Republic of Indonesia

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

May 2021

About Investor Relations Unit of the Republic of Indonesia

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

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

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

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Overview

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2. Institutional and Governance Effectiveness: Accelerated Reforms Agenda with Institutional Improvement
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5. Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility
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7. Monetary and Financial Factor: Credible Monetary Policy and Favourable Financial Sector
8. Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision

Section 1

Economic Recovery Program and Its Updates

Concerted Efforts to Mitigate Covid-19 Risk

General Measures

1. Establishment of a COVID-19 Task Force to Accelerate Coronavirus Disease 2019 (COVID-19) Handling.
2. Extension of the emergency status for COVID-19 until 29th May 2020.
3. Permission for civil servants to work from home, while maintaining the continuity of public services.
4. Promoting massive prevention of the spread of Covid-19; application of health protocols in public areas, public transportation, and offices; calls for carrying out social distancing and the prohibition of carrying out activities that involve large crowds.
5. Closing and limiting the mobility of Indonesian citizens abroad and foreigners to enter Indonesian territory with strict immigration and health protocols.
6. Evacuation of Indonesian citizens from affected countries and strict quarantine processes with complete medical facilities.
7. Conducting Rapid Test in 17 provinces with positive patients of Covid-19.
8. Decentralized tests by increasing the number of Covid-19 test laboratories throughout Indonesia.
9. Providing Designated Hospitals, including additional designated hospital in Galang Island.
10. Utilization of four (4) of ten (10) Wisma Atlet Kemayoran Towers (former Athletes Hotel) as emergency hospital.
11. Preparation of 606 health workers and 192 non-health workers in Wisma Atlet Kemayoran and recruitment of 328 medical volunteers and 2590 non-medical personnel in the field of logistics and operations.
12. Establishment of Contingency Plans in the regions level.
13. Preparation of drugs that have been used for Covid-19 patients in China according to doctor's prescription. The drug has been distributed to designated facilities and its stock is continuously being augmented with domestic pharmaceutical production.
14. Speed up the procurement and distribution of personal protective equipment for designated hospitals and the provision of incentives for medical personnel.

Source: Bank Indonesia

Bank Indonesia's Measures to Mitigate Covid-19 Risk

To maintain Monetary and Financial Market Stability

Measures Launched on March 2, 2020

1. Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms
2. Reducing the foreign currency reserve requirement ratio for conventional commercial banks from 8% to 4%, effective 16th March 2020.
3. Reducing the rupiah reserve requirement ratio by 50bps for banks engaged in export-import financing activity in coordination with the Government.
4. Expanding the types of underlying transactions available to foreign investors as hedging alternatives against rupiah holdings in Indonesia.
5. Global investors may utilise global and domestic custodian banks for investment activity in Indonesia.

Measures Launched on March 18-19, 2020

1. Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms.
2. Extending the SBN repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry.
3. Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity.
4. Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market.
5. Expediting the enforcement of domestic vostro rupiah accounts for foreign investors as underlying transactions for Domestic NDF, thus increasing hedging alternatives against rupiah holdings.
6. Expanding the incentive of a 50bps looser daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors.
7. Strengthening payment system policy to support COVID-19 mitigation efforts .

Source: Bank Indonesia

Government Measures to Mitigate Covid-19 Risk

Fiscal and Non Fiscal Stimuli

Fiscal Stimuli Phase 1

1. Brought forward the launch of the Pre-Employment Card in Bali, North Sulawesi and the Riau Islands.
2. Increased disbursements of the Noncash Food Assistance Program (BPNT) from IDR150,000 to IDR200,000 for a six-month period commencing March 2020.
3. Provided a stimulus package for housing in the form of an IDR800 billion subsidy as well as a subsidy on down payments totalling IDR700 billion.
4. Provided incentives for domestic and international travellers.
5. Reduced the air passenger service fee (PSF) by 20% for March-May 2020.
6. Discounted the price of aviation fuel at airports located around nine travel destinations for March-May 2020.
7. Subsidised or provided grants totalling IDR3.3 trillion to local governments affected by lower tax revenues food service activities.

Fiscal Stimuli Phase 2

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

Non-Fiscal Stimuli

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

Source: Bank Indonesia

Government Measures to Mitigate Covid-19 Risk

Government Regulation In UU 2/2020, Previously Perppu No.1 2020

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

State Financial Policy

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

Stability of Financial System

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

Source: Coordinating Ministry for Economic Affairs

Government Measures to Mitigate Covid-19 Risk

Budget Refocusing Policy

I. **Presidential Regulation No. 7/2020 on Taskforce to Manage COVID-19 Outbreak → Renewed through Presidential Regulation No. 9/2020**
   1. Answer to the President → Director (Chair: Coordinating Minister for Economic Affairs) and Implementer (Chair: Head of Indonesian National Board for Disaster Management), focusing on accelerating the mitigation of COVID-19 through synergy between ministries and government
   2. Funding comes from the state budget, regional budget, and other legal sources

II. **Presidential Instruction No 4/2020 concerning Refocusing of Activities, Reallocation of Ministry/Agency Budget, and Procurement of Goods and Services in the Framework of Mitigating COVID-19 Outbreak and Ministry of Finance Circular (SE) No 6/2020 on Refocusing Activity and Reallocation of Ministry/Agency Budget in the Framework of Mitigating COVID-19 Outbreak**
   1. Minister / Head of Institution prioritizes the use of budget allocations for the acceleration of mitigating COVID-19 outbreak following COVID-19 Handling Protocol
   2. Done through a budget revision mechanism (done quickly and accountably)

III. **Policy to support efforts to adjust regional allocations and relax transfers for handling Covid-19**
   1. Minister of Finance Regulation (PMK)19/2020 concerning Distribution and Use of Profit-Sharing Fund (DBH), General Allocation Fund (DAU), and Regional Incentive Fund (DID) budget year 2020 in the context of COVID-19 Countermeasures;
   2. Minister of Finance Decree (KMK) 6/2020 concerning Distribution of Physical Special Allocation Fund (DAK) on Health and Health Operational Assistance (BOK) in the framework of Prevention and/or Handling of COVID-19;
   3. Ministry of Home Affairs Regulation 20/2020 on the acceleration of COVID-19 Mitigation in the Scope of Regional Government

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

Source: Coordinating Ministry for Economic Affairs

Covid-19 Handling Fund and National Economic Recovery

Health Sector
(COVID-19 Handling)

Reducing the Spread of Covid-19

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

Community Responsibilities: 3M
- Put on a mask
- Wash Hands
- Keep the distance

Vaccination Acceleration

- Increase the procurement of vaccine supplies
- Improve vaccinators, cold storage, and vaccination sites
- Accelerate the vaccination program for the private sector

Community Activity Restriction (PPKM)

- Risk zoning and micro-level monitoring
- The application of the area is evaluated every two weeks with the addition of provinces.

Comittee
(Chairman: Coordinating Minister for Economic Affairs)

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

Vice Chairman
- Minister of Health
- Minister of Home Affairs
- Exceutive Secretary I
- Exceutive Secretary II

Vice Chairman + Executive Team Leader
Minister of SOEs

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

PEN Task Force
(Chairman: SOEs Vice Minister)

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

Economy Sector
(National Economic Recovery/PEN)

Intensification of National Economic Recovery Program

Acceleration of government spending in the 1st quarter of 2021

Labor-intensive program and the development of National Strategic Projects

Strengthened support for the manufacturing sector

Stimulate household consumption

PEN and Covid-19 Stimulus Budget	2020	2021*
TOTAL	IDR 695,2 T (Realization: IDR 579,8 T)	IDR 699,43 T
1. Health	IDR 63,51 T	IDR 175,5 T
2. Social Protection	IDR 220,39 T	IDR 150,88 T
3. Business Incentives	IDR 56,12 T	IDR 56,72 T
4. Support for MSMEs and Corporations	IDR 173,17 T	IDR 191,13 T
5. Priority Program	IDR 66,59 T	IDR 125,17 T

*as of 23 April 2021 (Source: MoF)

Source: Coordinating Ministry for Economic Affairs

Illustration of Health And Economic Recovery In One Wheel

Brake

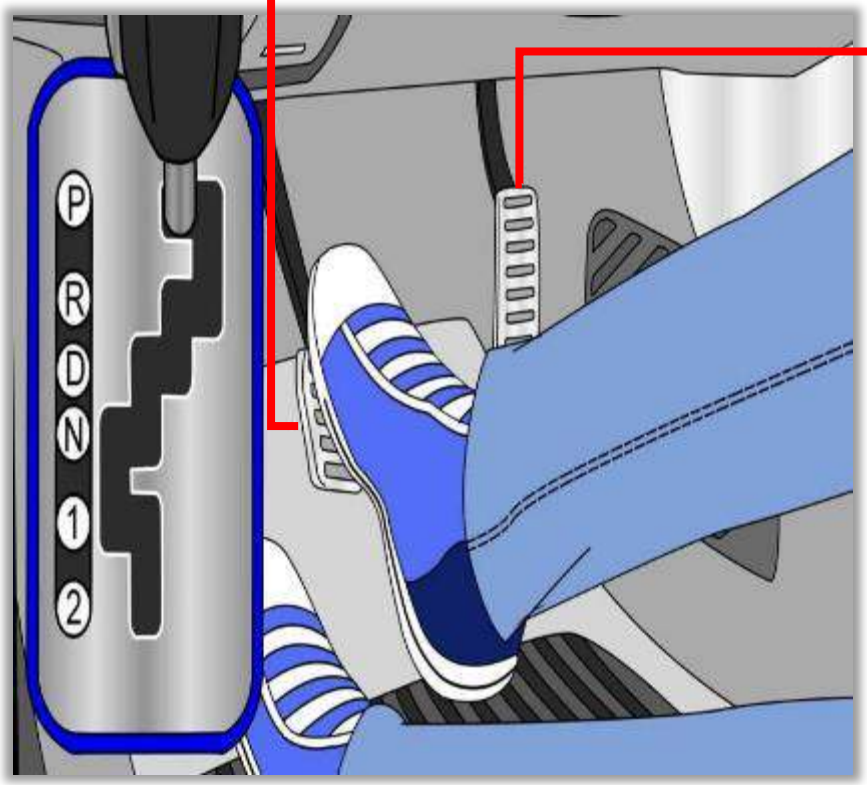
- Health Safety Net

Need to step on the brakes to suppress (contain) the covid-19 contagion

Need: Brake fluid

- Medicine
- Health Workers
- Vaccine

Strong Brake



SEATBELT: Driver safety while driving

- Financial Sector Safety Nets

Gas Pedal

- Social Safety Net
- Real Sector Safety Net

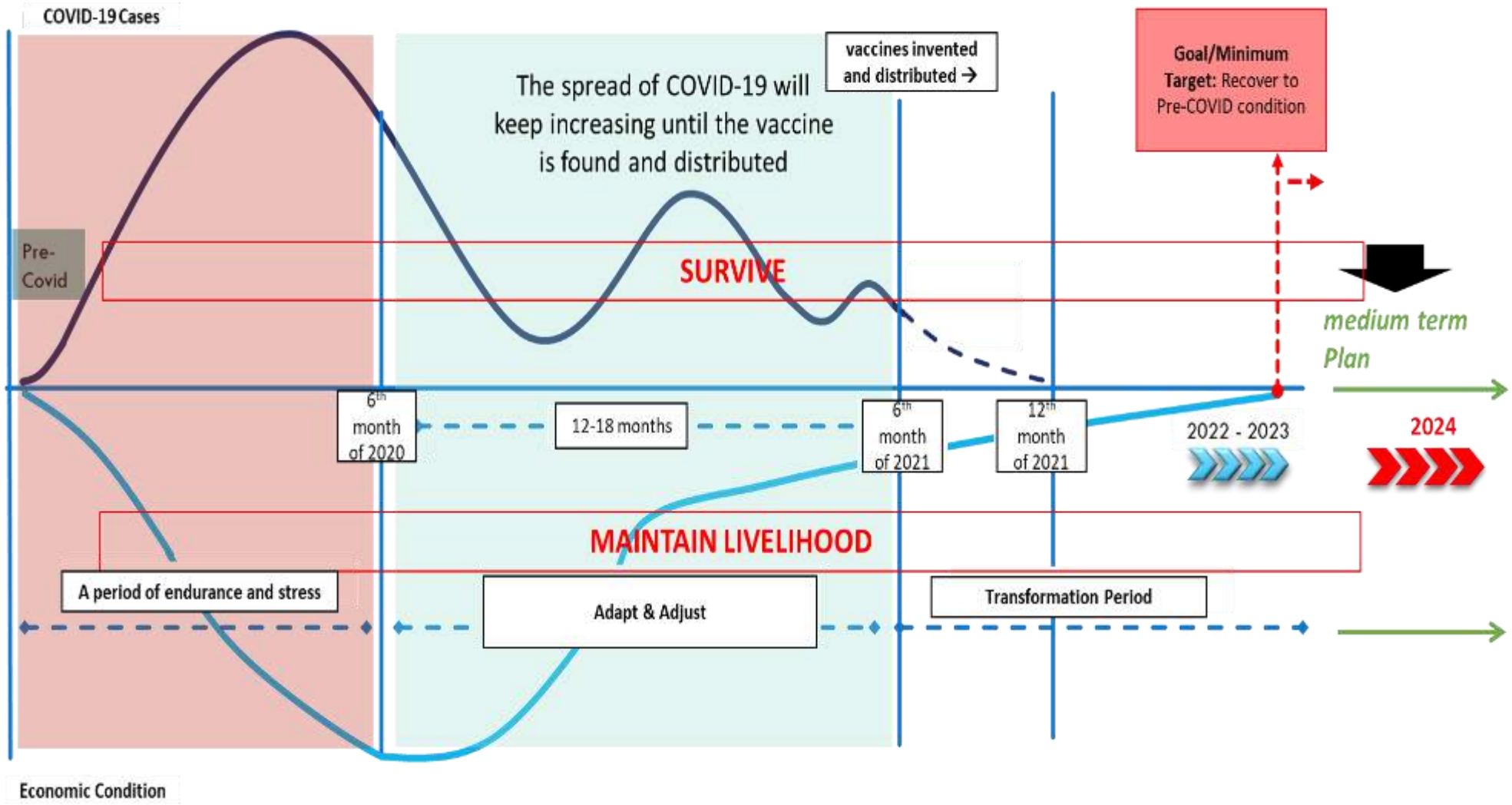
Oil/Gas

- Source of funding
- Make sure the drain is smooth and doesn't leak

Step on The Gas!

Source: Coordinating Ministry for Economic Affairs

Economic Recovery and Covid-19 Handling Requires a Medium-Term Plan (up to 2023/2024)



Source: Coordinating Ministry for Economic Affairs

Covid-19 Vaccination Will Restore Public Confidence

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

Vaccination Targets & Needs

181.5 million people

426.8 million doses

Vaccination Stages:

1

HEALTH WORKERS

Vaccinations are carried out for health workers in 34 provinces

1.5 M

VACCINATION PERIOD
JAN-FEB 2021

2

PUBLIC OFFICERS

17.3 M

ELDERLY

21.6 M

VACCINATION PERIOD
FEB-JUN 2021

3

VULNERABLE COMMUNITIES

Communities in areas with a high risk of transmission

63,9 M

4

OTHER COMMUNITIES

With a cluster approach according to vaccine availability

77.7 M

VACCINATION PERIOD
APR 2021 – DEC 2021

Source: Coordinating Ministry for Economic Affairs

Procurement of Vaccines

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

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

Gotong Royong Vaccine

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

"Gotong Royong" Vaccine (20 million doses)

Sinopharm	Cansino Bio
15 million	5 million

Targets

- Employees and families of a business entity
- Communities around the location of the business entity
- Foreign citizens who are employees of a business entity

Progress of Vaccination Implementation

Since January 2021, health workers have carried out the first phase of vaccination. Currently, the elderly and public officials are conducting the second phase of vaccination. As of May 30, 2021, the 1st vaccination dose was 12.31 million people, and the 2nd dose vaccination was 7.58 million people.

TOTAL VACCINATION	
Dose-1	Dose-2
16.3 Million (40,41%)	**10.6 Million (26,2%)**

Stage	Target	Total	Dose-1	Dose-2
I	Health Workers	1,5 Million	1.5 Million (103,3%)	1.4 Million (94,3%)
II	The Erderly	21,6 Million	3.3 Million (15,3%)	2.2 Million (10,1%)
II	Public Officers	17 Million	11.5 Million (66,1%)	7.0 Million (40,5%)

No.	Arrival	Total (million doses)	Producer	Type
1	06-Dec-20	1,2	Sinovac	Ready-to-use
2	31-Dec-20	1,8	Sinovac	Ready-to-use
3	12-Jan-21	15,0	Sinovac	Bulk
		1,5	Sinovac	Overfill
4	02-Feb-21	10,0	Sinovac	Bulk
		1,0	Sinovac	Overfill
5	02-Mar-21	10,0	Sinovac	Bulk
6	08-Mar-21	1,1	Astra Zeneca	Ready-to-use
7	25-Mar-21	14,5	Sinovac	Bulk
		1,5	Sinovac	Overfill
8	18-Apr-21	6,0	Sinovac	Bulk
9	26-Apr-21	3,8	Astra Zeneca	Ready-to-use
10	30-Apr-21	6,0	Sinovac	Bulk
		0,4824	Sinopharm	Ready-to-use
11	01-May-21	0,0176	Sinopharm	Ready-to-use
		0,5	Sinopharm (grant from UEA)	Ready-to-use
12	06-May-21	0,05	Astra Zeneca	Ready-to-use
13	08-May-21	1,4	Astra Zeneca	Ready-to-use
14	25-May-21	8,0	Sinovac	Bulk
Total		**83,9**		

Source: Coordinating Ministry for Economic Affairs

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

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

Community Activity Restriction (PPKM)

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

Periode:

- **PPKM Period I-II**: 11 Jan – 8 Feb 2021
- **Micro-Scale PPKM I**: 9 – 22 Feb 2021
- **Micro-Scale PPKM II** : 22 Feb – 8 Mar 2021
- **Micro-Scale PPKM III** : 9 Mar – 22 Mar 2021
- **Micro-Scale PPKM IV** : 23 Mar – 5 Apr 2021
- **Micro-Scale PPKM V** : 6 Apr– 19 Apr 2021
- **Micro-Scale PPKM VI** : 20 Apr– 3 May 2021
- **Micro-Scale PPKM VII** : 4 May – 17 May 2021
- **Micro-Scale PPKM VIII** : 18 May– 31 May 2021
- **Micro-Scale PPKM IX** : 1 June– 14 June 2021

Micro PPKM Control Scenarios

Red	Orange	Yellow	Green
Higher Community Transmission	Moderate Community Transmission	Low Community Transmission	No Active Cases
> 5 houses in a neighborhood that have positive confirmed cases during the last 7 days	If there are **3-5 houses** in a neighborhood that have positive confirmed cases during the last 7 days	If there are **1-2 houses** in a neighborhood that have positive confirmed cases during the last 7 days	If there are **no house** in a neighborhood that have positive confirmed cases during the last 7 days

PPKM criteria, namely:

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

Fulfillment of Basic Needs for Self Isolation

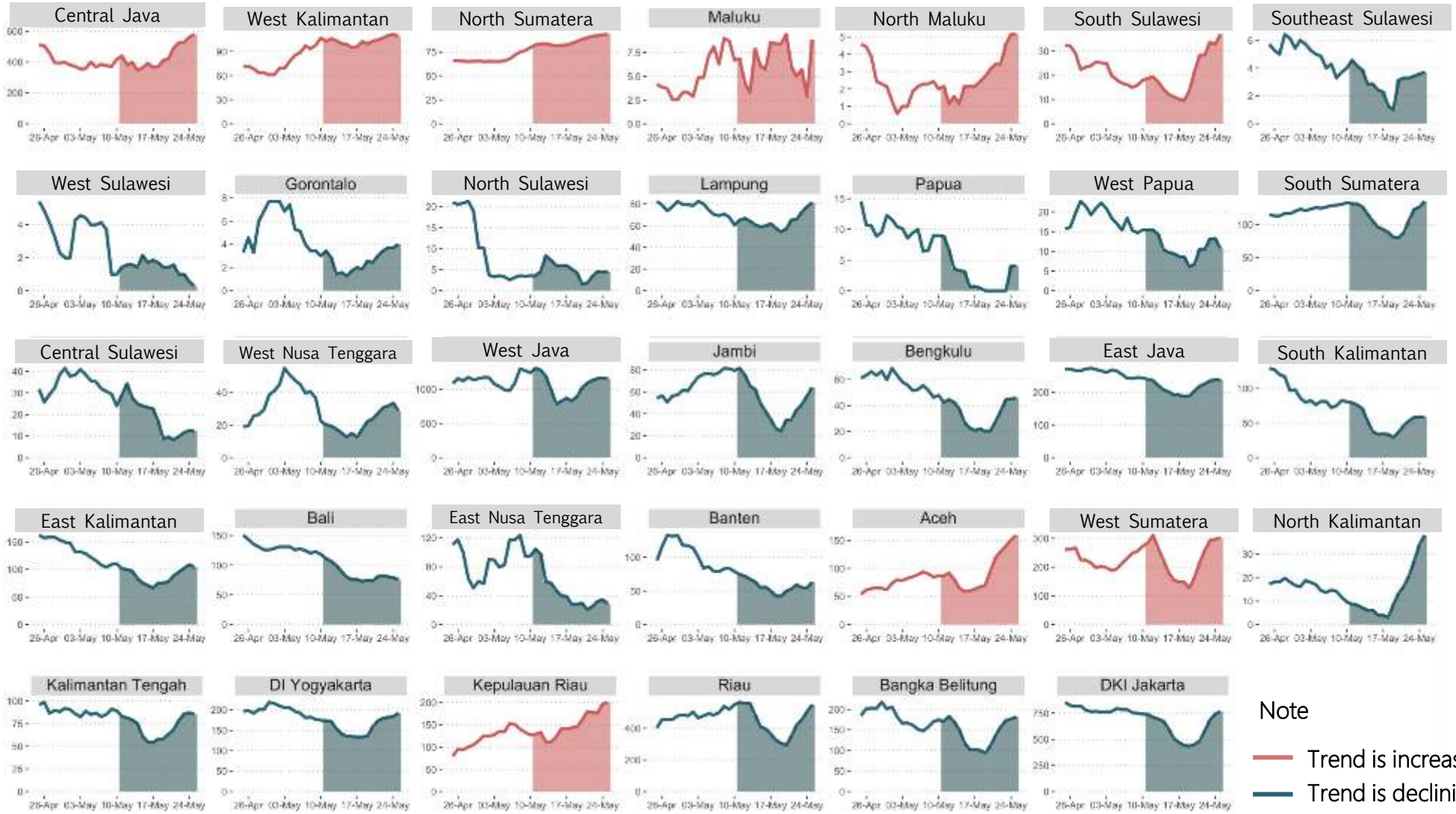
Target: Citizens who are confirmed positive, close contacts, and suspects

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

Source: Coordinating Ministry for Economic Affairs

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

There are 9 Provinces experiencing an uptrend for daily case confirmation, including 2 Non PPKM Micro Provinces



Breakthroughs to Strengthen Support for Corporate Loans and the Hotel, Restaurant, and Cafe Sector by 2021

- The Government provides support for Corporate Business People in the form of Government Guarantees to protect, maintain, and increase the economic capacity of Business Actors from the real sector and the financial industry in carrying out their business.
- The government also provides incentives for businesses affected by the COVID-19 pandemic, such as the hotel, restaurant and cafe sector

Relaxation on the Terms of Corporate Credit Guarantee Program
PMK 32/2021

Affirmation of relaxation of restructuring and new loans from Financial Services Authority (OJK)

Change of Guarantee Process
Simplify the terms and stages of Credit Guarantee

Hotel, Restaurant and Café Sector Incentives
Fund Placement and Guarantee Schemes for Hospitality SMEs credit schemes and guarantees for restaurants and cafes

Policy Synergy in the Property and Automotive Sector

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

	Government	Bank Indonesia	OJK
1 Automotive Sector	**Giving VAT Incentives on Luxury Goods Borne by the Government for Motor Vehicles through PMK No. 20 of 2021** • Expanded to: Car which **produced within the country with an engine capacity of 1,501 < CC <2 500 with local purchases > 60%.** • The PPnBM Discount stimulus is given in stages: ➢ As for 4x2: 50% during April-Aug and 25% for Sep-Dec 2021. ➢ As for 4x4: 25% during Apr-Aug and 12.5% during Sep-Dec 2021.	**Relaxation of down payment requirements on automotive loans/financing to minimum 0% for all new motor vehicles, while maintaining prudential principles and risk management as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.**	**Letter of the Chief Executive of Banking Supervision and Non-Bank Financial Institutions :** • **Relaxation of Risk Weighting Policy for Credit Risk Weighted Assets / Motor Vehicle Financing** • **Exemption from the Maximum Credit Lending Limit to Battery-Based Electric Motor Vehicle Manufacturers**
2 Property Sector	**Giving Government-Borne VAT Incentives Borne by the Government for the Submission of Landed Houses and Apartment Residential Units through PMK No. 21 of 2021**	**Relaxation of Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property, while maintaining prudential principles and risk management, as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.**	**Relaxation of Risk Weighted Assets for Credit / Mortgage Funding Depends on the LTV / FTV Ratio through the Letter of the Chief Executive of Banking and IKNB Supervision.**

Source: Coordinating Ministry for Economic Affairs

The Pre-Employment Card Program Successfully Helped Indonesian Workers During the Pandemic Period

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

Realization 2020

Registration

43,8 M
Registrant in Pre-Employment Card Websites From all Cities and Regencies in Indonesia

34 Province

514 Cities and Regencies

Recipients

5,5 M
Pre-Employment Card Recipient (Batch 1-11)*

5,316,499
Recipients Has received an incentive

13.4 T Incentives Have Been Disbursed

Pre-Employment Card Program Ecosystem

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

SEMI-SOCIAL ASSISTANCE:
Provides skills while protecting purchasing power

88.9% Increased participant work skills (* BPS)

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

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

EMPLOYMENT:
Encouraging employment, including entrepreneurship

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

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

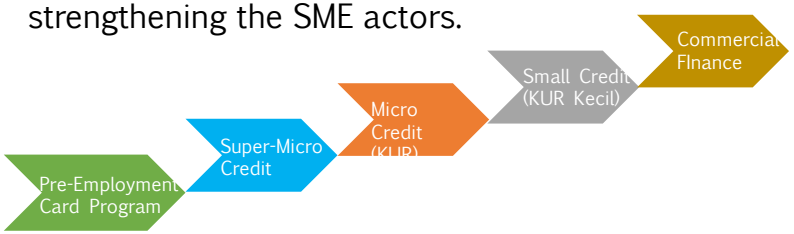
18% Changed from being unemployed to being an employee/laborer/freelance (*Evaluation Survey)

Source: Coordinating Ministry for Economic Affairs

Semester I Pre-Employment Card Program in 2021

- Budget: IDR 10 trillion
- Benefit value:
  - Rp1 million training assistance
  - Total post-training incentives IDR 2.4 million (IDR 600 thousand x 4 months)
  - Post-survey incentives total IDR 150 thousand (IDR 50,000 x 3 surveys)
- Batch 12: 600,000 attendees
- Target audience: 2.7 million people

Through business financing support, people who have graduated from the Pre-Employment Card Program and received training can start businesses. The integration of this program is expected to encourage National Economic Recovery through strengthening the SME actors.



Graduation Stages for Pre-Employment Card Program Recipients to the People's Business Credit Program (KUR)

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

INDUSTRIAL CONDITIONS

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

35% IMPORT SUBSTITUTION PROGRAM BY 2020

7 SECTORS FOCUS

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

STRATEGIC STEPS

Import Reduction through Import Substitution in Industries with Large Import Value

Encouraging the Deepening of Industrial Structure

Increasing Production Utilisation of All Manufacturing Industry Sectors

Increase in Investment and Absorption of New Workers

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

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

Source: Ministry of Industry

Fiscal Incentives Policy to Boost the Economy

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

TAX HOLIDAY

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

Updated: 31 Dec 2020

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

TAX ALLOWANCE

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

INVESTMENT ALLOWANCE

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

SUPER DEDUCTION TAX

Super Deduction Vocational

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

R & D Super Deduction

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

Source: Coordinating Ministry for Economic Affairs

Government Support for MSMEs During the Covid-19 Pandemic

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

MSMEs CREDIT RESTRUCTURING

1 ASSET QUALITY ASSESSMENT

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

Asset Quality Arrangement:

Loans ≤ IDR 10 billion can be based only on the accuracy of principal / interest payments

Restructurisation:

The credit quality for affected debtors is determined to be current since restructuring

The restructuring is carried out without a ceiling limit / type of financing

2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

KUR Super Mikro : Loan up to IDR 10 million

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

KUR MKM (SMEs):

Loan up to Rp10 million up to IDR 500 million

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

Loan > Rp500 million up to IDR 10 billion

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

UMi, Mekaar, Pegadaian (Pawnshop)

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

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

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

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

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

WORKING CAPITAL CREDIT

3 LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

4 GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

OTHER SUPPORT

5 Income Tax for MSMEs is borne by Government

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

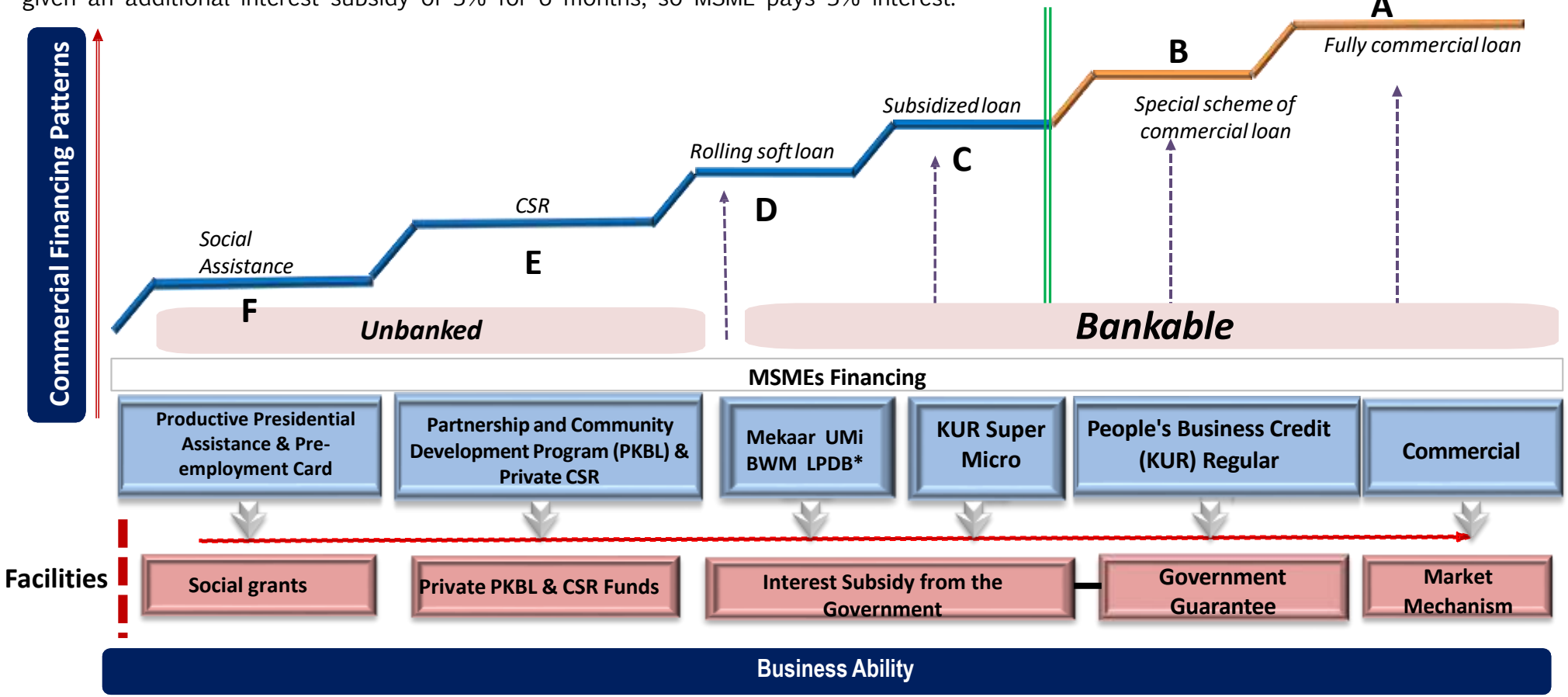
6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

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

Source: Coordinating Ministry for Economic Affairs

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

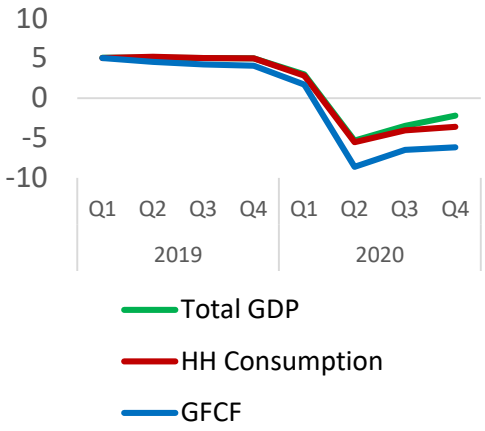
- The Government has began to empower super micro, micro and small businesses that are un-bankable through Productive Presidential Assistance & Pre-Work Card programs, while the BUMN through the partnership and community development program (PKBL) and private parties with CSR.
- Based on KUR Super Micro scheme, people could have loans with 0% interest until December 31, 2020. Meanwhile, People's Business Credit (KUR) for micro small and medium enterprises (MSME) is given an additional interest subsidy of 6% until 31 Dec 2020. For 2021, MSME is given an additional interest subsidy of 3% for 6 months, so MSME pays 3% interest.



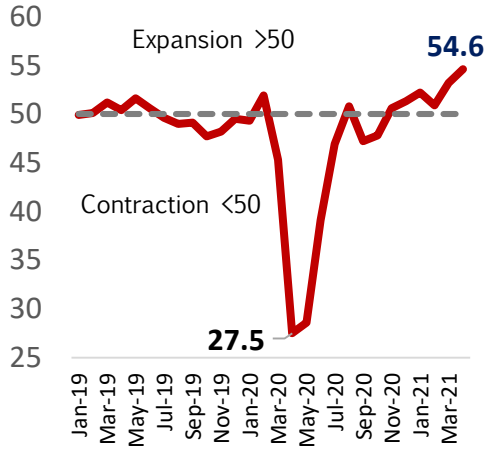
Source: Coordinating Ministry for Economic Affairs

Indonesia's Economic Improvement Trend Continues

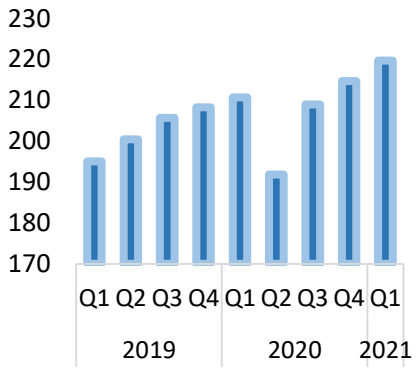
GDP Growth (%YoY)



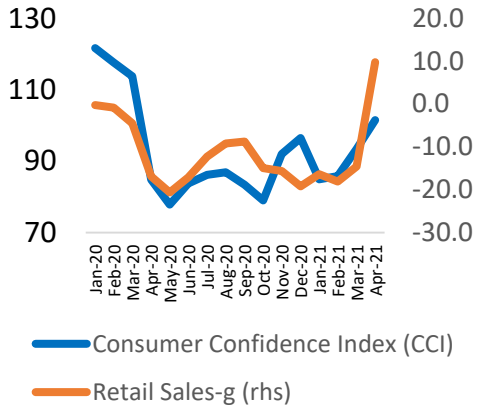
PMI Markit Indonesia



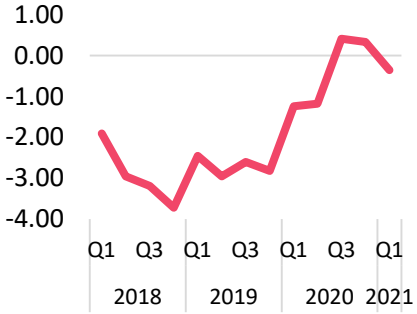
Total Investment (DDI+FDI) Rp Trillion



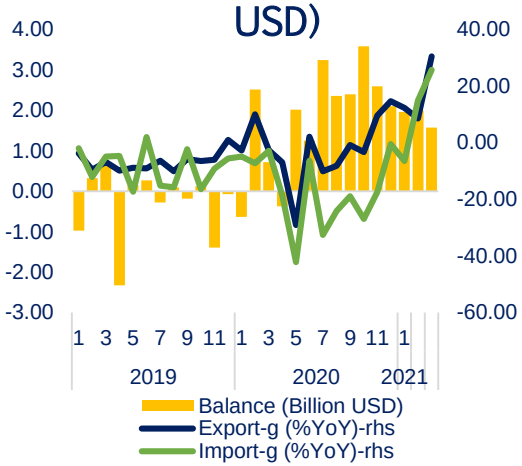
CCI & Retail Sales



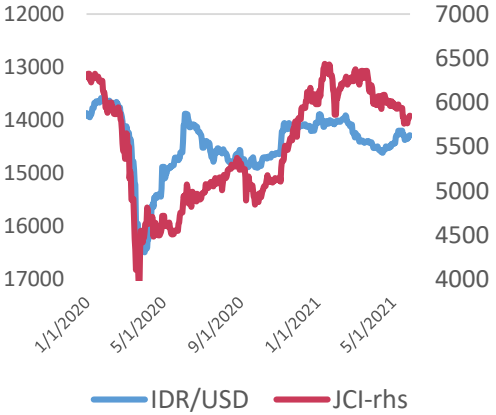
Current Account Deficit of GDP (%)



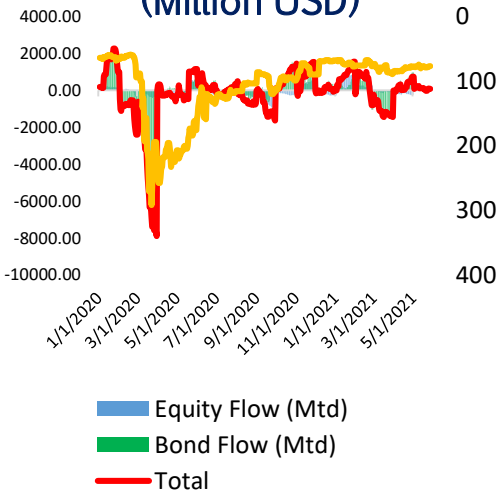
Trade Balance (Billion USD)



The Indonesian Rupiah and JCI



Net Capital Inflow (Million USD)



Source: CEIC, BI, BPS, Bloomberg (as of 30 May 2021)

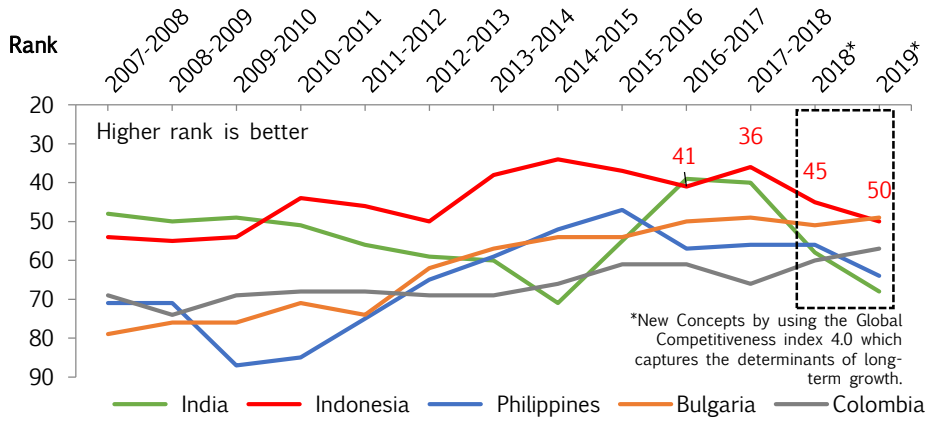
Section 2

Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

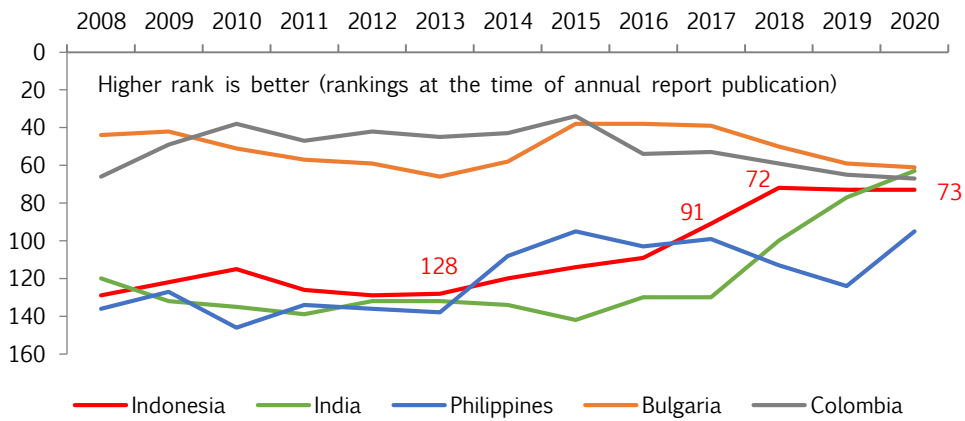
Improving Global Perception

...with recent improvements on governance effectiveness

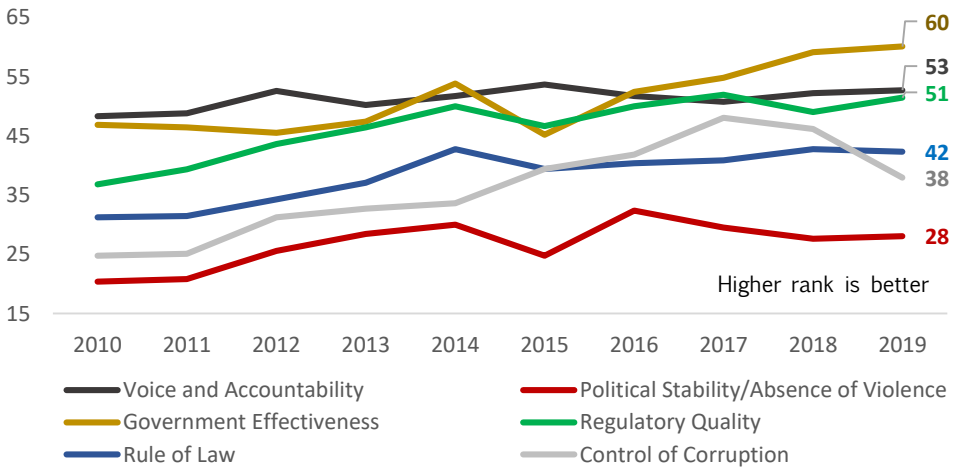
Global Competitiveness Index[1]



