



Republic of Indonesia  
Strengthening Policy Synergy to Maintain Stability and Recovery  
amid Lower Global Growth and Heightened Uncertainty

March 2023

# About Investor Relations Unit of the Republic of Indonesia



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

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

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

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## What's New



### Economic Recovery Program and Its Updates

...page 4-10

### Fiscal & Financing Policy Update

...page 82-102



### Bank Indonesia Board of Meeting Decision

...page 104

## Prudent Pandemic Management and Continued Economic Recovery



Big but measured steps including a strong vaccination program



Synergy between institutions nationwide



Responsive and flexible Government Budget



Resilient economic performance

Continued National economic recovery momentum, reflected by 5.31% (yoy) economic growth in 2022, endured on the back of stronger domestic demand and persistently solid exports.

## Affirmation of Investment Grade Sovereign Credit Rating

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

Sources: Fitch, Moody's, S&P

Investment grade ratings affirmed by Fitch on December 14, 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

4

External Factor:  
Improved External Resilience

2

Accelerated Reforms Agenda Supported by  
Institutional Improvement and Progressive  
Infrastructure Development

5

Fiscal Performance and Flexibility:  
Strong Commitment in Maintaining  
Fiscal Credibility

3

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

6

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



# Section 1

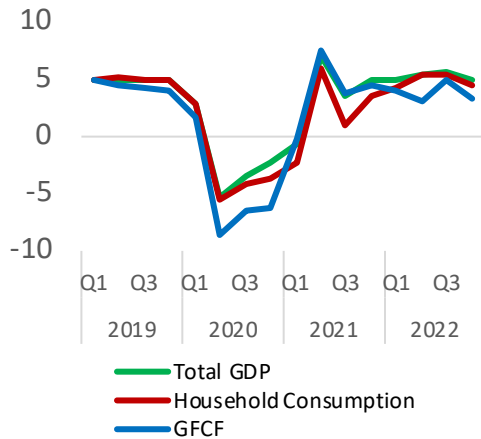
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## Economic Recovery Program and Its Updates

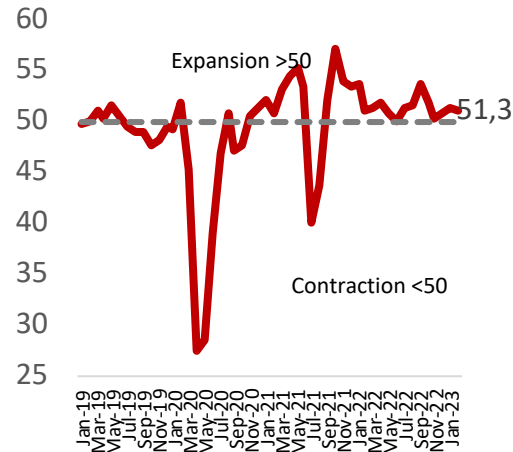
# Indonesia's Economic Improvement Trend Continues



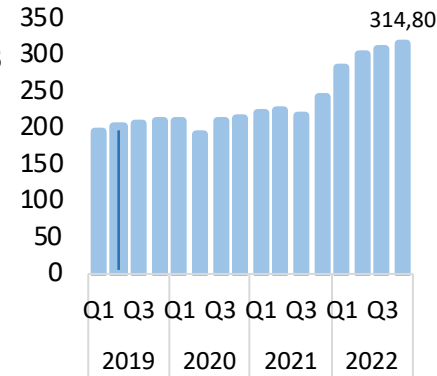
## GDP Growth (%YoY)



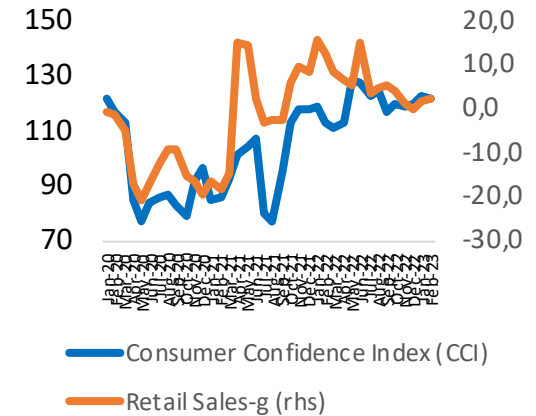
## PMI Markit Indonesia



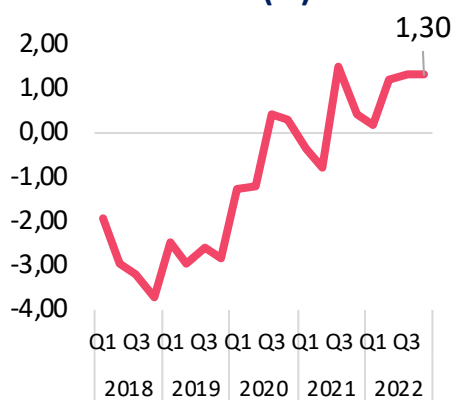
## Total Investment (DDI+FDI) Rp Trillion



## CCI & Retail Sales



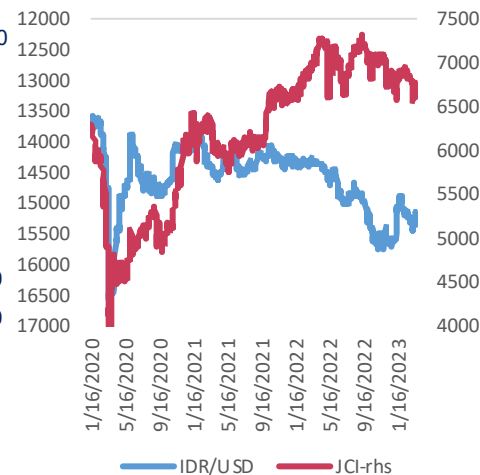
## Current Account of GDP (%)



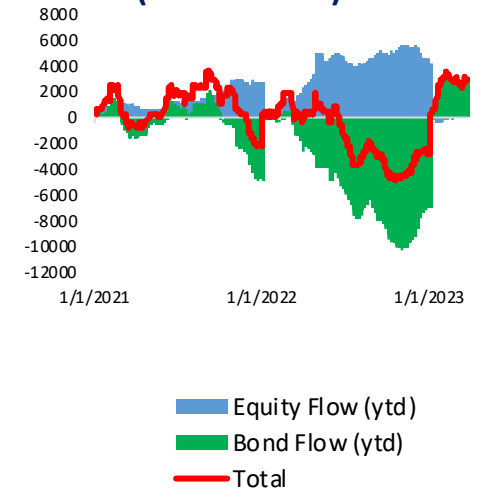
## Trade Balance (Billion USD)



## The Indonesian Rupiah and JCI



## Net Capital flow (Million USD)



# The Government Commit To Provide Assistance To The Most Vulnerable Populations



## The National Economic Recovery Program 2022

Realization 2022 : IDR396,7 Trillion

### Health Treatment (IDR61.3 T)

- Shopping Handling Covid-19
- Incentives/Compensation for Central and Regional Health Workers
- Health Tax Incentives
- Regional budget support for handling Covid in the regions

### Social Protection (IDR152.0 T)

- Direct Cash Assistance for Fuel
- Family Hope Program (PKH)
- Cash Assistance to Street Vendors, Stall, and Fishermen (BT-PKLWN)
- Cash Direct Assistance of Cooking Oil
- Direct Village Fund Assistance
- Pre-Employment Card
- Non-cash food aid recipients (Sembako Card)

### Strengthening Economic Recovery (IDR183.4 T)

- Labor Intensive Program
- Food security
- MSME support
- Business/Tax Incentives

## The Direction of the National Economic Recovery Policy for 2023:

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



# Pre-employment Card Is Committed To Boost Skill Development Program

## Achievements

>45.1 mio

Verified applicant registered on the Kartu Prakerja database

16.425.420

Total Beneficiaries (Batch 1-47)

IDR37.96 trillion

Disbursed incentive fund

38 Province

514 District/City

## Outcome

### A. Improving Working Skills and Entrepreneurship Opportunity

87,2%

The training help to improve skills and competence\*\*\*

56% → 39,8%

Who previously unemployed are now getting jobs\*

### B. Accelerating Financial Inclusion

47%

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

### C. Improve Purchasing Power and SMES

% beneficiaries used the cash incentives for

95%

Staple Food

74%

Electricity/Water

70%

Business Capital

61%

Mobile Data

64%

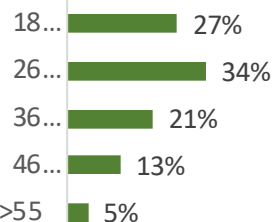
Fuel

55%

Transportation

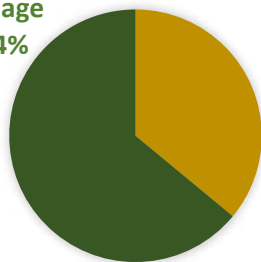
## Statistical Demography

Age



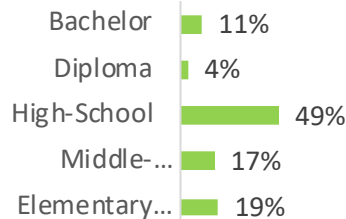
Residency

Village  
64%



City  
36%

Education



**"Kartu Prakerja is the most extensive G2P (Government to Person) Program"**

Source: Project Management Officer  
Program Kartu Prakerja, Dec 2022



# From Semi-bansos Scheme To Normal Scheme



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

The membership requirements are the same as before

HOWEVER,  
SOCIAL ASSISTANCE RECIPIENTS/  
GOVERNMENT ASSISTANCE  
**ALLOWED**

## SEMI-BANSOS SCHEME

TRAINING MODE  
**ONLINE**

TRAINING BUDGET LIMIT  
MAX. **Rp 1.000.000**

POST TRAINING INCENTIVES & SURVEY  
4 x **Rp 600.000** & 3 x **Rp 50.000**

## NORMAL SCHEME\*

TRAINING MODE  
**ONLINE — MIX — OFFLINE**

TRAINING BUDGET LIMIT  
MAX. **3.500.000**

POST TRAINING INCENTIVES & SURVEY  
1 x **Rp 600.000** & 2 x **Rp 50.000**

**\*AMOUNT OF AID AND TRAINING MODES HAVE BEEN DETERMINED IN KEPMENKO 251/2022 DATED DECEMBER 2, 2022**

- \* TOTAL TARGET RECIPIENTS: 1,000,000 PEOPLE
- The allocated budget for FY 2023 is 2.67 T for 595 thousand beneficiaries
- So that an additional budget of 1.7 T is needed for 405 thousand beneficiaries

Regarding preparations for the implementation of the Normal Scheme, MPPKP has also coordinated with the relevant Ministries/Institutions to involve higher education institutions and K/L Training Institutions that have the potential to join the Pre-Employment Card Program

# KUR Program to Increase Access to Finance for Entrepreneurs and SMEs



The 2023 KUR ceiling is IDR 450 trillion or adjusted to the adequacy of the KUR subsidy budget in the 2023 State Budget, accompanied by the addition of new debtor targets and KUR distribution graduation target debtors



## KUR Policy Returns to Before the COVID-19 Pandemic

1. KUR interest rate returns to 6% without additional KUR interest subsidy/margin of 3%
2. The target for KUR distribution in the production sector is again set at 60%.
3. The total return of the accumulated Small KUR ceiling is a maximum of IDR 500 million
4. Extending the KUR restructuring policy until March 31, 2024 (according to POJK)



## KUR Policy Encouraging Graduation of KUR Debtors

- Reduction the Super Micro KUR **interest rate from 6% to 3%**
- **Maximum limit for Micro KUR access:**
  - Non-production sectors and non-agricultural production sectors, plantations, livestock and fisheries: a maximum of 2 (two) times Micro KUR access
  - Agricultural, plantation, livestock and fisheries production sectors: a maximum of 4 (four) Micro KUR access
- **Micro KUR and Small KUR interest rates/margins increase in stages (KUR interest subsidies slide/decrease in stages)**



## KUR Policy to Expand Distribution and Encourage an Increase in KUR Debtors

- Confirmation of the implementation of KUR without additional collateral for the KUR ceiling up to. IDR 100 million by imposing non-payment sanctions and/or returning interest subsidies/margin subsidies.
- Affirmation of the requirements for prospective KUR Recipients to never receive commercial investment/working capital loans (except consumer loans which are excluded).
- Changes in provisions related to Employment BPJS, Small KUR Recipients and Special KUR with a ceiling of more than IDR 100 million have changed the phrase from before it can become mandatory to become BPJS Employment participants.
- Adding subrogation cooperation to the PKS online KUR guarantee system.
- The addition of new debtor targets and KUR distribution graduation target debtors, with a 2023 KUR ceiling of IDR 450 trillion or a ceiling according to the adequacy of the 2023 State Budget.
- Additional GWM incentives for KUR distribution

UMKM Indonesia



# Fiscal Incentives Policy to Boost the Economy



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

## TAX HOLIDAY & MINI TAX HOLIDAY

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

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

## TAX ALLOWANCE

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

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

## INVESTMENT ALLOWANCE

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

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

## SUPER DEDUCTION TAX

### Super Deduction Vocational

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

### R & D Super Deduction

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



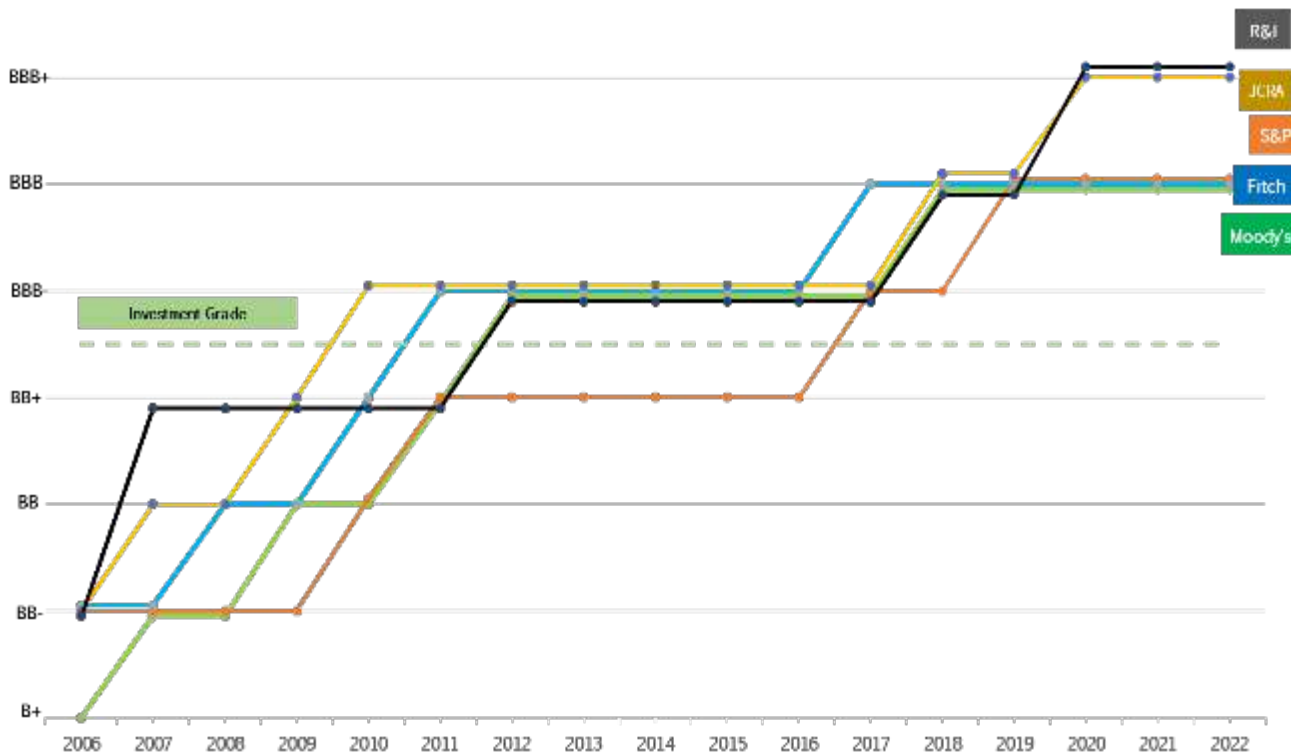
# Section 2

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Accelerated Reforms Agenda Supported by  
Institutional Improvement and Progressive  
Infrastructure Development



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



**FitchRatings**

**BBB / Stable**

**December 2022, Rating Affirmed at BBB/Stable**

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

**S&P Global Ratings**

**BBB / Stable**

**April 2022, Outlook Revised To Stable; BBB Ratings Affirmed**

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

**Moody's**

**Baa2 / Stable**

**February 2022, Rating Affirmed at Baa2/Stable**

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

**R&I**

**BBB+ / Stable**

**July 2022, 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**

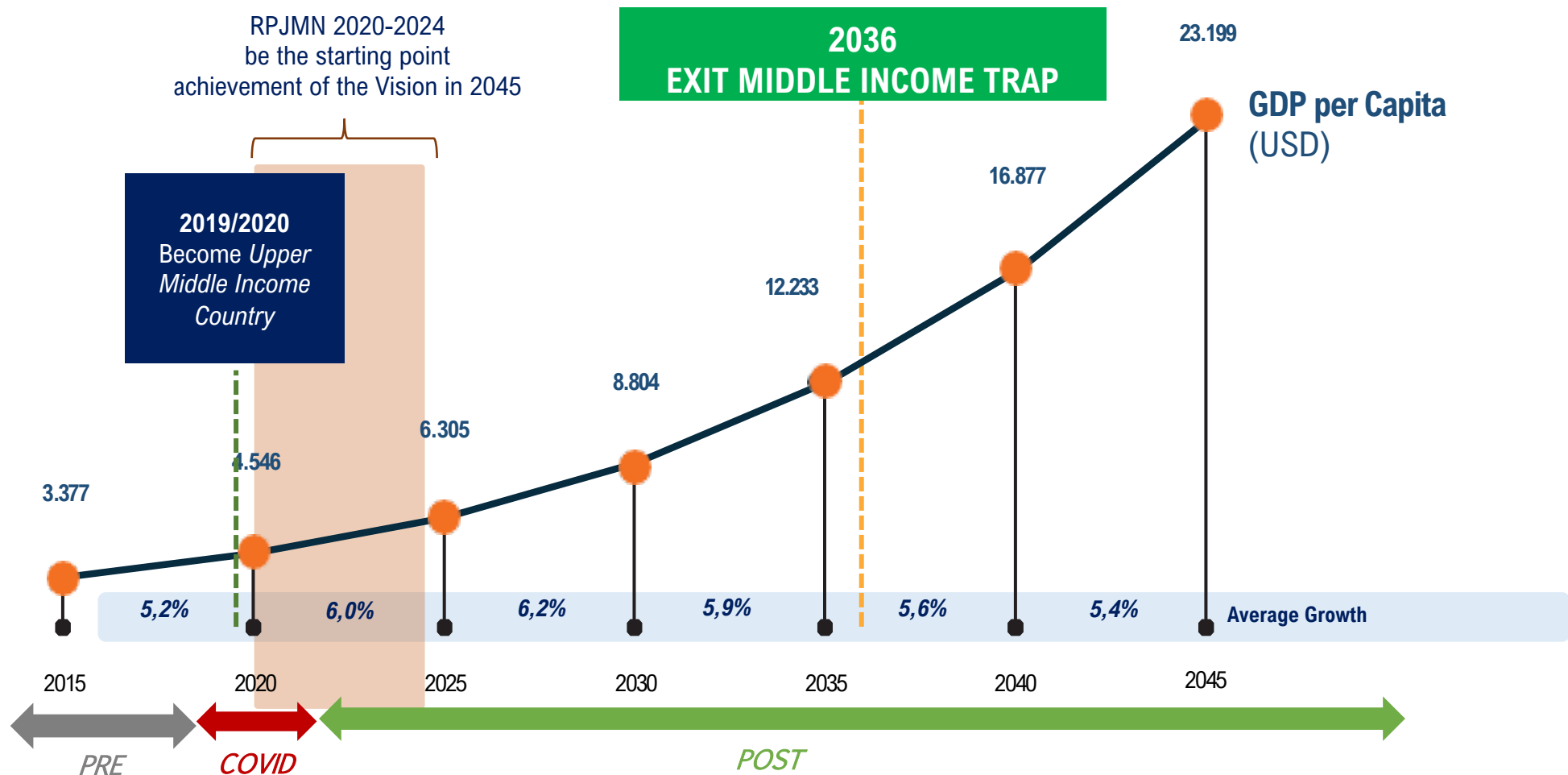
**July 2022, Rating Affirmed at BBB+/Stable**

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

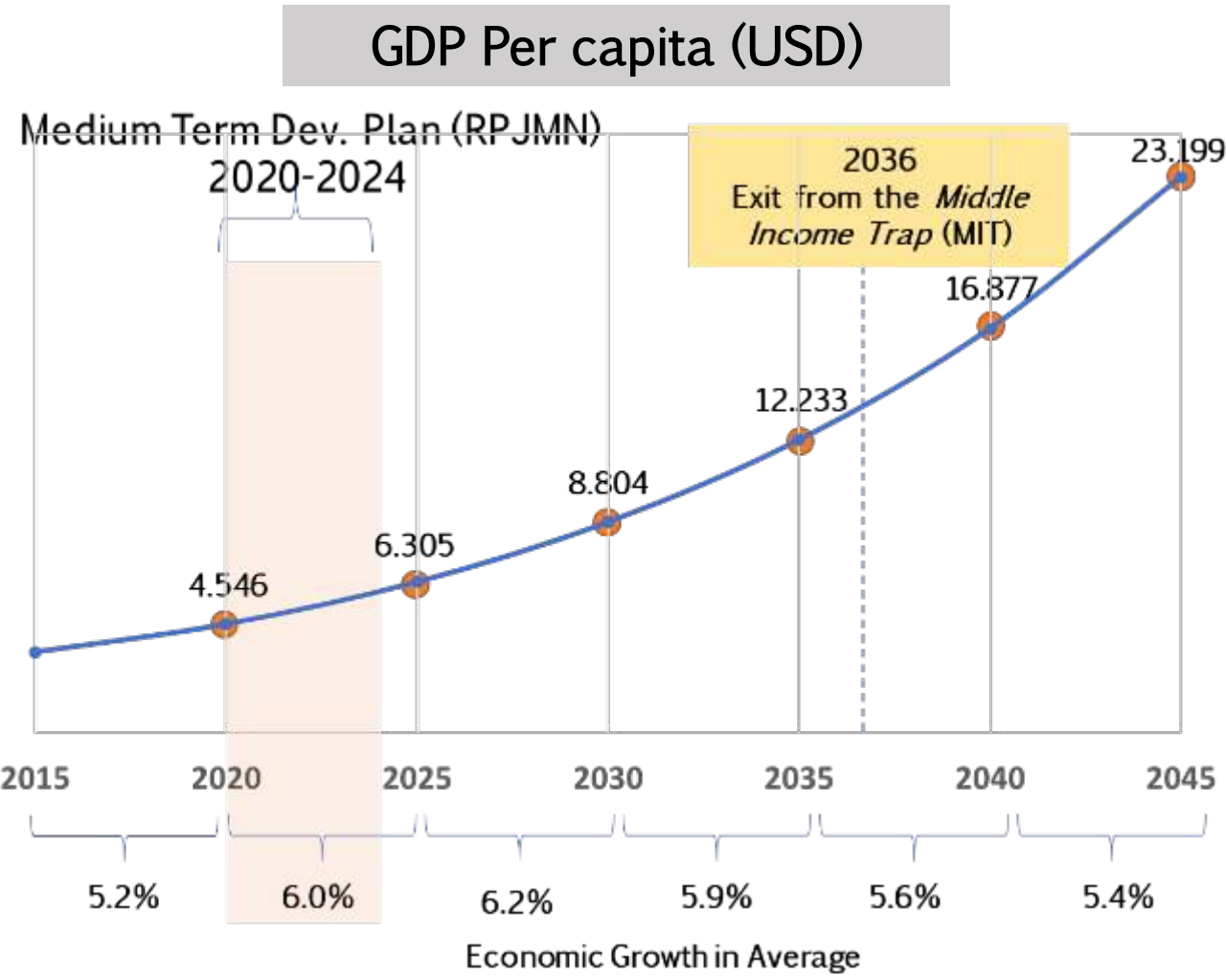
# Structural Reform Towards “Indonesia Maju 2045” and Out of the Middle-Income Trap



2024 will be the fifth year of implementation of the 2020-2024 RPJMN. To achieve the 2045 vision, economic transformation is carried out supported by downstream by utilizing 1) Human Resources Development, 2) Infrastructure Development, 3) Regulatory Simplification, and 4) Bureaucratic Reform. And 2024 is encouraged for a High Recovery Acceleration.



# Indonesia Vision 2045: “Indonesia Maju” A Developed Country



GDP Real  
**5.7%**

GDP Real /Capita  
**5.0%**

Year 2045 Target

Developed economy and largest GDP  
**rank-5**  
(USD 7,4 Trillion)

Contribution from eastern part of Indonesia  
**%**

**Economic Transformation** must start in 2020-2024 to provide a foundation for an Advanced Indonesia (Indonesia Maju)

# Indonesia's Grand Strategy in Encouraging Sustainable Economic Growth



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

## Current Conditions: Solid Economic Fundamentals

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

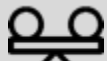
## Grand Strategy



- ❑ Government and Society Prepare to Live With COVID-19



- ❑ Fiscal Policy as Shock-Absorber



- ❑ Price Stabilisation



- ❑ Omnibus Law on the Job Creation Act, including IKN development



- ❑ Downstreaming and industrialization of natural resources



- ❑ Optimization of clean energy sources and green economy



- ❑ Legal, social, political and economic protection for the people



- ❑ MSME'S LEVEL UP

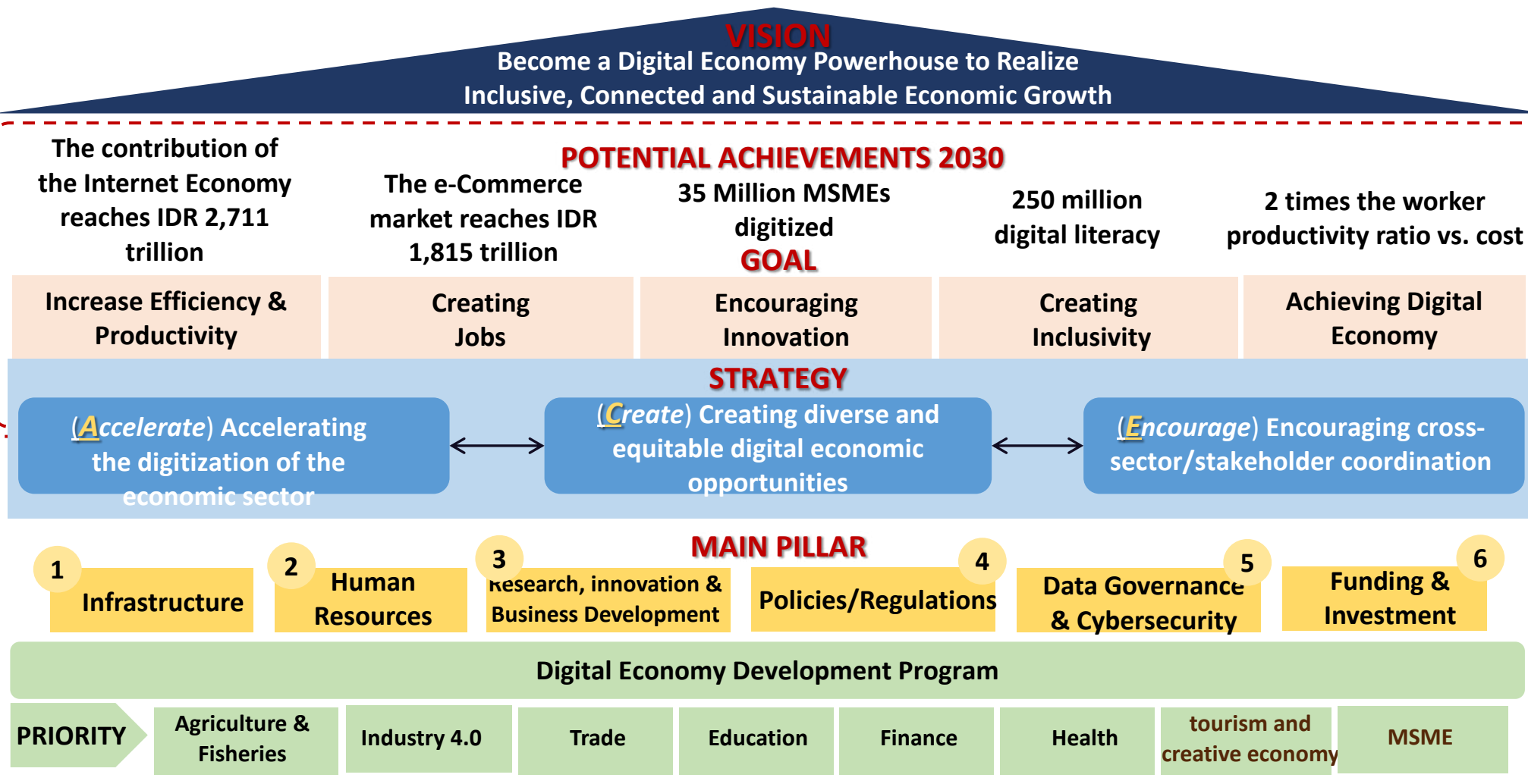


## Goal

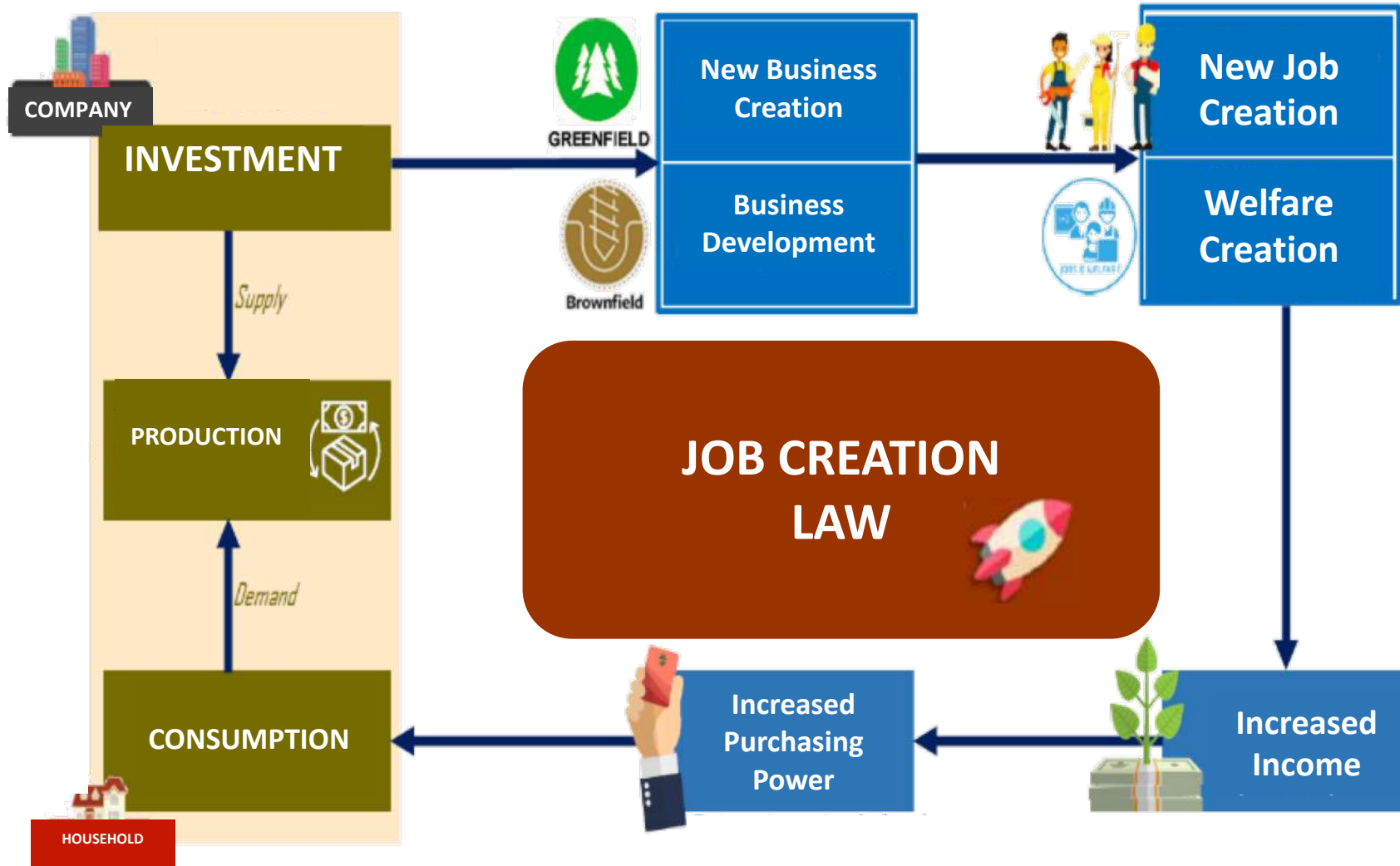
Achieving  
Sustainable  
Economic  
Development



# Indonesian Digital Economy Development Framework Concept (2021-2030)



# The Framework of Job Creation Law





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

## Constitutional Court

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



## Follow-up

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



## Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.

