

Republic of Indonesia Strengthening Policy Synergy to Maintain Stability while Advancing the Economy amid Escalating Uncertainty and Declining Global Growth

May 2023

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

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

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

Published by Investor Relations Unit - Republic of Indonesia

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

Contact:

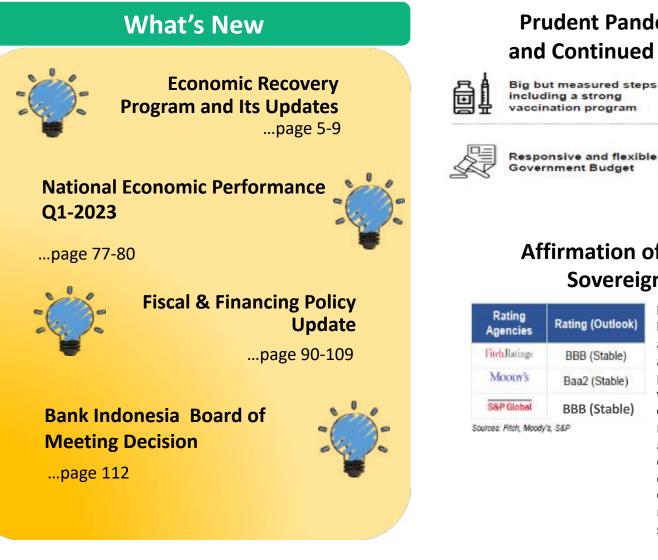
Rosita Dewi (International Department - Bank Indonesia, Ph.: +6221 2981 8232) Thasya Pauline (Deputy Ministry for Macroeconomic and Finance Coordinator - Coordinating Ministry for Economic Affairs, Ph. +6221 352 1843) Putri Rizki Yulianti (Fiscal Policy Office - Ministry of Finance, Ph.: +6221 345 0012)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

E-mail: <u>contactIRU-DL@bi.go.id</u>

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

Highlight of the Month





Prudent Pandemic Management and Continued Economic Recovery



Synergy between institutions nationwide



Resilient economic performance

Continued National economic recovery momentum, reflected by 5.03% (yoy) economic growth in first quarter of 2023, driven by high exports and growing domestic demand in.

Affirmation of Investment Grade Sovereign Credit Rating

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

Investment grade ratings affirmed by Fitch on December 14, 2022 recognizing macro stability and optimism on the growth prospect, as well as policy credibility in handling COVID-19 pandemic. Moody's has also emphasized in their Annual Credit Analysis by Moody's at 1st of March 2023 that Indonesia's GDP growth has returned close to its 2010-2019 pre-pandemic average of around 5%, driven by robust private consumption and investment, as well as strong commodity price. Meanwhile, the stable outlook that reflects the expectation that reform implementation will continue at a steady, gradual pace.



2



Economic Recovery Program and Its Updates



5

External Factor: Improved External Resilience

Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

Economic Factor: Improved Growth Prospects Supported by Continued Economic Recovery Momentum 6

