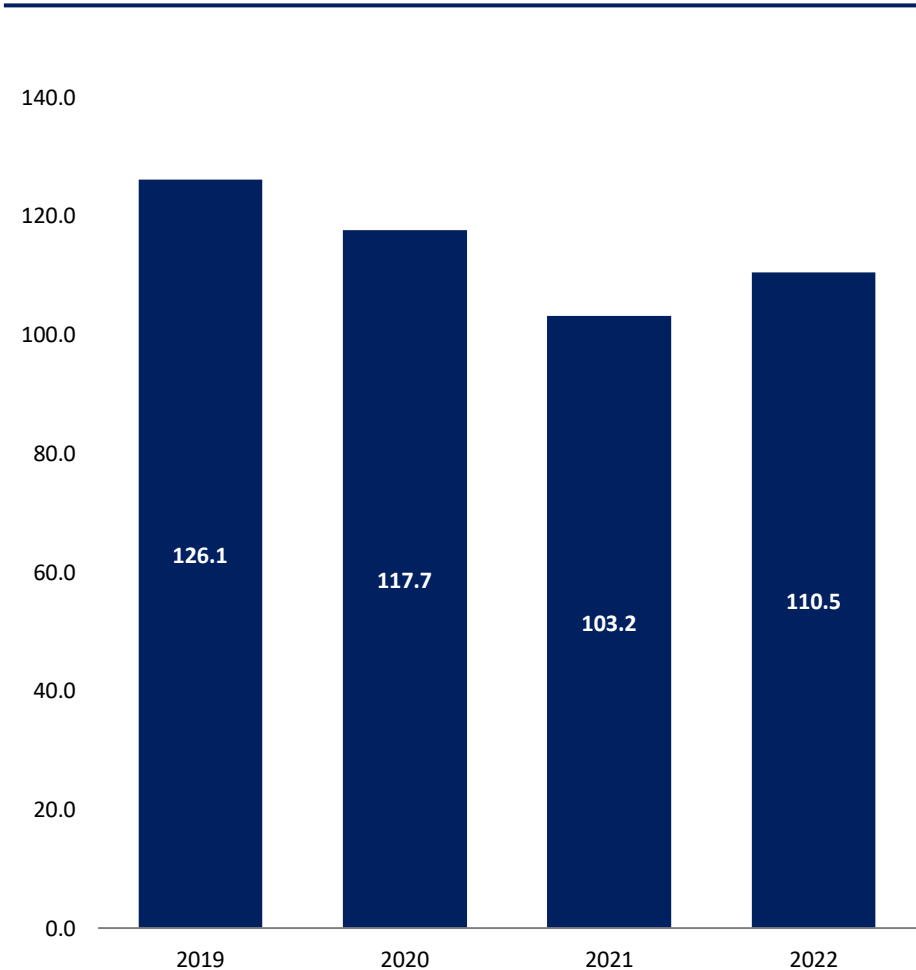
• Source: Ministry of Finance as of 28 Feb 2022



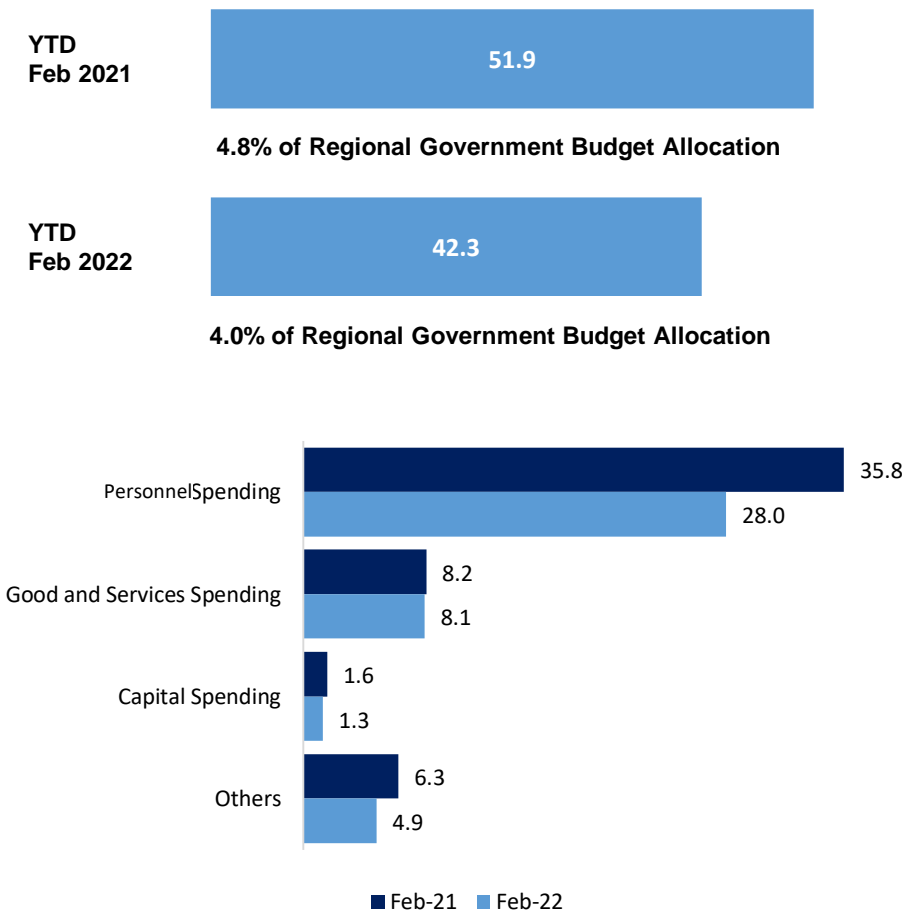
Regional Government Budget Will Continue to Improve

In line with efforts to accelerate regional spending and increase regional fiscal independence

Transfer to Region¹ (IDR tn)



Regional Government Spending (IDR tn)



• 1. Realization up to YTD February



Macroeconomic Indicators Development

INDICATOR	2021		2022	
	Budget	Realization	Budget	Latest update
Economic Growth (%, yoy)	5.0	3.69	5.2	N/A
Inflation (%, yoy)	3.0	1.87	3.0	-0.06 (mtm) 0.54 (ytd)
Exchange Rates (Rp/US\$)	14,600	14,312	14,350	14,341(eop) 14,342(ytd) (as of March 25 th)
10-years treasury bond yield (%)	7.29	6.35	6.80	6.74 (eop) 6.47 (ytd) (based on latest auction on Mar 15 th)
ICP (Oil Price) (US\$/Barrel)	45	68	63	95.72 (eop) 90.81 (ytd)
Oil Lifting (thousand barrel per day)	705	662	703	572.8 (as of Jan 2022)
Gas lifting (thousand barrel – equal oil per day)	1,007	982	1,036	981.6 (as of Jan 2022)

Economic Indicator Development 2022

- **Economic growth:** GDP for the fourth quarter of 2021 grew by 5.02%, or by 3.69% (yoy) for the 2021 whole year.
- **Inflation rate:** inflation in February was recorded at 2.06% (yoy), or -0.06% (mtm)
- **Rupiah Exchange Rate:** As of 25 March 2022, the Rupiah (ytd) depreciated 0.50 % compared to the initial exchange rate in 2021.
- **SBN 10 Years:** The weighted average yield of 10-Year Government Securities is 6.47% (ytd). The last auction was on 15 March 2022, with a yield of 6.74%.
- **Indonesian Crude Oil Prices:** The ICP price increased because of increasing demand, supply disruption, and geopolitical tension.
- **Oil and Gas Lifting:** Oil lifting recorded at 572.8 bopd by January 2022 or decreased from lifting in December, while gas lifting increased to 981.6 boepd.



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

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

PEN 2020: IDR 575.2 T

National Economic Recovery Program (PEN) was enacted to respond to the Covid-19 pandemic handling and aim to save people’s lives and economy.

PEN 2021: IDR 658.6 T

PEN 2021 initially figured was lower than 2020, however due to development of Covid-19, particularly the delta variant outbreak in July, PEN is strengthened for social protection expansion and hospital costs

PEN 2022: IDR 455.62 T

Realized¹: IDR 22.6 T

	HEALTH SECTOR	SOCIAL PROTECTION	ECONOMIC RECOVERY	
Allocation	IDR 122.54 T	IDR 154.8 T	IDR 178.3 T	<i>The allocation for Health Sector and Social Protection will later be adjusted, following the development of Covid-19 pandemic.</i>
	Vaccination Program, Treatment Cost, Pandemic Handling, and Health Worker incentives.	Social Assistance Programs, pre-employment program, and Job Loss Support	Labor Intensive Program, Tourism Supports, Food Security, Industry and IT-related program, and Business Incentives and Supports.	
Realized ¹	IDR 0.8 T	IDR 21.2 T	IDR 0.6 T	<i>Government will be frontloading PEN in Q1 2022 to maintain continuation of economic recovery from 2021</i>

• *As of 25 March 2022

Enhancing Post-Pandemic New Sources Of Growth To Bolster Long-Term Potential Growth

Structural reform as an accelerator for strong and sustainable economic growth



Key Emerging Trends



'New normal' lifestyle

- Healthy lifestyle
- The surging of digital technology application

Health Services, Pharmacy and health industry, digital economic



World Trade Map, New Investment

- Supply Chain diversification
- Regional Supply Chain Initiation

Machinery, electronics, communication devices, chemical, and mineral downstreaming



Green Economy

- Net Zero Emission Policy
- Demands on green investment

Economic Values on Carbon, renewable energy technology

Structural Reform Agenda

Acceleration on Government Priorities Program

- Human Capital Development (Reforms on Education, Health sector, and Social Safety Net)
- Infrastructure Development
- Simplification on Regulation
- Simplification on Bureaucracy

Reforms Agenda

- Implementation on Job Creation Bill
- Fiscal Reform
- Logistic Reform (LNSW)
- Reforms on Financial Sector
- Budgeting Reforms

UTILIZATION OF KEY EMERGING TRENDS AND STRUCTURAL REFORM OPPORTUNITIES FOR ACCELERATION OF ECONOMIC GROWTH

Acceleration of Information and Digital Technology Adoption

High Value Added Industry Revitalization

Green Economy Developments

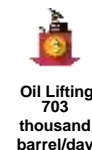
2022 Budget Financing



Economic Recovery and Structural Reform

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

Macroeconomic Assumption for 2022 Budget



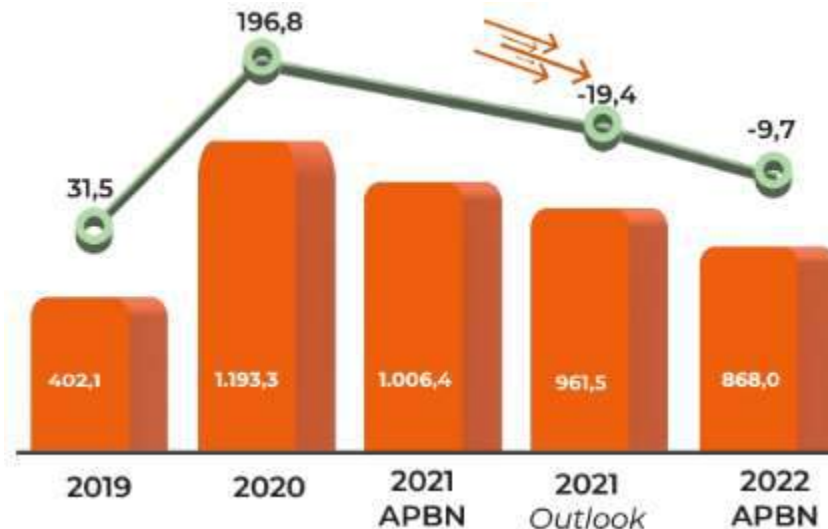
The main points of fiscal policy :

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

Budget Financing Growth



IDR Trillion



■ Financing
■ Growth (%)

2019

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

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

2020

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

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

2021

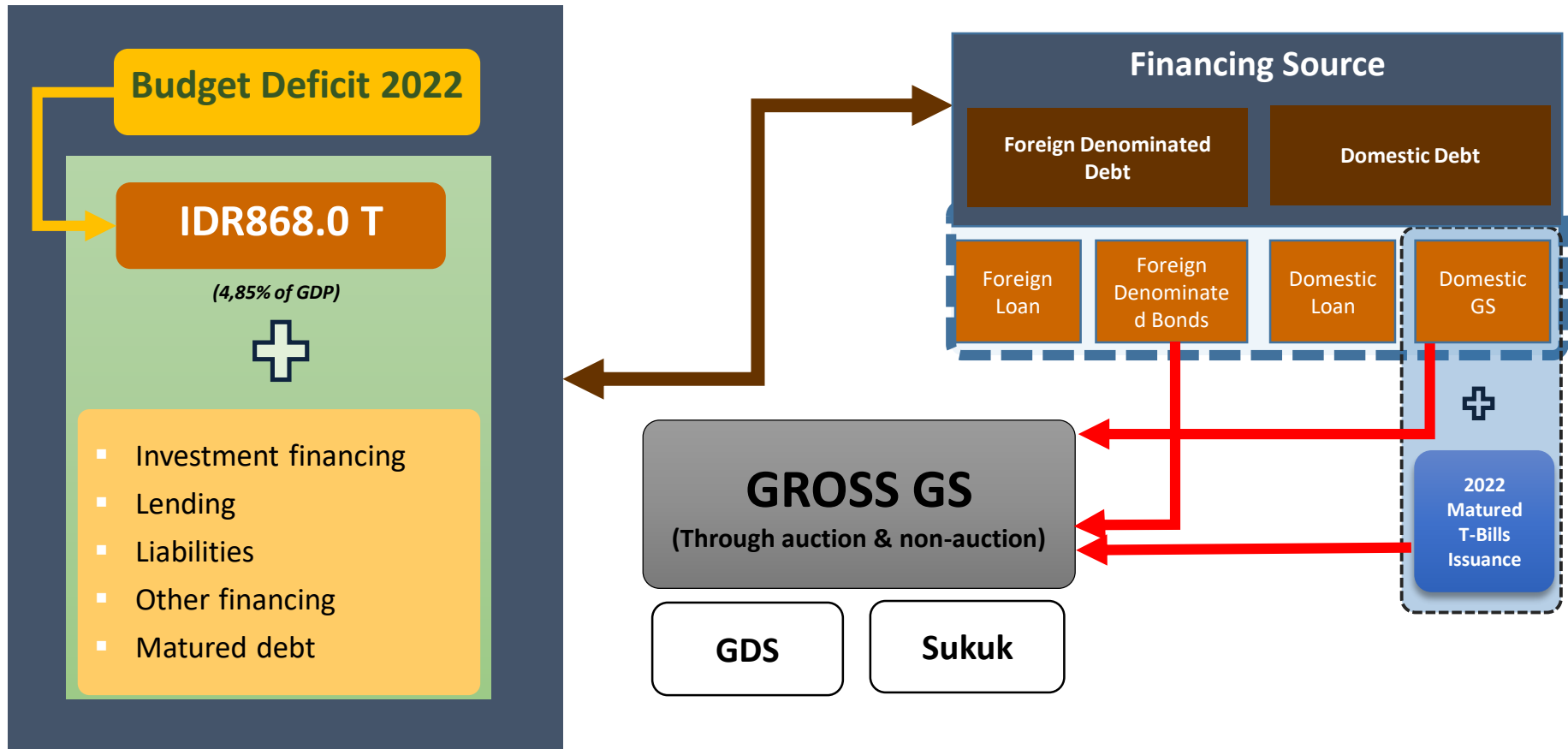
The 2021 Outlook budget deficit continue gradually decrease, through the implementation of fiscal consolidation and budget refocusing

2022

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

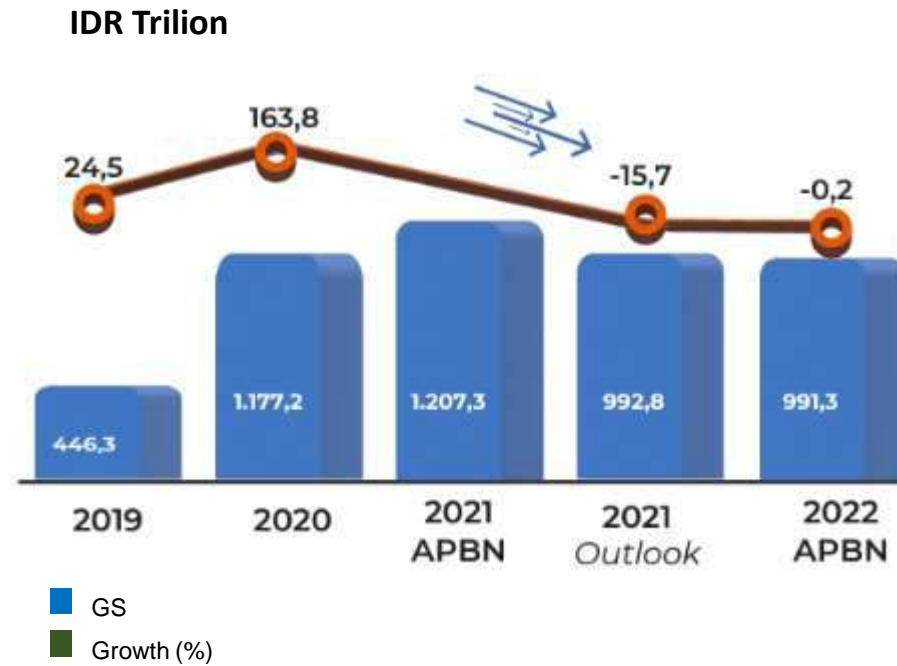
Continuing coordination with Bank Indonesia in fulfilling financing

2022 Financing Needs



Deficit Financing 2022

Through Net SBN Issuance



Debt Management Strategy

- Prudent
Controlling debt risk and managing debt carefully and prudently to support fiscal consolidation and APBN sustainability
- Portfolio balance
Priority for issuance of SBN in the domestic market to control risk
- Flexibility
Optimizing non-debt sources Utilizing cash loans within the framework of flexibility
- Efficient
Market development and deepening (including supporting the issuance of regional bonds/sukuk) coordination with BI in financing fulfillment

GS Financing Realization 2021 & 2022



(Trillion IDR)

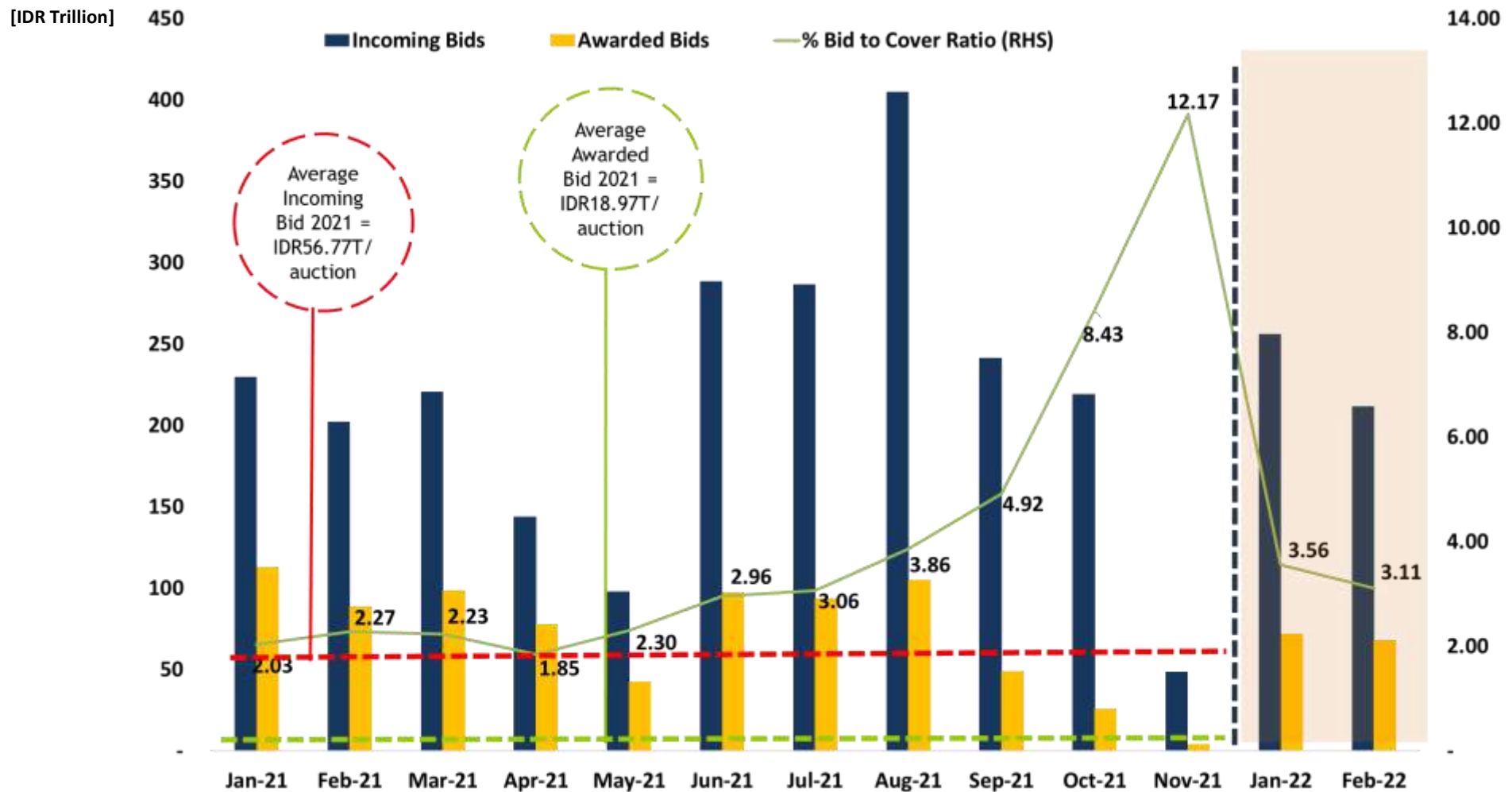
	Realization (ao. December 31, 2021)	Realization (ao. February, 2022)
Government Securities (GS)	1,301.65	165.12
Government Debt Securities (GDS)	764.63	123.12
IDR Denominated GDS	649.37	123.11
- Coupon GDS	522.03	86.00
- Conventional T-Bills	55.35	12.00
- Private Placement (+ Voluntary Disclosure Program)	23.50	0.05
- Retail Bonds	48.50	25.07
Foreign Denominated Bonds	115.25	0.01
- SEC USD-EUR REG SHELF TAKE-DOWN	92.41	0.00
- Samurai Bond	13.18	0.00
- SDG Bonds	8.36	0.00
- Liability Management	1.30	0.00
- Valas Voluntary Disclosure Program	0.00	0.01
Sovereign Sharia Securities (Sukuk)	322.02	42.00
Domestic Sovereign Sharia Securitoes	279.23	42.00
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	219.25	42.00
- Retail Sukuk	48.73	-
- Private Placement	11.25	-
Global Sukuk	42.79	-
BI Purchase (SKB III)	215.00	-

GS Primary Market Performance 2020 - 2021

Through Auction



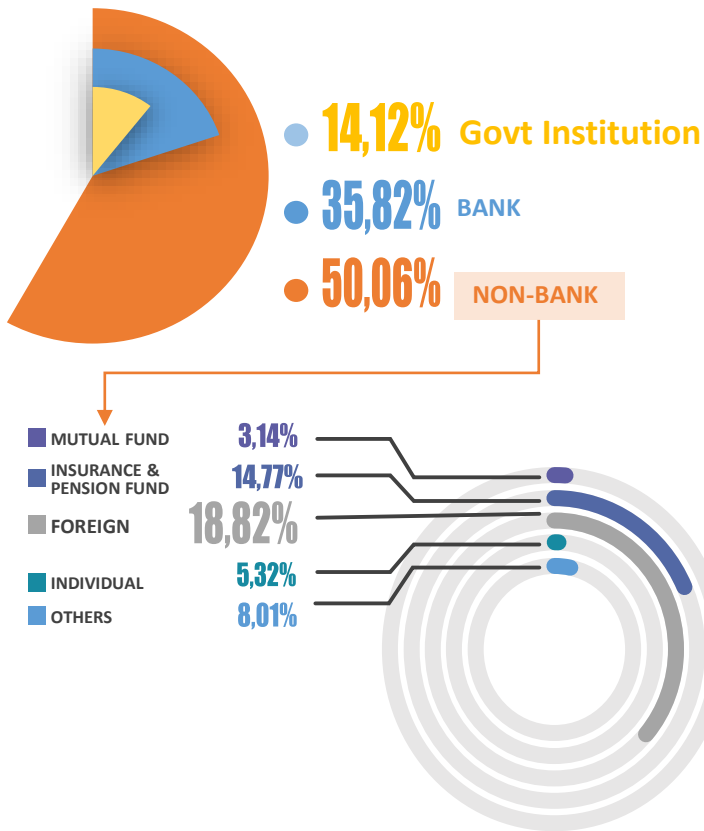
In 2022, average incoming bid = IDR58.48 tn/auction, while average awarded bid = IDR17.50 tn/auction



Ownership of IDR Tradable Government Securities (a.o Feb 2022)



(IDR tn)



Description	Dec-18		Dec-19		Dec-20		Dec-21		Feb-22	
Banks*	481.33	20.32%	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,706.46	35.82%
Govt Institutions (Bank Indonesia**)	253.47	10.70%	262.49	9.54%	454.36	11.74%	801.46	17.13%	672.98	14.12%
Bank Indonesia (gross)	217.36	9.18%	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,220.19	25.61%
GS used for Monetary Operation	-36.11	-1.52%	10.72	0.39%	420.51	10.86%	419.27	8.96%	547.21	11.48%
Non-Banks	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,385.19	50.06%
Mutual Funds	118.63	5.01%	130.86	4.75%	161.32	4.17%	157.93	3.38%	149.77	3.14%
Insurance Company and Pension Fund	414.47	17.50%	471.67	17.13%	542.82	14.02%	655.24	14.00%	703.62	14.77%
Foreign Holders	893.25	37.71%	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	896.63	18.82%
Foreign Gov't & Central Banks	163.76	6.91%	194.45	7.06%	178.31	4.61%	233.45	4.99%	234.53	4.92%
Individual	73.07	3.09%	81.17	2.95%	131.21	3.39%	221.41	4.73%	253.46	5.32%
Others	134.22	5.67%	163.32	5.93%	231.57	5.98%	360.47	7.70%	381.70	8.01%
Total	2,368.45	100%	2,752.74	100%	3,870.76	100%	4,678.98	100%	4,764.63	100%

**IDR
1.092,02T**

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

67,67%

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

Note:

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.