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

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

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

### Employment Regulation

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

### Halal Product Assurance (Halal Certification)

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

### Management of Water Resources

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

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



## PROGRESS OF THE JOB CREATION LAW

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

Derivative regulations of 54 Government Regulations/Presidential Regulations

The decision of the Constitutional Court on November 25, 2021

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

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

## Clusters in the Job Creation Law

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

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

### The subject matter in the revision includes:

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

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



# The 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**

## 11 Cluster



**Investment Ecosystem and Business Activities**



**Business Licensing**



**Employment**



**SME and Cooperatives**



**Research and Innovation**



**Land Acquisition**



**Economic Zones**



**Ease of Doing Business**



**Government Investment & National Strategic Project (PSN)**



**Public Administration**



**Imposition of Sanctions**

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



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



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

## Streamlining Administrative Procedures and a Positive Investment Climate

### *Ease of Doing Business Policy*



Law No. 11 of 2020 About Job Creation



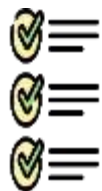
### *Latest update*

PERPPU 2 of 2022 concerning Job Creation has been issued



### *Impact on ease of doing business*

Providing legal certainty to business actors



Government Regulation No 5 of 2021



Revision of the Legal Draft and Appendix I/II



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



OSS RBA System

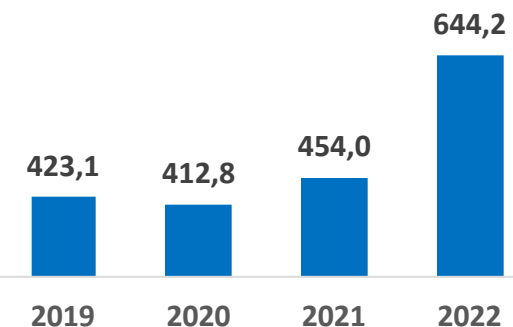


Assistance in conformity evaluation between Regulation and System

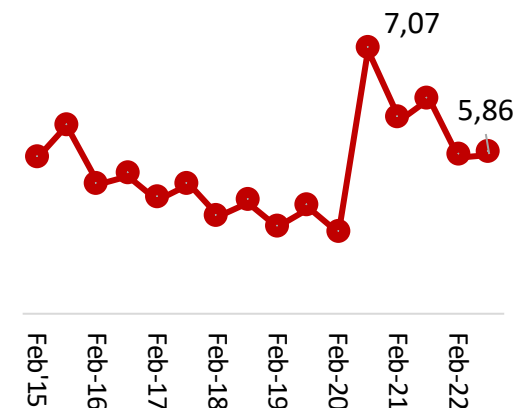


Better and smoother Business Licensing Services

### FDI Realization (IDR Tn)



### Unemployment Rate (%)



# More Business Fields Are Open for Foreign Investment



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

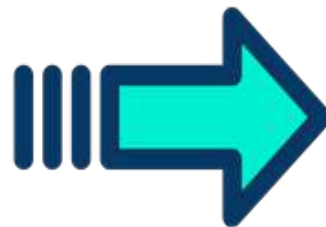


**Pres. Regulation 44/2016**  
“Investment Negative List”

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



Business Restriction  
oriented









Encouraging the Development  
of Priority Business Fields

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









# The Latest Investment Business Field Arrangements



Presidential Regulation No. 44/2016 “Investment Negative List”		Presidential Regulation No. 10/2021 Jo. 49/2021 “Investment Business Fields”	
Attachment I			
	<b>Business Fields Closed for Investment</b> 20 Business Fields		<b>Priority Business Fields*</b> 246 Business Fields <i>*Equipped with Tax Holiday, Tax Allowance, and Investment Allowance</i>
Attachment II			
	<b>Business Lines Reserved for or Required for Partnerships With Cooperatives and SME</b> 145 Business Fields/KBLI		<b>Business Lines Allocated for or Required for Partnerships With Cooperatives and SME</b> 182 KBLI in 106 Business Groups
Attachment III			
	<b>Business Fields Opened with Conditions</b> 350 Business Fields		<b>Business Fields Opened with Conditions</b> 37 Business Fields

# Investment Focus Sectors



Sector	Industry	Sector	Industry
 Downstream Natural Resources	Nickel, Copper, Coal Smelting	 Import Substitution	Iron and Steel
 Export Oriented Industry	EV Battery, Automotive	 Tourism	Tourism operator, tourism supporting services, 10 new Bali
 Infrastructure	Toll road, Airports, Seaports	 Labour Intensive Industry	Furniture, Electronics, Textile, SME's
 Human Resources Development/ Education	Vocation, Higher Education/University	 Digital Economy	Data center, Start-ups, marketplace, e-commerce

## BKPM Promotion Strategy

- 1 Encouraging Collaboration of Local Entrepreneurs with Foreign Investors
- 2 Encouraging Equitable Investment outside Java
- 3 Providing easy incentives based on investor needs





# Encouraging Investment Through Priority Sectors That Have Value Added



## Export Oriented – Labor Intensive industries



Pharmaceutical and Health Equipment



Automotive Industries



Electronic Industries



**Infrastructure**



**Energy**, especially renewable energy



**Mining**,  
That creates added value products

# Investment Policy Direction 2020 -2024:

## Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth





# Investment Realization Target 2020 to 2024

With the direction of President Jokowi to improve the economic growth, the investment realization target will be increased from IDR900T in 2021 to IDR1,200T in 2022

No	Strategic Goals and Key Performance Index BKPM 2020-2024	Units	2020	2021	2022	2023	2024
1	Investment Realization	Rp Trillion	817.2	858.5	968.4	1,099.8	1,239.3
2	Investment Realization in Secondary Sector	Rp Trillion	227.2	268.7	352.5	483.9	646.1
3	Quality Investment Distribution (outside Java)	%	48.3%	49.0%	49.7%	50.6%	51.7%
4	Investment Contribution from DDI including SME's	%	48.8%	49.7%	50.3%	51.9%	53.1%

Total Investment  
Realization Year 2015 to  
2019  
Rp. 3,381.9 T

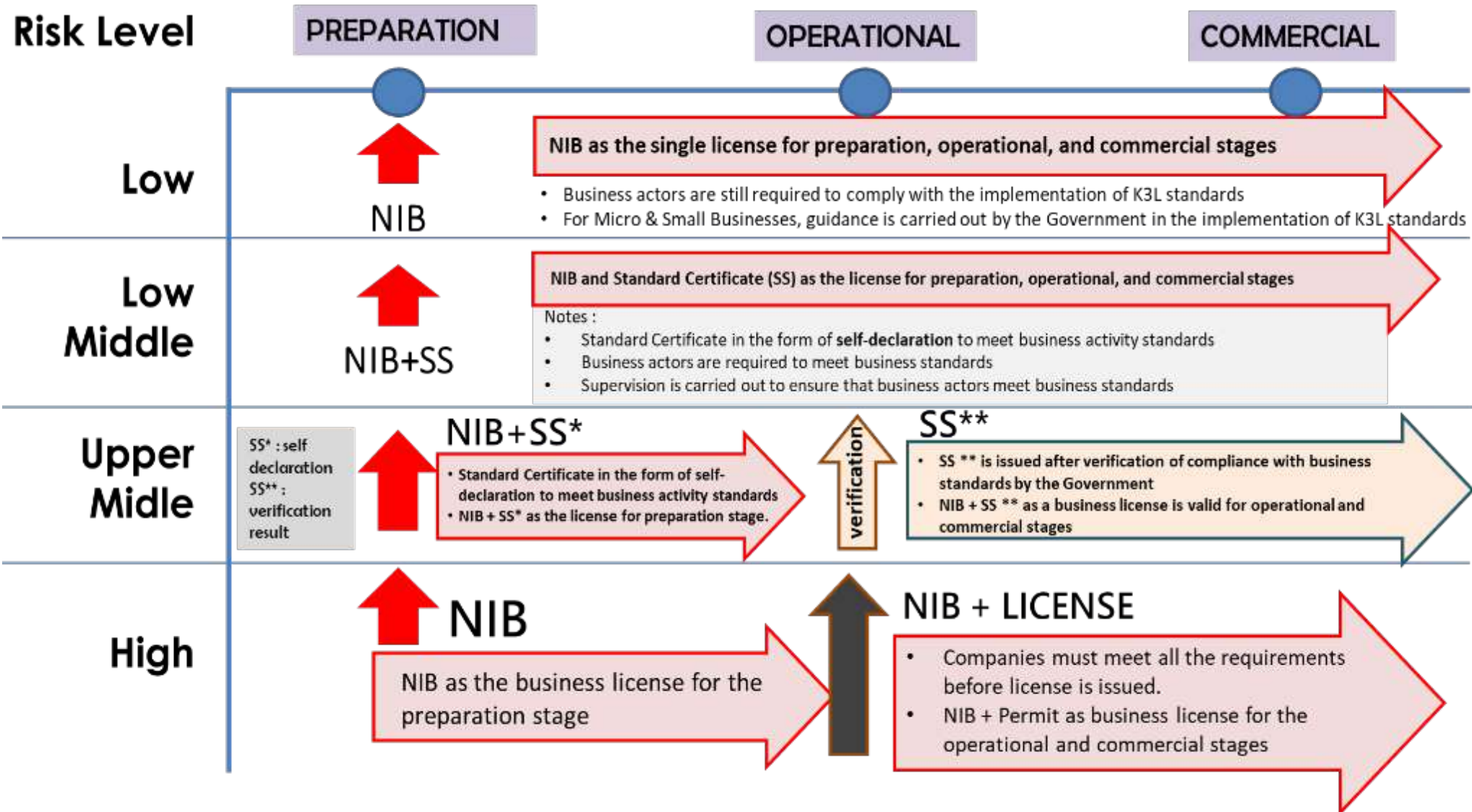


Investment Realization  
Target Year 2020 to 2024  
Rp. 4,983.2 T

The increase in investment targets from President Jokowi is expected to come from quality investments, such as processing industries that provide added value



# Risk-Based Licensing Approach



# Risk-based Business Licensing Deregulation Measures To Encourage FDI



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

## Starting a Business



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

**Low Risk**

**Medium Risk**

**High Risk**

**NIB Issued = 3.719.750**

**Period August 4, 2021 – February 28, 2023**

### Based on Business Actor:

- **Business Entity** = 487.986
- **Individual** = 3.231.764

### Based on Investment Type:

- **FDI** = 13.366
- **DDI** = 3.706.384

### Based on Business Scale:

- **Micro** = 3.531.836
- **Small** = 138.235
- **Medium** = 18.269
- **Large** = 31.410

## Action Plans

### Short - Medium-term

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

### Long-term

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

Source: Coordinating Ministry for Economic Affairs

## Doing Business

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

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

### INSPECTION:

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

## The Progress of Development Monitoring/Inspection Subsystem

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

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



# Implementation of Risk-Based Business Licensing

## Government Regulation Number 5 of 2021



### To Start and Carry Out Business Activity



#### Basic Requirement for Business Licensing

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

#### Risk Based Business Licensing (KBLI)

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

#### Business Licensing to Support Business Activity (PB UMKU)

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

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

# Risk Based OSS System: Users and Features



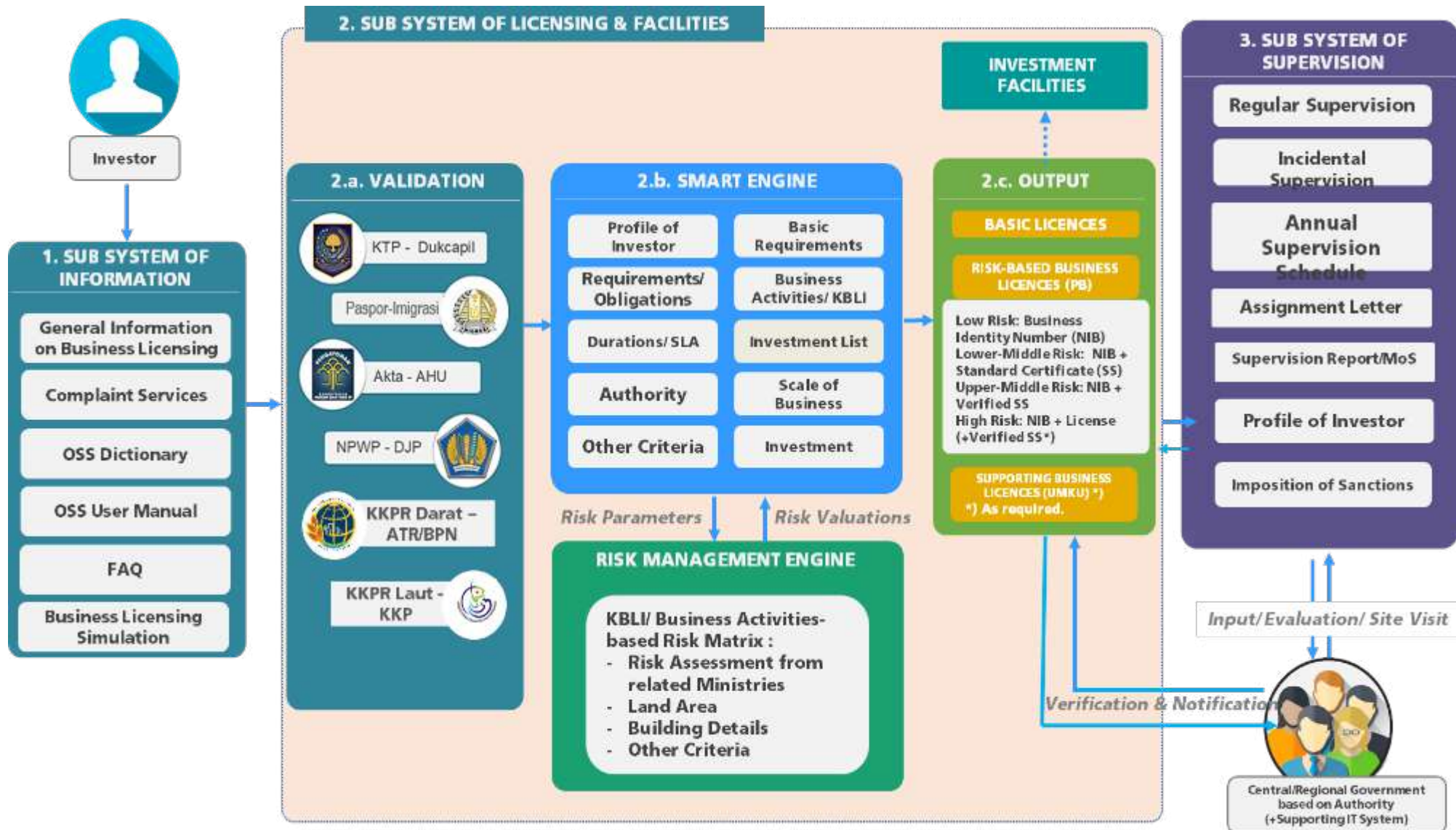
OSS System is Mandatory

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

Features in OSS

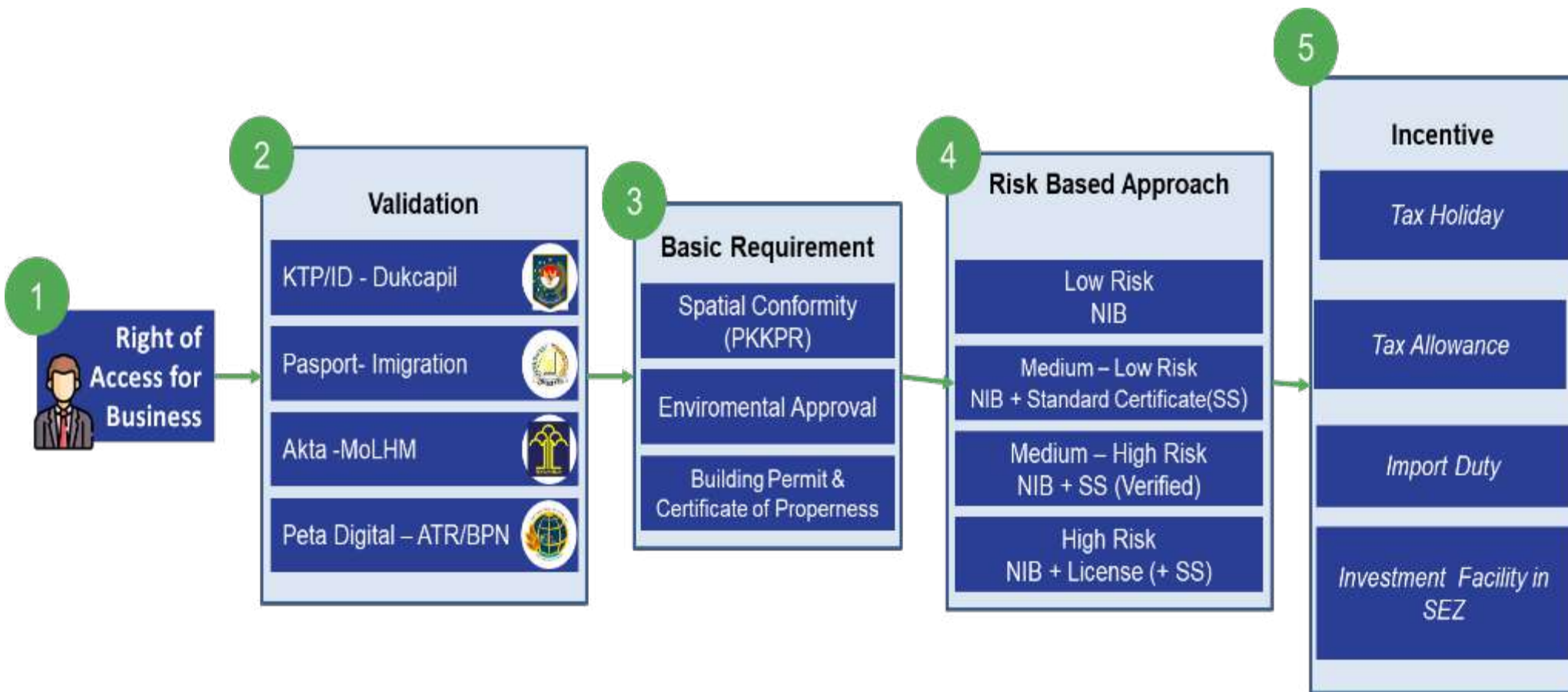
- Information
- Business License and Facility
- Monitoring

# Architecture of OSS System





# Ease of Business Licensing and Investment Facility through the OSS System



# 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"
<b>List of Business Fields Closed to Investment</b> <b>20</b> business activities	<b>Priority Business Activities</b> <b>246</b> business activities
<b>Business Activities Allocated for or Requiring Partnership with Cooperatives and MSMEs</b> <b>145</b> business activities	<b>Business Activities Allocated for or Requiring Partnership with Cooperatives and MSMEs</b> <b>182</b> business activities
<b>Business Activities that are Open with Certain Requirements</b> <b>350</b> business activities	<b>Business Activities that are Open with Certain Requirements</b> <b>37</b> business activities

- In principle, all business fields are open to investment, except for business fields that are declared closed for investment or activities that the Central Government can only carry out.*
- Investment value for PMA > IDR 10 billion excluding the value of land and buildings. However, to encourage technology-based startups in the SEZ, the investment value of PMA can be ≤ IDR 10 billion, excluding the value of land and buildings*

### 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
- Guarantees on availability of materials
- Immigration
- Manpower
- Other non-fiscal supports

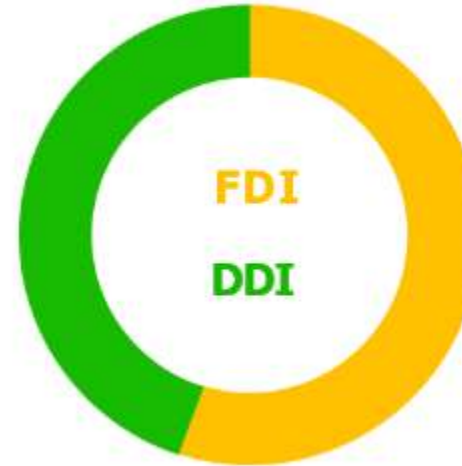


# Investment Realization in 2022




 **Rp 1,207.2 Trillion**  
(YoY :  **34.0%**)

Achieving Target of 1200 T  
(100%) from President



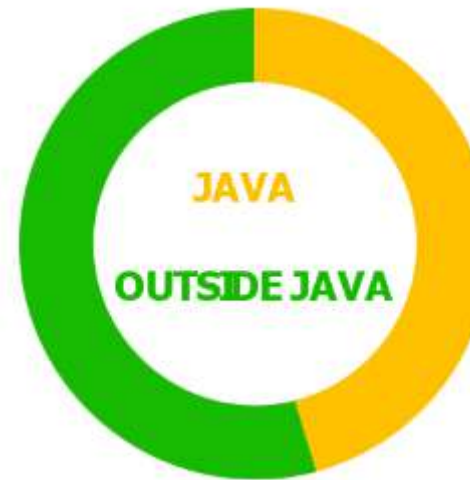
**DDI**  
(Rp 552.8 T) **45.8%**  
(YoY :  **23.6%**)

**FDI**  
(Rp 654.4 T) **54.2%**  
(YoY :  **44.2%**)




**Indonesian Labor  
Absorption:**

**1,305,001**  
people



**OUTSIDE JAVA**  
(Rp 636.3 T) **52.7%**  
(YoY :  **35.9%**)

**JAVA**  
(Rp 570.9 T) **47.3%**  
(YoY :  **31.9%**)

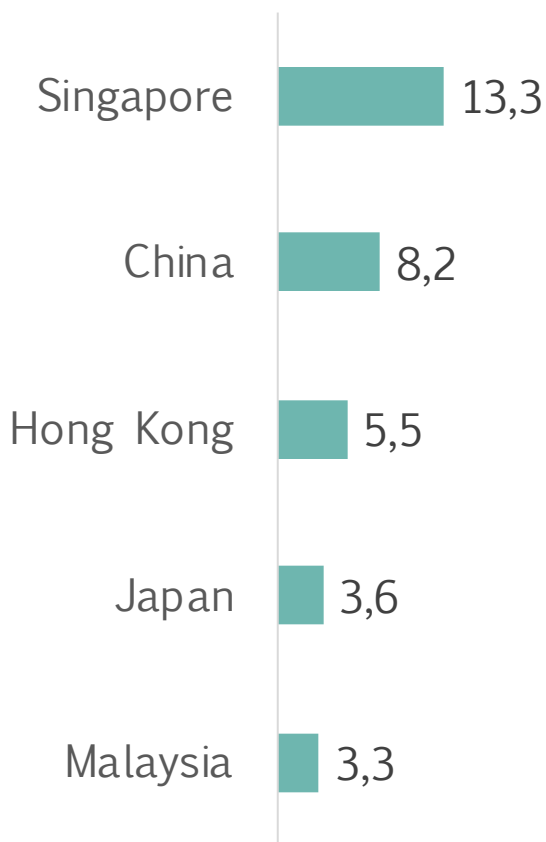
# Investment Realization in 2022

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



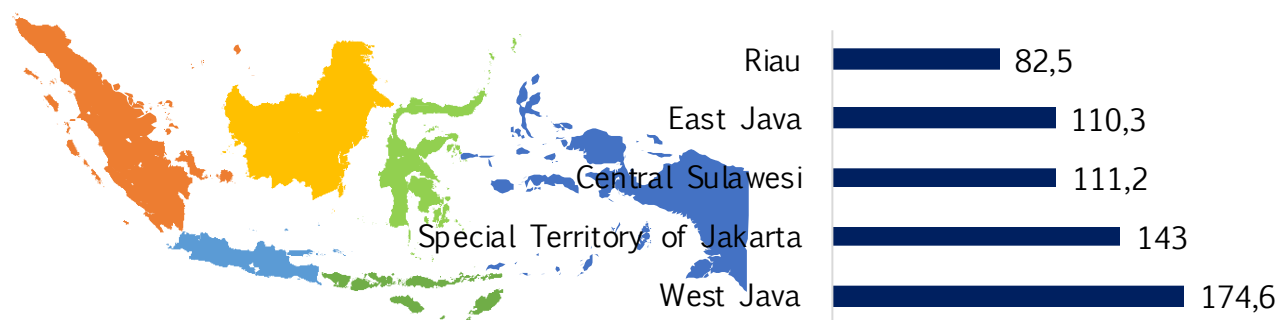
## Top 5 Investors (by country)

(in USD billion)



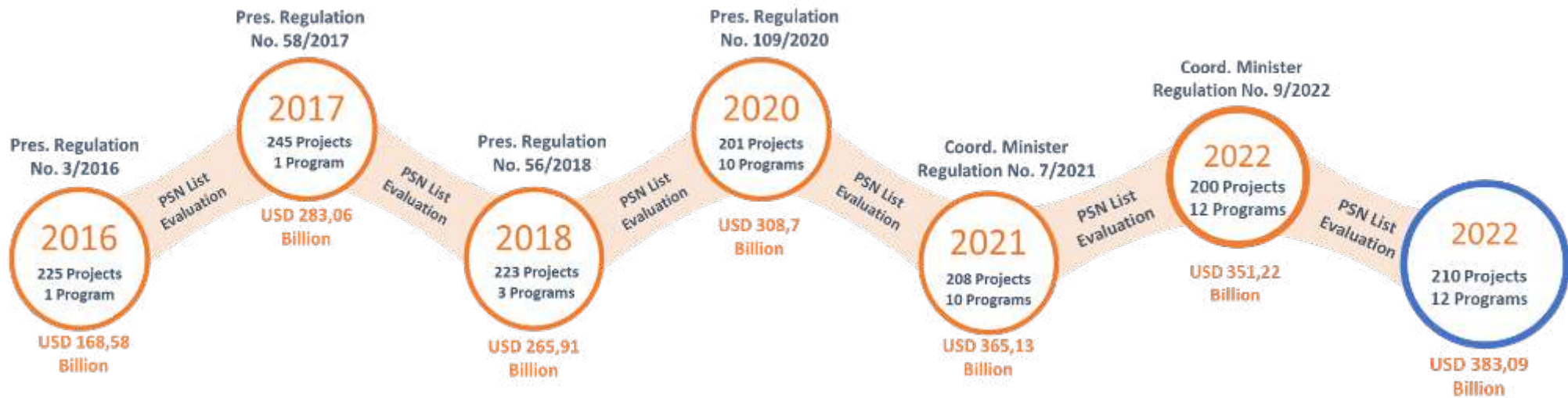
## By Region

in IDR Trillion



DDI			FDI		
	Transportation, Warehouse, and Telecommunication	Rp 75.1 T - (13.6%)		Metal, Metal Goods, Except Machinery, and Equipment Industry	US\$ 11.0 B - (24.0%)
	Housing, Industrial Estate, and Office Building	Rp 66.2 T - (12.0%)		Mining	US\$ 5.1 B - (11.3%)
	Mining	Rp 62.5 T - (11.3%)		Chemical and Pharmaceutical Industry	US\$ 4.5 B - (9.9%)
	Food Industry	Rp 54.9 T - (9.9%)		Transportation, Warehouse, and Telecommunication	US\$ 4.1 B - (9.0%)
	Food Crops, Plantation and Livestock	Rp 38,9 T - (7.0%)		Electricity, Gas and Water Supply	US\$ 3.8 B - (8.3%)

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



Project included in the PSN List



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



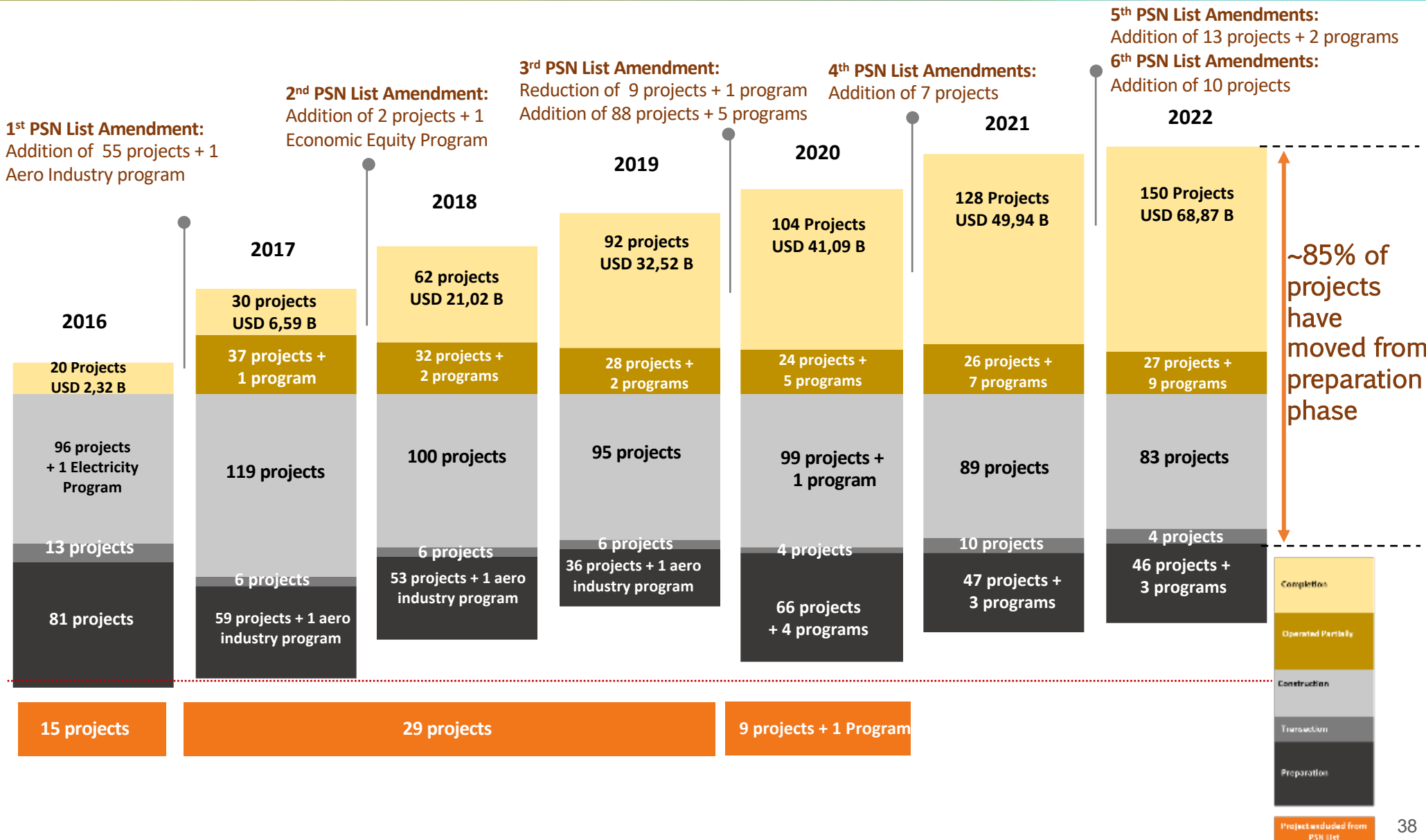
Ongoing project from the previous list and being pushed by the government

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



Project excluded from the PSN List

# Since 2016, 141 National Strategic Projects have been fully operational, and most of the projects have been expedited to move from preparation phase

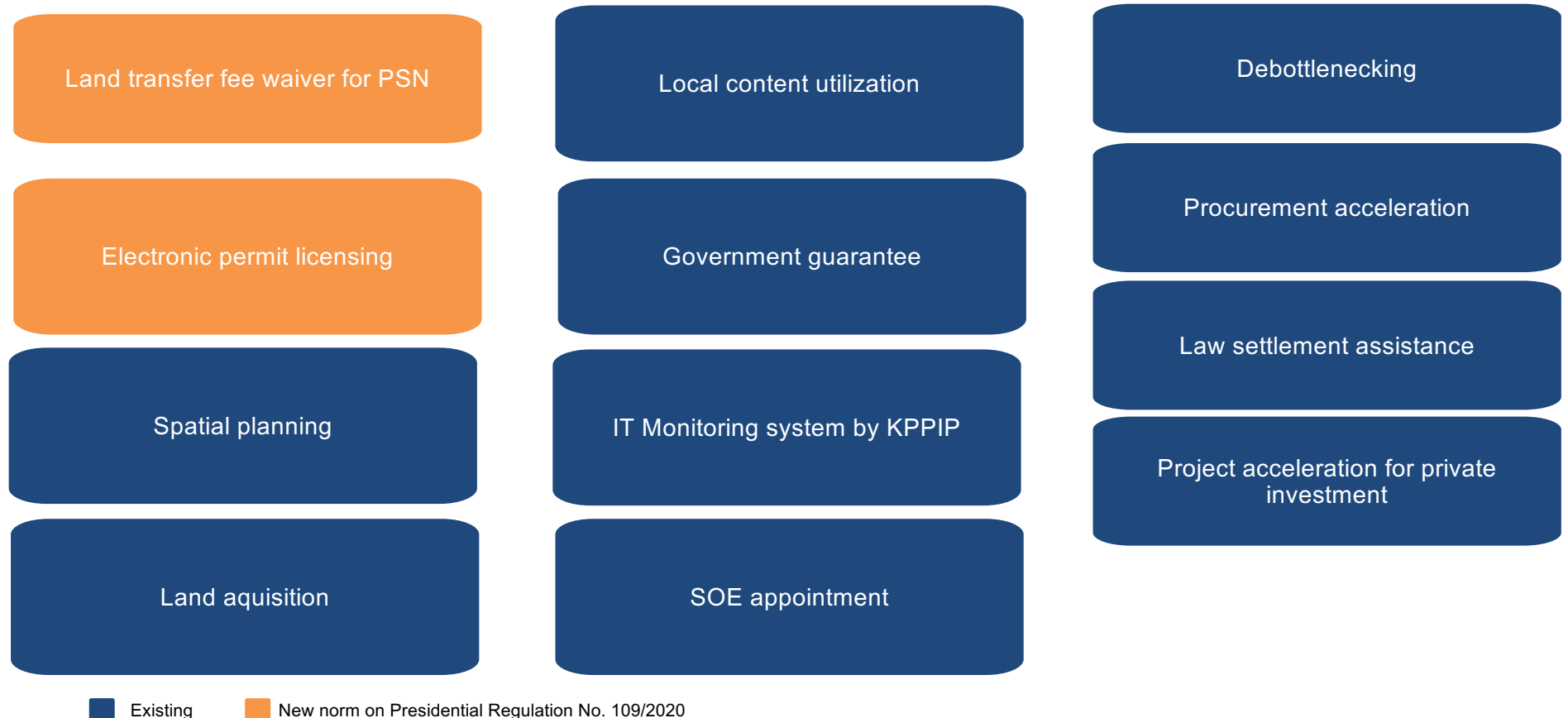




# All National Strategic Projects have been given a special facility to ease each of the project's implementation as stipulated in the Pres. Regulation No. 109 /2020