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



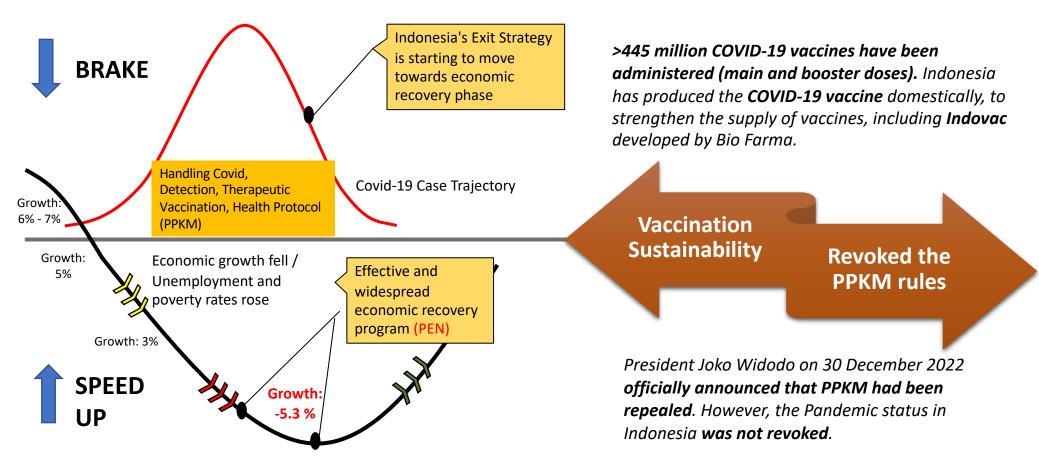
Section 1

Economic Recovery Program and Its Updates

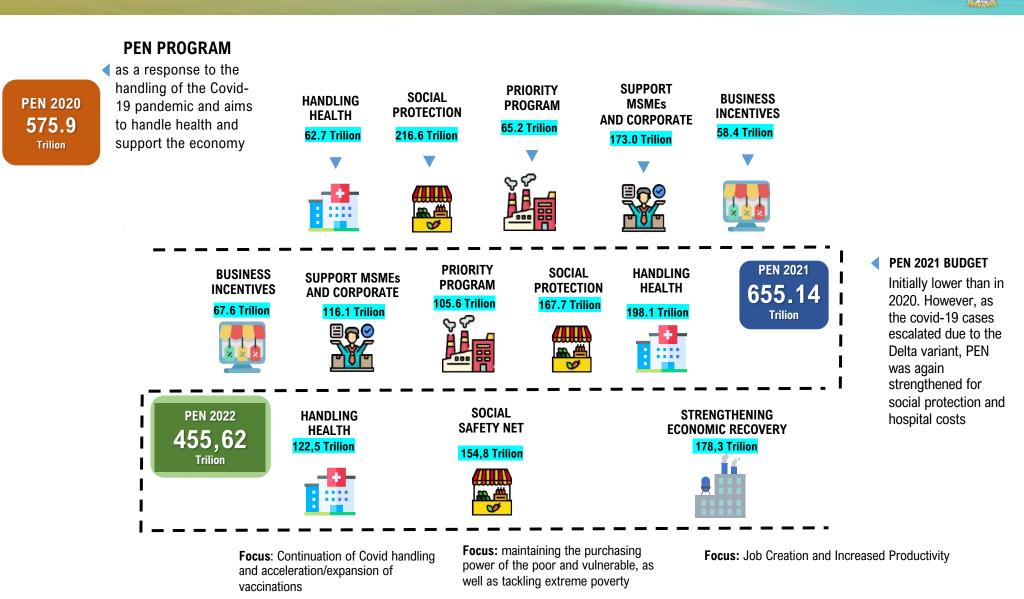
Handling of Covid-19 and National Economic Recovery



In the midst of being exposed to various global challenges, the government has succeeded in ensuring that the economic recovery continues while maintaining an effective handling of the pandemic.

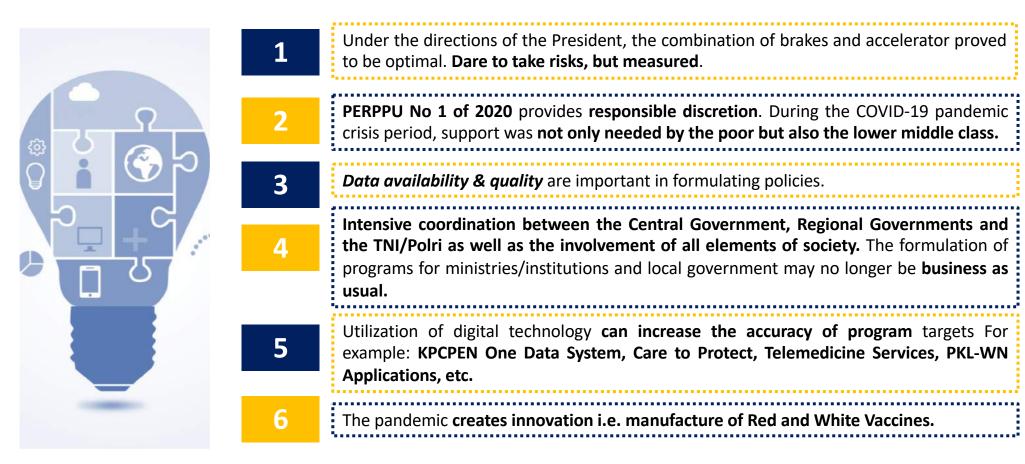


National Economic Recovery Program (PEN) Effectively Assist the Covid-19 Handling & Promote Economic Recovery



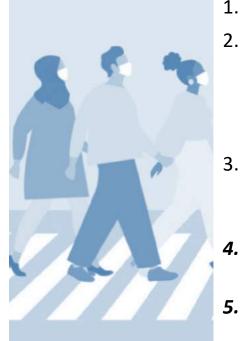
Achievements and Experiences in the Implementation of Covid-19 Pandemic Management Program and National Economic Recovery

PC-PEN is an embodiment of policies that **are extraordinary, responsive and adaptive** in responding to the dynamics of crisis and risk of uncertainty.