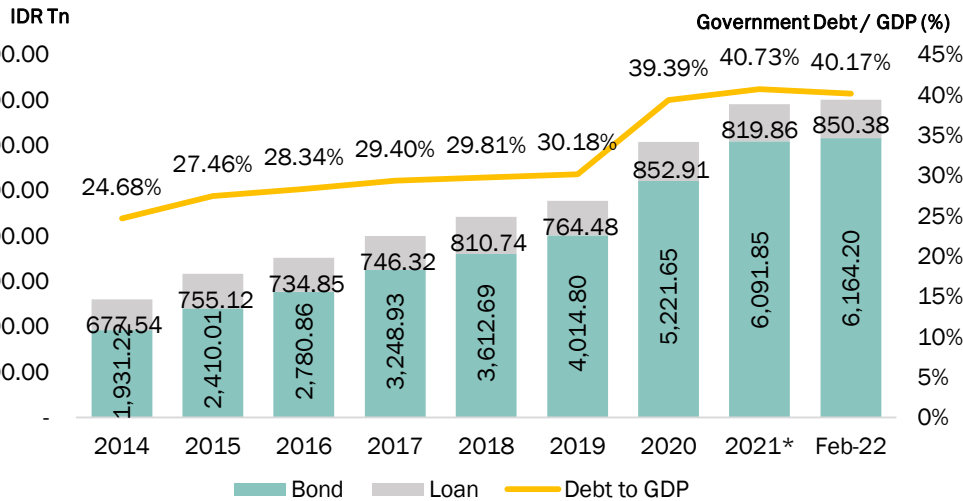
*) Including the Government Securities used in monetary operation with Bank Indonesia.

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

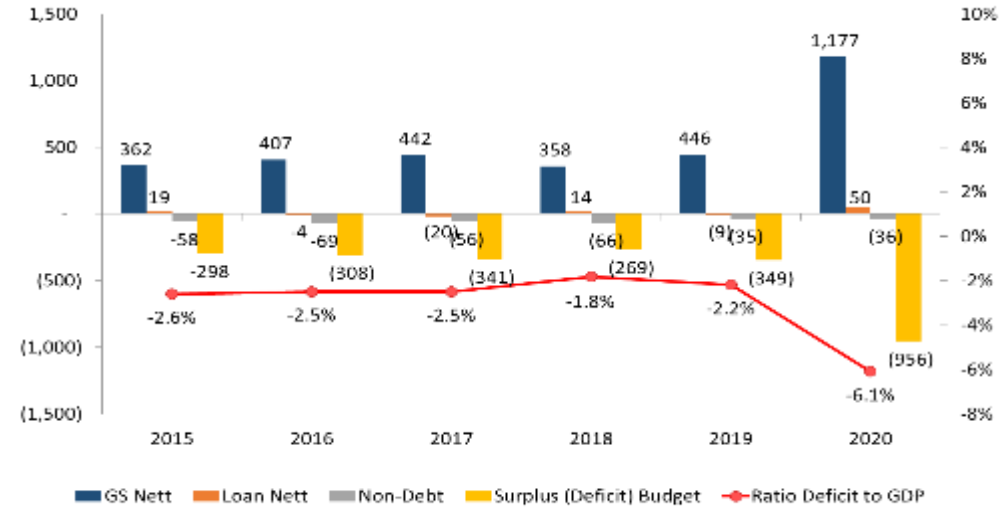
Disciplined and Advanced Debt Portfolio Management



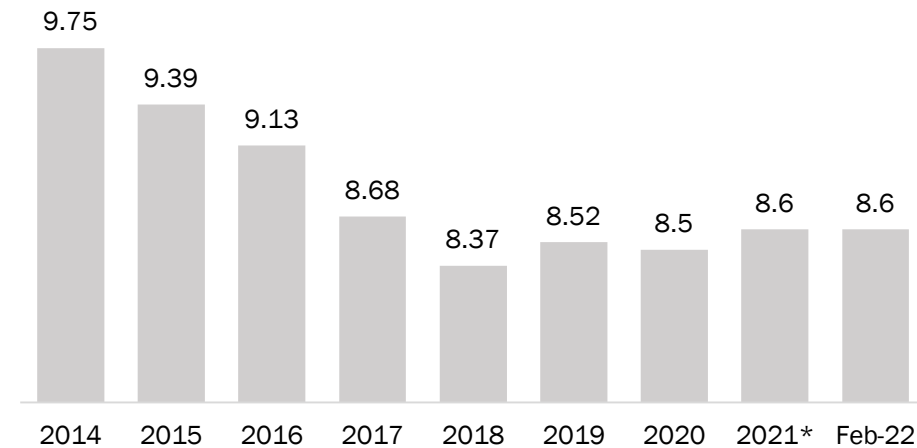
Stable Debt to GDP Ratio Over the Years



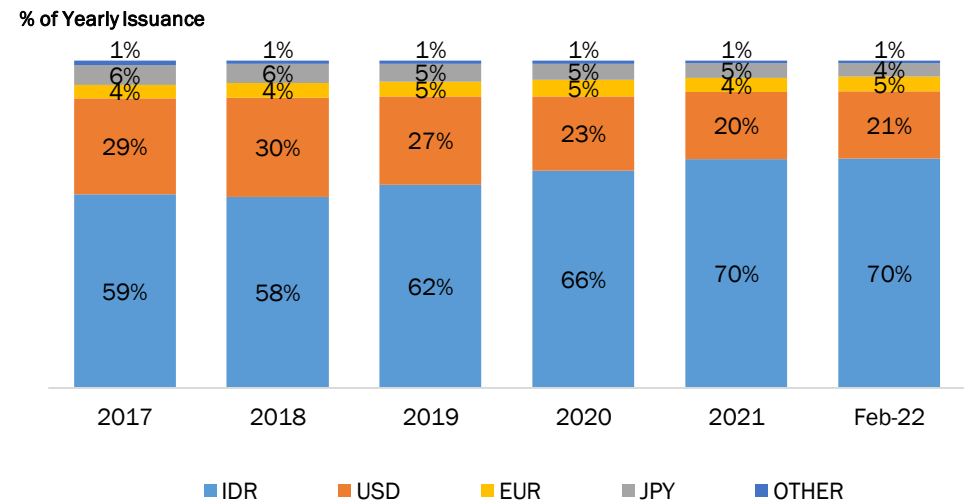
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.6 Years



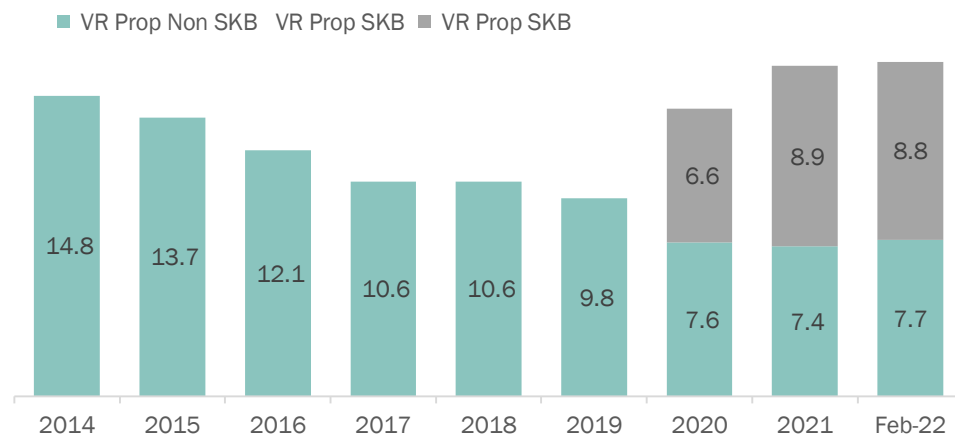
Well Diversified Across Different Currencies



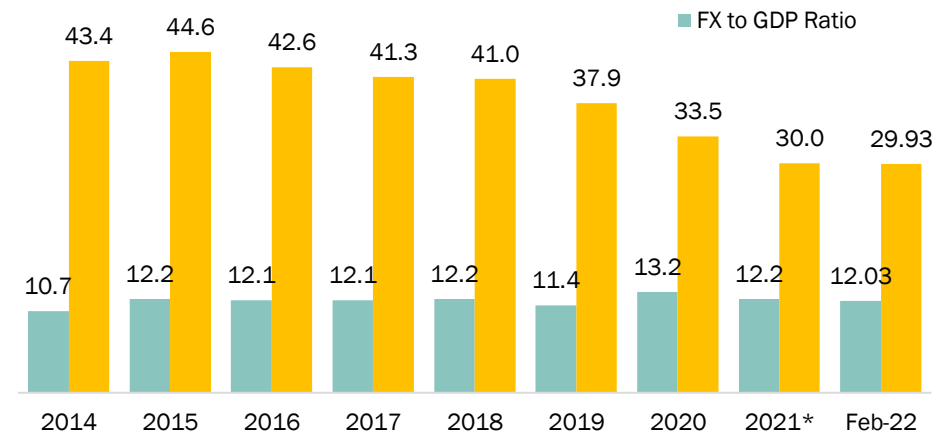
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



Interest Rate Risks (%)

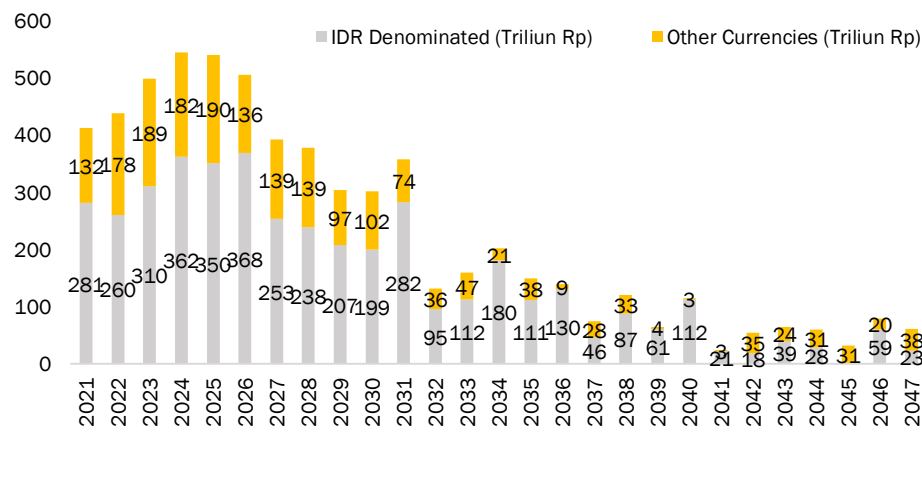


Declining Exchange Rate Risks (%)

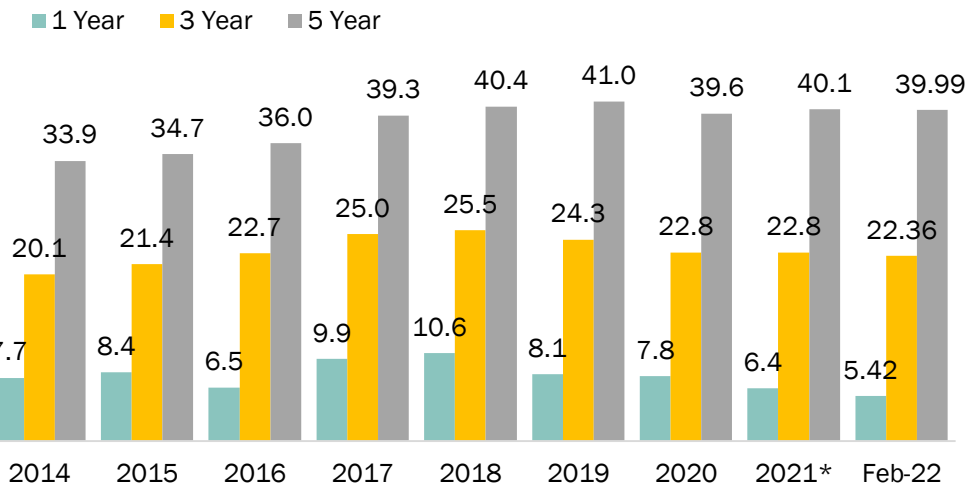


Debt Maturity Profile

IDRtn



Upcoming Maturities (Next 5 Years)

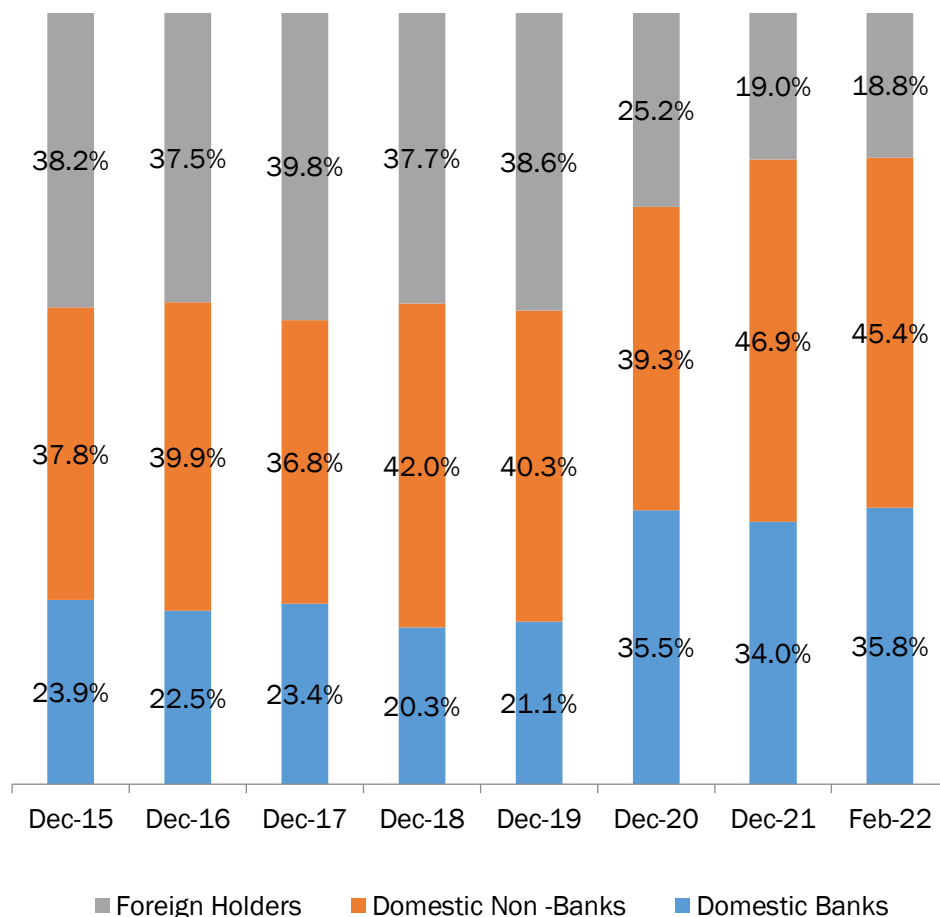


Holders of Tradable Central Government Securities

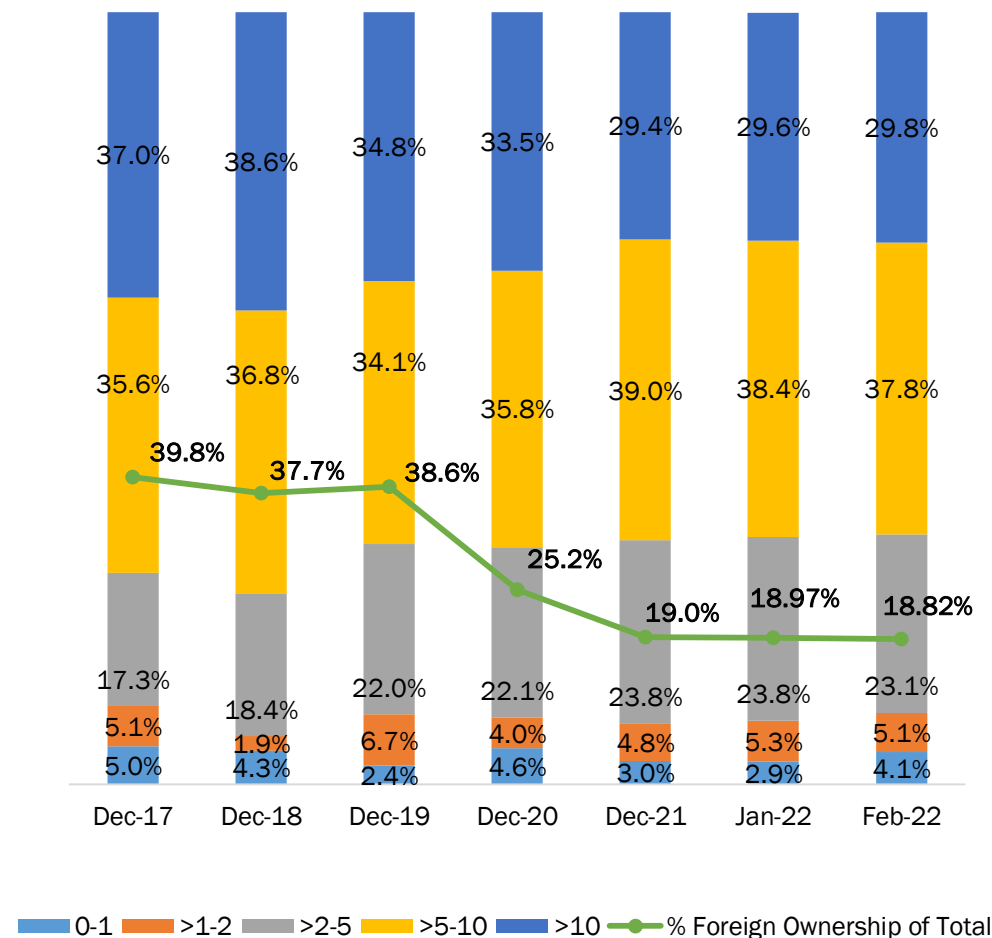
Balanced Ownership In Terms of Holders and Tenors



Holders of Tradable Gov't Domestic Debt Securities



Foreign Ownership of Gov't Domestic Debt Securities by Tenor



Strengthened Synergy Between Monetary and Fiscal Policy



Background

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



Principles

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

Strengthened Synergy Between Monetary and Fiscal Policy

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



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

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

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

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

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

GOVERNMENT SECURITIES (SBN) ISSUANCE AND BI CONTRIBUTION SCHEME

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

Cluster A

2021 → IDR58 T
2022 → IDR40 T

Cluster A :

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

Interest Rate
BI reverse repo
3 Months Tenor



BANK INDONESIA

Cluster B

2021 → IDR157 T
2022 → IDR184 T

Cluster B :

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

Interest Rate
BI reverse repo
3 Months Tenor



GOVERNMENT

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



Section 6

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



Bank Indonesia's Policy Mix

Synergy Maintaining Stability and Strengthening National Economic Recovery

- Maintaining accommodative monetary policy stance to maintain stability
- Strengthening exchange rate policy to maintain Rupiah stability in line with the market mechanism and economic fundamental.
- Normalizing liquidity policy by gradually increasing rupiah reserve requirement for conventional banks (200bps) and syariah banks/business unit starting 1st March 2022
- Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance

- Controlling inflation through Inflation Control Team in national and regional level
- Supporting the State Budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability
- Supporting national economic recovery program in cooperation with the MOF
- Strengthening coordination with the Government and related authorities to revive bank intermediation function
- Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability

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



- Strengthening the accommodative macroprudential policy stance in 2022 to revive bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability
- Offering incentives for banks disbursing financing to priority sectors and inclusive financing and/or banks achieving the Macroprudential Inclusive Financing Ratio (RPIM) target in the form of a 100bps reduction in the daily reserve requirement, effective 1st March 2022
- Strengthening implementation of the RPIM, primarily through bank commitment to the RPIM target, based on the expertise and business models available
- Accommodative macroprudential policy stance by:
 - Relaxing the Loan / Financing-to-Value (LTV / FTV) ratio on housing loans / financing
 - Relaxing down payment requirements on automotive loans / financing
 - Holding the countercyclical buffer (CCB) at 0%
 - Macroprudential Intermediation Ratio (MIR) in the 84-94% range
 - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, and the Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%
 - Relaxing credit card policy

- Accelerating payment system digitalization to stimulate economic recovery, particularly household consumption, while advancing an inclusive and efficient economy and finance
- Increasing the QRIS transaction limit from Rp5 million to Rp10 million per transaction, from 1st March 2022, to drive private consumption and accelerate the national economic recovery
- Extending the 0% QRIS merchant discount rate (MDR) for micro merchants until 30th June 2022 to maintain QRIS acceptance and uptake as well as industry sustainability.
- Strengthening and expanding electrification: Social program, e-payment for Government
- Increasing the number of participants, expanding the services and garnering greater acceptance of BI-FAST for more efficient transactions between banks and members of the public

Bank Indonesia Policy Mix: March 2022



The BI Board of Governors agreed on 16-17th March 2022 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
exchange rate
policy to
maintain rupiah
stability in line
with market
mechanisms and
economic
fundamentals.



Safeguarding the
availability and
distribution of
rupiah currency
throughout the
archipelago as
well as cash
services during
the approach to
Ramadan and
Eid-ul-Fitr



Preparing Payment
System Providers (PSP),
particularly first mover
PSP, for National Open
API Payment Standard
(SNAP) implementation
to support interlinkages
between the banking
and FinTech industries.



Maintaining prime
lending rate
transparency in the
banking industry with a
focus on granular Prime
Lending Rates (PLR)
components and the
affecting factors.



Strengthening international policy
by expanding cooperation with
other central banks and
international organisations,
promoting trade and investment in
conjunction with the relevant
institutions as well as ensuring the
success of the six priority agendas
in the Finance Track during
Indonesia's G20 Presidency in
2022.



Optimizing Bank Indonesia Policy Mix to Maintain Stability and Support Economic Recovery Momentum

BGM 16-17 MARCH 2022

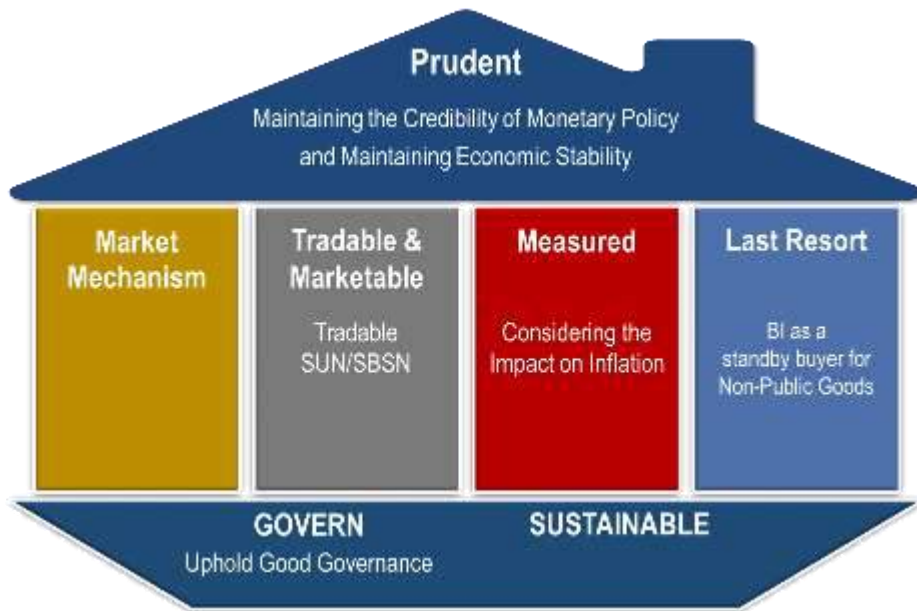


1. Strengthening exchange rate policy to maintain rupiah stability in line with market mechanisms and economic fundamentals.
2. Maintaining prime lending rate transparency in the banking industry with a focus on granular Prime Lending Rates (PLR) components and the affecting factors (Appendix).
3. Safeguarding the availability and distribution of rupiah currency throughout the archipelago as well as cash services during the approach to Ramadan and Eid-ul-Fitr.
4. Preparing Payment System Providers (PSP), particularly first mover PSP, for National Open API Payment Standard (SNAP) implementation to support interlinkages between the banking and FinTech industries.
5. Strengthening international policy by expanding cooperation with other central banks and international organisations, promoting trade and investment in conjunction with the relevant institutions as well as ensuring the success of the six priority agendas in the Finance Track during Indonesia's G20 Presidency in 2022.