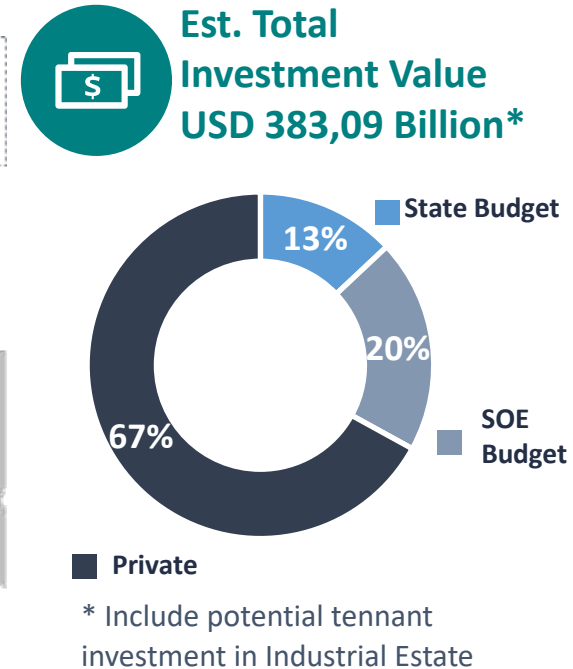


## PSN Facility





Currently, there are 210 Projects and 12 Programs under the National Strategic Project list in which more than 60% of total investment value are expected to come from private sectors



\* Est. 1USD=15.000 IDR

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



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

## Electricity Program with focus on Renewables



1

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

2

National Rooftop Solar Power Plant

3

Large-scale Solar Power Plant in Riau Islands

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

## EV Battery end-to-end Development Plant

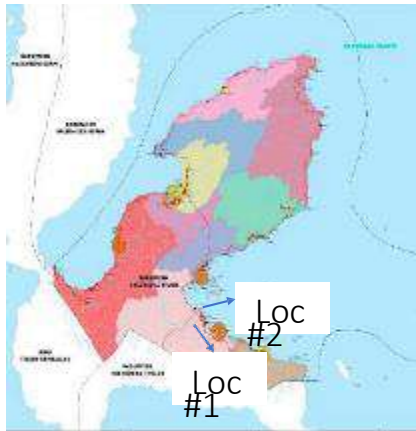


The Electric Vehicle Battery Industry is one of the Government's priorities

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

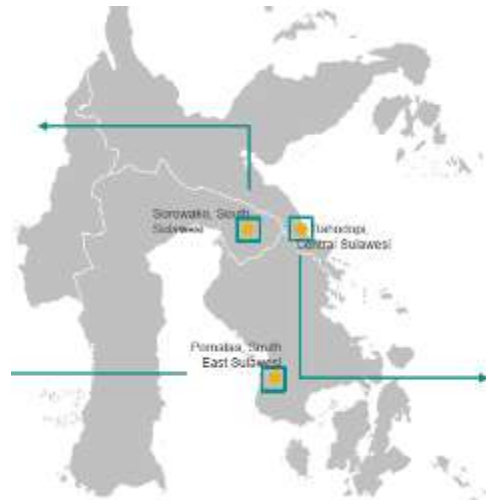


### Electric Battery Development Program as part of new PSN List in 2022



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

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



#### 2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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



# Highlighted PSN Projects which provide substantial benefit to private investor - Special Economic Zones Development (KEK) on 18 Location in Indonesia



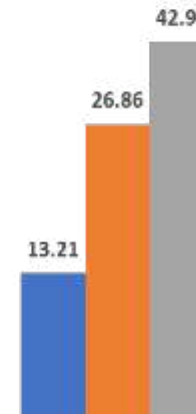
## 19 SEZs AND ITS PRIMARY ACTIVITIES



## SUMMARY OF THE 19 SPECIAL ECONOMIC ZONES PERFORMANCE \*)

Investment Realization  
(IDR Trillion)  
2019 - 2021

■ 2019 ■ 2020 ■ 2021



Investment  
Commitment

IDR 116.4 Trillion

27,800  
Numbers of  
Employment



IDR 5.2 Trillion

Export Value in 2021



IDR 64.8 Trillion  
Investment Realization  
(Tenant & Developer)



\*) up to December 2021

## MAIN TARGET OF SEZs

Increasing Export

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

Speed Up Development  
of Industry 4.0

Focusing on industry with automation

Developing Under-  
Developed Regions

Giving added value to raw materials  
such as mining or farming

Develop Potential  
Service Industry

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

Improve Indonesia  
Balance of Trade

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

# Highlighted PSN Projects which provide substantial benefit to private investor

## – Various facilities and Modalities for SEZ investors



### Investment Opportunities as Tenant

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



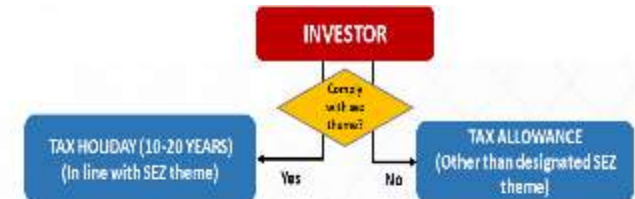
### Investment Opportunities as Developer

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



### Investment Opportunities as Infrastructure Provider

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





# 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



*Land Value  
Capture (LVC)*

4



*Other Creative  
Financing for  
Infrastructure*

# 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

### PPP Guarantee

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

---

Presidential Regulation 78/2010;  
MoF Regulation 8/2016

### National Strategic Project (PSN) Guarantee

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

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MoF Regulation 30/2021

### SOE Credit Guarantee

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

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MoF Regulation 101/2018

### PPP Project Development Facility

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

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MoF Regulation 180/2020

### Corporate Credit Guarantee

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

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MoF Regulation 98/2021

### National Economic Recovery Program

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

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MoF Regulation 211/2021

## Government Commitment through Fiscal Support

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



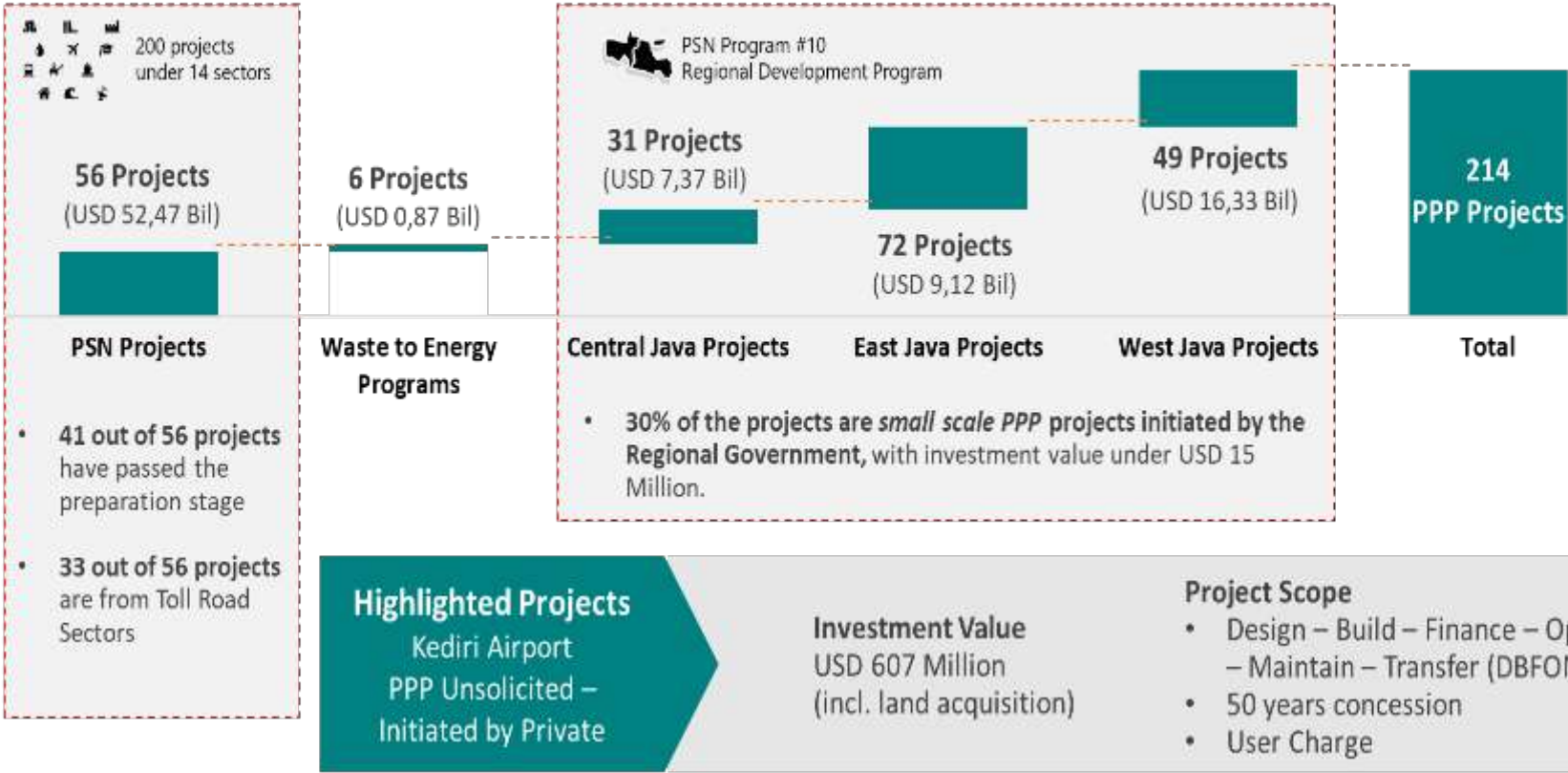
# Under National Strategic Project (PSN) there are 214 projects identified to be delivered through Public Private Partnership (PPP) with various project scales and sectors



1

Public Private Partnership (PPP)

## PPP Projects under National Strategic Projects (PSN) – incl. PSN Programs (Updated on September 2022)



# 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**

## LCS Principles

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

## Technical Criteria for the LCS assets

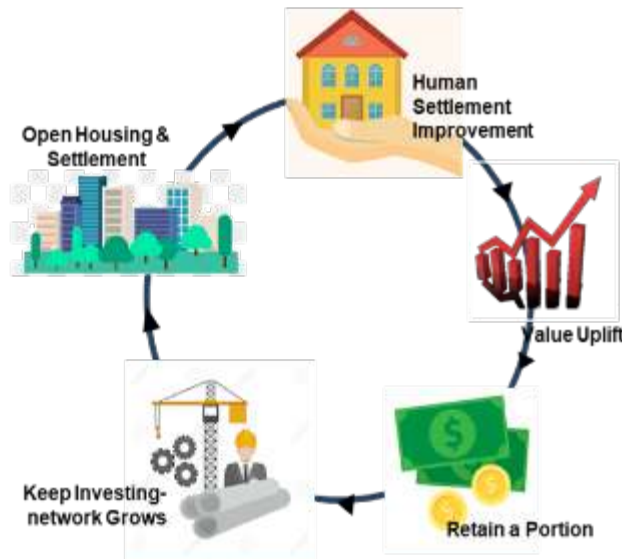
- ✓ The asset has been fully **operated** for minimum **2 years**
- ✓ The asset needs to **improve operation** efficiency based on international standard
- ✓ Asset's useful life minimum is **10 years**
- ✓ For the **SOE's asset**, the asset must have **positive cash flow** for minimum 2 years in a row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



# Government of Indonesia try to implement LVC Scheme in order to alleviate government burden on infrastructure development



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



## Tax based LVC

Land and Property Tax

Betterment Levies and Special Assessment

Tax Increment Financing (TIF)

## Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

## LVC Benefit

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

## Triple Win LVC

Better Urban Mobility

Reducing Subsidy

Creating Fiscal Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

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



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



MRT Station  
Harmoni,  
DKI Jakarta

Value Capture  
Instrument:

- FAR (Floor Area Ratio) Compensation
- Betterment Levy



TOD  
Jurangmangu,  
Tangerang,  
Banten

Value Capture  
Instrument:

- Concession Fee
- Betterment Levy



Gedebage Area,  
Bandung,  
Jawa Barat

Value Capture  
Instrument:

Betterment Levy



TOD  
Tawang Station,  
Semarang, Jawa  
Tengah

Value Capture  
Instrument:

- Concession Fee
- Betterment Levy



Sekanak - Lambidaro  
Area Development,  
Palembang,  
Sumatera Selatan

Value Capture  
Instrument:

Betterment Levy

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



## Profile of PT SMI

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

## SDGs Initiative

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

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



Source: PT SMI, 2019



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



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



## Legal basis

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

## Development

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

## Main Sectors of Investment



## Development of INA's Progress

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



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



## Limited Mutual Fund

(RDPT – Reksadana Penyertaan Terbatas)

### Recent Progress

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

**Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur**

MARKET - Donald Banjarnahor, CNBC Indonesia

12 November 2019 12:00

1

## Example on RDPT Financing

### Summary of TPJT

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

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

**Location: East Java**

### Ownership Structure



2

### Summary of KKDM

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

**Location: Greater Jakarta**

### Ownership Structure



# Government Guarantee For Basic Infrastructure Development

## Reflects strong commitment to national development planning



### Government Guarantee Program

<b>Credit Guarantee</b>	<ul style="list-style-type: none"> <li><b>Power (Electricity)</b> – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.</li> <li><b>Clean Water</b> – Guarantee for 70% of PDAM's debt principal payment obligations.</li> <li><b>Toll road</b> – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads.</li> <li><b>Infrastructure</b> - Full credit guarantee on SOE's borrowing from international financial institution &amp; guarantee for PT SMI's local infrastructure financing.</li> <li><b>Public Transportation (Light Rail Transit)</b> – Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.</li> </ul>
<b>Business Viability Guarantee (BVG)</b>	<ul style="list-style-type: none"> <li><b>Power (Electricity)</b> – 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*</li> </ul>
<b>PPP Guarantee</b>	<ul style="list-style-type: none"> <li><b>Infrastructure</b> – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements</li> </ul>
<b>Political Risk Guarantee</b>	<ul style="list-style-type: none"> <li><b>Infrastructure</b> – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</li> </ul>

### Contingent Liabilities from Government Guarantee as of Q4 2022\*\*

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program	5	USD 0.28
2	Clean Water Supply Program	5	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	11	USD 2.58
4	Sumatra Toll Road	10	USD 2.78
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 4.00
6	Public-Private Partnerships (PPP)	7	USD 6.32
7	Regional infrastructure financing	1	USD 0.19
8	Public Transportation (Light Rail Transit)	2	USD 0.91
9	Electricity Infrastructure Fast Track Program (35	6	USD 6.23
<b>Total</b>		<b>54</b>	<b>USD 23.29</b>

- From 2008 to Q3-2022\*\*, the government has issued 94 guarantee documents with total value of USD41.59 billion, there were 40 guarantee documents worth USD9.20 billion have been expired.
- The Maximum Guarantee Limit for the period 2022-2025 is set at 6% of GDP.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

\*\*) Currency conversion of IDR15,247.00/USD1 and IDR14,716.42/EUR1 (as of end September 2022)

# The Domestic Component Level (TKDN) Implementation



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

**TKDN Value (goods) consist of:**

- Raw materials;
- Direct Labor;
- Factory overhead

**TKDN Value (services) consist of:**

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

## The Domestic Component Level (TKDN)

- ☐ Electronics
- ☐ ICT
- ☐ Medical Devices

## Government Procurement

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

## Non Government Procurement



## WTO Rules (Compliance)

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



Non-governmental procurement is not prioritizing product's TKDN

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

### P3DN Team tasks:

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





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



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



## LOGISTICS PROGRAM FOR 2022-2024

**Increasing national logistics efficiency, focusing on food and health products**

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

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

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

1

### Commodity-based improvement framework

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

2

### Strengthen Key-Enabler

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

3

### Organizing action plans based on 6 key drivers

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

#### 6. Regulations, Rules and Legislation

5. Human Resource Management

4. ICT

3. Logistics Service Provider

1. Main Commodity

Competitiveness and Social welfare

#### 2. Transportation Infrastructure

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

### Key Drivers: Logistic Action Plan

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

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

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

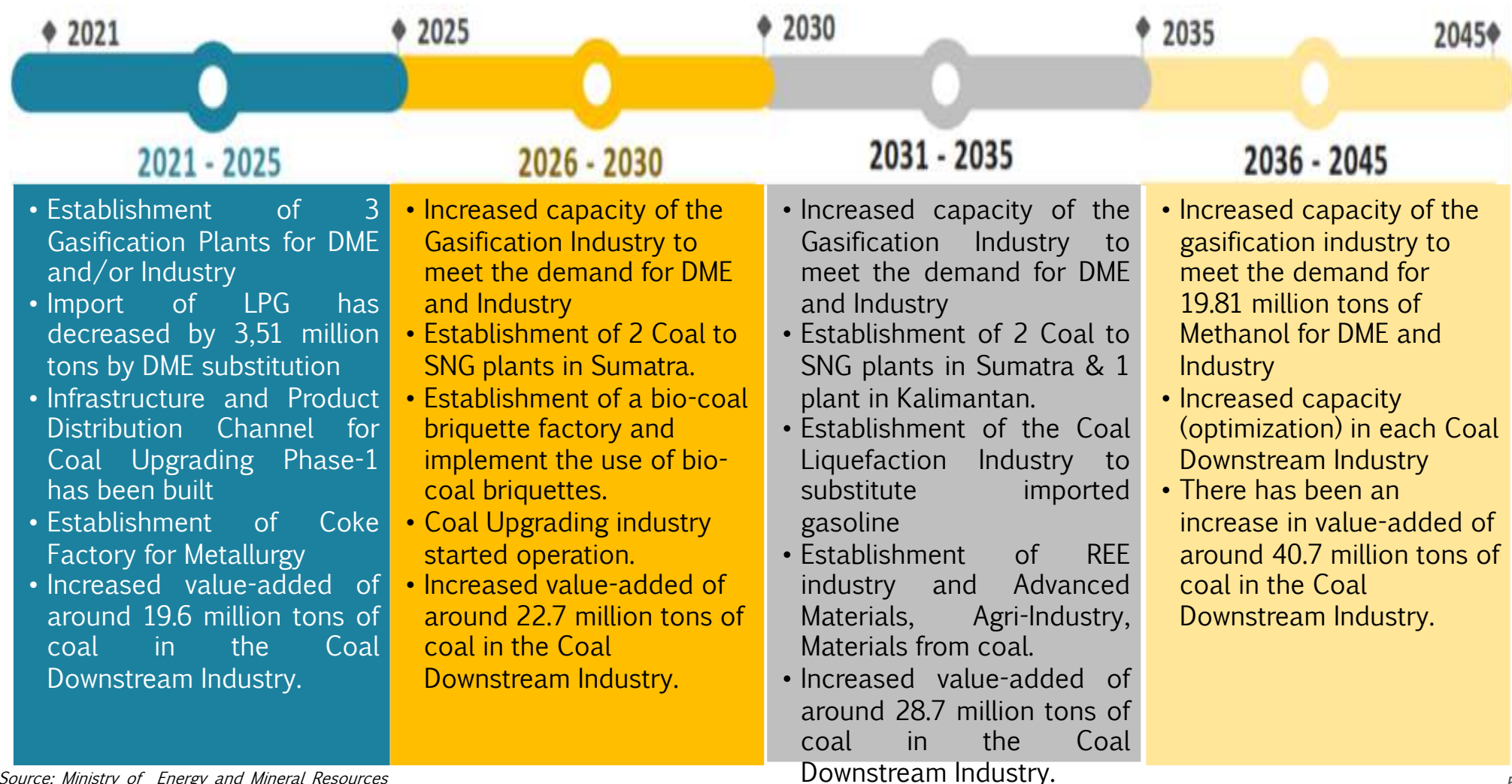
**Human Resource Management** → Some programs include (a) The establishment of the National Occupational Map for Logistics and Supply Chain (b) Legalization of the Indonesian National Occupation Competency Standards



# Government Continues to Support the Development of Downstream Industries



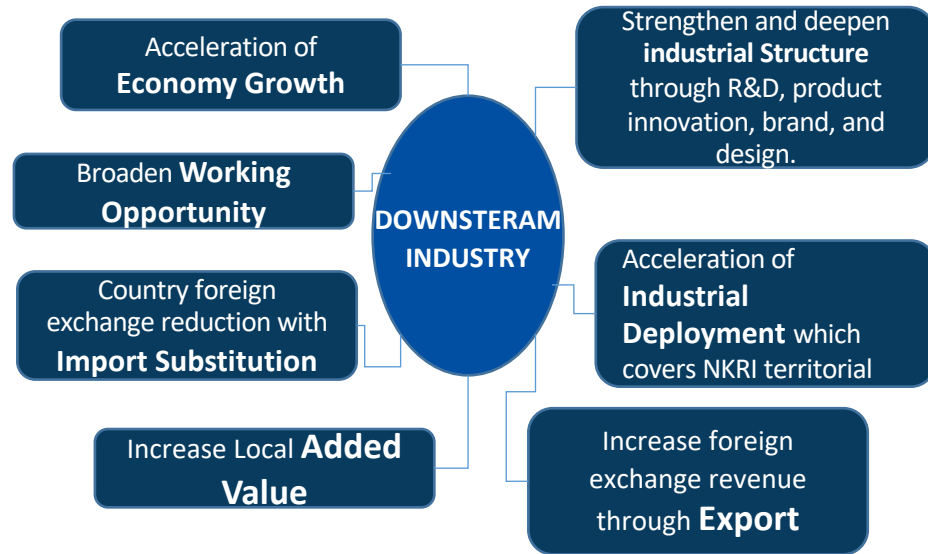
## Indonesia's Coal Gasification Roadmap until 2045



# Encouraging The Downstream Industry To Increase Value-added Commodities



## Downstream Industry Policy



## Supporting Policy For Downstream Industry

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

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

Fiscal incentive and disincentive

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

## Total Number and Investment Smelter 2021-2024

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

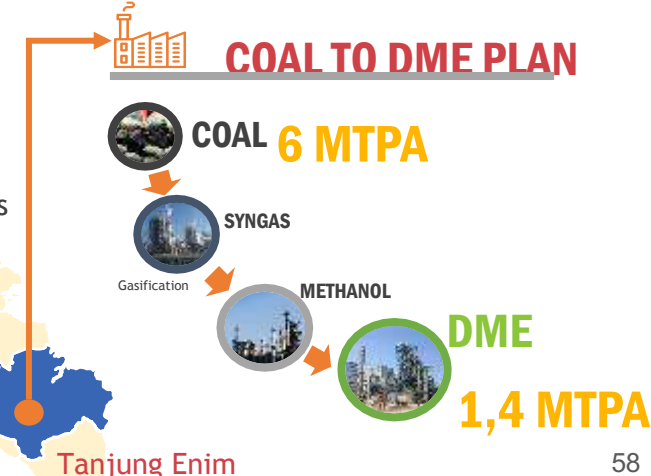
## Coal Development Project

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



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

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



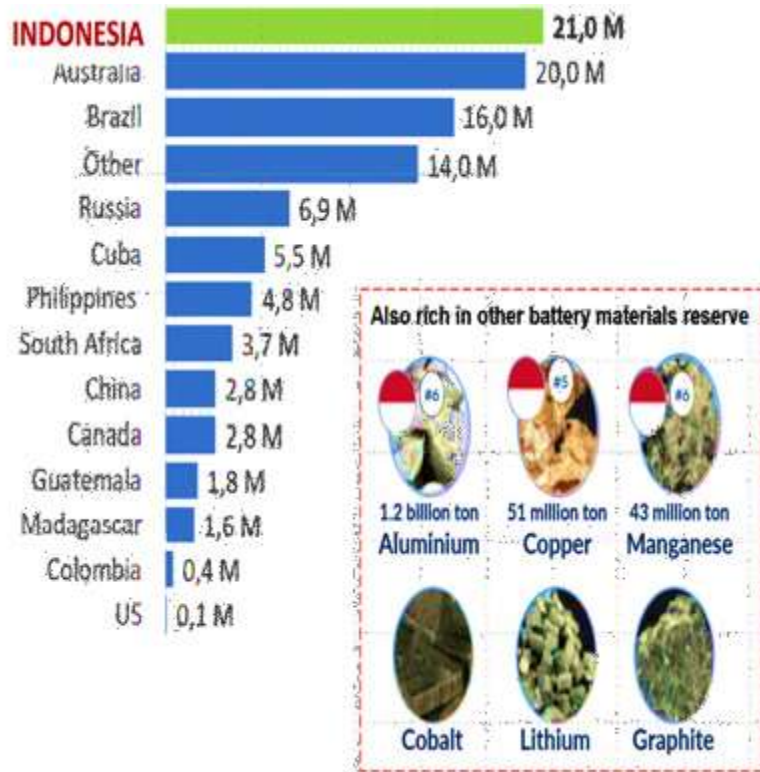
# Indonesia Encourages Downstreaming of Commodities

One of which is Encouraging the Development of Nickel-Based Industries to Become a Global Battery and EV Supplier



## 1. Potential: Indonesia's Nickel Reserves Are Abundant

### Global Nickel Reserve



Indonesia's nickel reserves are the largest reserves in the world reaching **21 million nickel ore or with a share of 23.7% of all world reserves.**

Source: Coordinating Ministry for Economic Affairs

## 2. Strategies

### A. The ban on nickel ore exports maintains the availability of raw materials for downstream industries

Commodity	Export Value (Million USD)			Indonesia and the Main Exporting Country
	2019	2020	2021	
Nickel Ore (HS 2604)	1.097	Prohibited → 0	Prohibited → 0	  1 <sup>st</sup>
	600	1.056		

### B. Invest in End-to-end EV Battery value chain development

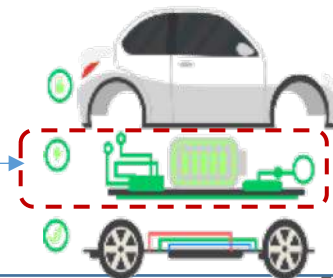
- Estimated total investment of USD 15.3 Billion\*) to build End-to-end value chain EV Batteries with a capacity of 140 GWh

### C. Supporting Regulation

- Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021 - Accelerated Development of BEV

## 3. Benefits and Added Value of Nickel Downstream

### Value added process





# Economic Transformation from Primary Sector Industries to Value-Added Industries



## Export Ban of unprocessed minerals



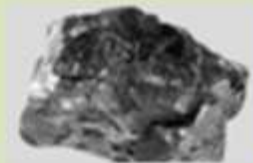
Nickel (2020)



Bauxite (2022)



Copper (2023)

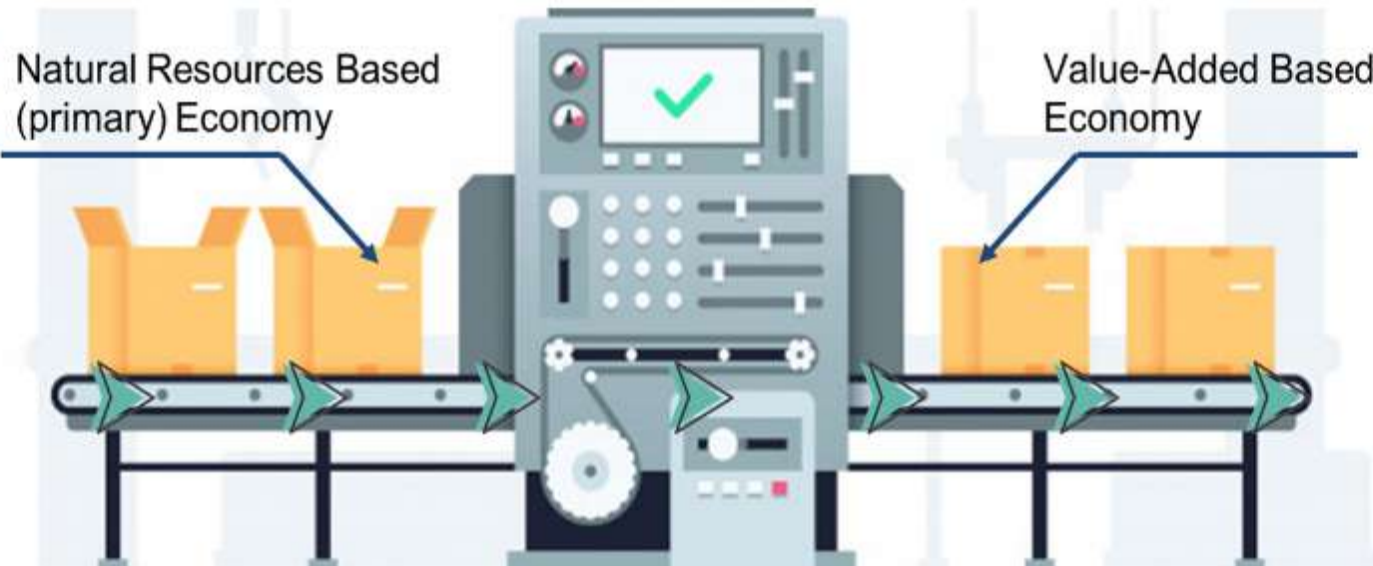


Tin (2023)



Natural Resources Based  
(primary) Economy

Focus on Natural  
Resources, such  
as nickel



Value-Added Based  
Economy

Focus on  
Downstream  
Industries



# The Benefit of Downstreaming on Nickel Product Added Value



## Added Value of Nickel Derivative Products



# Nickel Downstreaming makes Indonesia the World Production Hub for Electric Vehicle



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

## Investment Plan:

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

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

Indonesia will become an exporter of high value-added commodities



# Natural Resource Downstreaming Has Become a Value-Added Commodity



## Processing of Nickel to make the battery for electric vehicles

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

### Location:

Central Sulawesi, North Maluku, Central Java

### Commodity:



Nickel

## Gasification of Coal into Dimethyl Ether (DME)

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

### Location:

Tanjung Enim, South Sumatra

### Commodity:



Coal

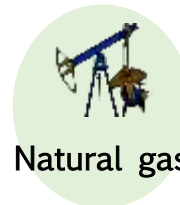
## Processing natural gas into methanol and Fertilizer

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

### Location:

West Papua and East Java

### Commodity :



Natural gas

## Industrialization Downstreaming for Food Sector

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

### Location:

Eastern Indonesia

### Commodity :



Food



# Visioning Nusantara – New Capital City Of Indonesia



## Vision

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

## Recent Progress

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

## New Capital City Planning Scheme



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



# New Capital City of Nusantara Development



## The Important Role of Establishment of IKN

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



Indonesia's New  
Economic  
Driver

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

## Composition of Financing for the Capital of the Archipelago

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

### Private Investment Cooperation

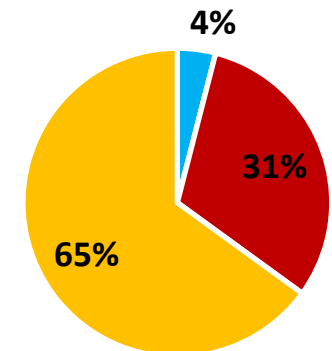
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant, hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