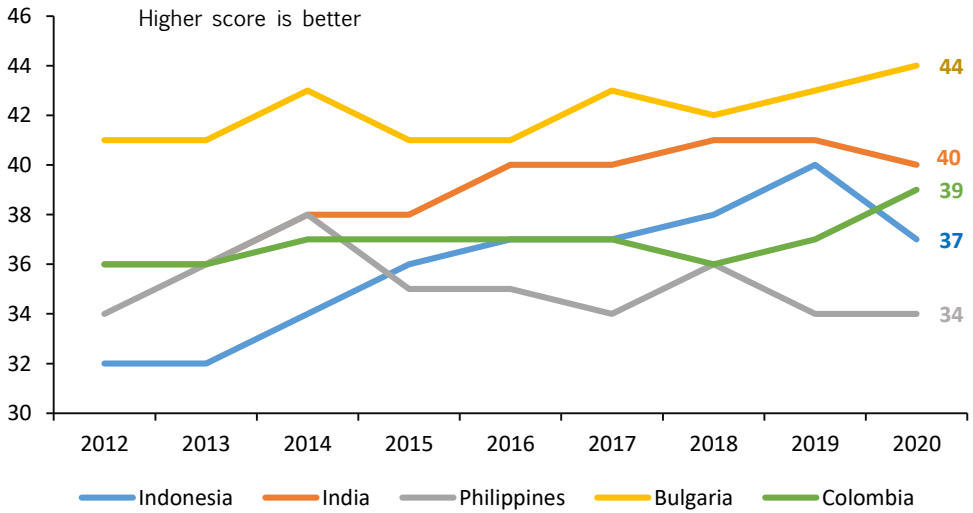
Ease of Doing Business[2]



Worldwide Governance Indicators[3]



Corruption Perception Index[4]



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

Continuous Improvement of Investment Climate

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

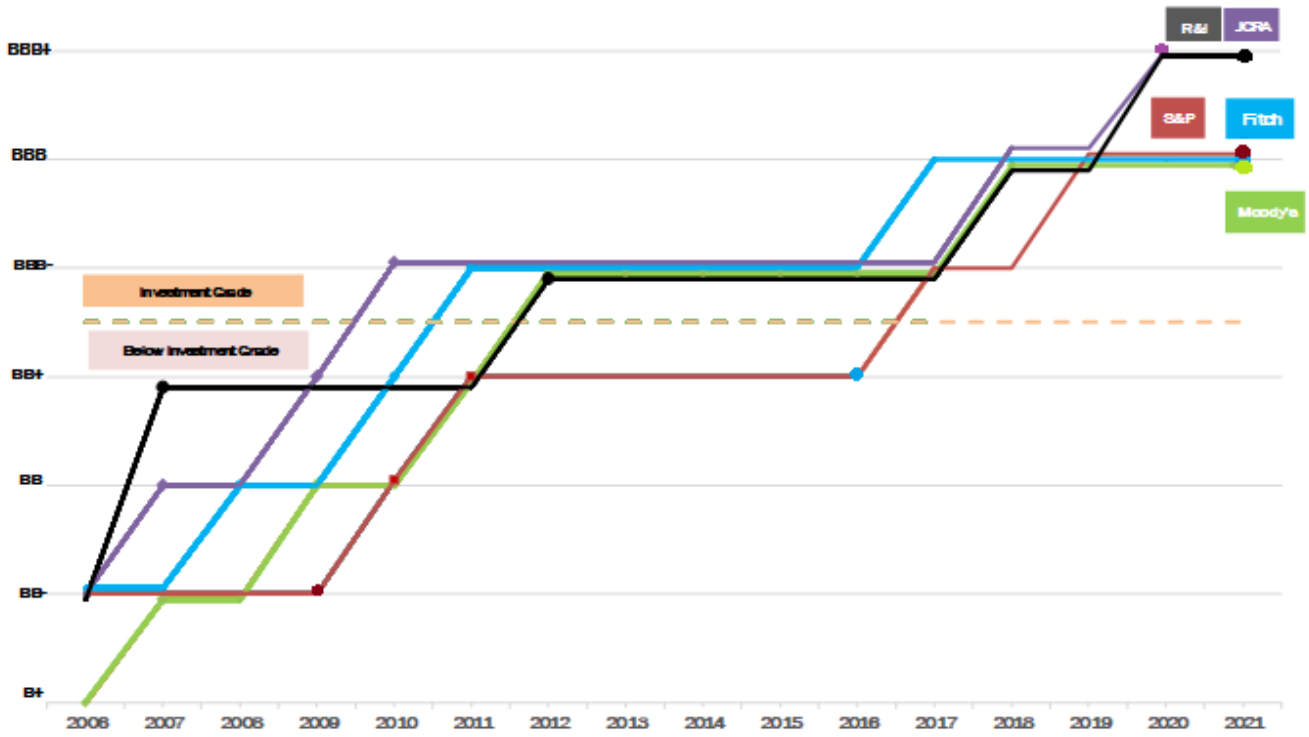
	EoDB 2020 Rank	EoDB 2019 Rank	Change in Rank	EoDB 2020 Points	EoDB 2019 Points	Change in Points
Overall	73	73	= 0	69.6	68.0	↑ 1.6
Starting a business	140	134	↓ 6	81.2	81.2	= 0.0
Dealing with Construction Permits	110	112	↑ 2	66.8	66.6	↑ 0.2
Getting Electricity	33	33	= 0	87.3	86.4	↑ 0.9
Registering Property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

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

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

Source: World Bank

Indonesia Has Been Rated as Investment Grade Country since 2017



FitchRatings — BBB / Stable

March 2021, Rating Affirmed at BBB/Stable

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

S&P Global Ratings — BBB / Negative

April 2021, Rating Affirmed at BBB/Negative

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

Moody's — Baa2 / Stable

Feb 2020, Rating Affirmed at Baa2/Stable

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

R&I — BBB+ / Stable

April 2021, Rating Affirmed at BBB+/Stable

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

JCR — BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

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

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

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

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

Source: National Development Planning Agency

Economic Transformation is Required to Recover the Economy and Avoid the Middle Income Trap

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

Bill on Job Creation

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

Economic Transformation

Fundamental Problems

Hyper Regulation

- National and sub-national regulations = 43.604

Competitiveness

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

Employment

- Low productivity albeit productive age
- Unemployed and part-time workforce amounting to 45,8 million people (34,3%) (before pandemic)

License and Ease of Doing Business

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

MSME & Cooperative

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

Legal Certainty

- Criminal sanction for administrative sanction

National Economy

- Growth
- Equity
- Protection
- Competitiveness

Indonesia Maju 2045

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

Source: Coordinating Ministry for Economic Affairs

The Job Creation Omnibus Law Promotes Employment and Facilitates Opening of New Business While Pursuing the Economic Recovery

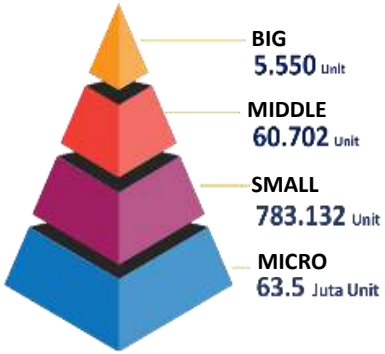
DATA & FACT

Labour Market

Of the total population aged 203.97 million people, there are 14.28 people affected by Covid-19

1. Unemployment due to covid-19 (2,56 million people)
2. Not labor force due to Covid-19 (0,76 million people)
3. Temporarily not working due to Covid-19 (1,77 million people)
4. Work with shorter hours due to Covid-19 (24,03 million people)

MSME



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

REGULATION

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

JOB CREATION LAW

SUBSTANCE

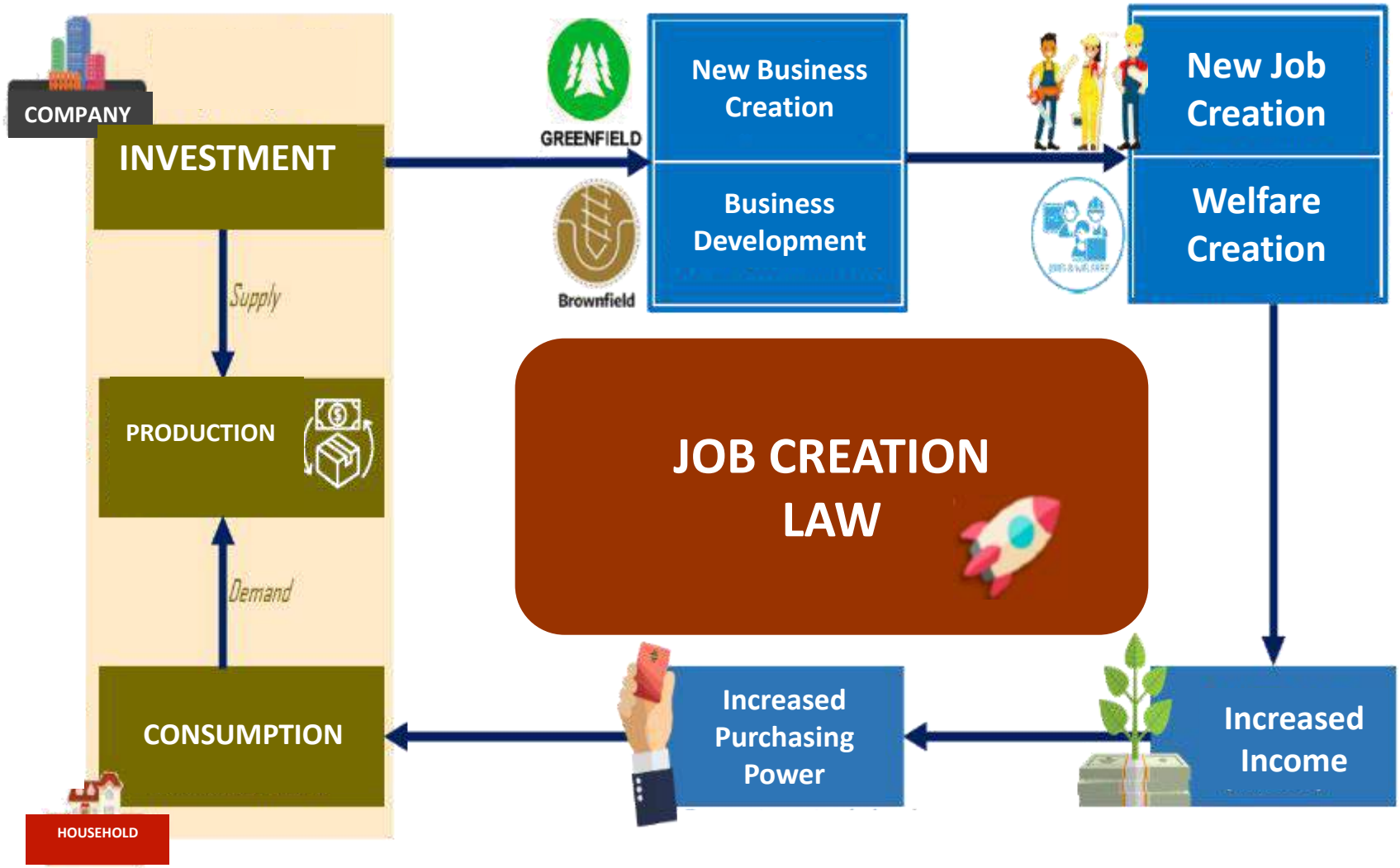
- 1. IMPROVING INVESTMENT ECOSYSTEM
- 2. BUSINESS LICENSING
- 3. LABOR
- 4. SUPPORTING MSMEs
- 5. EASE OF DOING BUSINESS
- 6. RESEARCH & INNOVATION
- 7. LAND PROCUREMENT
- 8. ECONOMIC ZONE
- 9. CENTRAL GOVERNMENT INVESTMENT & SPEEDING OF STRATEGIC NATIONAL PROJECT
- 10. GOVERNMENT ADMINISTRATION
- 11.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

BENEFITS

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

Source: Coordinating Ministry for Economic Affairs

The Framework of Job Creation Law



Source: Coordinating Ministry for Economic Affairs

Development of Implementing Regulations for the Job Creation Law

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

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

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

Regulations

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

Public Communication

Ministries / Institutions held intensive socialization in the form of electronic media and leaflets

Infrastructure and Supporting System

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

Human Resources

Training for OSS Operators and Supervisors

Source: Coordinating Ministry for Economic Affairs

51 Regulations for Job Creation Law (Substance Grouping)

Spatial

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

Land and Land Rights

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

Environment

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

Construction and Housing

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

Cooperatives and SMEs

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

Source: Coordinating Ministry for Economic Affairs

51 Regulations for Job Creation Law (Substance Grouping)

Investment

1. Government Regulation No. 42 of 2021 concerning the Ease of National Strategic Projects
2. Government Regulation No. 44 of 2021 concerning Implementation of the Prohibition of Monopolistic Practices and Unfair Business Competition
3. Government Regulation No. 48 of 2021 concerning Third Amendment to Government Regulation No. 31 of 2013 concerning Implementation Regulations of Law No. 6 of 2011 concerning Immigration
4. Presidential Regulation No. 10 of 2021 concerning the Investment Business Field
5. Government Regulation No. 73 of 2020 concerning Investment Management Institutions2.
6. Government Regulation No. 74 of 2020 concerning Authorized Capital for Management Institutions Investation

Fiscal

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

Employment

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

Economic Zone

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

Government Goods / Services

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

Source: Coordinating Ministry for Economic Affairs

51 Regulations for Job Creation Law (Substance Grouping)

Licensing and Sector Business Activities

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

Source: Coordinating Ministry for Economic Affairs

Implementation of Risk Based Licenses Encourage Government Services to be Efficient, Easy, and Certain

Licensing Reform

The implementation of Job Creation Law reforms business licensing regulations by **implementing Risk-based Norms, Standards, Procedures, Criteria**

Licenses based approach → **Risk based approach**

Government Regulation No. 5/2021

Purpose:

- **A more effective and simpler business license issuance**
- **integrated supervision of business activities that is more transparent, structured and accountable**

High Risk	**Business Identification Number + Permit**
Medium High Risk	**Business Identification Number + Standard Certification (Verification)**
Medium Low Risk	**Business Identification Number + Standard Certification (Self Declare)**
Low Risk	**Business Identification Number**

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

The government provides positive sentiment to businesses by regulating more open (positive) and priority business fields

Priority Business Field Criteria
National Strategic Programs/Projects
Capital Intensive
Labor Intensive
High Technology
Pioneer Industry
Export Orientation; and/or
Orientation in Research, Development and Innovation Activities

Presidential Regulation No. 10 of 2021 concerning the Investment Business Field

245 PRIORITY BUSINESS FIELDS given fiscal incentives and and non-fiscal

89 AREAS OF BUSINESS FIELDS OR PARTNERSHIP WITH COOPERATIONS AND MSMEs

46 BUSINESS FIELDS WITH SPECIFIC REQUIREMENTS

Fiscal Incentives

1. Tax Incentives:
   - Tax Allowance
   - Tax Holiday
   - Investment Allowance
2. Customs and excise investives (free of import duty on industrial construction machinery and materials)

Non-Fiscal Incentives

1. Ease of business licensing
2. Provision of supporting infrastructure
3. Guaranteed energy availability
4. Raw materials
5. Immigration labor
6. etc

In principle, the government assures that all business fields are open to investment unless stated as closed by law while continue to protect and empower MSMEs

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

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

PRESIDENTIAL REGULATION OF INVESTMENT BUSINESS FIELDS

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

89 AREAS OF BUSINESS FIELDS OR PARTNERSHIP WITH COOPERATIONS AND MSMEs

46 BUSINESS FIELDS WITH SPECIFIC REQUIREMENTS

> 1700 BUSINESS FIELDS OPEN FOR INVESTMENT

- With a positive approach, **the Government provides assurance that in principle all business fields are open to investment, unless otherwise stated as covered by law. The investment value for Mandatory PMA is> IDR 10 billions.**
- This openness takes into account the protection and empowerment of MSMEs.
- The government also provides information on **the direction of investment policy in Indonesia** by determining **business fields that are Government's priorities**.

Priority Business Field Criteria

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

Incentives provided

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

Source: Coordinating Ministry for Economic Affairs

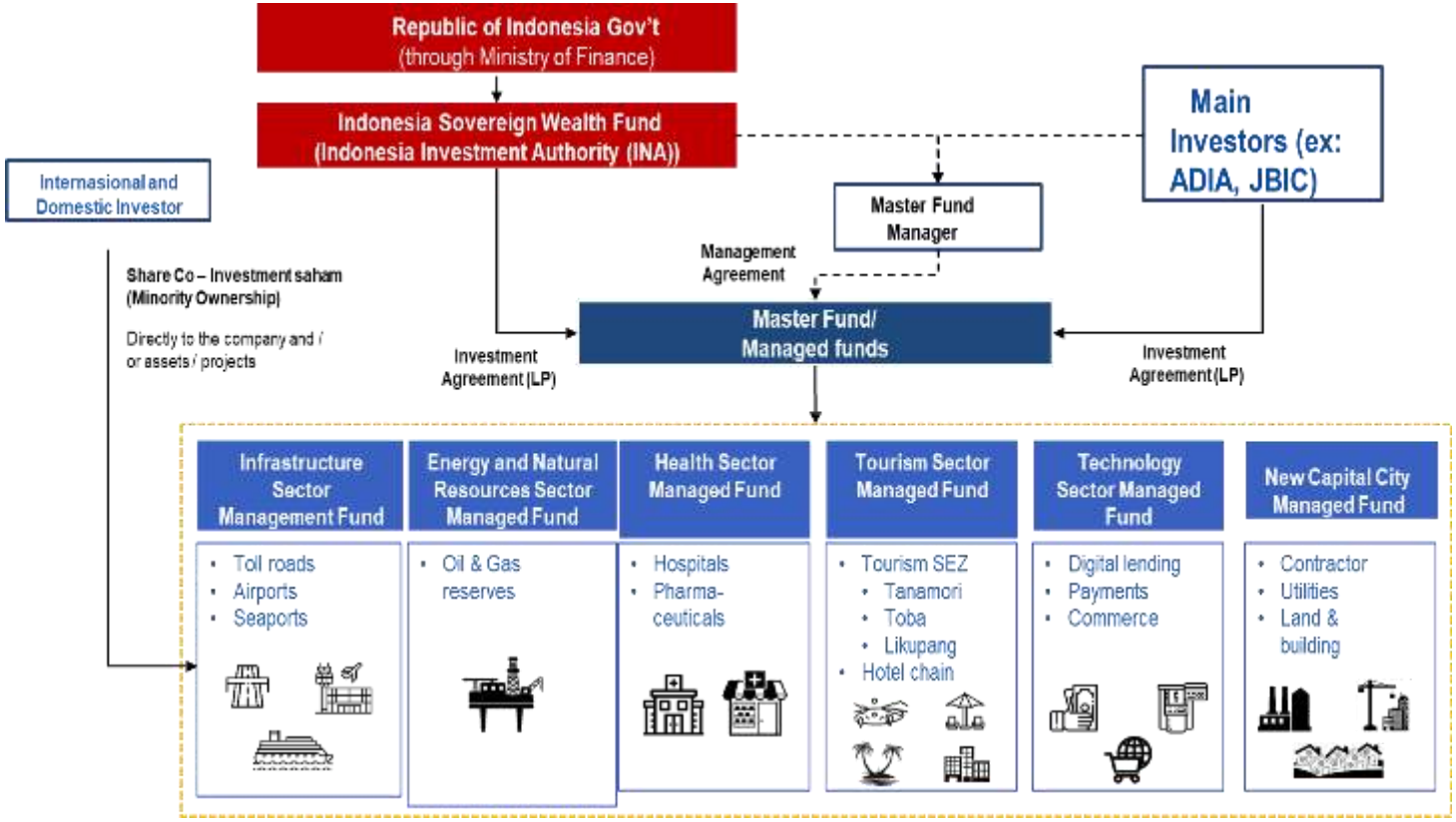
Indonesia Investment Authority (INA) as an Alternative Source of Economic Financing

Progress

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

Target

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



Top SWF in Global with its total assets:

- Norway Gov → USD 1,1 trillion
- China Inv. Co.→ USD 1 trillion
- Abu Dhabi → USD 579 trillion

Top SWF in ASEAN with its total assets:

- GIC Private Limited → USD 453 billion
- Temasek Holdings → USD 417 billion
- Khazanah Nasional Berhad → USD 20 billion

Source: Coordinating Ministry for Economic Affairs

Investment Facilitation Services During COVID-19 Pandemic

1 Companies Operation Support

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

2 Visa Recommendations for Company Leaders

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

3 Visa recommendations for foreign skilled workers

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

4 Managing Existing Investment Realization

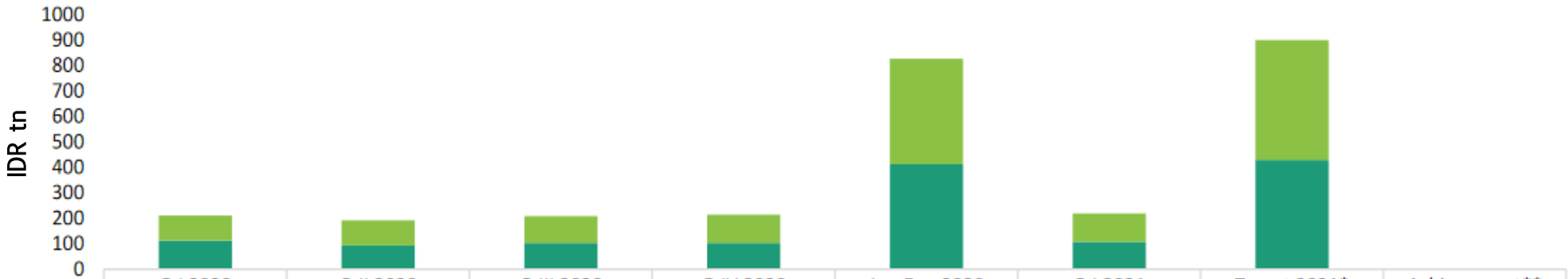
Conduct visits to companies (for example visiting Hyundai and Bonded Zone) to spur existing investment in addition to fiscal incentive facilitation

5 Optimization of Business Licensing Services

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

Source: Investment Coordinating Board (BKPM)

Investment Realization in Q1-2021



	Q I 2020	Q II 2020	Q III 2020	Q IV 2020	Jan-Dec 2020	Q I 2021	Target 2021*	Achievement**
TOTAL	210,7	191,9	209,0	214,7	826,3	219,7	900,0	24,4%
FDI	98,0	97,6	106,1	111,1	412,8	111,7	469,8	23,8%
DDI	112,7	94,3	102,9	103,6	413,5	108,0	430,2	25,1%

DDI: Domestic Direct Investment
FDI: Foreign Direct Investment
*) The adjustment of investment realization target for 2021 based on the BKPM Regulation No 2 of 2020 on the Strategic Plan of BKPM of 2020 2024 is IDR 858 5 T
**) Towards the 2021 investment realization target

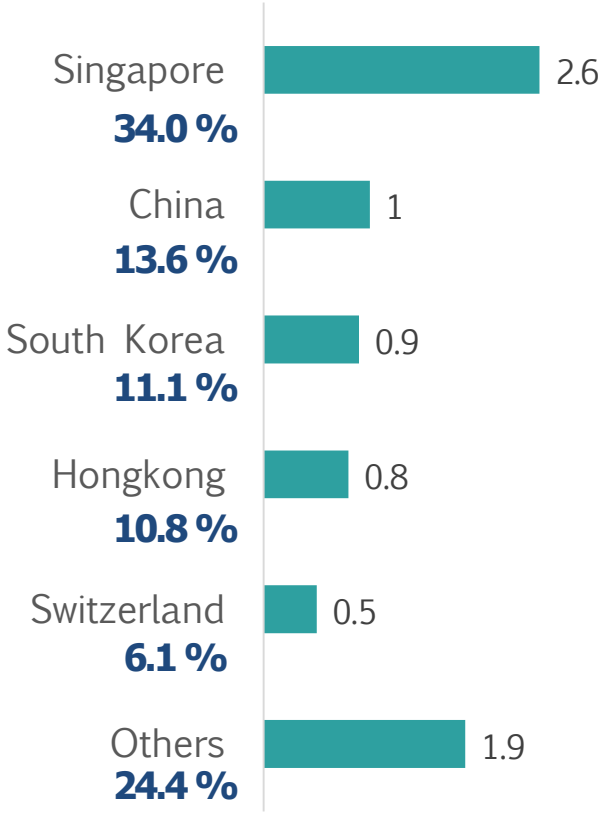
- The value of investment in Quarter I 2021 constitutes the direct investment realization done for three months period (January - March 2021) based on investment realization report (LKPM) from DDI and FDI companies
- Investment on Upstream Oil and Gas, Banking, Non Bank Financial Institution, Insurance, and Micro Business are excluded
- The investment value is in IDR Trillion and US 1 IDR 14 600 based on The 2021 National Budget
- The investment realization in Quarter I 2021 IDR 219.7 T, 4.3% increase from Quarter I 2020 (IDR 210.7 T)

Q-1 2020	y-o-y	q-o-q
DDI	-4.2%	4.2%
FDI	14.0%	0.6%
TOTAL	**4.3%**	**2.3%**

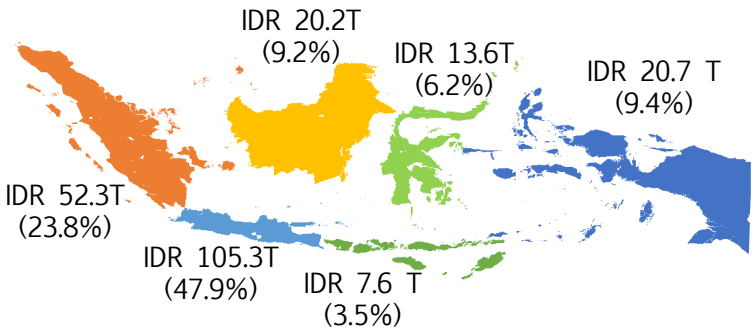
Source: Investment Coordinating Board (BKPM)

Investment Realization in Q1-2021
(excluding the upstream oil and gas sector and financial services)

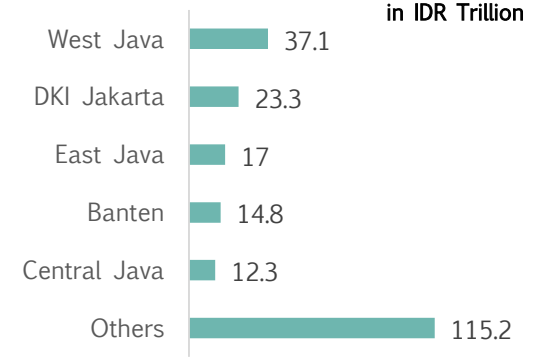
Top 5 Investors (by country)
(in USD billion)



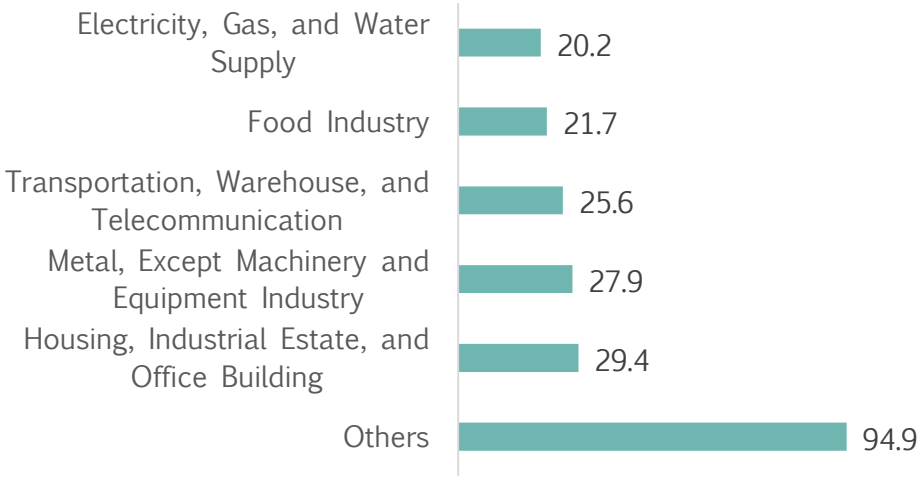
By Geography



By Region



By Sector

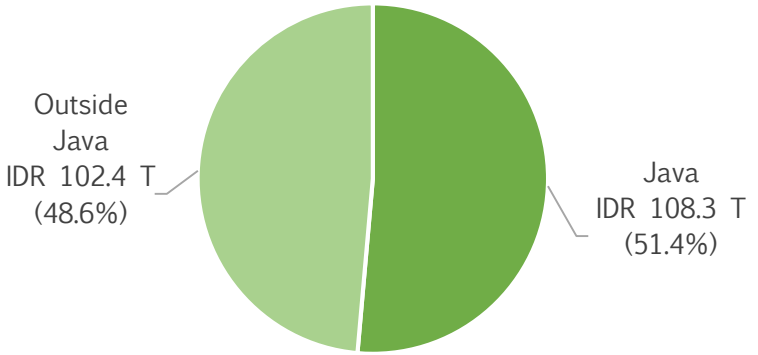


Source: Investment Coordinating Board (BKPM)

Investment Realization in Q1-2021
(excluding the upstream oil and gas sector and financial services)

Q1 - 2020

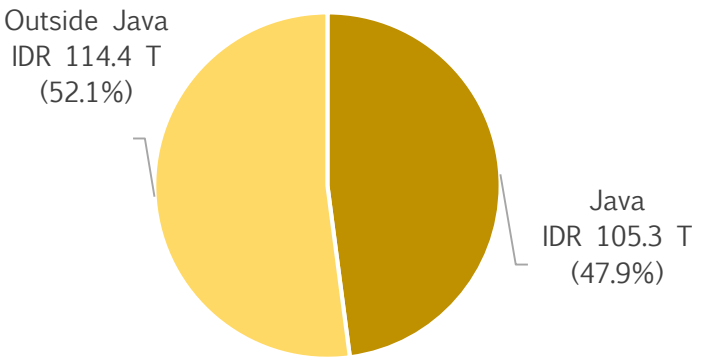
Total : IDR 210.7 T

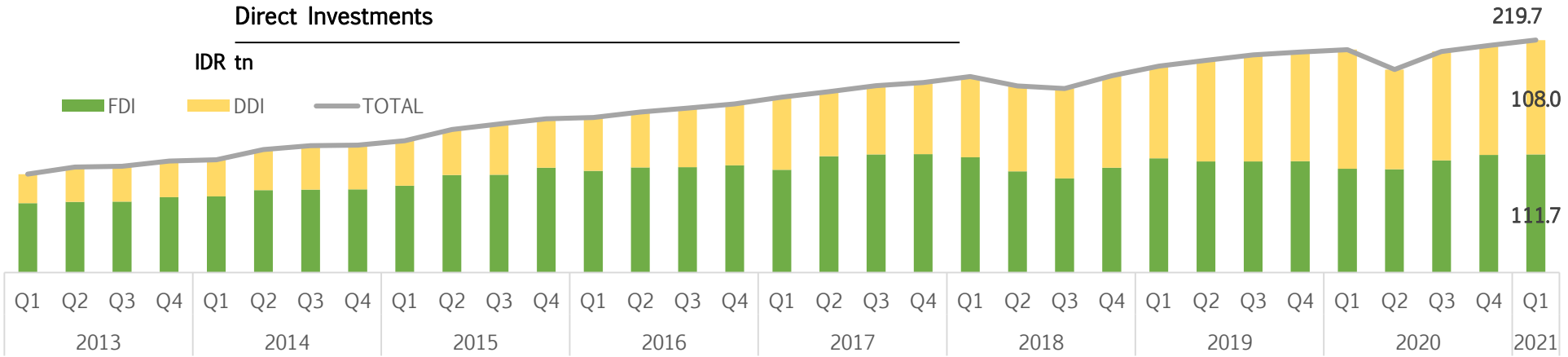


Realization	y-o-y
Java	-2.7%
Outside Java	11.7%
TOTAL	4.3%

Q1 - 2021

Total : IDR 219.7 T





Source: Investment Coordinating Board (BKPM)

Potential Investment Realization Reaches IDR 708 T

IDR 708T
Potential Investment Realization

±IDR 517.6T
(73.1%)
The potential value facilitated

Solving stalled investment issues is one strategy to attract investors

Klaten, Central Java

Dumai, Riau

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

Companies that had been facilitated:

- Rosneft 211.9T
- LOTTE CHEMICAL 61.2T
- PT. INDO RAYA TENAGA 58.1T
- VALE 39.2T
- YTL Power (PT Tanjung Jati Power) 38.0T
- HYUNDAI 21.7T
- KOBEXINDO 14.0T
- INDONESIA POWER 9.5T
- M.N.A PT Multimas Nabati Asahan 7.7T
- tlb (PT Tenaga Listrik Bengkulu) 5.2T
- GCL 2.7T
- CHEILJEDANG 2.4T
- ANJ PT Galempa Sejahtera Bersama 2.0T
- Masdar 1.8T
- PT Sumber Mutiara Indah Perdana (SMIP) 1.8T
- Minahasa Cahaya Lestari 1.8T
- MALINDO 1.1T
- bp 1.0T
- PERTAMINA GEOTHERMAL ENERGY 6.0T
- (PT Halmahera Persada Lygend) 5.4T
- GORONTALO LISTRIK PERDANA 2.8T
- JAMBI INTEGRATED CITY 2.4T
- (Project Hululais) 2.3T
- (PT Sulawesi Cahaya Mineral) 1.4T
- FIRST PACIFIC 14.7T
- Others 1.4T

Source: Investment Coordinating Board (BKPM), data up to Dec 2020

Enhancing Business License Service Standard

Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014

Policy Goals

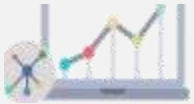
1. Improve efficient, streamlined, & integrated business license service standards
2. Accelerate the business licensing process
3. Provide business licensing process assurance in terms of the costs and lead times
4. Increase coordination & synergy between central & regional government
5. Overcome the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

Main Policy

1st Phase

Forming a Task Force to identify & overcome the end-to-end licensing barriers

Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones



Utilizing data sharing

2nd Phase

Business license regulatory reforms

Implementation of the Single Submission system

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

Source: Coordinating Ministry for Economic Affairs

Improving Investment Climate

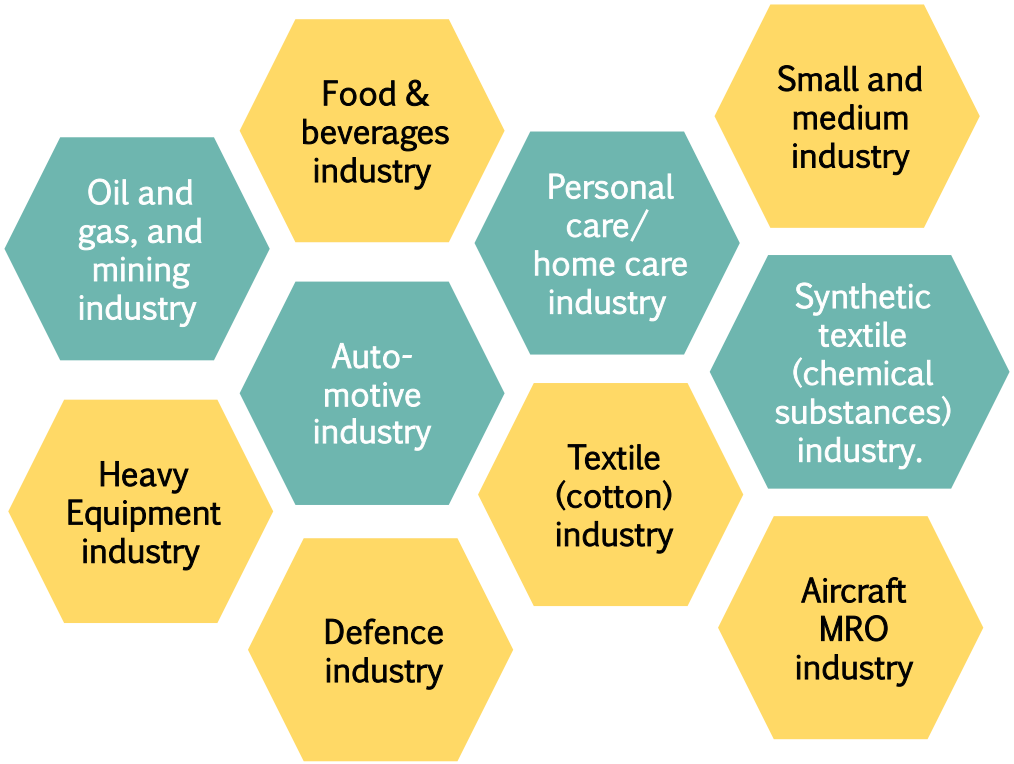
...Bonded Logistic Center launched in 2016 to Improve Indonesia's Competitiveness

Bonded Logistic Center

(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 1st Economic Policy Package, launched on March 2016

PLB facility aims to improve efficiency and reduce the cost of transportation and logistics in Indonesia; support the growth of the domestic industry, including small and medium industries; increase investment; and to make Indonesia to become a logistics hub in Asia Pacific.

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



Source: Coordinating Ministry for Economic Affairs

Improving Investment Climate

Online Single Submission (OSS) Has Been Launched in 2018

OSS is a web-based business licensing system intended to cut the red tape involved in obtaining business permits and integrated between the central government and regional administrations

Sectors

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

The Advantage of Using OSS

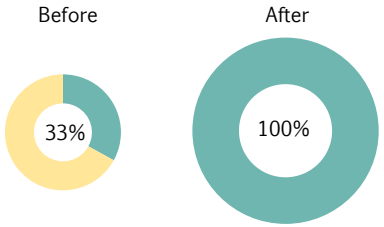
- Business licenses can be secured in under an hour
- Standardized business licenses are available
- Ellectronically integrated
- More practical
- Accessible at anytime and anywhere
- The whole licensing process is monitored by the Task Force

Source: Coordinating Ministry for Economic Affairs

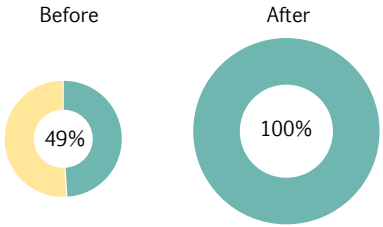
Improving Investment Climate
...revision of the Negative Investment List in 2018

Introduction of New Foreign Ownership Regulation for Strategic Sectors

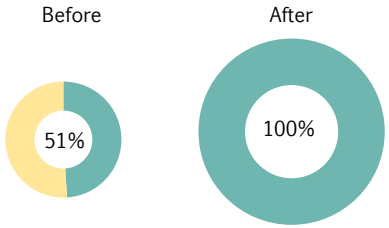
Cold storage



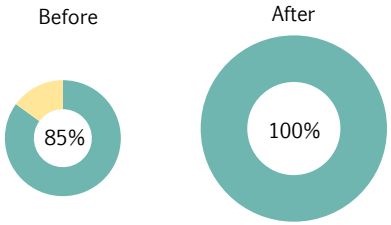
Sports Center, Film Processing Lab, Crumb Rubber



Restaurants, Bars



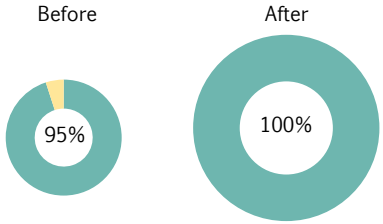
Pharmaceutical Raw Materials Manufacturing



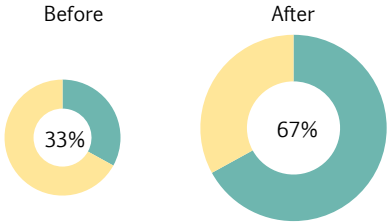
Key Reforms in Negative Foreign Investment List

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

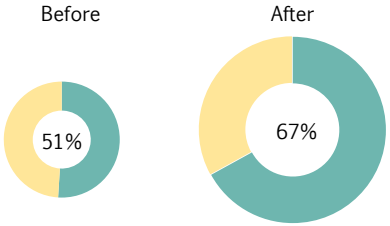
Toll Road Operator, Telecommunication Testing Company



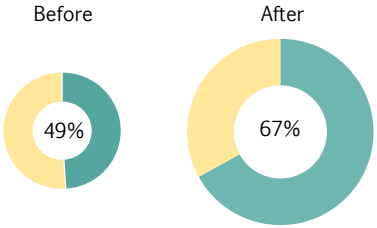
Distribution, Warehousing



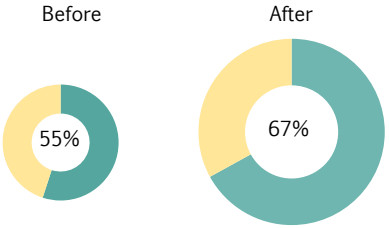
Private Museum, Catering, apparel Manufacturing, Exhibitions & Conventions



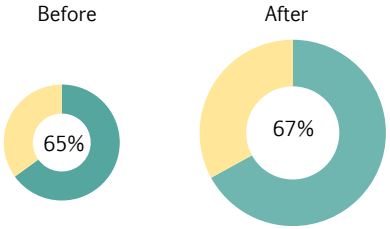
Professional Training, Golf Course Management, Air Transport Support Services, Travel Bureau



Consultancy for Construction[1]



Telecommunication Provider with Integrated Services



[1] For total project value of IDR10bn and above

Source: Investment Coordinating Board (BKPM)

Section 3

Economic Factor:
Stable Growth Prospects
Amid Temporary Moderation

Conducive Environment
Underpinning Stable Growth Fundamentals Amid Temporary Moderation

Large and Stable Economy

- Largest Economy in South East Asia
- 4th Most Populous country in the World; 64% in productive age
- Manageable Inflation Rate
- Rising Middle Class and Affluent Customers

Consistent Budget Reform

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

Reform-Oriented Administration

New Economic Structure

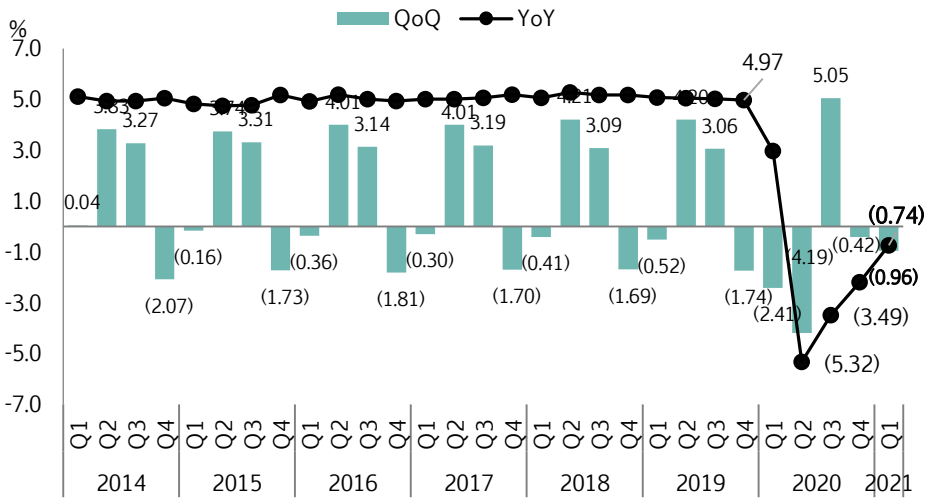
- From commodity-based to manufacturing and service sectors via infrastructure development
- From consumption-led to investment-led growth via a stronger manufacturing sector and more investment initiatives
- Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening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

High Infrastructure Investments

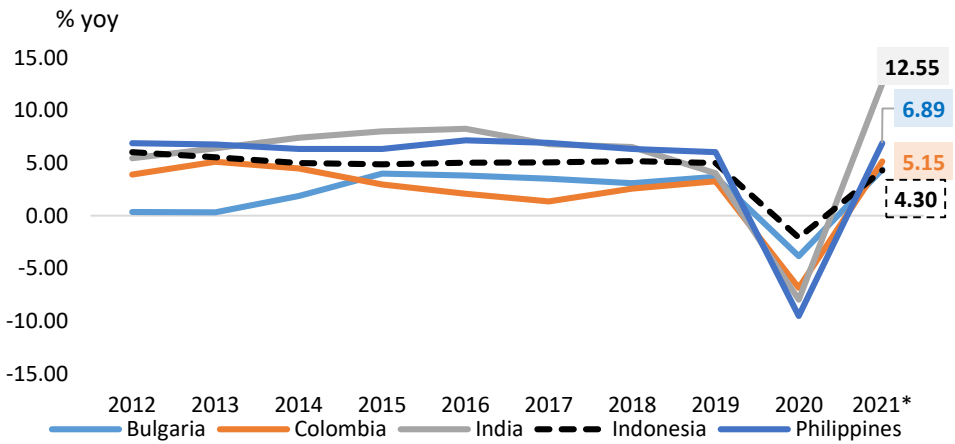
- Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and PPP
- Continuing from 2015 policy, infrastructure spending will be higher than fuel subsidy
- Infrastructure spending focused on basic infrastructure projects
- Fiscal and non-fiscal incentives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

National Economic Growth Improved

Strong GDP Growth[1]



Favourable GDP Growth Compared to Peers[2]



- **National economic improvements observed since the third quarter of 2020 have persisted,** with data published by BPS-Statistics Indonesia confirming a shallower -0.74% (yoy) contraction in the first quarter of 2021 compared with -2.19% (yoy) in the fourth quarter of 2020. Domestic economic recovery momentum is building on the back of rapid external sector gains in response to the stronger global economic recovery and ongoing acceleration of fiscal stimuli.
- **Economic gains in Indonesia have been recorded across nearly all GDP components on the expenditure side and economic sectors.** Exports expanded for the first time since the Covid-19 pandemic befell Indonesia, growing 6.74% (yoy) after contracting -7.21% (yoy) in the previous period. The significant improvement was primarily driven by demand in Indonesia's main trading partners, namely China and the United States. Meanwhile, positive external sector developments and stronger investment performance edged up import growth to 5.27% (yoy). Government consumption accelerated to 2.96% (yoy) in line with the realisation of fiscal stimuli in the form of procurement, capital spending and social assistance disbursements. Investment is also showing signs of improvement, recording a shallower -0.23% (yoy) contraction compared with -6.15% (yoy) in the previous period. On the other hand, consumption in the household sector and non-profit institutions serving households (NPISH) remains subdued at -2.23% (yoy) and -4.53% (yoy) respectively given the mobility restrictions ongoing in several regions. By sector, most economic sectors are seeing improvements, led by Information and Communication, Water Supply as well as Health Services. Spatially, national economic growth momentum is supported by all regions, with Sulawesi-Maluku-Papua (Sulampua) moving into expansionary territory since the fourth quarter of 2020.
- **Looking forward, Bank Indonesia expects economic growth to continue building momentum in line with the promising global economic recovery outlook and ongoing policy stimuli.** An orderly vaccination program rollout and disciplined application of Covid-19 protocols are still required to accelerate the recent domestic demand gains. To that end, Bank Indonesia will continue to strengthen policy coordination with the Government and Financial System Stability Committee, including implementation of the Integrated Policy Package, to support the ongoing national economic recovery.