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



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



- In net terms, the first stage of increasing the rupiah reserve requirement, coupled with the Reserve Requirement (RR) incentive since 1st March 2022, has **absorbed approximately Rp55 trillion of liquidity** in the banking industry. Liquidity absorption has not reduced the banking industry's ability to disburse loans/financing to the corporate sector or participate in SBN purchases to finance the State Revenue and Expenditure Budget (APBN)
- Bank Indonesia has **purchased SBN in the primary market** to fund the national economic recovery as part of the State Budget in 2022 **totalling Rp8.76 trillion** (as of 15th March 2022) via primary auction and greenshoe options, in accordance with the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia, which is effective until 31st December 2022
- In February 2022, the ratio of liquid assets to deposits remained high at 32.72%, with deposit growth recorded at 11.11% (yoy).
- In February 2022, liquidity in the economy remained ample, as reflected by narrow money (M1) and broad money (M2) aggregates, which grew 18.3% (yoy) and 12.5% (yoy) respectively, primarily driven by stronger growth of loans disbursed by the banking industry and fiscal expansion by the Government



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

- The prime lending rate (PLR) declined in line with the downward trend of the cost of loanable funds (CoLF) as well as a slight decline in the Overhead cost (OHC) and profit margins.
- The new loan rates continued to decline in line with limited improvement in risk perceptions. The decline mainly occurred in regional banks and state-owned banks.
- The profit margin components tend to be rigid, which is suspected as banks tried to maintain profitability to support capital growth, amidst credit growth has just start to recover and credit risk that has not improved.

Pursuant to OJK Regulation (POJK) No. 37/POJK.03/2019 concerning Bank Report Transparency and Publication, the PLR consists of three components, namely;

- i. the cost of loanable funds (CoLF), incl. the cost of funds, cost of services, regulatory costs and other costs;
- ii. overhead costs (OHC), incl. labour costs, education and training costs, R&D costs, rental costs, promotion and marketing costs, maintenance and repair costs, fixed asset and inventory depreciation costs as well as other overhead costs; and
- iii. profit margin, which is determined by the respective bank for lending activity.

Prime Lending Rate and Deposit Rate Response to BI7DRR

Bank Indonesia has maintained an accommodative monetary and macroprudential policy stance in order to stimulate economic growth.

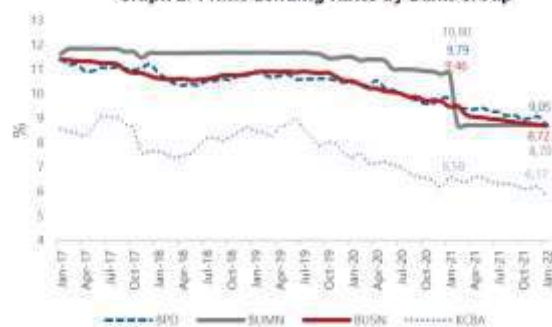
- Prior to the Covid-19 pandemic, from June 2019 until Feb 2020, BI lowered the BI7DRR policy rate five times by a total of 125bps from 6.00% to 4.75%.
- From March 2020, Bank Indonesia lowered the policy rate another four times (100bps) to a level of 3.75% in November 2020, and lower another 25 bps in Februari 2021 to 3.50%.
- 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 Prime Lending Rate, BI7DRR and 1 Month Term Deposit Rate Performance



Sumber: OJK dan BI (diolah)

Graph 2. Prime Lending Rates by Bank Group



Graph 3. Prime Lending Rate Performance by Component

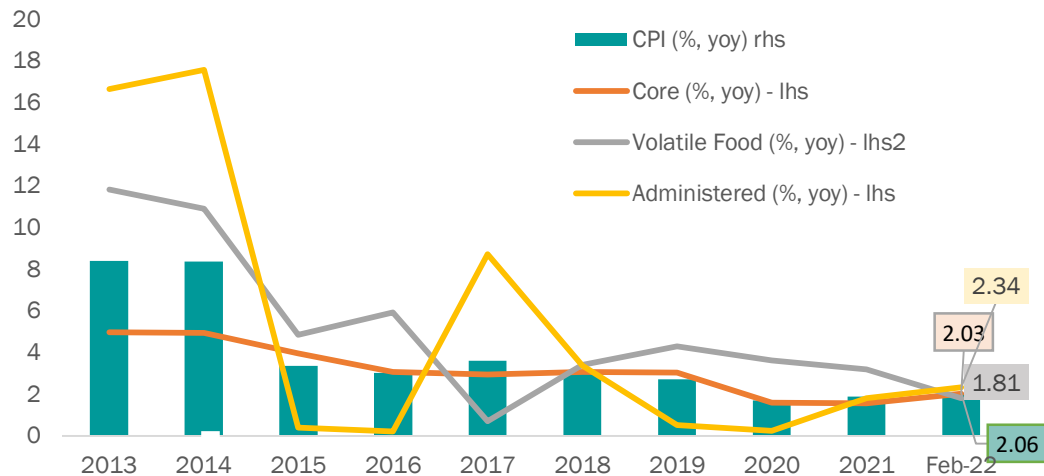


Sumber: OJK (diolah)

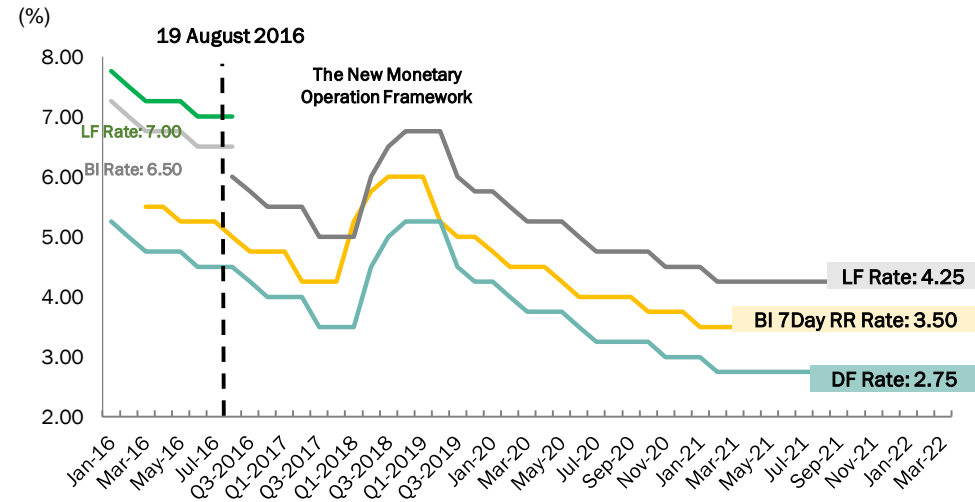
Stable Monetary Environment Despite Challenges



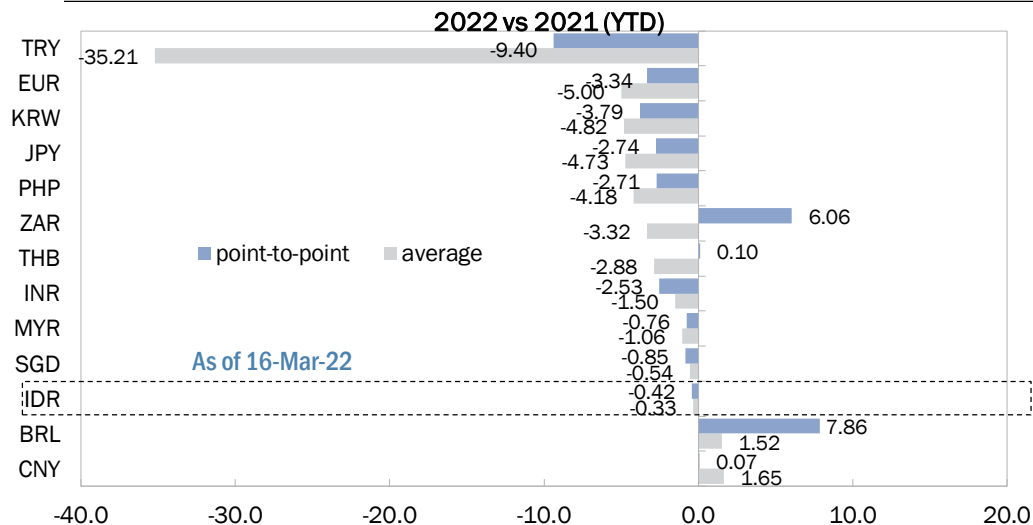
Well Maintained Inflation Ensured Price Stability



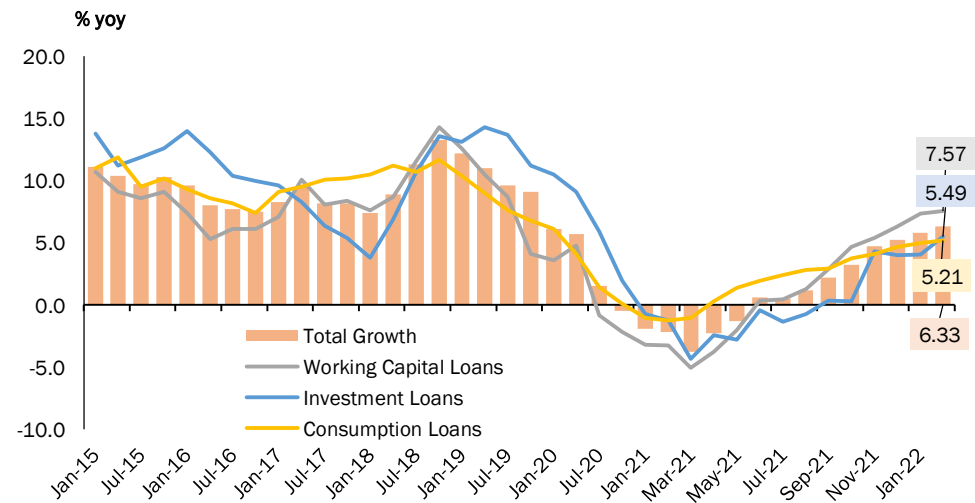
Strengthened Monetary Policy Framework



Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Credit Growth Profile

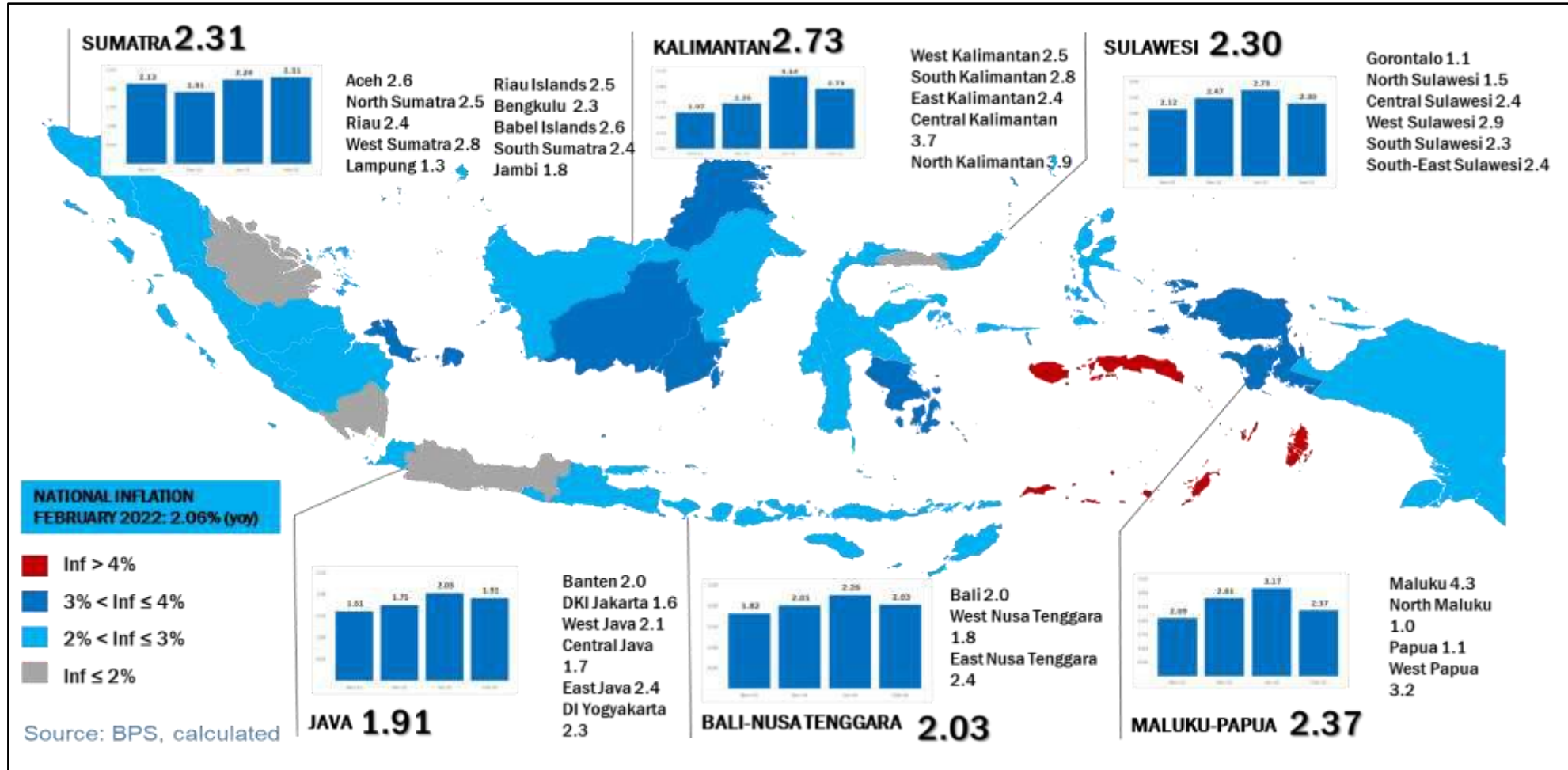


Regional Inflation Remains Under Control

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



Regional Inflation, February 2022



4 Strategies to Achieve the Inflation Target



2022 Target

Achieving inflation at 3,0%±1%

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

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

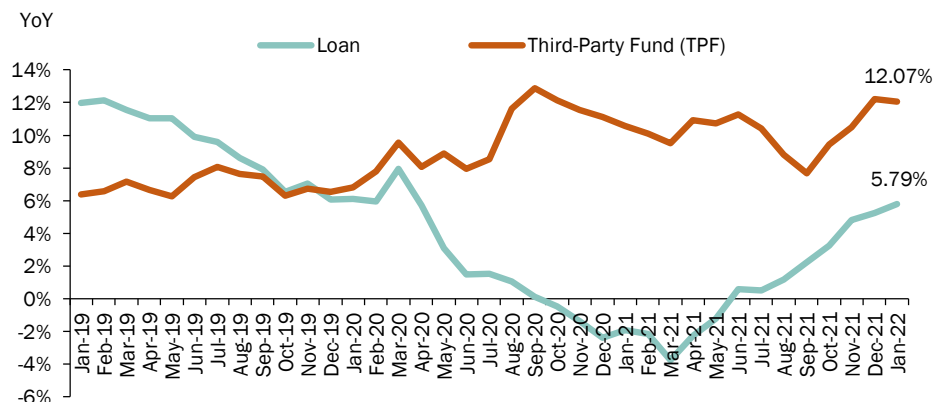
Signs of Recovery in Financial Intermediations



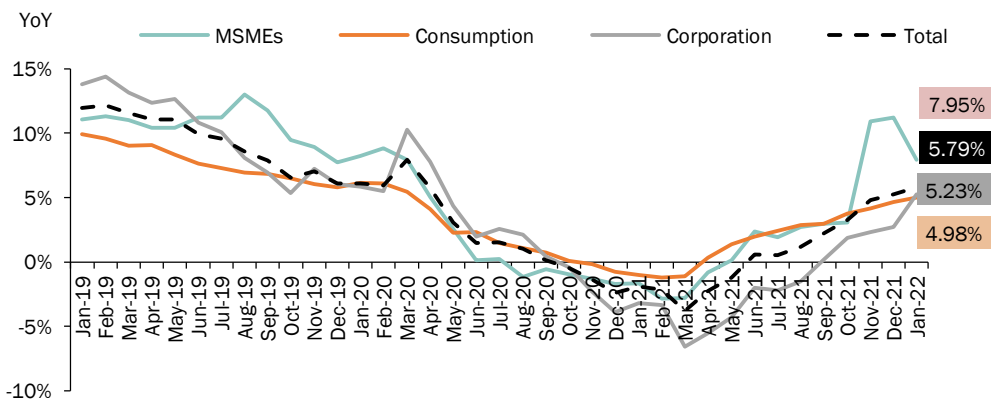
As the economy continues its recovery, bank loans mark growth while the funding side grows at a slower pace, indicating a growing lending appetite.



In **January 2022**, bank loans continued to grow by **5.79% (y-on-y)** while TPF grew at a slower pace by **12.07% (y-on-y)**.



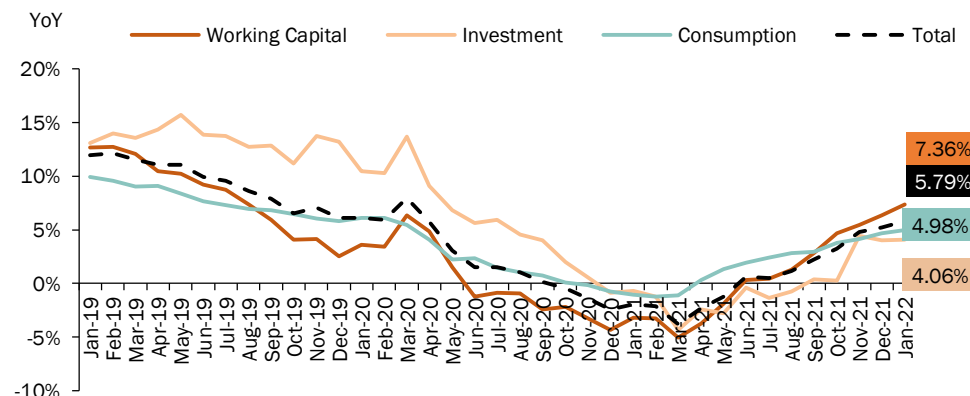
Loan growth by segmentation continued to improve in **January 2022**, which was driven by the Micro, Small, and Medium Enterprises (MSMEs) loans growing by **7.95% (y-on-y)**.



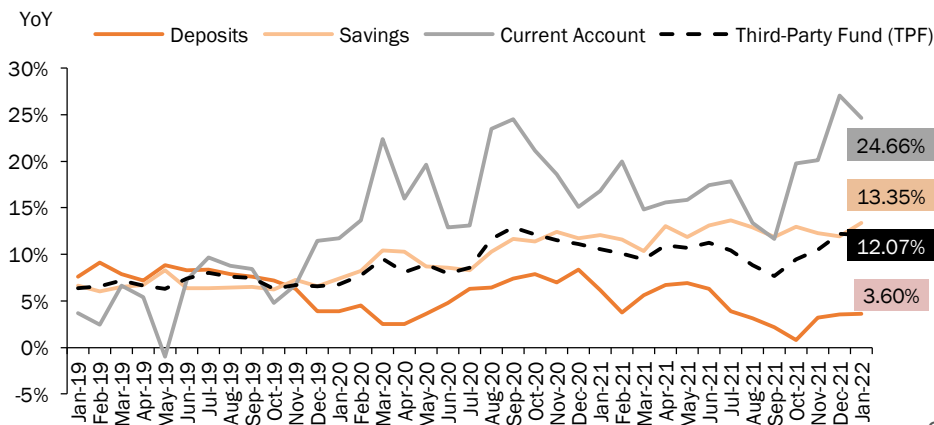
Source: Financial Service Authority (OJK)



Based on types of loans, bank credit grew higher than the previous year, particularly Working Capital loans with **7.36% (y-on-y)** growth in **January 2022**, indicating that businesses are gradually back on track.



Life insurance premium recorded a **7.2% growth (y-on-y)** while **General & Reinsurance premium** was slightly contracted at **-3.8% (y-on-y)** in **Dec 2021**.



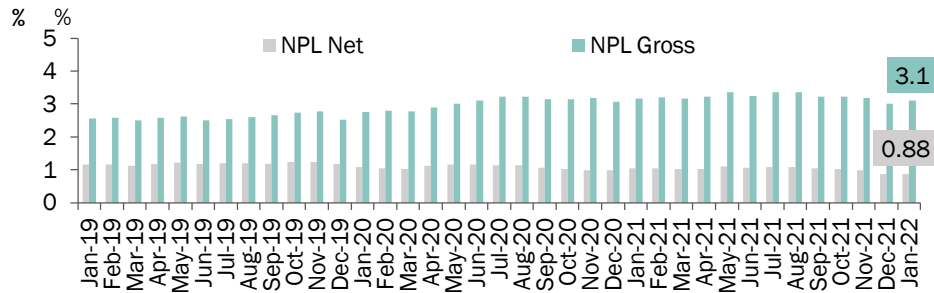
Manageable Credit Risks with Adequate Liquidity



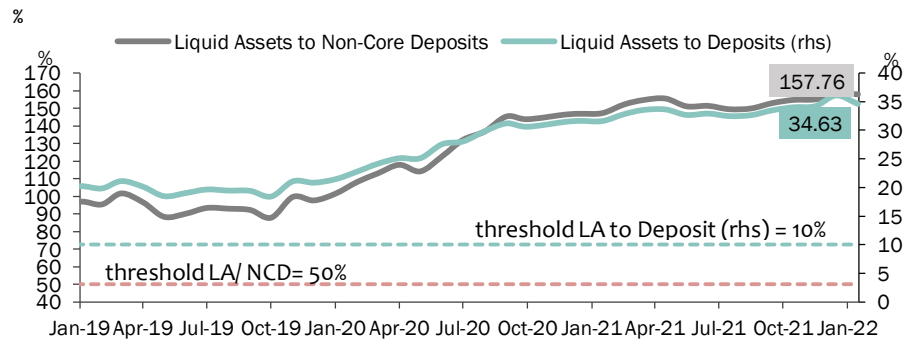
The banking industry is equipped with ample liquidity, strong capitalization, and manageable credit risk. Profitability is also recorded at a steady level.



Banking NPL ratios remained stable and still below the threshold at **3.1% gross** and **0.88% net** as of January 2022.



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

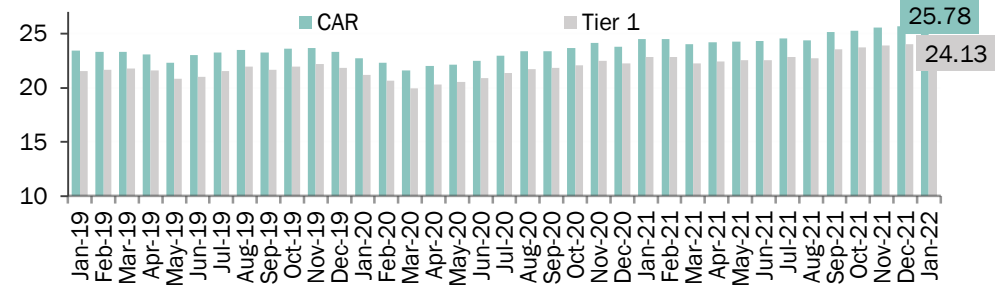


*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

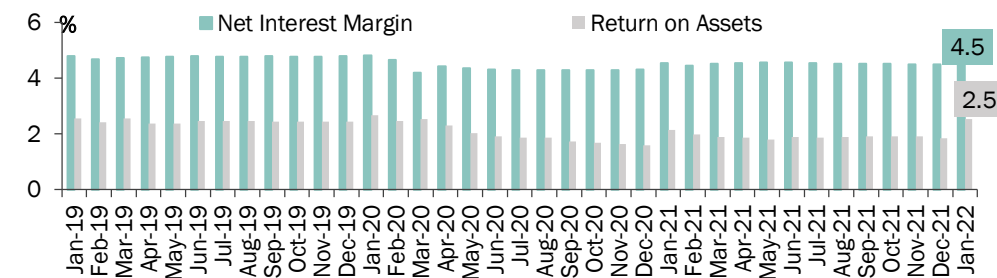
Source: Financial Service Authority (OJK)



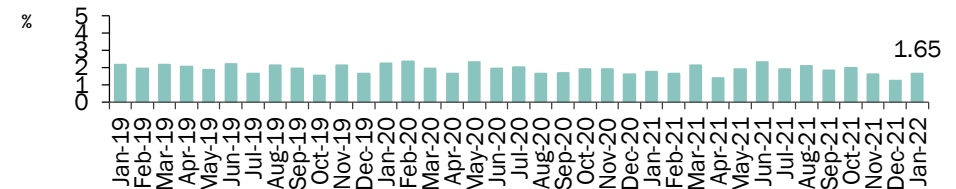
Liquidity remained ample with CAR at **25.78%** and Tier-1 capital at **24.13%** as of January 2022. *)



Profitability of the banking industry was recorded at a steady level, reflected by stable NIM and ROA at **4.5%** and **2.53%** respectively in January 2022.