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

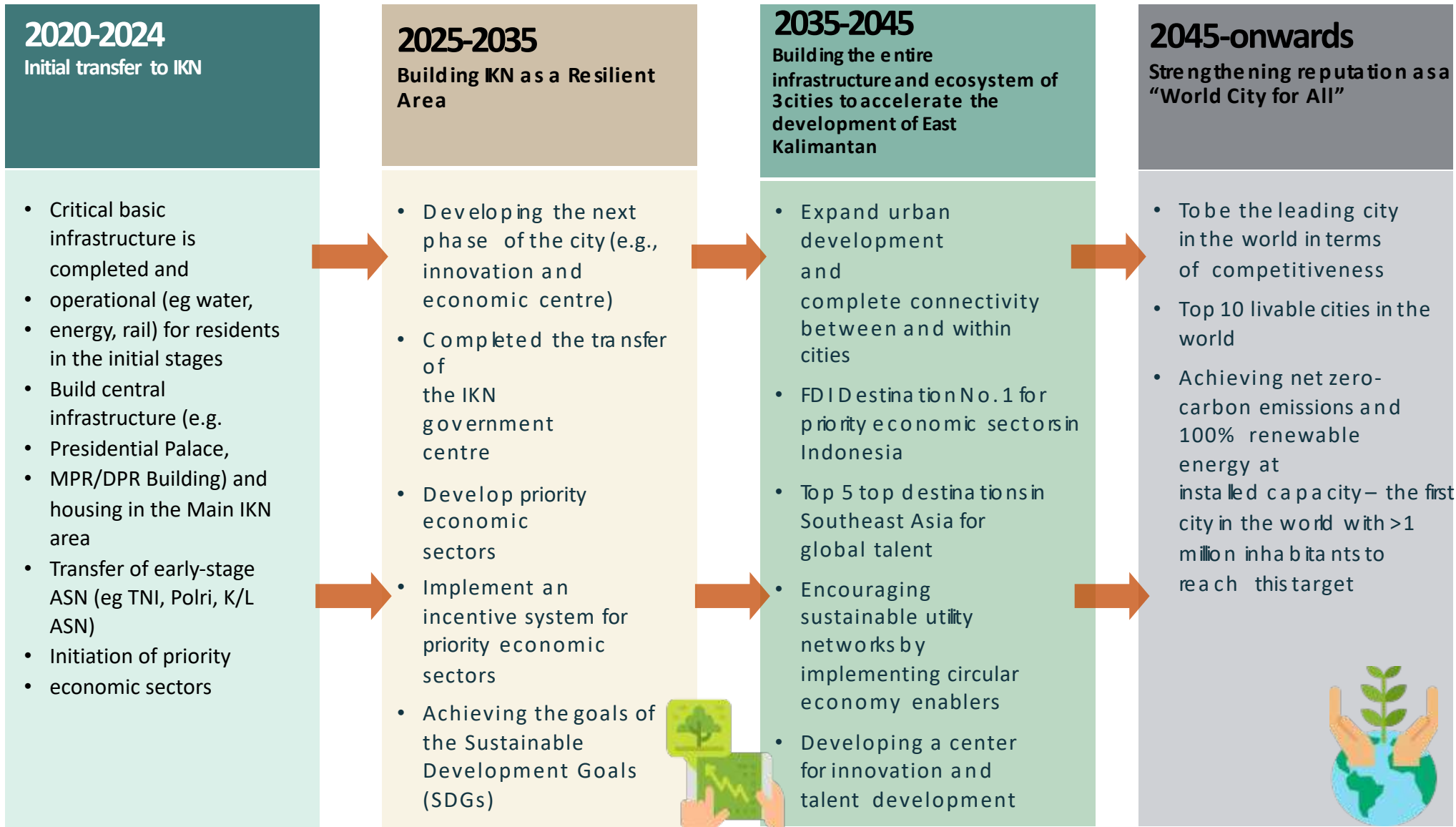
### State Budget

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

Composition of Financing schemes



# Development Stages of the National Capital City



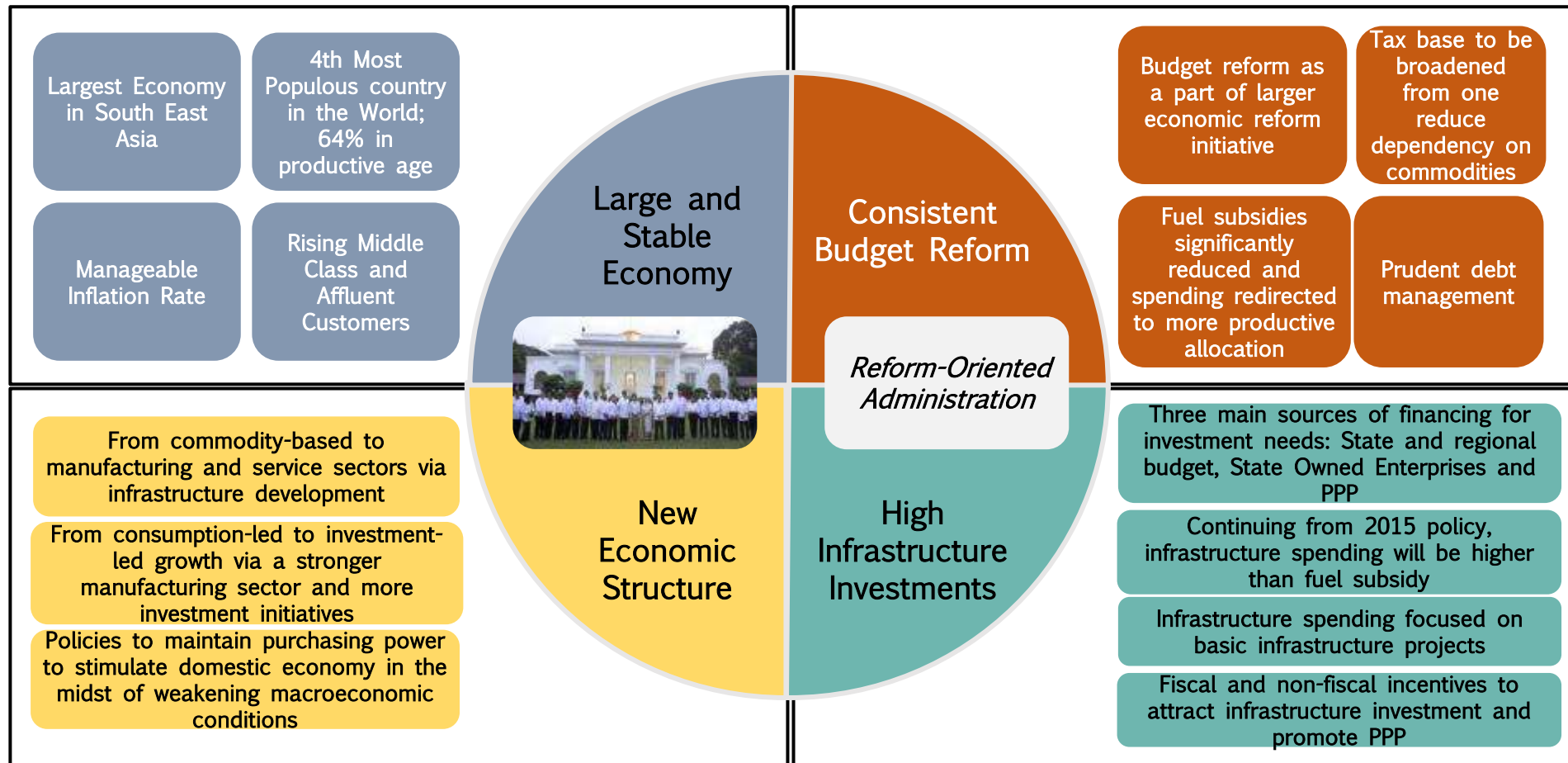


# Section 3

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

# Conductive Environment Underpinning Improved Growth Fundamentals Amid Temporary Moderation

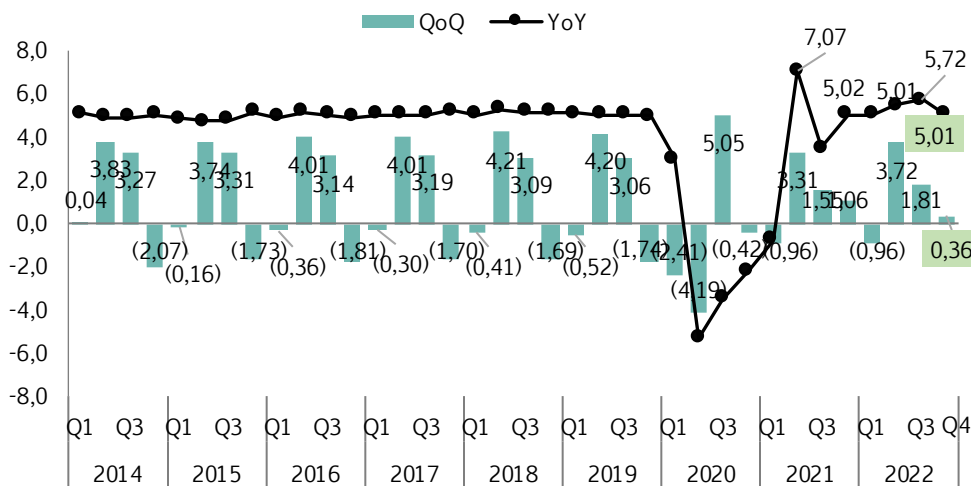




# National Economic Recovery Continue to Accelerate



## Strong GDP Growth<sup>1</sup>

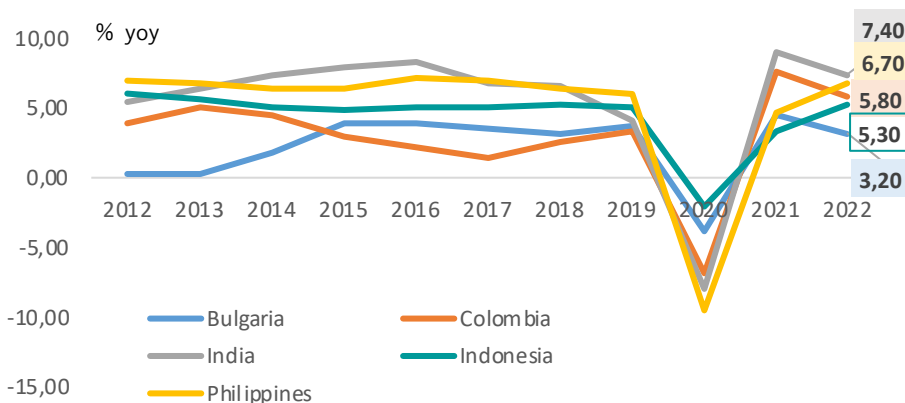


Indonesia's economic recovery momentum has continued in 2022, with the economy growing 5.31% (yoy), up significantly from 3.70% (yoy) in 2021. Solid economic growth in 2022 was supported by improving domestic economic activity along with the increase in social mobility which further boost consumption and investment, as well as strong export performance. Looking ahead, robust economic growth in 2023 is projected in the 4.5-5.3% range on the back of increasing domestic demand in the form of household consumption and investment. The latest projection is in line with increasing public mobility after the Government fully repealed community activity restrictions (PPKM), a promising business outlook, increasing foreign direct investment inflows, as well as the ongoing completion of national strategic projects.

**In terms of spending, solid economic growth was supported in the reporting period by nearly all GDP components.** Household consumption grew 4.93% (yoy) in response to greater mobility compared to 2021 (2.02% yoy). after the Government gradually eased the community activity restrictions (PPKM). Export growth remained strong at 16.28% (yoy) compared to 17.95 growth in 2021, driven by continued strength of demand from Indonesia's major trading partners, notwithstanding the limited effect of geopolitical tensions between Russia and Ukraine. In the meantime, investment growth has slowed by 3.07% year on year due to a decline in building investment, despite strong non-construction investment performance.

**Economic improvements remained strong in nearly all economic sectors in 2022.** The growth is primarily driven by the Manufacturing Industry, Transportation and Warehouse, as well as Wholesale and Retail Trade. Spatially, solid national economic growth in 2022 was supported by all regions, led by Sulawesi-Maluku-Papua, followed by Java, Bali-Nusa Tenggara, Kalimantan and Sumatra.

## Favourable GDP Growth Compared to Peers<sup>2</sup>



## 2023 Growth Projection \*)

Institutions	GDP growth
2023 Budget	5.3
Bank Indonesia	4.5-5.3
Consensus Forecast (March 2023)	4.5
World Bank (GEP, January 2023)	4.8
IMF (January 2023)	4.8
ADB (Asian Development Outlook, December 2022)	4.8

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

\*) Consensus Forecast number will be given later

# GDP Growth Breakdown



## GDP Growth Based on Expenditures (% YoY)<sup>1</sup>

Economic Growth by Expenditure	2018	2019	2020	2021					2022					Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	
<b>GDP Growth (% yoy)</b>	<b>5,17</b>	<b>5,02</b>	<b>(2,07)</b>	<b>(0,69)</b>	<b>7,08</b>	<b>3,53</b>	<b>5,03</b>	<b>3,70</b>	<b>5,02</b>	<b>5,46</b>	<b>5,73</b>	<b>5,01</b>	<b>5,31</b>	
<b>Private Consumption</b>	<b>5,14</b>	<b>5,16</b>	<b>(2,67)</b>	<b>(2,25)</b>	<b>5,92</b>	<b>1,06</b>	<b>3,55</b>	<b>2,01</b>	<b>4,37</b>	<b>5,49</b>	<b>5,40</b>	<b>4,50</b>	<b>4,94</b>	<b>53,04</b>
Household Consumption	5,05	5,04	(2,63)	(2,21)	5,96	1,02	3,56	2,02	4,34	5,51	5,39	4,48	4,93	51,87
NPI Serving Households Consumption	9,15	10,62	(4,21)	(3,65)	4,06	2,87	3,20	1,62	5,90	5,02	5,97	5,70	5,64	1,17
<b>Government Expenditure</b>	<b>4,82</b>	<b>3,27</b>	<b>2,12</b>	<b>2,57</b>	<b>8,22</b>	<b>0,65</b>	<b>5,29</b>	<b>4,24</b>	<b>(6,62)</b>	<b>(4,63)</b>	<b>(2,55)</b>	<b>(4,77)</b>	<b>(4,51)</b>	<b>7,66</b>
<b>Gross Fixed Capital Formation</b>	<b>6,68</b>	<b>4,45</b>	<b>(4,96)</b>	<b>(0,21)</b>	<b>7,52</b>	<b>3,76</b>	<b>4,49</b>	<b>3,80</b>	<b>4,08</b>	<b>3,09</b>	<b>4,98</b>	<b>3,33</b>	<b>3,87</b>	<b>29,08</b>
Building	5,41	5,37	(3,78)	(0,74)	4,36	3,36	2,48	2,32	2,58	0,92	0,07	0,11	0,91	21,49
Nonbuilding	10,44	1,83	(8,44)	1,44	18,50	4,96	10,40	8,42	8,63	9,71	19,32	12,11	12,53	7,60
<b>Export</b>	<b>6,51</b>	<b>(0,48)</b>	<b>(8,42)</b>	<b>2,17</b>	<b>28,41</b>	<b>20,74</b>	<b>22,24</b>	<b>17,95</b>	<b>14,22</b>	<b>16,40</b>	<b>19,41</b>	<b>14,93</b>	<b>16,28</b>	<b>24,49</b>
<b>Import</b>	<b>12,14</b>	<b>(7,13)</b>	<b>(17,60)</b>	<b>5,21</b>	<b>33,20</b>	<b>31,08</b>	<b>32,61</b>	<b>24,87</b>	<b>16,04</b>	<b>12,72</b>	<b>25,37</b>	<b>6,25</b>	<b>14,75</b>	<b>(20,90)</b>

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

## GDP Growth by Sector (% YoY)

Economic Growth by Sector	2018	2019	2020	2021					2022					Share (%)
	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	
<b>Economic Growth (% yoy)</b>	<b>5,17</b>	<b>5,02</b>	<b>(2,07)</b>	<b>(0,69)</b>	<b>7,08</b>	<b>3,53</b>	<b>5,03</b>	<b>3,70</b>	<b>5,02</b>	<b>5,46</b>	<b>5,73</b>	<b>5,01</b>	<b>5,31</b>	
Agriculture, Forestry, and Fishery	3,88	3,61	1,77	3,48	0,56	1,44	2,33	1,87	1,16	1,68	1,95	4,51	2,25	12,40
Mining and Quarrying	2,16	1,22	(1,95)	(2,02)	5,22	7,78	5,15	4,00	3,82	4,01	3,22	6,46	4,38	12,22
Manufacturing	4,27	3,80	(2,93)	(1,38)	6,58	3,68	4,92	3,39	5,07	4,01	4,83	5,64	4,89	18,34
Construction	6,09	5,76	(3,26)	(0,79)	4,42	3,84	3,91	2,81	4,83	1,02	0,63	1,61	2,01	9,77
Wholesale and Retail Trade	4,97	4,60	(3,79)	(1,28)	9,50	5,12	5,54	4,63	5,73	4,43	5,37	6,55	5,52	12,85
Transportation and Warehousing	7,05	6,38	(15,05)	(13,09)	25,10	(0,72)	7,93	3,24	15,79	21,27	25,80	16,99	19,87	5,02
Information and Communication	7,02	9,42	10,61	8,72	6,90	5,54	6,24	6,82	7,15	8,06	6,95	8,75	7,74	4,15
Financial and Insurance Services	4,17	6,61	3,25	(2,97)	8,33	4,29	(2,59)	1,56	1,64	1,50	0,87	3,76	1,93	4,13
Other Services	6,18	6,66	(1,24)	(2,51)	9,83	(0,84)	3,43	2,35	3,33	4,03	7,88	4,95	5,04	16,75

Source: Central Bureau of Statistics of Indonesia (BPS)

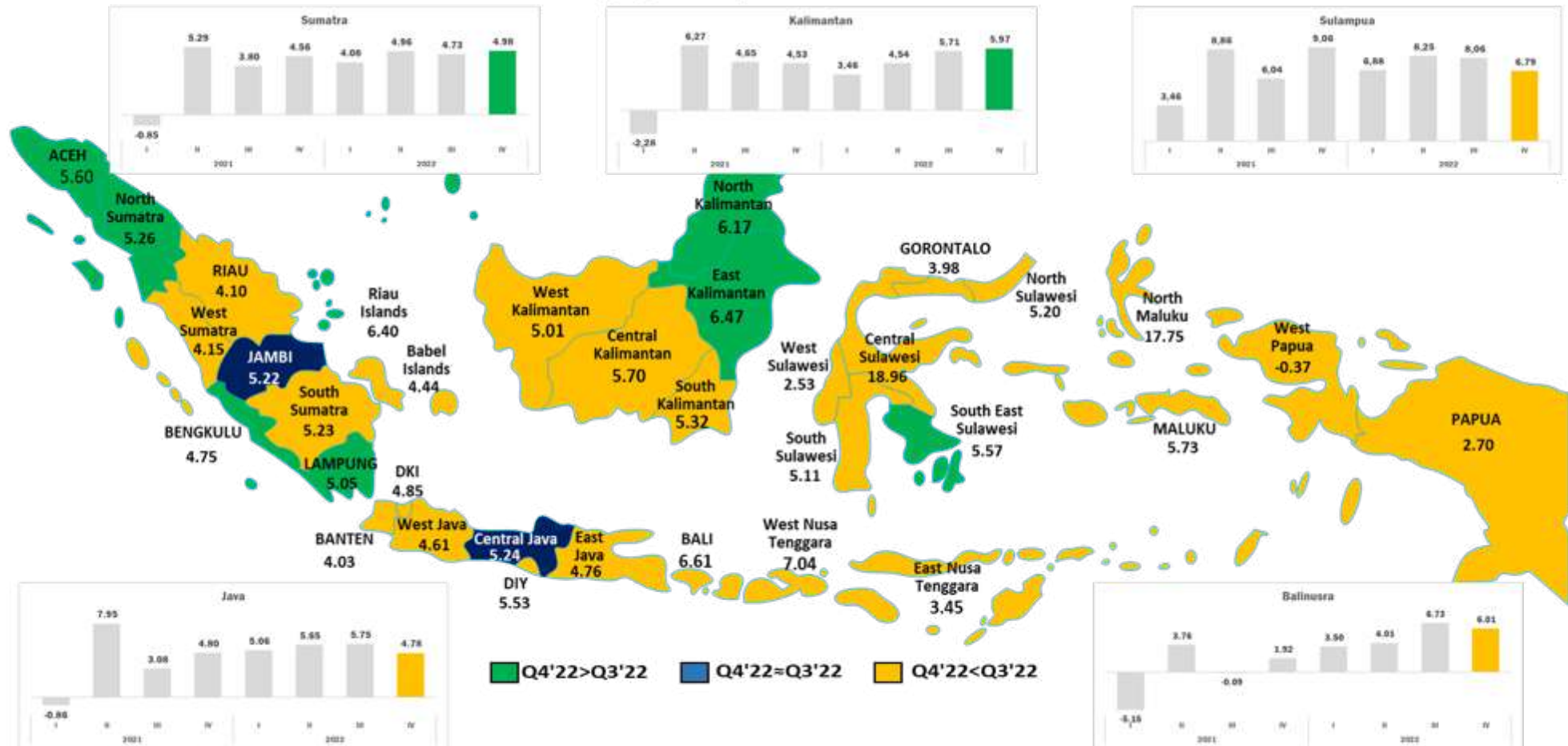
\*Other services consist of 10 sectors (according to Standard National 2008)

# Economic Performance Improved In Almost All Regions



*Strong domestic economic growth in 2022 in line with increasing public mobility..*

**Realization of PDRB Quarter IV 2022 (% , yoy; compared to Quarter III 2022)**



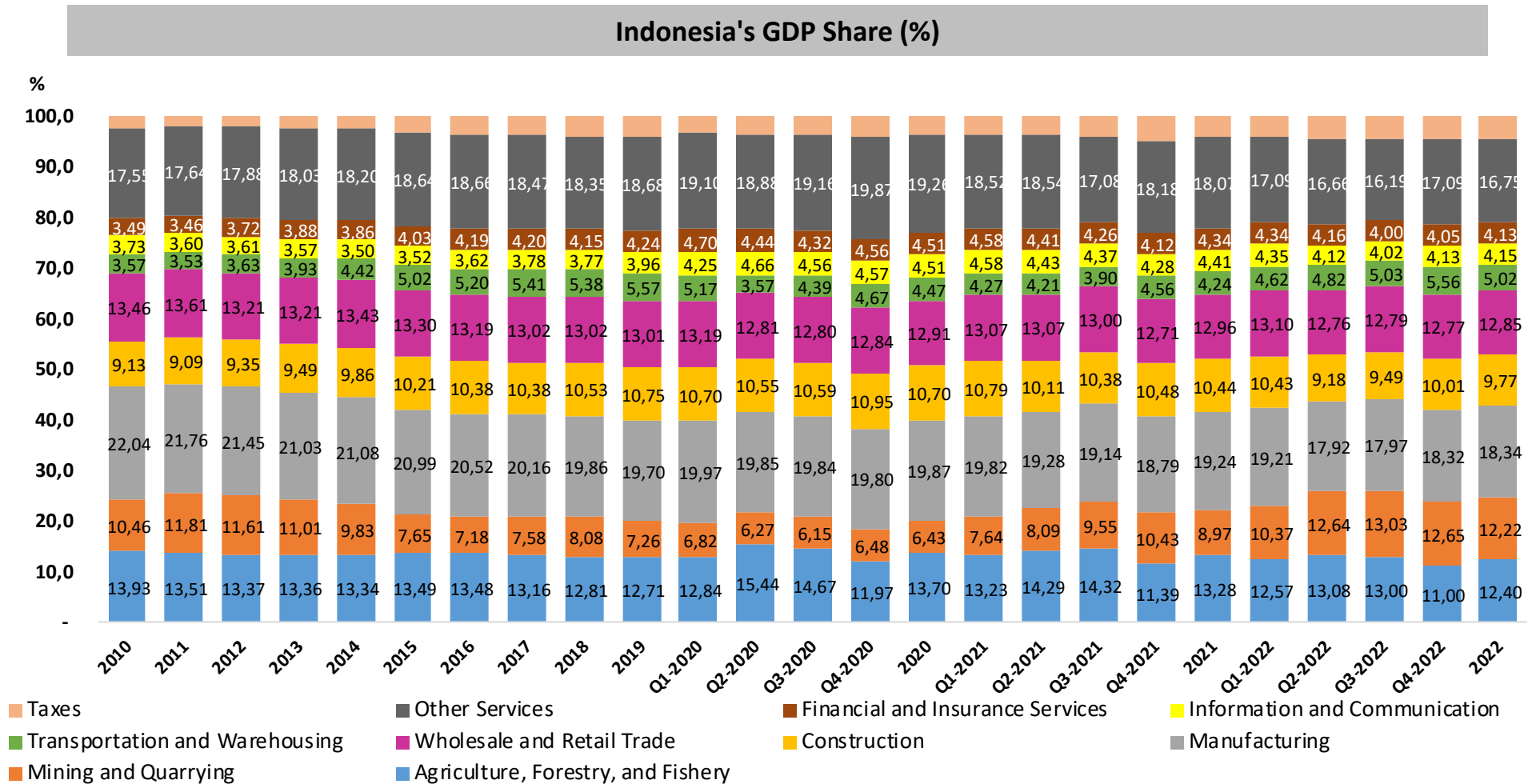
Source: BPS, calculated

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

# Economic Performance in Most Sectors Continue to Improve



In terms of production, Indonesia's economy is mainly supported by services sector, manufacturing, and primary sector. Services sector (wholesale and retail trade, information and communication, financial and insurance service) has expanded the last five years, while primary sector (mining and quarrying) has benefited from higher commodity prices in 2022.



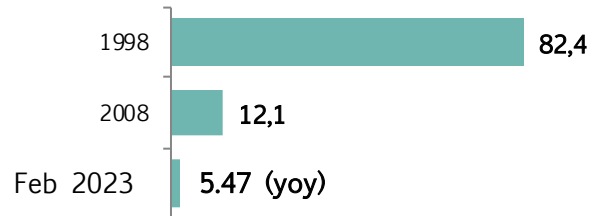


# Stronger Fundamentals Facing the Headwinds



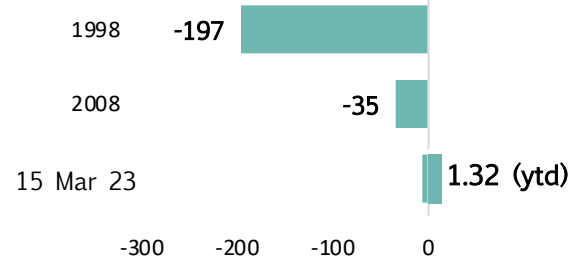
## Inflation Rate (%)

Inflation above the target range, but below the projection



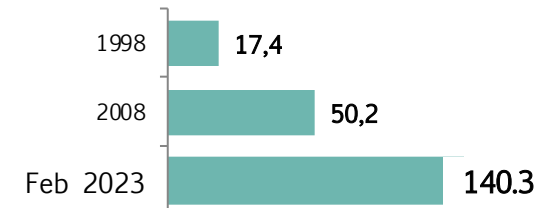
## IDR Movement (%)

IDR depreciated year-to-date



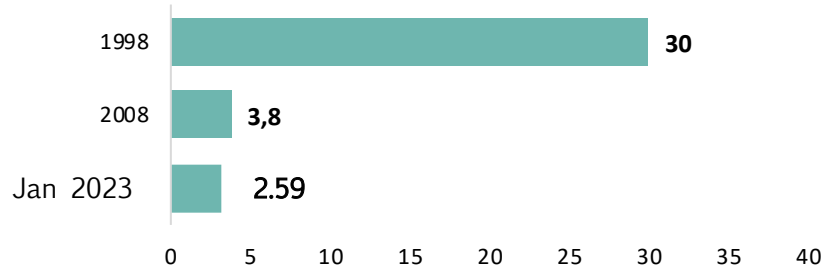
## Foreign Reserves (USD bn)

Significantly higher than 1998 & 2008, ample to cover 6.0 months of import and external debt repayment



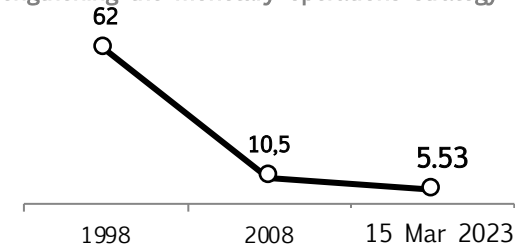
## Non-Performing Loan/NPL (%)

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



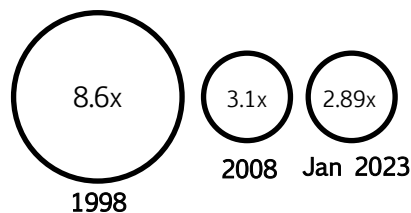
## More Liquid Market (%)

In the markets, the IndONIA rate is in line with the higher BI7DRR and strengthening the monetary operations strategy of BI



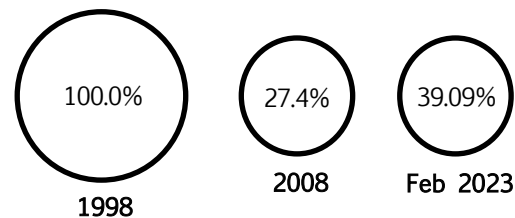
## External Debt (Public & Private) to FX Reserve Ratio

Significantly lower than 1998 crisis



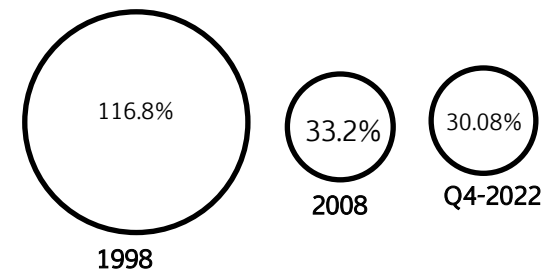
## Government Debt/GDP

Consistently well-maintained



## External Debt/GDP

Significantly lower than 1998 crisis






# Outlook of Domestic Economy Remains Robust

...the domestic economic recovery is continued to strengthen in 2023



## 2023 Economic Outlook

- Bank Indonesia projects economic growth in 2023 continue to accelerate to the range of 4.5-5.3% in 2023.
- Bank Indonesia is confident core inflation will remain at the 3.0%±1% target during the first semester of 2023 and CPI inflation will return to the 3.0%±1% target in the second semester of 2023
- Bank Indonesia projects BOP outlook for 2023 is good, with a manageable current account maintained in the range of a 0.4% of GDP surplus to a 0.4% of GDP deficit
- Bank Indonesia projects credit growth in 2023 will accelerate to 10.0-12.0%

	 Economic Growth	$\pi$ Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realization	5.17%	3.13%	2.98%	11.75%
2019 Realization	5.02%	2.72%	2.71%	6.08%
2020 Realization	-2.07%	1.68%	0.4%	-2.4%
2021 Realization	3.69%	1.87%	surplus 0.3%	5.24%
2022 Realization	5.31%	5.51%	surplus 1.0%	11.35%
2023	4.5-5.3%	3.0 ± 1%	surplus 0.4% - deficit 0.4%	10-12%



# Section 4

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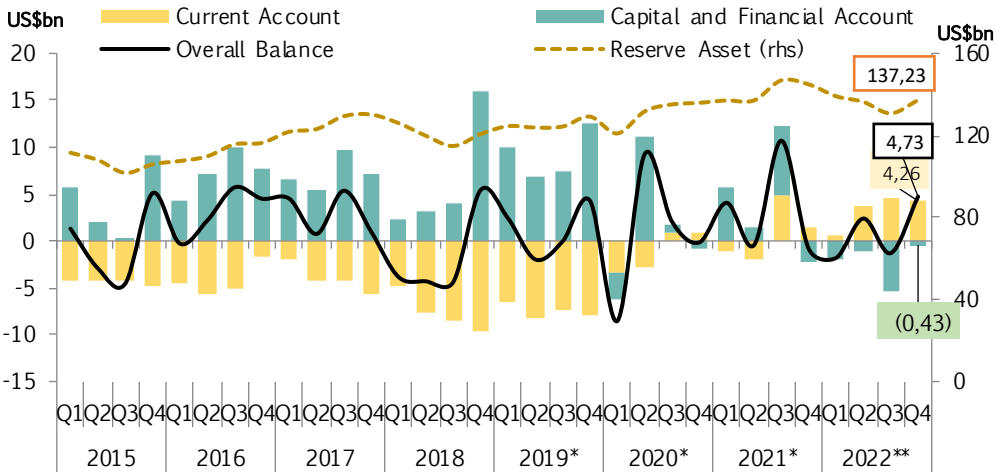
External Factor:  
Improved External Resilience

# External Sector Remains Resilient

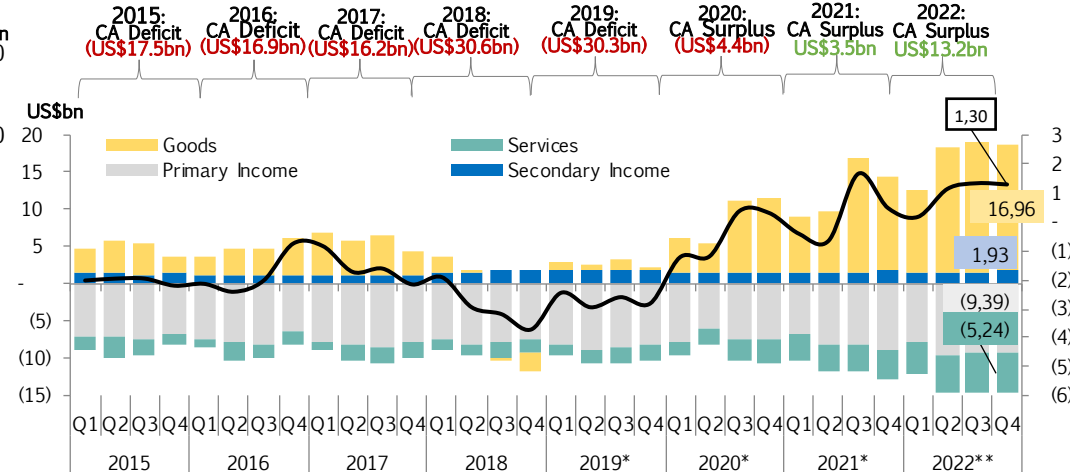
... Supported by Adequate Reserves and Sound Balance of Payments