Growth Prospect

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	4.1-5.1
IMF (WEO, Apr 2021)	4.3
World Bank (Global Economic Prospects, Jan 2021)	4.4
ADB (ADO, Apr 2021)	4.5
Consensus Forecast (May 2021)	4.4

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

GDP Growth Breakdown

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

By expenditure	2015					2016					2017					2018					2019					2020					2021
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1
HH. Consumption	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5	5,2	5	5,1	5,1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0	-3,6	-2,6	-2,2
Non profit HH. consumption	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8,1	8,8	8,7	11	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-2,0	-2,1	-4,3	-4,5
Government consumption	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,8	-6,9	9,8	1,8	1,9	3,0
Gross Fixed Cap. Formation	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7,9	5,8	6,9	6,1	6,7	5,0	4,6	4,2	4,1	4,5	1,7	-8,6	-6,5	-6,2	-4,9	-0,2
Exports	(0.6)	(0.3)	(1.0)	(6.4)	(2.1)	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5,8	7,4	8,3	4,6	6,5	-1,5	-1,8	0,1	-0,4	-0,9	0,4	-12,0	-11,7	-7,2	-7,7	6,7
Imports	(2.6)	(7.1)	(6.5)	(8.6)	(6.2)	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	13	15	14	7,4	12	-6,5	-6,7	-8,3	-7,9	-7,4	-3,6	-18,3	-23,0	-13,5	-14,7	5,3
GDP	**4.8**	**4.7**	**4.8**	**5.2**	**4.9**	**4.9**	**5.2**	**5.0**	**4.9**	**5.0**	**5.0**	**5.0**	**5.1**	**5.2**	**5.1**	**5,1**	**5,3**	**5,2**	**5,2**	**5,2**	**5,1**	**5,1**	**5,0**	**5,0**	**5,0**	**3,0**	**-5,3**	**-3,5**	**-2,2**	**-2,1**	**-0,7**

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

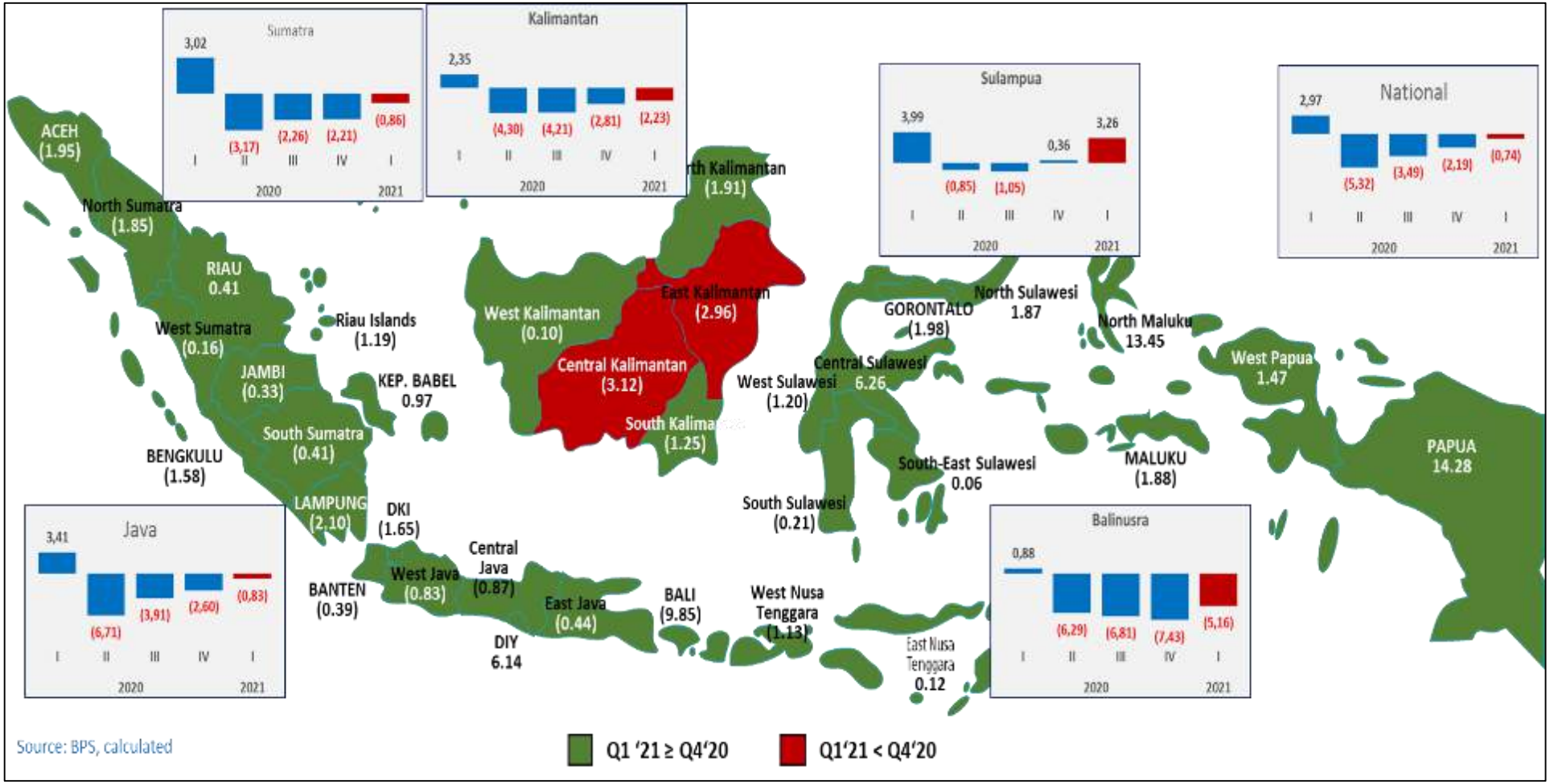
GDP Growth by Sector (%, YoY)

By sectors	2015					2016					2017					2018					2019					2020					2021
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1
Agriculture, forestry, and fishery	3.7	6.5	2.9	1.6	3.8	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	2,9
Mining and Quarrying	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.0	0.2	1.4	0.9	(1.3)	2.1	1.8	0.0	0.7	1,1	2,6	2,7	2,2	2,2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3	-1,2	-2,0	-2,0
Manufacturing	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4,6	3,9	4,4	4,2	4,3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3	-3,1	-2,9	-1,4
Construction	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7,4	5,7	5,8	5,6	6,1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5	-5,7	-3,3	-0,8
Wholesale and Retail Trade, Repair of Car and Motorcycle	3.8	1.6	1.4	3.5	2.5	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,6	-7,6	-5,0	-3,6	-3,7	-1,2
Transportation and Storage	6.3	6.0	7.0	7.5	6.7	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8,5	8,7	5,7	5,5	7	5,4	5,9	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,0	-13,1
Information and communication	9.7	9.3	10.6	9.2	9.7	7.6	9.3	8.9	9.6	8.9	10.5	11.1	8.8	8.3	9.6	7,8	5,1	8,1	7,1	7	9,1	9,6	9,2	9,8	9,4	9,8	10,8	10,7	10,9	10,6	8,7
Financial service	8.6	2.6	10.3	12.8	8.6	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4,3	3,1	3,1	6,2	4,2	7,2	4,5	6,2	8,5	6,6	10,6	1,1	-0,9	2,4	3,2	-3,0
Other Services*	5.1	6.5	4.8	5.5	5.4	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4,6	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,2	-1,4	-1,7	-1,2	-2,6
GDP	**4.8**	**4.7**	**4.8**	**5.2**	**4.9**	**4.9**	**5.2**	**5.0**	**4.9**	**5.0**	**5.0**	**5.0**	**5.1**	**5.2**	**5.1**	**5,1**	**5,3**	**5,2**	**5,2**	**5,2**	**5,1**	**5,1**	**5,0**	**5,0**	**5,0**	**3,0**	**-5,3**	**-3,5**	**-2,2**	**-2,1**	**-0,7**

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

Economic Performance Improved In Almost All Regions

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

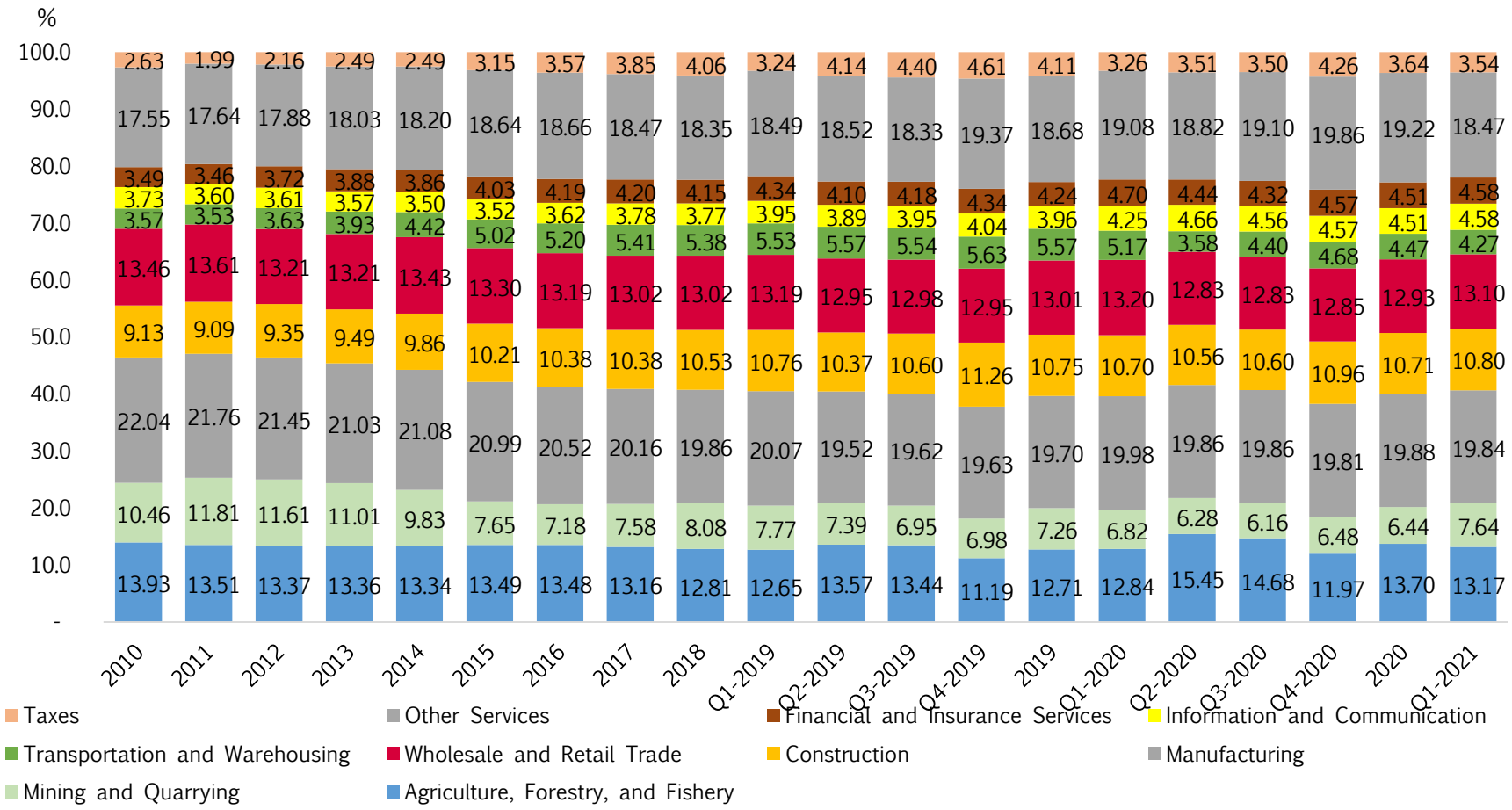


Source: Central Bureau of Statistics of Indonesia (BPS), calculated

Economic Performance in Most Sectors Starting to Improve

Most economic sectors are seeing improvements, led by Information and Communication, Water Supply as well as Health Services. In addition, Agriculture and Electricity also recorded positive growth, while the Manufacturing Industry, Construction, and Trade, accounting for large economic contributions, improved to experience shallower contractions.

Indonesia's GDP Share (%)

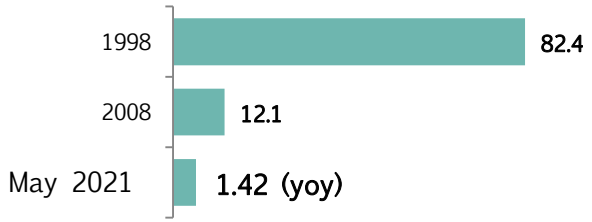


Source: Central Bureau of Statistics of Indonesia (BPS), calculated

Stronger Fundamentals Facing the Headwinds

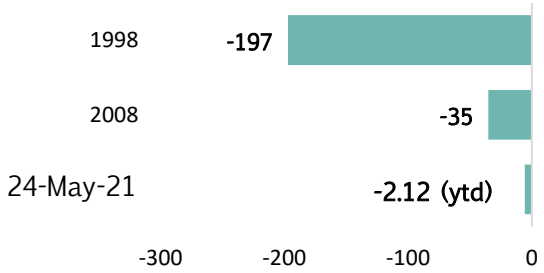
Inflation Rate (%)

Inflation controlled within the target range



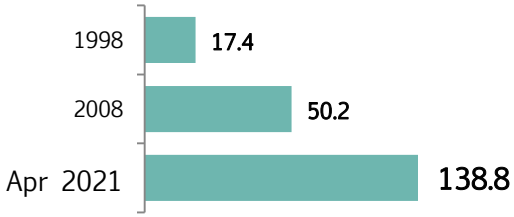
IDR Movement (%)

IDR appreciated year-to-date



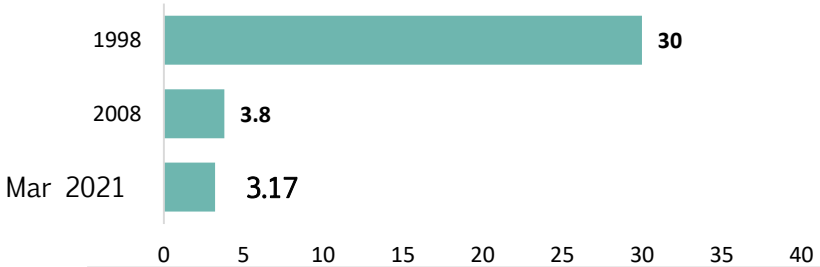
Foreign Reserves (USD bn)

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



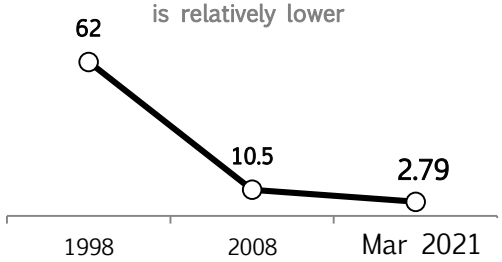
Non-Performing Loan/NPL (%)

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



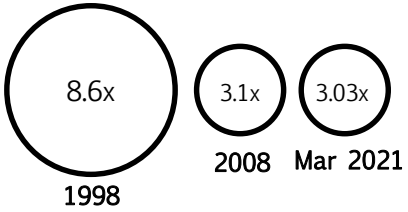
More Liquid Market (%)

Overnight interbank money market rate is relatively lower



External Debt (Public & Private) to FX Reserve Ratio

Significantly lower than 1998 crisis

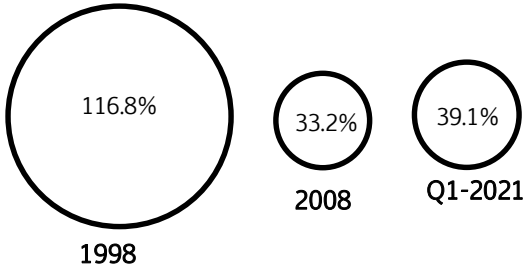


Government Debt/GDP

Consistently well-maintained

External Debt/GDP

Higher than 2008, but significantly lower than 1998



Outlook of Domestic Economy Remains Robust

...domestic economic growth is predicted to rebound in 2021

2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 4.1-5.1%.
- Bank Indonesia projects Inflation in 2021 to remain under control and within the 3.0%±1% target corridor.
- Bank Indonesia projects the current account deficit at 1.0-2.0% of GDP in 2021, thereby supporting external sector resilience in Indonesia.
- Bank Indonesia projects credit growth in 2021 will be around 5.0-7.0%

	Economic Growth	Inflation	CAD (% of GDP)	Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021	4.1-5.1%	3.0±1%	1.0-2.0%	5.0-7.0%

Source : Bank Indonesia

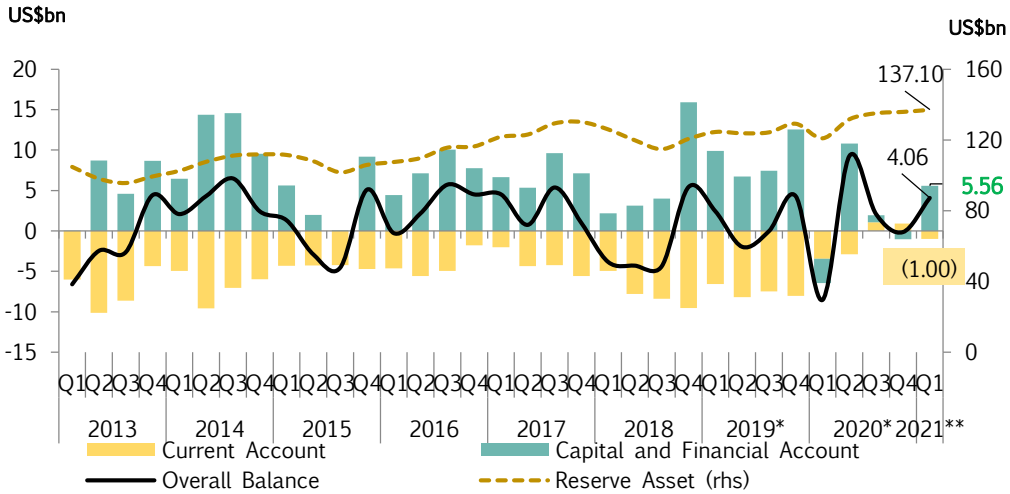
Section 4

External Factor:
Improved External Resilience

External Sector Remains Resilient

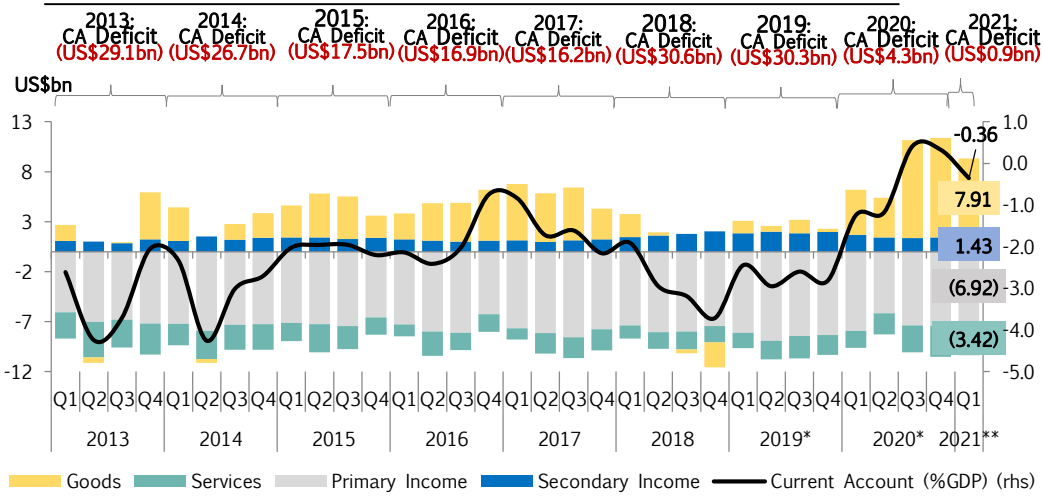
... Supported by Adequate Reserves and Sound Balance of Payments

Balance Of Payment Remains Solid



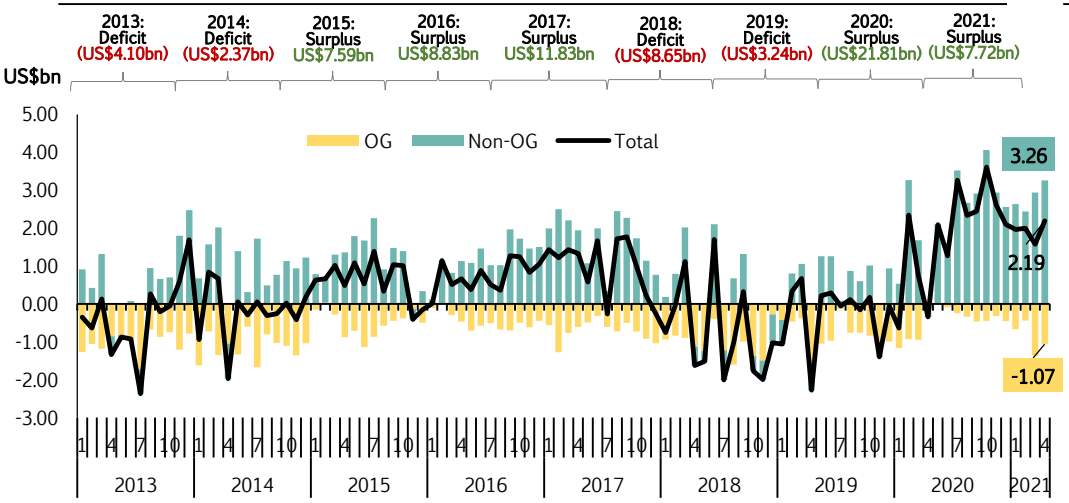
Source: Bank Indonesia

Current Account Recorded Deficit in Q1-2021



Source: Bank Indonesia

Trade Balance Surplus Increases



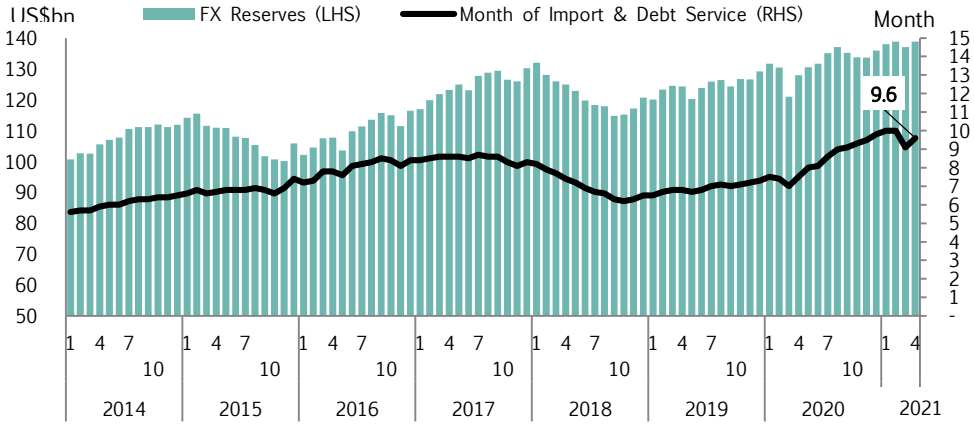
* Preliminary Figure ** Very Preliminary Figure

Source: BPS

Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of April 2021: US$138.8 bn

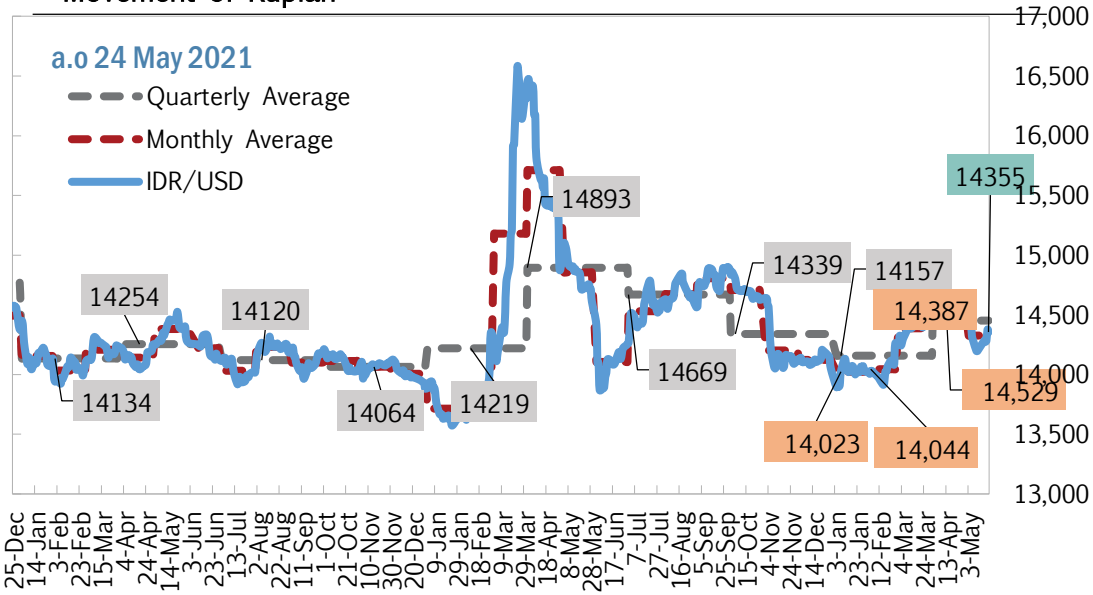
(Equiv. to 9.6 months of imports + servicing of government debt)



Source: Bank Indonesia

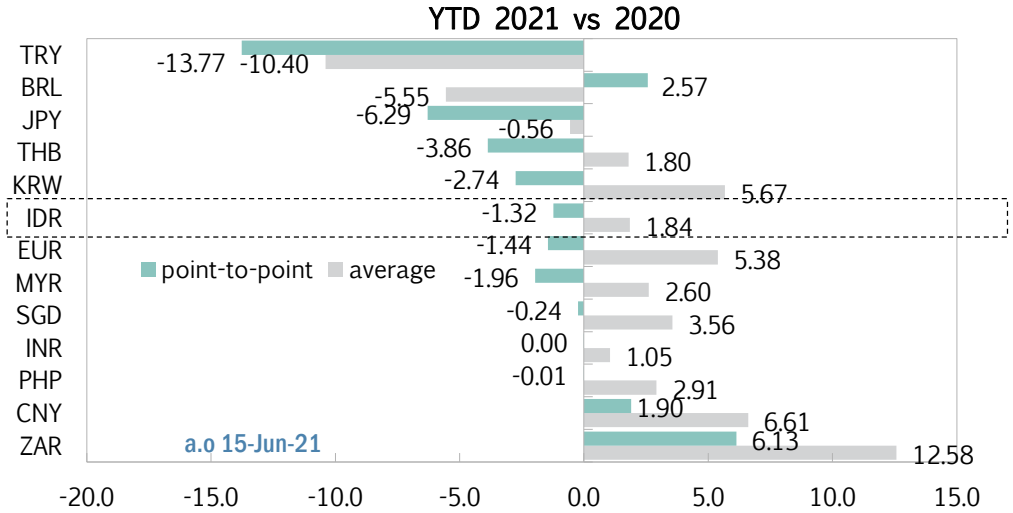
Exchange Rate In Line with Fundamentals

Movement of Rupiah

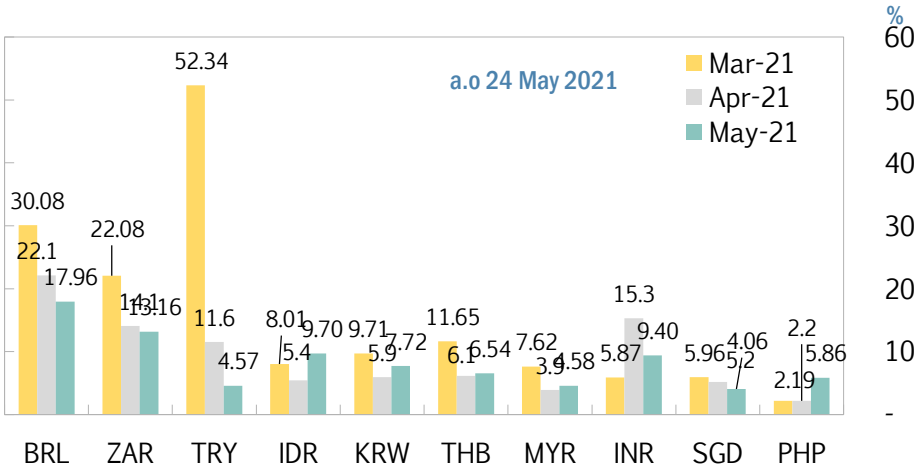


Rupiah exchange rates remain stable supported by Bank Indonesia's stabilisation measures. As of 24th May 2021, the rupiah strengthened 0.63% (ptp) or by 1.42% on the average April 2021 level, thus the extending the 0.55% (ptp) gain recorded one month earlier. The rupiah continues to regain lost value as foreign capital inflows return to domestic financial markets despite recent pressures caused by UST yield fluctuations. Therefore, the rupiah has depreciated by just 2.12% (ytd), as of 24th May 2021, on the level recorded at the end of 2020, which is comparatively lower than currencies in other peer countries, such as Turkey, Brazil and Thailand. Moving forward, Bank Indonesia will continue to strengthen exchange rate stabilisation policy in line with the rupiah's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Rupiah Exchange Rate Volatilty



Source: Reuters, Bloomberg (calculated)

Ample Lines of Defense Against External Shocks

Ample Reserves

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

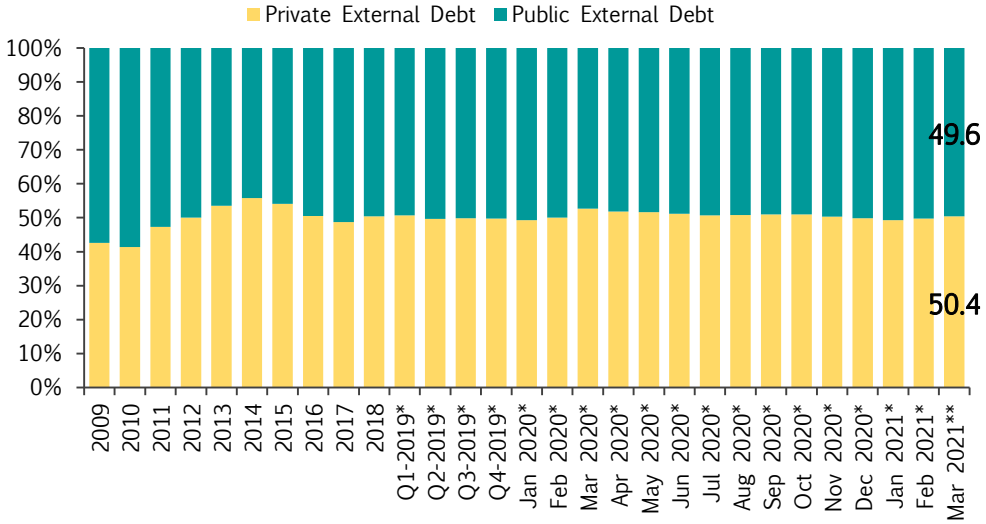
Swap Arrangement

Bilateral	Japan	• Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2018 • The facility is available in USD and JPY
	South Korea	• Renewed a 3 year KRW / IDR swap arrangement with the size of up to KRW 10.7 trillion / IDR 115 trillion in March 2020
	Australia	• Renewed a 3 year A$/IDR swap arrangement of up to A$10 billion or IDR 100 trillion in August 2018
	Singapore	• Renewed a one year SGD/IDR swap arrangement with a size up to USD10 billion (equivalent) in November 2020
	China	• Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018
	Malaysia	• Established a 3 year RM/IDR swap arrangement with a size up to USD2 billion (equivalent) in September 2019
Regional	ASEAN Swap Arrangement (ASA)	• Entitled to a maximum swap amount of USD600 million under ASA • The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million • Increased in size to U.S.$2 billion in 2005
	Chiang Mai Initiative Multilateralization (CMIM) Agreement	• Entitled to a maximum swap amount of US$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement • Came into effect in 2010 with a pool of US$120 bn and • Doubled to US$240 bn effective July 2014
Global	IMF Global Financial Safety Net - GSFN	• Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem • Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

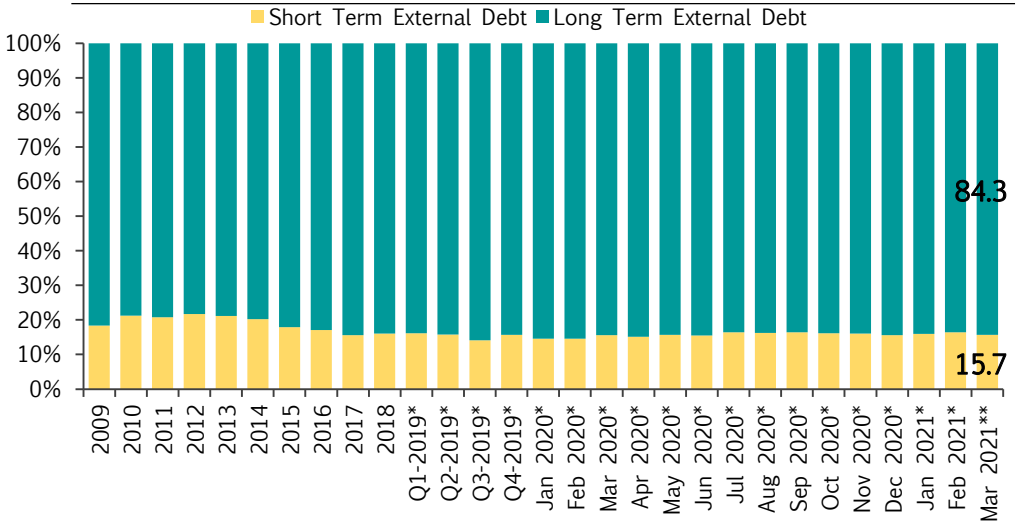
Source: Bank Indonesia

Healthy External Debt Profile

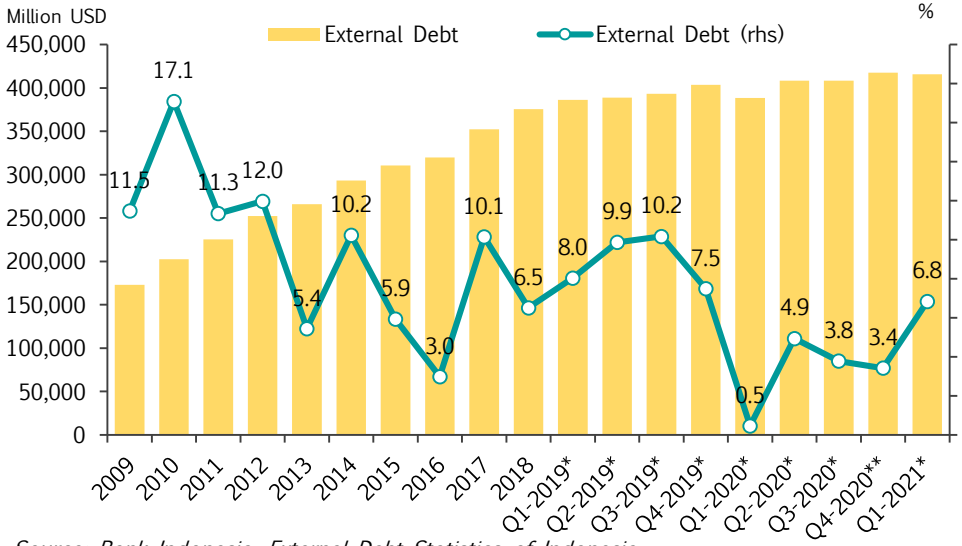
External Debt Structure



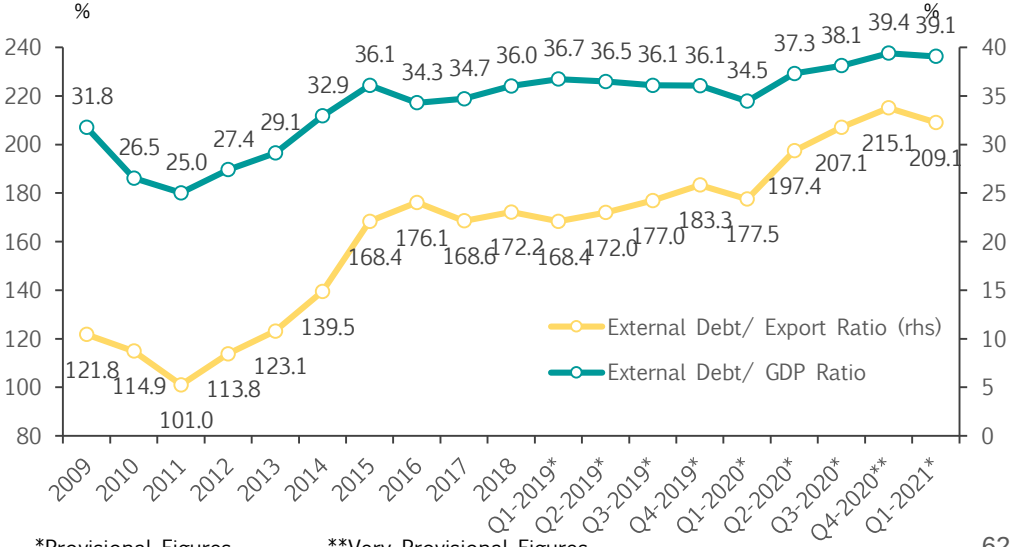
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



External Debt to GDP Ratio & Debt to Export Ratio

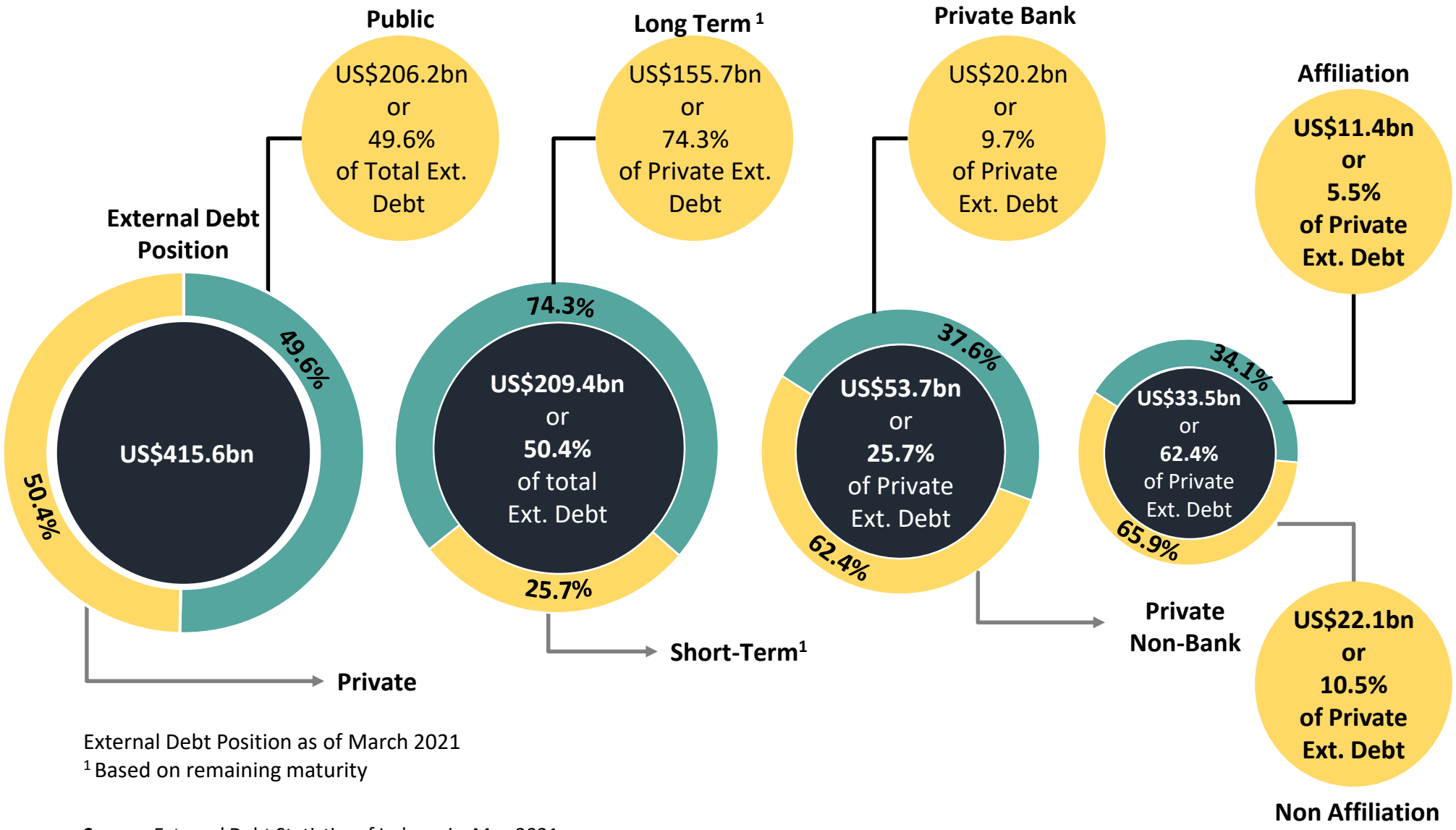


Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures **Very Provisional Figures