Net Open Position continued to stay well below the maximum limit of 20%. The value was recorded at **1.65%** in January 2022.



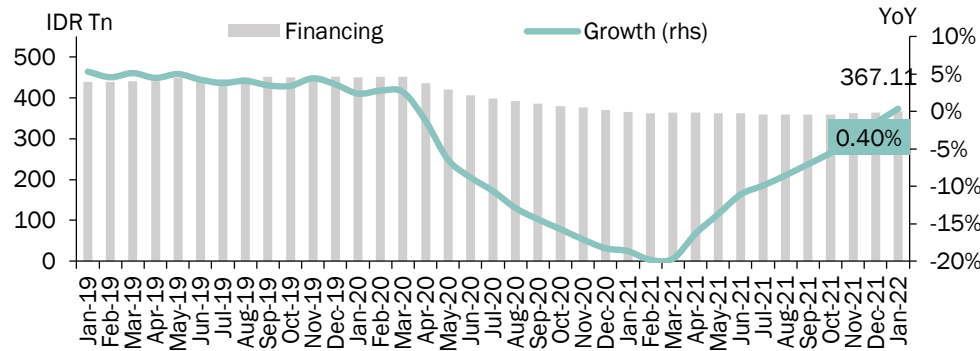
Multi-finance Companies' Performance Continues to Improve



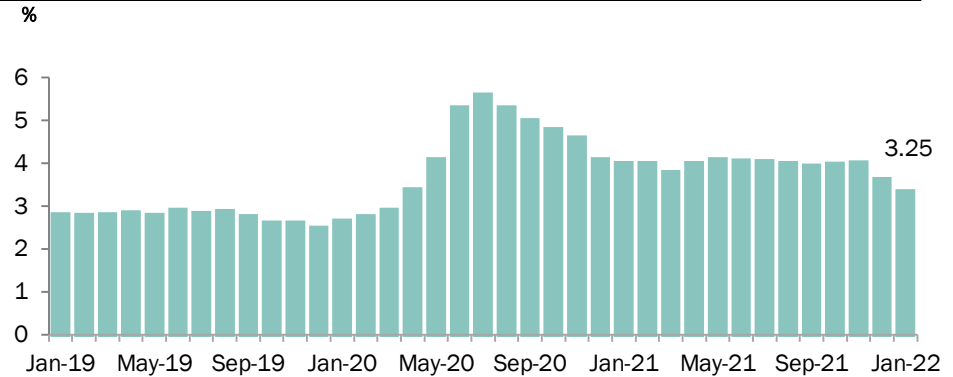
Multi-finance companies' performance continues to improve, shown by growing financing and manageable NPF, supported by stable gearing ratio.



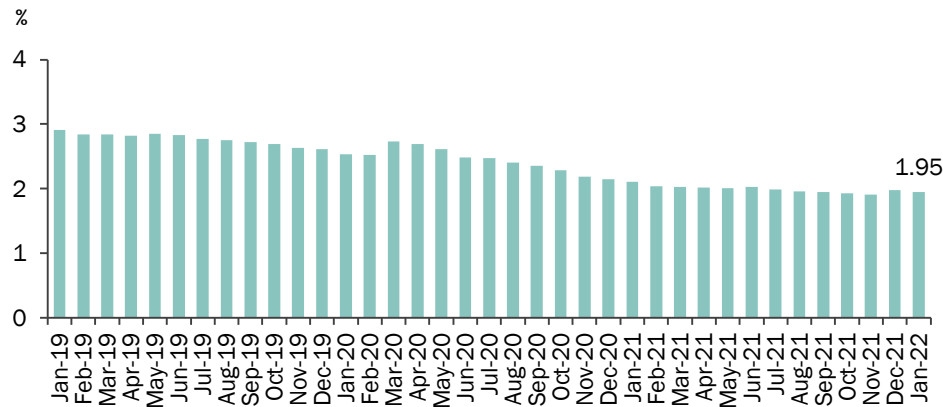
Financing stood at **Rp367.11** trillion with **positive growth** (0.40% y-on-y) recorded for the first time since the beginning of the pandemic.



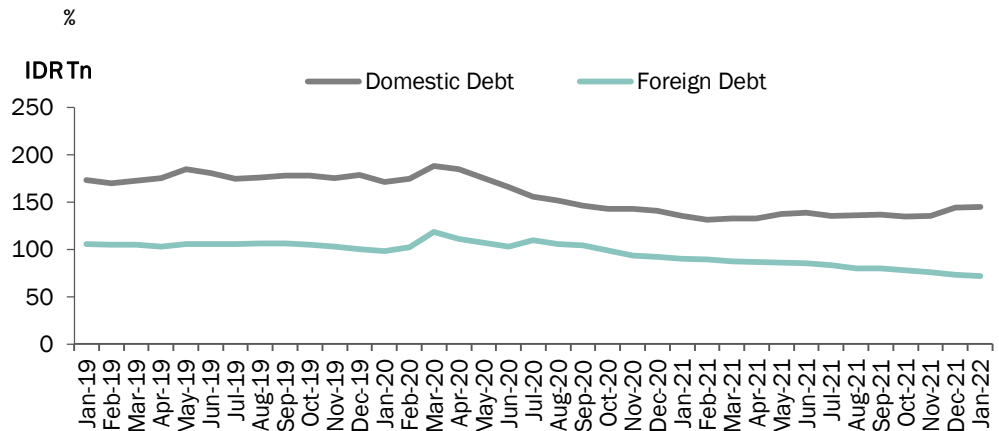
NPF of multi-finance companies remained below the 5% threshold and was recorded at **3.25%** as of **January 2022**. *)



Gearing ratio of multi-finance companies remained stable and below the threshold with a ratio of **1.95** times in **January 2022**.



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



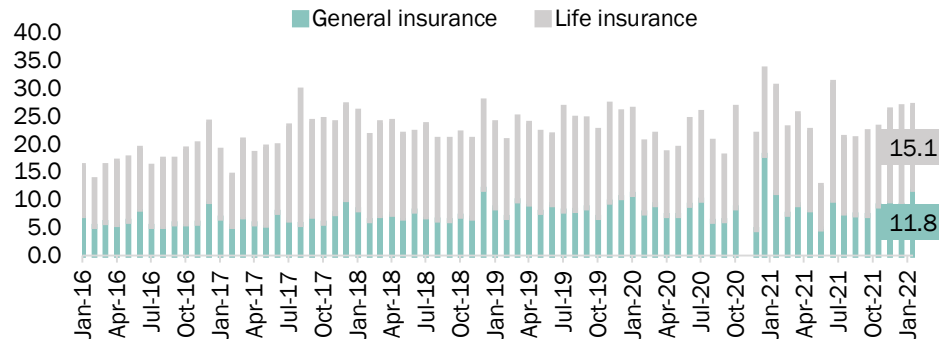
Manageable Insurance and Pension Risks with Adequate Performance



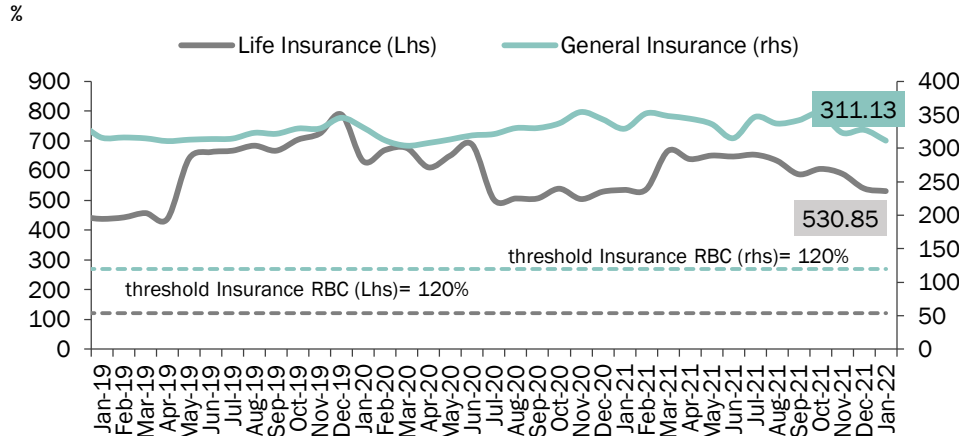
Insurance and pension funds continue to improve, shown by the adequate performance and manageable risks.



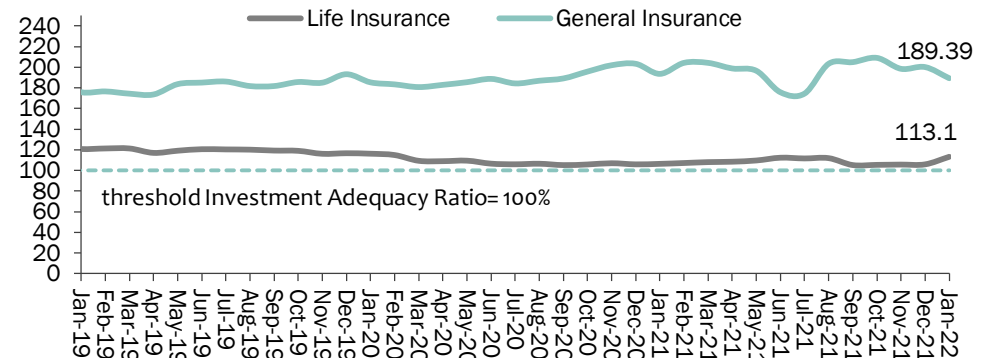
In line with recovering economy, insurance premium marked a total increase of **Rp26.9 Tn** (mtm) with General and Life insurance added premium at **Rp11.8 Tn** and **Rp15.1 Tn** respectively.



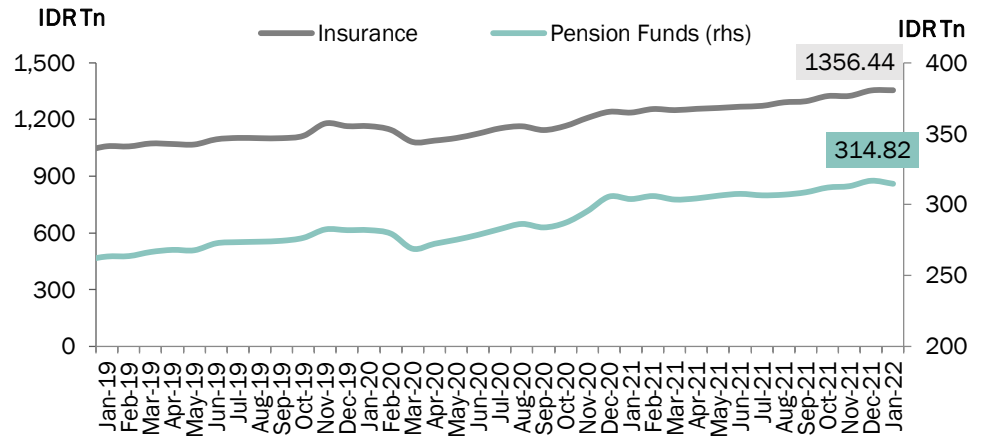
RBC of the insurance industry remained well above the minimum threshold (120%) with **Life Insurance at 530.85%** and **General Insurance at 311.13%** in January 2022.



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



In **January 2022**, both insurance and pension fund investment values remained stable at **Rp1,356.44 Tn** and **Rp314.82 Tn**, respectively.





Domestic Capital Market Performance Amid Global Challenges

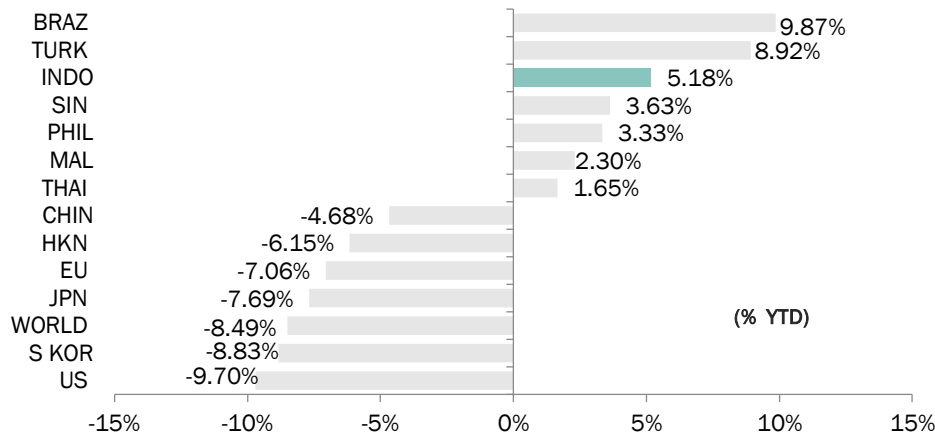
Despite the Fed's hawkish stance, investors are still optimistic for a faster economic recovery, supported by accelerated vaccination rates.

Following The Fed's tightening stance and Ukraine geopolitical risk, the global stock market, particularly in Advanced Economies endured quite a fall in the beginning of 2022

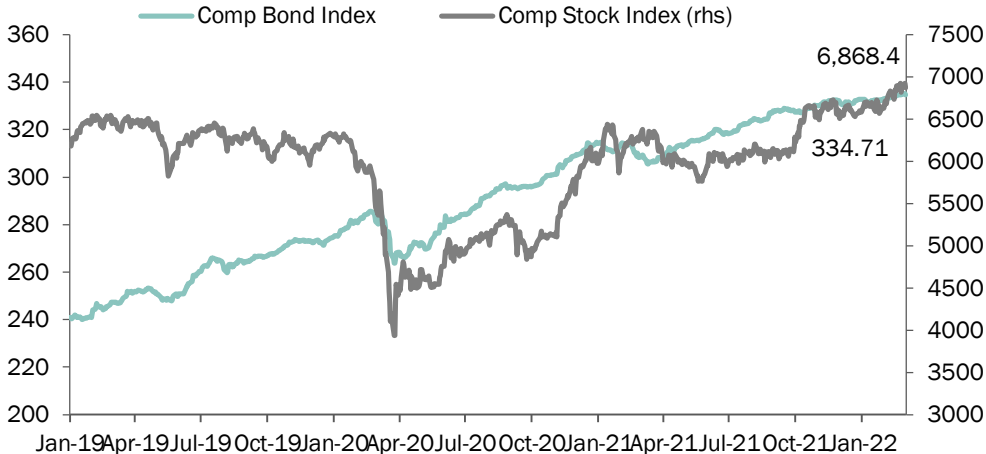


Composite Bond and Stock Index remained on a positive mark in February 2022, reflecting confidence in the market.

Stock Index Performance as of 4 March 2022 (compared to 31 Dec '21)

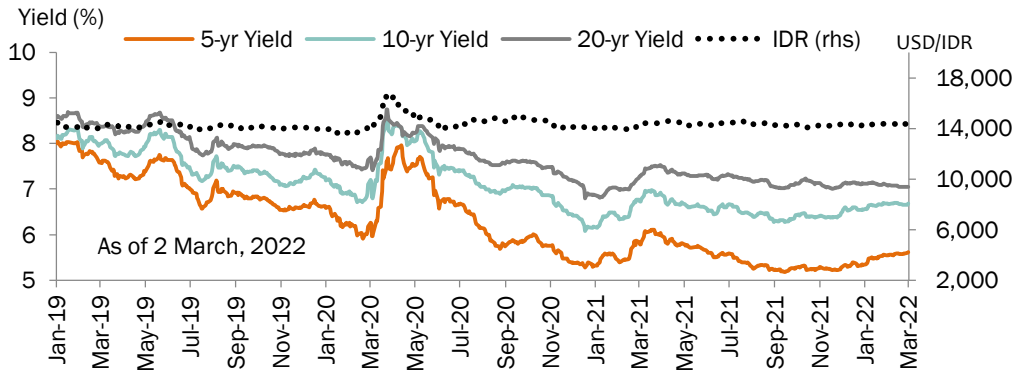


Government bond yields remained competitive with a slight increase, followed by stable rupiah as risk premium was maintained.



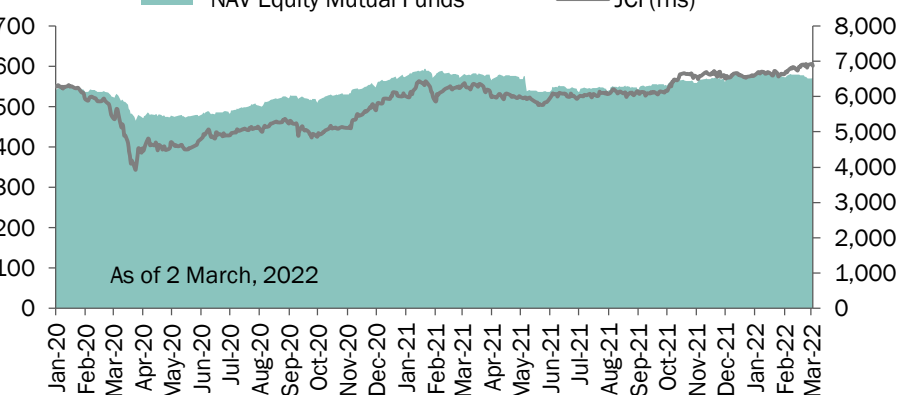
Net asset value (NAV) of equity mutual funds were stable with low volatility, showing high optimism in the capital market.

IDRTn



Source: Bloomberg and Ministry of Finance


IDR Tn





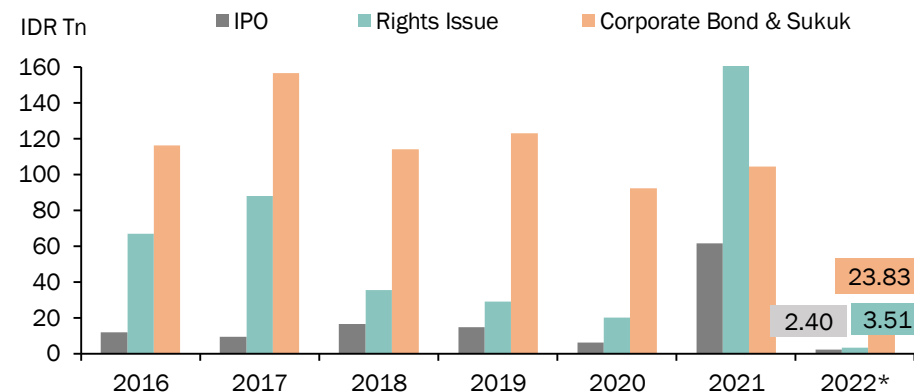
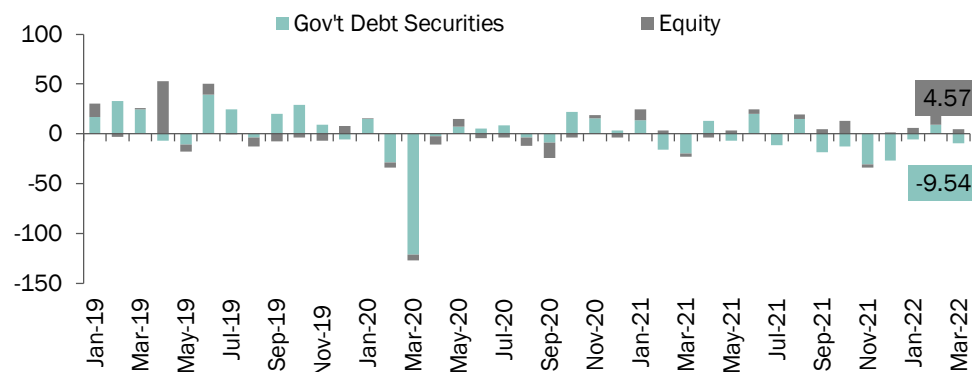
Domestic Capital Market Performance (continued)

Several market risks indicators still show an adequate performance and remain manageable.

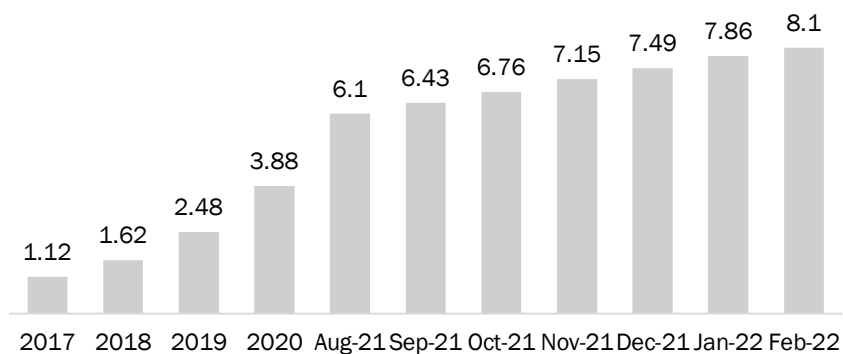
 Non-resident Investors booked a total of **Net Sell** IDR4.97 trillion and **YTD Net Buy** IDR23.9 trillion in the capital market as of 4 March 2022.



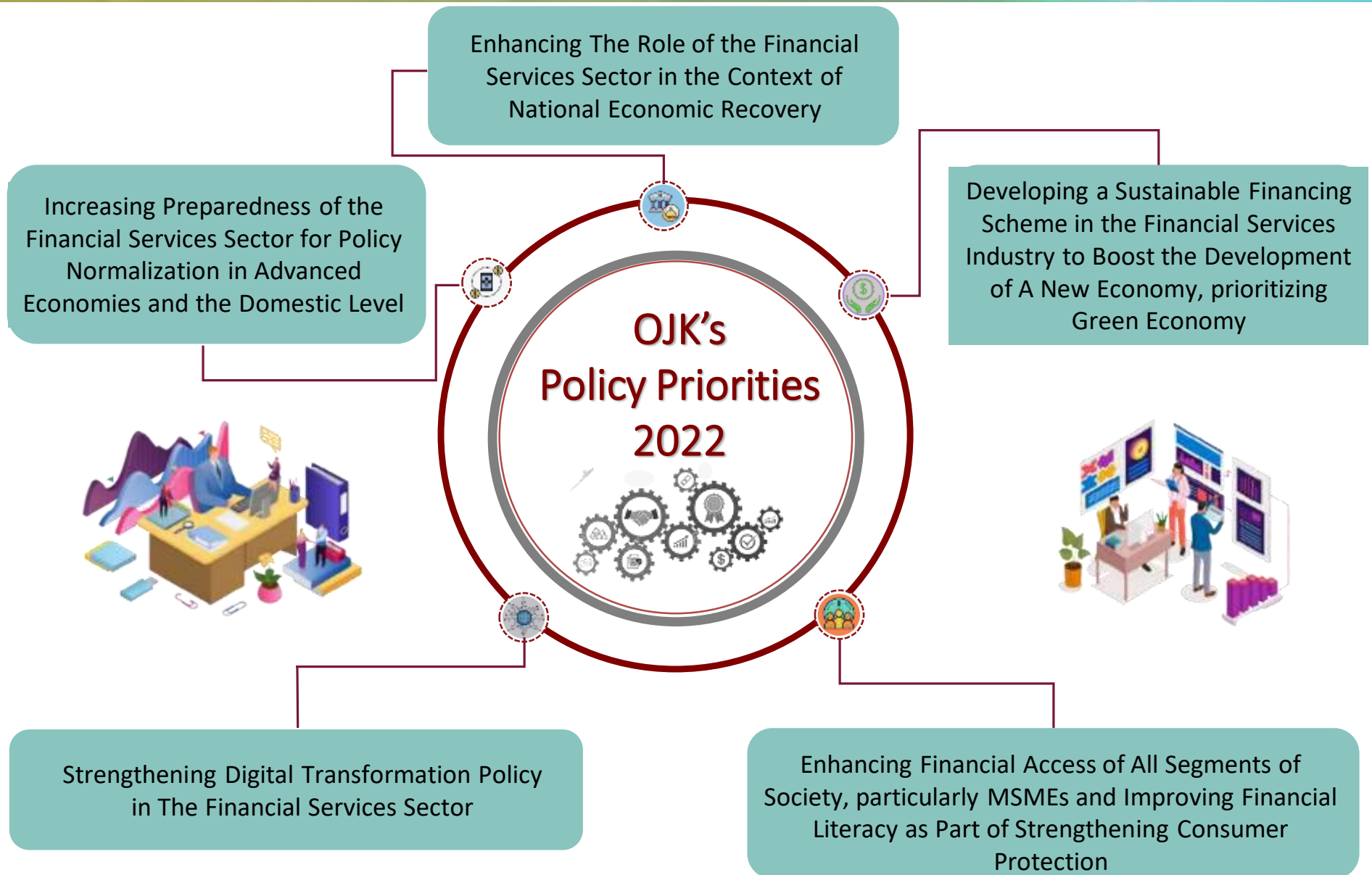
Total of securities issuance reached IDR29.74Tn (YTD) as of 4 March 2022, indicating public trust to economic recovery.