Post Pandemic: Covid-19 Pandemic Handling





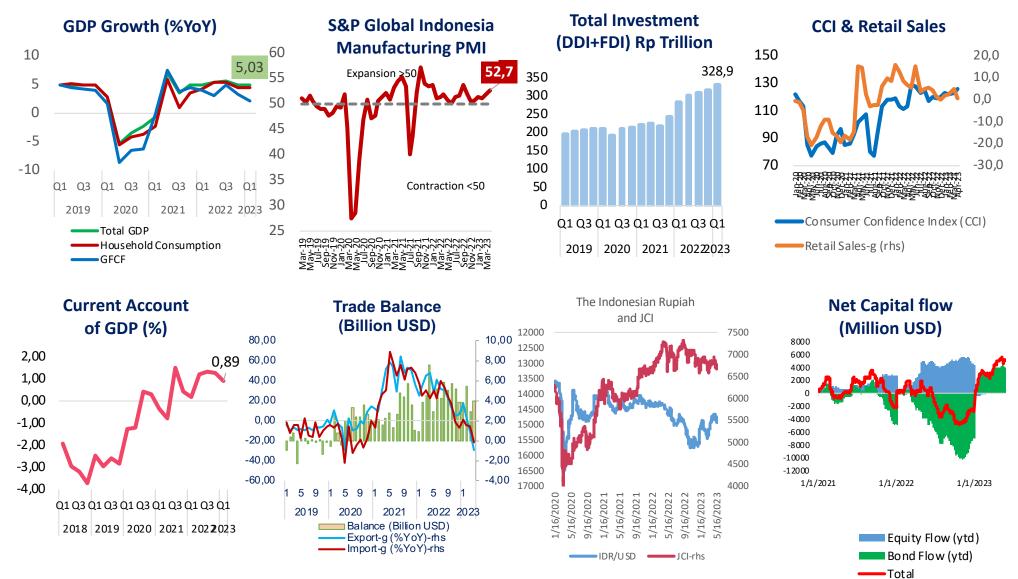
- .. PPKM was officially revoked on Friday, 30 December 2022;
- 2. During the transition:
 - **The COVID-19 Task Force** will continue to run until the community becomes resilient (for 6 months and then evaluated);
 - The second booster vaccination runs from 12 January 2023, free of charge.
- Handling of the COVID-19 Pandemic including vaccination will be integrated with regular health programs under the authority of the Ministry of Health and related institutions.
- . Early Warning Indicators dan Early Warning System Pandemi COVID-19 are still monitored and managed by the Ministry of Health, just like other health indicators.
- 5. Crisis Management Protocol Pandemi COVID-19 can be re-activated if conditions return to a crisis period based on an assessment and recommendation from the Ministry of Health.

The Direction of the National Economic Recovery Policy for 2023:

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

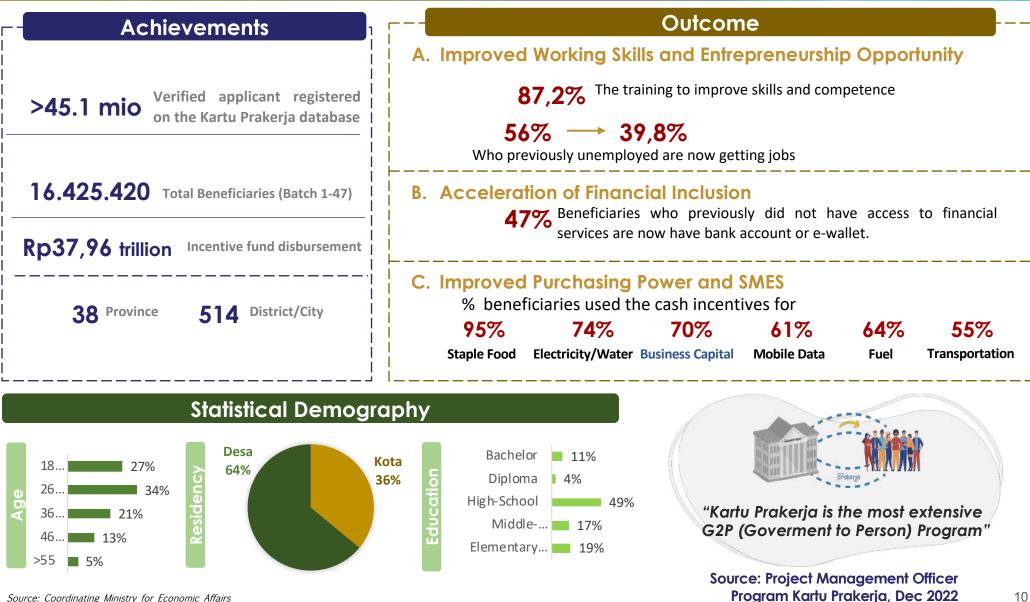
The Improvement Trend Continues





Pre - Employment Card to Boost Working Skill Program





Source: Coordinating Ministry for Economic Affairs

10

From Semi-Social Assistance (Bansos) Scheme To Normal Scheme

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



- The allocated budget for FY 2023 is 2.67 T for 595 thousand beneficiaries
 - So that an additional budget of 1.7 T is needed for
 405 thousand beneficiaries