Manageable External Debt Profile

Short term non-bank corporate debt (non affiliation) represents only 10.5% of total private external debt



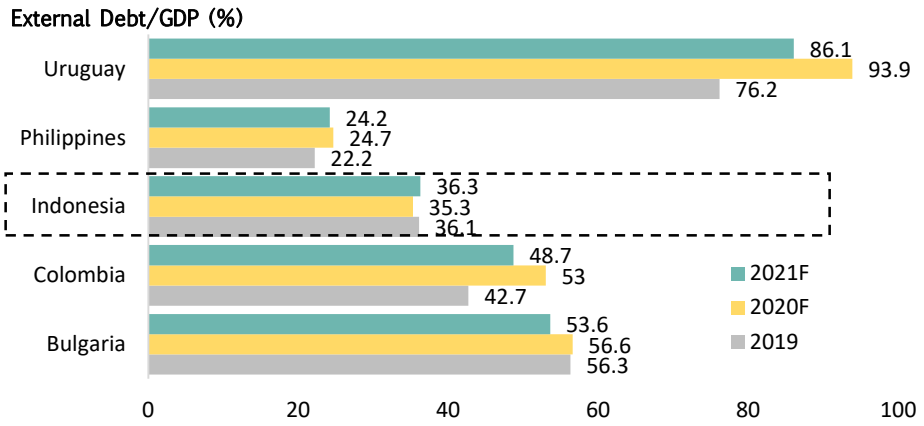
External Debt Position as of March 2021

[1] Based on remaining maturity

Source: External Debt Statistics of Indonesia, May 2021

Strengthened Private External Debt Risk Management

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



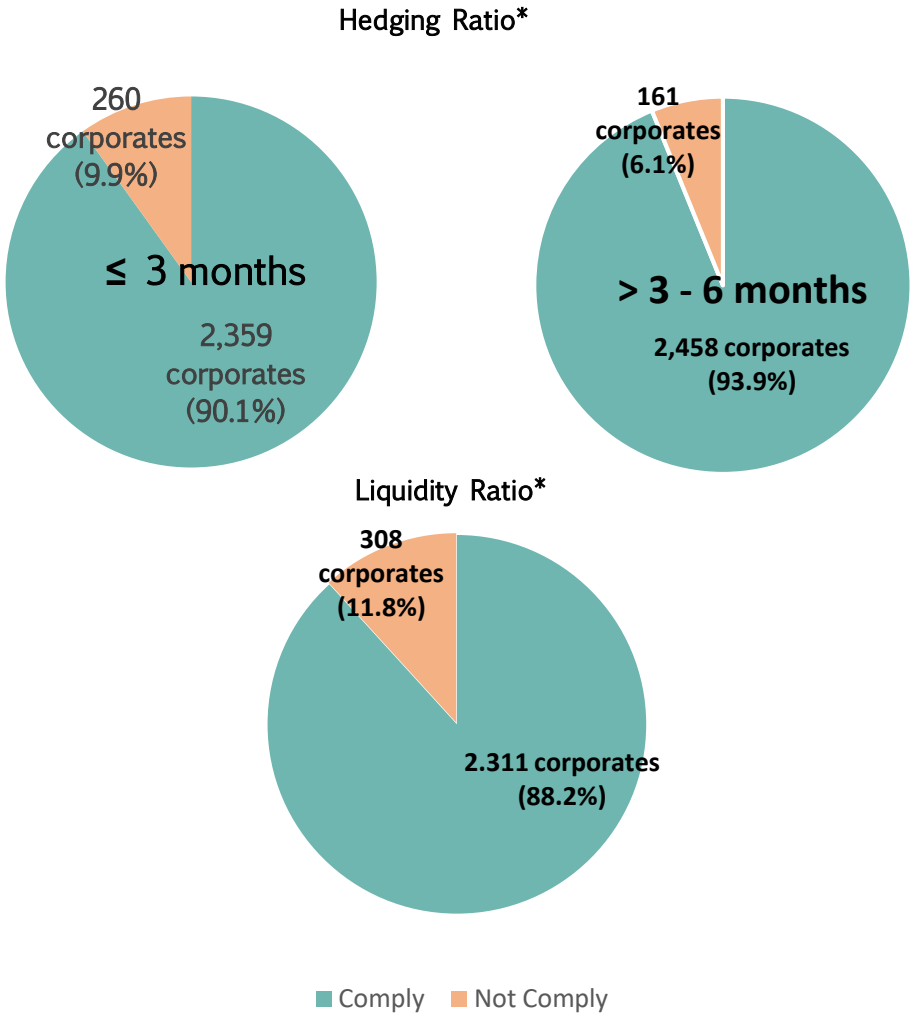
Source: Moody's Credit View Fundamental Data, July 2020

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



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

Source: Bank Indonesia

Solid Policy Coordination
In Managing Financial Markets Volatility

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

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

Swap facility arrangements based on international cooperation

Enhancing coordination between government institutions and continuous dialogue with market participants

CMP Implementing Crisis Management Protocol (CMP)

BSF Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

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

Bond Stabilization Framework

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

Source: Ministry of Finance

Section 5

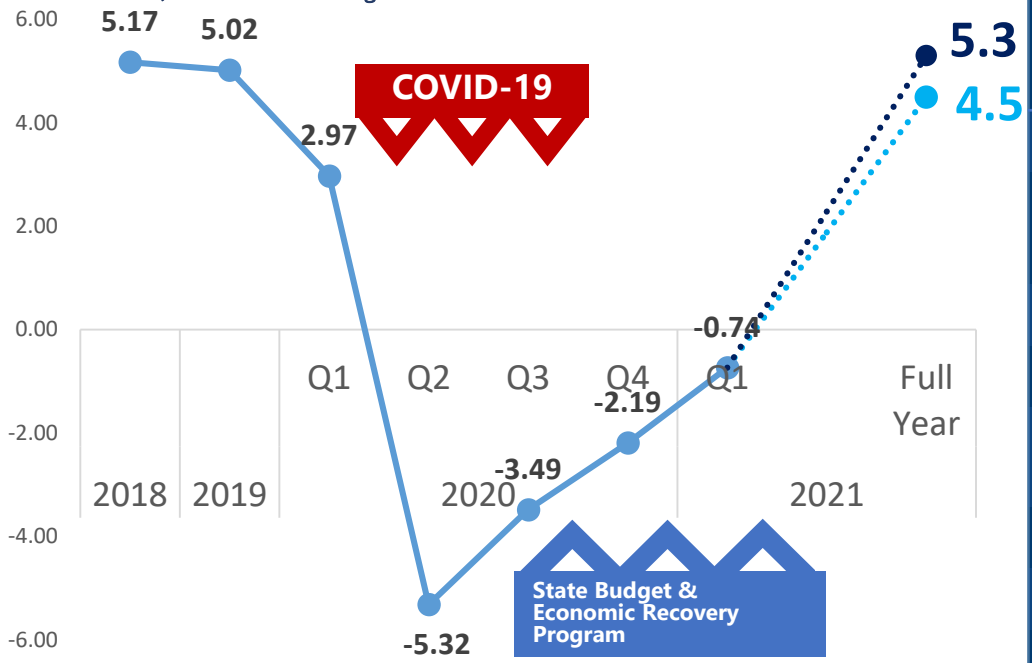
Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility

The State Budget as the Central Role in Promoting Economic Recovery

Implementing a countercyclical policy prevents a deeper contraction in the economy

Indonesian economic growth (%, yoy)

Source: BPS, 2020 annual GDP growth of 2.07%



State budget continue to work hard in 2021

	2020 Realization (interim) (IDR trillion)	2021 Allocation (IDR trillion)	Growth (%)
State Budget	2.593,5	2.750,0	6,0
National Economic Recovery Program (PEN)	571,9	699,43	20,6
Health	62,7	172,8	175,6
Social Protection	215,6	148,3	-31,2
MSMEs Support & Corporation Financing	173,0	193,7	12,0
Business Incentives	55,3	56,7	2,5
Priority Program	65,2	127,8	96,0
Deficit (% to GDP)	6,13	5,70	

- **The economic growth has started to show an indication of improvement.** The government plays a role as the center of recovery, being the only component that grows positively. Other expenditures components shows the direction of improvement
- **The state budget has succeeded to prevent a deeper economic contraction due to the pressure of the Covid-19 pandemic.** Without The state budget & National Economic Recovery Program (PEN), the 2020 economic contraction would be deeper.
- **In 2021, the APBN and fiscal policy will continue to play their role in driving the recovery of Indonesian economy**

Government Supported MSMEs and Business Resilience

The government spends IDR112.44T to support the sustainability of **37million MSMEs** through interest subsidies, credit distribution through fund placement, Micro Business President Assistance (BPUM), Final Income Tax exemption and investment financing through LPDB.

Fund Placement IDR66.75 T

Total Credit Rp315.51 T
For 4.7 million debtors

Interest subsidy IDR12.83 T

For 19.1 million Debtors

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

Grant IDR 2.4 million / business for 12 million businesses

Credit Guarantee IDR2.09 T

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

Final Income Tax for UMKM IDR0.67 T

For 248,275 Tax Payers

Investment Financing LPDB IDR 1.29 T

For 63 cooperative partners and 101,011 MSMEs

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

Incentive to improve people purchasing power	Govt' borne income tax	**131,889** Employers
Incentives to support business liquidity and continuity	**14,941** Income Tax Exemption on Import	**66,682** Reduction on Tax Installment; **2,529** Accelerated Tax Refund
Incentive to support the MSMEs	Final Income Tax for MSMEs	**248,275** MSMEs

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

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

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

The Majority of eligible sectors have utilized the incentives

- Government-Borne Income Tax **90%**
- Income Tax Exemption on Import **72%**
- Reduction of Tax Installment **86%**
- Accelerated Tax Refund **43%**

Economic Recovery and Countercyclical Measures Contribution in Job Creation

- **Open unemployment rate (TPT) improves at 6.26% in February 2021, compared to August 2020 at 7.07%.** Some sectors create more jobs than August 2020:
  - Agricultural sector creates 0.6 million new jobs (1.4%)
  - Manufacturing creates 0.3 million new jobs (1.9%)
  - Trade sector creates 0.5 million new jobs (1.9%)
  - Accommodation, food and beverages sector creates 0.6 million new jobs (7,4%)
- The highest TPT was found in Riau Islands (10.2%), Banten (9.01%), West Java (8.92%), and DKI Jakarta (8.51%), but it is improved, lower than August 2020 number.
- In general, **there has been a decrease in the number of workers affected by the pandemic by 10 million people.**
- **Economic recovery needs to be maintained and strengthen to create more jobs and absorb more labor** since the increase in the number of people working in Q1 2021 is due to the harvest period of food crops.

February 2021

Unemployment

6.26% (TPT)

8.75 mio people

Compared to August 2020

-1.02

Mio people

September 2020

Poverty

10.19% (Rate)

27.55 mio people

Compared to September 2019

+2.76

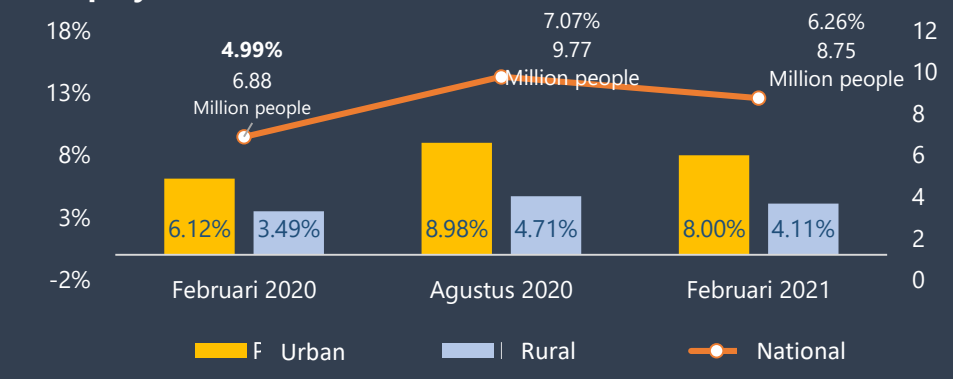
Mio people

Gini Ratio

0.385

+0.005

Unemployment



Source: BPS

Economic Recovery Policy Framework 2021

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

SURVIVAL AND RECOVERY KIT

Maintaining Business Continuity

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

- **Free Vaccination →** for 181.5 million people to achieve herd immunity
- **Encouraging 3M 3T**
- **Other intervention** → Health facilities, Health Protective Equipment

HEALTH INTERVENTION

GAME CHANGER 2021

STRUCTURAL REFORM

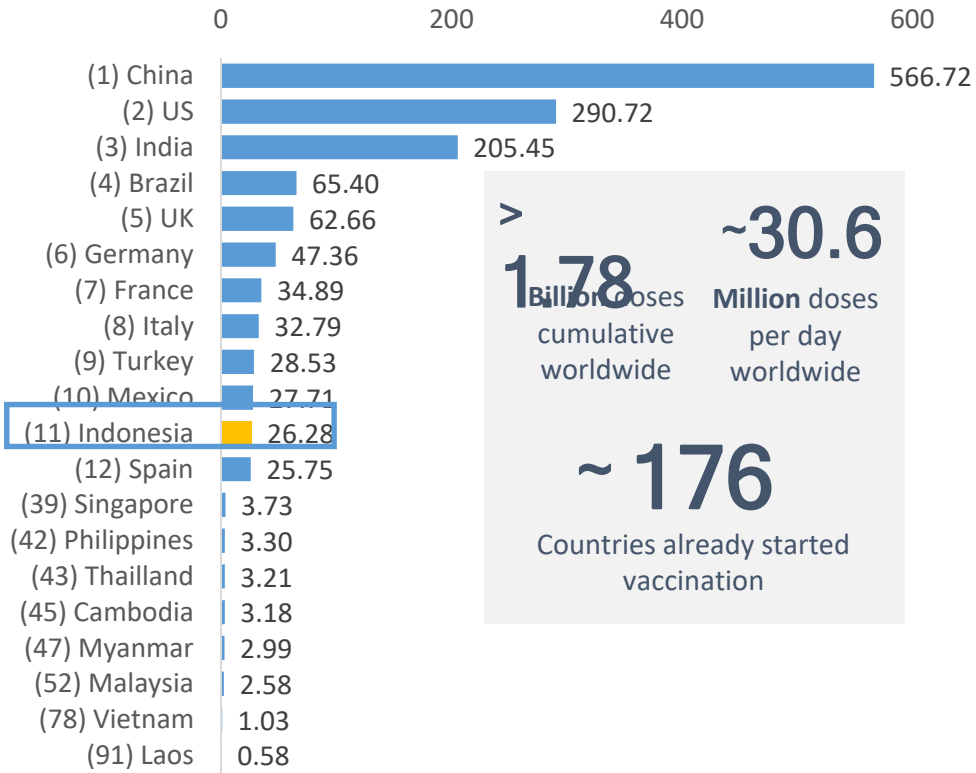
Through the Job Creation Law to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)

NATIONAL ECONOMIC RECOVERY

Vaccines as The Game Changer

Accelerated around the world, is expected to immediately end the pandemic and strengthen economic recovery

Vaccination Progress in Several Countries (million doses, as May 28th)



> 1.78 Billion doses cumulative worldwide

~30.6 Million doses per day worldwide

~ 176 Countries already started vaccination

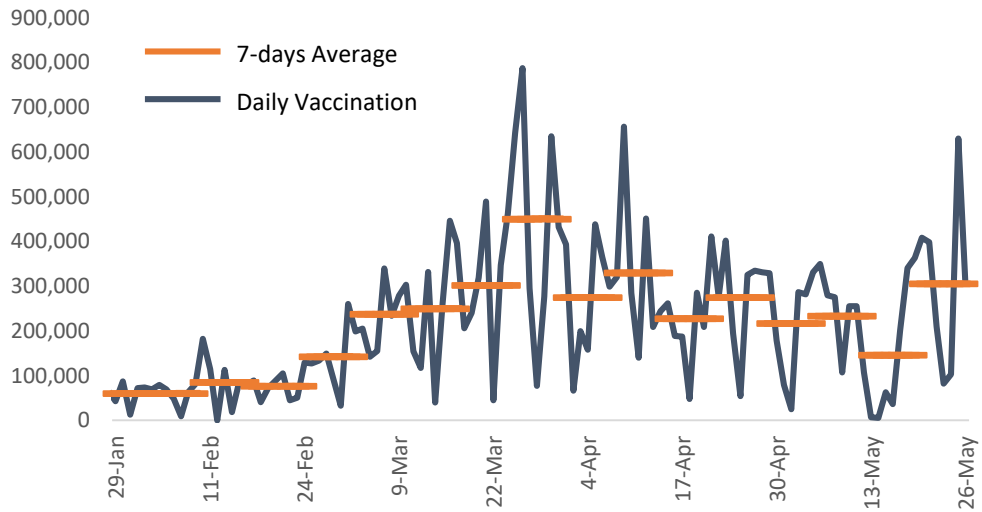
Source: Bloomberg Vaccine Tracker

Indonesia is planning to complete vaccination until March 2022

← First Wave → ← Second Wave →

Health Workers	Public Workers	Vulnerable Group	Others
1.46 million	16.9 million **Elderly** 21.5 million	63.9 million	77.7 million

Daily Vaccination in Indonesia (As May 26th)



2021 Budget: A Critical Tool to Drive The Economy Amidst Uncertainty

The acceleration of budget expenditure to support economic recovery is on track, will be continuously controlled and monitored

Account (IDR T)	2020			2021			
	Realization as of 30 April	% of Perpres 72/2020	YoY (%)	Budget	Realization as of 30 April	% of Budget	YoY (%)
Revenue	**549.4**	**32.3**	**3.2**	**1,743.6**	**585.0**	**33.5**	**6.5**
Tax Revenue	376.6	31.4	16.7	1,229.6	374.9	30.5	(0.5)
Customs & Excise	57.7	28.0	16.7	215.0	78.7	36.6	36.5
Non Tax Revenue	114.3	38.9	21.5	298.2	131.3	44.0	14.9
Grant	0.9	68.0	460.6	0.9	0.1	5.7	(94.2)
Expenditure	**623.9**	**22.8**	**(1.4)**	**2,750.0**	**723.0**	**26.3**	**15.9**
Central Government Expenditure	382.5	19.4	3.4	1,954.5	489.8	25.1	28.1
Regional Transfer & Village Funds	241.3	31.6	(8.1)	795.5	233.2	29.3	(3.4)
Primary Balance	**(18.4)**	**(2.6)**	**(204.2)**	**(633.1)**	**(36.4)**	**5.7**	**(297.6)**
Surplus (Deficit)	**(74.4)**	**7.2**	**(25.8)**	**(1,006.4)**	**(138.1)**	**13.7**	**85.5**
% to GDP	*(0.48)*			*(5.70)*	*(0.83)*		
Financing	**225.2**	**21.7**	**55.9**	**1,006.4**	**392.2**	**39.0**	**74.2**
Budget Surplus (Deficit)	**150.7**	**-**	**-**	**-**	**254.2**	**-**	**-**

STATE REVENUE POLICY

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

EXPENDITURE FOCUS

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

FINANCING STRATEGY

- Supporting the restructuring of SOEs, PSA, Sovereign Wealth Fund (SWF)
- Increasing access to financing for MSMEs and housing for low-income household
- Continuing to support higher education,, research and cultural activities

The National Economic Recovery Program: Key Instruments for COVID-19 Handling

Evidence of the Government's commitment to accelerate the economic recovery

The National Economic Recovery (PEN) Program 2021 Realization as of 21st May 2021 IDR 183.98 T (26.3% of 699.43 T)

HEALTH

Realization: IDR 31.64 T (18%)

2020 Realization: IDR62.67 T

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

SOCIAL PROTECTION IDR 148.27 T

Realization: IDR 57.04 T (39%)

2020 Realization: IDR215.64 T

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

PRIORITY PROGRAMS IDR 127.85 T

Realization: IDR 23.21 T (18%)

2020 Realization: IDR65.22 T

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

MSMEs & CORPORATION SUPPORT IDR 193.74 T

Realization: IDR 42.23 T (22%)

2020 Realization: IDR173 T

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

BUSINESS INCENTIVES IDR 56.73 T

Realization: IDR 29.51 T (52%)

2020 Realization: IDR56.12 T

1. Government-Borne Income Tax
2. Income Tax Exemption on Import
3. VAT Refund
4. Government-Borne Income Tax for MSMEs
5. PPnBM for motor vehicle borne by the government
6. VAT borne by the government for property sector
7. Reduction of Tax Installment
8. Corporate income tax tariff reduction
9. VAT not-collected/exempted (Bonded Zone/KITE)
10. Import duty incentives

Source: Ministry of Finance

The 2022 Preliminary Budget to Keep The Commitment of Fiscal Consolidation

To manage the deficit backs at 3% of GDP in 2023, fiscal consolidation undertakes all together with maintaining economic recovery

2022 Macroeconomic Assumption

Economic Growth (%, YoY)	5.2 – 5.8
Inflation (%, YoY)	3.0±1
10 year T-bonds Rate (%)	6.32 – 7.27
Exchange Rate (IDR/USD)	13.900 – 15.000
Indonesian Crude Price (USD/barrel)	55 – 65
Oil Lifting (thousand barrel per day)	686 – 726
Gas Lifting (thousand barrel of oil equivalent per day)	1,031 – 1,103

Budget Posture

Description (IDR Trillion)	2022		
State Revenue	**1,833,5**	**-**	**1,895,4**
Tax Revenue	1,499.3	-	1,528.7
Non-Tax Revenue	322.4	-	363,1
Grants	**1.8**	**-**	**3.6**
Government Expenditure	**2,630.6**	**-**	**2,776.6**
Central Government Expenditure	1,859.6	-	1.991,6
Transfer to Region and Village Fund	771.0	-	785.0
Primary Balance	**413.0**	**-**	**481.9**
Surplus (Deficit)	**(807,0)**	**-**	**(881.3)**
% of GDP	**4,51**	**-**	**4.85**
Financing	**807.0**	**-**	**881.3**

2022 Policy Directions

Increasing State Revenue

- **TAX REFORM**
  Administrative and Policy Reform for Fair and Equitable Tax System
- **OPTIMIZING OF ASSET MANAGEMENT**
- **INNOVATION TO INCREASE NON-TAX REVENUE**

Productive Spending

- Zero-Based Budgeting
- Integrated & Targeted Subsidy and Effective Social Protection Program
- Strengthening Fiscal Decentralization Function
- Improving quality control of intergovernmental transfers

Innovative and Sustainable Financing

- Prudent and Sustainable Debt Management
- Effective Investment Financing
- Financial Deepening
- Financing Innovation through SWF, SMV and PPP
- Strong Cash Management for Efficient Fiscal Buffer

Source: Ministry of Finance

Build The Foundation for Consolidation and Reform

COVID-19 as a momentum to bolster fundamental reform to accelerate economic transformation

5 President's Strategic Directions

1. Human Capital Development
2. Infrastructure Development
3. Bureaucracy Reform
4. Regulatory Simplification
5. Economic Transformation

STRUCTURAL REFORM

HUMAN CAPITAL

- Quality and competitive education
- Integrated and reliable health system
- Lifelong and adaptive social protection

ECONOMIC TRANSFORMATION

- Increasing production capacity & sustainable growth (infrastructure connectivity, mobility and productivity)
- Institutional reform (bureaucratic and regulatory reform)

FISCAL REFORM

- Tax reform (broadening the tax base and increasing compliance)
- Spending reform (zero based budgeting): focus on priority programs, efficient, synergistic and results-based;
- Innovative, prudent, and sustainable financing (Strengthening the SWF, PPP scheme, and efficient fiscal buffer)

Fundamental Reform as New Economic Foundation for Economic Transformation to achieve Economic Growth Acceleration towards "Indonesia Maju" (Advanced Indonesia)

Tax Reform: Pursuing A Healthy And Fair Taxation System

To anticipate social, economic and demographic dynamics and implementation of best-practices

CHALLENGE

- Anticipating medium to long term social economic dynamics
- Huge informal sector
- Limited tax base
- Data and information are not optimal
- Aligning with international best practice

REFORM ASPECTS

Administration

- Strengthening institution and human resources
- Administration simplification
- Strengthening monitoring function for extensification and intensifications
- Fair Law Enforcement

Policy

- Widening tax base and finding new source of revenue
- Improving VAT collection and reducing its regressivity
- Strengthening personal income tax policy

HEALTHY

- Effective as policy instrument
- Optimum and sustainable source of revenue
- Adaptive with transforms in economic structure

FAIR

- Tax treatment certainty
- Encouraging taxpayer voluntary compliance
- Balancing tax burden between groups and between sectors

Going Forward

Growing middle income class – consumption increasing rapidly – **consumption tax** potentially to become main source of revenue. *[Noted: currently, VAT is not optimum yet – administration support is not optimum as there are lot of exemption]*

Corporate Income Tax – tariff reduction – as an incentives instrument for business (industrialization and value-added creation) including various facilities, tax holiday, and tax allowance.

Personal Income Tax – potentially become source of revenue from income tax, in line with improvement of data and administration, and increasing of income per capita. The PIT also could play as instrument for income redistribution, which is not optimum yet.

2021 Budget Financing

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

Priorities in 2021

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

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

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

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

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

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

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

Source: Ministry of Finance

2021 Financing Needs

Financing Needs

Budget Deficit 2021

IDR1,006.4 T

(5.7% of GDP)

+

- Investment financing
- Lending
- Liabilities
- Other financing
- Matured debt

Financing Sources

Foreign Denominated Debt 15-20%

Domestic Debt 80-85%

Foreign Loan

Foreign Denomina-ted Bonds

Domestic Loan

Domestic GS

2021 Matured T-Bills Issuance

GROSS GS
(Through auction & non-auction)

GDS 68-73%

Sukuk 27-32%

*GS: Government Securities

Debt to GDP Ratio

Realization*	Projection
2020 39.36%	2021 41.18%

*preliminary figure

Source: Ministry of Finance

2021 Financing Strategy

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

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

Debt Policy

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

Overall Funding Strategy

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

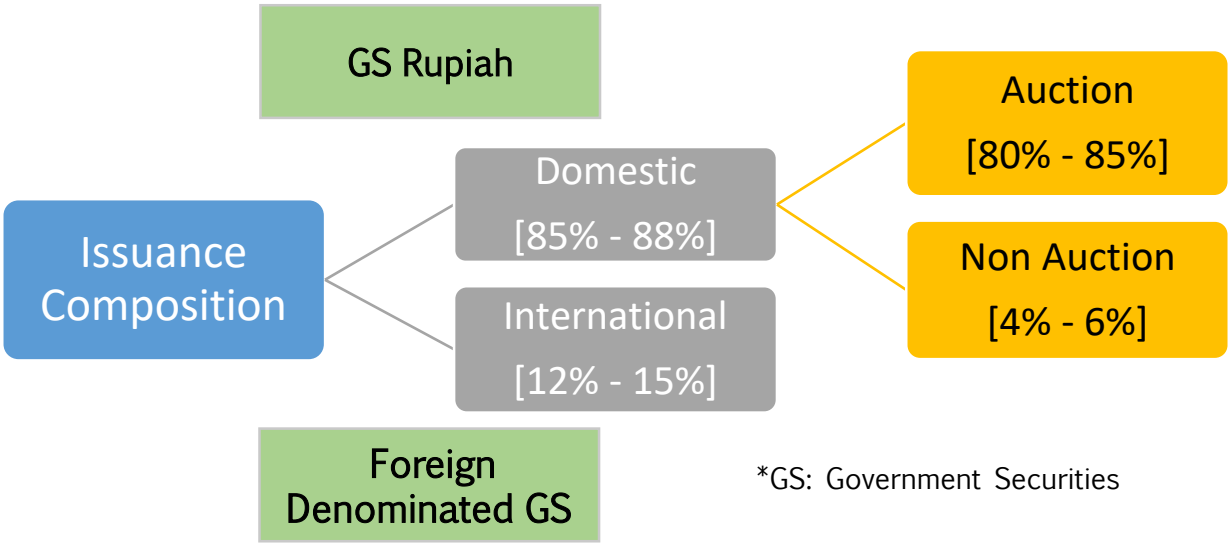
Source: Ministry of Finance

Government Securities Indicative Financing Plan for 2021

Government Securities

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

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



*GS: Government Securities

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

Source: Ministry of Finance

Synergy Between Central Bank and the Government
in Accelerating National Economic Recovery

The Enactment of Emergency Law No. 1/2020 (becoming Law No. 2/2020) allows Central Bank to buy GS in the primary market

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

2nd Joint Decree between Minister of Finance and Governor of BI on July 7, 2020 amended with Joint Decree on July 20, 2020 (SKB II)

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

Burden Sharing Scheme

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

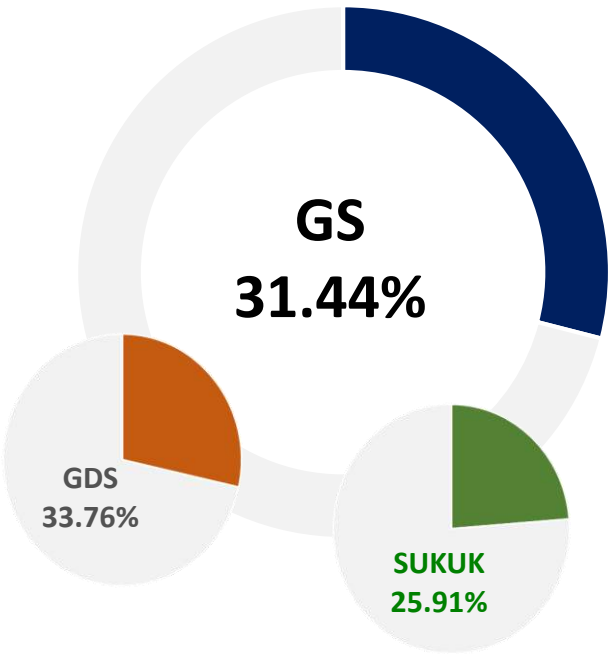
COVID-19 HANDLING ALLOCATION
IDR 903,46 T

- Public Goods IDR 397.56T
  - Health IDR 87.55T
  - Social Protection IDR 203.90T
  - Sectoral K/L, Local Govt IDR 106.11T
- Non-Public Goods IDR 505.90T
  - Micro small and Medium Enterprises (MSME) IDR 123.46T
  - Corporation Non-MSME IDR 53.57T
- Others IDR 328.87T

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

Source: Ministry of Finance

Government Securities Financing Realisation
(a.o April 30th, 2021)



*GS: Government Securities
*GDS: Government Debt Securities

(Trillion IDR)

	Realization (ao. April 30, 2021)
Government Securities (GS)	492.00
Government Debt Securities (GDS)	371.80
IDR Denominated GDS	311.82
- Coupon GDS	253.88
- Conventional T-Bills	24.95
- Private Placement	7.00
- Retail Bonds	26.00
Foreign Denominated Bonds	59.97
- SEC USD-EUR REG SHELF TAKE-DOWN	59.97
- Samurai Bond	0.00
- SEC USD REG SHELF TAKE-DOWN	0.00
- USD Onshore Bonds	0.00
Sovereign Sharia Securities (Sukuk)	120.21
Domestic Sovereign Sharia Securitoes	120.21
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk	100.00
- Retail Sukuk	16.71
- Private Placement	3.50
Global Sukuk	0.00

Note:
including GSO transaction

Source: Ministry of Finance

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

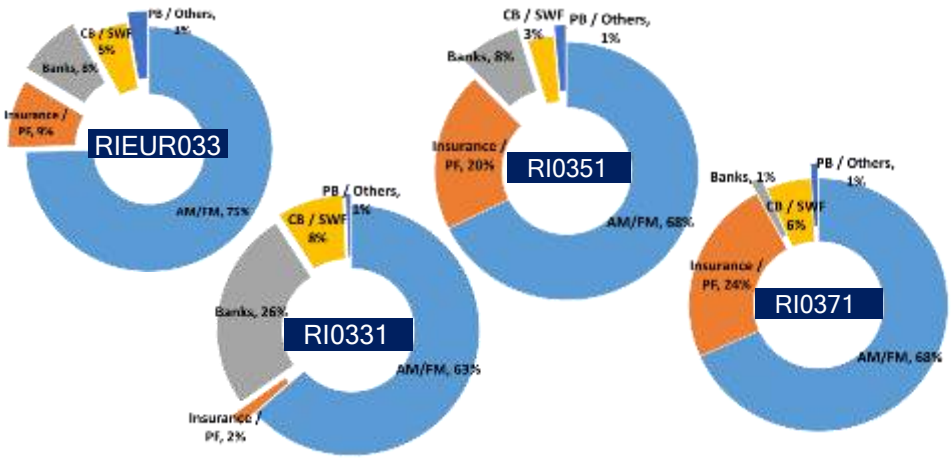
Issuer	Republic of Indonesia			
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)			
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	SEC Registered			
Issue	Senior unsecured fixed rate notes off US SEC Shelf			
Pricing Date	January 5, 2021			
Settlement Date	January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

Transaction Highlights

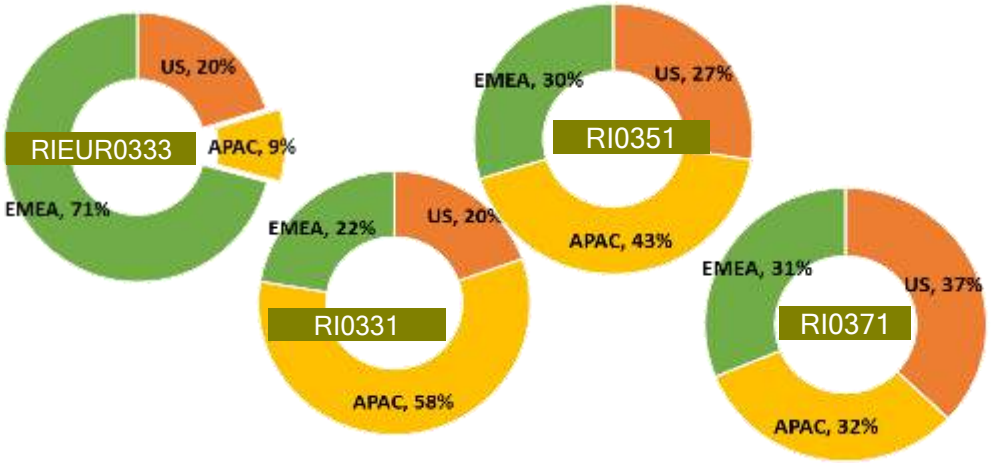
- The lowest yields and coupons throughout the issuance of Indonesian Global Bonds for all tenors and currencies
- All tranches priced inside of the Republic's existing credit curve with negative new issue premium and at the tightest levels for every one of the tranches
- The transaction was well-executed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

Source: Ministry of Finance

Investor Breakdown by Investor Type



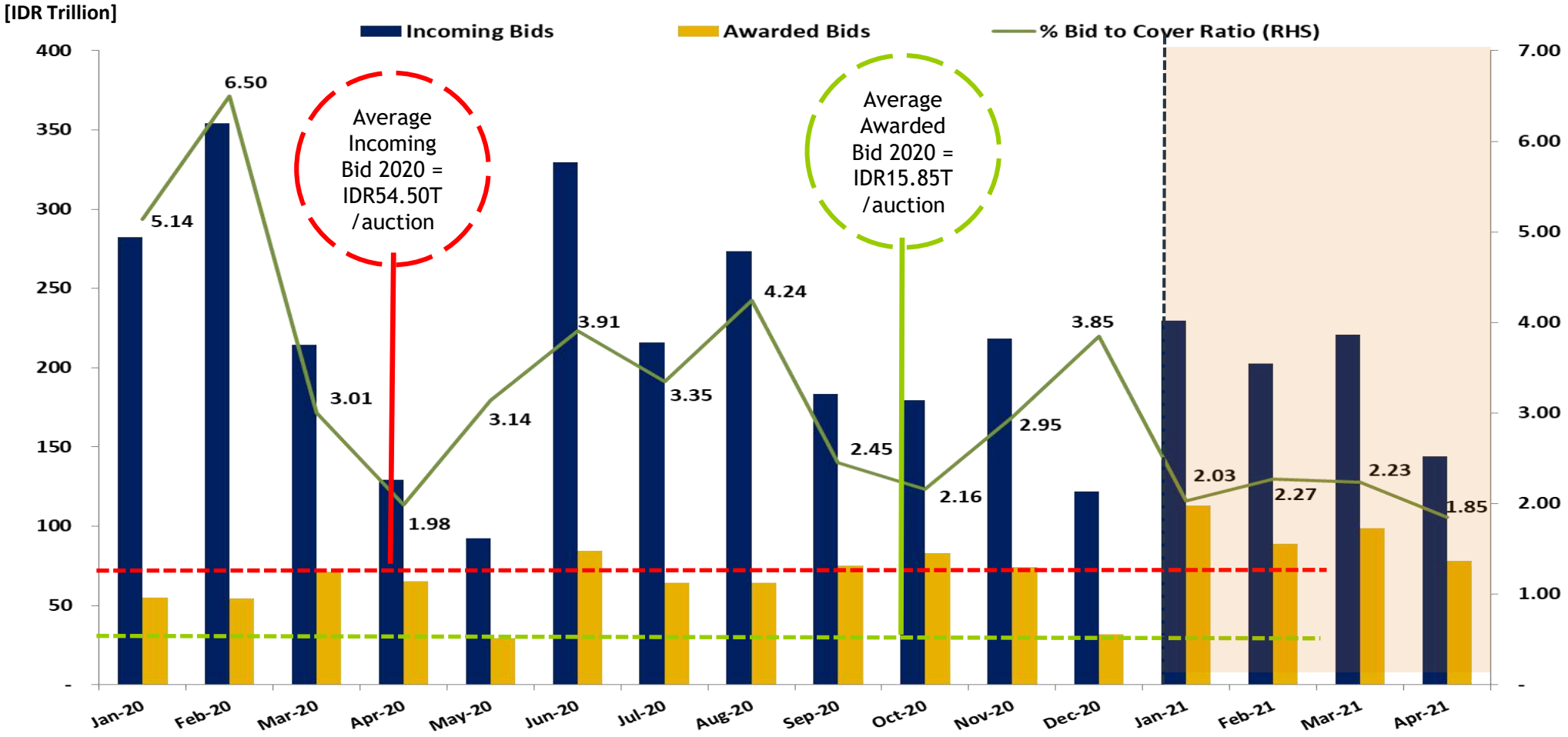
Investor Breakdown by Geography



GS Primary Market Performance 2020 - 2021

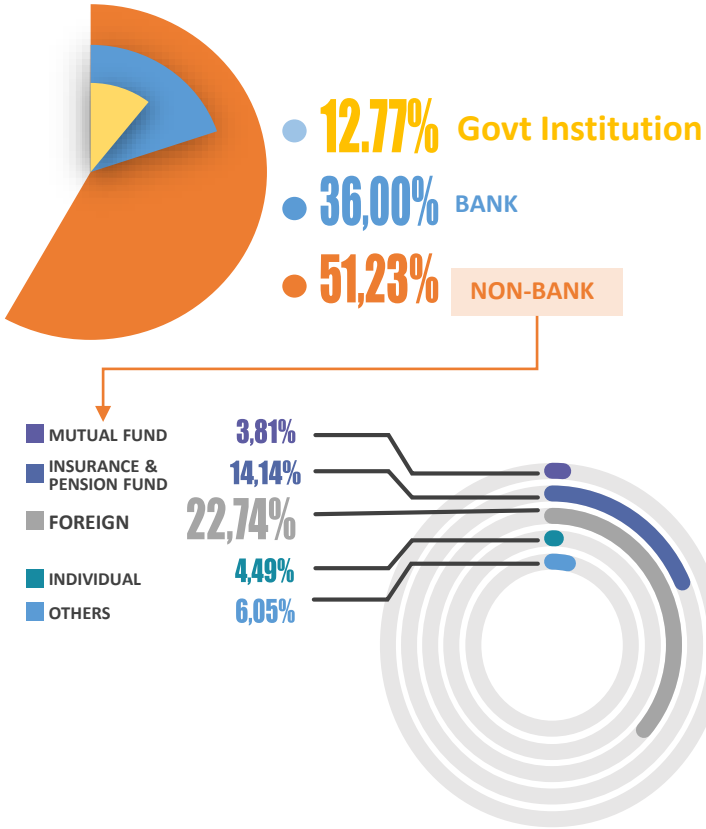
Through Auction

In 2021, average incoming bid = IDR46.87 tn/auction while average awarded bid = IDR22.28 tn/auction



Source: Ministry of Finance

Ownership of IDR Tradable Government Securities
(a.o April 30th,2021)



(IDR tn)

Description	Dec-17		Dec-18		Dec-19		Dec-20		April 30, 2021	
Banks*	**491.61**	**23.41%**	**481.33**	**20.32%**	**581.37**	**21.12%**	**1375.567**	**35.54%**	**1,526.94**	**36.00%**
Govt Institutions (Bank Indonesia)**	**141.83**	**6.75%**	**253.47**	**10.70%**	**262.49**	**9.54%**	**454.3606**	**11.74%**	**541.78**	**12.77%**
Bank Indonesia (gross)	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.875562	22.60%	983.49	23.18%
GS used for Monetary Operation	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.514938	10.86%	441.71	10.41%
Non-Banks	**1,466.33**	**69.83%**	**1,633.65**	**68.98%**	**1,908.88**	**69.34%**	**2,040.83**	**52.72%**	**2,173.33**	**51.23%**
Mutual Funds	104	4.95%	118.63	5.01%	130.86	4.75%	161.321131	4.17%	161.68	3.81%
Insurance Company and Pension Fund	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.817373	14.02%	599.87	14.14%
Foreign Holders	**836.15**	**39.82%**	**893.25**	**37.71%**	**1,061.86**	**38.57%**	**973.91**	**25.16%**	**964.60**	**22.74%**
Foreign Govt's & Central Banks	**146.88**	**6.99%**	**163.76**	**6.91%**	**194.45**	**7.06%**	**178.3111**	**4.61%**	**244.63**	**5.77%**
Individual	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.210288	3.39%	190.42	4.49%
Others	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.572274	5.98%	256.76	6.05%
Total	**2,099.77**	**100%**	**2,368.45**	**100%**	**2,752.74**	**100%**	**3,870.76**	**100%**	**4,242.05**	**100%**

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

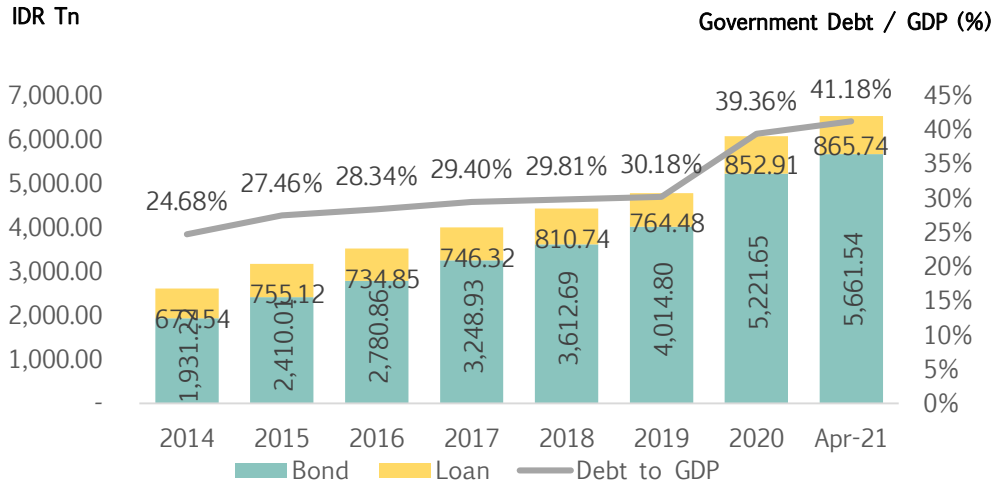
66,36% — Portion of foreign ownership in the mid & long term sector (≥ 5 years).