Capital Market Investors continued to increase with a total of **8.1 million** investors as of Feb-22 or growing **79% (y-on-y)**.



Five OJK Priority Policies in 2022



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



Enhancing Financial Services Sector's Resilience and Competitiveness



Indonesian Financial Literacy National Strategy (SNLKI) 2021 - 2025



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

VISIONS

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

3 STRATEGIC PROGRAMS

Financially Competent

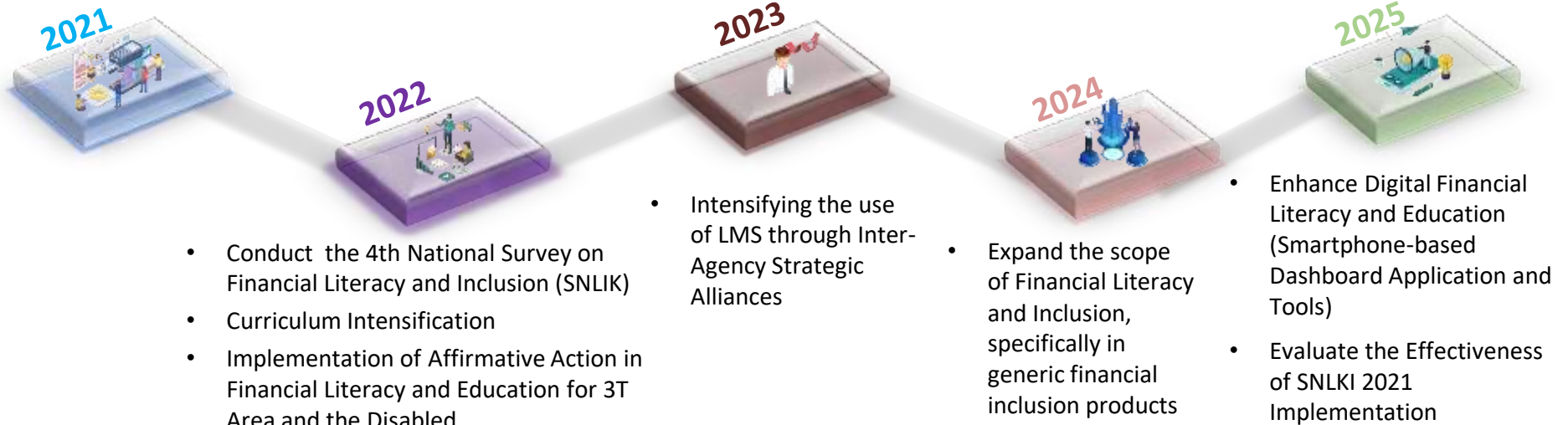
Wise Financial Attitude And Behavior

Access To Finance

10 priority targets in the SNLKI 2021-2025

1. Students;
2. Youths;
3. Employees;
4. Farmers and fishermen;
5. Migrant workers;
6. MSMEs;
7. People with disability;
8. People in 3T (Foremost, Outermost, Behind) areas;
9. Women/housewives;
10. Community

ROADMAP SNLKI STRATEGIC PROGRAMS






Loan Restructuring Extension

under POJK No.17/2021



Rationality

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

Applicability

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



Key Points on the Stimulus



LOAN QUALITY ASSESSMENT

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



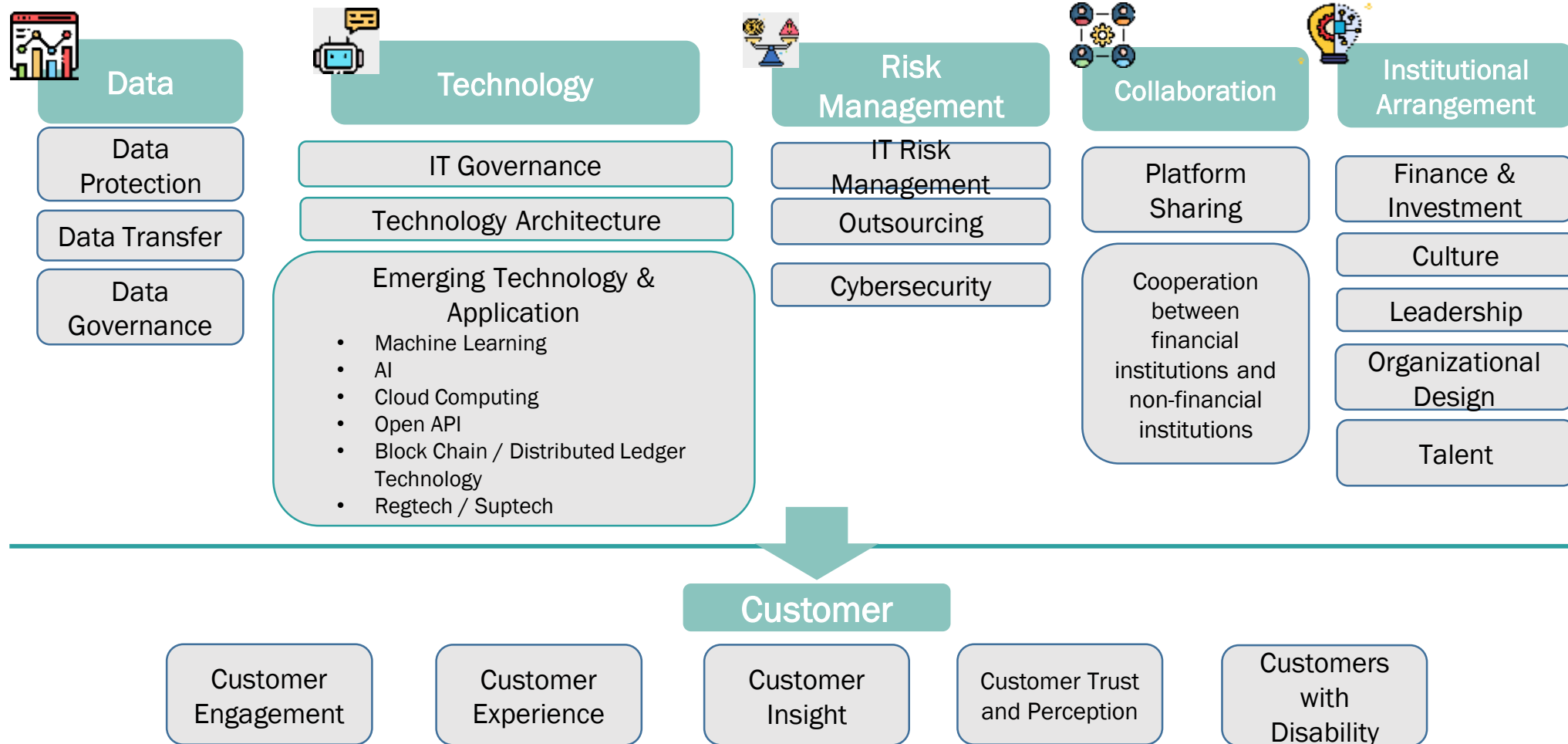
RISK MANAGEMENT

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

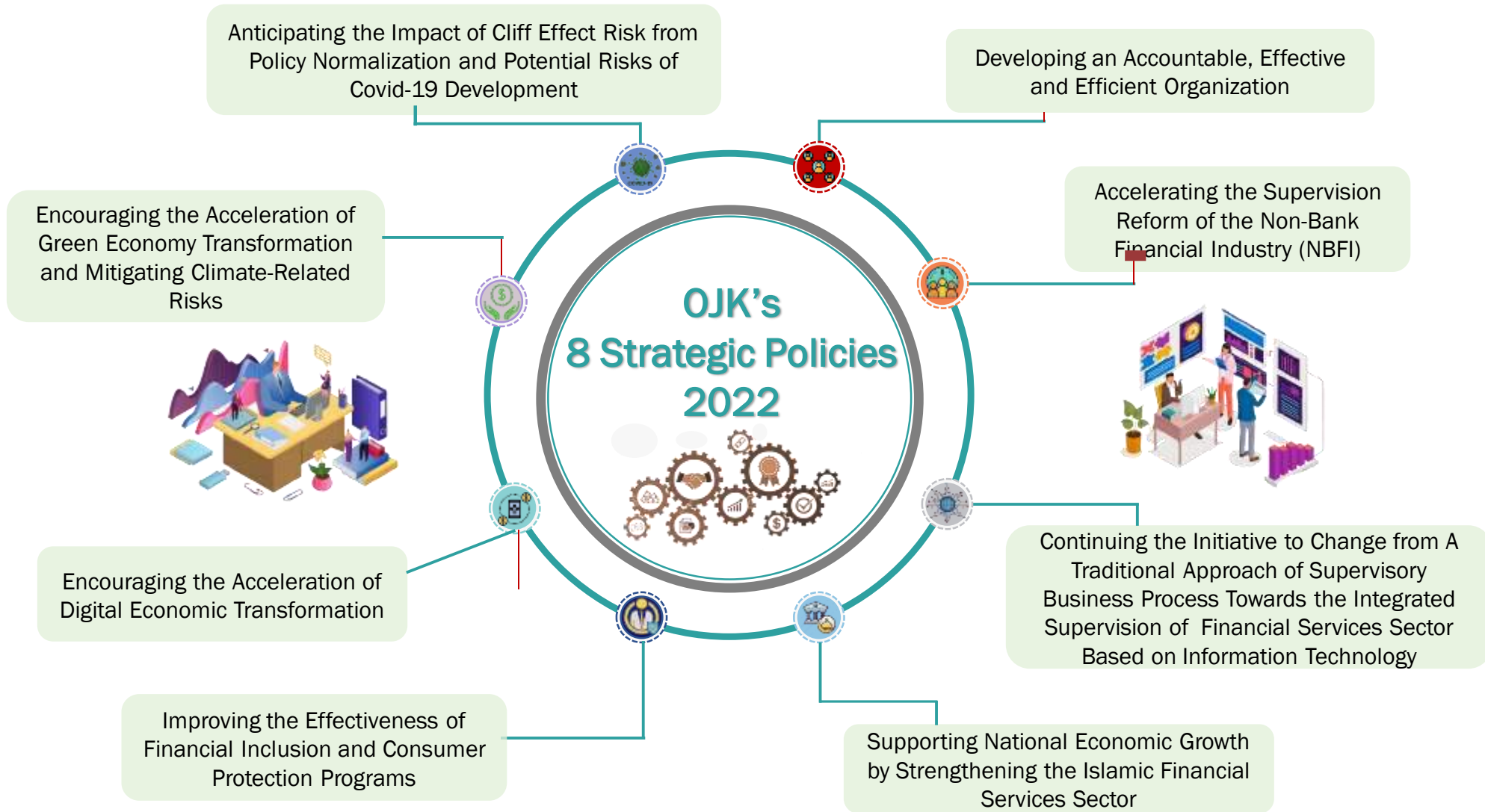
Digital Banking Transformation Blueprint



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

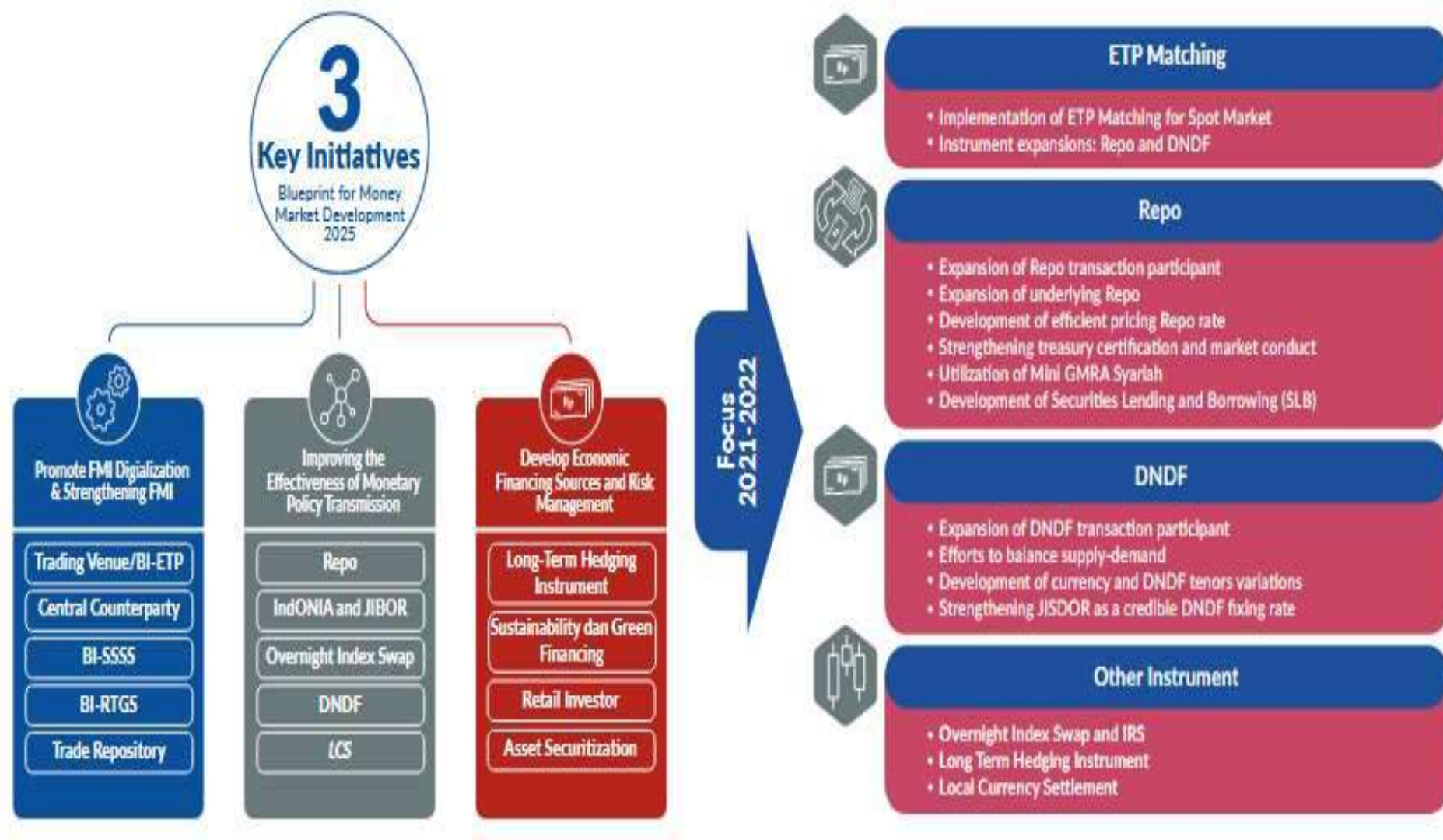


OJK Strategic Policy in 2022



Bank Indonesia's Comprehensive Financial Deepening Program

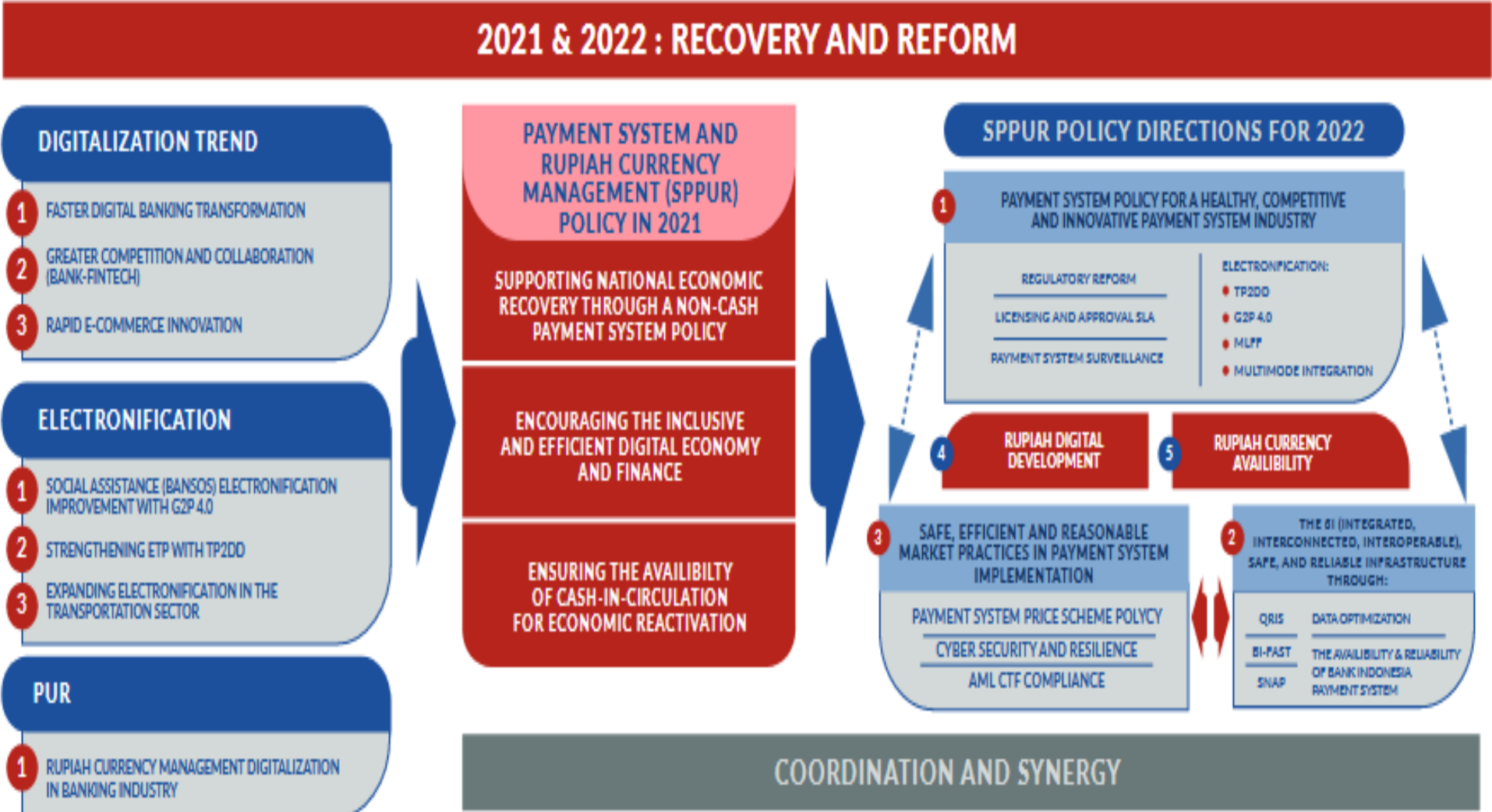
Acceleration of Money Market Deepening in 2022..





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

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



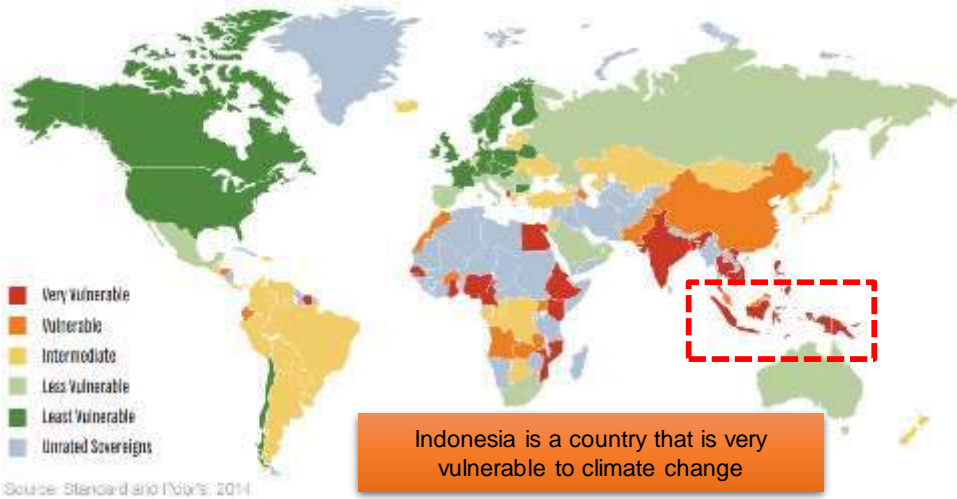


Section 7

**Commitment to Sustainability and
Preserving the Environment**

Climate Change Risk on Indonesia

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



Indonesia is a country that is very vulnerable to climate change

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

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

Sumber Data: KLHK (2020), data diolah

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

Source: BMKG (2020)

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

Source: Bappenas (2021)

RISKS OF CLIMATE CHANGE



WATER SCARCITY

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



HEALTH QUALITY DECREASE

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



LAND ECOSYSTEM DAMAGE

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



FOOD SCARCITY

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



MARINE ECOSYSTEM DAMAGE

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

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

80%
of the total disasters that occurred in Indonesia.