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

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

DIGITIZATION OF MSMEs: MSMEs LEVEL UP

84,8

%





(Source: Mandiri Institute Survey, June 2021)



During the pandemic, MSMEs used various marketplace networks to sell their products, 40% of MSMEs used social media, and the rest used instant messaging (38%), e-commerce (13%), and ride-hailing (5%). (Source: Mandiri Institute, 30 June 2021)

MSME Market Access and Empowerment Support

🧱 PahlawanDigital









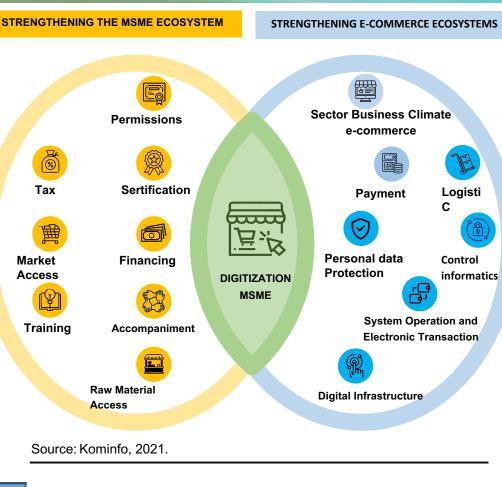


PLUT-KUMK





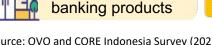




84%

70%

71%



8 out of 10

UMKM get to

know finance/

Get help during the pandemic Experiencing an increase in transactions per day Get to know digital finance

Source: OVO and CORE Indonesia Survey (2021)

Source: Coordinating Ministry for Economic Affairs

KUR Program to Increase Access to Finance for Entrepreneurs And SMEs



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



KUR Policy Returns to Before the COVID-19 Pandemic

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





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



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

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

Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY & MINI TAX HOLIDAY

TAX ALLOWANCE

INVESTMENT ALLOWANCE

SUPER DEDUCTION TAX

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

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

- To increase direct investment activities for certain business fields and / or in certain areas.
- The facilities include a reduction in net income of 30% of the total investment for six years, accelerated depreciation and amortization, imposition of income tax on dividends paid to foreign tax subjects of 10% or lower and compensation for losses of up to 10 years.
- The criteria are having a high investment value or for export, a large absorption of labor; or have a high local content.
- Total Investment: Rp14.3 Trillion
- Tax Payer: 16 Tax Payer

•

- Approval: 19 Minister of Finance Decree
- Source: OSS December 2022

- To encourage investment in labor-intensive industries, support programs for job creation and absorption of Indonesian workers.
- Deduction from net income, of 60% of the amount invested in tangible fixed assets, including land, that are used for the taxpayer's main business activities. The deduction is spread over six years (10% annually), starting from the fiscal year the commercial production commences
- There are 45 labor-intensive industrial sectors and employ an average of 300 workers in 1 tax year.
- Total Investment: Rp368,3 Billion
- Investment: 2 activities
- Tax payer: 2 tax payers
- Source: OSS December 2022

Super Deduction Vocational

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

R & D Super Deduction

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

15

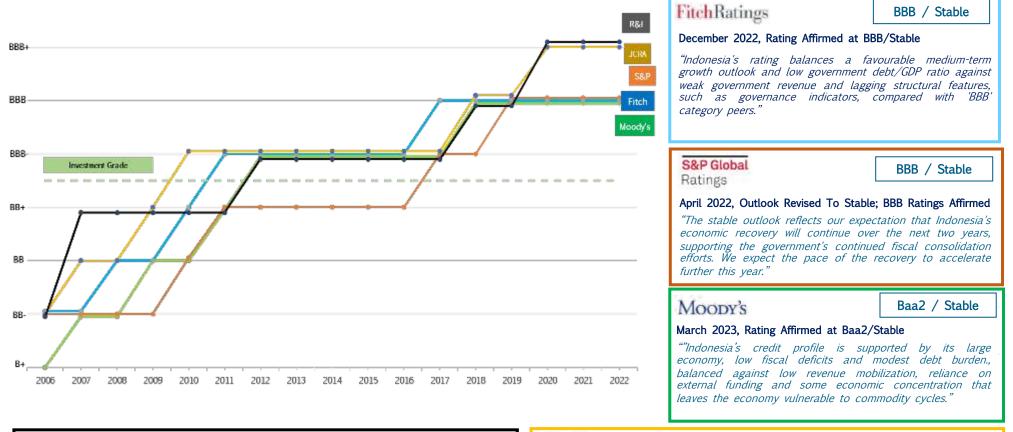


Section 2

Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development

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





R&I

BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

"In R&I view, Indonesia's economy that plunged in 2020 will likely return to a precoronavirus 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".