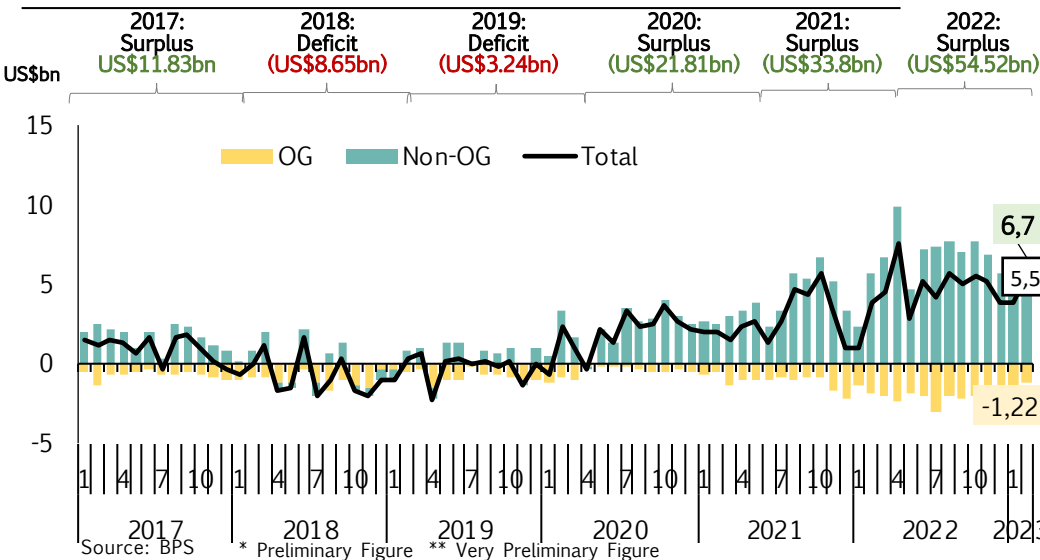
## Balance Of Payment Remains Solid



## Current Account Recorded Surplus

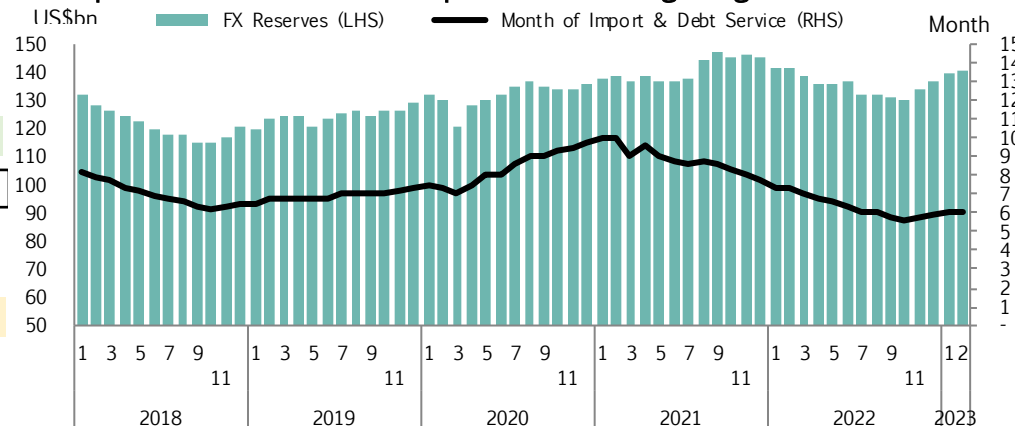


## Trade Balance Surplus Continues



## Official Reserve Assets Increased to Reinforce External Sector Resilience

**FX Reserves as of February 2023: US\$140.3bn**  
(Equiv. to 6.0 months of imports + servicing of government debt)

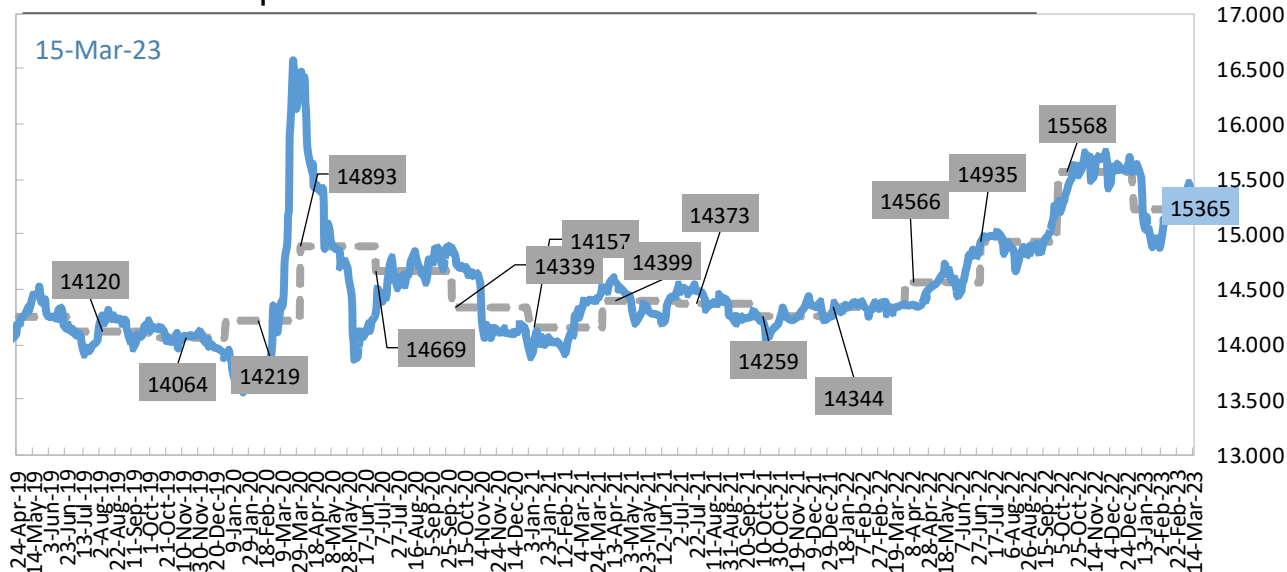




# Exchange Rate In Line with Fundamentals

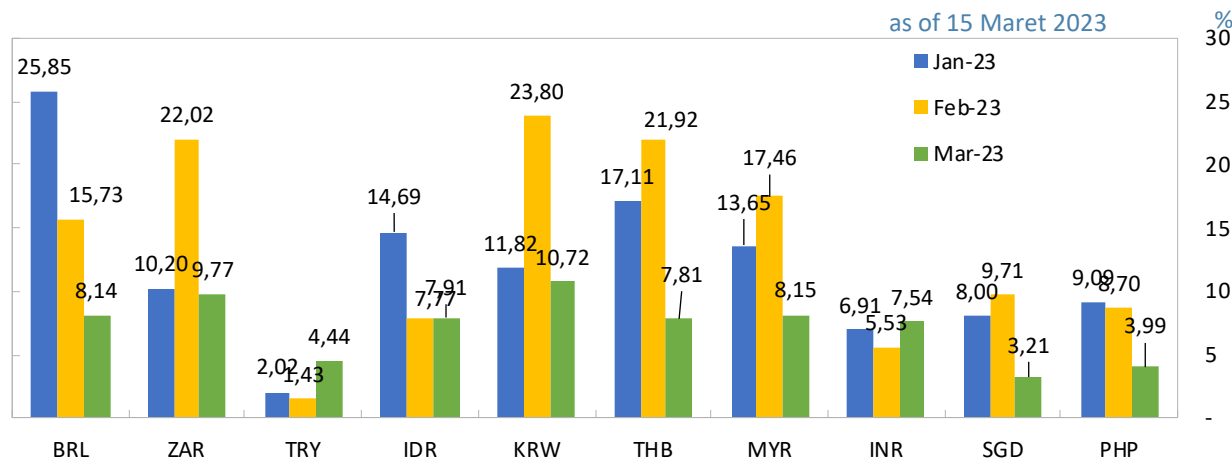


Movement of Rupiah



**Rupiah stability has been maintained in line with BI stabilisation measures against a backdrop of increasing global financial market uncertainty.** Consistent with broad-based currency depreciation triggered by rising global financial market uncertainty, the Rupiah slightly depreciated by 0.75% (ptp) in value as of 15th March 2023 compared with the level at the end of February 2023. Year-to-date, however, the Rupiah gained 1.32% on the level recorded at the end of December 2022, thus exceeding Rupee appreciation of 0.16%, as well as the depreciation experienced by the Baht (-0.04%) and Ringgit (-1.80%). Moving forward, Bank Indonesia expects to maintain Rupiah stability in line with the robust domestic economic outlook, low inflation, a current account surplus and attractive yields on domestic financial assets for investment. Furthermore, Bank Indonesia will continue strengthening Rupiah stabilisation policy to control imported inflation and mitigate the contagion effect of global financial market uncertainty on Rupiah exchange rates. Rupiah stabilisation policy has also been strengthened by DHE management through the implementation of foreign currency term deposits (TD) in accordance with market mechanisms.

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 2023: **US\$140.3 bn**

## Swap Arrangement

### Bilateral

#### Japan

- Renewed a 3 year USD22.76 billion swap line with Japan on October 14<sup>th</sup>, 2021
- The facility is available in USD and JPY

#### Singapore

- Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 1000 tn (equivalent) in November 2022

#### China

- Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 250 bn / IDR 550 tn (equiv.) in January 2022

#### Malaysia

- Established a 3 year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022

#### Australia

- Renewed a 3 year A\$/IDR swap arrangement with a size up to A\$10 billion or IDR 100 trillion in February 2022

### Regional

#### Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

### Global

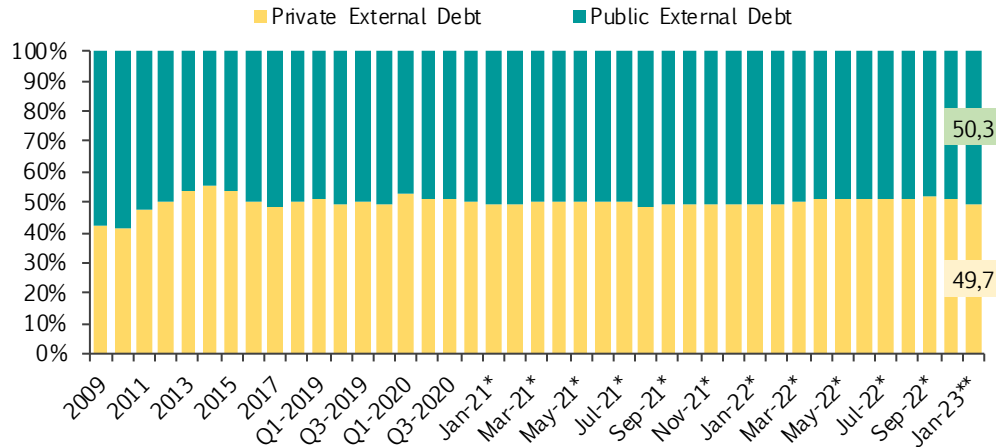
#### IMF Global Financial Safety Net - GSFN

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

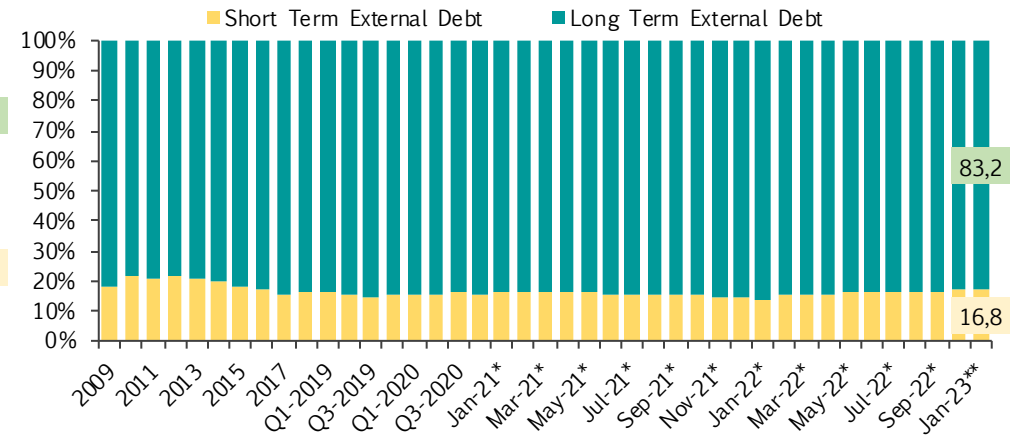
# Healthy External Debt Profile



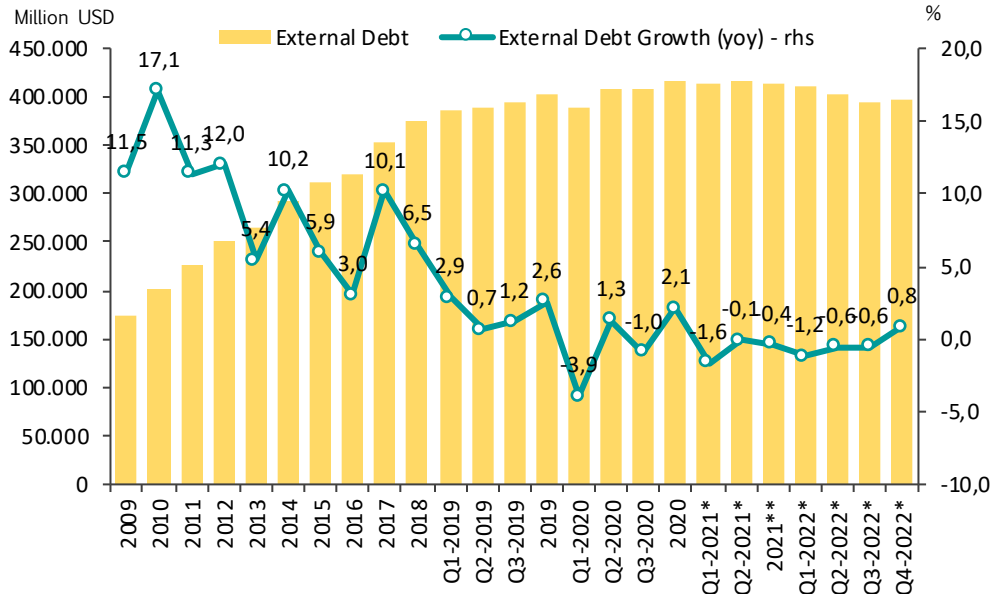
## External Debt Structure



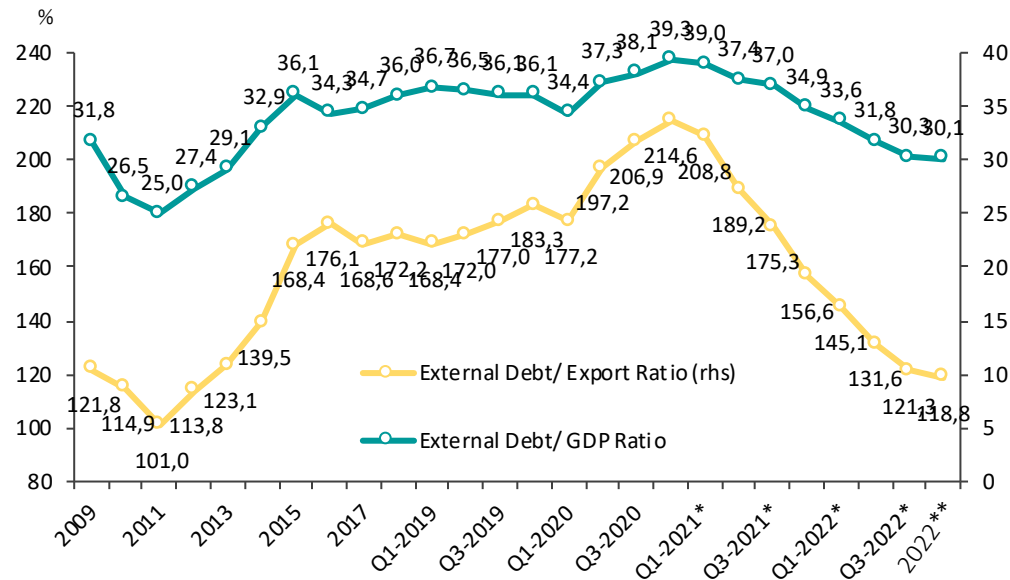
## The Structure of External Debt is Dominated by Long-Term Debt



## External Debt Remains Manageable



## External Debt to GDP Ratio & Debt to Export Ratio



Source: Bank Indonesia, External Debt Statistics of Indonesia

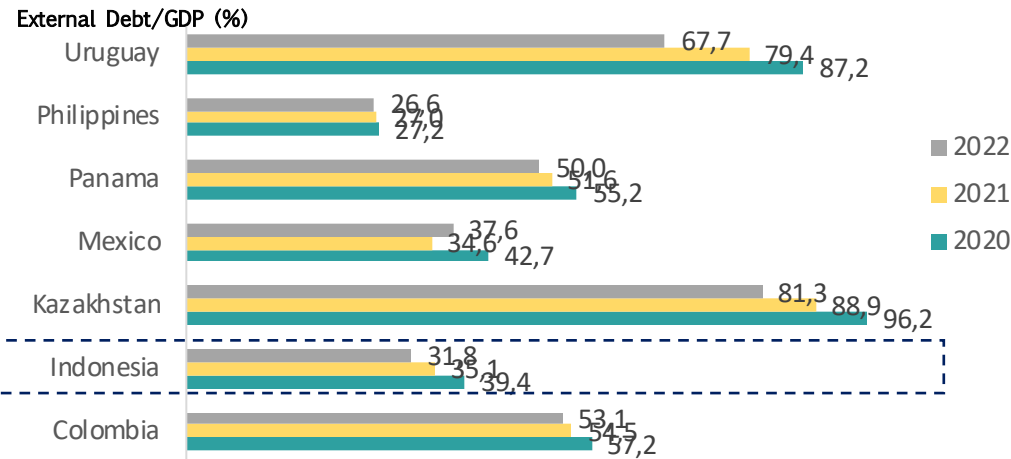
\*Provisional Figures

\*\*Very Provisional Figures

# Strengthened Private External Debt Risk Management



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



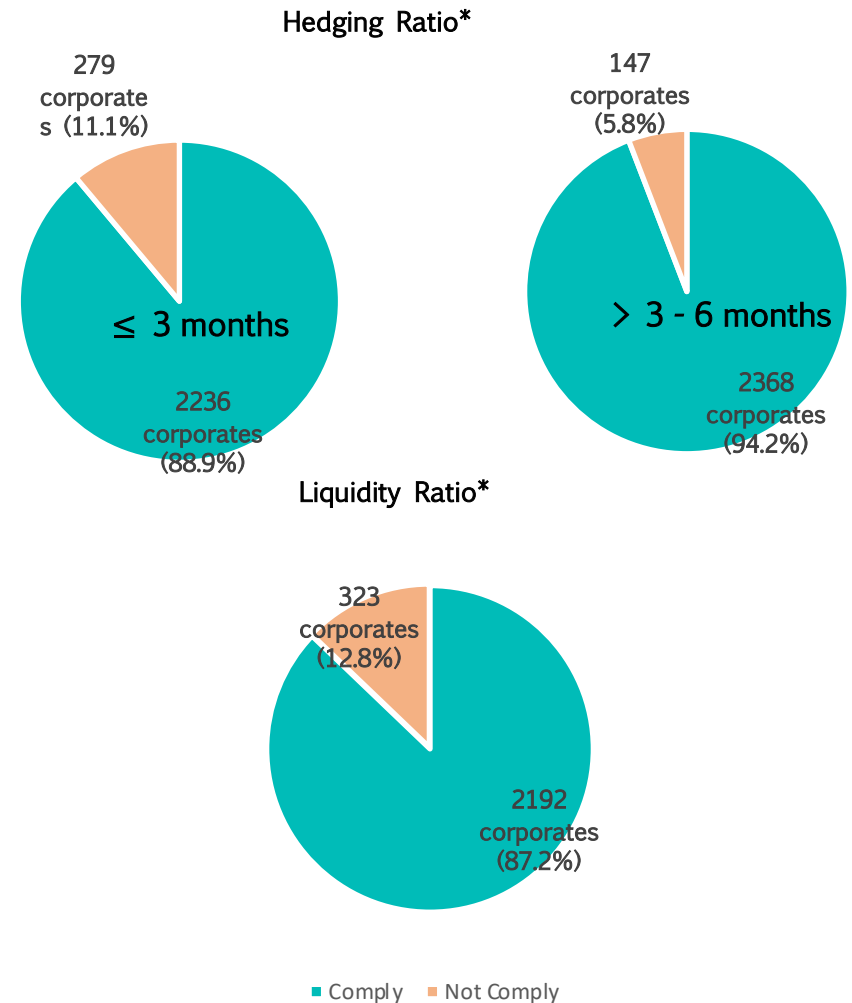
Source: Moody's Credit View Fundamental Data, September 2022

## Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

## Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



\*Data as of Q3-2022, with total population 2,515 corporates

Source: Bank Indonesia





# Section 5

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Fiscal Performance and Flexibility:  
Strong Commitment in Maintaining Fiscal Credibility



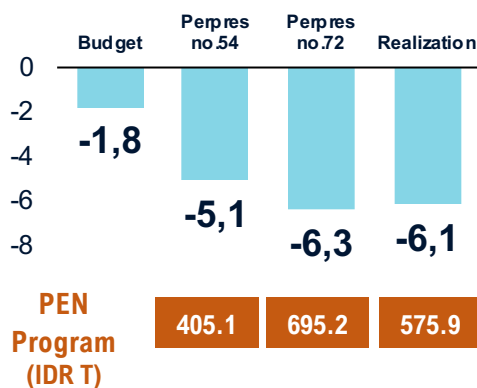
# Fiscal Policy Works Hard, Responsive, and Flexible During Pandemic

## Covid-19 measures, accelerating recovery, and supporting reforms

### 2020 EXTRAORDINARY POLICY

- Law No.1/2020 → Law No.2/2020
- Stimulus for handling Covid-19 and the PEN Program
- The Fiscal deficit widened by 6.34% of GDP

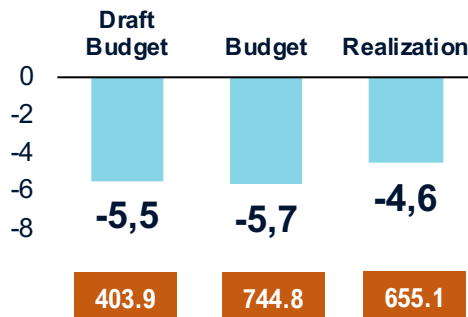
Budget Deficit 2020 (% GDP)



### 2021 PANDEMIC HANDLING & RECOVERY

- Focus on handling the pandemic (vaccination and health protocols)
- Economic recovery, flexible and accountable PEN
- Momentum of reform (Tax Reform, Financial Relations between the Central and

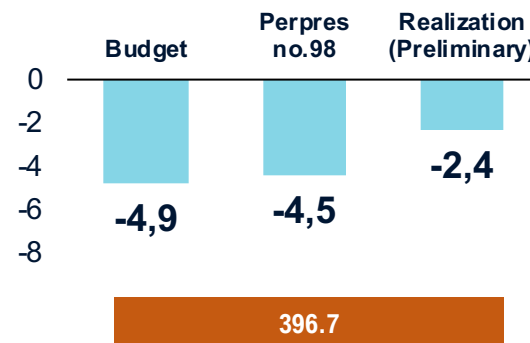
Budget Deficit 2021



### 2022 ACCELERATE RECOVERY & REFORM POLICY

- Strengthening pandemic handling (accelerating vaccination to achieve communal immunity)
- Accelerating economic recovery (PEN sustainability)
- Reform effectiveness

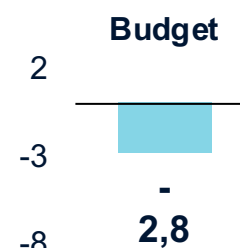
Budget Deficit 2022



### 2023 HIGH QUALITY FISCAL CONSOLIDATION

- Returns a maximum deficit of 3% of GDP
- Primary balance towards positive
- Debt ratio is attempted to decrease
- Debt controlled risk

Budget Deficit 2023



FISCAL DISCIPLINE FOR LONG TERM SUSTAINABILITY

# 2023 Budget

Increasing productivity for an inclusive and sustainable economic transformation



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

## Macroeconomic Assumption for 2023 Budget



Economic Growth  
5.3%



Inflation  
3.6%



Exchange Rate  
IDR14,800/USD



10Y T-Bonds Rate  
7.90%



ICP  
US\$90/barrel



Oil Lifting  
660 thousand  
barrel/day



Gas Lifting  
1,100 thousand  
barrel of oil  
equivalent/day

## 2023 Development Target



Unemployment rate  
5.3 – 6.0



Human Development Index  
73.31 – 73.49



Gini Ratio  
0.375 – 0.378



Poverty Level  
7.5 – 8.5



Peasant Exchnage Rate  
105 – 107

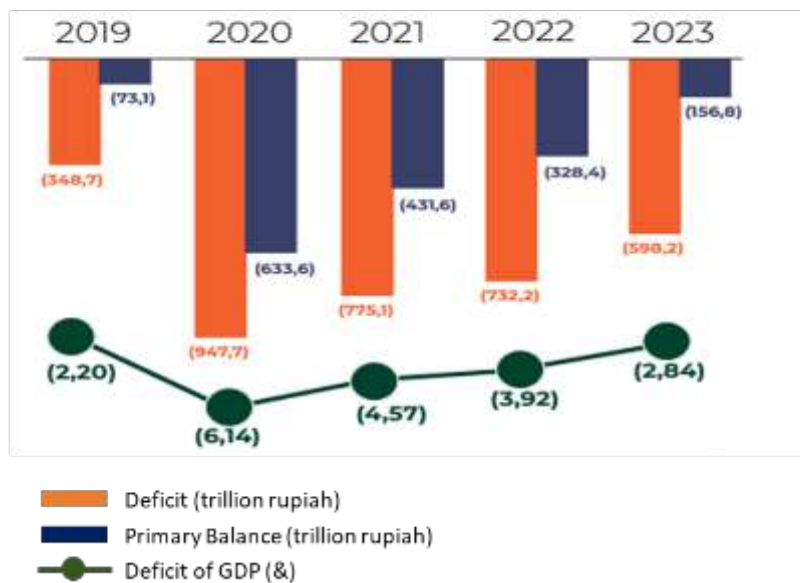


Fisherman Exchnage Rate  
107 – 108

# Fiscal Policy Focus 2023



**The 2023 State Budget supports consolidation to maintain fiscal sustainability**



**Strengthening the Role of the APBN and Continuing Quality Fiscal Consolidation**

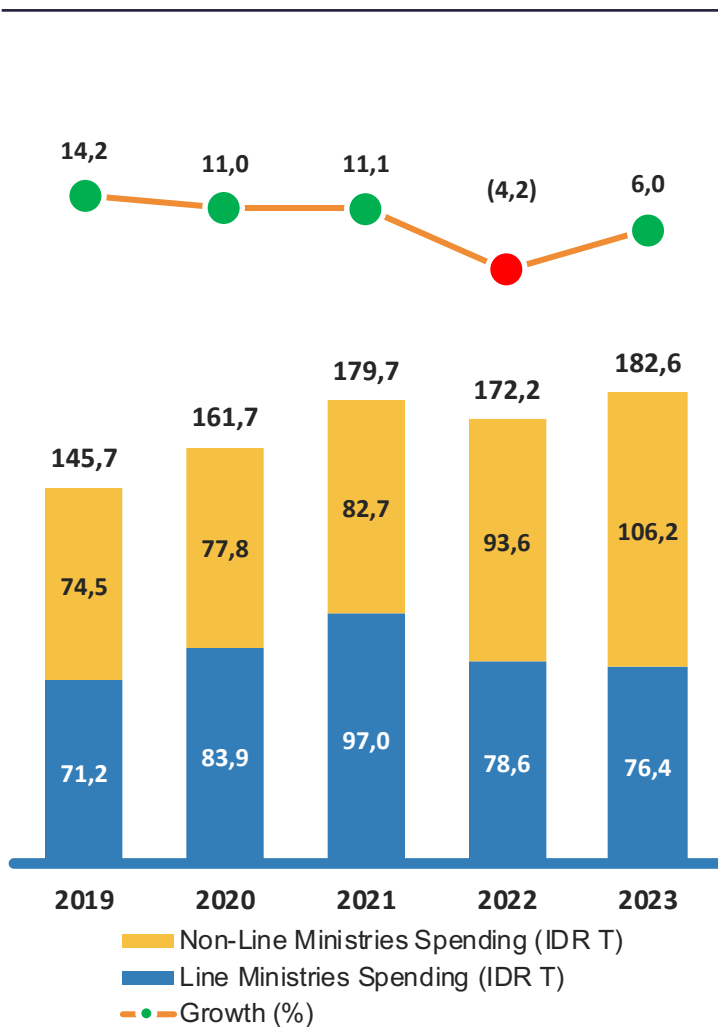




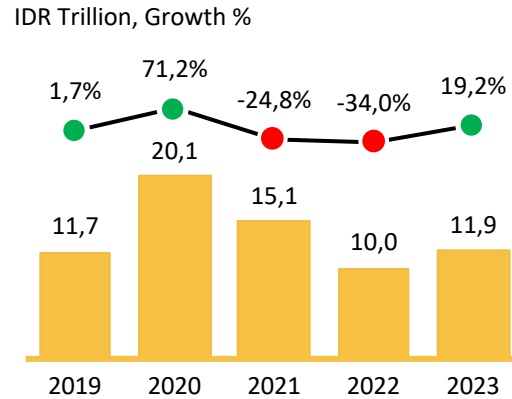
# Government Maintains Focus on Priority Spending