Source: NDC, 2016

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

source: Roadmap NDC Adaptasi, 2020



Global Trends Strengthening Attention to Climate Change

UNFCCC-COP26 GOALS

01



Secure global net zero by mid-century and keep 1.5 degrees within reach

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

02



Adapt to protect communities and natural habitats

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

03



Mobilise finance

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

04



Work together to deliver

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

G20 FORUM

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

EUROPEAN UNION

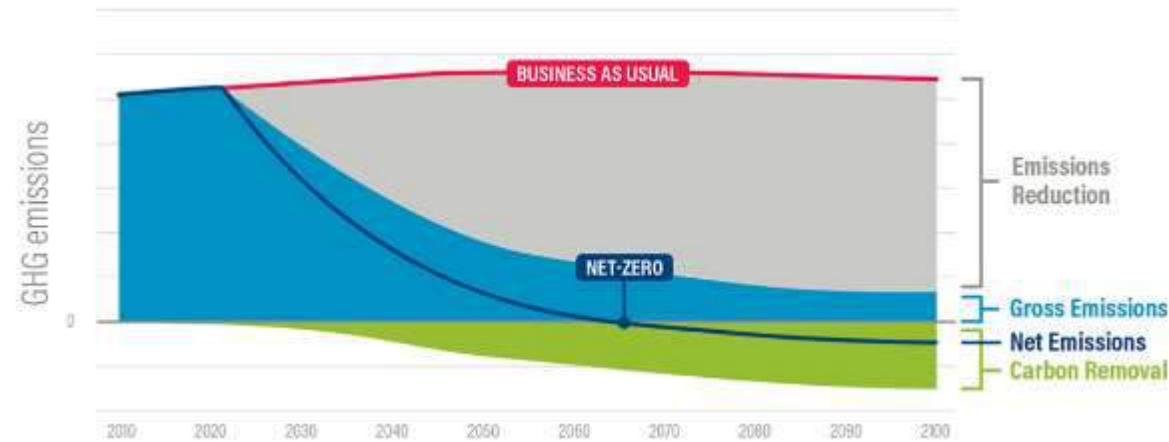
The European Union is discussing a Border Carbon Arrangement policy (part of the EU Green Deal) or the imposition of import taxes on goods that produce emissions according to the amount of emissions produced

INTERNATIONAL FINANCE INSTITUTIONS

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

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

Net Zero Emission (NZE)



Source: World Resource Institute



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



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



Source: Ministry of Finance

10 Key Solutions to Achieve NZE 2050

- 1. PHASE OUT** coal plants
- 2. INVEST** in clean energy & efficiency
- 3. RETROFIT** buildings
- 4. DECARBONIZE** cement, steel & plastics
- 5. SHIFT** to electric vehicles
- 6. INCREASE** public transport
- 7. DECARBONIZE** aviation and shipping
- 8. HALT** deforestation & **RESTORE** degraded lands
- 9. REDUCE** food loss and waste
- 10. EAT** more plants & less meat

Sumber: World Resource Institute

Long Term Strategy was mandated in Paris Agreement Article 4.19

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

Indonesia's Net Zero Emission



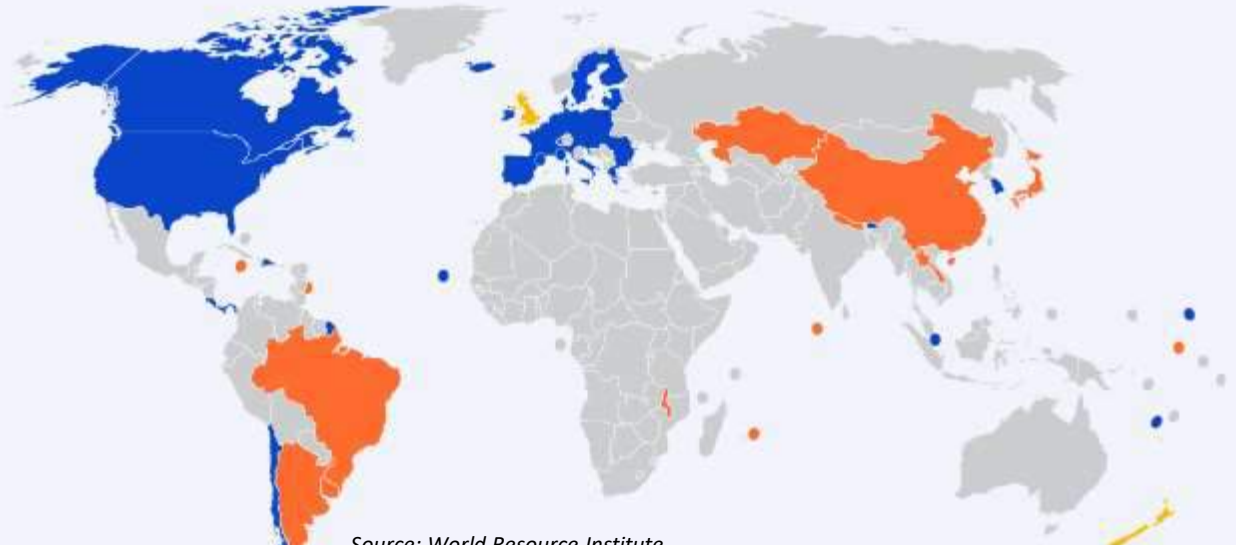
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



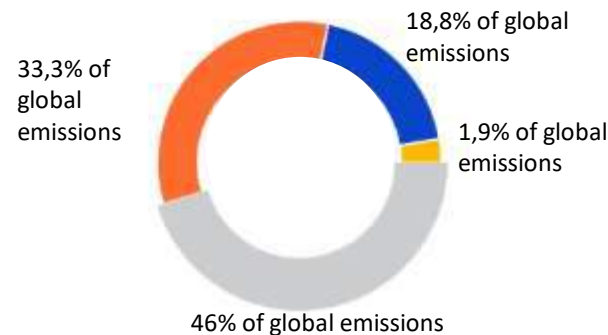
Indonesia and 148 other Parties (with a global emission share of 46%) have not submitted the document



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



Source: World Resource Institute



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



INDONESIA'S CLIMATE CHANGE AGENDA

Paris Agreement and Nationally Determined Contribution (NDC) 2030

Target:
29% national effort
41% with international support

Stated in:
• First NDC (2016)
• Updated NDC (2021)

MITIGATION

GHG Emission Reduction Target Per NDC Sector (MTon CO₂e)

INDONESIA N EMISSION REDUCTION TARGET	FORESTRY	ENERGY & TRANSPORTATION	WASTE	AGRICULTURE	IPPU
29%	497	314	11	9	3
41%	692	446	40	4	3.25

Policy Strengthening and Implementation

Carbon Pricing	Carbon Trade Carbon Tax (initial rate: Rp30/Kg CO ₂ e)	Climate Technology Finance Development and Building Transfer	Capacity
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Climate Resilience

- 1 Economic Resilience
- 2 Social Resilience and Livelihood
- 3 Ecosystem and Landscape Resilience

ADAPTATION

Long-Term Strategy for Low Carbon and Climate Resilience 2060

Mandate from:

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

LCCP Scenario:

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

Toward Net Zero Emission 2060

Commitment to Sustainability and Climate Change Mitigation

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



Background of Commitment

Commitment to Sustainability

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

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

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

The President's Nawacita Programme

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



Environment Commitment and Objectives

Mitigation

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

Adaptation

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

Biodiversity

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

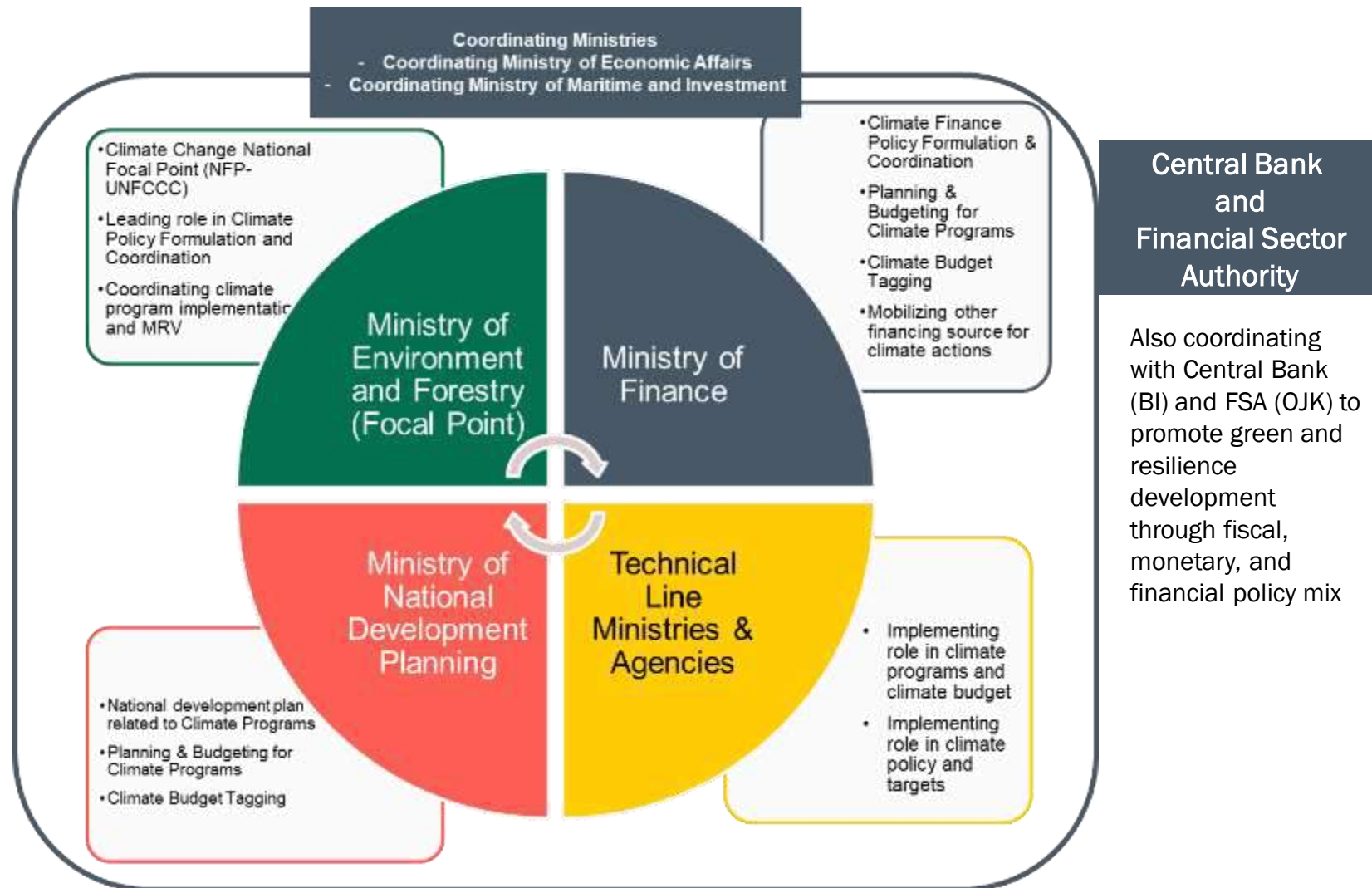
Note: ⁽¹⁾ SDG Indonesia One, PT Sarana Multi Infrastruktur

Climate Governance in Indonesia



Ministry of Finance is responsible for climate fiscal policy

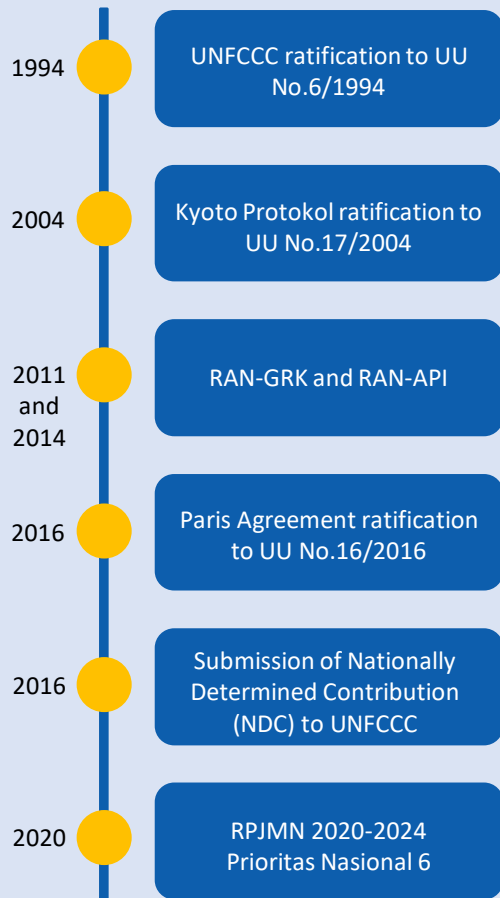
Ministry of Finance c.q. The Fiscal Policy Agency is also the National Designated Authority of the Green Climate Fund (NDA-GCF) as the core interface between the country and the GCF



Commitment to Handling Climate Change



NATIONAL CLIMATE CHANGE POLICY TIMELINE



FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

- Mitigation Fiscal Framework
- Tax Incentives for NRE and clean technology development
- Revocation of Fuel Subsidy
- Implementaion of Climate Budget Tagging
- Indonesia's Green Bond/Sukuk Framework
- Mainstreaming Climate Budget Tagging in local government budget
- Ecology-based Fiscal Transfer

NEXT STEP OF CLIMATE RELATED FISCAL POLICY



Preparation of fiscal instruments related to Carbon Tax and Carbon Trading



updating Mitigation Fiscal Framework



Integration of Climate Change Planning, Budgeting and MRV Systems



Preparation of SDGs Government Securities Framework

CLIMATE CHANGE AGENDA NATIONAL AND GLOBAL



Nationally Determined Contribution (NDC)



SDGs 13: Climate Action



Low Carbon Development Planning in RPJMN 2020-2024



Agenda Net-Zero Emission

National Climate Financing



Funding support to achieve the targets of the climate agenda can come from the public, private and international sectors towards “*a just and affordable transition*”

SOURCE OF FINANCING

DOMESTIC

STATE BUDGET

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

NON-STATE BUDGET

- Carbon Trading
- Private Investment and CSR
- BPD LH
- SDG Indonesia One
- ICCTF

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

INTERNASIONAL

BILATERAL

- Government
- Private

MULTILATERAL

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

CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



Limited fiscal space

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



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



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



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



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



The Need of Climate Change Funding

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

Cost Estimation of Climate Change Mitigation

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

The Need of Climate Change Mitigation Funding, by Sector

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

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

Policies are required to ensure that financing requirements are met.

State Expenditure for Climate Change



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

IDR102.65 trillion per year

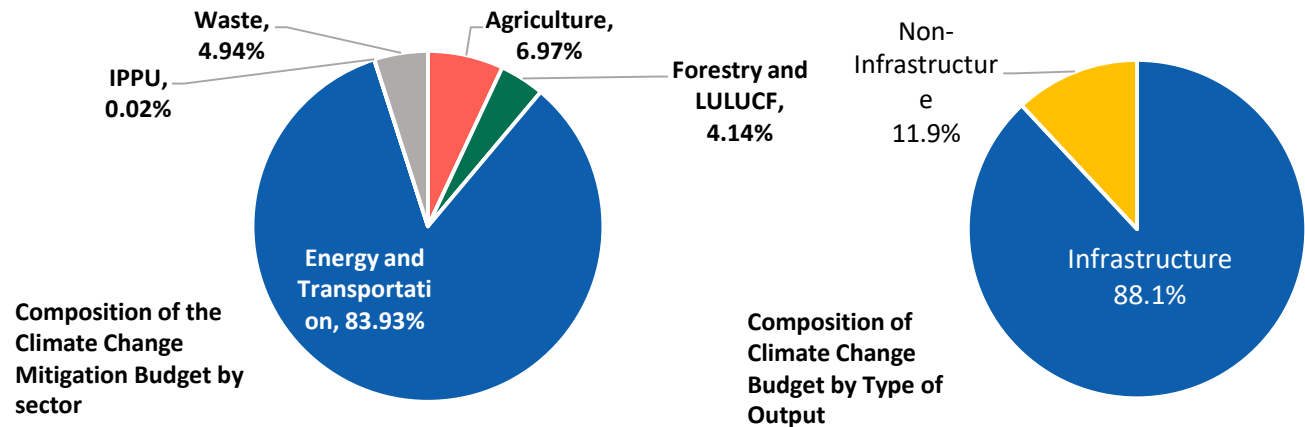
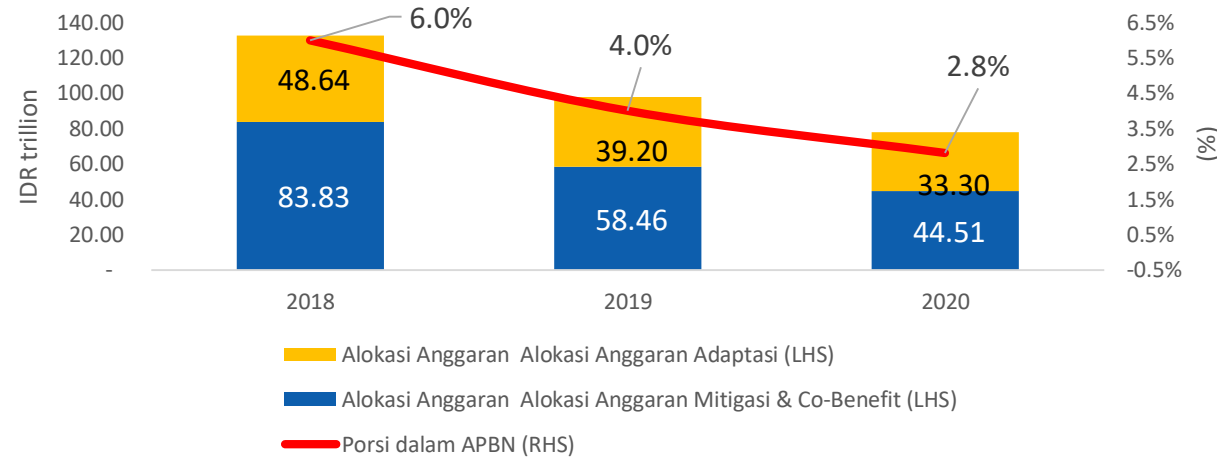
the average mitigation and co-benefit budget reached

IDR 62.7 trillion per year

the average adaptation budget reaches

IDR 40.4 trillion per year

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



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



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



- SDG Indonesia One is an integrated funding cooperation platform managed by PT. SMI by combining public funds and private funds through a blended finance scheme to be channeled into infrastructure projects in Indonesia related to the achievement of the SDGs.
- SDG Indonesia One funding sources come from the private sector, donors/philanthropy, financial institutions, institutional investors, and bilateral and multilateral institutions.



- BLU BPDH or Indonesia Environment Fund (IEF) is a merger between the BLU of the Center for Forest Development Financing and the environmental conservation program of the Ministry of Environment and Forestry.
- IEF manages and provides the funds needed for environmental and forestry protection, preservation and conservation, biodiversity management, and climate change mitigation and adaptation.
- IEF not only manages funds in the environmental & forestry sector, but also in the fields of energy, agriculture, transportation, marine & fisheries, and industry.

GCF Approved Indonesian Projects/Programs



1

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



Grants :
Readiness I USD850.000
Readiness II USD998.000

2

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



Grant :
USD788.000

3

Result-based Payment (RBP) REDD+ Indonesia (2014-2016)



RBP :
USD103,8 m

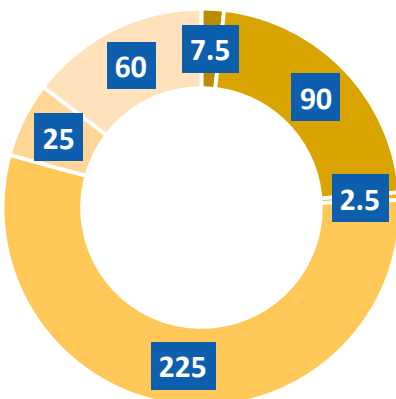
4

Geothermal Resource Risk Mitigation Facility (GREM)

Funding Scheme (in million USD)



- GCF - Loan
- GCF - Reimbursable Grant
- GCF - Grant
- IBRD - Loan
- Ministry of Finance/ PT. Sarana Multi Infrastruktur



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

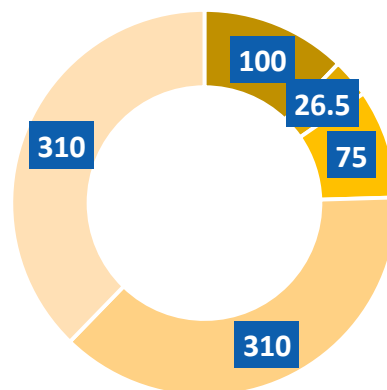
5

Climate Investor One (CIO)

Funding Scheme (in million USD)



- GCF - Reimbursable Grant
- Co-Financing - Development Fund (Grant)
- Co-Financing - CEF Tier 1 (Grant)
- Co-Financing - CEF Tier 2 (Equity)



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

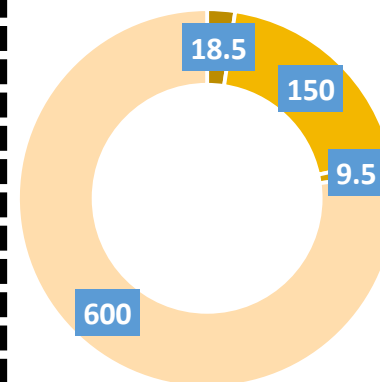
6

Global Subnational Climate Finance (SnCF)

Funding Scheme (in million USD)



- GCF - Grant
- GCF - Equity
- IUCN - Grant
- Pegasus Capital Advisors - Equity



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

Achievements of SDG Indonesia One



Achievement of SDG Indonesia One Quarter 1 2021

Blended Finance Project (Indicative)

19 Projects

consists of 4 financing projects and 15 project development activities

Ecosystem Enabler

9 Activities

Consists of capacity building activities and sharing sessions

Funds Mobilization

USD791 m

Support for grants, de-risking and loans as stated in the agreement with the donor

Sustainability Promotor



Technical Assistance on Green Finance Facility



Technical Assistance on Global Green Bond Issuance

On-Going Programs



Solar Rooftop Program



Clean Water Program



Renewable Energy Program

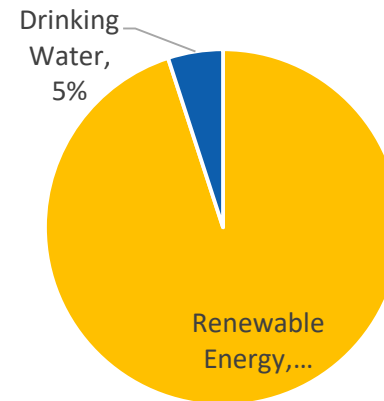


Urban Infrastructure Program

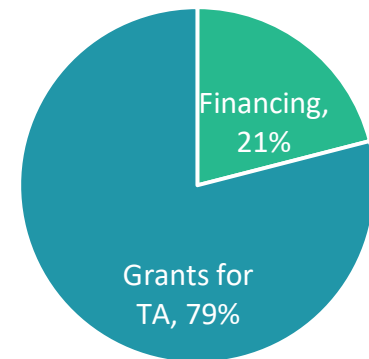


Disaster Area Rehabilitation Program

Sectors



Supports



Indonesian SDG Performance One had been supporting the following SDGs Target





13 PRIORITY PROGRAMS

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



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



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



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



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



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



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



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



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



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



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



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



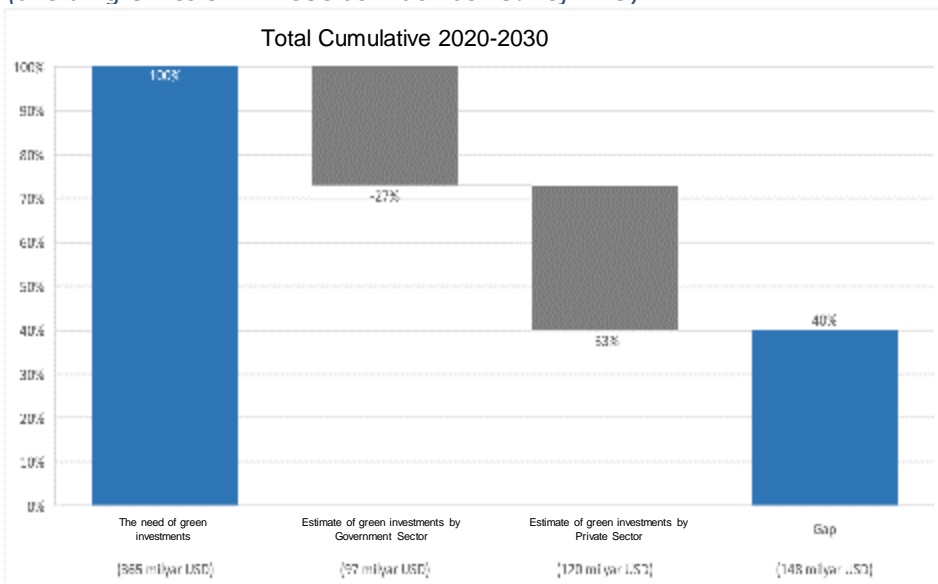
13. Other environmental protection and management activities

Funding Gap for Climate Change Management



NDC Unconditional Target

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



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

Fiscal Policy Responses



Optimization of budget utilization

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

Taxation and Excise incentives

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

Ministries/Agencies Budget for Climate Change Mitigation and Adaptation

- CBT in planning and budgeting systems

Transfer to Regions and Village Funds (TKDD)

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

Innovative Financing for Sustainable Development

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

CCFF



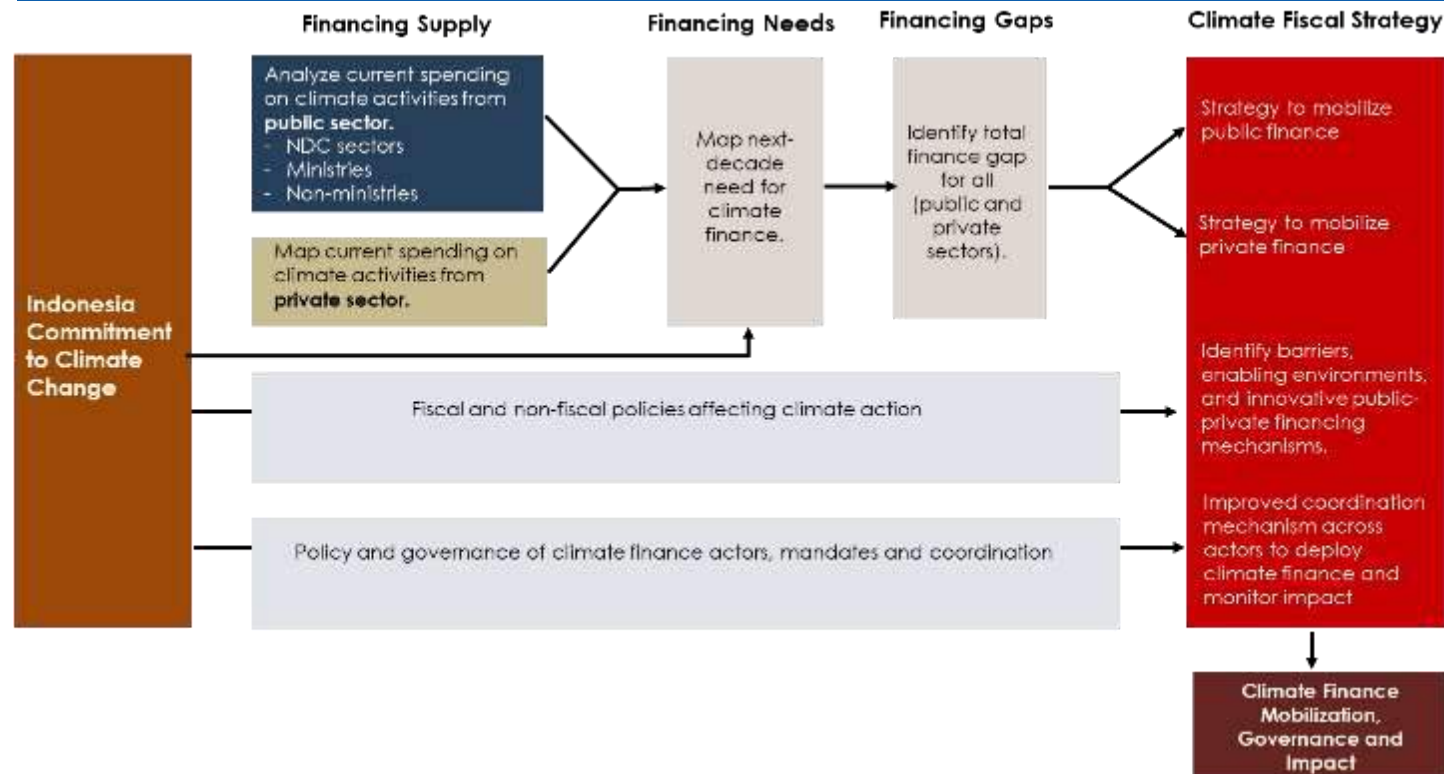
PISP



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

- Climate Change Fiscal Framework (CCFF)*
- Carbon Pricing*

CCFF is a framework for formulating fiscal policies and strategies to mobilize funds outside the Budget