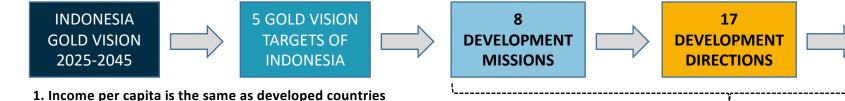
BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

Indonesia Gold Vision 2045: Become A Sovereign, Advanced And Sustainable Country





- 2. Poverty goes to 0% and inequality decreases
- 3. Leadership positions and international influence increased
- 4. HR competitiveness increases
- 5. GHG emission intensity towards NZE

Development Phase

First Phase (2025-2029)

Strengthening the foundation of transformation

Second Phase (2030-2034)

Third Phase

(2035 - 2039)

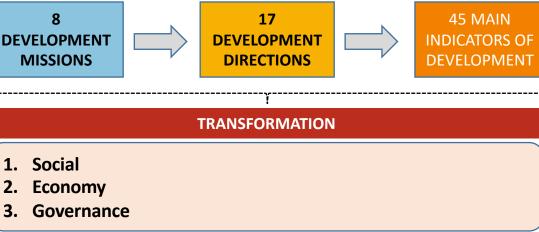
Fourth Phase

(2040 - 2045)

With the establishment of a strong foundation, Indonesia has accelerated its economy

Indonesia started steps to expand globally

Indonesia succeeded in realizing Indonesia Gold 2045



FOUNDATION OF TRANSFORMATION

- 4. Legal Supremacy, Stability, & Diplomatic Strength
- 5. Socio-Cultural and Ecological Resilience

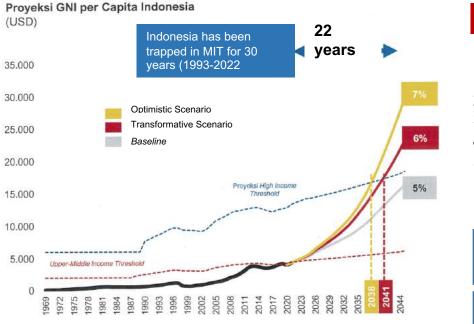
TRANSFORMATION IMPLEMENTATION FRAMEWORK

- 6. Equal and Quality Territorial Development
- 7. Quality and Environmentally Friendly Facilities and Infrastructure
- 8. Development Sustainability

TARGETS OF ECONOMIC TRANSFORMATION FOR GOLD INDONESIA 2045



Economic transformation aims to bring Indonesia out of the middle-income trap and into a high-income country. For this reason, the Indonesian economy must grow by an average of 6-7% in the next 20 years, high economic growth that is inclusive and sustainable



Scenario	Average Growth	Years Escape form MIT
Transformative	6%	2041
Optimistic	7%	2038

Economic Transformation

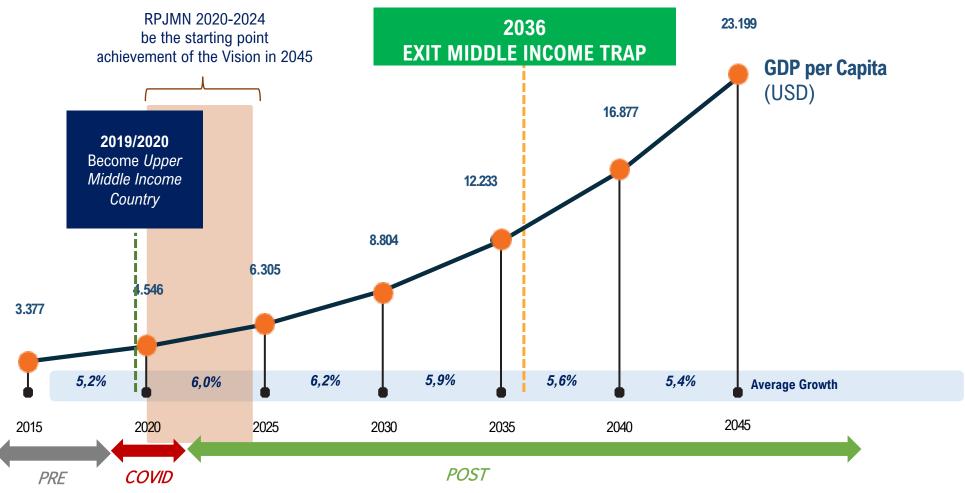
- 1. Science and Technology, Innovation and Economic Productivity
- 2. Green Economy Implementation
- 3. Digital Transformation
- 4. Domestic and Global Economic Integration
- 5. Cities as Centers of Economic Growth