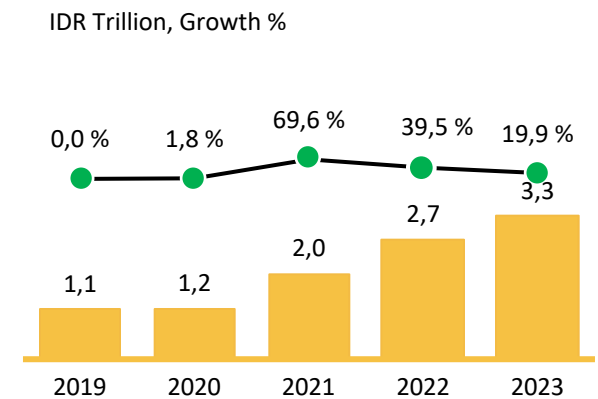
## Central Government Spending



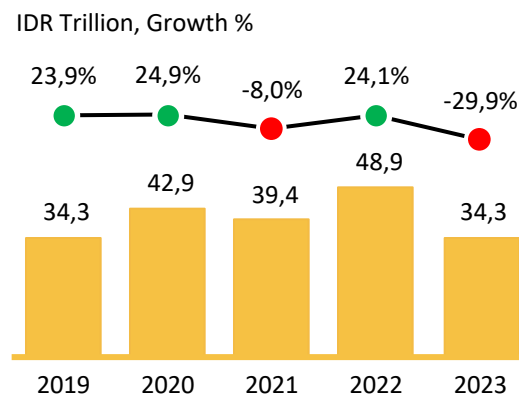
## Health Spending



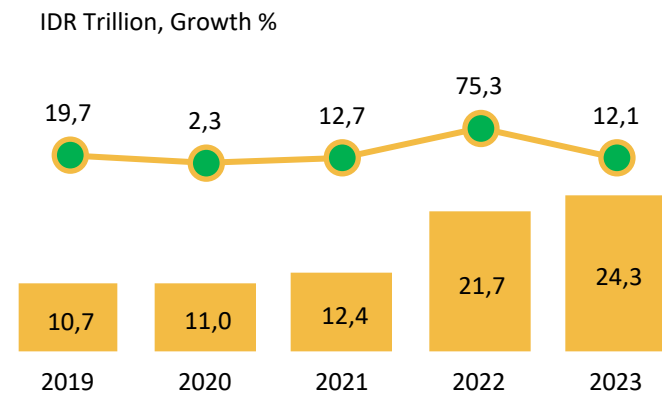
## Food Security Spending



## Social Protection Spending



## Subsidy Spending



# February 2023 State Budget Surplus Reflects Strong Revenue And Positive Spending Trends

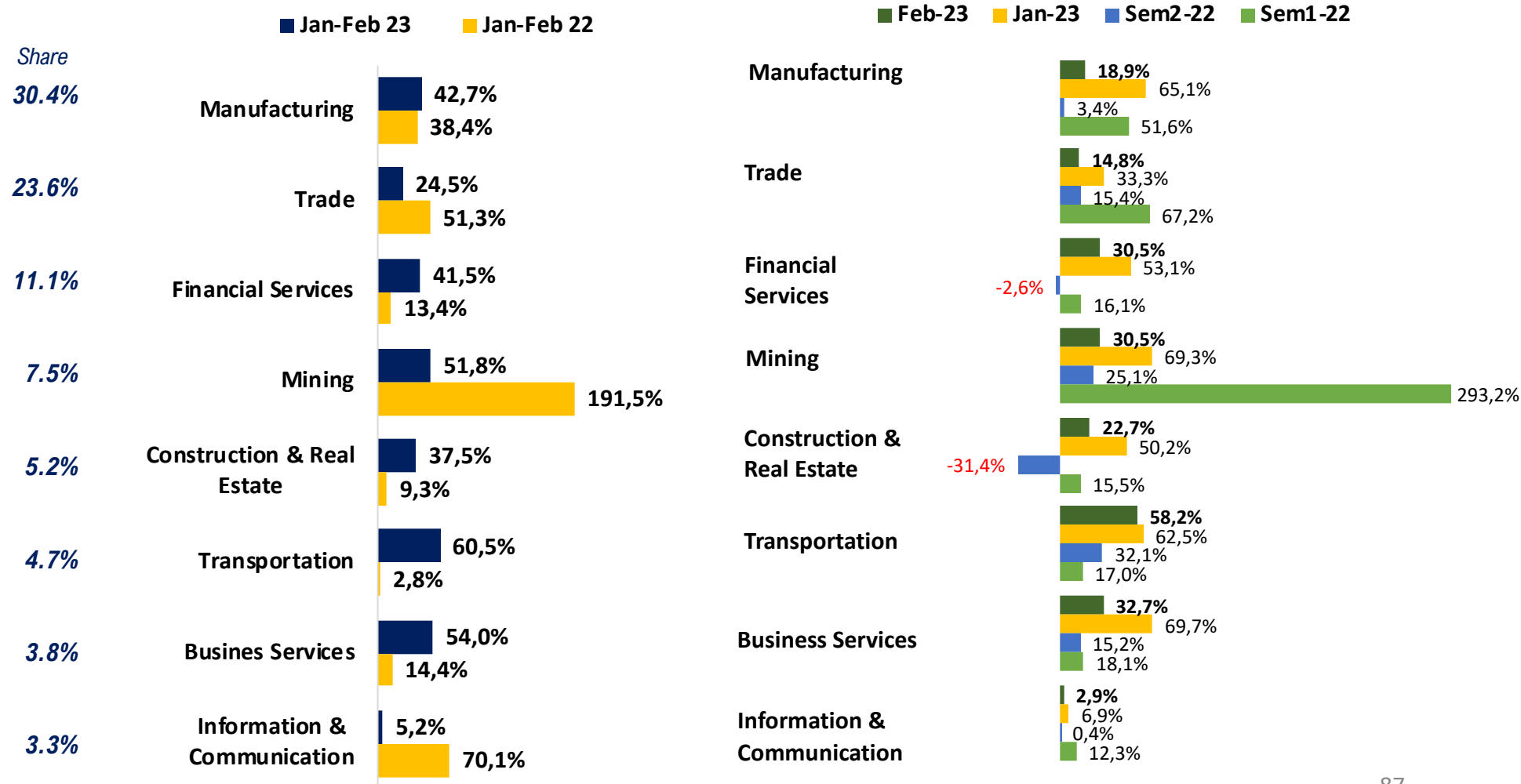


Account (IDRtn)	2022			2023			
	Real. as of 28 Feb	% to Revised Budget	Growth (%)	Budget	Real. as of 28 Feb	% to Budget	Growth (%)
<b>A. Revenue</b>	<b>302.6</b>	<b>13.4</b>	<b>37.8</b>	<b>2,463.0</b>	<b>419.6</b>	<b>17.0</b>	<b>38.7</b>
I. Tax Revenue	256.2	14.4	41.0	2,021.2	333.2	16.5	30.1
1. Tax	199.5	13.4	36.5	1,718.0	280.0	16.3	40.4
2. Custom & Excise	56.7	19.0	59.3	303.2	53.3	17.6	(6.1)
II. Non-Tax Revenue	46.3	9.6	22.8	414.4	86.4	19.6	86.6
<b>B. Expenditure</b>	<b>282.7</b>	<b>9.1</b>	<b>(0.1)</b>	<b>3,061.2</b>	<b>287.8</b>	<b>9.4</b>	<b>1.8</b>
I. Central Government	172.2	7.5	(4.2)	2,246.5	182.6	8.1	6.0
1. Line Ministries Spending	78.6	8.3	(19.0)	1,000.8	76.4	7.6	(2.8)
2. Non-Line Ministries	93.6	6.9	13.2	1,245.6	106.2	8.5	13.4
II. Regional Transfer & Village Funds	110.5	13.7	7.1	814.7	105.2	12.9	(4.8)
<b>C. Primary Balance</b>	<b>61.9</b>	<b>(14.2)</b>	<b>370.1</b>	<b>(156.8)</b>	<b>182.2</b>	<b>(116.2)</b>	<b>194.3</b>
<b>D. Surplus (Deficit)</b>	<b>19.9</b>	<b>(2.4)</b>		<b>(598.2)</b>	<b>131.8</b>	<b>(22.0)</b>	<b>562.2</b>
<b>% to GDP</b>	<b>0.10</b>			<b>(2.84)</b>	<b>0.63</b>		
<b>E. Financing</b>	<b>84.0</b>	<b>10.0</b>		<b>598.2</b>	<b>182.2</b>	<b>30.5</b>	

# Budget Outturn Up To February 2023 Showed Promising Sign



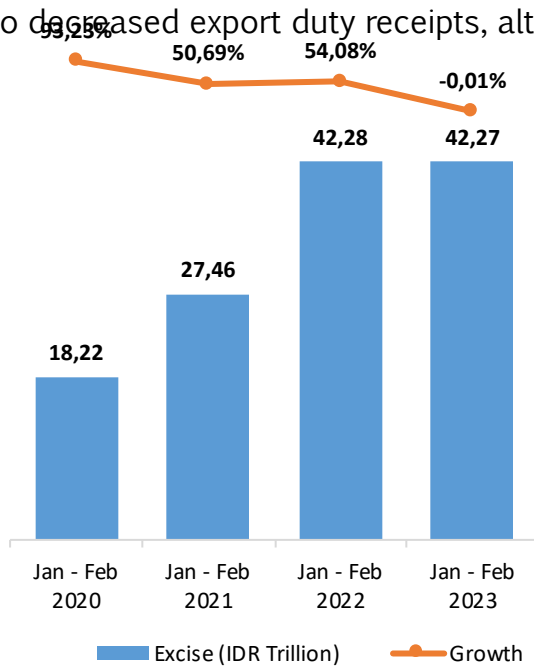
## Positive Growth in Main Sector Tax Revenue Tax Performance (cumulative growth y-o-y)



# Customs And Excise Revenues Are Slightly Slow But On-track

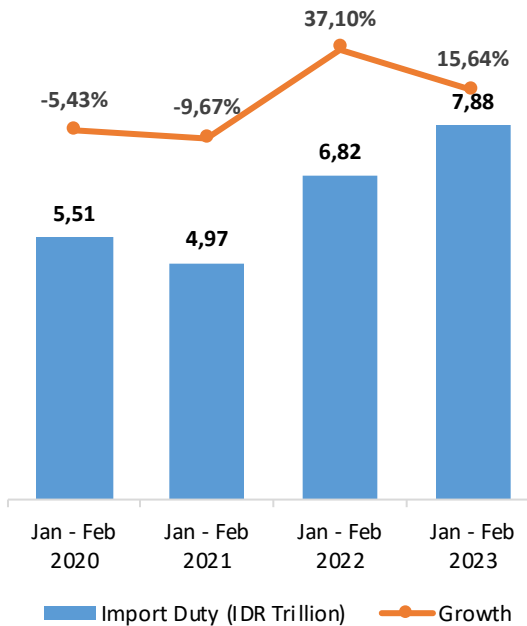


## Excise Revenue



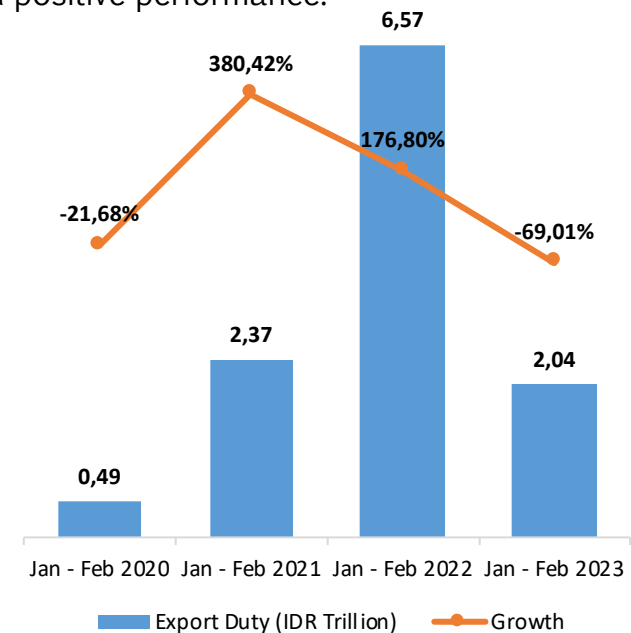
Influenced by tariff policies, the overflow effect of repayment of tobacco products produced in December 2022, and the effectiveness of supervision

## Import Duty Revenue



Driven by extra effort in January, the dollar exchange rate increased compared to last year and Vehicle Import Duty

## Export Duty Revenue



Affected by the moderated price of CPO and the decline in the export volume of mineral commodities

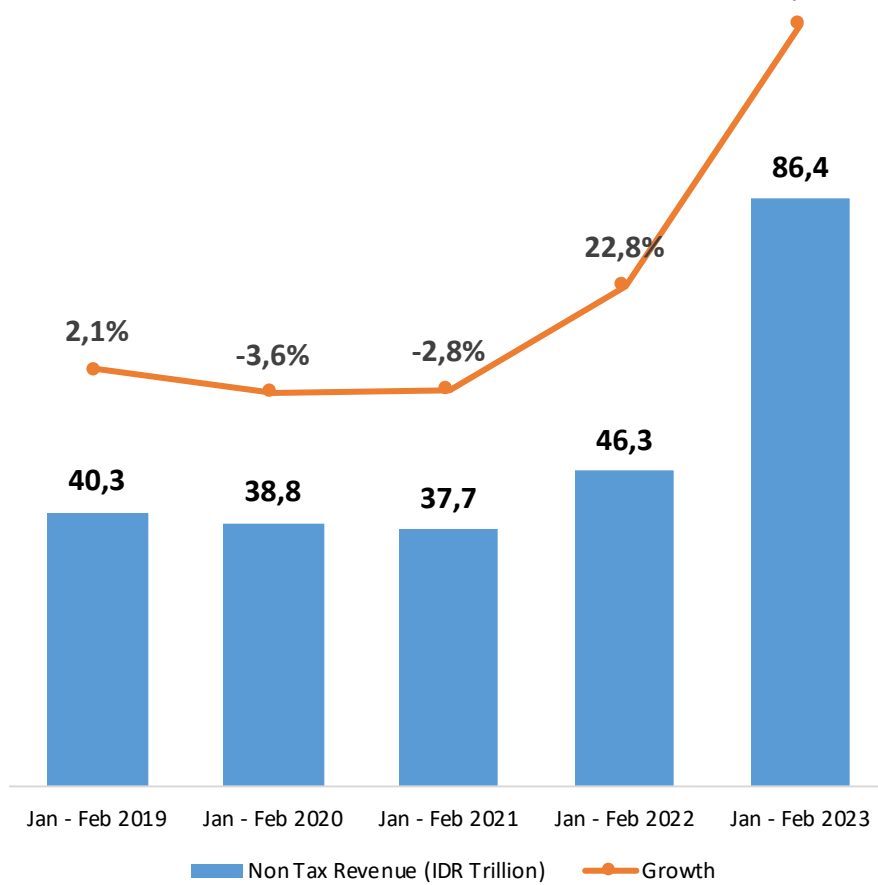


# Realization Of Non-tax Revenue Continues To Increase

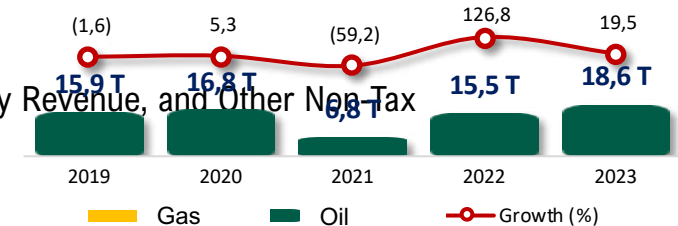


## Non-Tax Revenue

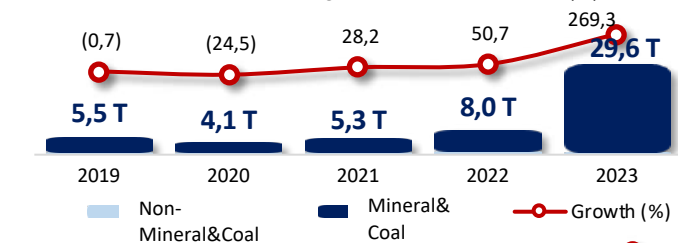
Mainly Driven by from Natural Resource Revenue, SOE's profit, and Public Service Agency Revenue, and Other Non-Tax Revenue



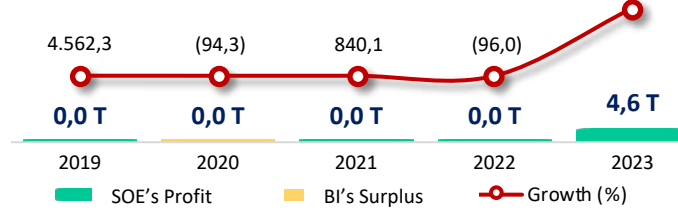
## Oil & Gas Revenue



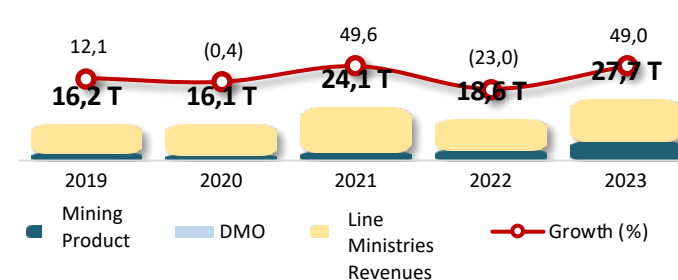
## Non-Oil & Gas Revenue



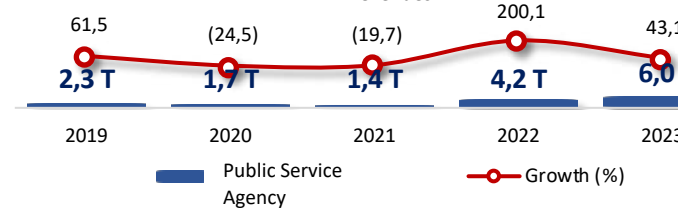
## SOE's Revenue



## Other Non-Tax Revenues



## Public Services Agency (BLU) Revenue

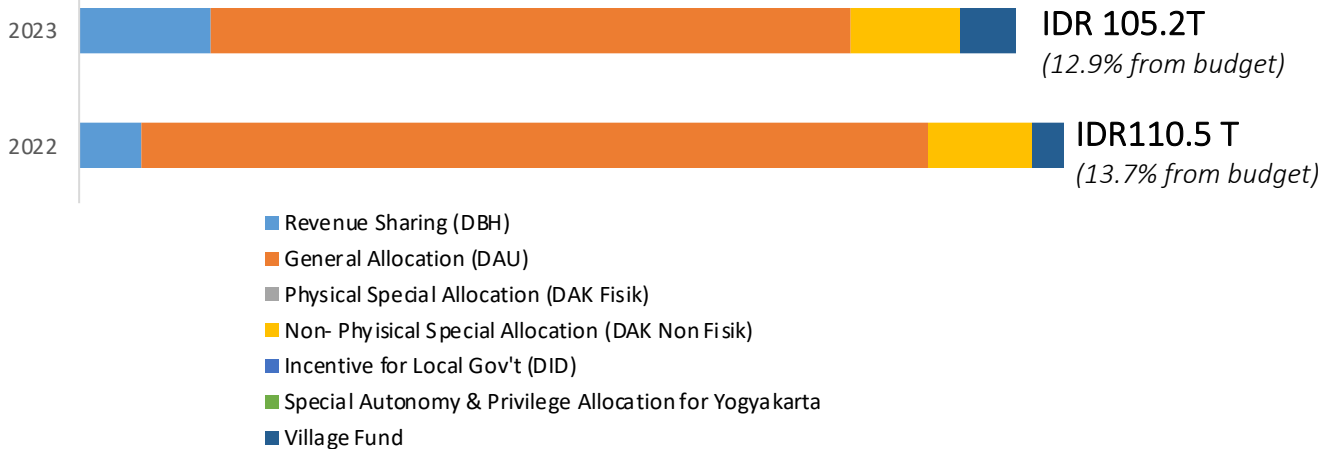


# The Performance Of Transfers To The Region Requires Improvement



## Transfer to Region Fund

(January – February)

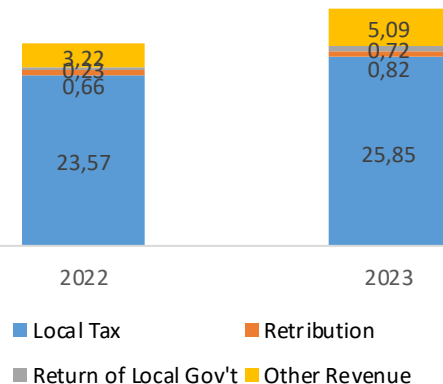


- The distribution of transfers to regions in the Indonesian government budget decreased by 4.8% in nominal terms as of February 28, 2023.
- The total disbursement was IDR 105.2 T (12.9%), slightly lower than the disbursement in FY 2022 of IDR 110.5 T (13.7%).
- Some of the Transfer to Region funds have not been disbursed yet due to waiting for the submission of disbursement requirements from the Regional Government.

## Local Government Performance

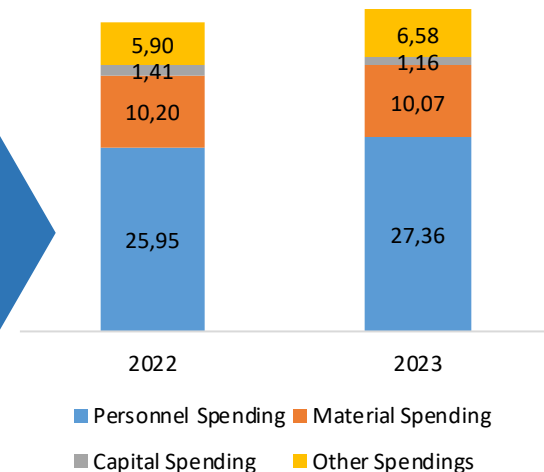
### REVENUE

Regional Tax performance in February 2023 grew 9.7% (y.o.y), driven by growth in the realization of consumptive taxes, indicating that the economic activities of the people in the regions are continuing to improve.



### SPENDING

Up to Feb, local Gov't spending grew by 4.0% (yoy) contributed by Personnel and Other Spending.





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

## General debt policy direction



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



Prioritizing domestic sources of financing to increase financial independence



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

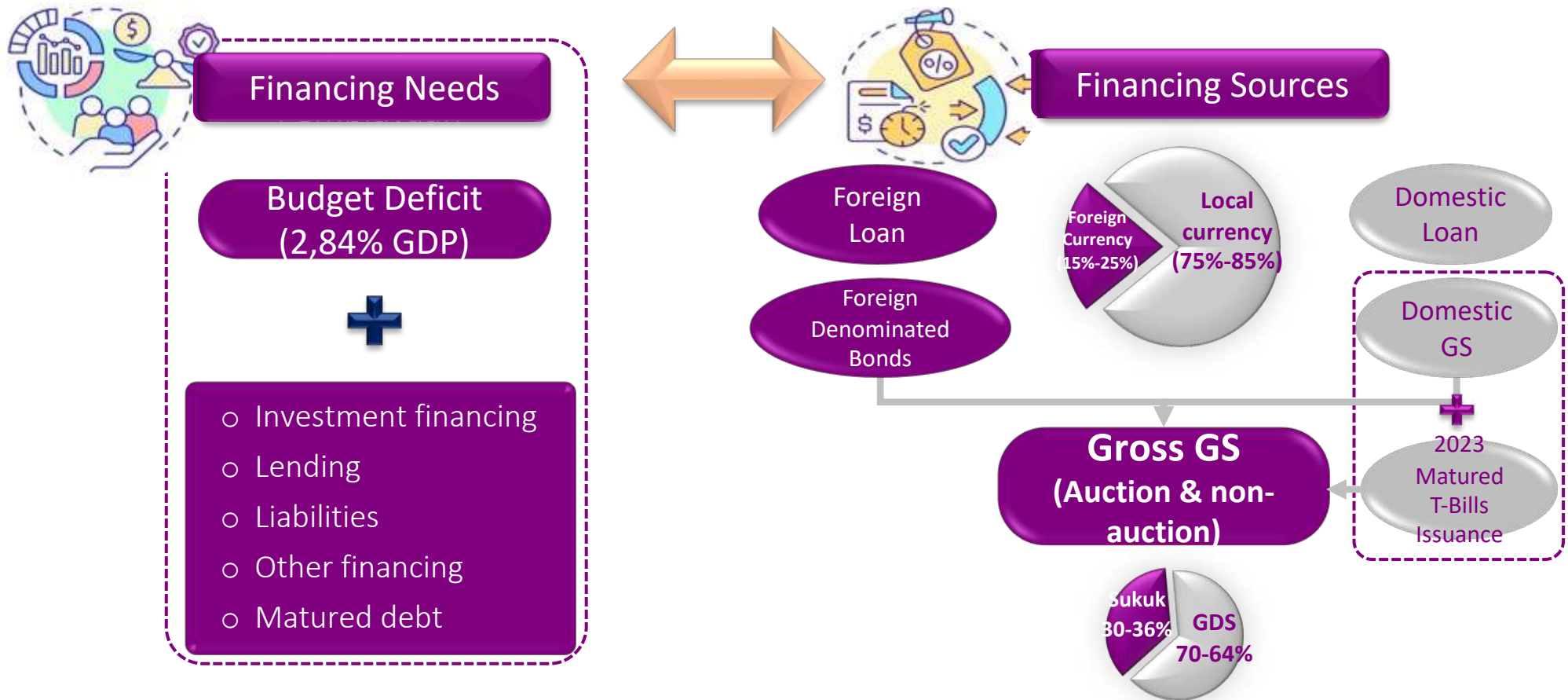


Flexibility in debt financing, both in terms of timing and composition, to obtain the most favorable costs and risks for the government.



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

# 2023 Financing Needs

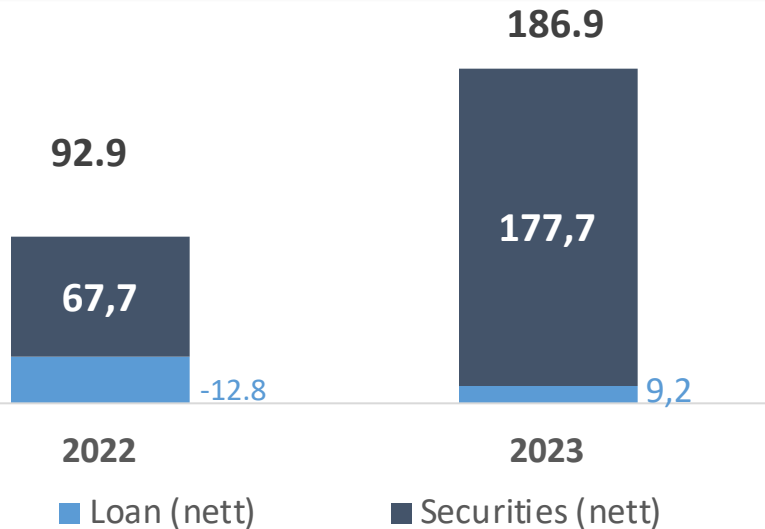




# Budget Financing Apply Prudent, Flexible, and Opportunistic Principle



Financing Realization Up To 28 February



## Domestic Loan (Nett) IDR (0.18 T)

- Domestic Loan Withdrawal (Gross) **IDR 0.02T**
- Domestic loan principal installment financing **IDR (0.2T)**

## Foreign Loan (Nett) IDR 9.35 T

- Foreign Loan Withdrawal (Gross) **IDR 16.91T**
- Foreign loan principal installment financing **IDR (7.56T)**

## PLAN & REALIZATION OF INVESTMENT FINANCING AS OF 28 FEB 2023



**Housing Financing Liquidity Facility**  
**IDR 85.8T\***

- IDR 6T disbursement for The Low Income People's Housing Financing
- 16,647 Housing under FLPP financing valued at IDR 1,85T



**Education Fund Management Agency (LPDP)**  
**IDR 134.1T\***

- Financing LPDB by IDR 15T



**International Development Cooperation Fund (LDKPI)**  
**IDR 8T\***

- Financing LDKPI by IDR 2T

# DEBT FINANCING

As of Feb 28th, 2023



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

## Debt Financing Realization

Rp **186.89**  
**(26.8%)**

**Government Securities**  
(Net)

Rp **177.7 (88.9%)**

**Loan**  
(Net)

Rp **9.2 (11.1%)**

**Foreign Loan (Net)**  
Rp**3.7 (100%)**

Note :

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

# GS Financing Realization 2023

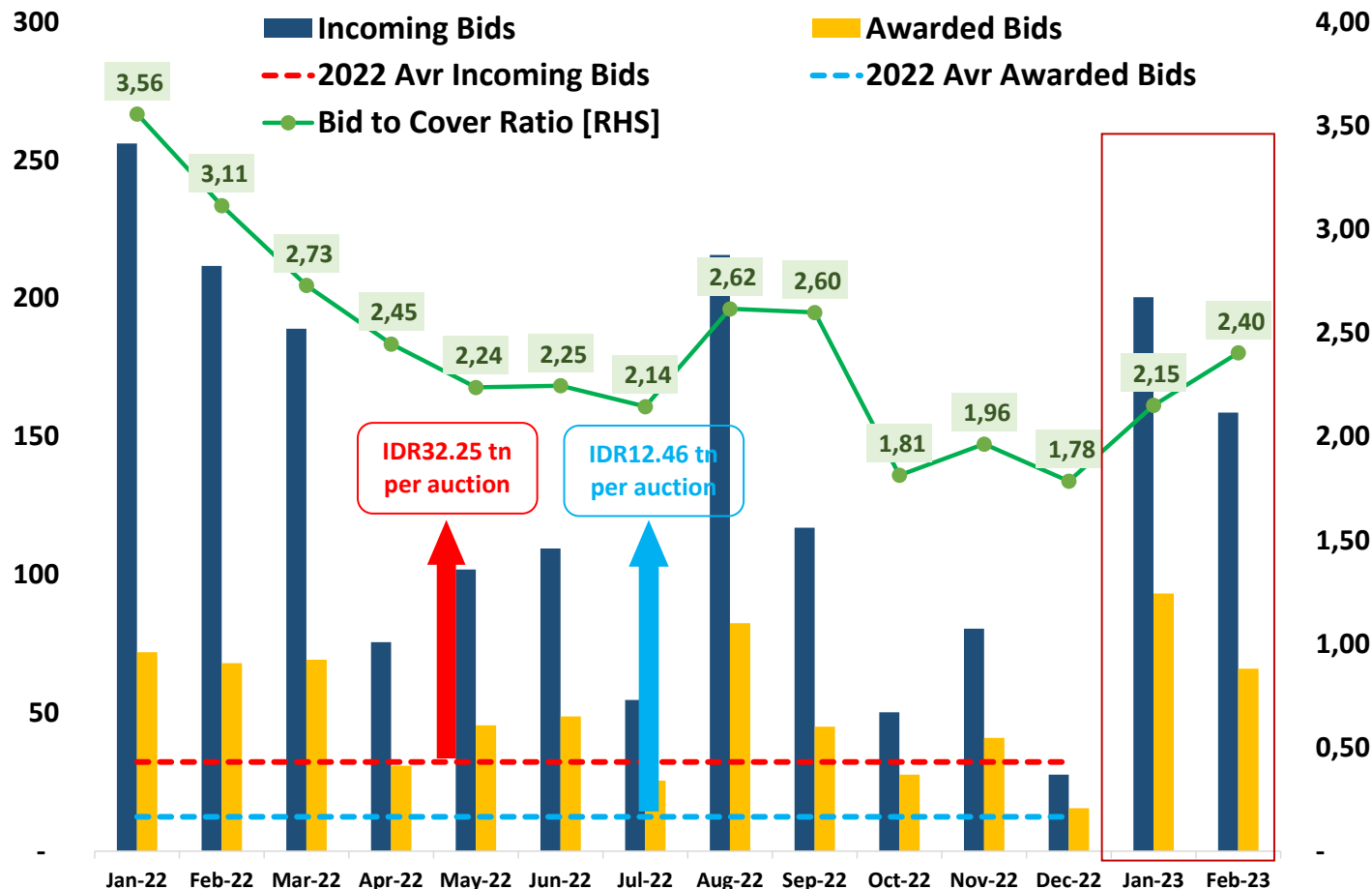


	(Trillion IDR)
	Realization (ao. Feb 28, 2023)
Government Securities (GS) Nett	198,35
Government Securities (GS) Gross	230,40
Government Debt Securities (GDS)	175,95
IDR Denominated GDS	128,97
- Coupon GDS	89,90
- Conventional T-Bills	15,30
- Private Placement (+ Voluntary Disclosure Program)	1,59
- Retail Bonds	22,18
Foreign Denominated Bonds	46,97
- SEC USD-EUR ( - Buyback LM)	46,77
- Samurai Bond	0,00
- SDG Bonds	0,00
- Valas Voluntary Disclosure Program	0,21
Sovereign Sharia Securities (Sukuk)	54,46
Domestic Sovereign Sharia Securitoes	54,46
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	54,00
- Retail Sukuk	0,00
- Private Placement	0,46
Global Sukuk	0,00

# Primary Market Performance 2022 – 2023



## Government Securities (GS)



### In 2023:

- average incoming bid = **IDR39.90 tn/auction**
- average awarded bid = **IDR17.69 tn/auction**



# Ownership Of Tradable Domestic Government Securities



Description	Dec-19		Dec-20		Dec-21		Dec-22		Feb-23	
<b>Banks*</b>	581,37	21,12%	1.375,57	35,54%	1.591,12	34,01%	1.697,43	31,97%	1.807,00	33,24%
<b>Govt Institutions (Bank Indonesia**)</b>	262,49	9,54%	454,36	11,74%	801,46	17,13%	1.020,02	19,21%	950,80	17,49%
Bank Indonesia(gross)	273,21	9,93%	874,88	22,60%	1.220,73	26,09%	1.453,58	27,38%	1.428,71	26,28%
GS used for Monetary Operation	10,72	0,39%	420,51	10,86%	419,27	8,96%	433,57	8,17%	477,91	8,79%
<b>Non-Banks</b>	1.908,88	69,34%	2.040,83	52,72%	2.286,40	48,87%	2.591,98	48,82%	2.678,90	49,27%
Mutual Funds	130,86	4,75%	161,32	4,17%	157,93	3,38%	145,82	2,75%	159,82	2,94%
Insurance Company and Pension Fund	471,67	17,13%	542,82	14,02%	655,24	14,00%	873,03	16,44%	894,57	16,45%
<b>Foreign Holders</b>	1.061,86	38,57%	973,91	25,16%	891,34	19,05%	762,19	14,36%	804,32	14,79%
Foreign Govt's & Central Banks	194,45	7,06%	178,31	4,61%	233,45	4,99%	203,11	3,83%	206,43	3,80%
Individual	81,17	2,95%	131,21	3,39%	221,41	4,73%	344,30	6,48%	344,86	6,34%
Others	163,32	5,93%	231,57	5,98%	360,47	7,70%	466,65	8,79%	475,33	8,74%
<b>Total</b>	2.752,74	100%	3.870,76	100%	4.678,98	100%	5.309,43	100%	5.425,54	100%

**66.10  
%**

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

**IDR  
1,092,02  
T**

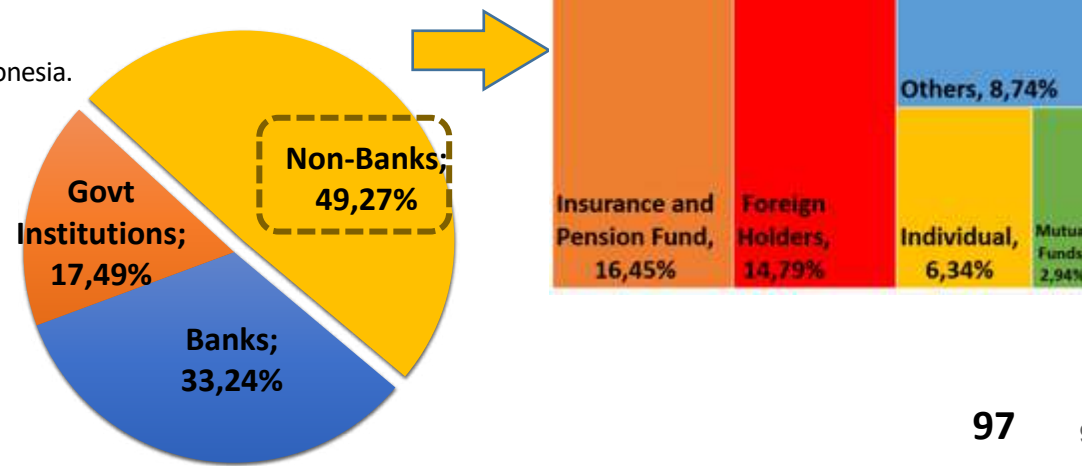
on January 24, 2020, foreign holders reach a record high in nominal terms