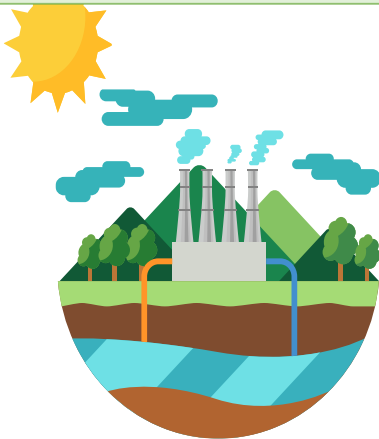
URGENCY

- Strengthening Fiscal Functions - Supporting NDC, SDGs & RPJMN commitments
- Mobilizing funding sources - Strengthening the framework of funding institutions



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

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



- *Fossil fuel share will be decrease, but the magnitude not necessarily reduced*
- *Renewable energy share will increase and dominate the energy mix.*

• **Corporate that still use non-renewable energy**

- a) Upgrading technology to clean technology
- b) Use of CCS (Carbon Capture Storage);
- c) Early retirement Coal power plant;
- d) Carbon trading; and
- e) Clean energy R&D investment

• **New corporation**

- a) Clean energi utilization
- b) Carbon trading
- c) Clean Energy R&D Investment



Policy – Compensation & Incentives

Clean Energy Acquisition

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

1

Energy Transition Mechanism (Coal-fired PP Early Retirement)

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

2

Conversion of Dirty Energy Sources

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

3

Carbon Trading

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

4

Carbon tax

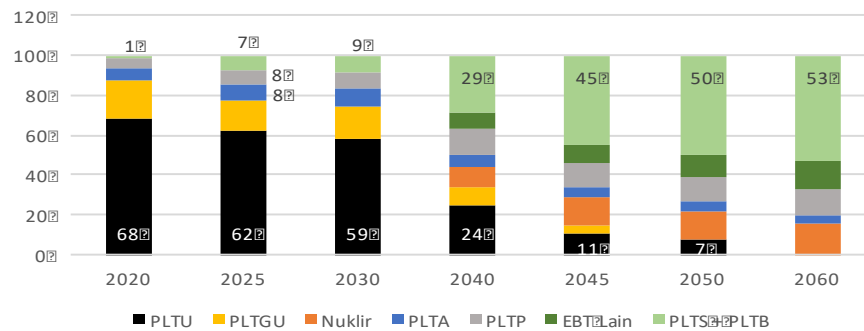
Dis-incentive on the use of dirty/non-renewable energy, and the use of funds from carbon tax to encourage the development and utilization of clean/renewable energy

5

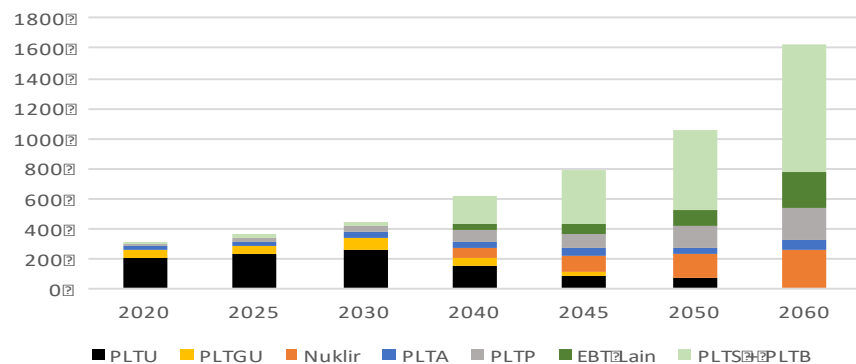
Phasing Out Coal Scenario



Skenario Zero Carbon 2060 (%)



Skenario Zero Carbon 2060 (TWh)

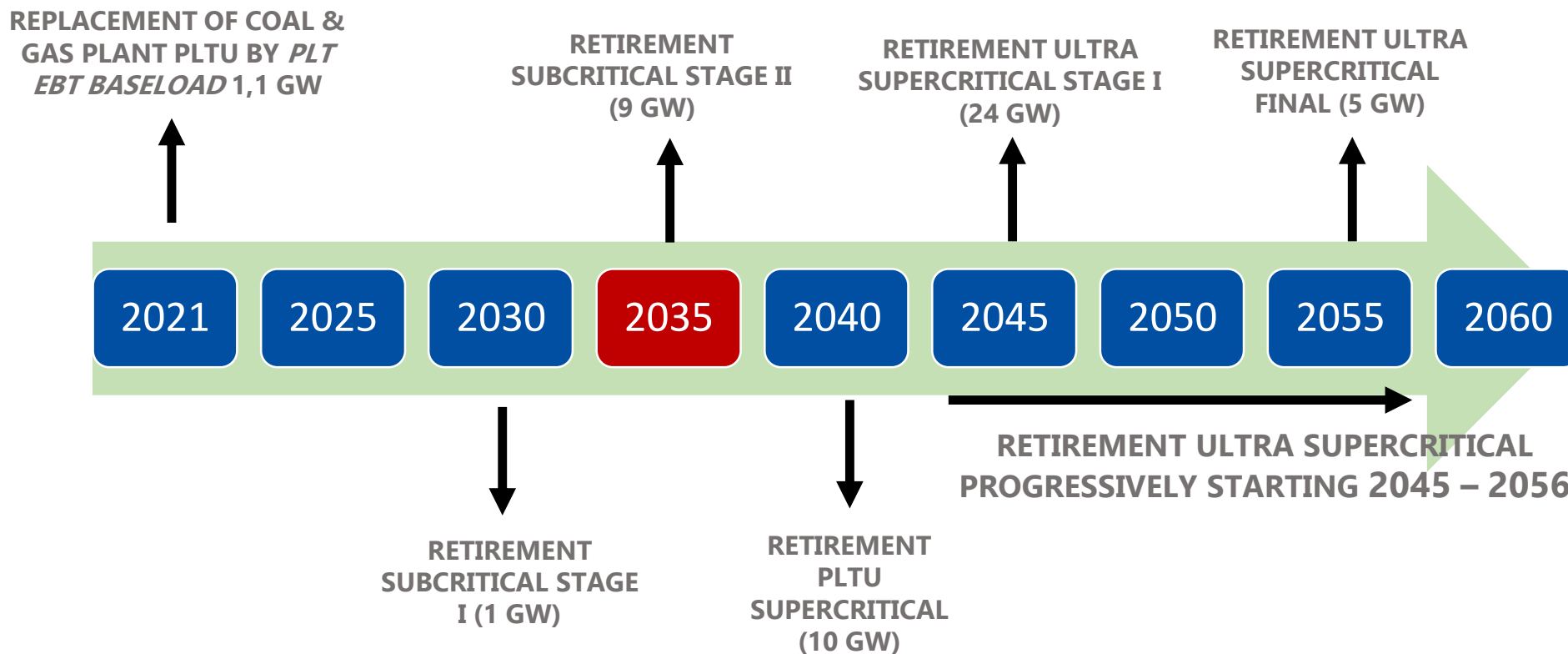


In 2060 All Power Plants in Indonesia are Using Clean Energy

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



Roadmap Moving Towards Decarbonization and Coal Phase Out



1. Initial phase out until 2025 by replacing diesel plants and PLTGU with RNE Plants.
2. 2nd phase out in 2030 by retiring PLTU operations outside Java.
3. 3rd phase out in 2035 by retiring FTP-1 Power Plants.
4. 4th phase out in 2040 to 2056 by retiring all supercritical and ultra supercritical IPP.

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



01

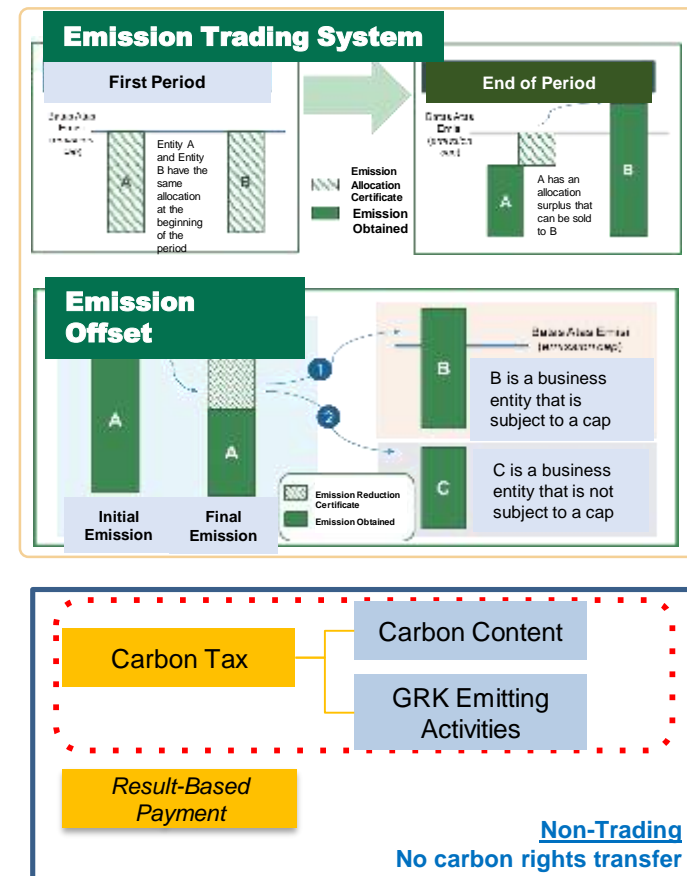
Trading instruments, consists of 2 types:

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

02

Non-trading instruments, consists of 2 types:

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



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



OBJECTIVES

1

CHANGE BEHAVIOR

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

2

SUPPORTS EMISSION REDUCTION

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

3

ENCOURAGE INNOVATION AND INVESTMENT

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

PRINCIPLES

1

JUST

Based on the *polluters-pay-principle*.

2

AFFORDABLE

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

3

GRADUAL

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



The legal basis for the carbon tax has been established, while derivative regulations are being drafted

Law no. 7/2021 on the Harmonization of Tax Regulations -

Key Provisions:

- Imposition: **imposed on carbon emissions** that harm the environment.
- Directions for carbon tax imposition: **pay attention to the carbon market roadmap and/or the carbon tax roadmap** that includes a carbon emission reduction strategy, priority sector targets, alignment with new and renewable energy development and alignment between various other policies.
- The principle of carbon tax: **the principle of just and affordability by considering the business climate and small communities**
- The carbon tax rate is set higher or equal to the carbon price in the carbon market with a minimum rate of IDR 30.00 per kilogram of carbon dioxide equivalent (CO₂e).
- The utilization of state revenues from the Carbon Tax is carried out through the State Budget mechanism. It can be used, among others, to control climate change, provide social assistance to poor households affected by carbon taxes, subsidize renewable energy, and others.
- Taxpayers participating in carbon emission trading **can be granted a carbon tax deduction**.
- Enforcement of the carbon tax: **effective on April 1, 2022, which was first imposed on an agency operating in the coal-fired power plant sector with a cap and tax scheme** in line with the implementation of the carbon market, which has already been implemented starting in the coal-fired power plant sector.

Presidential Regulation no. 98/2021 concerning the NEK Implementation - Article 58

Key Provisions:

- Carbon levies are defined as state levies both at the central and local levels, based on carbon content and/or potential carbon emissions and/or total carbon emissions and/or performance of Mitigation Actions.
- Furthermore, the arrangement for its implementation is carried out in accordance with the provisions of the laws.
- Thus, carbon levies can be in the form of existing state levies (e.g. Motor Vehicle Tax, Fuel Tax, PPnBM) and other levies that will be applied (e.g. the imposition of a Carbon Tax).

Implementing Regulations being Developed:

1. MoF Reg of Carbon Tax Tariff and imposition basis
2. MoF Reg of Carbon Tax Imposition Procedures and Mechanisms
3. GR of Carbon Tax Roadmap



The carbon tax roadmap is designed for a just and affordable principle

1

2021:

- Enactment of the Presidential Regulation on Carbon Economic Value
- Enactment of the HPP Law, with one of its clauses being a carbon tax
- Development of a technical mechanism for Carbon Tax and Carbon Exchange
- Piloting of carbon trading in the power sector by the Ministry of Energy and Mineral Resources with an average price of IDR 30,000/tCO₂e
- Evaluation of the implementation of carbon trading piloting in the power sector by the Ministry of Energy and Mineral Resources

2

2022

- Synchronization of Cap & Trade and Cap & Tax of the Electricity Sub Sector
- Determination of the cap for the coal power generation sector by the Ministry of Energy and Mineral Resources
- Limited application of carbon tax (**cap & tax**) to coal-fired power plants at a rate of IDR30,000/tCO₂e
- Setting up a carbon trading support MRV System (SRN).
- Preparation of carbon trading technical regulations (KLHK)

3

2025:

- Full implementation of carbon trading via carbon exchange
- Expansion of the Cap & Trade and Cap & Tax sectors gradually, in accordance with the readiness of the sectors.

The carbon tax rate will be evaluated periodically and set higher or equal to the carbon price in the carbon market

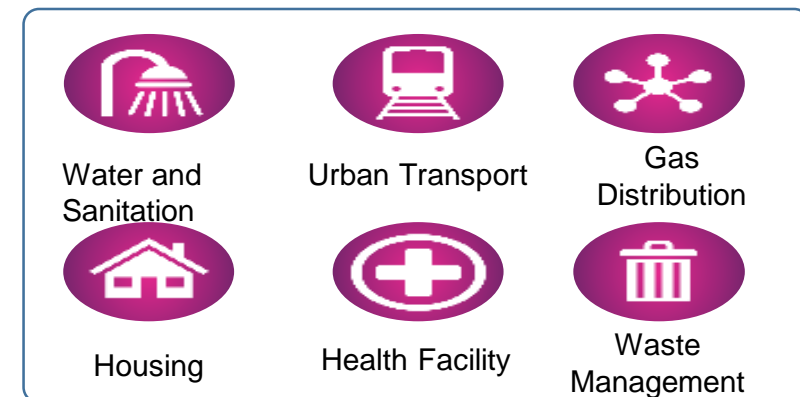


Indonesia's Green Project Priority Sector

- ❑ Indonesia realizes that investment in green and sustainable infrastructure is becoming increasingly important in post-pandemic.
- ❑ Regarding the NDC targets in reducing carbon emission, Indonesia has outlined the PPP priority sectors of 2020-2024, in which two sectors are related to climate issue, respectively:
 - Urban Transport, and
 - Waste Management

- ❑ Environmental quality aspects of projects are considered since the beginning of PPP project cycle, notably in planning and preparation stage, such as climate change issues and promoting green financing.
- ❑ The Project Development Facility (PDF) from MoF is focused to assist those priority sectors while considering environmental and other quality aspects during project preparation and its implementation..
- ❑ Additionally, GOI also initiate the development of ESG framework to be implemented to projects which involve private financing and at the same time obtain government supports.

PPP Focused Sectors 2020-2024



Ongoing Initiative on Sustainable Infrastructure: ESG Implementation

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



The Role of Fiscal Policy in Green Economic Transformation



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

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

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

The Ministry of Finance implements the Mechanism of **Climate Budget Tagging** at the national and regional levels to determine the contribution of the State Budget and Sub-National Budget to tackle climate change. Implementation of climate budget tagging in the region in collaboration with the Ministry of Home Affairs and Local Government.



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

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





Several tax incentives to promote green private investment.

Instruments

Tax Holiday	100% tax discount for Up to 20 years depends on the amount of investment for 17 pioneer industries.
Income Tax Facility	Tax Allowance for geothermal businesses, renewable energy generators, and bioenergy industries. The exemption of article 22 income tax on imported goods for geothermal business activities.
VAT Facility	VAT exemption on imported goods for geothermal activities.
Import Tax Facility	Import tax exemption on geothermal activities.
Property Tax	Property tax deduction up to 100% for exploration stage.

Fiscal Transfer

Strengthening the capacity of sub-national governments in tackling climate change.

Profit Sharing Fund on Natural Resources (DBH SDA)

- DBH SDA Forestry
- DBH SDA Geothermal

Special Allocation Fund for Physical Development (DAK Fisik):

- DAK Fisik Agriculture & Irrigation Development
- DAK Fisik Environment Development
- DAK Fisik Forestry Development
- DAK Fisik Marine & Fisheries Development

Non Physical Special Allocation Fund (DAK Non Fisik)

- DAK Non Fisik for Waste Management (for tipping fee support)

Incentive Fund (DID)

- DID on Waste Management

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



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Fiscal Policy:

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



BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Central Bank Policy:

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



OTORITAS
JASA
KEUANGAN

Financial Sector Authority Policy:

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



Sustainable Finance Initiatives



Sustainable Finance Roadmap Phase I (2015-2019)

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

Phase I Achievement

Strategic Policies

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

Enhancing Awareness

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

Institutional Collaboration

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

Regulation on Sustainable Finance

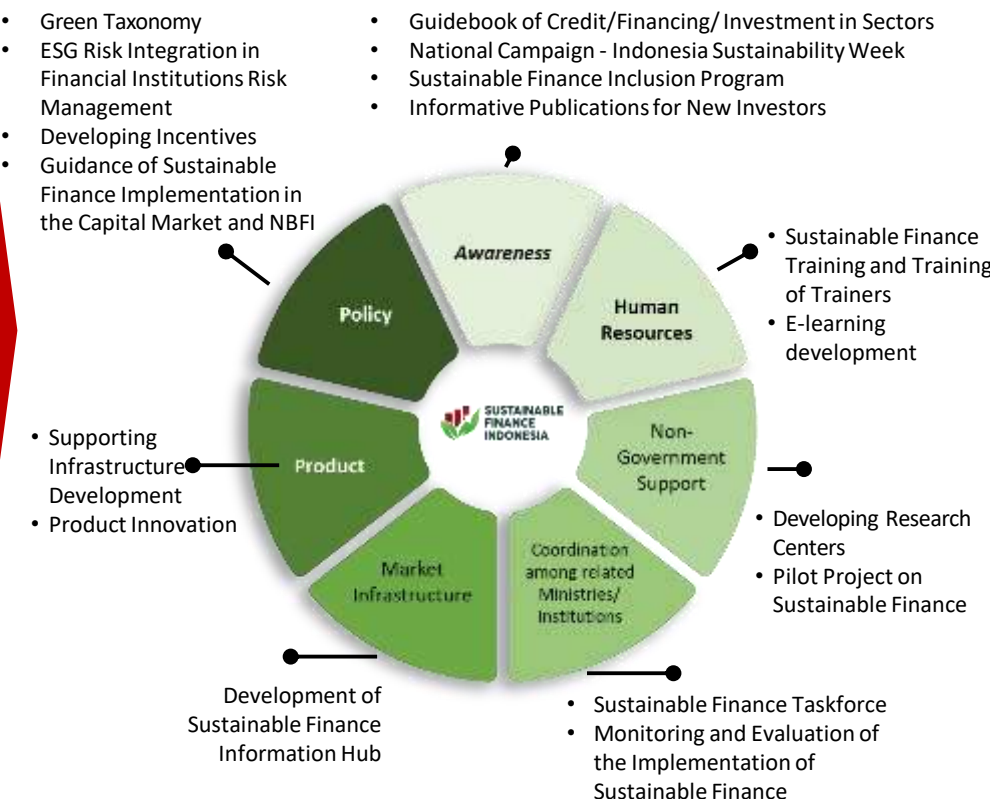
OJK stipulated some regulations to support SF

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



Sustainable Finance Roadmap Phase II (2021-2025)

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





OJK's Support for Sustainable Finance Development

1 OJK strategic actions to ensure effective implementation of Sustainable Finance principles and to respond to climate change:

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



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



Urgency of the Development of Green Taxonomy

Urgency of Green Taxonomy Development at OJK

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

Targets

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

Strategic Goals

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



Green Taxonomy

Proposed Definition of Green Taxonomy

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

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

Green Taxonomy Definition

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

(EU Green Taxonomy, 2019)

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

(China Green Catalogue, CBRC, 2013).

Benefits of Green Taxonomy

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

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

Innovative Financing: Sovereign Green Sukuk and SDGs Bond

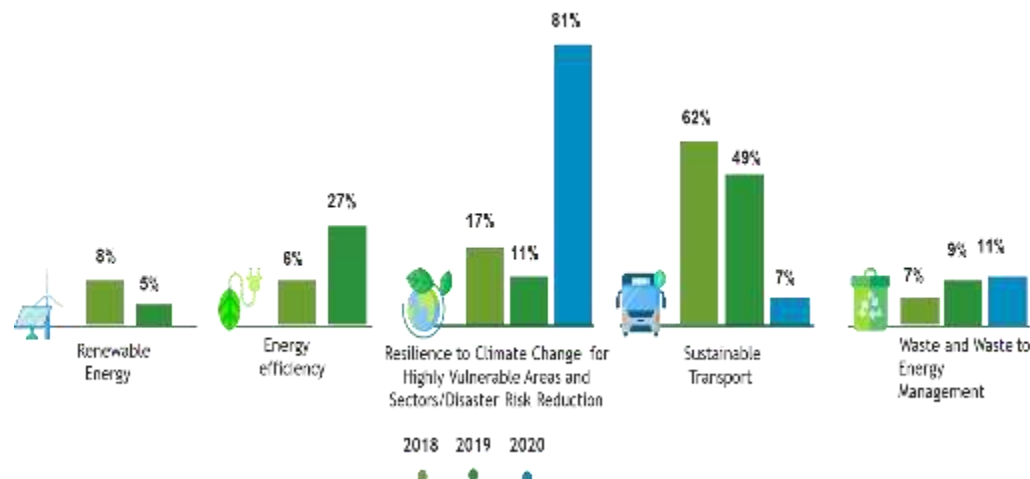


Sovereign Green Sukuk and SDG Bond

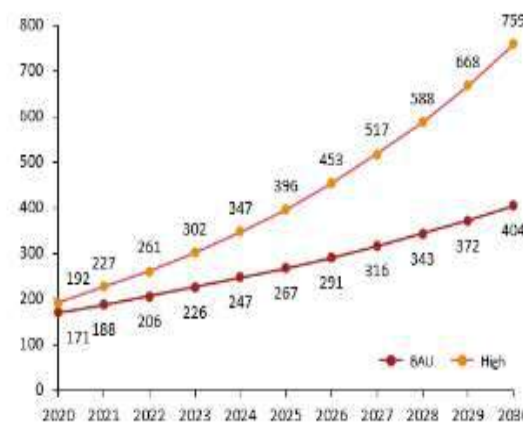
No	Issuance	Value
1	Global Green Sukuk (Mar 2018)	USD 1,25 billion
2	Global Green Sukuk (Feb 2019)	USD 750 million
3	Green Sukuk Retail (Nov 2019)	IDR 1,46 trillion
4	Global Green Sukuk (Jun 2020)	USD 750 million
5	Green Sukuk Retail (Nov 2020)	IDR 5,42 trillion
6	Global Green Sukuk (Jun 2021)	USD 750 million
7	SDG Bond (Sep 2021)	EUR 500 million
8	Green Sukuk Retail (Nov 2021)	IDR 5,00 trillion

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: **USD 3.5 billion**
- Total green sukuk retail financing: **IDR 11.88 trillion**
- Green sukuk has financed various projects in 5 sectors and mostly for transportation projects.
- RoI issued its debut SDG Bond in September 2021, which was also the first issuance of sovereign conventional SDG bond in Asia.