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



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



Source: Coordinating Ministry for Economic Affairs

Indonesia's Grand Strategy in Encouraging Sustainable Economic Growth

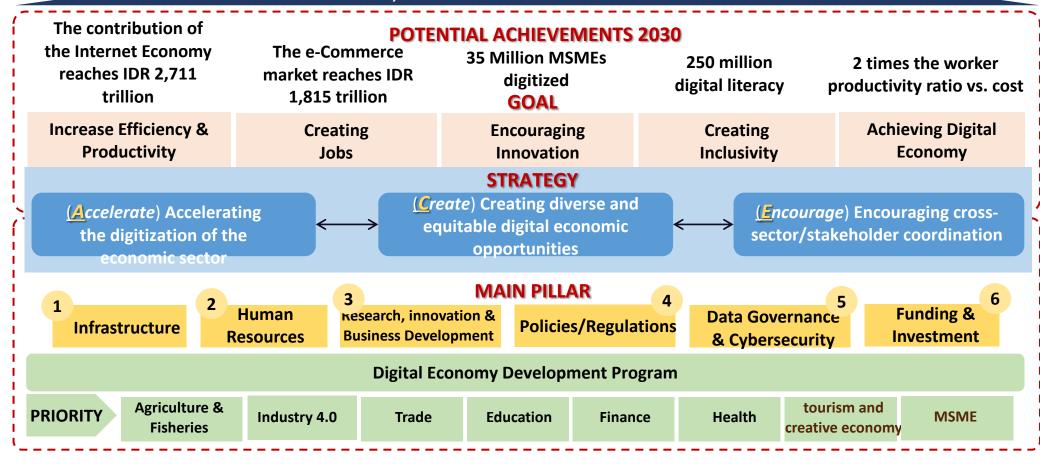
- Indonesia's economic fundamentals are solid and have been able to return to pre-pandemic levels, in line with increased mobility and leading indicators that show bright prospects.
- □ Furthermore, the government will continue to encourage accelerated growth with various strategies to achieve sustainable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



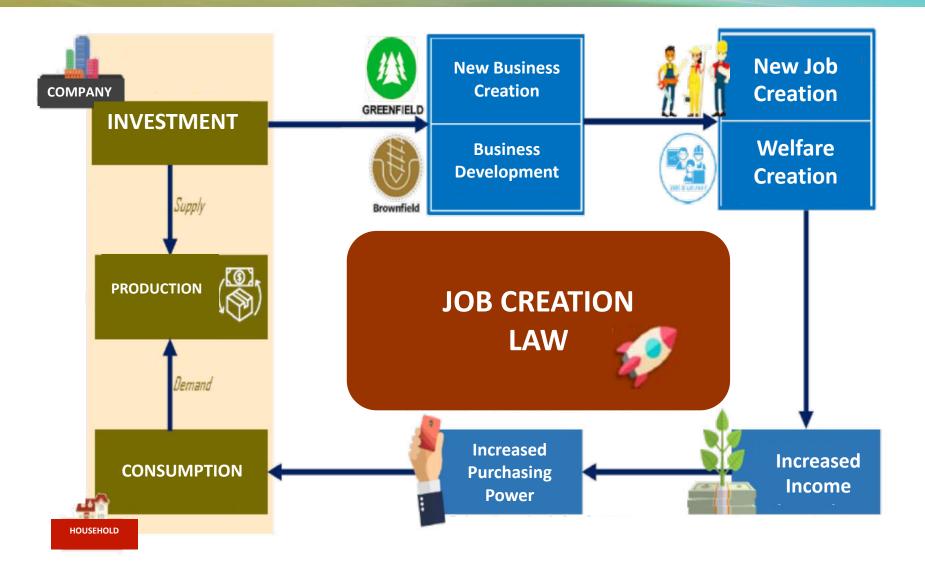
Indonesian Digital Economy Development Framework Concept (2021-2030)



Become a Digital Economy Powerhouse to Realize Inclusive, Connected and Sustainable Economic Growth