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

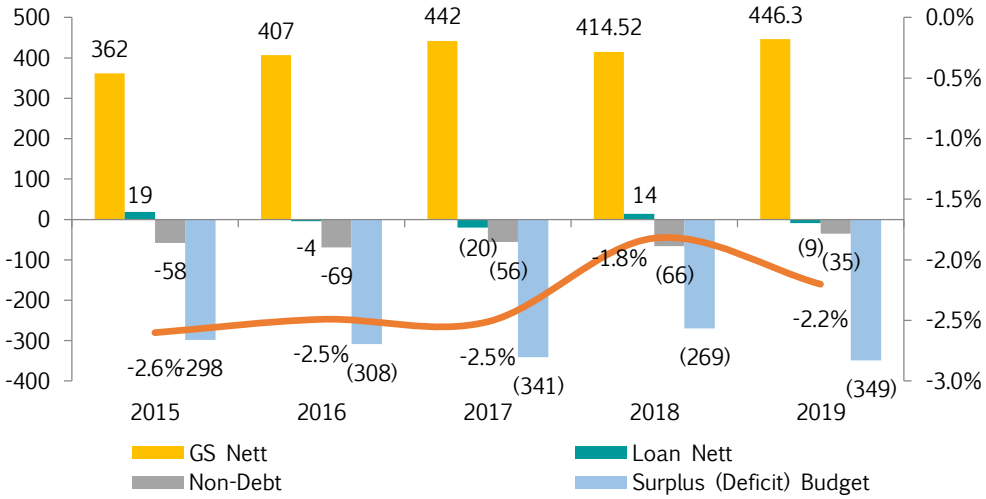
Source: Ministry of Finance

Disciplined and Advanced Debt Portfolio Management

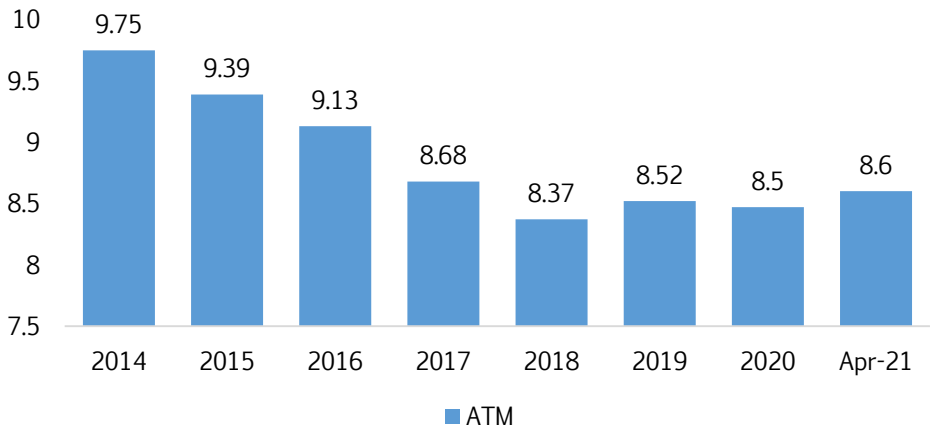
Stable Debt to GDP Ratio Over the Years



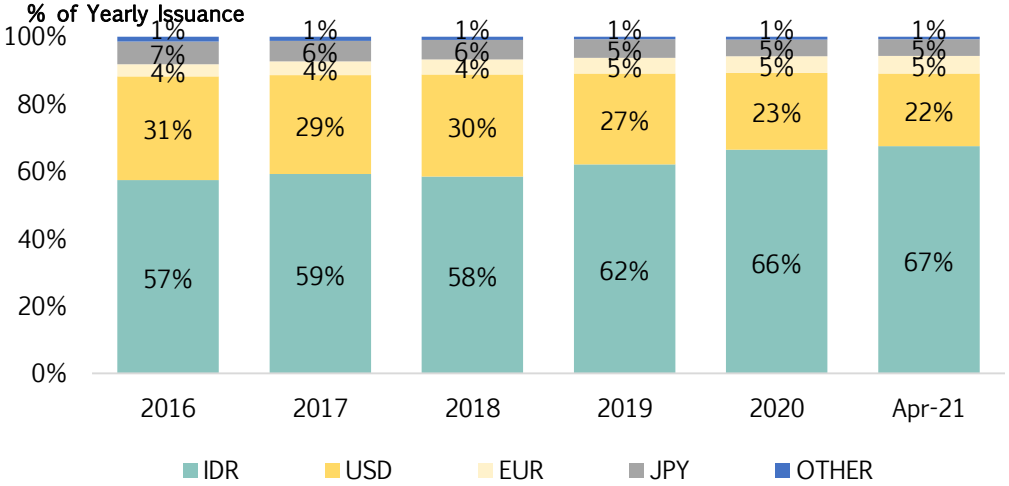
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.6 Years



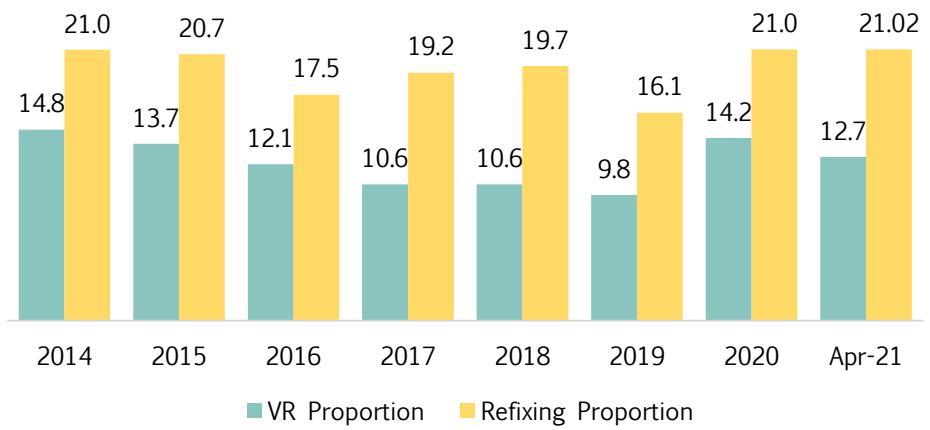
Well Diversified Across Different Currencies



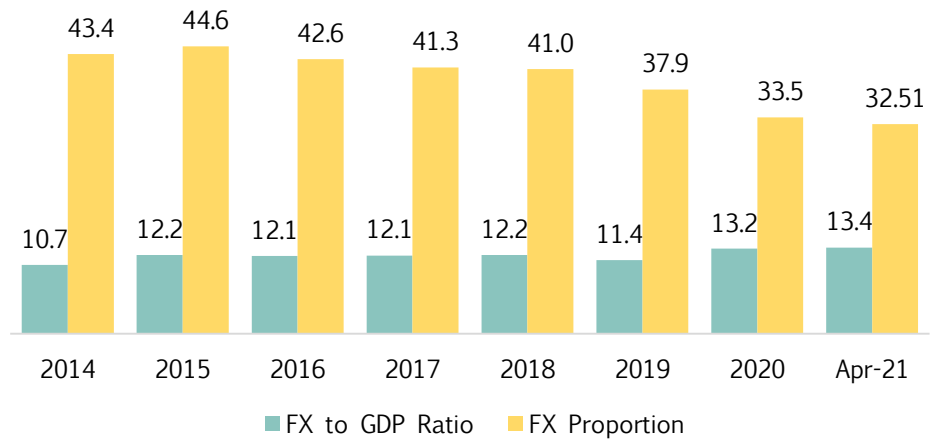
Source: Ministry of Finance

Well Balanced Maturity Profile with Strong Resilience Against External Shocks

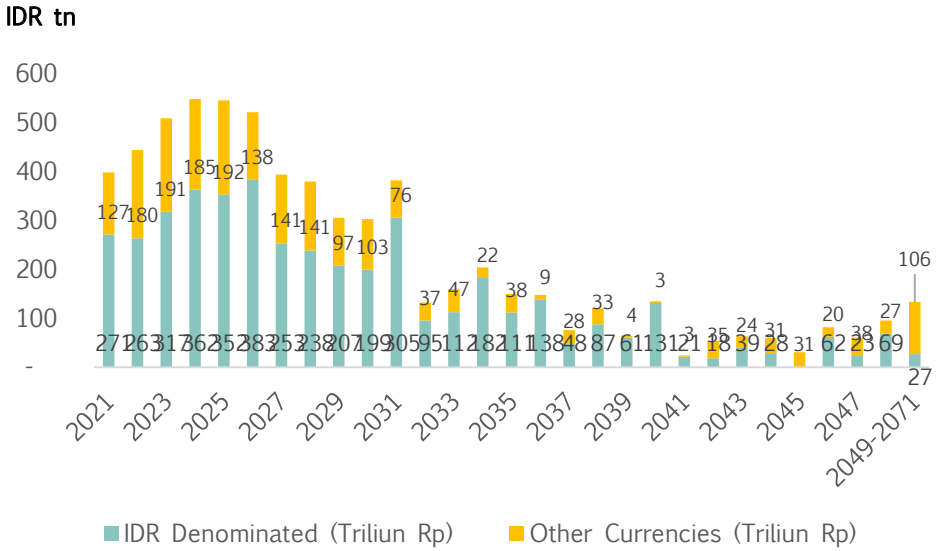
Interest Rate Risks



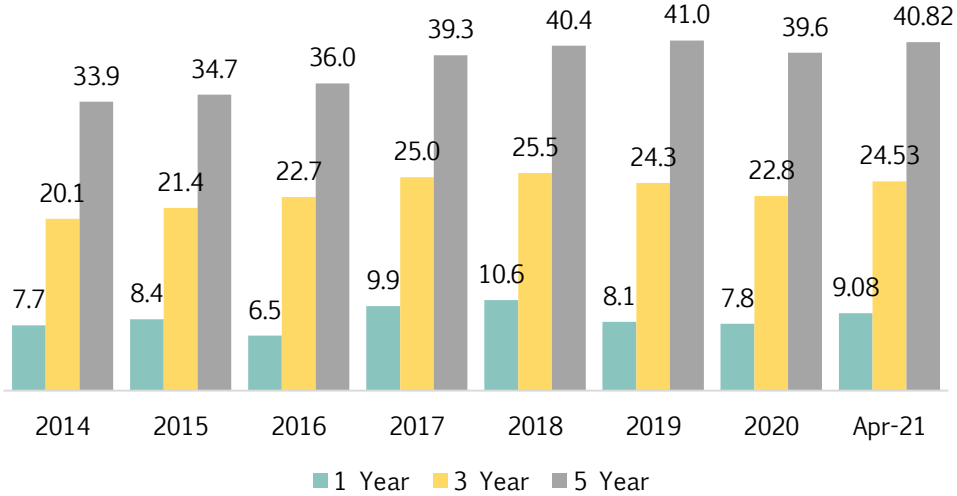
Declining Exchange Rate Risks



Debt Maturity Profile



Upcoming Maturities (Next 5 Years)

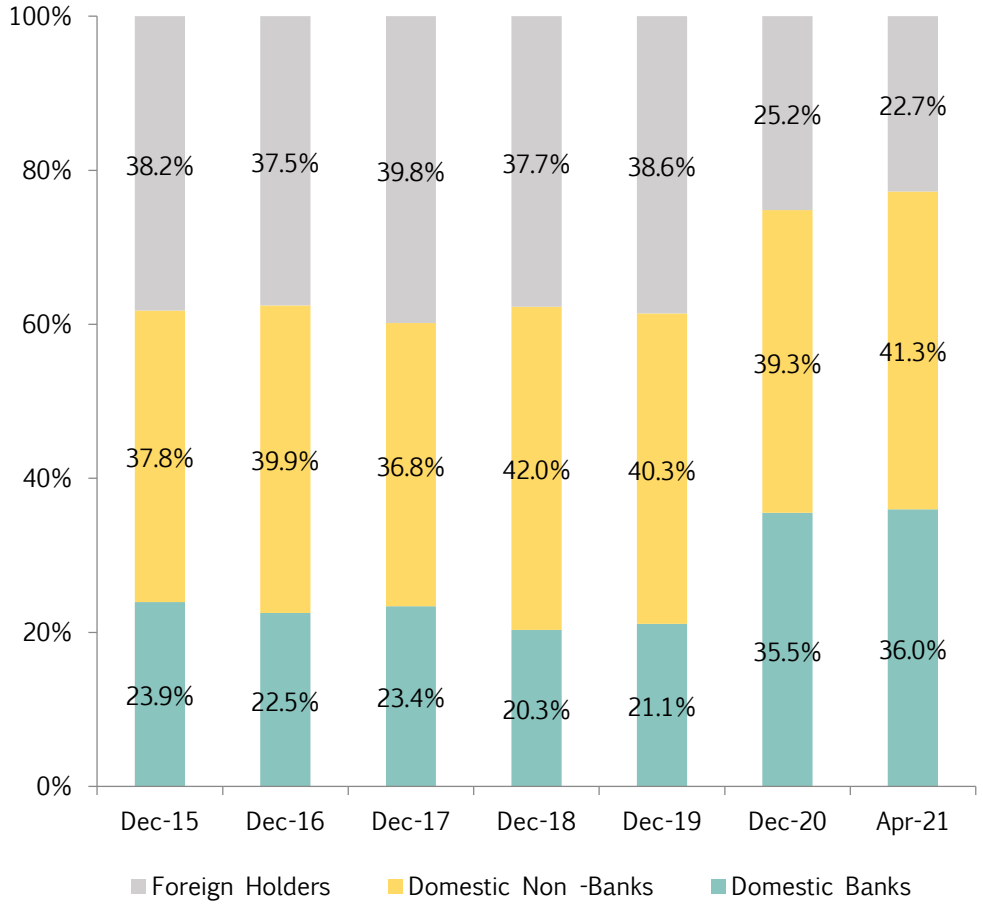


Source: Ministry of Finance

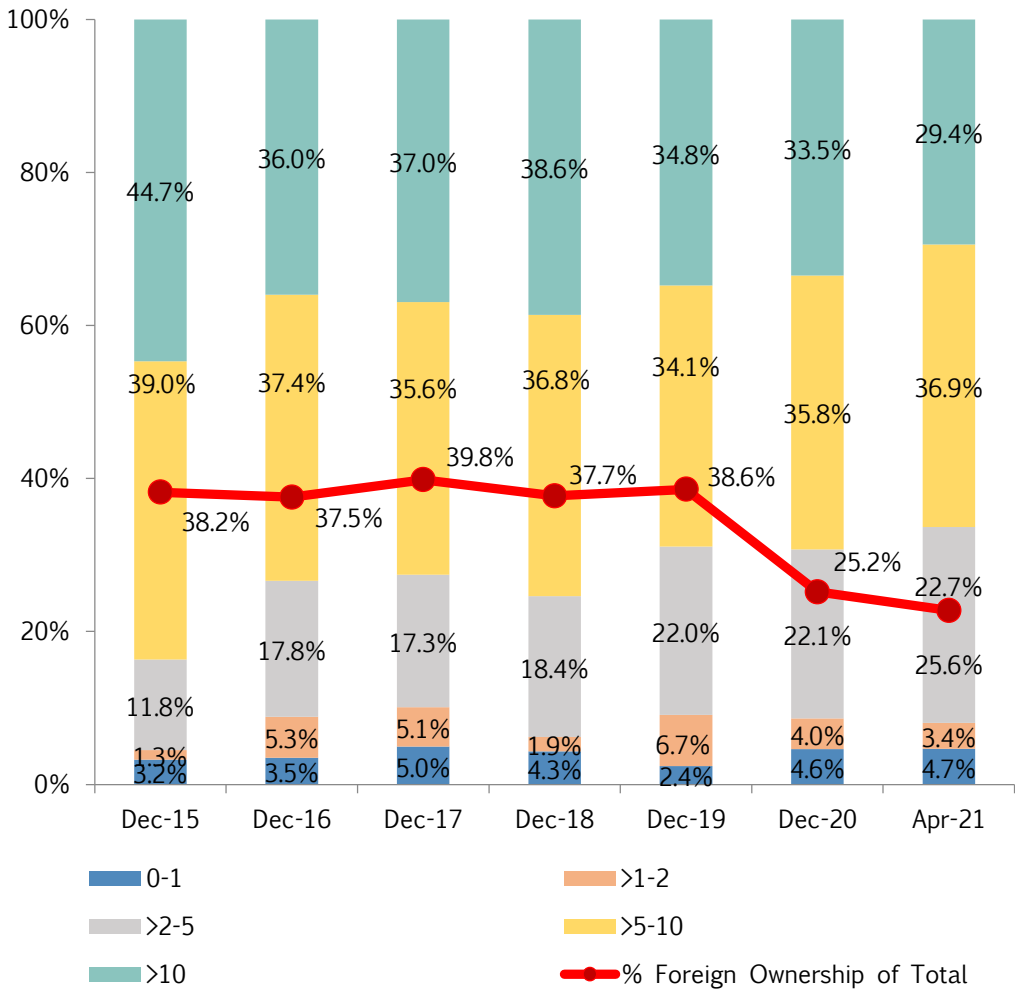
Holders of Tradable Central Government Securities

More Balance Ownership In Terms of Holders and Tenors

Holders of Tradable Gov't Domestic Debt Securities



Foreign Ownership of Gov't Domestic Debt Securities by Tenor



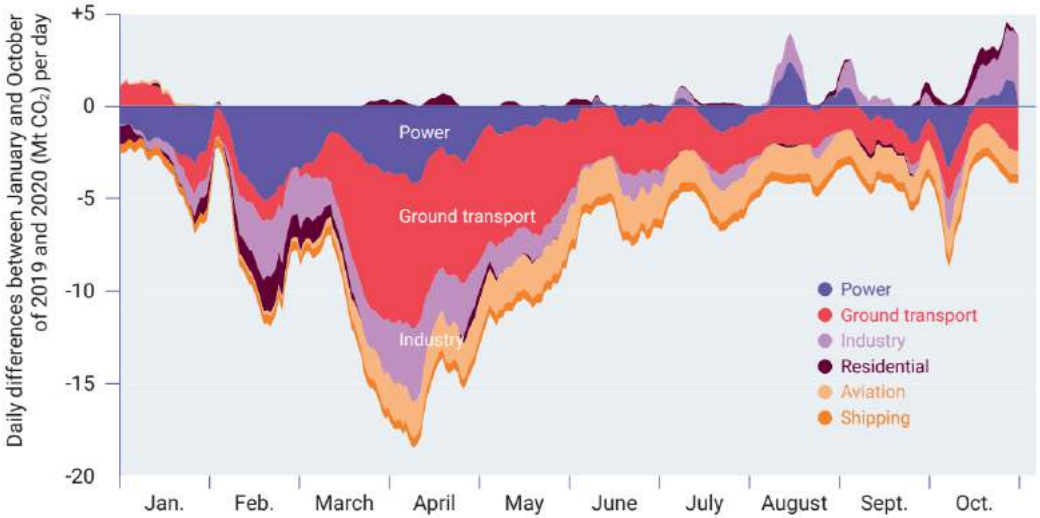
Source: Ministry of Finance

Section 6

Commitment to Sustainability and Preserving the Environment

Anticipating the Rise of Emissions After the COVID-19 Pandemic

As global economy recovered, the emissions is predicted to increase



- During the COVID-19 pandemic, global CO2 emissions have contracted due to a decrease in economic activity and human mobility. However, slowly emissions are crawling up as human mobility policies loosen in some countries.
- It should be of mutual concern that, in the midst of the challenges facing the COVID-19 pandemic that has not yet ended, the economy is slowly starting to enter the recovery phase and it is pushing back the level of global carbon emissions.
- Therefore, the government should not be off guard because the risk of rising carbon emissions can threaten economic sustainability and people's well-being through the impacts of climate change.

Photo: kanalkalimantan.com & BPBD Prov. Kalsel

Photo: Bayu Pratama

- Pendemic is not over yet, and Indonesia were faced by flood disasters in several provinces. This disaster needs to be of concern to the central and local governments in managing forest and land areas so that the ecosystem of water absorption areas can be maintained.

Indonesia's Commitment to Climate Change

Indonesia's Climate Policies:

- Indonesia Nationally Determined Contribution (NDC), 2016
- National Mid-Term Development Plan 2020-2024
- National Action Plan on Sustainable Development Goals

"Indonesia has geographical conditions that are vulnerable to climate change. Two-thirds of the territory consists of the sea, has 17 thousand islands, many of which are small islands.

These vulnerabilities and challenges do not stop Indonesia's commitment to contribute to global action to reduce emissions.

Therefore, Indonesia is committed to reducing emissions by 29% below business as usual by 2030, or 41% with international assistance."

- President of the Rep. of Indonesia, Joko Widodo, Paris, 2015-

FIRST NATIONALLY DETERMINED CONTRIBUTION
REPUBLIC OF INDONESIA

November 2016

Indonesia's Commitment on Emission Reduction

Nationally Determined Contribution (NDC)

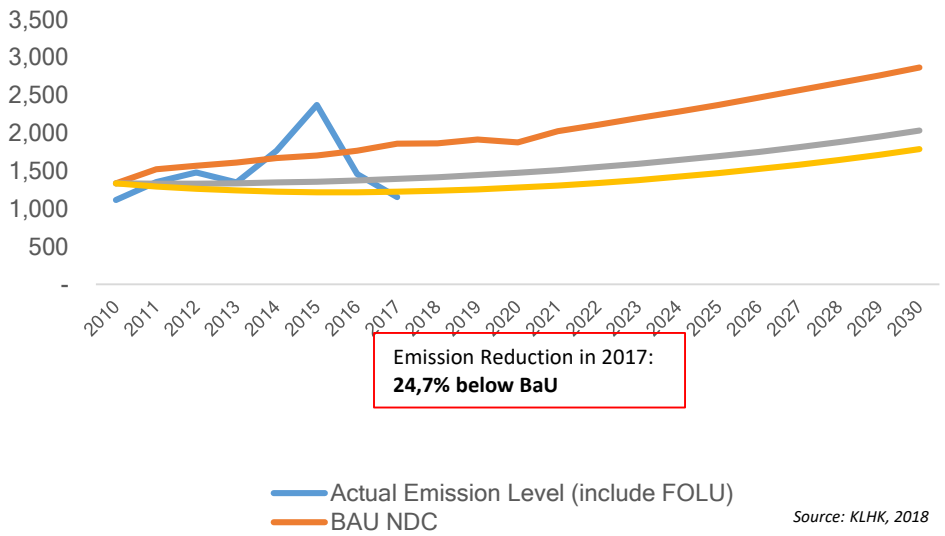
Through the Ratification of the Paris Agreement and the Submission of NDC to the UNFCCC, Indonesia is committed to reducing GHG emissions by:

- **29%** below BaU unconditionally
- **or 41%** With International support (Conditional)

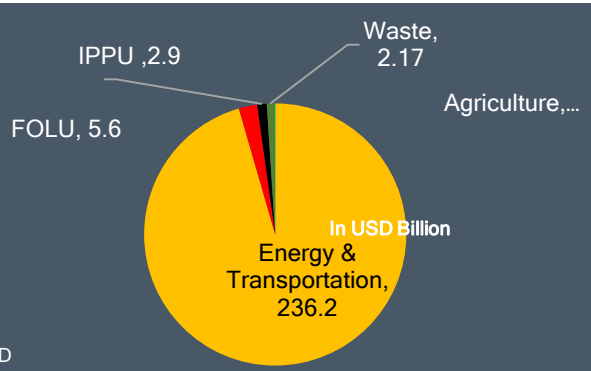
Emission Reduction Target per Sectors

	FORESTRY	ENERGY AND TRANSPORTATION	WASTE	AGRICULTURE	IPPU
below BaU unconditionally	497	314	11	9	2.75
With International support (Conditional)	650	398	26	4	3.25

note: data dalam MTon CO2e



Source: KLHK, 2018



Source: Second BUR (2018), USD billion

Based on the Second Biennial Update Report (BUR-2) in 2018, Indonesia's financing needs to achieve emissions reduction targets in 2030 reaching USD247.2 billion or around IDR3,461 trillion (IDR266.2 trillion/year).

The Role of Fiscal Policy in Green Economic Transformation

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

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

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

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

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

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

Fiscal Incentives

Several tax incentives to promote green private investment.

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

Fiscal Transfer

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

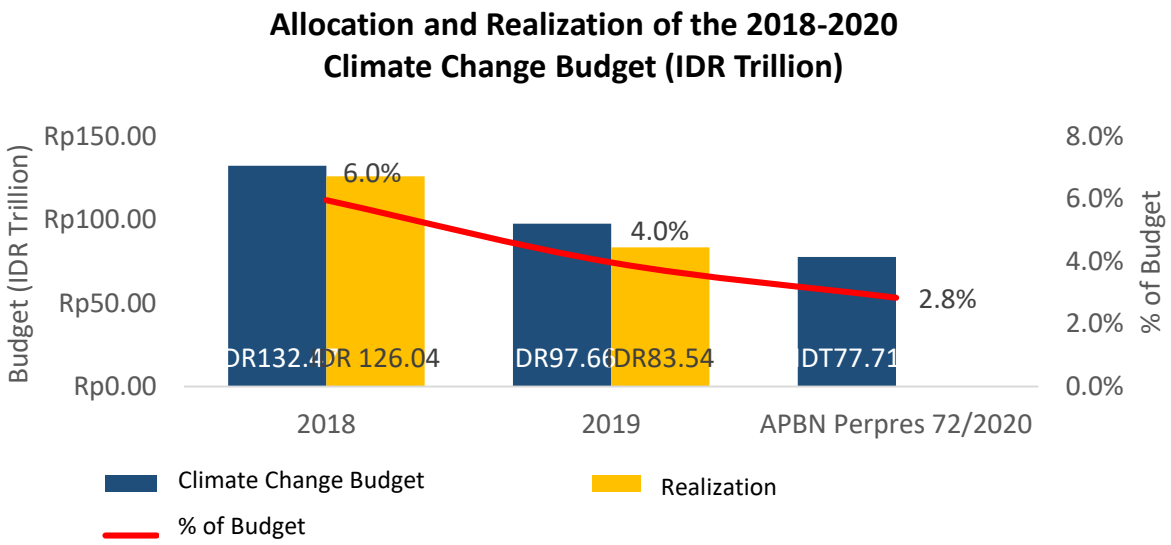
Profit Sharing Fund on Natural Resources (DBH SDA)
- DBH SDA Forestry
- DBH SDA Geothermal

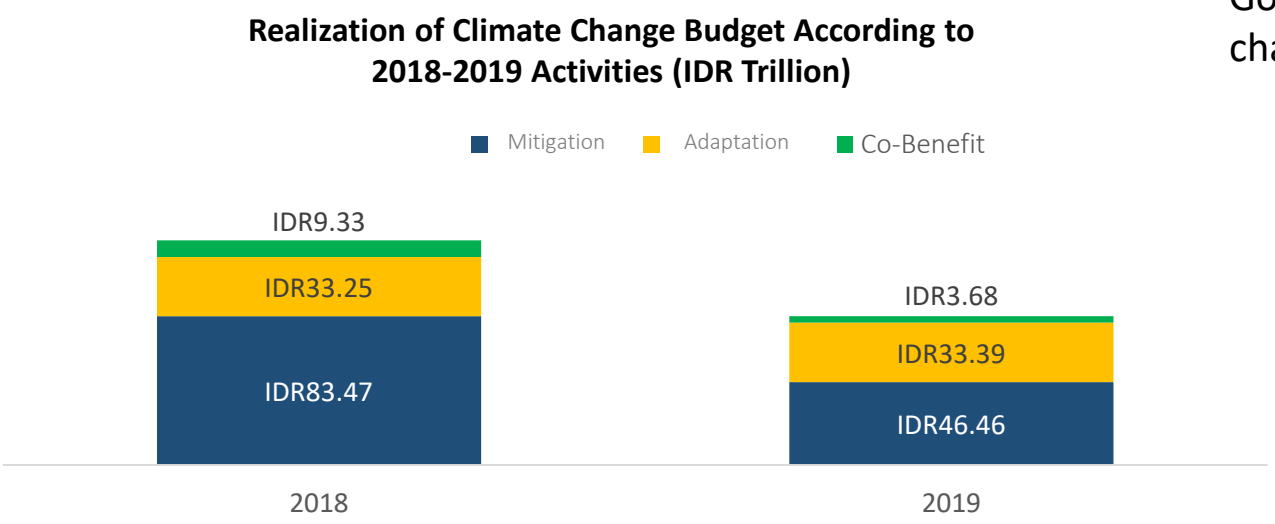
Special Allocation Fund for Physical Development (DAK Fisik):
- DAK Fisik Agriculture & Irrigation Development
- DAK Fisik Environment Development
- DAK Fisik Forestry Development
- DAK Fisik Marine & Fisheries Development

Non Physical Special Allocation Fund (DAK Non Fisik)
- DAK Non Fisik for Waste Management (for tipping fee support)

Incentive Fund (DID)
- DID on Waste Management

2018-2020 Climate Change Mitigation and Adaptation Budget

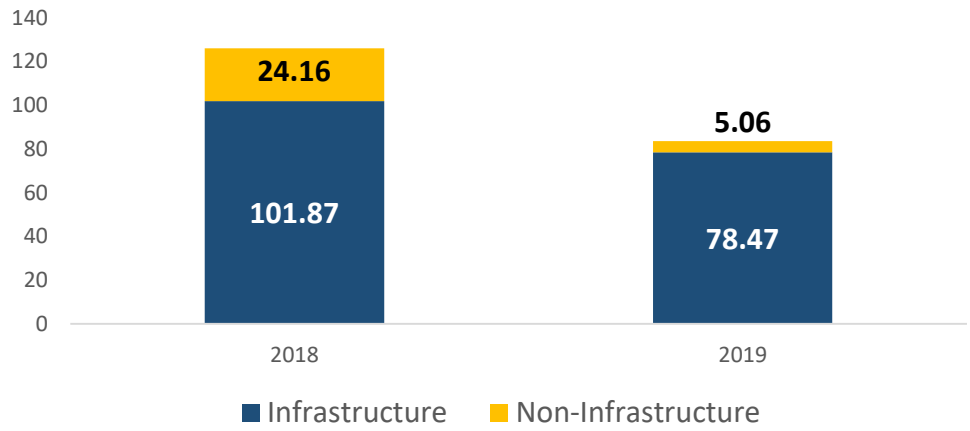




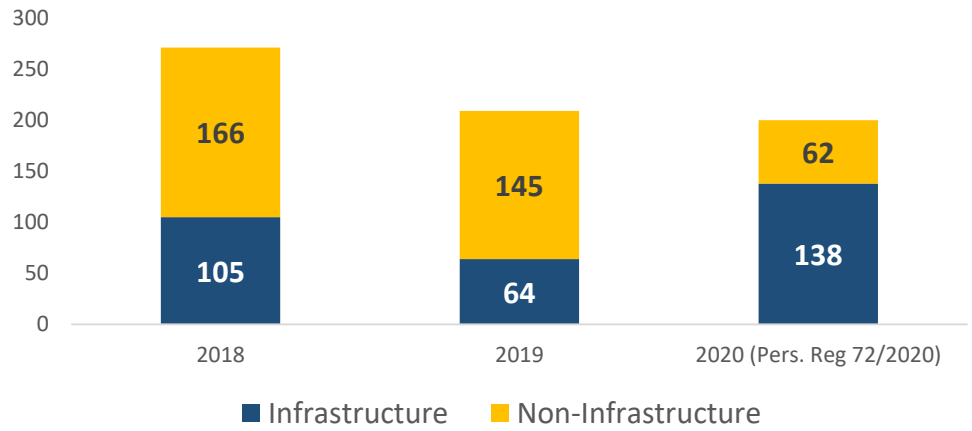
- The average climate change budget in APBN reaches 4.3% per year
- In 2018 and 2019, the realization of government spending for climate change mitigation and adaptation activities reached IDR209.57 trillion, with an average absorption rate of 91.1% of the 2018-2019 cumulative budget allocation.
- The climate change budget in the Central Government is mostly used to fund climate change mitigation activities

Composition of the 2018-2020 Climate Change Budget

Actual Climate Change Budget Based on Output Type (IDR Trillion)



Total Output in the 2018-2020 Climate Change Budget



- The climate change budget is dominated by output in the form of physical infrastructure development (waste, energy, transportation and agriculture sectors)
- Based on the number of outputs, the climate change output in the APBN is more to produce non-infrastructure output in the form of:
    i. formulating policies and regulations;
    ii. community empowerment;
    iii. monitoring and evaluating policies; and
    iv. increasing the capacity of stakeholders (i.e. training green industry for the industrial sector by the Ministry of Industry).

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

KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Fiscal Policy:

1. Mitigation Fiscal Framework
2. Implementation of Govt. Expenditure for Climate Change
3. Tax Facilities
4. Republic of Indonesia's Green Bond/Sukuk Framework
5. Sustainable Finance Platform: SDG Indonesia One, Green Climate Fund, BPDLH
6. Development of Climate Change Fiscal Framework

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Central Bank Policy:

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

OJK
OTORITAS JASA KEUANGAN

Financial Sector Authority Policy:

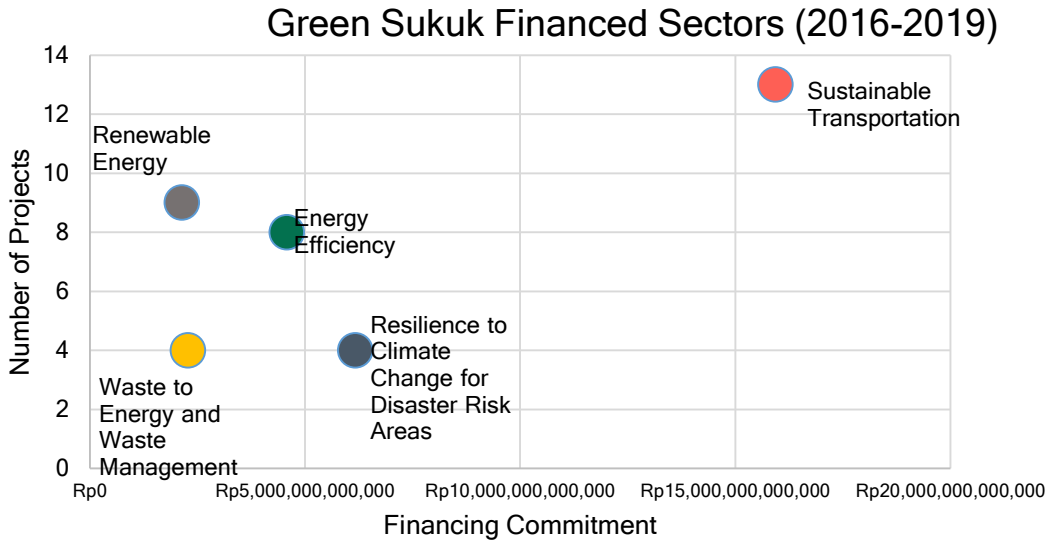
1. Roadmap of Sustainable Finance,
2. Regulation of Sustainable Finance Implementation,
3. Green Bond/Sukuk Regulation,
4. Capability Enhancement to market participants with support from the International Finance Corporation (IFC) and the Sustainable Banking Network (SBN)

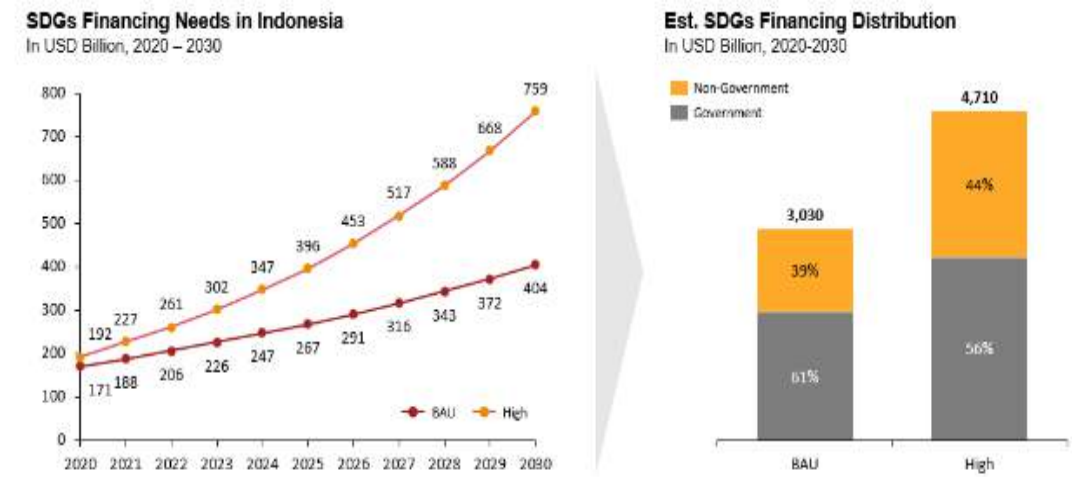
Innovative Financing: Sovereign Green Sukuk and Planned SDGs Bond

Sovereign Green Sukuk and Planned SDGs Bond

No	Issuance	Value
1	Global Green Sukuk (Mar 2018)	USD 1,25 billion
2	Global Green Sukuk (Feb 2019)	USD 750 million
3	Green Sukuk Retail (Nov 2019)	IDR 1,46 trillion
4	Global Green Sukuk (Jun 2020)	USD 750 million
5	Green Sukuk Retail (Nov 2020)	IDR 5,42 trillion

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: **USD 2,75 billion**
- Total green sukuk retail financing: **IDR 6,88 trillion**
- Green sukuk has financed various projects in 5 sectors and mostly for transportation projects.
- MoF is planning to issue SDGs Bond





Source: BAPPENAS, SDGs Roadmap, 2019

Indonesia's Existing Green Bond and Sukuk Framework

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

1 Use of proceeds of Green Bond and Green Sukuk

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

2 Project Evaluation and Selection

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

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

3 Management of Proceeds Management – Ministry of Finance

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

Line Ministries

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

4 Reporting

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

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

Source: Indonesia's Green Bond & Green Sukuk Framework

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

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

Eligible Sectors

Green Shading according to CICERO's second-party opinion

Dark Green

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

Medium to Dark

- Sustainable Transport
- Green Tourism
- Waste and Waste to Energy Management
- Sustainable Agriculture

Light to Medium

- Energy efficiency
- Sustainable Management of Natural Resources

Light Green

- Green Building

The Framework Excluded Use of Proceeds for

- New Fossil Fuel-Based Electric Power
- Large Scale Hydropower Plants > 30 MW
- Nuclear Assets

Source: Green Sukuk Allocation and Impact Report – May 2021

Indonesia's Green Initiatives: Financing Green Projects

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

The Government of Indonesia has issued three sovereign global green sukuk, consecutively in March 2018, February 2019 and June 2020, with the total amount of **USD 2.75 Billion**

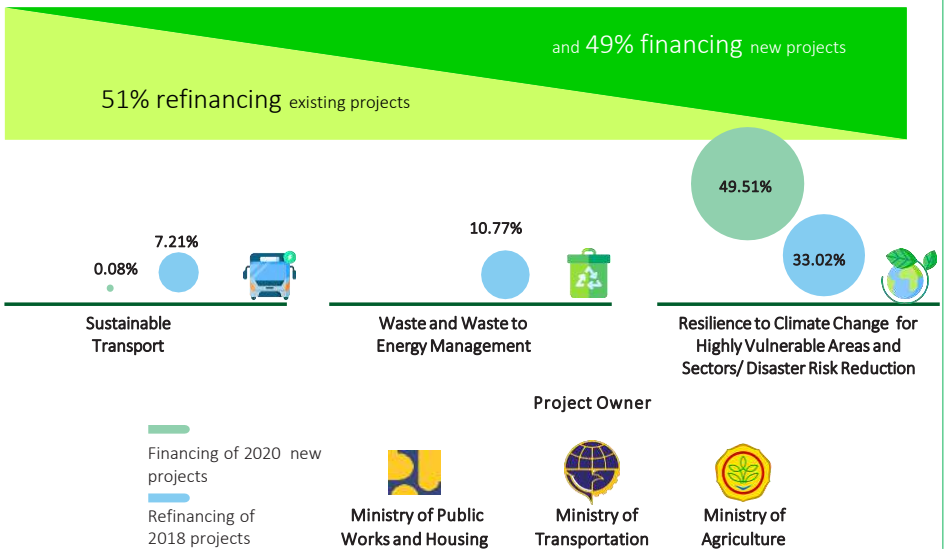
2020 Issuance	2019 Issuance	2018 Issuance
USD 750 million	USD 750 million	USD 1.25 billion

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

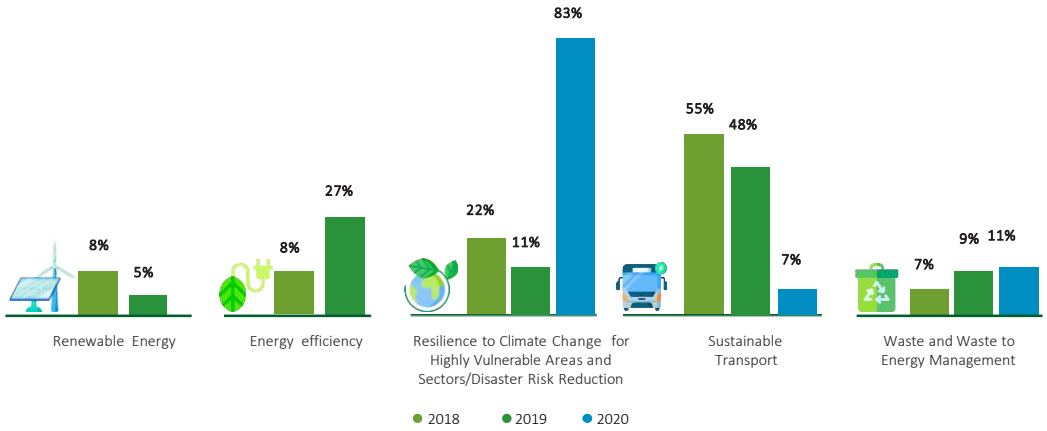
Use of Proceeds

2020 Global Green Sukuk Issuance

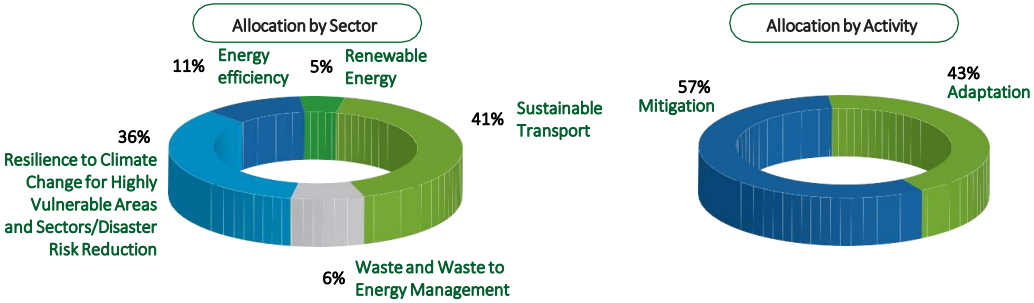
The 2020 Global Green Sukuk Issuance comprised of



Global Green Sukuk Proceeds Allocation by Sector (in percentage)



Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



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

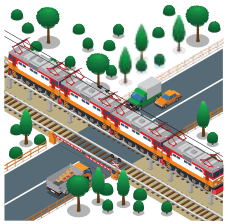
Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2020 Global Green Sukuk

Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

Sustainable Transport



Expected to:

- Reduce **1,415,718 tCO_2e** of GHG emission
- Reduce travel time by **30 minutes on average**
- Increase passengers-km by **1.3 times** (over 2.5 billion passengers are expected to shift from private mode of transportation)

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

Expected to:

- Fulfill raw water supply needs for drinking water of **275.5 m^3**
- Protect **1,920.4 Ha** of areas from flooding
- Rehabilitate **134,700 Ha** of tertiary irrigation network
- Develop **1,071 units** of other water source
- Benefit **1,236,000 people**
- Create and revitalize **12,000 Ha** of rice field

Waste to Energy and Waste Management

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

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Tangible Results from Indonesia's Green Sukuk Initiatives

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

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

	Resilience to Climate Change	Sustainable Transport	Waste and Waste to Energy Management
Locations	Across the country	Jakarta, Java, Banten	All provinces except Banten
Amount Committed to Finance 2020 New Projects	USD 371.3 million	USD 0.6 million	-
Amount Committed to Refinance 2020 Projects	USD 247.7 million	USD 54.1 million	USD 80.8 million
Impacts Social / SDGs	3, 5, 6, 8, 10, 11, 13	8, 9, 11, 13	11, 13
Project Examples Financed / Refinanced	**Management of Dam, Lake and Other Water Retention Facilities (Financing)** • Development of water retention units, i.e. water retention basins (*embung*), dams, and lakes in 22 provinces across Indonesia. These projects provided solutions for the local community to access the groundwater. • Locations: 22 provinces across Indonesia **Expansion and Preservation of Agricultural Lands (Refinancing)** • Implementation of rice-field opening and revitalization project in areas highly vulnerable to climate change impacts which may threaten food security. • Locations: Potangoan Village of Buol Regency in Central Sulawesi	**Development and Management of Railway Transport and Supporting Facilities (Refinancing)** • Upgrade of South Line Java Railways Network from single to double track connecting Cirebon City in West Java Province to Jombang Regency in East Java Province. The upgrade of double-track lines becomes a significant part in the effort to improve the role and efficiency of the railroad mode in Java, minimizing the transport burden of road networks. Furthermore, the goal is to improve interregional connectivity to reduce the regional disparity.	**Supervision and Development of Settlement Sanitation (Refinancing)** • While municipal solid waste management focuses to reduce number of waste disposed to landfill by applying 3R principles, the MInistry of Public Works and Housing priorities to develop regional landfill for 3-4 ciities, and improve the carrying capacity and management from open dumping to sanitary landfills • Locations: All provinces except Banten

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

Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (May 2021), which has obtained a limited assurance statement from EY

Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.