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

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

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

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

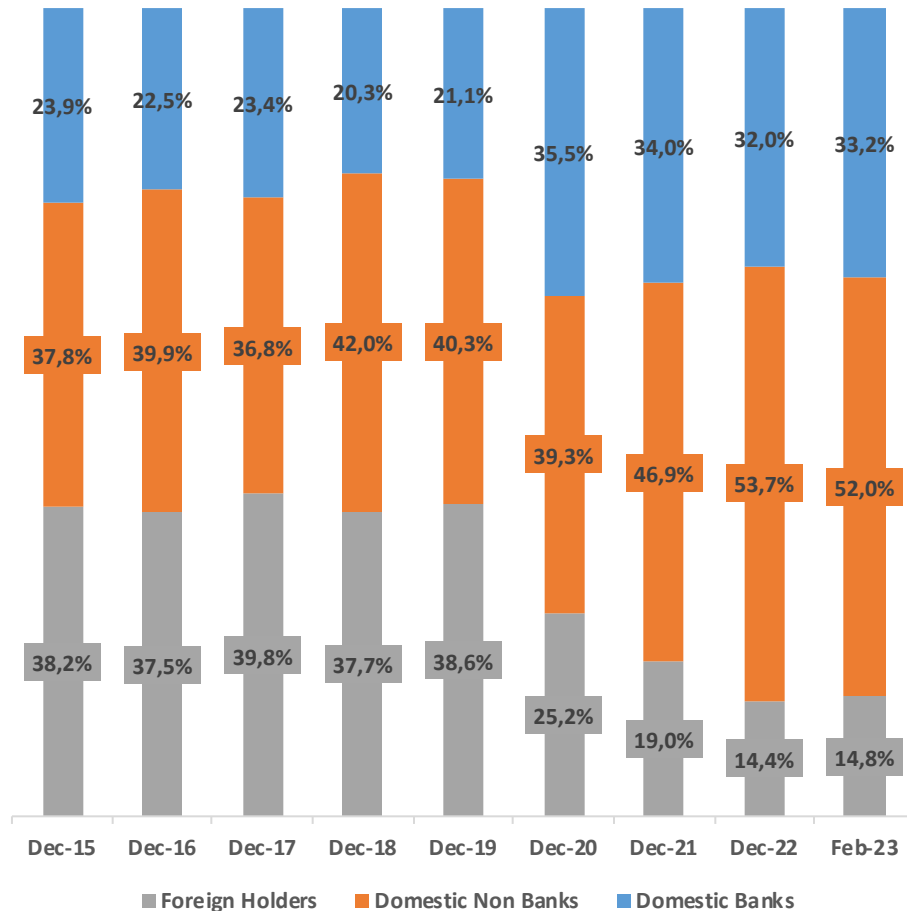


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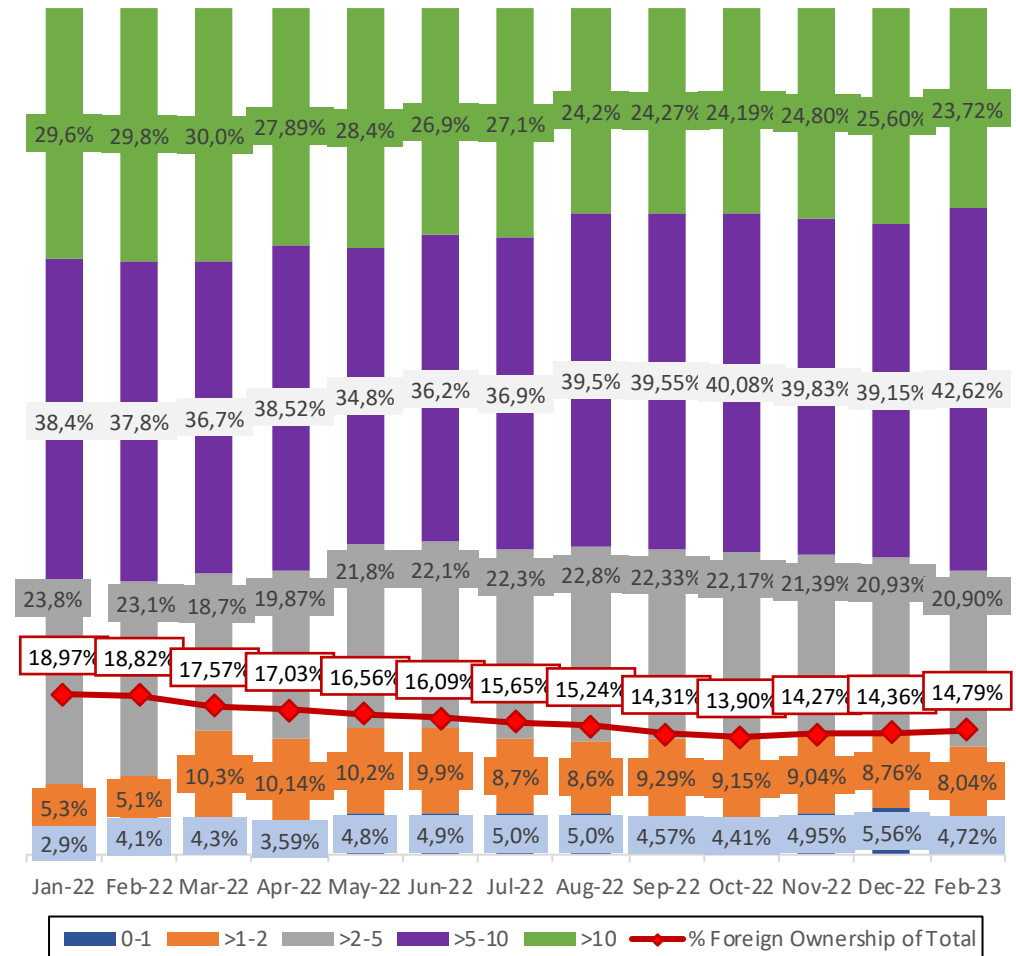
Balanced Ownership In Terms of Holders and Tenors



## 



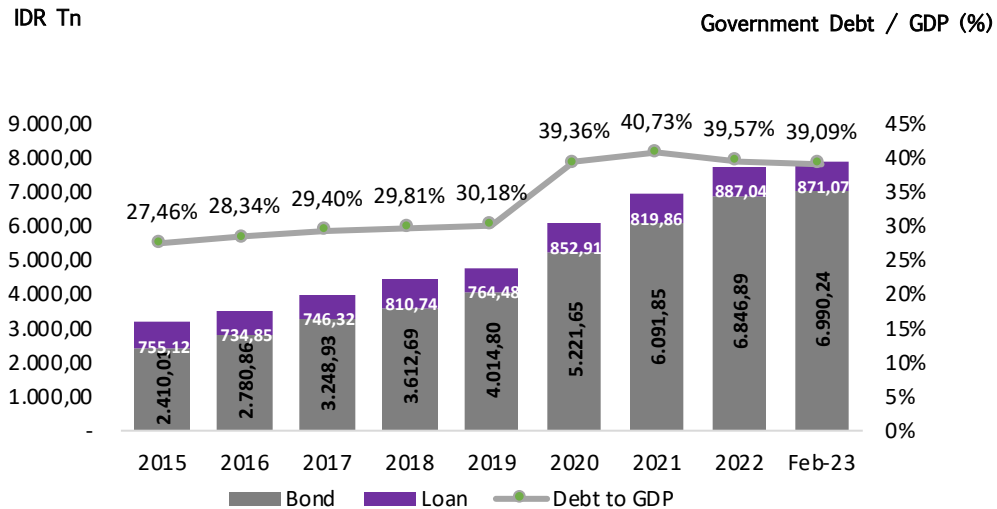
## 



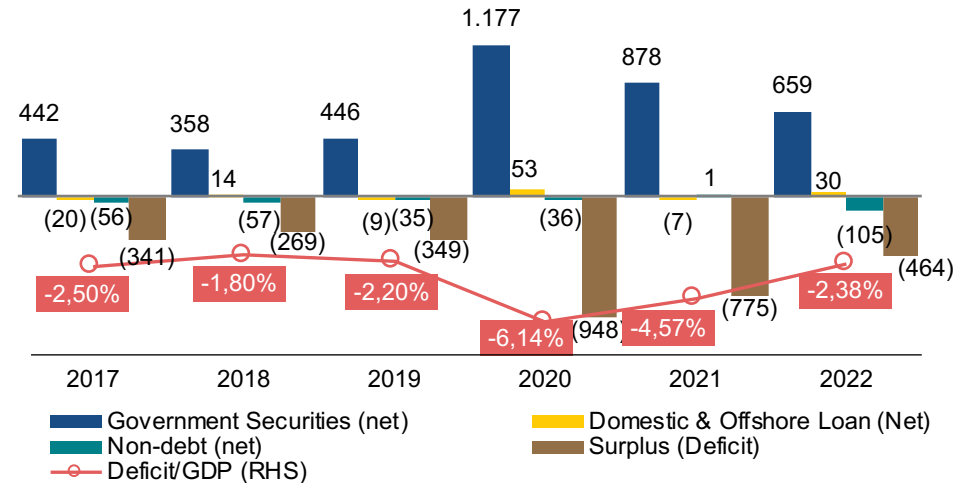
# Disciplined and Advanced Debt Portfolio Management



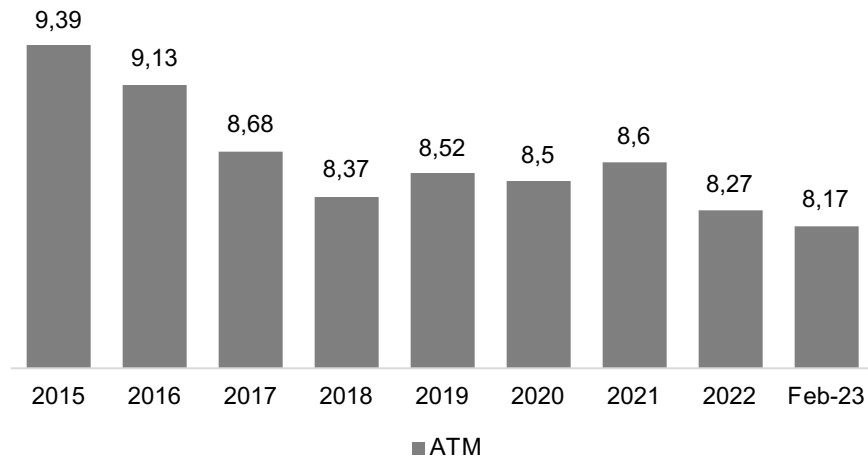
## Stable Debt to GDP Ratio Over the Years



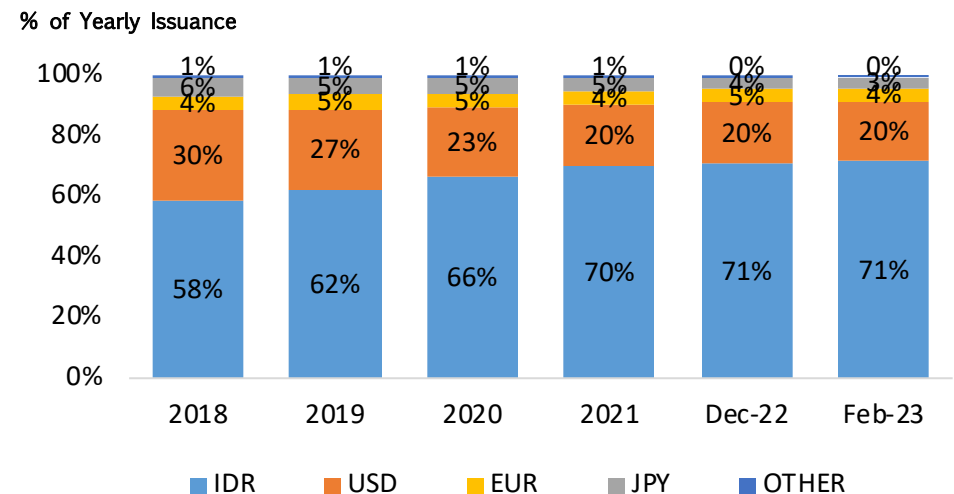
## Prudent Fiscal Deficit



## Weighted Average Debt Maturity



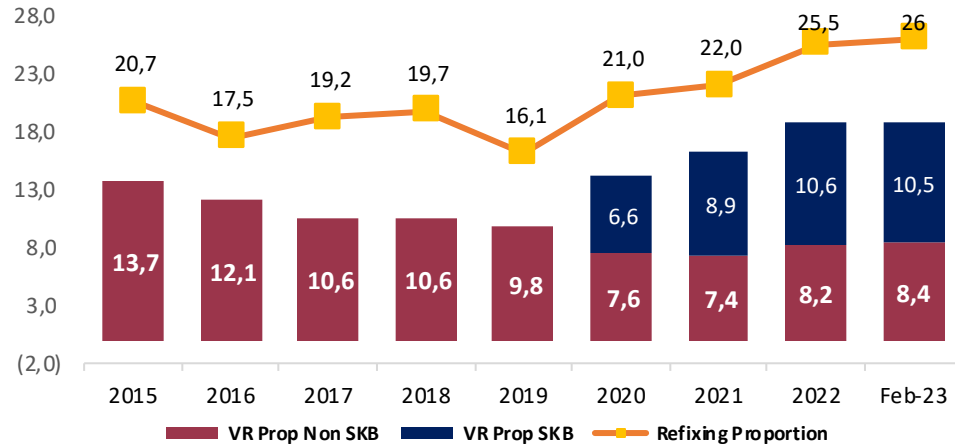
## Well Diversified Across Different Currencies



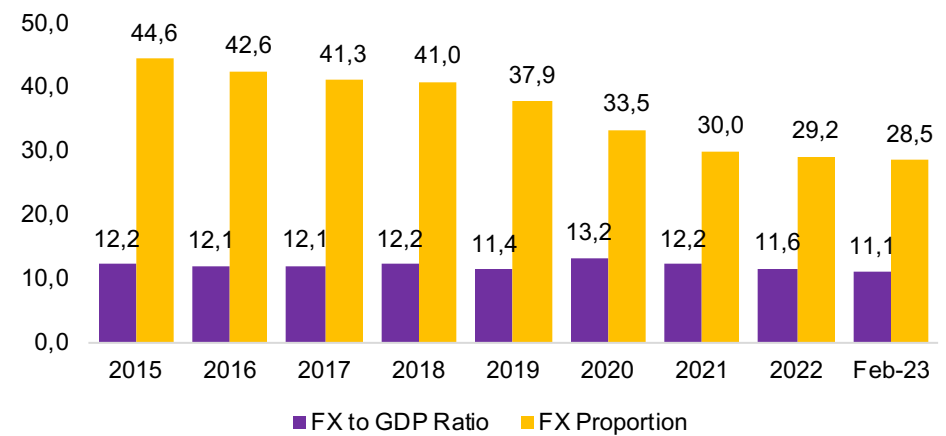
# Well Balanced Maturity Profile with Strong Resilience Against External Shocks



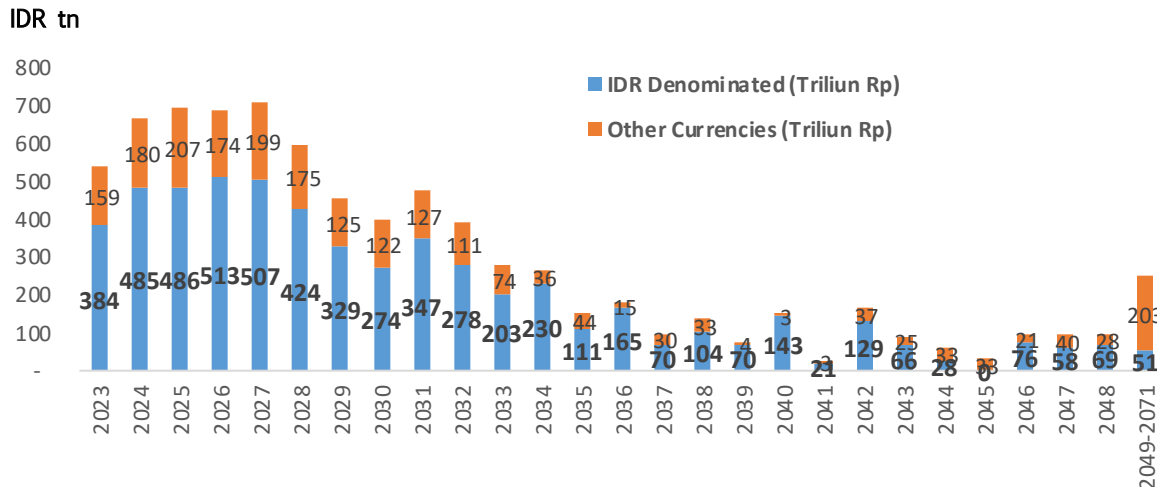
## Interest Rate Risks (%)



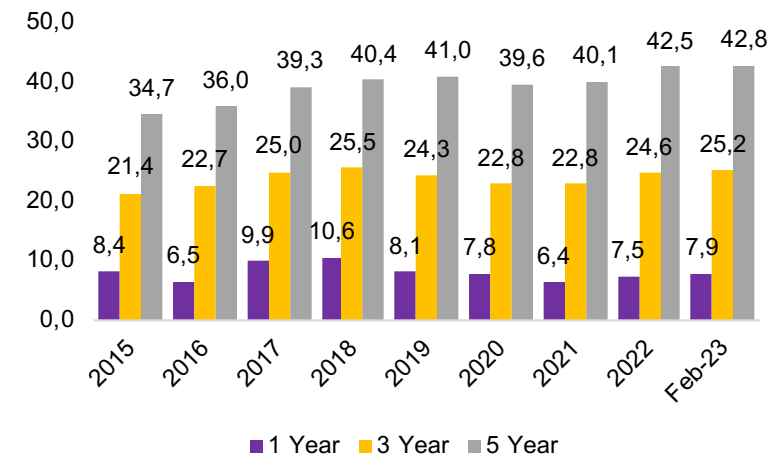
## Declining Exchange Rate Risks (%)



## Debt Maturity Profile



## Upcoming Maturities (Next 5 Years)





# Republic of Indonesia USD3 bn Global Bonds Issuance



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

## Transaction Highlight

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

## Investor Breakdown by Region



## Investor Breakdown by Investor Type





# Section 6

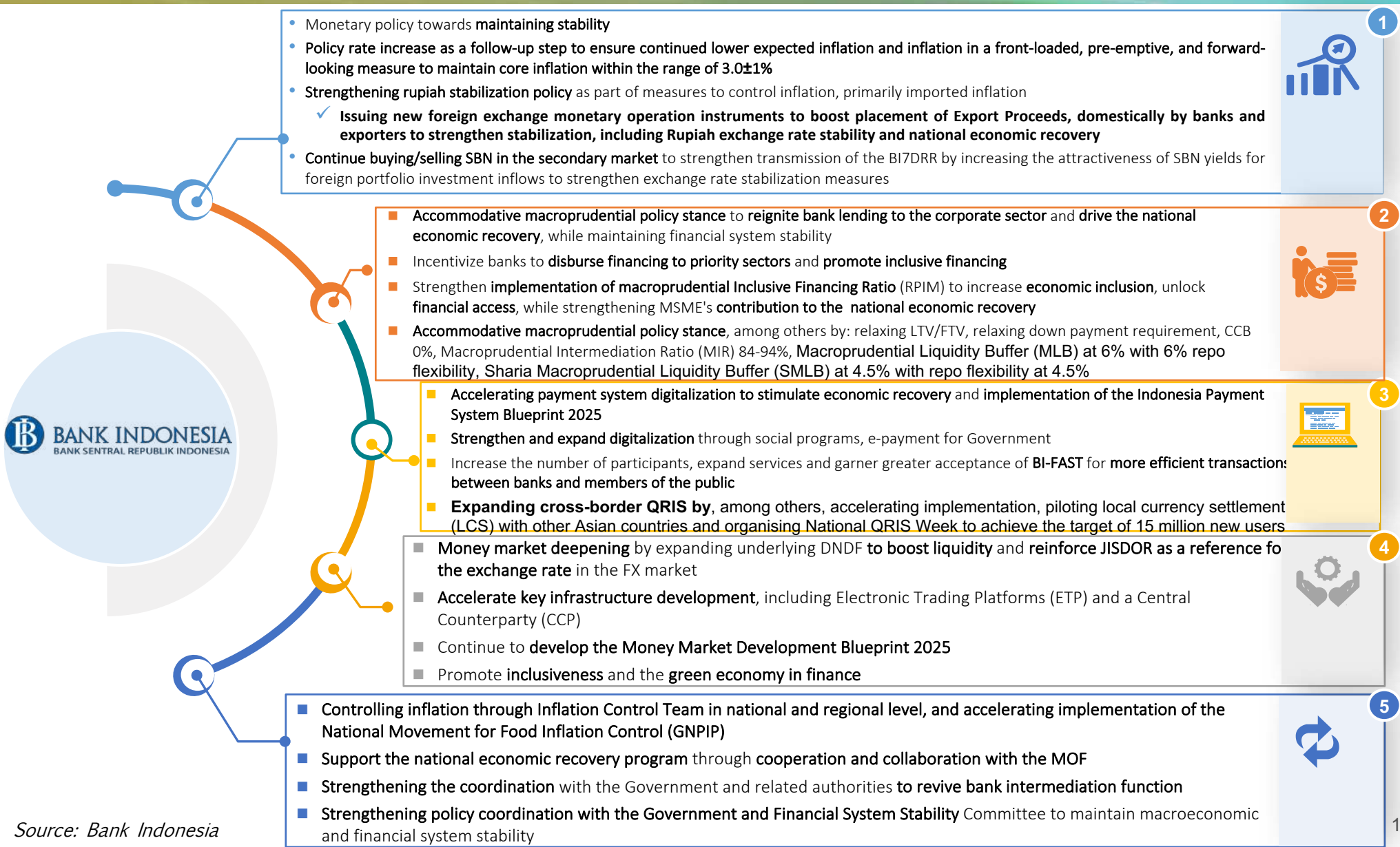
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Monetary and Financial Factor:  
Credible Monetary Policy Track Record  
and Favourable Financial Sector



# Bank Indonesia's Policy Mix

## Synergy Maintaining Stability and Strengthening National Economic Recovery



# Bank Indonesia Policy Mix: March 2023



The BI Board of Governors agreed on 15th and 16th March 2023 to hold the BI 7-Day Reverse Repo Rate at 5.75%, while also maintaining the Deposit Facility (DF) rate at 5.00% and Lending Facility (LF) rate at 6.50%.



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



Strengthening  
monetary  
operations to  
increase the  
effectiveness  
of monetary  
policy  
transmission.



- Strengthening Rupiah stabilisation policy as part of the measures to control inflation, particularly imported inflation, through foreign exchange market intervention, including spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying/selling government securities (SBN) in the secondary market.
- Continuing the twist operation by selling short-term SBN in the secondary market to increase the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen Rupiah stabilisation measures.
- Strengthening the management of foreign exchange proceeds of exports (DHE) through the foreign exchange monetary operation instrument in the form of foreign currency term deposits (TD) as an instrument for exporters to place foreign exchange proceeds of exports through banks to Bank Indonesia in accordance with market mechanisms, effective from 1 Mar 2023.



Continuing  
prime  
lending rate  
(PLR)  
transparenc  
y policy  
with a focus  
on bank  
profitability  
and the  
policy rate  
impact on  
lending  
rates



- Strengthening payment system digitalisation policy to improve transaction efficiency as well as the economic-financial digital ecosystem by: (i) fostering payment system innovation, which includes expanding (bank and non-bank) participation, the delivery channels (direct debit, bulk credit, requests for payment), as well as BI-FAST acceptance amongst the public, and (ii) continuing the Regional Payment Connectivity (RPC) initiative by expanding cross-border QRIS and implementing Fast Payment Interconnectivity.
- Strengthening payment system policy ahead of the holy fasting month of Ramadan and Eid-ul-Fitr 1444 H by: (i) safeguarding the availability and reliability of the BI and industry payment systems, which includes monitoring the reliability of participants' systems to provide payment system transaction services, and (ii) ensuring the availability of Rupiah currency fit for circulation throughout the territory of the Republic of Indonesia, particularly ahead of Ramadan and Eid-ul-Fitr, through the SERAMBI program 2023, while providing Rp195 trillion of additional currency in circulation.



Strengthening  
international  
cooperation with  
other central banks  
and authorities in  
partner countries,  
while promoting trade  
and investment in  
priority sectors in  
synergy with relevant  
institutions. In  
addition, Bank  
Indonesia is  
continuing to  
collaborate with  
relevant government  
ministries/agencies to  
ensure a successful  
ASEAN Chairmanship  
in 2023, particularly  
in terms of the  
finance track.



# Monetary Policy will focus on stability

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



## MITIGATING THE IMPACT OF GLOBAL SHOCK SPILLOVER

STAGNATION - RECESSION -  
HIGH INFLATION

GLOBAL POLICY RATE  
"HIGHER FOR LONGER"

STRONG US DOLLAR AND WEAKENING  
CURRENCY ACROSS THE WORLD

HIGH RISK PERCEPTION AND  
"CASH IS THE KING"

## Monetary Policy "Pro Stability" : Front Loaded, Pre-emptive, Forward Looking

### MONETARY POLICY TRILEMMA



1

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

2

### COORDINATION WITH GOVERNMENT

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



STRENGTHEN THE STRATEGY  
OF INTEGRATED MONETARY POLICY  
MANAGEMENT

OPTIMIZATION OF FOREIGN  
EXCHANGE RESERVE MANAGEMENT

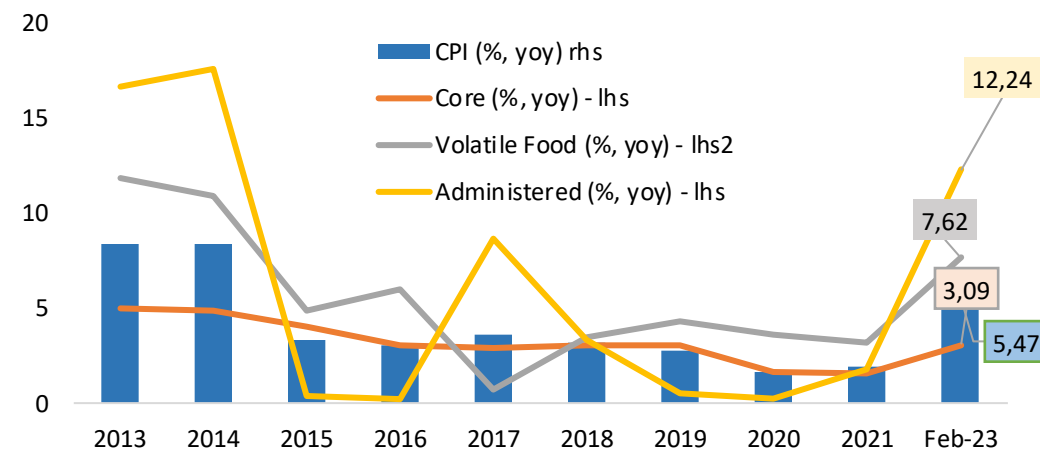
RUPIAH AND FOREIGN  
CURRENCY MONEY MARKET DEEPENING

SYNERGY AND COORDINATION

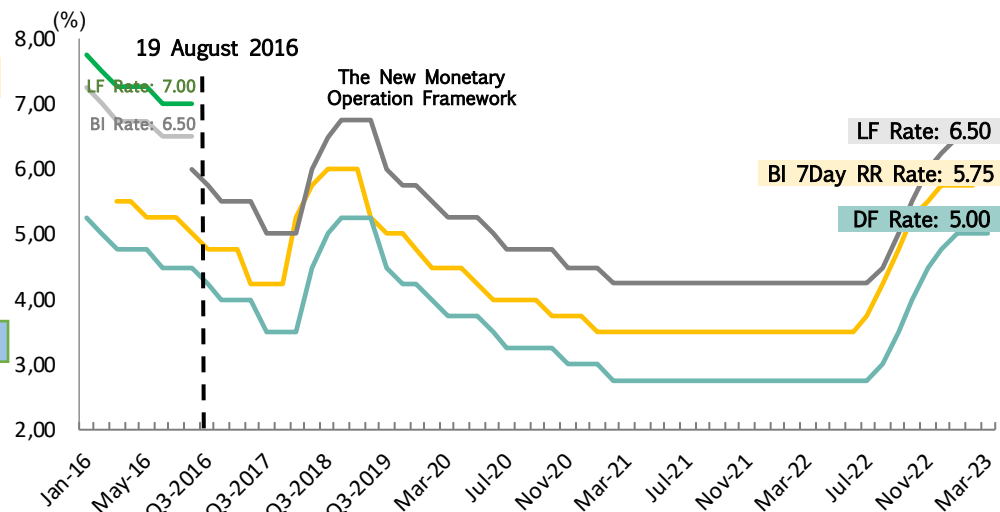


# Manageable Monetary Environment amid Heightened Global Uncertainty

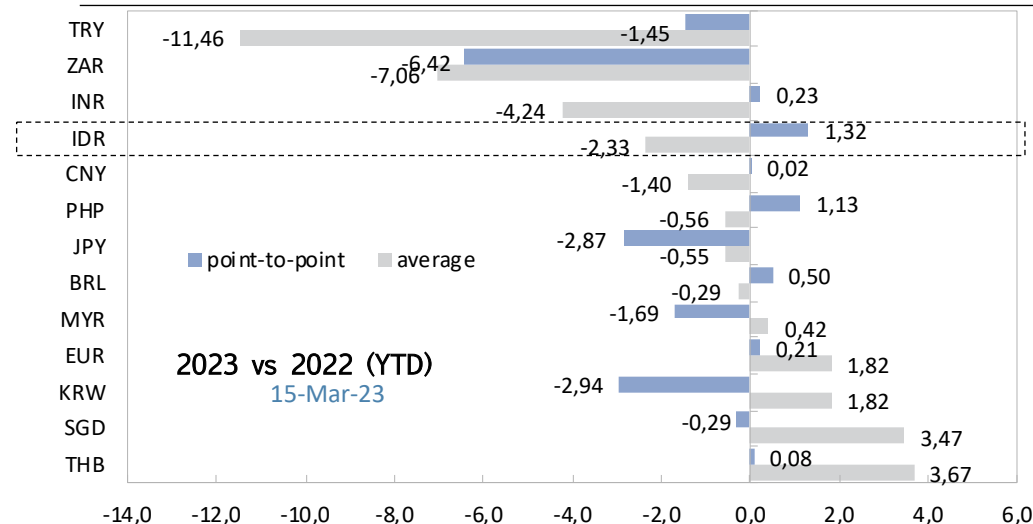
## Well Maintained Inflation Ensured Price Stability



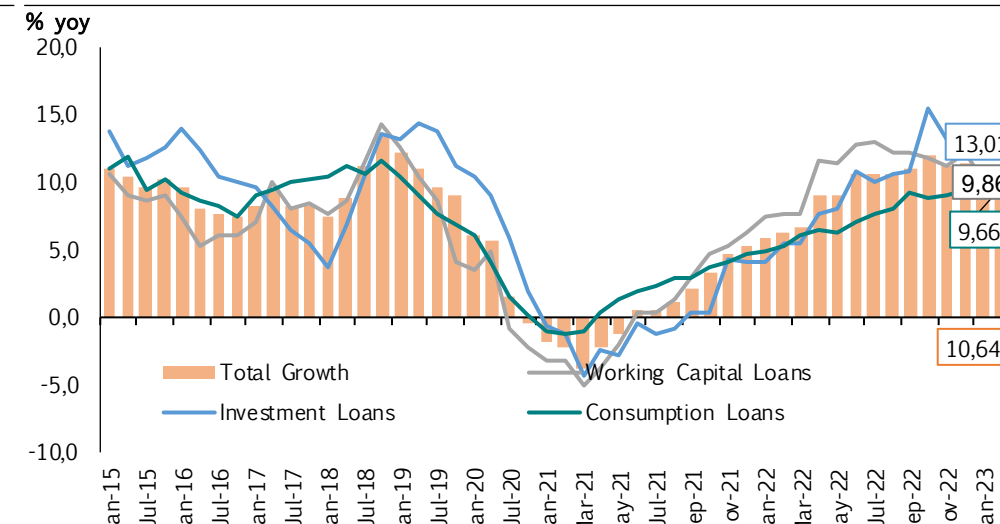
## Strengthened Monetary Policy Framework



## Rupiah Exchange Rate Fared Relatively Well Compared to Peers



## Credit Growth Profile

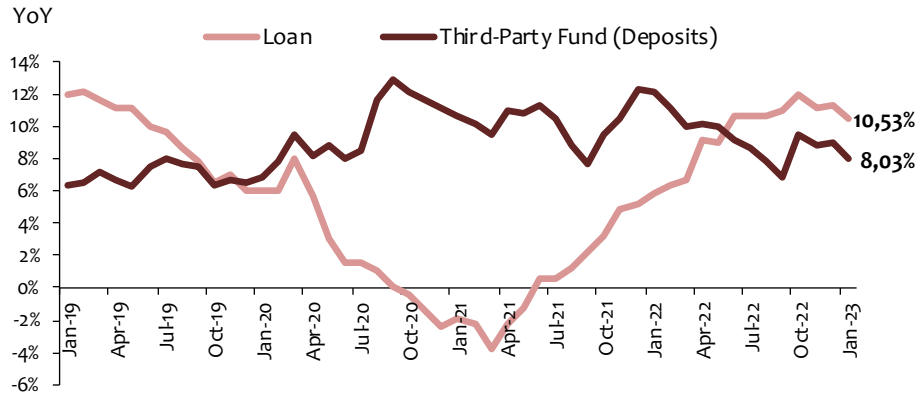


# Banking Intermediation

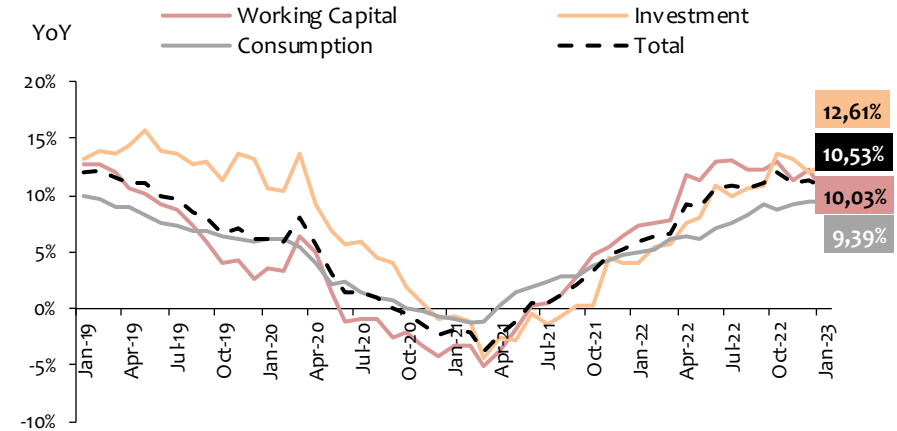
Despite the challenging conditions in the global economy, bank loans continued to grow, driven by Investment and Corporation loans, while the funding side grew relatively steady.