The Framework of Job Creation Law



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

PROGRESS OF THE JOB CREATION LAW

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

> Derivative regulations of 54 Government Regulations/Presidential Regulations

The decision of the Constitutional Court on November 25, 2021



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



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

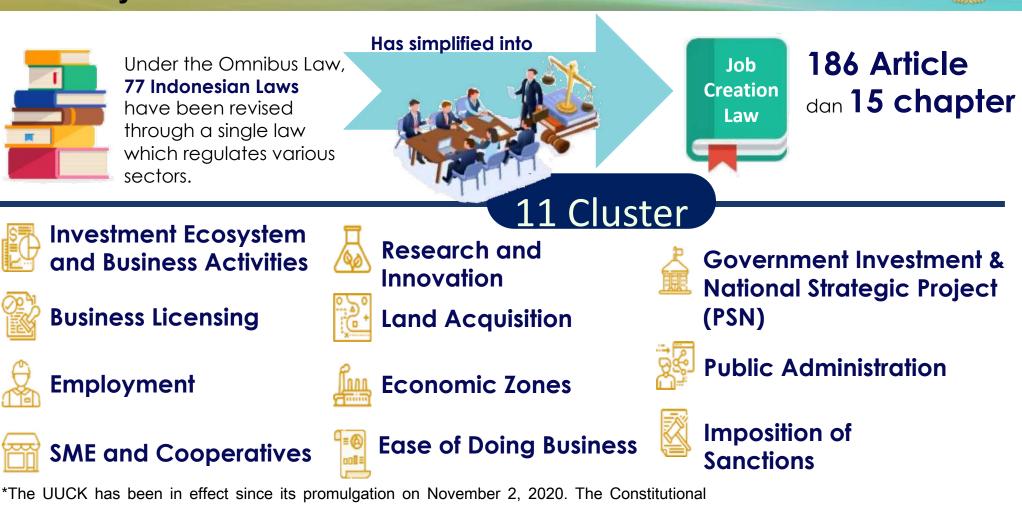
Clusters in the Job Creation Law

- 1. Improving the Investment Ecosystem and Business Activities
- 2. Employment
- 3. Ease, Protection, and Empowerment of Cooperatives and MSME
- 4. Ease of Business
- 5. Research and Innovation Support
- 6. Land Procurement
- 7. Economic Zone
- 8. Central Government Investment and Acceleration of National Strategic
- 9. Projects Implementation of Government Administration
- 10. Imposition of Sanctions
- a) Revising Law 12/2011 to accommodate the Omnibus Law method
- b) Change the Job Creation Law based on the revision of Law 12/2011 within two years
- c) Review the substances that objection to the community

The subject matter in the revision includes:

- a) Omnibus method;
- b) Strengthen community involvement and meaningful participation;
- c) Regulatory digitalization
- d) Improve the technical error of writing in the draft law either that has been agreed upon or after the President receives the bill
- The Job Creation Law and its implementing regulations are still in effect and no material on the Law has been annulled by the Constitutional Court.
- Thus, the implementation of the Job Creation Law, which concerns, among others, Business Licensing and OSS, Employment including provincial and district/city minimum wages, and facilities for MSMEs, still applies.

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



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



Source: Ministry of Investment (BKPM)

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

Constitutional Court

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

Follow-up

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

Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.

PERPPU NO. 2 OF 2022 (30 December 2022)

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

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

Employment Regulation

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

Halal Product Assurance (Halal Certification)

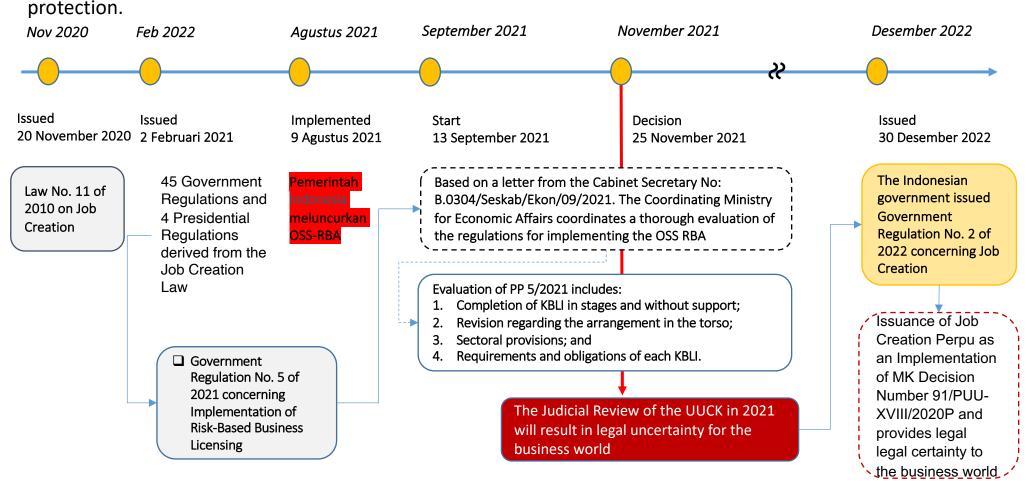
- 1. Development of the BPJPH organization in the regions as needed.
- 2. The Halal Certificate is valid since issuance and remains valid as long as there is no change in the composition of the ingredients and/or PPH.
- 3. Halal certification for MSEs through a halal statement is free of charge.