Section 7

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

Bank Indonesia's Policy Mix

Synergy to Build Economic Recovery Optimism

- Maintaining accommodative monetary policy stance (lowering policy rate 125bps in 2020, and 25ps in February 2021).
- Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms.
- Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
- Focusing on the quantity channel by providing liquidity to stimulate economic recovery

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

- Strengthening accommodative macroprudential policy to stimulate growth of loans/financing allocated to priority sectors, incl. SMEs, and inclusion of export L/C as a financing component to stimulate bank lending to the corporate sector and export-oriented businesses.
- Refining the MSME credit ratio into the Macroprudential Inclusive Financing Ratio (RPIM) by expanding the scope of bank partners to disburse inclusive financing as well as through inclusive financing securitisation and other business models.
- Accommodative macroprudential policy stance by:
  - Relaxing the Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing
  - Relaxing down payment requirements on automotive loans/financing
  - Holding the countercyclical buffer (CCB) at 0%,
  - Macroprudential Intermediation Ratio (MIR) in the 84-94% range,
  - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility,
  - Relaxing credit card policy

- Accelerating digital transformation payment system policy and faster implementation of Indonesia Payment System Blueprint 2025
- Strengthening and expanding electronification: Social program, e-payment for Government
- Expanding of QRIS (QR Indonesia Standard) acceptance

- Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the forex market
- Accelerating infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
- Developing Money Market Development Blueprint 2025

Bank Indonesia Policy Mix: May 2021

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

The BI Board of Governors agreed on 24th and 25th May 2021 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%.

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

Maintaining the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance. Maintaining Prime Lending Rate (PLR) transparency in the banking industry with an emphasis on PLR components, including the cost of funds, overhead costs and profit margin, and addressing the interest-rate rigidity affecting new loans

Maintaining rupiah exchange rate policy to maintain stability in line with the currency's fundamental value and market mechanisms.

Strengthening the accommodative macroprudential policy stance by refining the MSME credit ratio into the Macroprudential Inclusive Financing Ratio (RPIM) by expanding the scope of bank partners to disburse inclusive financing as well as through inclusive financing securitisation and other business models, amongst others.

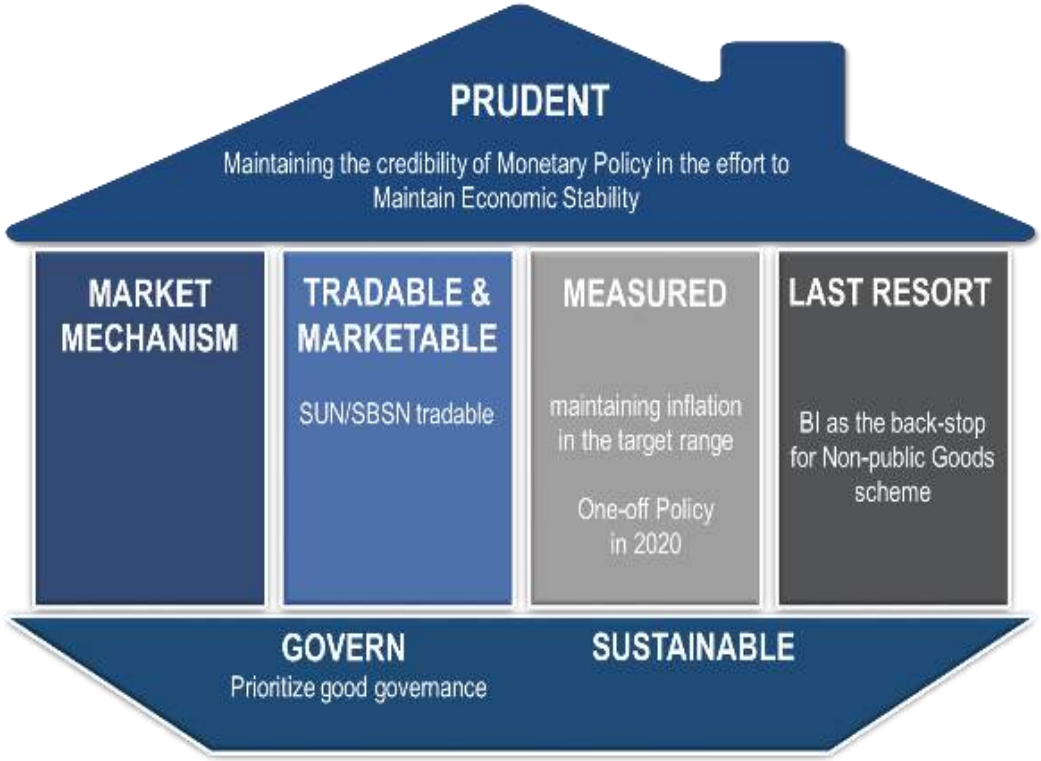
- Lowering the upper limit on credit card interest rates from 2% to 1.75% per month to support interest rate policy transmission and cashless transaction efficiency, effective from 1st July 2021.
- Expanding money market deepening efforts by accelerating the establishment of a Central Counterparty (CCP) as well as standardising repo transactions for clearing via the CCP.

Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions. In May and June 2021, Bank Indonesia will promote trade and investment in Singapore, China, Japan, United States, Mexico, UK, Sweden, Norway and France.

Source: Bank Indonesia

Loose Liquidity Persist, In Line with Strengthened Synergy Between Monetary and Fiscal Policy

PRINCIPLES OF FUNDING AND BURDEN SHARING



- Bank Indonesia has injected liquidity through quantitative easing to the banking industry totaling IDR88.91 trillion in 2021 (as of 21st May 2021)
- Bank Indonesia continues to purchase SBN in the primary market as part of policy synergy between Bank Indonesia and the Government to fund the 2021 State Revenue and Expenditure Budget (APBN). **As of 21st May 2021**, Bank Indonesia has purchased SBN in the primary market totaling IDR108.43 trillion, consisting of IDR32.97 trillion through primary auction and IDR75.46 trillion through greenshoe options (GSO)
- Such policy supports loose economic liquidity conditions, as reflected by narrow (M1) and broad (M2) money supply, which grew 17.4% (yoy) and 11.5% (yoy) in April 2021. By component, M2 growth was driven by Currency Outside Banks (COB), rupiah demand deposits and quasi-money as demand spiked during the approach to Eid-ul-Fitr. M2 growth was influenced by the Government's expansive fiscal operations as a corollary of policy synergy with Bank Indonesia as well as other government receipts and an increase of Net Foreign Assets (NFA), despite the ongoing credit contraction
- Consequently, excess liquidity conditions persist in the banking industry, as reflected by a high ratio of liquid assets to deposits at 33.67% and deposit growth at 10.94% (yoy)

Source: Bank Indonesia

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix

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

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

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

BGM 13-14 APRIL AND 18-19 MAY 2020

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

BGM 17-18 JUNE AND 15-16 JULY 2020

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

BGM 18-19 AUG, 16-17 SEP AND 12-13 OCT 2020

1. Hold BI7DRR at 4,00%
2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization
3. Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
4. Strengthening MO strategy in order to accelerate monetary policy transmission
5. Accelerating money market and foreign exchange market deepening through infrastructure development, including ETP & CCP
6. Lowering the minimum limit of DP on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles
7. Extending the 50bps lower on rupiah reserve requirements, as an incentive for banks disbursing loans to SMEs and for export-import activity and to non-SMEs operating in priority sectors as stipulated in the PEN, from 31 Dec' 20 previously until 30 Jun'21;
8. Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program
9. Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), and promoting the use of QRIS for e-commerce
10. Expanding QRIS acceptance to bolster economic recovery and accelerate SME by extending 0% MDR for micro-businesses from 30 Sept'20 previously until 31 Dec'20
11. Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with Gernas BBI
12. Strengthening the digital economy & finance ecosystem through the use of digital payment instruments & collaboration between the banking industry, FinTech & e-commerce to support PEN

BGM: Board of Governor Meeting
Source: Bank Indonesia

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix

Lower/HoldBI 7-day Reverse Repo Rate

Stabilization Of The Rupiah

Money Market & Foreign Exchange

Quantitative Easing

Macro-Prudential Policy

Payment System Policy

BGM 18-19 NOV, 16-17 DEC 2020 AND 20-21 JAN 2021

1. BI7DRR lower 25 bps at 3,75% in Nov, and Hold the rate in Dec and Jan 2021.
2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery, including supporting Government in accelerating 2020 state budget realization
3. Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in forex market
4. Accelerating the deepening of the foreign exchange market and the domestic financial market development through the implementation of BPPU 2025
5. Maintaining a CCB ratio of 0%, RIM 84-94%, PLM 6% as well as 6% repo flexibility and LTF / FTV ratio for property loans.
6. Accelerating digital transformation & synergy to strengthen economic recovery momentum with robust payment system policy and faster implementation of BSPI'25
7. Strengthening payment system digitalization in order to build economic recovery momentum through several digital transformation initiatives, including: expanding access to digital financial economy services for SMEs & public, collaboration between banks & fintech; promoting broader acceptance of digital payments through the QRIS.
8. Reducing service fees for the BI-RTGS, extending the period of lower service fees for the SKNBI, and lowering payment limit & late payment fees for CC.
9. Implementing payment system regulatory reforms in accordance with PBI No. 22/23/PBI/2020 through industry restructuring, license reclassification, ownership, technological innovation, including data and information, as well as strengthening supervision, including cyber risk management.

BGM 17-18 FEB AND 17-18 MARCH 2021

1. Lower BI7DRR to 3.50% in Feb and Hold it in March
2. Relaxing down payment requirements on automotive loans/financing to min 0% for all new motor vehicles and relaxing the LTV/FTV ratio on housing loans/financing to maximum 100% on all residential property for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property. Both effective from 1st Mar until 31st Dec 2021.
3. Publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry" in Feb
4. Strengthening Prime Lending Rate (SBDK) transparency in the banking industry, while coordinating with the Government and other relevant authorities to: (i) accelerate monetary policy transmission to lending rates in the banking industry; and (ii) stimulate lending/financing to the corporate sector.
5. Strengthening MIR/Sharia MIR policy through the inclusion of export L/C as a financing component, while incrementally introducing regulatory disincentives in the form of MIR related reserve requirement, to stimulate bank lending to the corporate sector and export-oriented businesses
6. Supporting the Regional Digitalisation Acceleration and Expansion Teams (TP2DD) to stimulate innovation, accelerate and expand Electronification of Regional Government Transactions (ETP) and integrate the digital economy and finance.
7. Supporting development of an inclusive and efficient digital economy & finance ecosystem, by:
   - Extending the QRIS 0% MDR for micro enterprises until 31st December 2021;
   - Expanding QRIS acceptance to 12 mil merchants

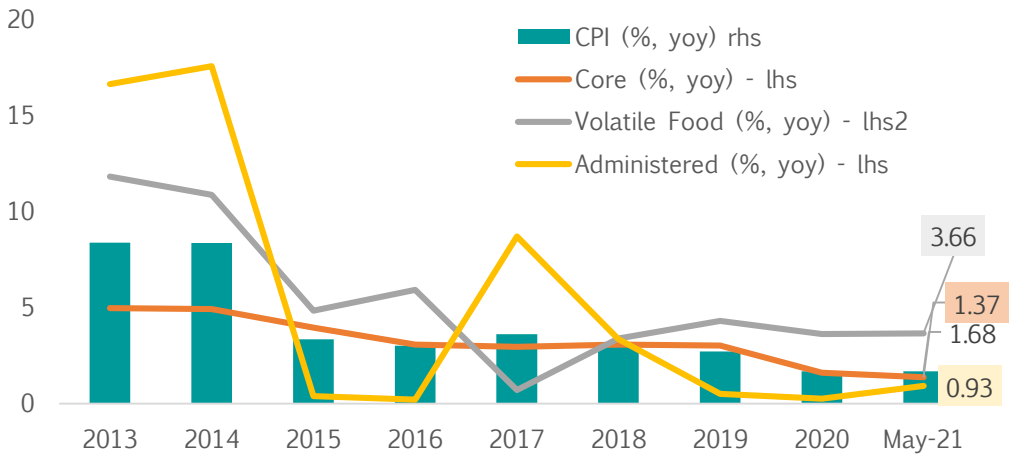
BGM 19-20 APRIL AND 24-25 MAY 2021

1. Hold BI7DRR at 3.50% in May and April
2. Expanding the use of (SukBI) for tenors of 1 week to 12 months, effective from 16th April 2021.
3. Maintaining accommodative macroprudential policy by holding the CCyB at 0%, the MPLB at 6% with repo flexibility at 6%, as well as Sharia MPLB at 4.5% with repo flexibility also at 4.5%.
4. Expanding money market deepening efforts by accelerating the establishment of a Central Counterparty (CCP) as well as standardising repo transactions for clearing via the CCP.
5. Lowering the upper limit on credit card interest rates from 2% to 1.75% per month, effective from1st July 2021
6. Extending the National Clearing System (SKNBI) pricing policy of IDR1 from Bank Indonesia to banks and a maximum of IDR2,900 from banks to customers from 30/6/2021 previously until 31/12/2021
7. Strengthening QRIS policy by:
   - Raising the QRIS transaction limit from IDR 2 mil to IDR 5 mil, effective from 01/05/21
   - Lowering the MDR for Public Services Agencies (BLU) and Public Service Obligations (PSO) 0.7% to 0.4% effective from 01/06/21

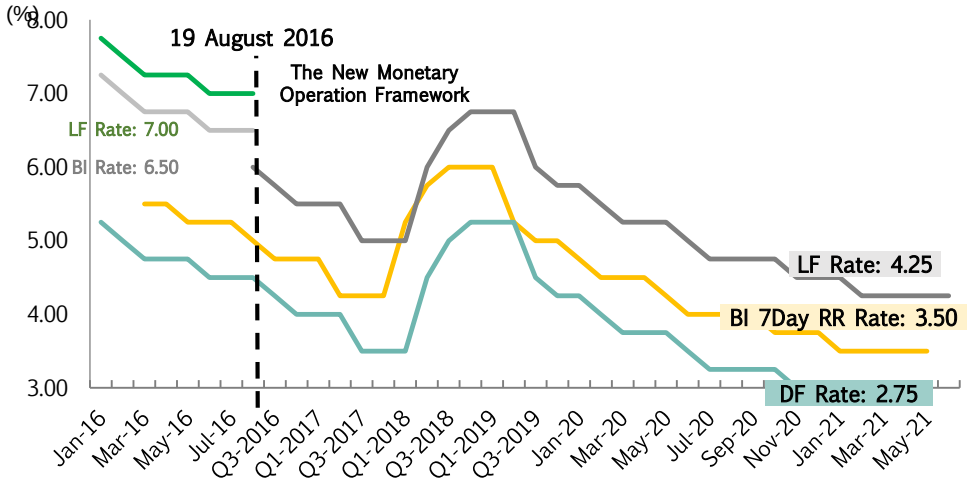
BGM: Board of Governor Meeting
Source: Bank Indonesia

Stable Monetary Environment Despite Challenges

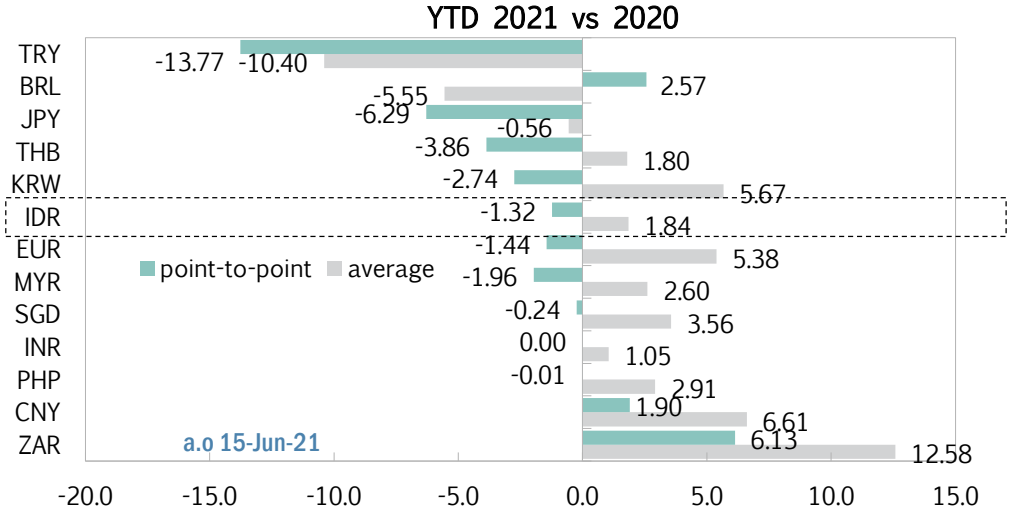
Well Maintained Inflation Ensured Price Stability



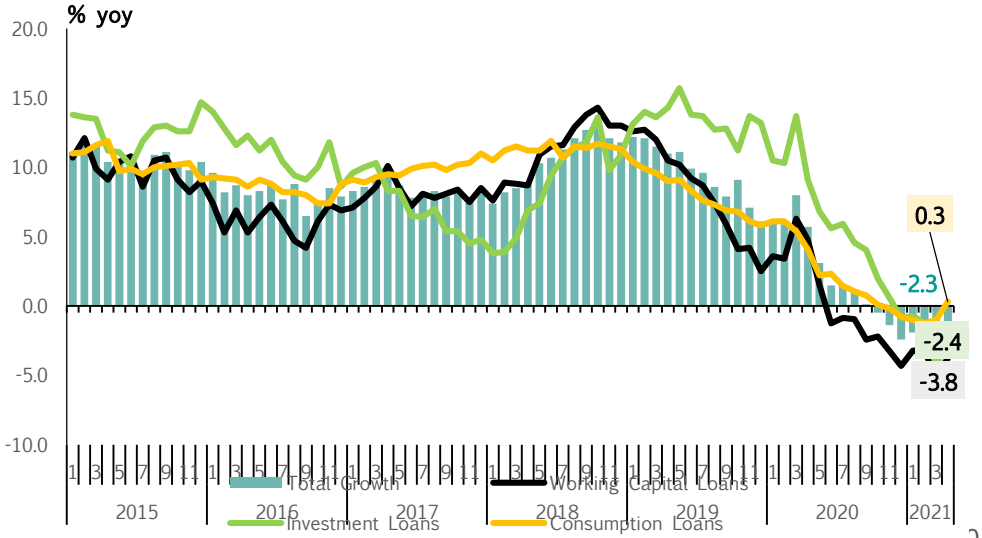
Strengthened Monetary Policy Framework



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



Credit Growth Profile



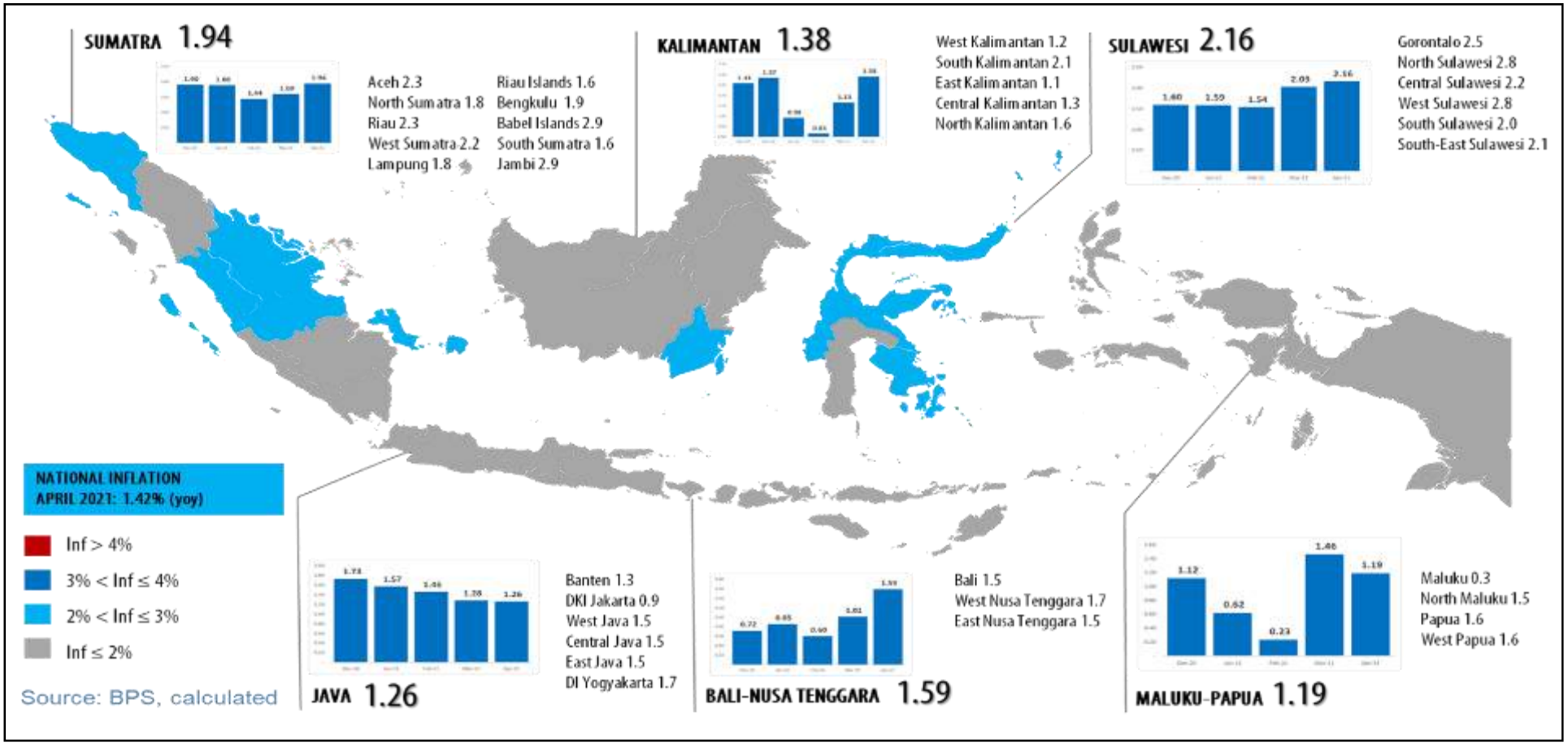
Source: Bank Indonesia

*) Source: Reuters and Bloomberg

Regional Inflation Remains Under Control

...supported by maintained inflation in all regions

INFLATION REMAINS LOW IN LINE WITH ADEQUATE SUPPLY DESPITE A SEASONAL SPIKE IN DEMAND APRIL 2021(%, YOY)



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

4 Strategies to Achieve the Inflation Target

2018-2019 Target

Achieving inflation at 3,5%±1%

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

2020-2021 Target

Achieving inflation at 3,0%±1%

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

4 Strategies

1. Price Affordability

- Stabilizing the price
- Managing demand side

2. Supply Availability

- Strengthening production, Government food reserves and food export-import management
- Strengthening institution

3. Well Managed Distribution

- Encouraging trade cooperation between regions
- Improving trade infrastructure

4. Effective Communication

- Improving data quality
- Strengthening central-regional coordination

Source: Bank Indonesia

Principles of Average Reserve Requirement Ratios Improvement

Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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

Source: Bank Indonesia

Relaxing Reserve Requirement Ratios

Lower reserve requirements, effective 1st May 2020

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

Source: Bank Indonesia

Principles of Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)

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

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

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

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

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

Source: Bank Indonesia

Principles of Macroprudential Intermediation Ratio (MIR)*

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

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

Principles of Macroprudential Intermediation Ratio (MIR)*

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

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

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

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

Policy Backgrounds

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

Main Regulatory Points

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

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

Lower disincentive parameter

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

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

Upper disincentive parameter

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

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

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

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

Source: Bank Indonesia

Strengthened MIR and Sharia MIR to accelerate economic recovery

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

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

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

Current Regulation			New Regulation			
Regulation	MIR (CCB)	Sharia MIR (SCB and SBU)	Regulation		MIR (CCB)	Sharia MIR (SCB and SBU)
Criteria of Securities held	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;	Criteria of Securities held	i	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;
	1. Issued by nonbank corporation and residents. 2. Offered to the public through a public offering. 3. Rated by a rating agency no lower than investment grade. 4. Administrated by an institution authorised to provide securities settlement and custodial services.			i	1. Issued by nonbank corporation and residents. 2. Offered to the public through a public offering. 3. Rated by a rating agency no lower than investment grade. 4. Administrated by an institution authorised to provide securities settlement and custodial services.	
				ii	In the form of export L/C;	

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

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

Principles of Macroprudential Liquidity Buffer (MLB)

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

Macroprudential Liquidity Buffer (MLB) Policy and Credit card policy

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

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

Credit card policy, effective 1st May 2020.

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

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

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

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

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

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

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

2. Relaxing the amount of loan/financing facility through indent mechanism to a maximum of 5 facilities without taking account of the orders
3. Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

Current Regulation

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

Relaxation

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

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

Source: Bank Indonesia

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

Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios

1. The requirements of the LTV ratio for property credit and FTV ratio for property financing are as follows:
   i. The net ratio of NPL to total credit or NPF to total financing must not exceed 5%; and
   ii. The gross ratio of property NPL to total property credit or property NPF to total financing must not exceed 5%.
2. Banks must make sure that there is no loan transfer to another borrower at the same bank or different bank for tenors of less than 1 year. The requirements are valid for banks that will disburse pre-order property loan/financing.
3. Banks are required to comply with prudential principles when disbursing loans.
4. Gradual loan liquidation is only allowed for developers that comply with bank's risk management policy (e.g. the business feasibility of the developer).
5. Banks are required to ensure that transactions to disburse loans (including down payment) and gradual liquidation must be processed through the debtor and developer/seller's bank account.

LTV / FTV Exemptions

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

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

Source: Bank Indonesia

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

(Effective December 2nd, 2019)

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

Policy Backgrounds

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

Main Regulatory Points

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

Table 1. Current LTV/FTV Ratio

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

Table 2. Adjusted LTV/FTV Ratio

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

Source: Bank Indonesia

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

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

(Effective December 2nd, 2019)

Main Regulatory Points

2. Additional incentive on the LTV ratio for green property loans and FTV ratio for green property financing.
   a. The Green Property criteria refers to the standards/certificates issued by a nationally or internationally recognized environmental institution.
   b. Green property that is granted for the incentive has to meet the following standards:
      i. For residential areas/buildings in certified green belt areas, each unit in the residential area/building is considered to meet the criteria.
      ii. In case that the residential area/building is not a certified green belt area, an evaluation will be conducted on each unit as follows:
         - For buildings < 2500m², the bank may conduct a self-assessment using the tools/applications provided by a recognized institution.
         - For buildings > 2500m², the assessment must be conducted by a recognized institution;
         - For new buildings constructed in an area by one developer or group of developers, the assessment must be conducted by a recognized institution and the certificate must be submitted by the developer
      i. Additional incentive for green property on LTV ratio for property loans and FTV ratio for property financing is 5% from the LTV/FTV ratio presented in Table 2 as follows:

Table 3. LTV/FTV Ratio for Green Property

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

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

Table 4. Current Down Payment on Automotive Loan or Financing

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

Table 5. Adjusted Down Payment on Automotive Loan or Financing

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

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

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

(Effective December 2nd, 2019)

Main Regulatory Points

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

Table 6. Down Payment on Green Automotive Loan or Financing

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

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

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

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

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

Main Regulatory Points

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

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

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

Requirements:

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

Source: Bank Indonesia

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

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

Policy Objectives and Background

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

Changes to Down payment Requirements on Automotive Loans/Financing

Current Regulation

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

New Regulation

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

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

**) Requirements as follows:

1. Gross NPL/NPF ratio <5%; and
2. Net NPL/NPF ratio <5%

Notes:

Green vehicles include battery electric vehicles (BEVs) as stipulated in prevailing laws and regulations on accelerating the battery electric vehicle program for road transportation.

Source: Bank Indonesia

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

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

Policy Objectives and Background

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

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

Current Regulation

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

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

New Regulation

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

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

Source: Bank Indonesia

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

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

Ketentuan Saat Ini

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

Notes:
1. '-' denotes LTV ratio policy at bank discretion
2. Based on PBI No. 21/13/PBI/2019
3. Criteria for a green building:
   a. Property area < 2,500m², assessed by Bank Indonesia using tools from an approved green building appraisal institution and/or certified directly by an approved green building appraisal institution.
   b. Property area ≥ 2500m², certified by an approved green building appraisal institution.

Ketentuan Baru

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

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

c. Changes to Indent Regulations

Current Regulation			New Regulation
Maximum cumulative liquidation	up to 30% of ceiling	upon completion of loan contract	1. Repeals regulations concerning the gradual liquidation of indent and the maximum cumulative liquidation of property loans or property financing. 2. Banks are required to maintain prudential principles and risk management when liquidating property loans/financing on indent.
Maximum cumulative liquidation	up to 50%	upon completion of foundations	
Maximum cumulative liquidation	up to 90% of ceiling	upon completion of roof	
Maximum cumulative liquidation	up to 100% of ceiling	upon signing of BAST, accompanied by AJB and a cover note.	

Source: Bank Indonesia

Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry

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

Key Takeaways

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

Notwithstanding, the lending rate response to a lower policy rate and loose liquidity conditions in the banking industry remains rigid. This is reflected by significant rigidity in the Prime Lending Rate (PLR)[2] in response to the lower policy rate

- The prime lending rate is used as the basis for determining the interest rate to be charged by the bank to the customer yet does not include the risk premium. Therefore, the interest rate charged by the bank to the borrower is not necessarily the same as the prime lending rate.

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

[1] Assessment period until December 2020 based on data availability.

[2] The prime lending rate is the base rate published by banks in accordance with OJK Regulation (POJK) No. 37/POJK.03/2019, dated 19th Dec 2019, concerning Bank Report Transparency and Publication.

Source: Bank Indonesia

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

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

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

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

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

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

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

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

Improving the Effectiveness of Monetary Policy Transmission

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

Reformulation of
Monetary Policy Operational Framework

Implementation of BI 7 Day Reverse Repo Rate	Implementation of Money Market Deepening Program	Implementation of Reserve Requirement (RR) Averaging
Enhancement of monetary policy signal	Enhancement of instruments and transactions	Enhancement of banking liquidity management

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

Initiative I	Initiative II	Initiative III
Promoting Digitalization and Strengthen Financial Market Infrastructures	**Strengthening Effectiveness of Monetary Policy Transmission**	**Developing Economic Financing Sources and Risk Management**
(Trading venue, central counterparty, BI-SSSS, BI-RTGS, trade repository)	(Repo, IndONIA and JIBOR, Overnight Index Swap, DNDF, LCS)	(long-term hedging, sustainability and green financing, investor retail, asset securitization)

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

Source: Bank Indonesia

Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Purposes

1. To support the effort of stabilizing the Rupiah exchange rate through the additional of alternative hedging instruments
2. To support the development and deepening of the domestic financial market
3. To increase the confidence of exporters, importers, and investors in conducting economic and investment activities through the flexibility of hedging transactions against Rupiah currency risk

General Provisions

- **Domestic Non-Deliverable Forward Transaction (DNDF Transaction)**
  Plain vanilla derivative transaction of foreign exchange against rupiah in the form of forward transaction with fixing mechanism in the domestic market
- **Forward Transactions**
  Forward Transactions are sell/purchase foreign currencies against rupiah whereas the delivery of funds shall be performed in more than 2 days after the transaction date
- **Fixing Mechanism**
  Transaction settlement mechanism without full movement of funds by calculating the difference between rate on the transaction date and reference rate in JISDOR on a specified future time agreed in the contract (fixing date)
- **Other Definitions**
  The definition of derivative transaction of foreign exchange against rupiah, Forward Transaction, Spot Transaction, Customers, Foreign Party is referring to Bank Indonesia regulations regarding foreign exchange transaction against rupiah

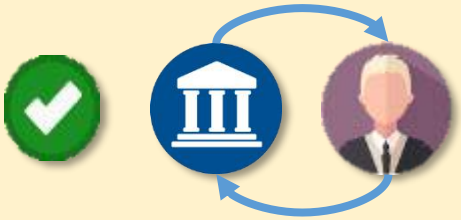
Source: Bank Indonesia

Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Bank can perform DNDF Transactions as follows:

Transaction between:

Bank – Customer



Bank – Foreign Party

Bank – Bank

Can only be performed to hedge rupiah exchange rate risk.

1. Must have *Underlying* Transactions:

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

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

2. Nominal of DNDF Transactions ≤ Nominal of Underlying Transactions

3. Tenor of DNDF Transactions ≤ Tenor of Underlying Transactions

Source: Bank Indonesia

Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Transaction Settlement

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

Roll over and early termination for DNDF is prohibited

However, unwind can be done by opening the reverse DNDF transactions

Cover Hedging

Bank may conduct DNDF Transactions with Bank Overseas for cover hedging purpose.

- Underlying Transactions: DNDF Transaction between Bank and Customer/Foreign
- Purpose: Hedging

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

Source: Bank Indonesia

Amendment on DNDF Regulation

*to provide more flexibility in DNDF transaction

*to increase liquidity and efficiency in domestic foreign exchange market

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

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

Source: Bank Indonesia

Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR)

To accelerate money market deepening

- The strengthening of JISDOR to increase domestic foreign exchange market credibility and support exchange rate stability. This measures is in line with the benchmark reform initiatives taking place on global financial markets, to establish a reference rate that represents daily exchange rates based on transactions supported by best practice methodologies.
  - ✓ Effective starting April 5, 2021
- JISDOR is obtained by calculating the weighted average based on transaction volume of the Rupiah exchange rate against USD on the spot market within the specified time window

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

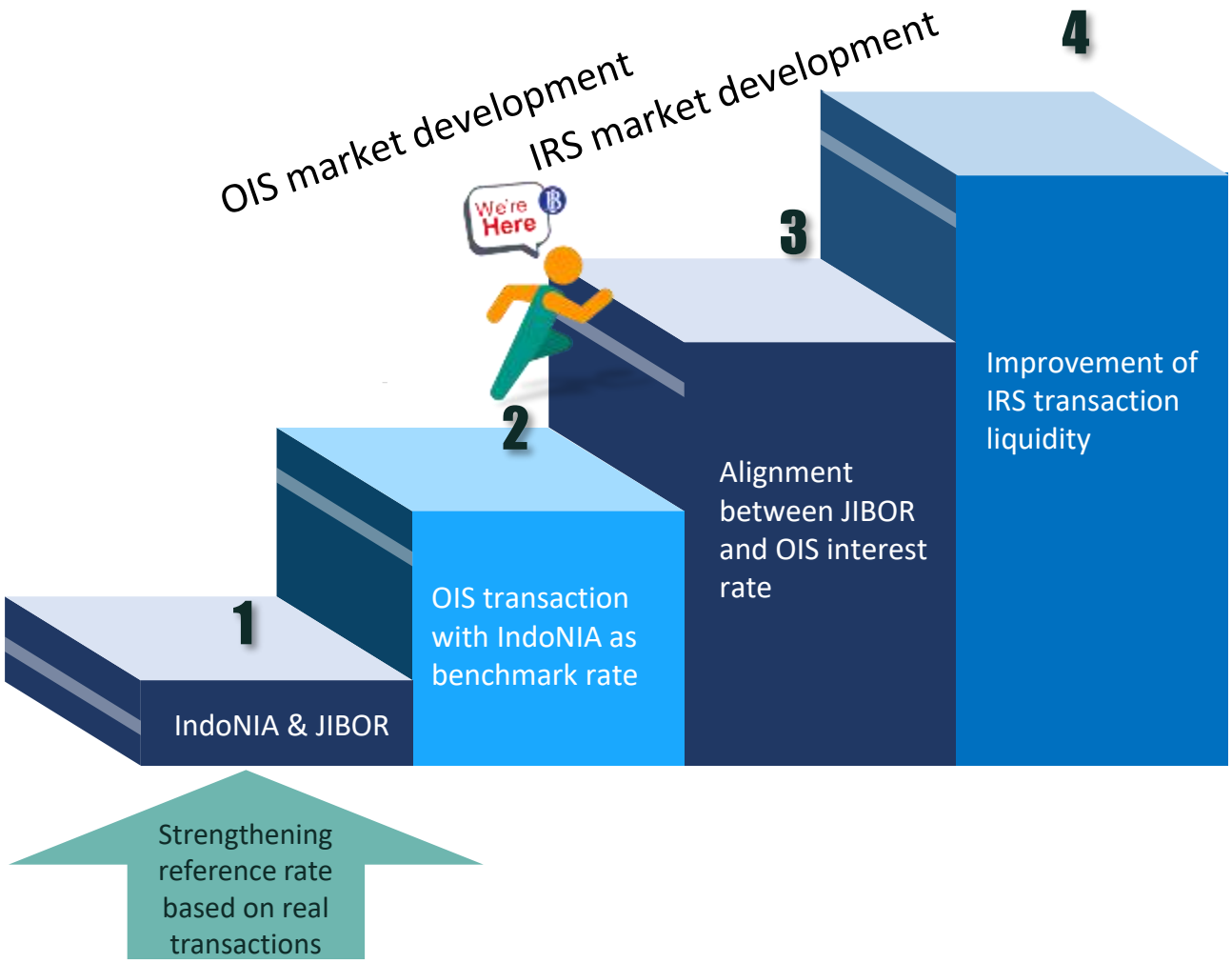
* Adjustment of the operational time for the domestic FX Market operating hours during The COVID-19 Pandemic: Monitoring Period JISDOR ranges: 09.00 - 15.00, JISDOR published at 15.15 Jakarta Time.

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

Source: Bank Indonesia

Overnight Index Swaps (OIS) & Interest Rate Swaps (IRS)

As hedging instruments against Rupiah interest rate changes



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

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

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

Source: Bank Indonesia

OIS and IRS Transactions: General Provisions

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

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

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

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

Market Conventions

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

Source: Bank Indonesia

Enhancement of Monetary Operations Framework

1. **STRENGTHENED THE ROLE OF JIBOR AS REFERENCE RATE** by regulatory enhancement.
2. **ACCELERATED MARKET REPO TRANSACTIONS** by promoting GMRA
3. **REDUCED SEGMENTATION AND IMPROVE THE CAPACITY OF MARKET TRANSACTIONS** by encouraging banks to open more access to counterparties — IN PROGRESS
4. **MOVING FROM FIXED RATE TENDER (FRT) TO VARIABLE RATE TENDER (VRT)**

PREVIOUS JIBOR

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

CURRENT JIBOR (as per June 1st, 2016)

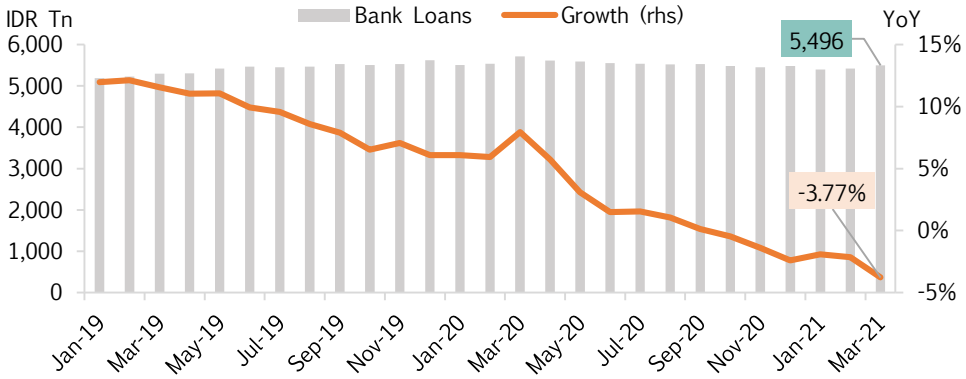
- Can be traded among contributor banks for 20 minutes.
- Up to a total of IDR20 billion.
- Up to 3-month tenor.