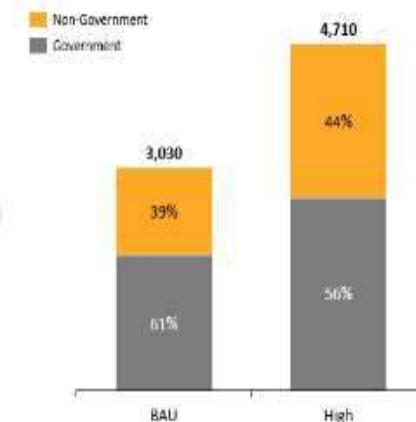
Green Sukuk Financed Sector Allocation (2018-2020)
(Domestic and Global)



SDGs Financing Needs in Indonesia
In USD Billion, 2020 – 2030



Est. SDGs Financing Distribution
In USD Billion, 2020-2030



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



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

Transaction Highlights
<ul style="list-style-type: none"> ■ Debut Sustainable Development Goals (SDG) EUR issuance by an Asian Sovereign ■ Debut Liability Management transaction and Debut US\$ 40 Year issuance by ROI ■ Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date yet again (implied spread of +85.8 over 10Y UST) ■ Tightest ever spread achieved by ROI for a EUR 12 / long-12 Year issuance ■ Achieved zero to negative new issue concessions across all 3 tranches despite a crowded primary market on the day of bookbuild ■ The successful debut SDG Offering demonstrates ROI's commitment towards financing environmental and social projects in contribution to the 2030 National Development Agenda and to be aligned with the SDGs.



Indonesia's Existing Green Bond and Sukuk Framework

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

1

Use of proceeds of Green Bond and Green Sukuk

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

2

Project Evaluation and Selection

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

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

3

Management of Proceeds Management – Ministry of Finance

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

Line Ministries

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

4

Reporting

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



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



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

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

Eligible Sectors

Green Shading according to CICERO's second-party opinion

Dark Green



Renewable Energy



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

Medium to Dark



Sustainable Transport



Green Tourism



Waste and Waste to Energy Management



Sustainable Agriculture

Light to Medium



Energy efficiency



Sustainable Management of Natural Resources

Light Green



Green Building

The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW



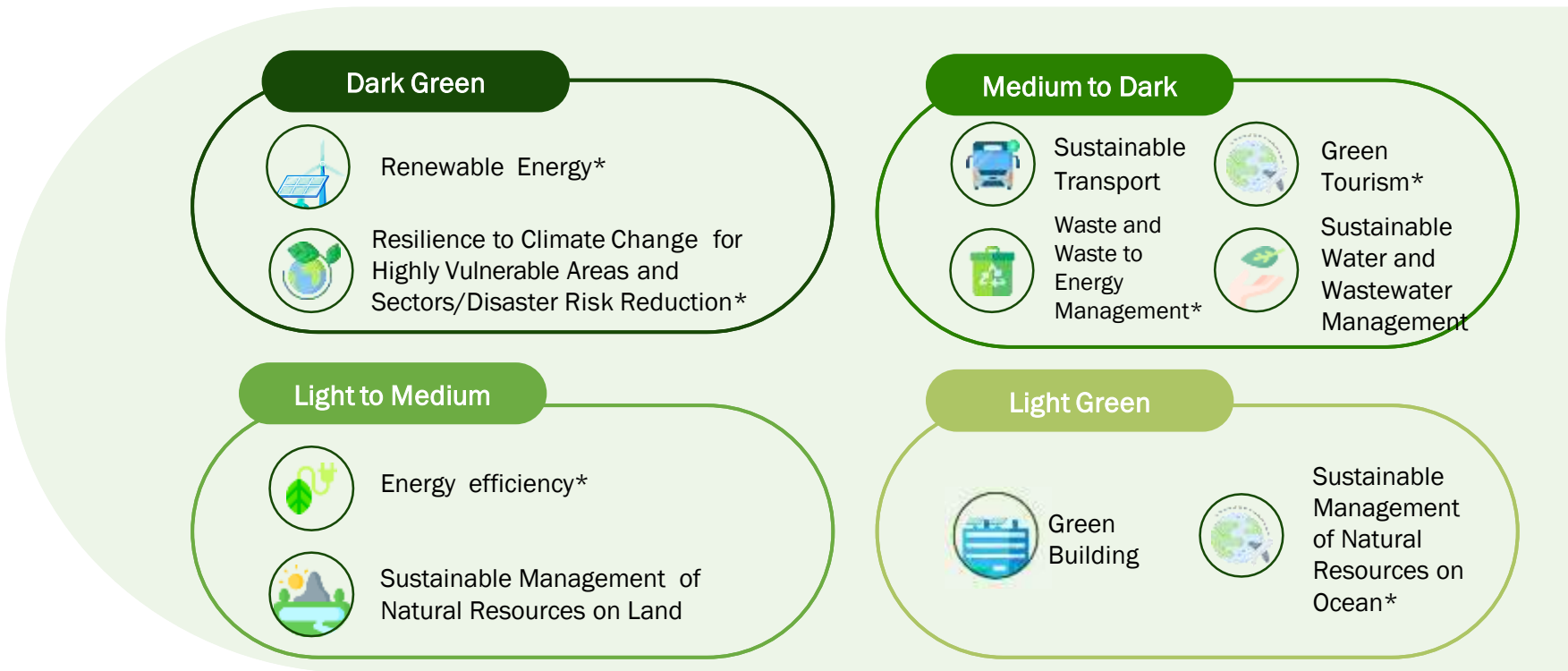
Nuclear Assets



Indonesia SDG Government Securities Framework (cont)

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

Eligible SDGs Expenditures with Green and Blue focus



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

Alignment with the RoI's 2030 SDGs Target





Indonesia SDGs Government Securities Framework (cont)

Updated Green Bond and Sukuk Framework which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects (of social (SDGs), green or blue projects) arecfv D7YC34E

Eligible SDGs Expenditures with Social focus



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



Access to Essential Services



Socioeconomic Advancement and Empowerment



Food Security and Sustainable Food Systems



Affordable Basic Infrastructure

Alignment with the RoI's 2030 SDGs Target



The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW

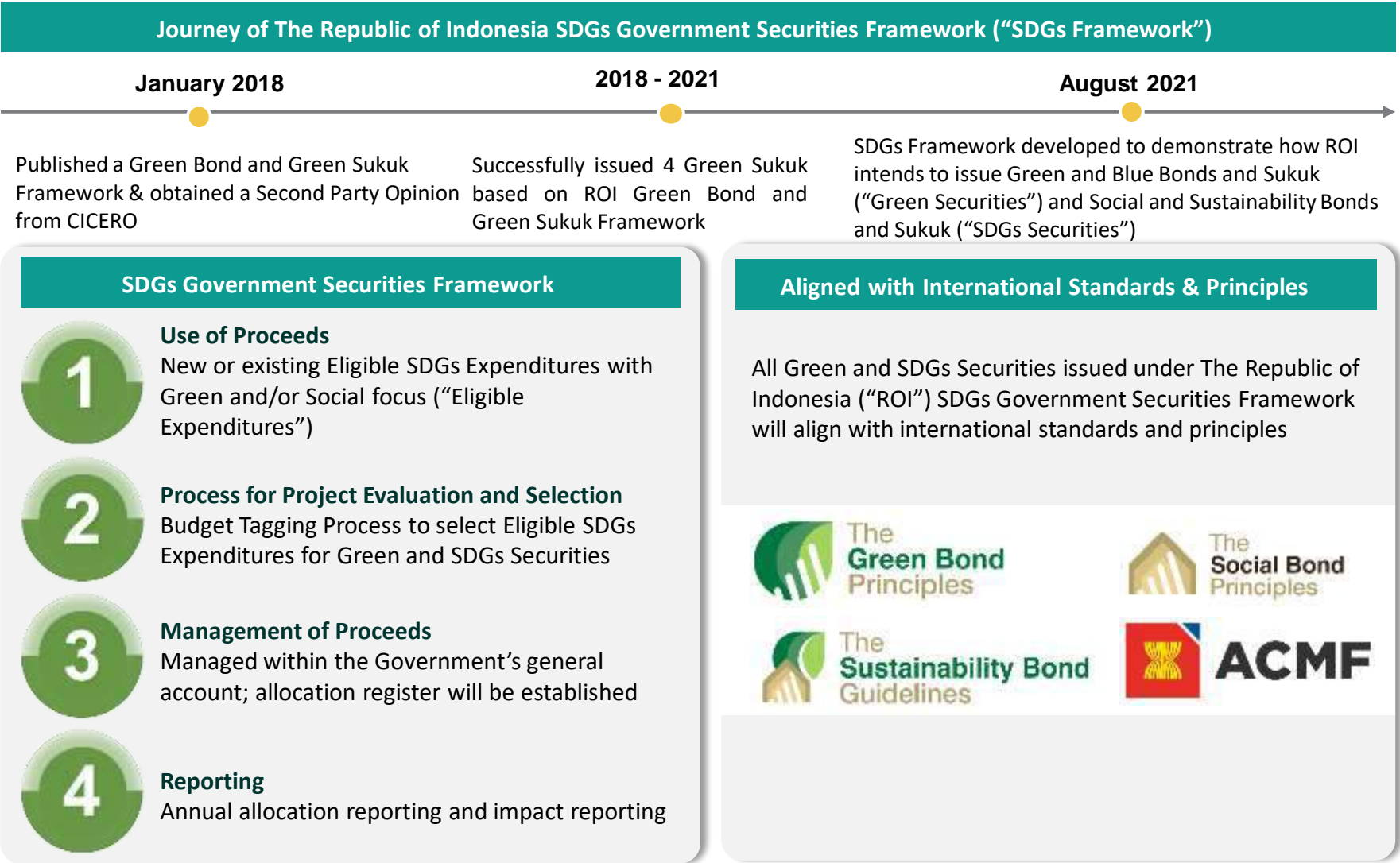


Nuclear Assets



Overview of the Indonesia SDGs Government Securities Framework

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



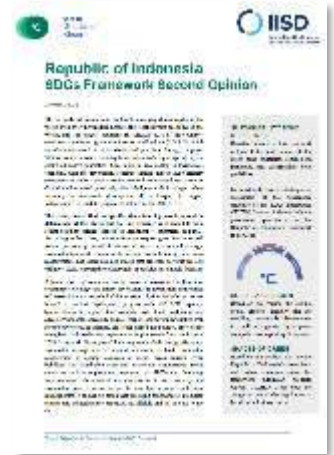
Source: Republic of Indonesia SDGs Government Securities Framework



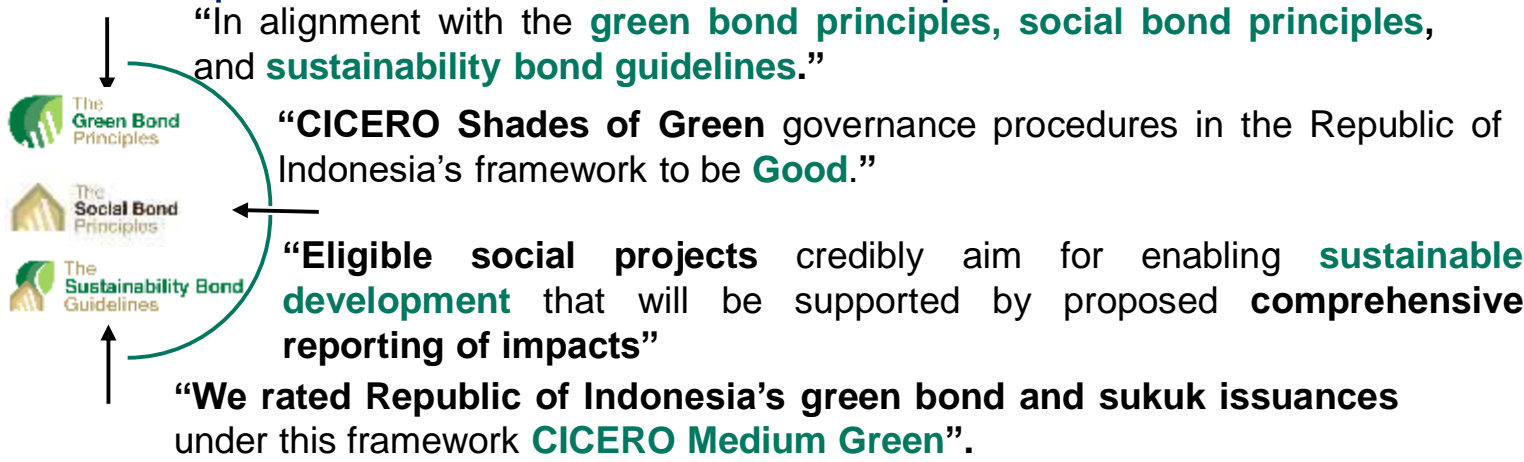
External Review of Indonesia SDGs Government Securities Framework

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

Joint Second Party Opinion from CICERO Shades of Green¹ and IISD²



Extracts of Republic of Indonesia SDGs Framework Second Opinion



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

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

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

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

Indonesia's Green Initiatives: Financing Green Projects

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



The Government of Indonesia has issued four sovereign global green sukuk, consecutively in March 2018, February 2019 and June 2020 & 2021, with the total amount of **USD 3.5 Billion**

2021 Issuance
USD 750 million

2020 Issuance
USD 750 million

2019 Issuance
USD 750 million

2018 Issuance
USD 1.25 billion

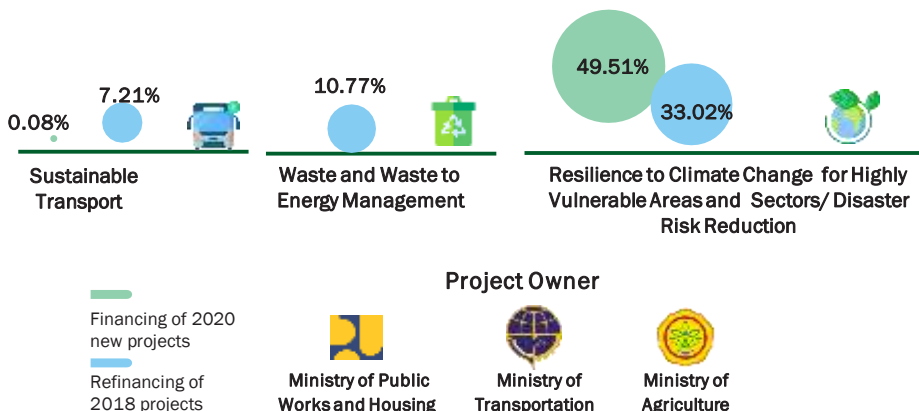
In 2019-2020, the Government of Indonesia issued two retail green sukuk in November 2019 and November 2020, with the total amount of **USD 490.1 million** (IDR 6.86 trillion)

Use of Proceeds

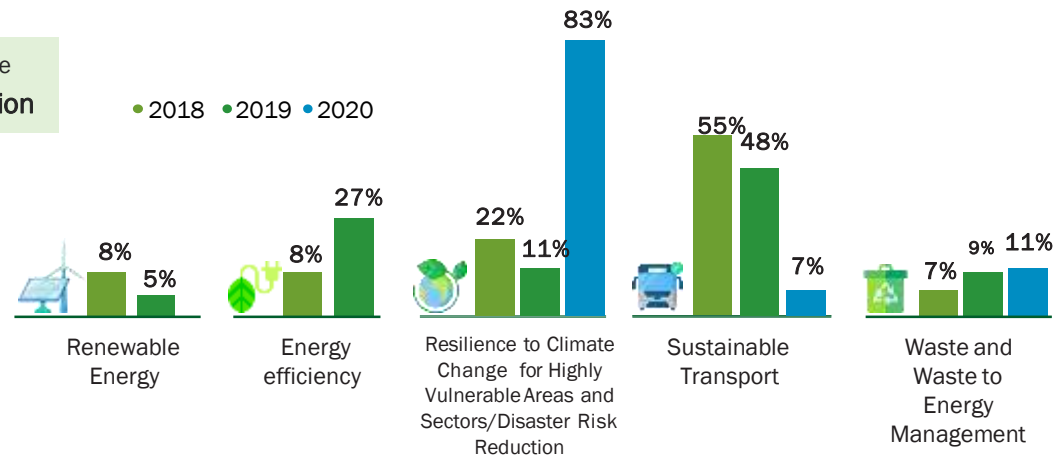
2020 Global Green Sukuk Issuance

The 2020 Global Green Sukuk Issuance comprised of

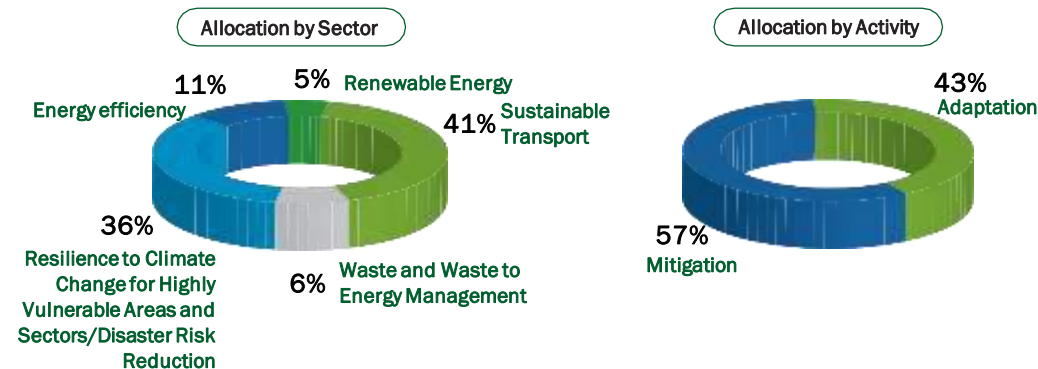
51% refinancing existing projects and 49% financing new projects



Global Green Sukuk Proceeds Allocation by Sector (in percentage)



Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



Note:

Information extracted from Green Sukuk Issuance Allocation and Impact Report (May 2021), which has obtained a limited assurance statement from EY. Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.

Source: Ministry of Finance



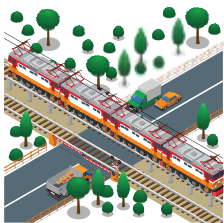
Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2020 Global Green Sukuk

Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

Sustainable Transport



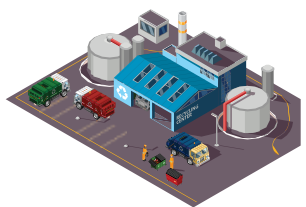
- Expected to:
- Reduce **1,415,718 tCO₂e** of GHG emission
 - Reduce travel time by **30 minutes on average**
 - Increase passengers-km by **1.3 times** (over 2.5 billion passengers are expected to shift from private mode of transportation)

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

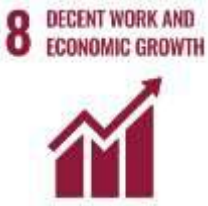


- Expected to:
- Fulfill raw water supply needs for drinking water of **275.5 m³**
 - Protect **1,920.4 Ha** of areas from flooding
 - Rehabilitate **134,700 Ha** of tertiary irrigation network
 - Develop **1,071 units** of other water source
 - Benefit **1,236,000 people**
 - Create and revitalize **12,000 Ha** of rice field

Waste to Energy and Waste Management



Expected to benefit **2,059,094 households** due to the improved waste management





Tangible Results from Indonesia's Green Sukuk Initiatives

Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance in 2020

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
















Resilience to Climate Change



Sustainable Transport



Waste and Waste to Energy Management

Locations	Across the country	Jakarta, Java, Banten	All provinces except Banten
Amount Committed to Finance 2020 New Projects	USD 371.3 million	USD 0.6 million	-
Amount Committed to Refinance 2020 Projects	USD 247.7 million	USD 54.1 million	USD 80.8 million
Impacts Social / SDGs	      	   	 
Project Examples Financed / Refinanced	<p>Management of Dam, Lake and Other Water Retention Facilities (Financing)</p> <ul style="list-style-type: none"> Development of water retention units, i.e. water retention basins (<i>embung</i>), dams, and lakes in 22 provinces across Indonesia. These projects provided solutions for the local community to access the groundwater. Locations: 22 provinces across Indonesia <p>Expansion and Preservation of Agricultural Lands (Refinancing)</p> <ul style="list-style-type: none"> Implementation of rice-field opening and revitalization project in areas highly vulnerable to climate change impacts which may threaten food security. Locations: Potangoan Village of Buol Regency in Central Sulawesi 	<p>Development and Management of Railway Transport and Supporting Facilities (Refinancing)</p> <ul style="list-style-type: none"> Upgrade of South Line Java Railways Network from single to double track connecting Cirebon City in West Java Province to Jombang Regency in East Java Province. The upgrade of double-track lines becomes a significant part in the effort to improve the role and efficiency of the railroad mode in Java, minimizing the transport burden of road networks. Furthermore, the goal is to improve interregional connectivity to reduce the regional disparity. 	<p>Supervision and Development of Settlement Sanitation (Refinancing)</p> <ul style="list-style-type: none"> While municipal solid waste management focuses to reduce number of waste disposed to landfill by applying 3R principles, the Ministry of Public Works and Housing priorities to develop regional landfill for 3-4 cities, and improve the carrying capacity and management from open dumping to sanitary landfills Locations: All provinces except Banten

Note:

*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 (May 2021), which has obtained a limited assurance statement from EY
Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.



Government Support for New and Renewable Energy

PISP Fund & Government Guarantee for Electricity Projects

- To promote new and renewable energy development, the Government provides fiscal support in the form of government guarantee (credit guarantee and business viability guarantee) and Geothermal Fund Facility (PISP Fund).
- Several guarantees has been provided to renewable energy power plant construction and Power Purchase Agreement (PPA).
- PISP funds (and its co-finance), can be used for geothermal development in the exploration, exploitation, and development stages, and are eligible for *Government Drilling*, *SOE Drilling/Public Window*, and *Private Drilling/Private Window*.

PISP Fund Exploration Financing Facilities

(MOF Regulation 62/2017)

Goal	Financing exploration, exploitation and PLTP
Fund Manager	PT Sarana Multi Infrastruktur (SMI)
Total Funds	IDR 3,1 Trillion (revolving fund)
Fund Distribution	Loans, capital injections, and data provisions
Main feature	<ul style="list-style-type: none">▪ De-risking facility for exploration stage
Governance	<ul style="list-style-type: none">▪ Minister of Finance’s Assignment Letter (SK) to PT SMI to finance exploration project.▪ Monitoring and supervision by The Joint Committee between MoF and MEMR.▪ Engage academic experts to receive technical knowledge.

PISP Co-financing

(Collaboration with international funding)

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

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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

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 Investment

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

51 Regulations for Job Creation Law (Substance Grouping)



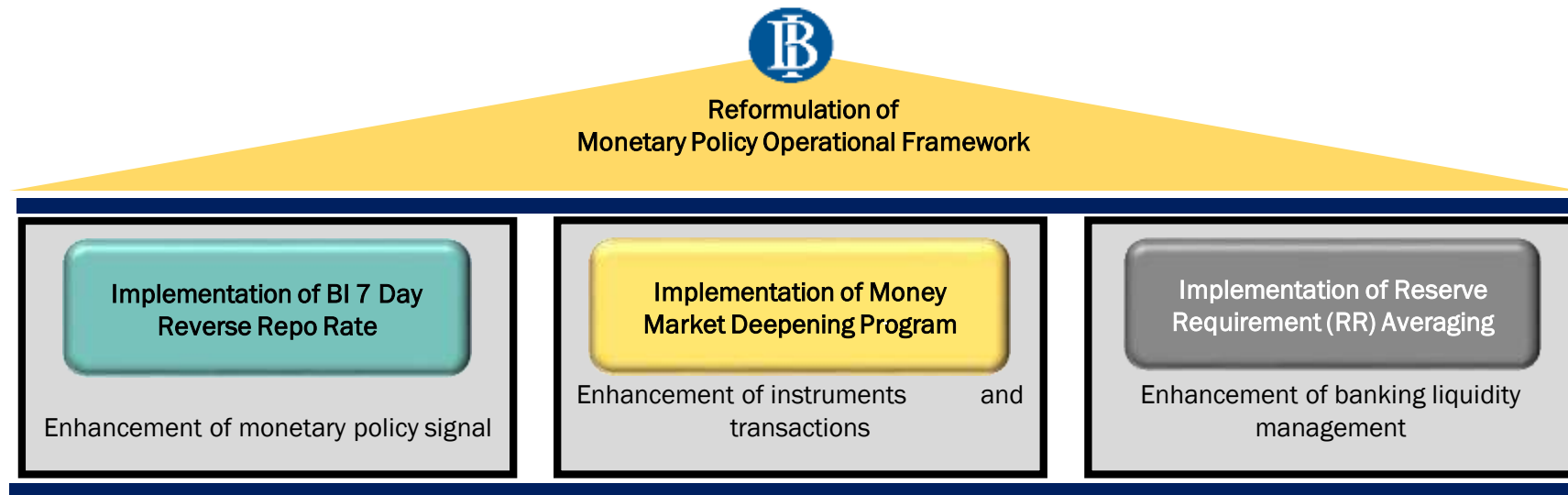
Licensing and Sector Business Activities

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

Improving the Effectiveness of Monetary Policy Transmission



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



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>