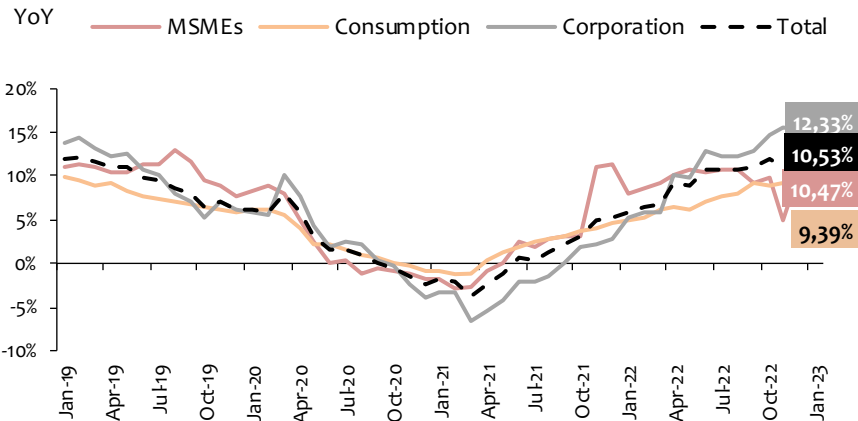
In **January 2023**, bank loans grew by **10.53% (yoy)**, while Third-Party Funds (Total Deposits) grew at a slower pace by **8.03% (yoy)**.



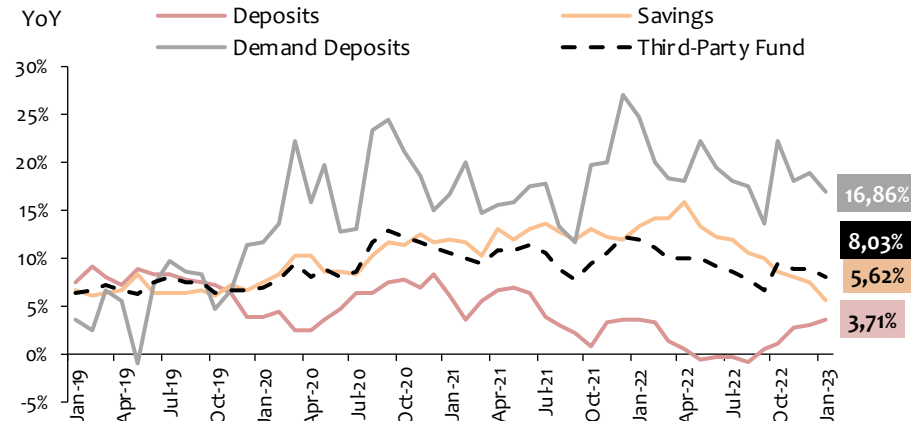
Majority types of loans continued their positive trend, particularly **Investment** loans, which grew by **12.61% (yoy)** in **January 2023**



Loan growth by segmentation continued to improve in **January 2023**, driven by **Corporation loans**, which grew by **12.33% (yoy)**.



Third-Party Funds (Total Deposits) grew at a slower pace in **January 2023**, mainly supported by **Demand Deposits** growth, which increased by **16.86% (yoy)**, respectively.

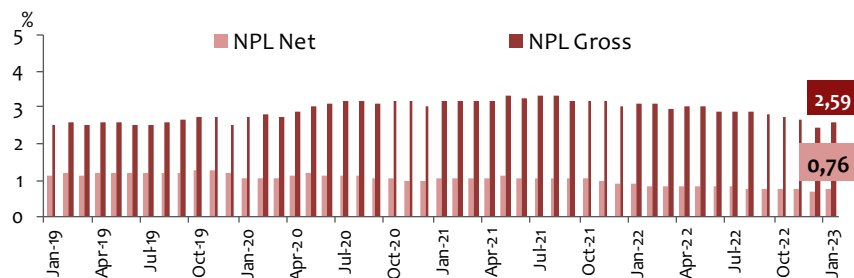


# Banking Risk Profile and Profitability

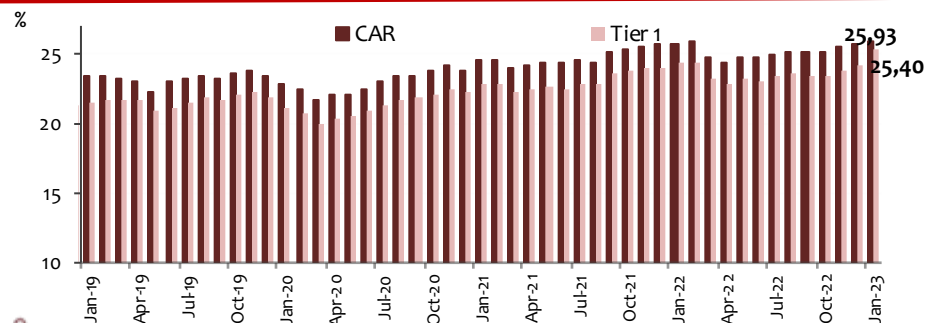
The banking industry has ample liquidity, robust capitalization, and manageable credit risk. Profitability is consistently maintained at a steady level.



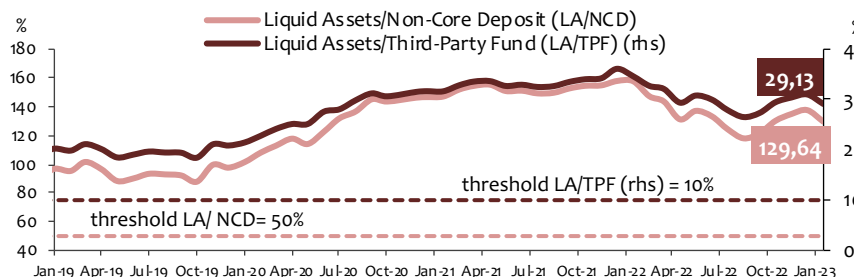
The banking NPL ratio continued to further decline to **2.59% gross** and **0.76% net** as of **January 2023**, significantly below the threshold.



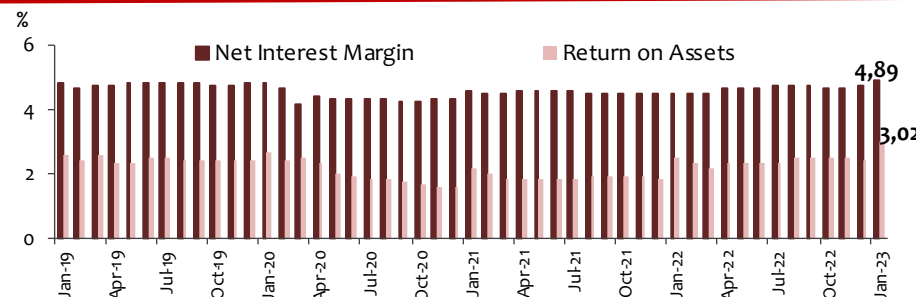
The Capital Adequacy Ratio (CAR) of the banking sector was steadily high with a value of **25.93%** and Tier-1 capital stood at **25.40%** as of **January 2023**.\*)



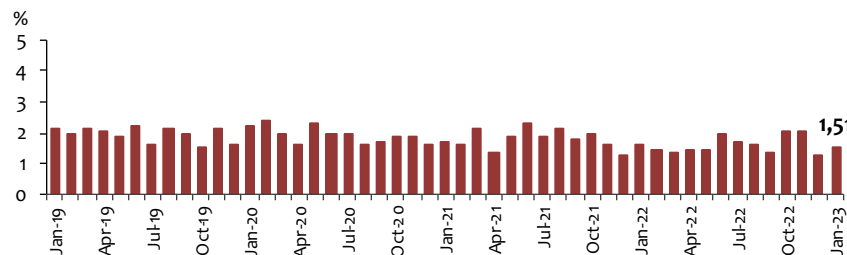
Liquid Assets to Non-Core Deposits and Liquid Assets to Third-Party Funds (Total Deposits) remained well above the thresholds. \*)



The banking industry's Net Interest Margin and Return on Assets remained steady at **4.89%** and **3.02%**, respectively, as of **January 2023**.



Net Open Position was maintained well below the maximum limit of 20% and stood at **1.51%** in **January 2023**.



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

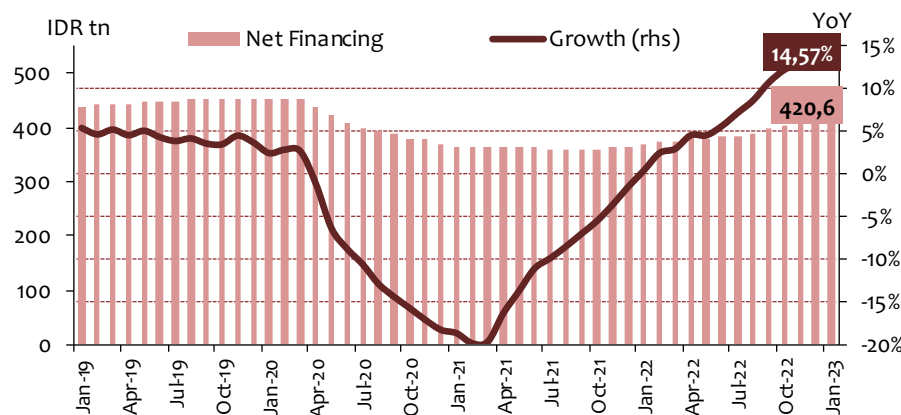


# Multi-finance Companies

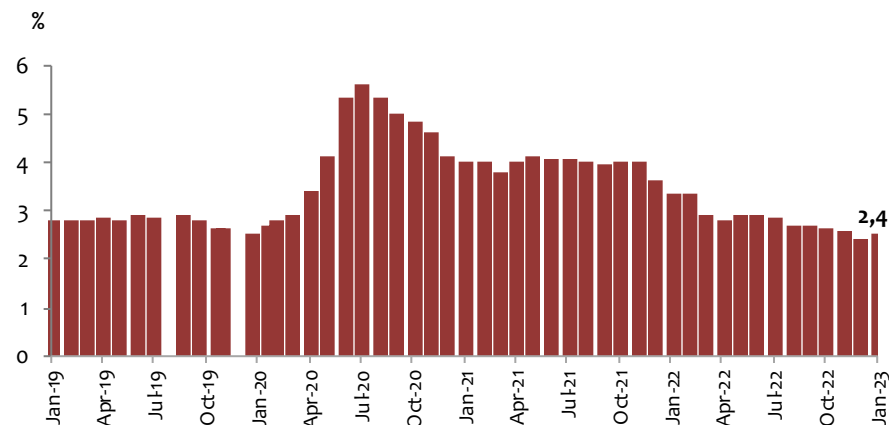
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable Non-Performing Financing (NPF) ratio, and a stable gearing ratio.



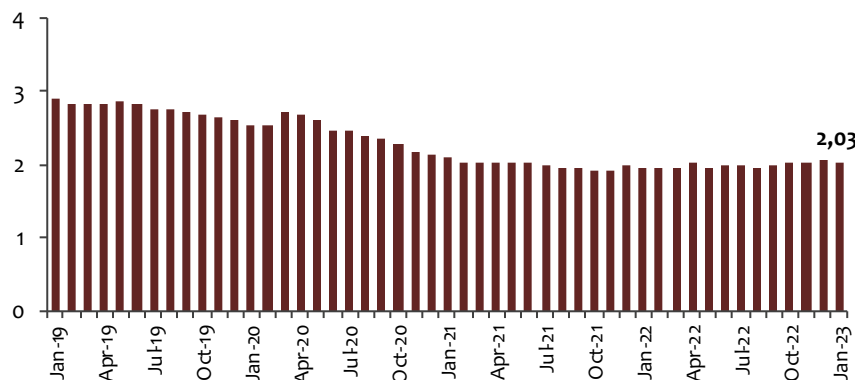
In **January 2023**, net financing increased to **IDR420.60 Tn** and continued its positive growth at **14.57%** yoy.



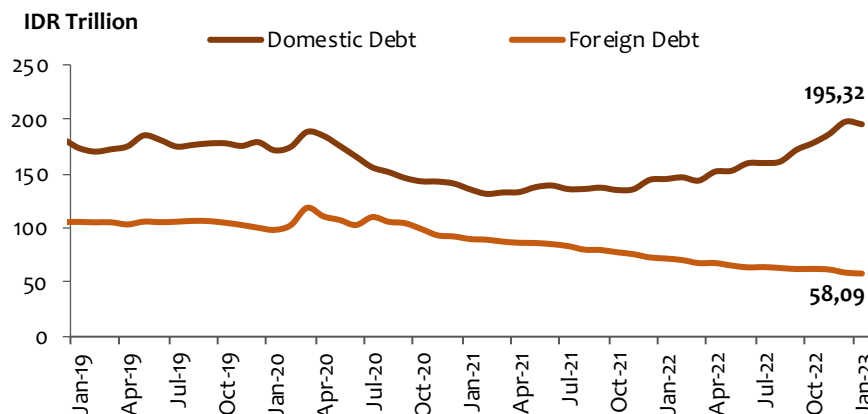
The NPF ratio of multi-finance companies improved to **2.40%** in **January 2023**, well below the 5% threshold.\*)



The gearing ratio of multi-finance companies stayed below the threshold and stood at **2.03** times in **January 2023**.



Multi-finance companies' exposure to domestic debt foreign debt continued its declining trend in **January 2023**.\*)



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

Source: Financial Services Authority (OJK)

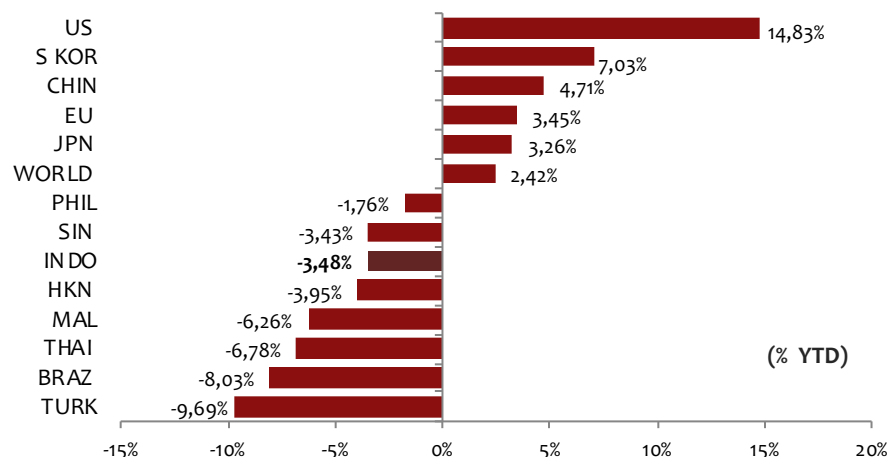
# Domestic Capital Market Performance

Indonesia's capital market proved to be resilient, supported by positive external performance and growing domestic demand.

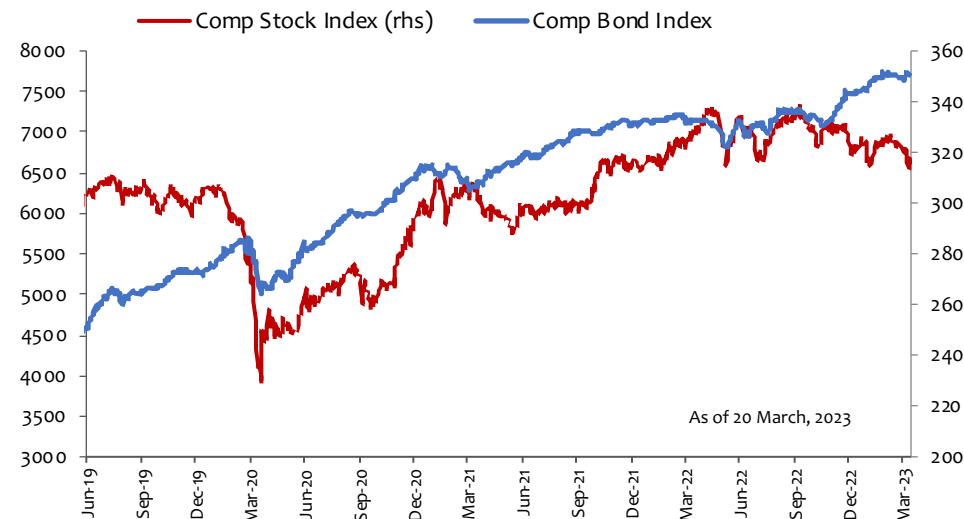


As the global banking crisis weighed on the movement of global stock indices, most emerging markets fell into the negative territory.

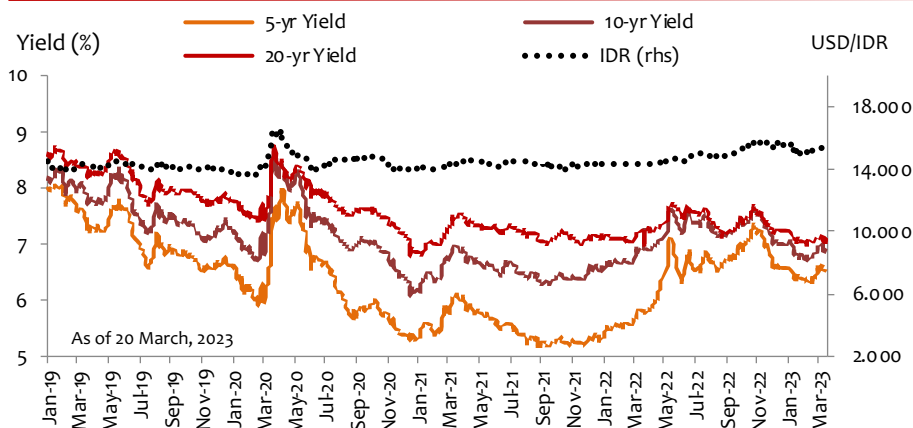
Stock Index Performance as of 20 March 2023 (compared to 30 Dec'22)



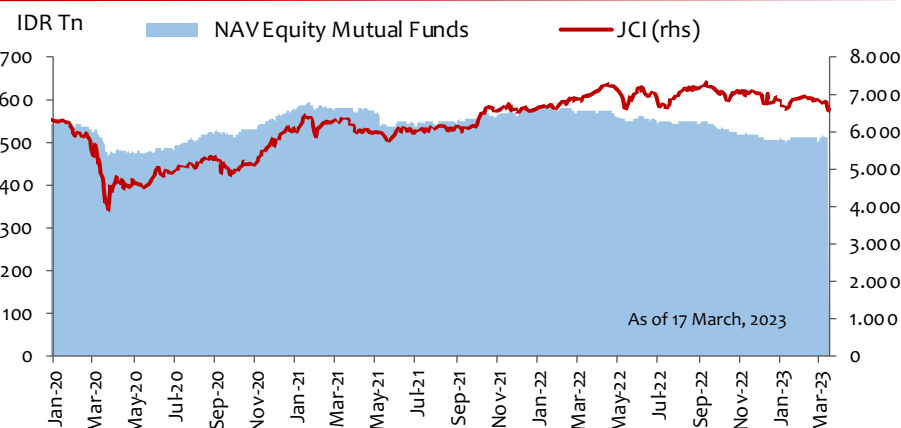
The domestic capital market showed a mixed performance with composite bond maintained its positive trend since the beginning of the year.



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



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

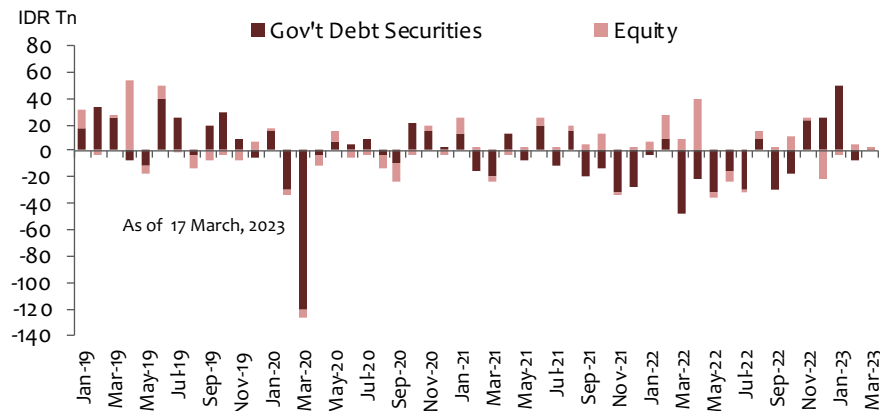


# Domestic Capital Market Performance (ctd)

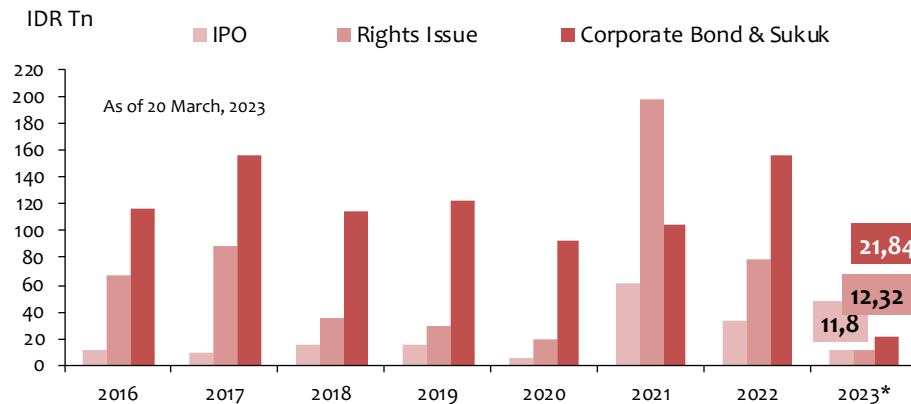
Several capital market indicators recorded positive performance and remained stable.



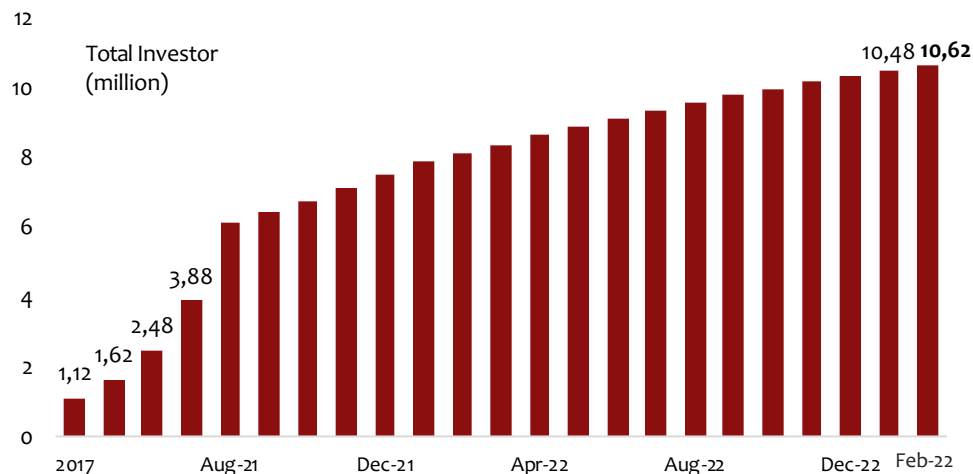
Non-resident portfolios of equity and government bonds recorded a **net buy** of **IDR47.13 Tn (YTD)**, while equity market recorded a **net buy** of **IDR3.54 Tn (YTD)** as of 17 March 2023



**Total securities issuance reached IDR45.96 Tn (YTD) as of 20 March 2023.**



**Capital Market Investors** continued to grow to 10.62 million by the end of February 2023, representing a **31.10% (yoy) increase**.



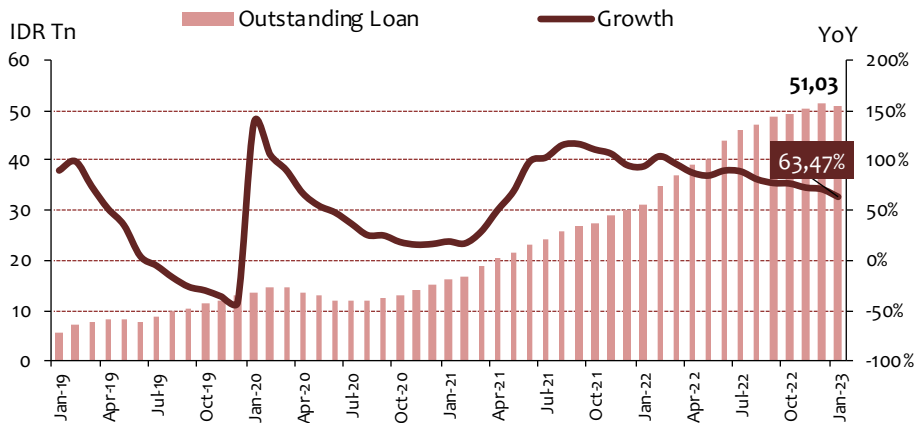


# Fintech (Peer to Peer Lending and Securities Crowdfunding)

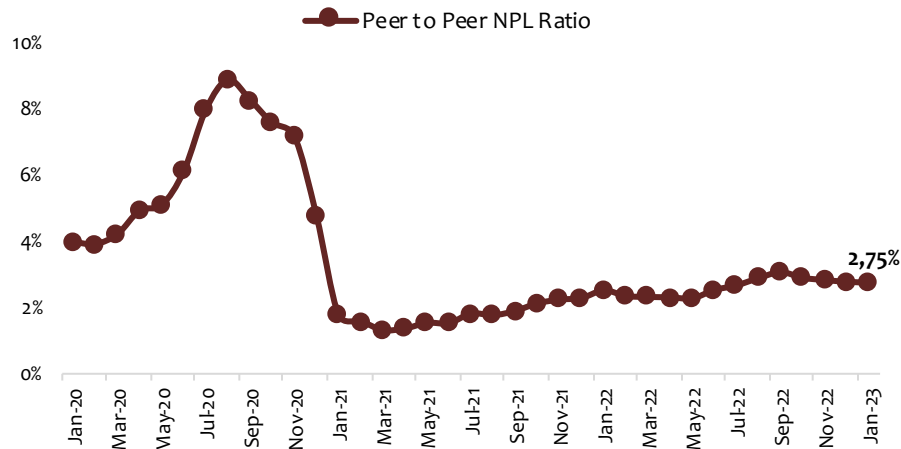
Peer to Peer Lending (P2PL) Fintech intermediation grows with a manageable NPL ratio and Securities Crowdfunding fundraising continues to rise.



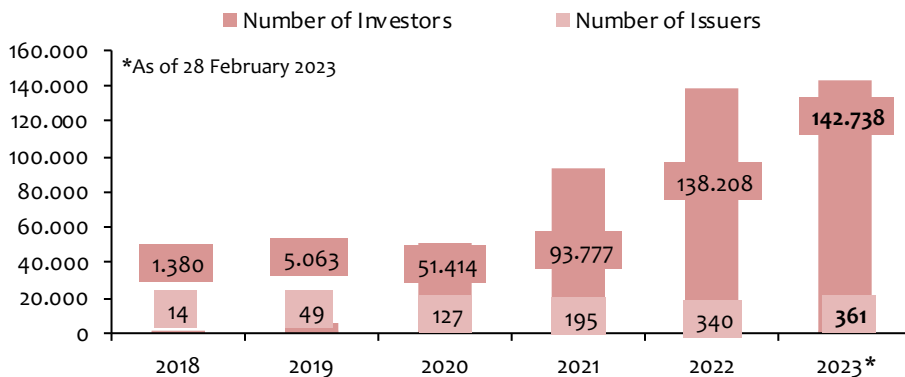
The outstanding loan of P2PL Fintech remained steady and stood at **IDR51.03 Tn** or grew by **63.47%** (yoy) as of **January 2023**.



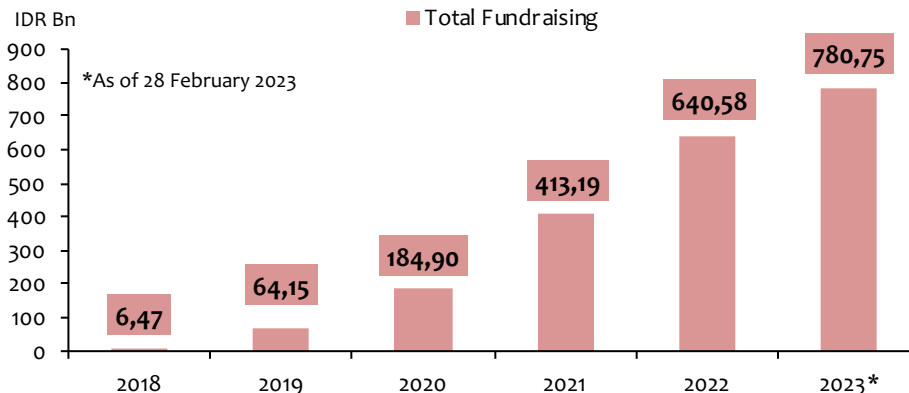
In **January 2023**, the Non-Performing Loan ratio of P2PL Fintech improved as indicated by a decline from 2.78% to **2.75%**.



The total number of investors and issuers in Securities Crowdfunding increased and stood at **142,738** and **361**, respectively, as of 28 February 2023.



Continuing the positive trend, the total value of SCF fundraising stood at **IDR780.75 billion** as of 28 February 2023.





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



## Enhancing Financial Services Sector's Resilience and Competitiveness



# Macroprudential Policy remains accommodative in 2023

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



## MACRO-FINANCIAL LINKAGES: OPPORTUNITIES AND CHALLENGES

ECONOMIC GROWTH AND INFLATION-  
PERFORMANCE OF CORPORATE  
AND HOUSEHOLD

NORMALIZATION OF FISCAL  
AND MONETARY POLICY

EXCHANGE RATE VOLATILITY  
AND FOREIGN DEBT

INCREASE OF SBN YIELD AND MARKED  
TO MARKET BALANCE SHEET

## MACROPRUDENTIAL POLICY "Pro Growth"

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

### MACROPRUDENTIAL POLICY TRILEMMA

BALANCED INTERMEDIATION



1

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

2

### FINANCIAL SYSTEM STABILITY COMMITTEE (KSSK)

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





# Bank Indonesia's Comprehensive Financial Deepening Program

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



## Money Market Deepening Policy "Pro-Growth" : Integrated, Modern, Efficient



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

2

## COORDINATION FORUM FOR DEVELOPMENT FINANCING THROUGH FINANCIAL MARKETS (FK-PPPK)

1. Stabilization of Financial Market
2. Development of Economic Financing Instruments
3. Financial Literacy and Consumer Protection



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

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



**“Pro-Growth” Payment System Policy:**  
National Digital Economic-Financial Integration, Digital Rupiah







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