Source: Bank Indonesia

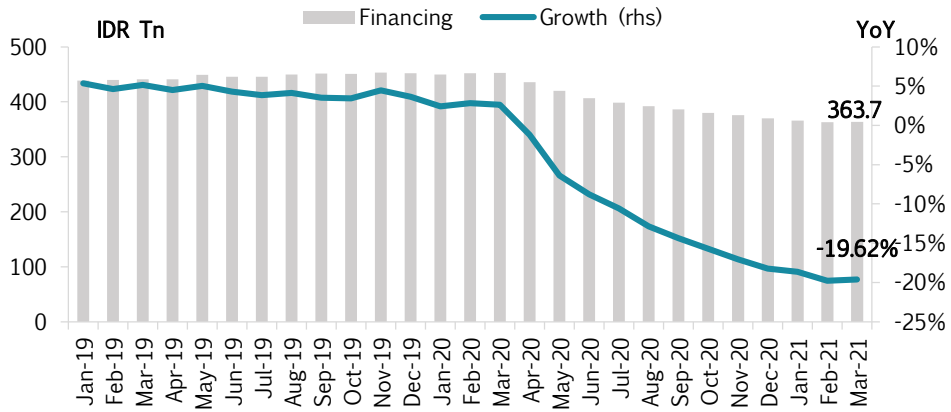
Financial Intermediation is Affected by Curbed Economic Activities

The credit demand has not fully recovered due to limitations on daily activities, which pose as a challenge to financial intermediations. However, there are still optimism of recovery in 2021...

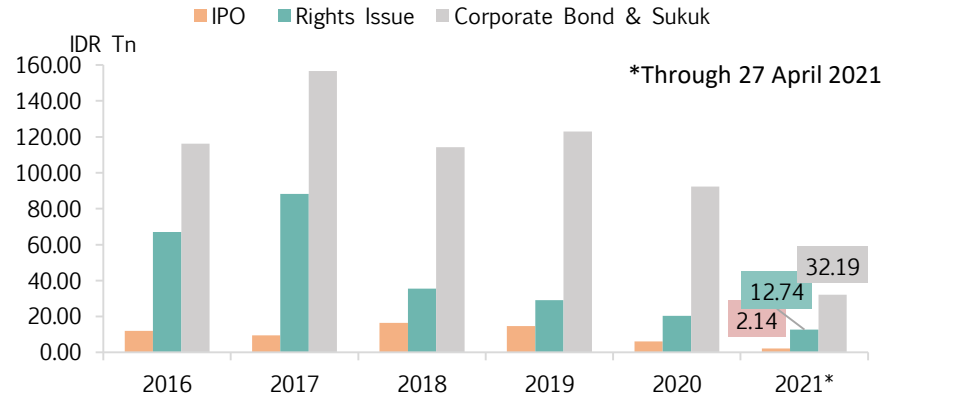
In March 2021, Bank Loans growth shows contraction by -3.77%. As government's rolling out stimulus programs, Bank Loans are expected to be improving in coming months.



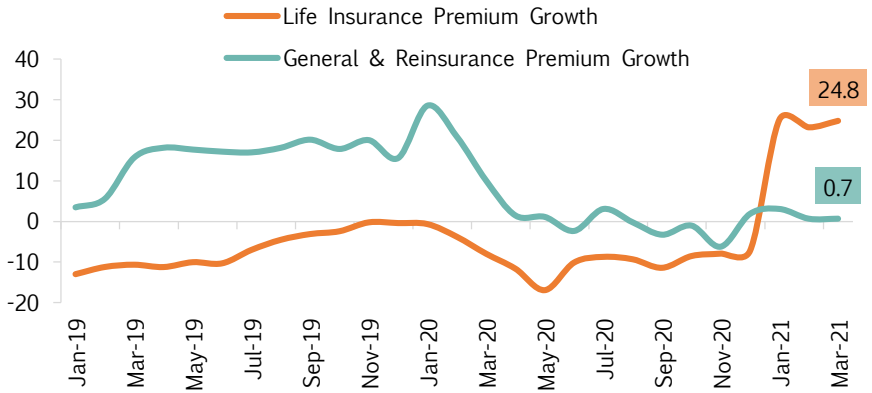
New financing distribution are still in a down trend with its growth contracting by -19.62% in March 2021.



As of 27 April 2021, securities issuance reached IDR 47.07 Tn (YTD) With the optimism to bring the recovery, Covid-19 vaccine and government's stimulus program are expected to boost IPO back.



Since the beginning of 2021, Insurance premiums continue to grow. As of March 2021, Life Insurance and General & Reinsurance premium grow by 24.8% and 0.7% respectively (YoY).

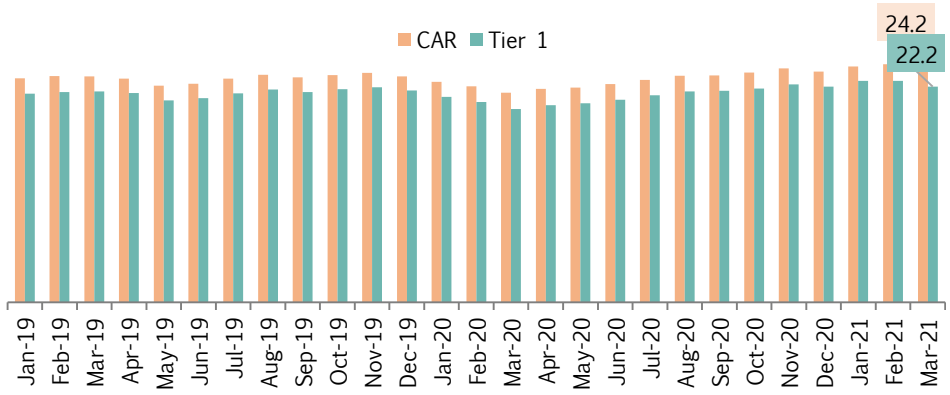


Source: Financial Service Authority (OJK)

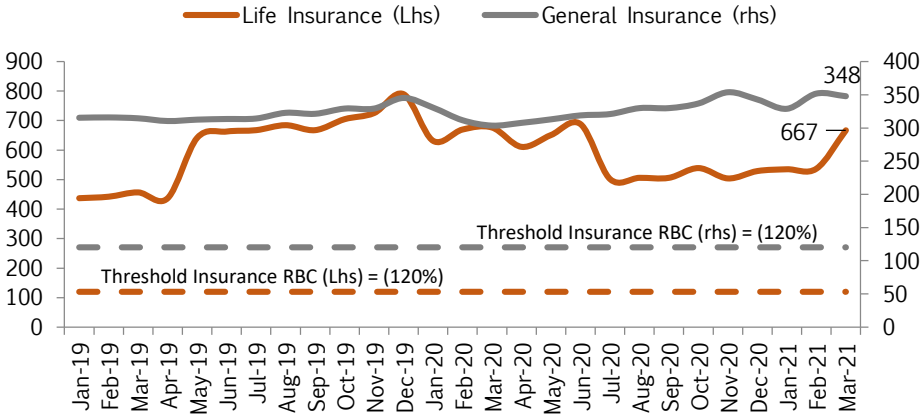
Resilient Financial Institutions

Amidst of this current pandemic, domestic financial institutions remain stable with sufficiently adequate capitals and leverage.

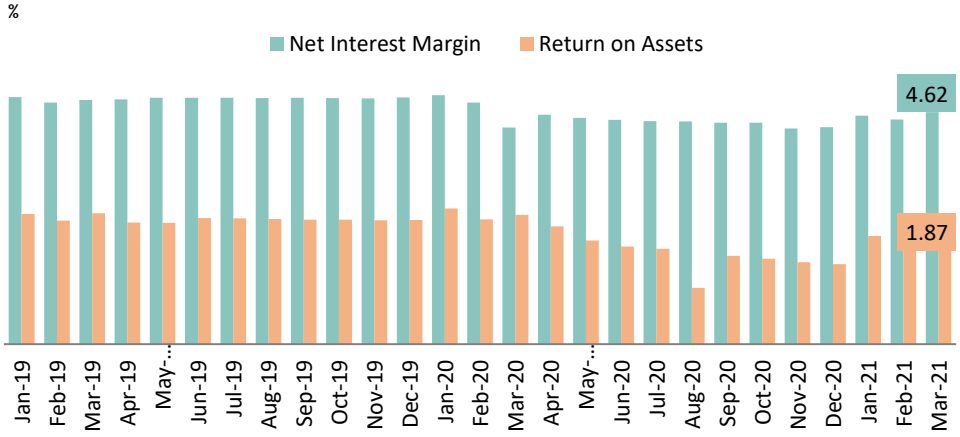
CAR of the banking sector are steadily high and stable with value at 24.20% as of March 2021 with 22.2% of the capital are Tier-1 capital.*)



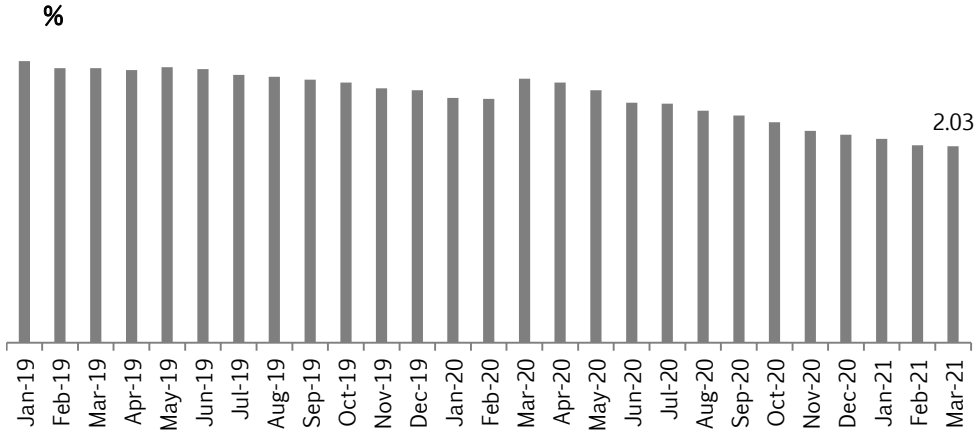
RBC of the insurance industry are consistently high and are above the minimum threshold of 120%. With General Insurance RBC at 348% and Life Insurance RBC at 667% as of March 2021.



Since the start of the pandemic, Net Interest Margin and RoA of the banking industry remains stable at a value of 4.62% and 1.87% respectively in March 2021.



Gearing ratio of multi-finance companies are below the threshold and continues to contract in March 2021.

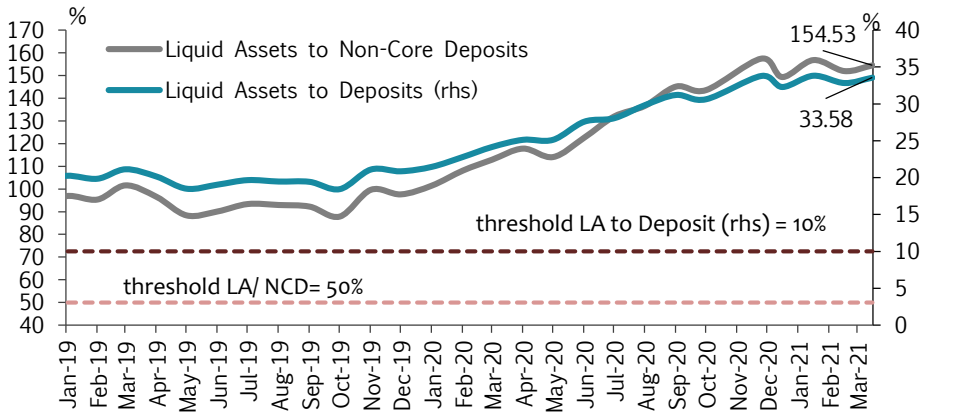


Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

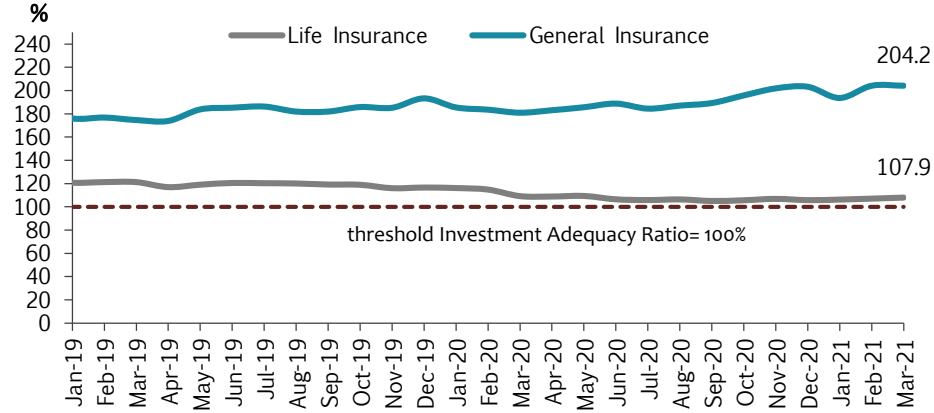
Manageable Credit Risks with Adequate Liquidity

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

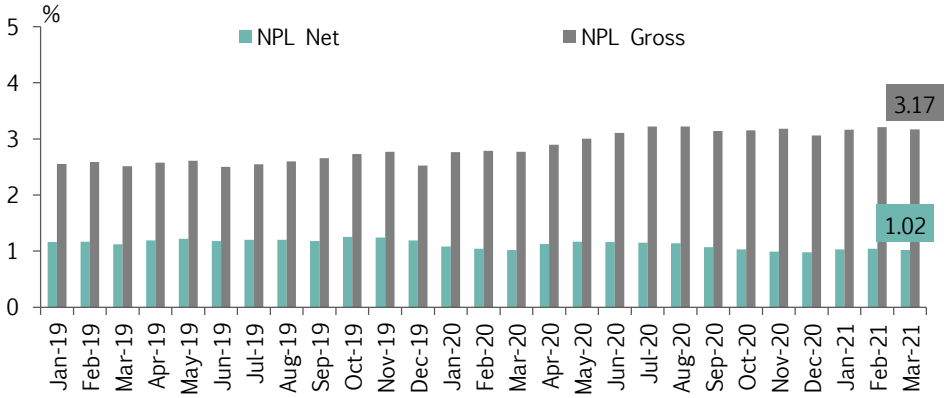
Banking sector's liquidity instruments remained adequate, well above the threshold following banks' cautious appetite for lending. *)



Investment adequacy ratios in life and general insurance industry, remained steady and well above the requirement. *)



Banking NPL ratios in March 2021 remained steadily below threshold, at 3.17% gross and 1.02% net.



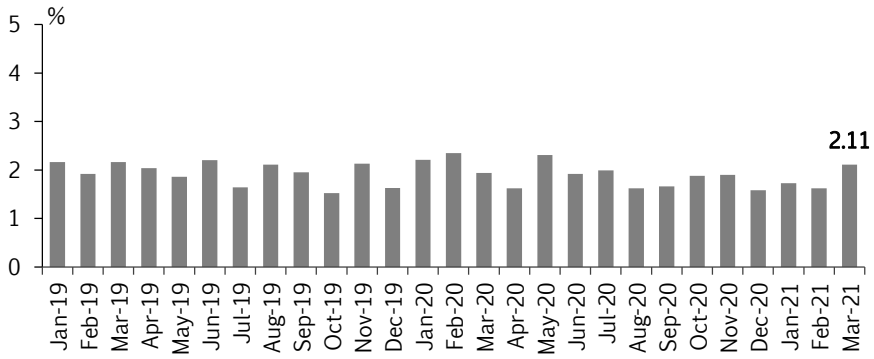
NPF of multi-finance companies remained below the threshold of 5% and constantly declining since July-20, reaching 3.7% as of Mar-21. *)

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

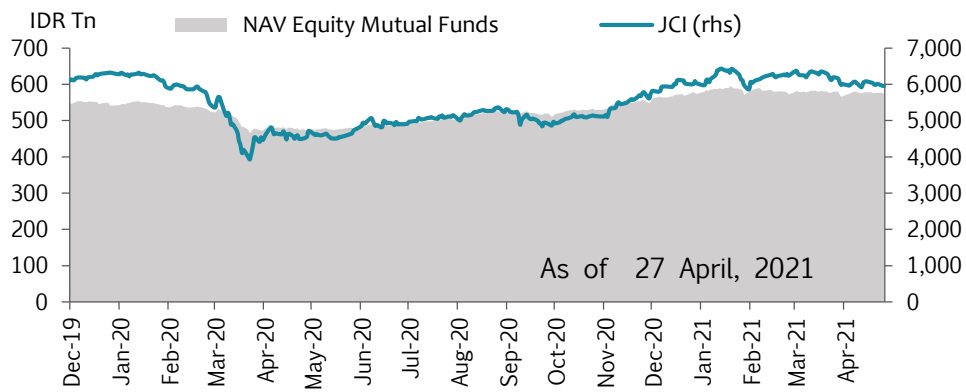
Manageable Market Risks

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

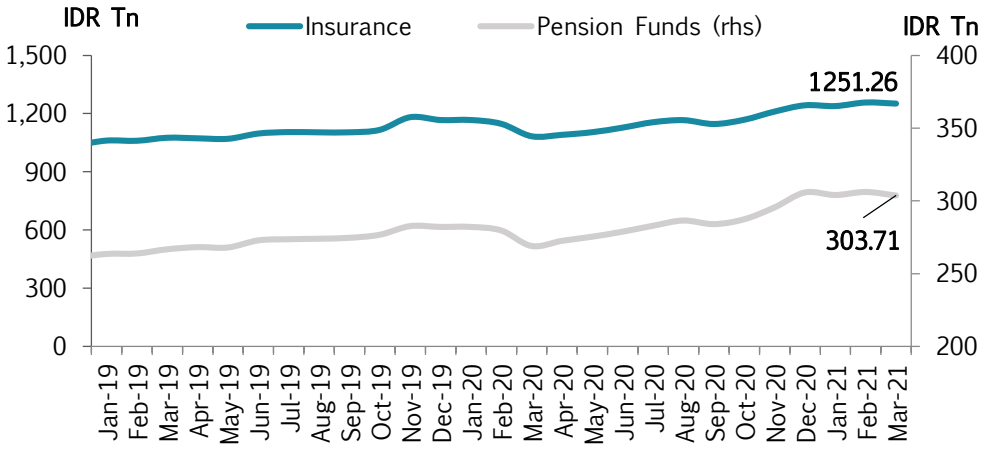
Net open position of the banking sector still maintained far below the maximum limit of 20%. *)



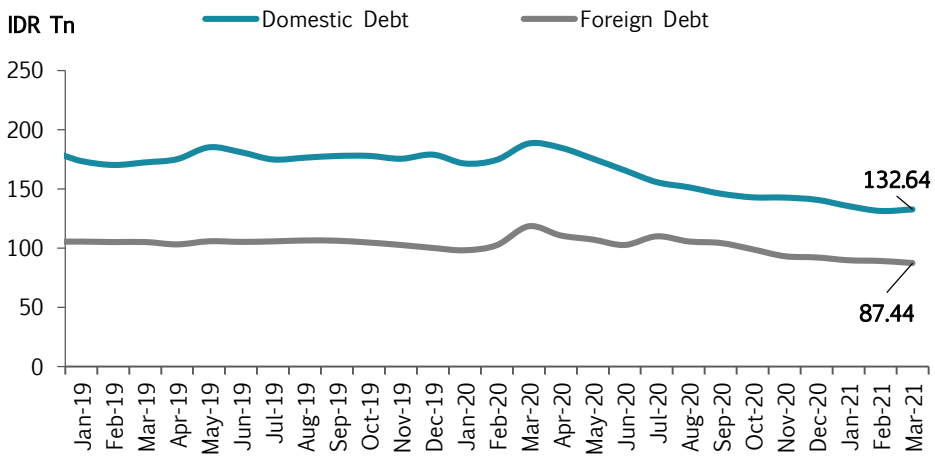
The net asset value (NAV) of Equity Mutual Funds are stable.



Insurance investment value are steadily increasing, reaching IDR 1251.26 Tn while pension fund investment are at IDR 303.71 Tn in March 2021. *)



Multi-finance companies' exposure to foreign and domestic debt are decreasing. *)

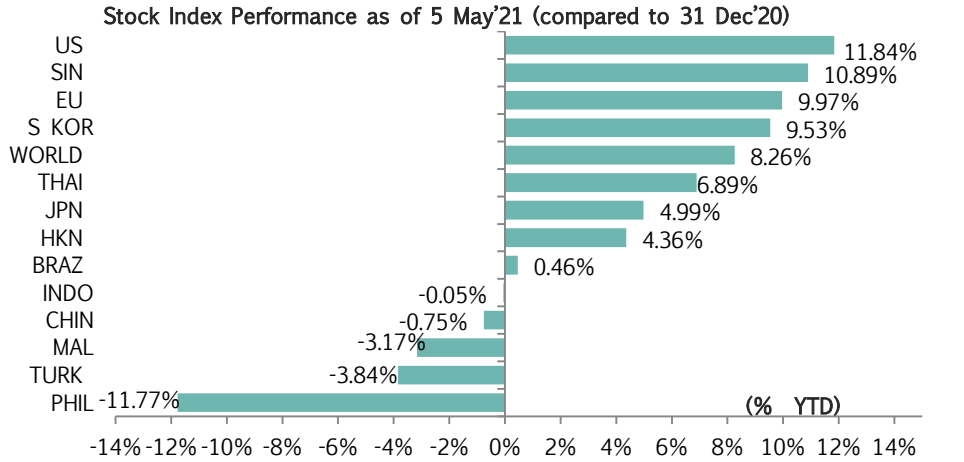


Source: Financial Service Authority (OJK) *) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19

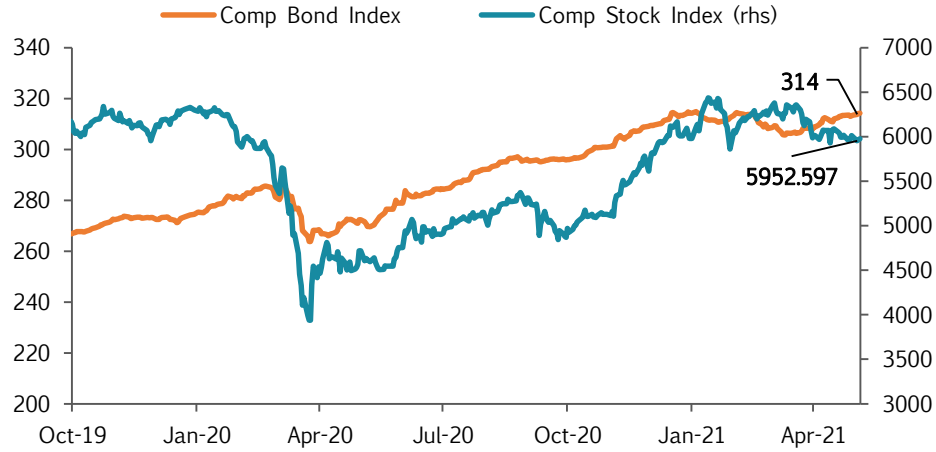
Domestic Capital Market Performance Amid Global Challenges

The progress of Covid-19 vaccines rollout and global development of the pandemic gave mixed prospect of economic recovery in the global capital market...

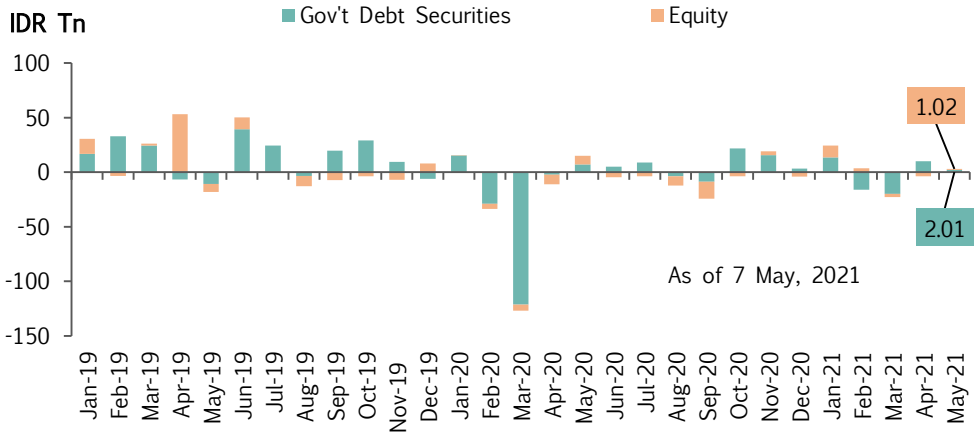
Major Global indices performance are steadily recovering.



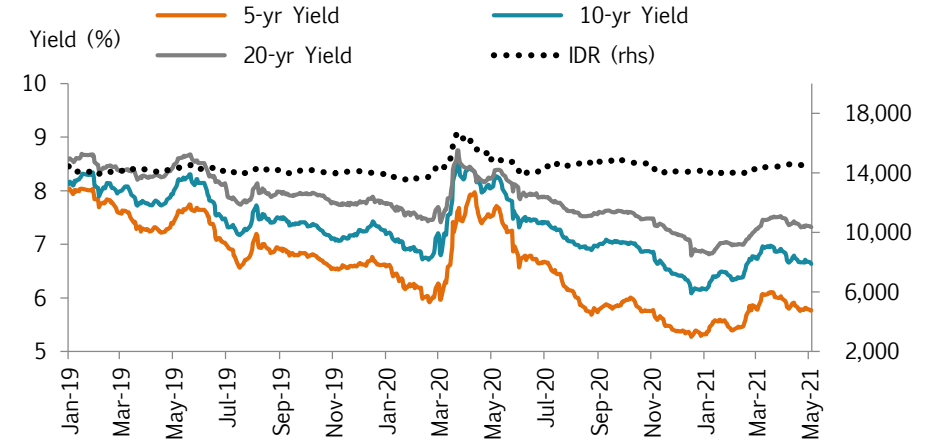
JCI performance has been stable and returned to its pre-pandemic level since the beginning of 2021.



Non-resident portfolios of gov't bonds and equity moves in positive trend and recorded a total of IDR 3.03 Tn net buy in May 2021.



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



Source: Bloomberg and Ministry of Finance

Stimuli to Support Indonesia's Financial Industry

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

1 Maintaining business fundamental of the real sector

Bank

OJK Regulation No. 48/POJK.03/2020 on "Extension of National Economic Stimulus as A Countercyclical Policy of The Impacts of COVID-19 Outbreak"
*Amended *OJK Regulation No. 11/POJK.03/2020*

- Relaxation of credit assessment and credit restructuring to debtors who are affected by COVID-19.
  - Credit assessment (up to IDR10 billion) is based only on one pillar, the punctuality of debtors to pay their debts and interests.
  - This applies to Commercial and Sharia Banks
- This regulation also amended several other conditions, including:
  - Banks' Management Risk Implementation
  - Credit Restructuring Mechanism
  - Banks' Capital and Liquidity Policy
  - Banks' Reporting Mechanism
- Valid until March 31st, 2022

NBFI

OJK Regulation No. 58/POJK.05/2020 on "Extension of Countercyclical Policy as an Impact of COVID-19 for Non-Bank Financial Institution (NBFI)"
*Amended *OJK Regulation No. 14/POJK.05/2020*

- Extended deadline of report submission
- Relaxation of financing assessment
- Financing Restructuring
- This regulation also add other conditions and further relaxations including:
  - Communication Mechanism for Insurance companies through Video Conference
  - Working Capital Facility
  - Relaxation of corporate debt issuance
- Valid until April 17th, 2022

2 Supporting National Economic Recovery

Continuing Capital Market Stabilitzation

- Prohibition of short-selling,
- Asymmetric Auto Rejection (current auto rejection limits under 7%),
- 30-minute Trading Halt for 5% decrease in IHSG,
- Stock buyback without prior general shareholders meeting.

Mortgage Credit/Financing Policy

Reducing Risk-Weighted Asset (RWA) for residential property mortgages depending on a Loan to Value (LTV) ratio.

Vehicle Credit/Financing Policy

- Reducing RWA for vehicle loan/financing.
- Allowing insurance company to set the premium/contribution rate for vehicle insurance lower than the lower threshold as regulated in SEOJK 6/2017.
- Allowing bank and multifinance companies with certain criteria to provide loan with down payment (DP) 0%.

Health Sector Credit Policy

Reducing credit RWA from 100% to 50%.

Digitizing MSMEs

Expanding the ecosystem for MSMEs digitization from upstream to downstream with the UMKMMU and BWM Mobile platforms.

Support to Sovereign Wealth Fund (SWF)

Provision of funds to SWF is subject to a risk weight of 0% in the calculation of RWA for credit risk.

Source: Financial Service Authority (OJK)

**) OJK Regulations in Response to Government Regulation in Lieu of Law No. 1 Year 2020 to maintain financial stability and economic activities.*

Banking Regulations Way Forward in 2021

For 2021, banking research and regulation provisions issued by the OJK will focus on strengthening banking business processes that support trends in industry and technology developments, as well as updating prudential regulations that follows international standards, while still observing the best fit principle.

OJK's Draft Regulation for Commercial Bank Business Activities: To support bank competitiveness and innovation, it is necessary to make adjustments to the licensing mechanism and product classification and/or activities that banks can carry out.

OJK's Draft Regulation on Commercial Banks: Adjustments to trends in industrial developments and banking business processes, supporting the strengthening of the banking industry and adapting to the latest policies

OJK's Draft Regulation Amendments to OJK Regulation No. 19/POJK.03/2014 on Branchless Financial Services in the Context of Financial Inclusion: adjustments to current conditions and developments in banking information technology

OJK's Draft Regulation to Provision of Funds for the Development of Human Resource Quality for Commercial Banks: Renewal of Director Decree No.31/310/KEP/DIR in 1999

OJK's Draft Regulation Amendments to OJK Regulation No. 34/POJK.03/2018 on Reassessment of Main Parties of Financial Services Institutions: The need to accelerate the process of handling Bank problems

OJK's Draft Regulation Amendments to OJK Regulation No.13/POJK.03/2017 on the Use of Public Accountant (AP) and Public Accounting Office (KAP) in Financial Service Activities: Adjustments to the latest AP/KAP regulations

OJK's Draft Circulation Letter on Guidelines for Calculating RWA for Credit Risk Using the Standard Approach: Adjustment to the Basel III Reforms standard which will take effect from 1 January 2023

OJK's Draft Circulation Letter on Guidelines for Calculating RWA for Market Risk Using a Standardized Approach: Adjustment to the Basel III Reforms standard which will take effect from 1 January 2023

OJK's Draft Circulation Letter on Commercial Bank Business Plan: Adjustment to the needs and development of industry, and in line with the development of the RBB in the OJK's Online Reporting Application (APOLO) which will be effective by the end of 2021

Source: Financial Service Authority (OJK)

OJK's Role in the National Economic Recovery Program (PEN)

The Pandemic raises various risks that affect the financial system, namely default debtors, investor outflows, liquidity risk and capital risk. Credit restructuring relaxation policy by OJK, reducing the volatility of the capital market to assist financial services institutions in mitigating risks and helping businesses to continue their business activities in the midst of a pandemic. Some other OJK's support for the PEN program includes:

Interest Subsidy

Providing related data regarding banking debtors, finance company, BUMN Credit Distribution Program, which becomes the basis of giving interest subsidy.

MSME's Guarantee

Coordinating with Ministry of Finance in formulating the framework of implementing policy related to MSME's guarantee and providing information of criteria that can receive the guarantee.

Corporate Guarantee

Coordinating with Ministry of Finance in formulating the framework of implementing policy related to Banking guarantee and providing information of criteria that can receive the guarantee.

Gov't Fund Placement

Coordinating with Ministry of Finance in assessing prospective Commercial Bank Partners as well as information & data exchange.

Realization of the National Economic Recovery Program

OJK is actively monitoring Government fund placement to HIMBARA, Regional Development Bank and Sharia Bank. Various government stimulant such as government funds in these industry may encourage lending to accelerate the growth of the economy.

HIMBARA
Credit Disbursement *IDR 218.36 T

Regional Development Bank
Credit Disbursement *IDR30.12 T

Sharia Bank
Credit Disbursement *IDR 5.89 T

*data as of 31 Dec 2020

OJK's Way Forward

Continuing Restructuring Policy

Restructuring extension will be given selectively based on bank assessment to avoid moral hazard.

Regional Economic Acceleration

Accelerating regional economic to further facilitate national government spending.

Financial Industry Optimalization

Optimizing financial industry through financing labor-intensive business and / or high-multiplier effect consumption.

Acceleration of Digitalization & Integrated Finance

Accelerating digitalization and continuing NBFI and capital market reformation to increase competitiveness.

Strengthening Integrated Supervision

Improving supervision infrastructure and technology based licensing.

Source: Financial Service Authority (OJK)

OJK's Strategic Policies in The Financial Sector 2021

National Economic Recovery Program Stimulus Policy

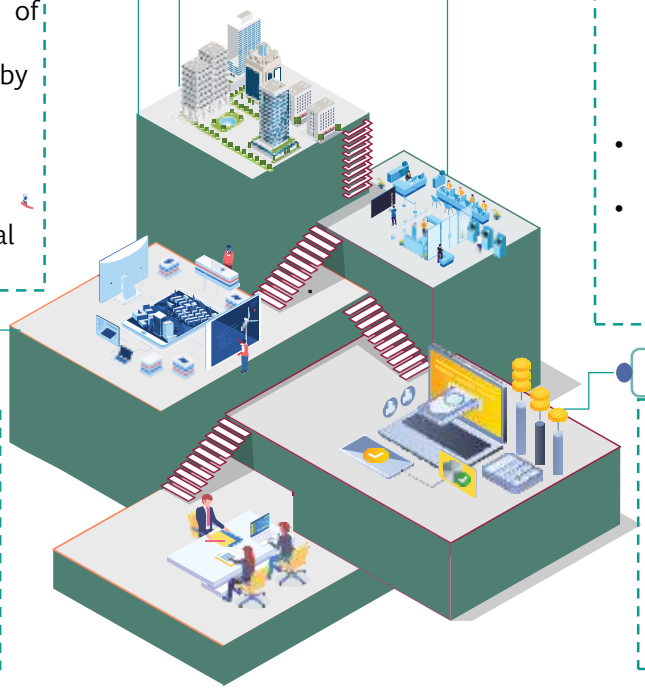
- Extension of the restructuring policy for debtors affected by Covid-19 to 2022.
- Providing sovereign rating in calculating risk-based capital when buying securities issued by the Investment Management Institution.
- Recurring credit / financing restructuring during the relaxation period.
- Temporary prudential policy relaxation, namely:
  - Recurring credit / financing restructuring during the relaxation period and without unnatural / excessive fees.
  - Reduction of credit risk weighting (RWA) for Credit and Property Financing as well as Motor Vehicle Loans and Financing.
  - Adjustment of Legal Lending Limits and Reduction of Credit Risk Weighting (RWA) for the health sector.
- Simplify and accelerate access to finance for MSMEs by expanding (KUR) Cluster pilot project.
- Digitalization of integrated community economic activities from upstream to downstream through the development of Bank Wakaf Mikro (BWM), KUR, the securities crowdfunding platform and the MSMEs digital marketplace.

Strengthening Resilience and Competitiveness of the Financial Services Sector

- Accelerating the consolidation of the financial services industry by gradually implementing a minimum capital policy.
- Strengthening the implementation of governance, risk management through Investment Limits and Large Fund Provision, Improvement of Capital Regulations, & Status Determination and Supervision Follow-Up (Exit Policy).

Financial Services Sector Ecosystem Development

- Maintaining market integrity and developing the retail and domestic investor base.
- Supporting financial services institutions to carry out multi-activities business and be digital-based.
- Accelerating the expansion of financial access and improving public financial literacy through KUR, BWM, Laku Pandai and Student Savings and strengthening consumer protection.
- Implementing Sustainable Finance through the Roadmap Phase II 2021-2025.
- Improving the human resource capacity of the financial services sector based on the blueprint for human resource development in the financial services sector 2021-2025.



Digital Transformation Acceleration in the Financial Services Sector

- Accelerating digitalization in the financial services industry, including granting licenses for digital banks.
- Strengthen prudential rules for fintech peer to peer lending
- Supporting the growth of fintech start-ups by developing a regulatory sandbox
- Digitalizing Sharia products.

Strengthening OJK's internal capacity

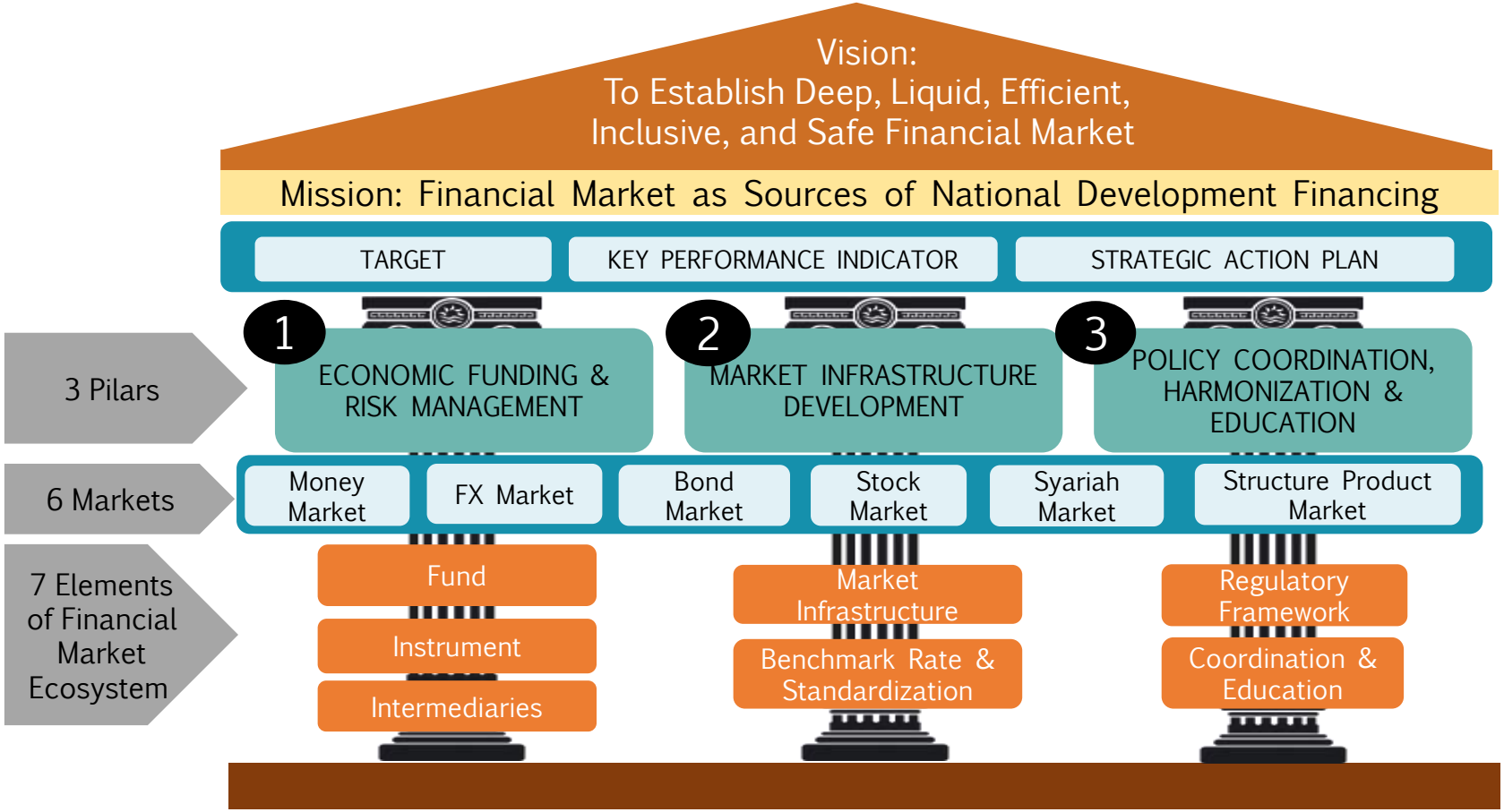
- Developing integrated supervision of all financial service products
- Improving governance in internal business processes.
- Adjusting the market conduct monitoring process related to the product life cycle stages.
- Strengthening digital-based surveillance.

Source: Financial Service Authority (OJK)

A Comprehensive Financial Deepening Program

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

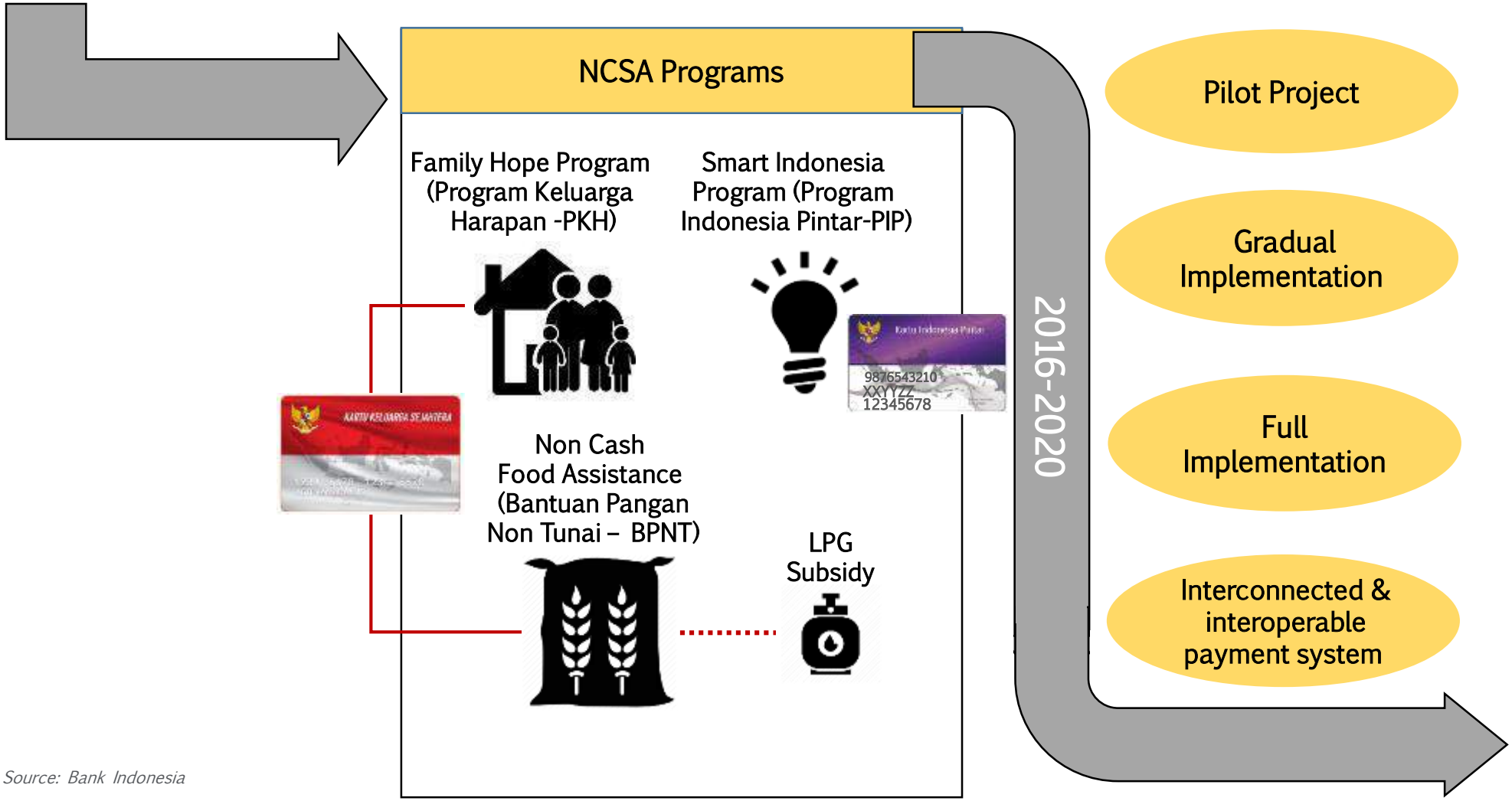
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate "The National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



Source: Bank Indonesia

BI's Roles in Supporting Distribution of Non-Cash Social Assistance (NCSA)

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



Source: Bank Indonesia

Progress of NCSA Programs

Family Hope Program (Program Keluarga Harapan - PKH)

- The Family Hope Program (PKH) is a program that provides cash to very poor households. IDR1.89 million /year will be granted for each household. PKH will be granted every February, May, August, and November.
- As of December 2017, PKH has been distributed to 6.0 million households on non-cash basis.
- In 2018, PKH has been distributed to 10 million households on non-cash basis.
- In 2019, PKH has been distributed to 9.84 million house hold on noncash basis with total realization of IDR32.75T.

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

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

Source: Bank Indonesia

Section 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision

Institutional Reforms to establish a conducive PPP ecosystem

Institutional Reforms for PPP Implementation

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

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

Indonesia Infrastructure Guarantee Fund: Provides guarantee and supports project preparation

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

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

Reforms Along the Project's Life Cycle

...to encourage and accelerate infrastructure project using PPP scheme

Government of Indonesia

Project Development Facility (PDF)	Viability Funding Gap (VGF)	Guarantee Scheme	Tax Facilities	Availability Payment	Land Acquisition
Preparation	Bidding Process				Construction
Project development facility assists the Government Contracting Agency (GCA) in PPP project preparation (PDF&TA) Managing entity: KPPIP, PT SMI and PT IIF, Ministry of Finance	A facility which contributes to construction cost in order to increase project financial feasibility Managing entity: Ministry of Finance based on GCA proposal Govt's commitment: Max 49% per project cost	Guaranteeing govt. contractual obligations under infra. concession agreements and MoF Reg. No. 130/PMK.08 /2016 re: Govt. guarantee for electricity project acceleration Managing entity: Indonesia Infra. Guarantee Fund (IIGF) and MoF Govt's commitment: US$ 450 Mil	MoF Reg. No.150/2018 allowed 100% Tax Holiday for 18 Pioneering Industries for 5 – 20 years depending on the investment value. The tax holiday is not only given to the new investments but can also be obtained by the existing taxpayers who want to expand their business. Managing entity: Ministry of Finance	A scheme in which concessionaires receive periodic payments from central or regional government if the service standard is fulfilled. The MoF Regulation and MoHA Regulation on Availability Payment have been stipulated. Managing entity: Ministry of Finance Ministry of Home Affairs	A facility to support land acquisition for infrastructure projects particularly projects that involve private sector Managing entity: Ministry of Finance; Ministry of Agrarian and Spatial Planningl/BPN, and BLU-LMAN Gov't. commitment: USD 9.3 bn (2016-2021)* *USD1=IDR13,500

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

Efforts to Accelerate Infrastructure Provision

The establishment of Indonesia Asset Management Agency (LMAN)

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

LMAN at a Glance

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

Land Acquisition Budgeting Scheme

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

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

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

Efforts to Accelerate Infrastructure Provision

Limited Concession Scheme as an Alternative of Infrastructure financing

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

Definition

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

Infrastructure Financing Priority

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

LCS Principles

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

Technical Criteria for the LCS assets

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

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

Efforts to Accelerate Infrastructure Provision

Land Value Capture (LVC) Scheme

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

Tax based LVC

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

Development Based LVC

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

LVC Benefit

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

Triple Win LVC

- *Better Urban Mobility*
- *Reducing Subsidy*
- *Creating Fiscal Space*

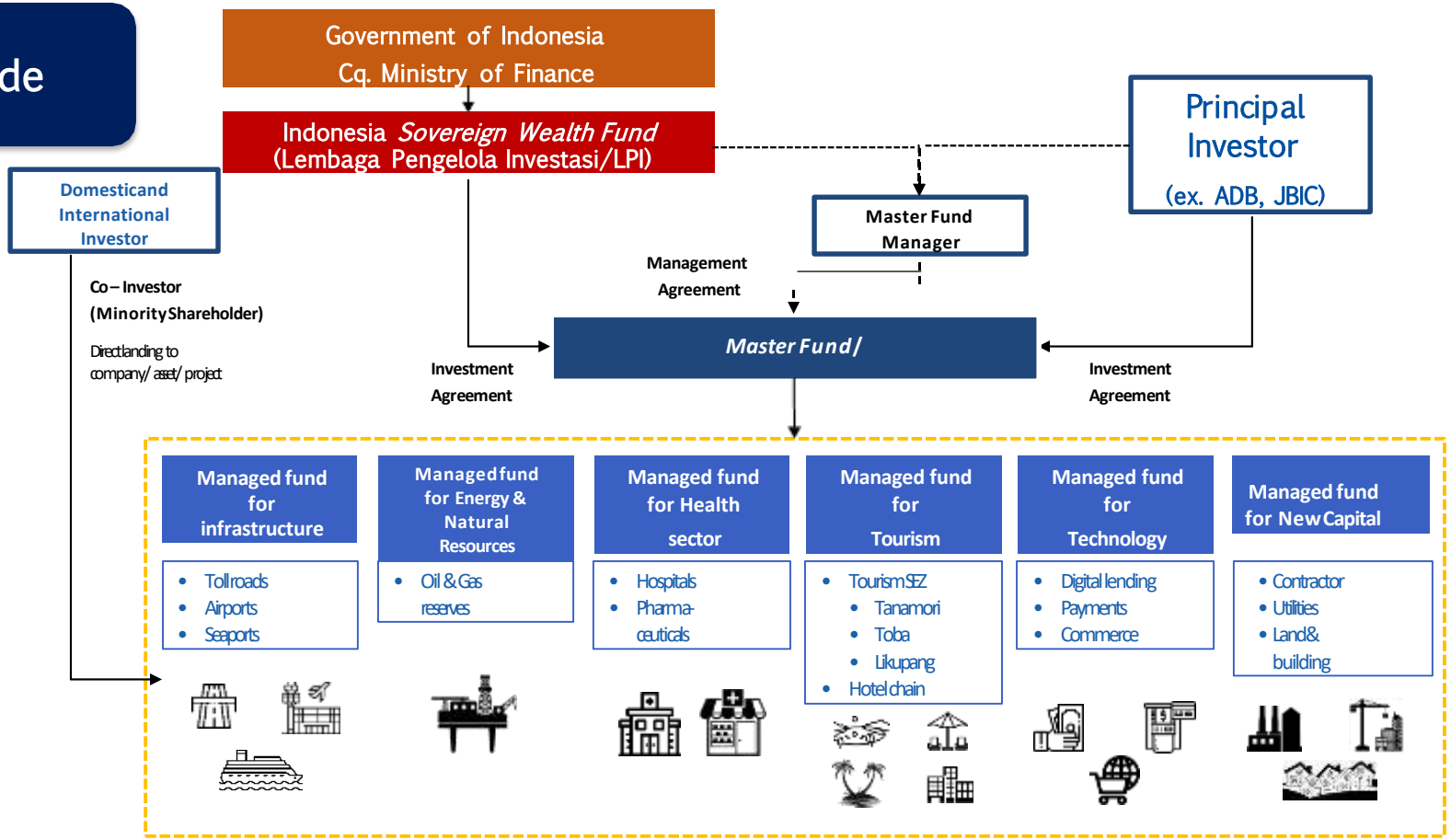
Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

Efforts to Accelerate Infrastructure Provision

Sovereign Wealth Fund (SWF)

SWF Investment Guide

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



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

Fundamental Regulations Initiation
to accelerate infrastructure projects delivery

1

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

2

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

3

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

4

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

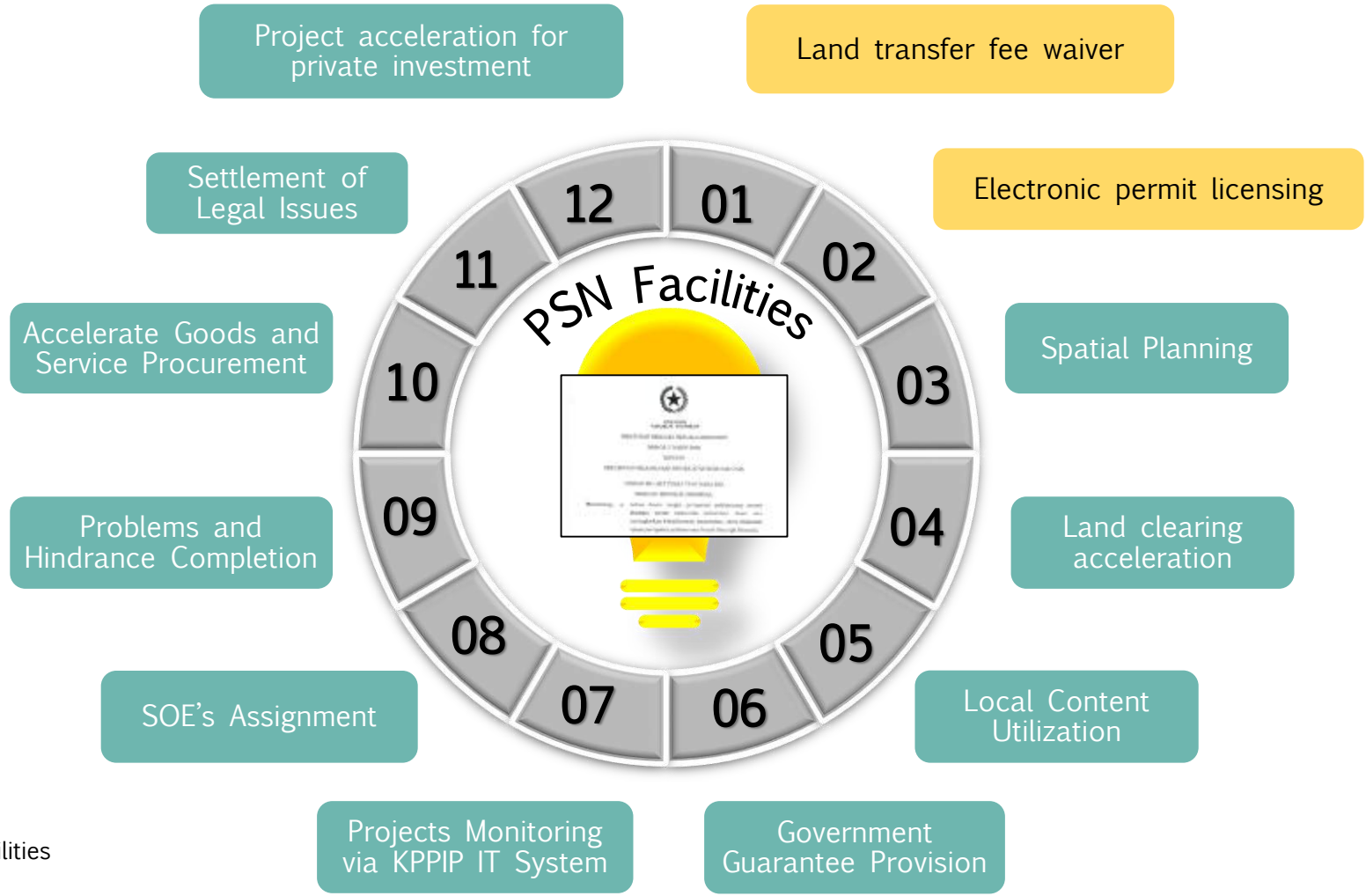
5

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

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

National Strategic Projects (PSN) may receive privileges

as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017 j.o. the Presidential Reg. No. 56/2018, j.o Presidential Decree no.109/2020

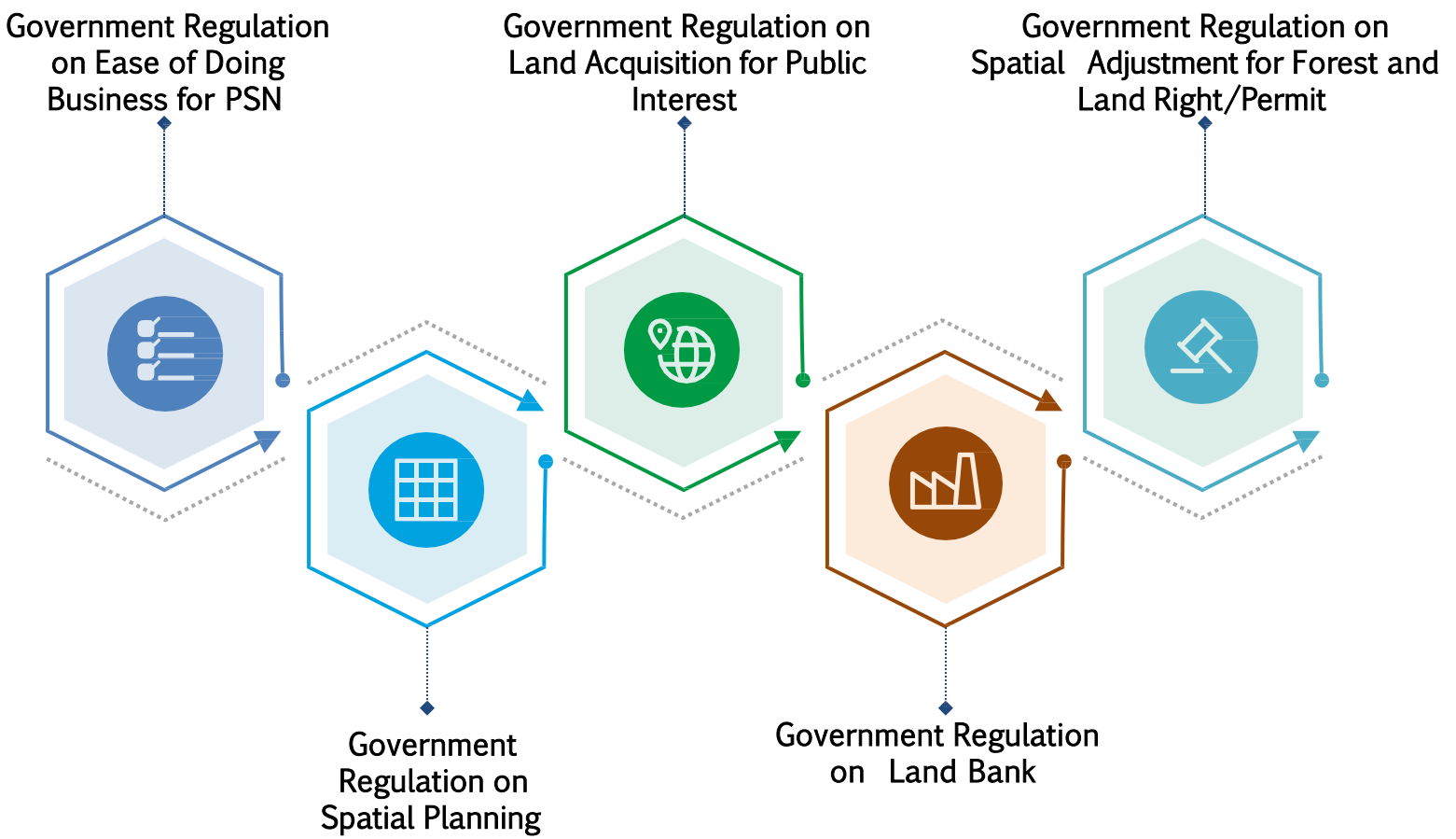


New Facilities

Existing Facilities

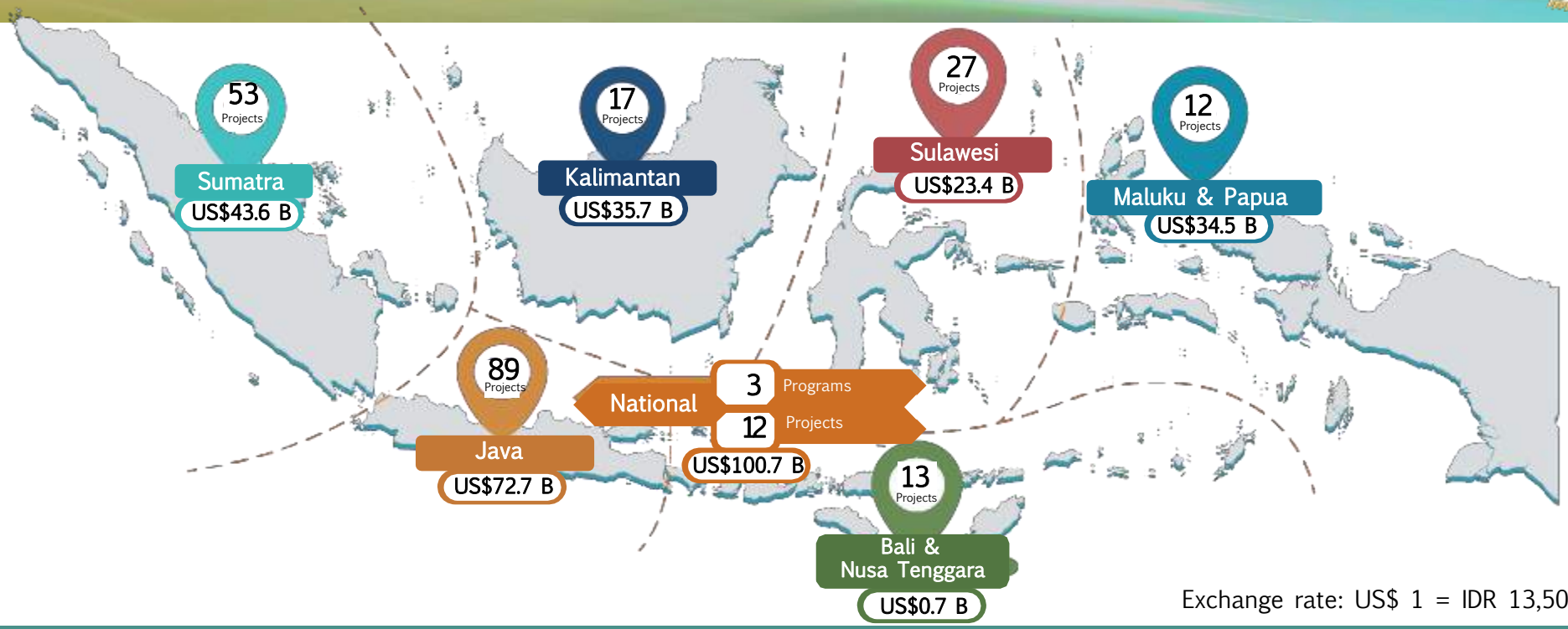
Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

Job Creation Law ‘s Positive Development of PSN



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

Under Presidential Reg. No.56/2018, PSN list has been revised into 223 Projects and 3 Programs



Exchange rate: US$ 1 = IDR 13,500

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

Project

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

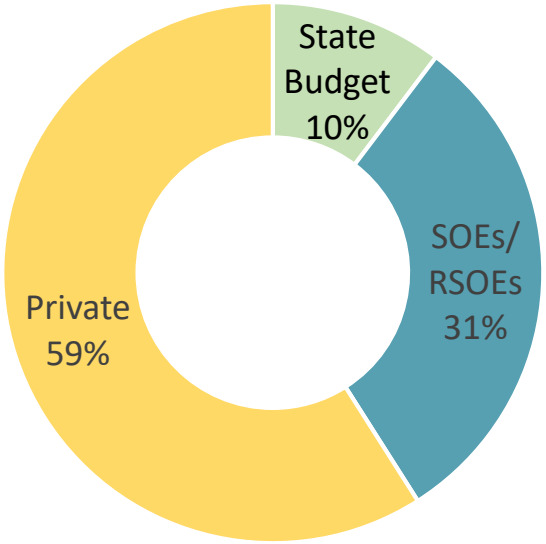
Program

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

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

PSN Profile of 223 Projects and 3 Programs

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



Total Investment Value[2]

US$ 307.4 Billion

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

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

5 Sectors with Highest Investment Value

Energy
11 Projects
US$ 89.8 Bn

Electricity
1 Program
US$ 76.7 Bn

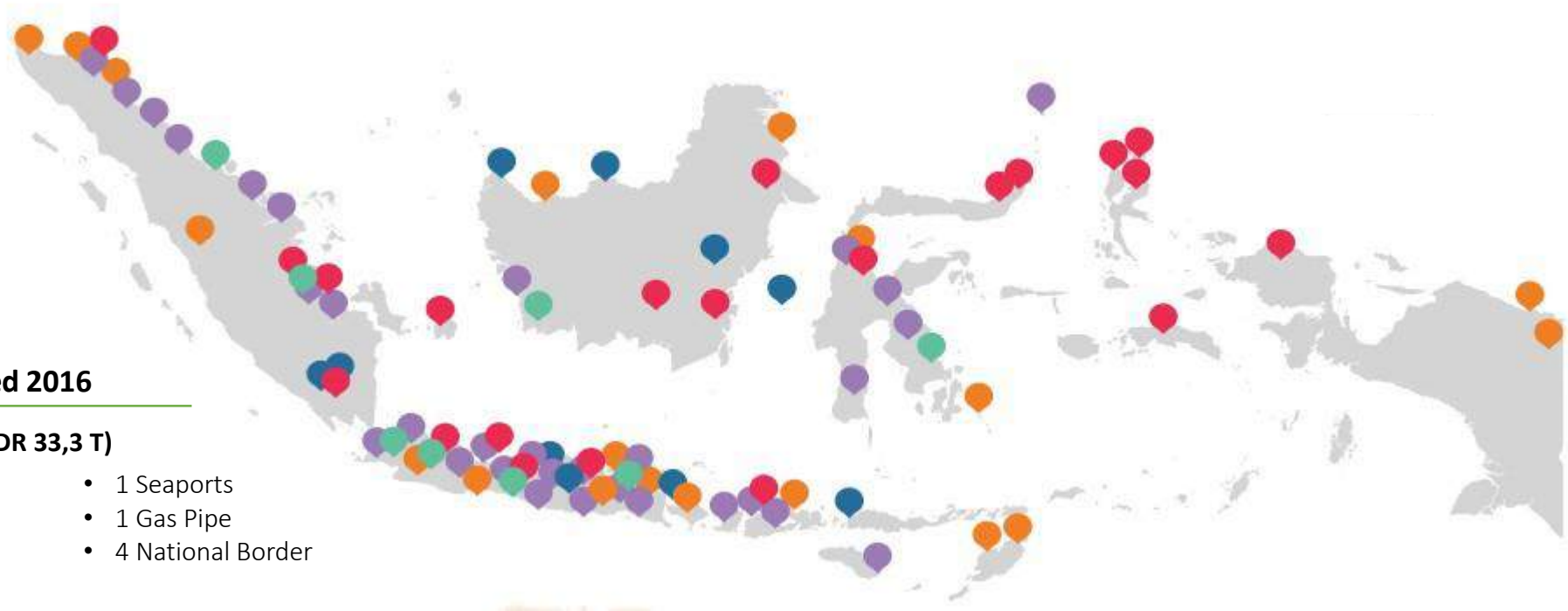
Roads
69 Projects
US$ 49.7 Bn

Railways
16 Projects
US$ 29.2 Bn

SEZs and IEs
31 Projects
US$ 31 Bn

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

From 2016 –2020, there were 92 projects[1] completed with total estimated investment value of IDR 847 tn



Completed 2016

20 Projects (IDR 33,3 T)

- 7 Airports
- 1 Toll Road
- 6 Dam
- 1 Seaports
- 1 Gas Pipe
- 4 National Border

Completed 2017

10 Projects (IDR 61,4 T)

- 2 Toll Road
- 1 Access Road
- 1 Airports
- 1 Gas Facility
- 3 National Border
- 1 Dam
- 1 Irrigation

Completed 2018

32 Projects (IDR 207,4 T)

- 2 Railway
- 4 Dam
- 1 Irrigation
- 10 Toll Road
- 5 SEZ
- 1 Airports
- 4 Industrial Zone
- 4 Smelter
- 1 Fishery Center

Completed 2019

30 Projects (IDR 165,3 T)

- 4 Airports
- 9 National Road
- 6 Industrial Zone
- 2 Smelter
- 4 Dam
- 2 Technology
- 2 railways
- 1 seaport

Completed 2020

12 Projects (IDR 135,3 T)

- 1 Airport
- 1 Train
- 3 Highway
- 1 SPAM
- 3 Industrial Estate
- 2 Dam
- 1 Port

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

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

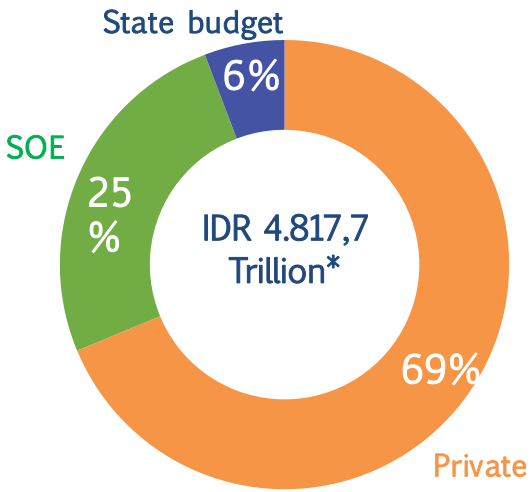
Since January 2020, 12 PSN projects completed
with 19 projects operate partially and 99 under construction

PSN Progress (January – December 2020)

- Completed (IDR 124,2 T)
- Operate Partially (IDR 1.442,2 T)
- Construction (IDR 1.749,9 T)
- Transaction (IDR 214,7 T)
- Preparation (IDR 1.286,8 T)

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

PSN Investment contributor

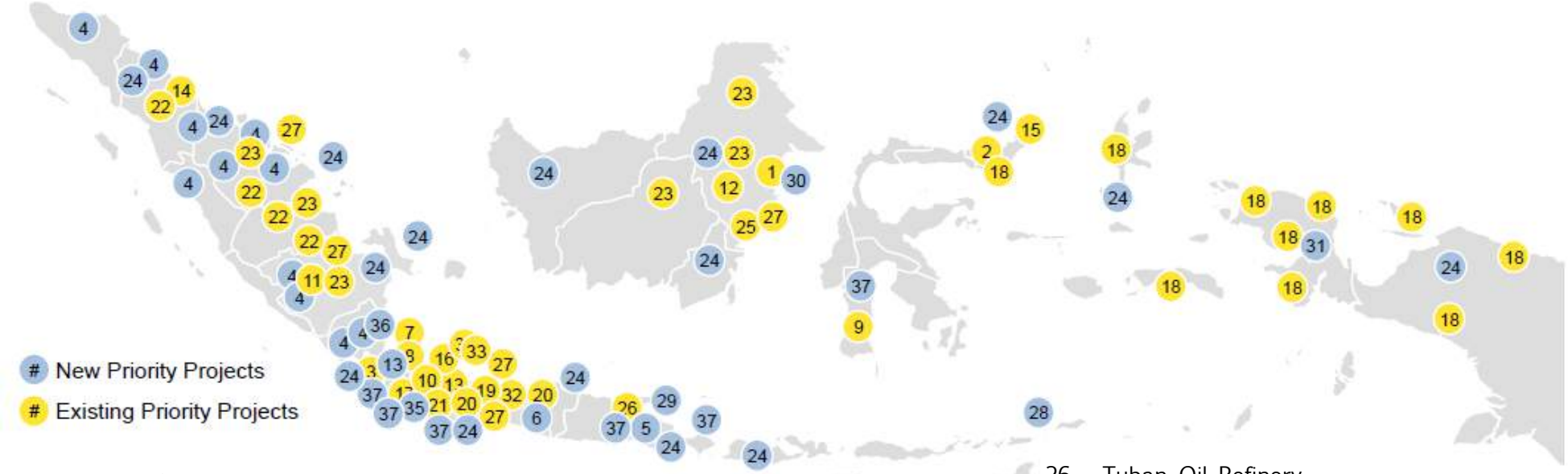


**Exclude Regional Development program, food estate program and Bali Utara airport investment*

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

Progress on 37 Priority Projects

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

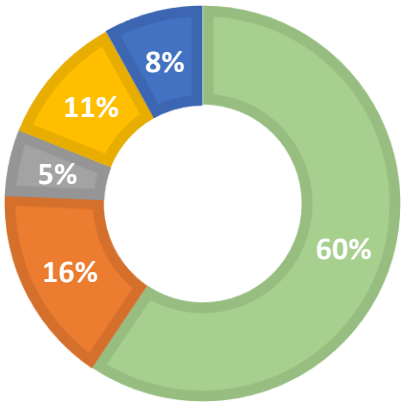


1. Balikpapan-Samarinda Toll Road
2. Manado-Bitung Toll Road
3. Panimbang-Serang Toll Road
4. 15 Segments of Trans – Sumatera Toll Road
5. Probolinggo – Banyuwangi Toll Road
6. Yogyakarta – Bawean Toll Road
7. SHIA Express Railway
8. MRT Jakarta South-North Line
9. Makassar-Parepare Railway
10. Light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

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

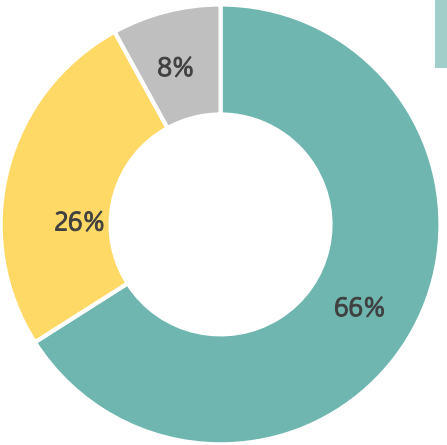
Progress on 37 Priority Projects

Progress of 37 Priority Projects (as of June 2020)



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

Funding Scheme of 37 Priority Projects



Total Investment Value
US$ 183.9 Billion

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

Exchange rate : US$ 1 = IDR 13,500

Recent Milestones

Palapa Ring

West package has been fully operasional since April 2018.

Trans Sumatera Toll Road

Segment of Pekanbaru-Dumai (131,5Km) has been operated on Sept 26th, 2020.

West Semarang Water Supply System:

On March 2018, pre-qualification stage has resulted 4 shortlisted bidders

Mass Rapid Transit (MRT) Jakarta South-North

Allocation of repayment liability on additional-loan for Phase I and Phase II has been decided in the KPPIP Ministerial meeting – 49% will be borne by Central Government and 51% will be borne Provincial Government of DKI Jakarta.

Patimban Port

Loan Agreement has been signed on 15 November 017.

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

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

Energy Sector: the Progress of 35.000 MW Program

17 Dec '14

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

Jan '15

Average economic growth of 6.7% requires 7,000 MW / year or 35,000 MW / 5 years

(Kepmen ESDM No. 0074/2015 on RUPTL 2015-2024)

Jan '15

Debottlenecking through regulation:

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

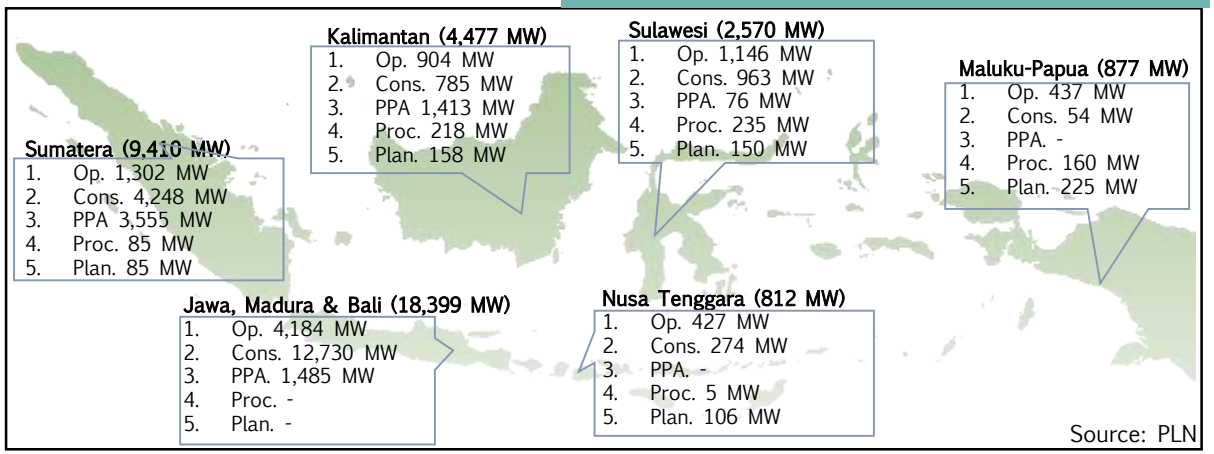
16 Mar '15

Cabinet Meeting
Progress of 35,000 MW

4 May '15

Launching 35.000 MW
by the President in Goa Beach Sanden DIY

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



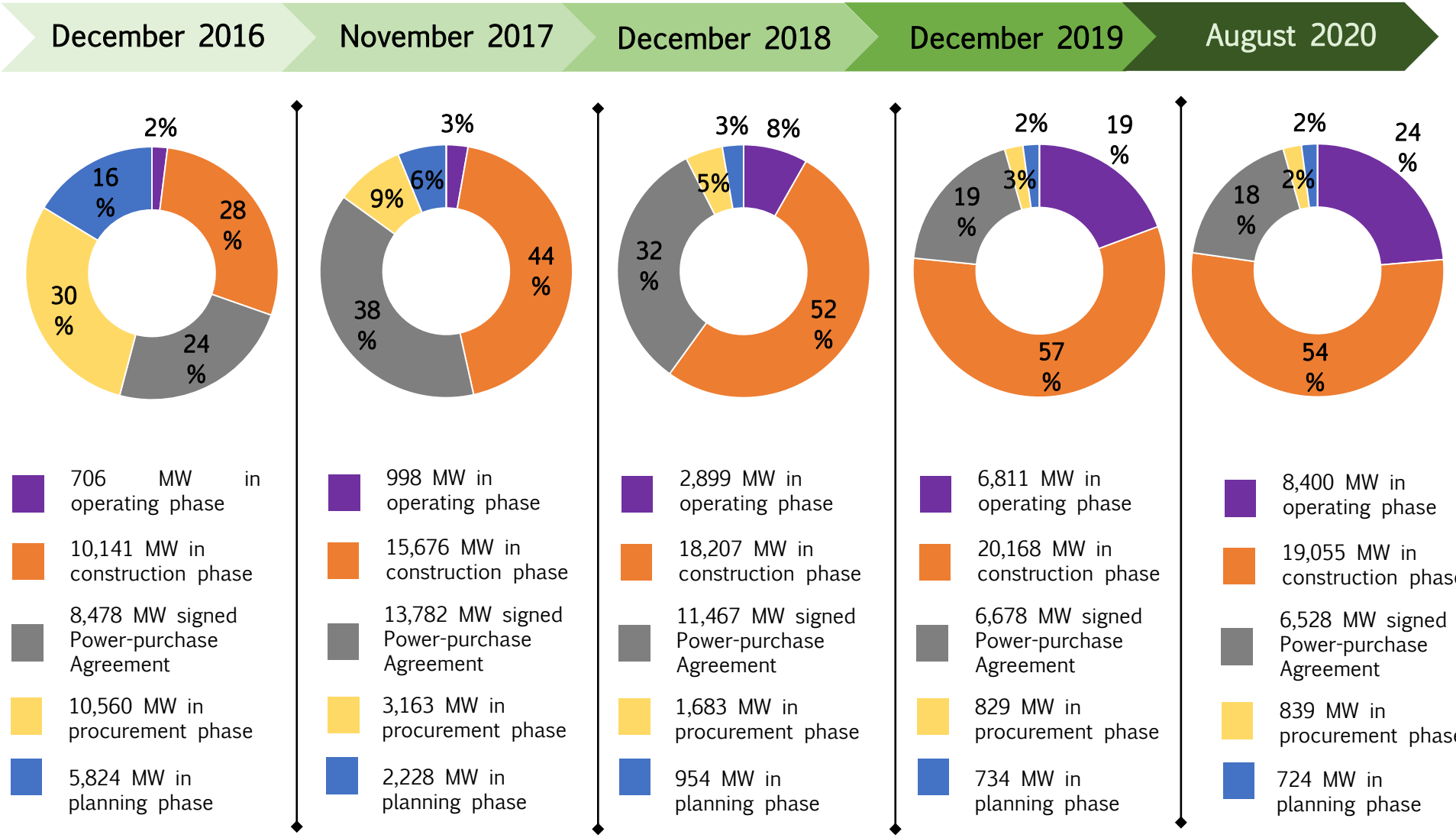
The progress so far: **Aug'20**

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

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

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

Energy Sector: the Progress of 35.000 MW Program



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

Acceleration of 35.000 MW Program

The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects

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

Government

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

Assignment

PT PLN

Provision of Electricity

1 → EPC Powerplant and Transmission

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

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

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

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

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

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

Significant Progress on Infrastructure Projects

Roads

Trans-Sumatra Toll Road

Merah Putih Bridge, Ambon

Dams

Jatigede Dam (Operational)

Drinking Water Processing

Umbulan Drinking Water Provision System, East Java

Transportation

Jakarta MRT Project[2]

Terminal 3 Ultimate Soekarno-Hatta[2]

New Tanjung Priok Port Project[2]

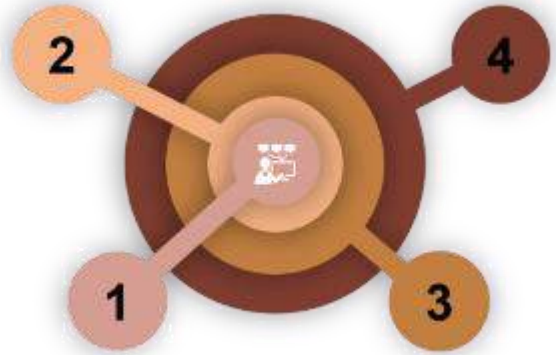
Nop Goliat Dekai, Papua

Improving Monitoring System on Infrastructure Projects[1]

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

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

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



An **integrated** IT system with monitoring capacity for stakeholders, so that they can have **real time data**.

Record decisions related to projects and **synchronize** the implementation schedule that can be utilized by stakeholders.

1 Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
2 Not funded from National Budget

Infrastructure Projects and Financing Schemes

Promotion of Infrastructure Development to Accelerate Economic Growth

Infrastructure Development is a Key Priority

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

Establishment of PPP Unit

Broad Objective	• Champion project preparation and acceleration of the PPP agenda in Indonesia
Core Mandates	• Improve quality of project selection under KPPIP – OBC criteria • Support project preparation through PDF support and highly qualified transaction advisors • Act on behalf the Minister of Finance in providing government support and approvals for projects
Additional Mandates	• Coordinate all public finance instruments • Provide input for PPP Policy program Development and Regulations • Implement capacity building for Govt. Contracting Agency (GCAs) • One stop shop for PPP promotion & Information

Budget

- **Central & regional budget (special allocation fund & rural transfer)**
- **Primarily to support basic infrastructure projects:**
  - **Food security:** Irrigation, dams etc.
  - **Maritime:** Seaports, shipyards etc.
  - **Connectivity:** Village roads, public transportation etc.

Public Private Partnership

- **Certain infrastructure projects to be funded and operated through a partnership between the Indonesian government and the private sector**
  - Projects ready for auction under the PPP Scheme:
  - Toll roads projects such as Balikpapan-Samarinda and Manado-Bitung
  - Railway projects such as an express line into Soekarno-Hatta International Airport
  - Water supply projects such as the West Semarang Project
- **Various government support for PPP:**
  - **Project Development Facility (PDF):** Helps Government Contracting Agencies (GCAs) in project preparation and transaction
  - **Viability Gap Fund:** improves financial viability of PPP projects
  - **Government Guarantees:** Supports PPP projects' bankability by providing sovereign guarantees
  - **Infrastructure Financing Fund:** Provided through PT SMI and IIGF
  - **Availability Payment (AP):** GCA pays private partner based of availability of infrastructure services

SOE & Private Sector

- **Government to inject capital into SOEs:** Intended multiplier effect to develop more infrastructure projects
- **Key focus areas:**
  - Infrastructure and maritime development
  - Transportation and connectivity
  - Food security
- **Medium term infrastructure developments to focus on:**
  - Water Supply
  - Airports
  - Seaports
  - Electricity and power plants
  - Housing
  - Mining

Note: OBC: Outline Business Case; PDF: Project Development Facility; GCA: Government Contracting Activity

Source : Ministry of Finance; Bappenas; KPPIP: "Komite Kebijakan Percepatan Penyediaan Infrastruktur" or National Committee for the Acceleration of Infrastructure Delivery

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

Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning

Government Guarantee Program

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

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

Contingent Liabilities from Government Guarantee as of Q4 2020 **

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

- From 2008 to Q4-2020 **, the government has issued 91 guarantee documents with total value of USD41.69 billion, there were 30 guarantee documents worth USD4.19 billion have been expired.
- The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
- Beginning in 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

Source: Ministry of Finance

Government Financial Facilities for PPP Projects

Financial Facilities to Attract More Private Participation

- Viability Gap Fund (VGF)
- Project Development Facility (PDF)
- Government Guarantees (directly by MoF or through IIGF)
- Availability Payment Schemes
- Financing from PT. SMI and PT. IIF

Those financial facilities were instrumental in supporting the execution of PPP projects, indicated by the signing of financial close of the following PPP projects:

More Funding Schemes are on the Pipelines

LCS (Limited Concession Scheme)

Project Financing **funded by the private sector** through the granting of concessions for an operating asset owned by the Government/SOE (based on the policy of the Government) to the private sector to be operated & managed.

Scheme Characteristics

- Asset is owned by public sector
- Operating asset, not greenfield project
- Records positive cash flow for the last several years
- Predicted revenue

PINA (Non-Government Budget Infrastructure Financing)

Project Financing **funded by any source of funds** other than Government's budget, e.g. long term management funds (insurance, repatriated funds from tax amnesty, pension funds, etc.), private equity investors and infrastructure funds. Supported & facilitated by National Development Planning Ministry/Bappenas.

Scheme Characteristics

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

Source: Ministry of Finance

New Guarantee Schemes for Non-PPP Projects

Guarantee on SOE Direct Lending from International Financial Institutions (IFIs)

The Government had issued **Presidential Regulation No 82/2015** and **Ministry of Finance Regulation No 189/2015** to provide guarantee for SOE Direct Lending from IFIs for the Development of Infrastructure Projects.

The objective of this guarantee is **to provide credit enhancement in terms of low interest rate and long tenor financing**, with **3 main principles:**

- State finance soundness
- Fiscal sustainability
- Best practice of fiscal risk management

Guarantee for Regional Infrastructure Financing Provision

Based on **Government Regulation No. 95/2015** and **Ministry of Finance Regulation No. 232/2015**, Minister of Finance assigns PT SMI (*Sarana Multi Infrastruktur*) to carry out functions in providing loan to local government, as previously carried out by PIP (Government Investment Center).

The Government had issued **Ministry of Finance Regulation No 174 of 2016** to provide guarantee to PT SMI on the assignment of regional infrastructure financing provision, by loan to local governments that is transferred from PIP to PT SMI, and new loan channeled by PT SMI to the local government.

The objective is to **give stimulus to the acceleration of local infrastructure development** through the ease of access to infrastructure financing and to boost local economic growth, as well as to provide alternative financing schemes in order to meet local infrastructure development needs and to reduce reliance on state/local budget.

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