Management of Water Resources

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

Issuance Of Perppu No. 2 Of 2022 Concerning Employment Creation It Is Expected To Provide Legal Certainty To Business Players

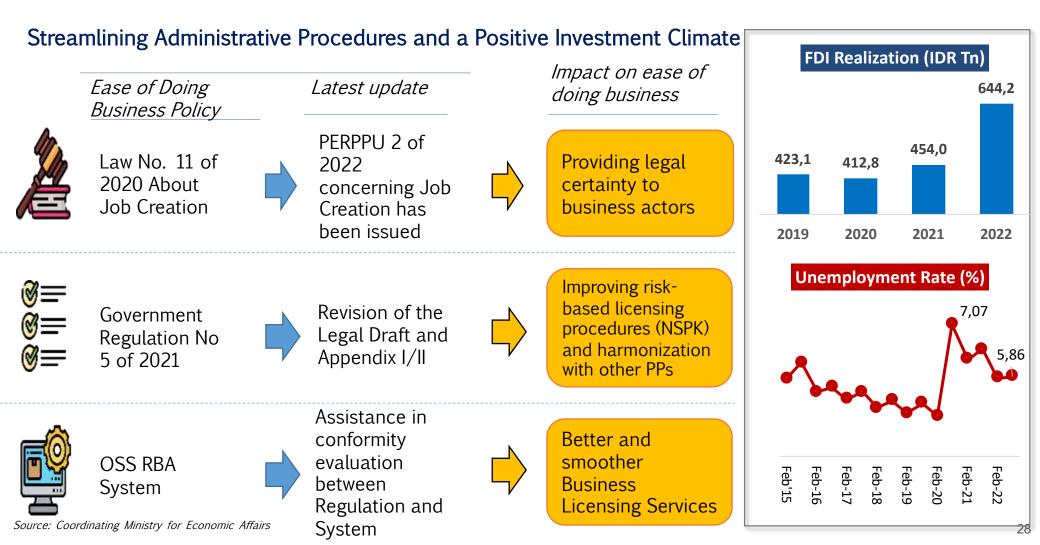
The Job Creation Law seeks to provide legal certainty and ease with the existence of standards, particularly in relation to business licensing requirements and processes. It is hoped that the issuance of the UUCK will contribute to improving the investment ecosystem and ease of doing business, as well as ensuring worker



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



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





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

Pres. Regulation 44/2016 "Investment Negative List"

Pres. Regulation 10/2021 Jo. 49/2021 "Investment Business Fields"



Mandate of Law Number 11 of 2020 concerning Job Creation Article 77 Number 2 (Amending Law Number 25 of 2007 concerning Investment Article 12)

Positive Investment List: Improving the Investment Ecosystem in Indonesia



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



Changes in the Regulation of the	
Investment Business Field	

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

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

	Priority Business Activities with the following criteria:				
	National strategic project/program	Pioneer industry			
	Capital intensive	Export oriented			
	Labour intensive	Oriented in research,	2		
	High technology	development, and innovation activities			
,	L				
	Fiscal Incentives	Non-Fiscal Facilities			
 Tax Incentives: Tax Allowances Tax Holidays 		Ease of obtaining business licenses Provision of supporting infrastructur			

- Tax Holidays
- Investment Allowances
- Customs incentives in the form of import duty exemption for import of machinery and goods for industrial development and expansion
- 3. Guarantees on availability of energy
- 4. Guarantees on availability of materials
- 5. Immigration
- 6. Manpower
- 7. Other non-fiscal supports

The Latest Investment Business Field Arrangements



Presidential Regulation No. 44/2016 "Investment Negative List"		Presidential Regulation No. 10/2021 Jo. 49/2021 "Investment Business Fields"			
	Attach	ment I			
\Diamond	Business Fields Closed for Investment 20 Business Fields	Ø	Priority Business Fields* 246 Business Fields *Equipped with Tax Holiday, Tax Allowance, and Investment Allowance		
	Attachi	ment II			
	Business Lines Reserved for or Required for Partnerships With Cooperatives and SME 145 Business Fields/KBLI		Business Lines Allocated for or Required for Partnerships With Cooperatives and SME 182 KBLI in 106 Business Groups		
Attachment III					
8	Business Fields Opened with Conditions 350 Business Fields		Business Fields Opened with Conditions 37 Business Fields		

Investment Focus Sectors



	Sector	Industry		Sector	Industry		
	Downstream Natural Resources	Nickel, Copper, Coal Smelting		Import Substitution	Iron and Steel		
	Export Oriented Industry	EV Battery, Automotive		Tourism	Tourism operator, tourism supporting services, 10 new Bali		
	Infrastructure	Toll road, AilDRorts,					
<u>1 </u>		Seaports		lahan latasing ladnatari	Furniture, Electronics,		
\frown	Human Resources Development/ Education	Vocation, Higher Education/University	L.	Labour Intensive Industry	Textile, SME's		
<u>)0000(</u>				Digital Economy	Data center, Start-ups, marketplace, e-commerce		
1					1 3		
		Encouraging Collaboration					
ВКРМ Р	romotion						
Strategy 2		Encouraging	1831				
	3	Providing easy	> %<				

Encouraging Investment Through Priority Sectors That Have Value Added



Export Oriented – Labor Intensive industries

Pharmaceutical and Heath Equipment

Automotive Industries

Electronic Indutries



Infrastructure



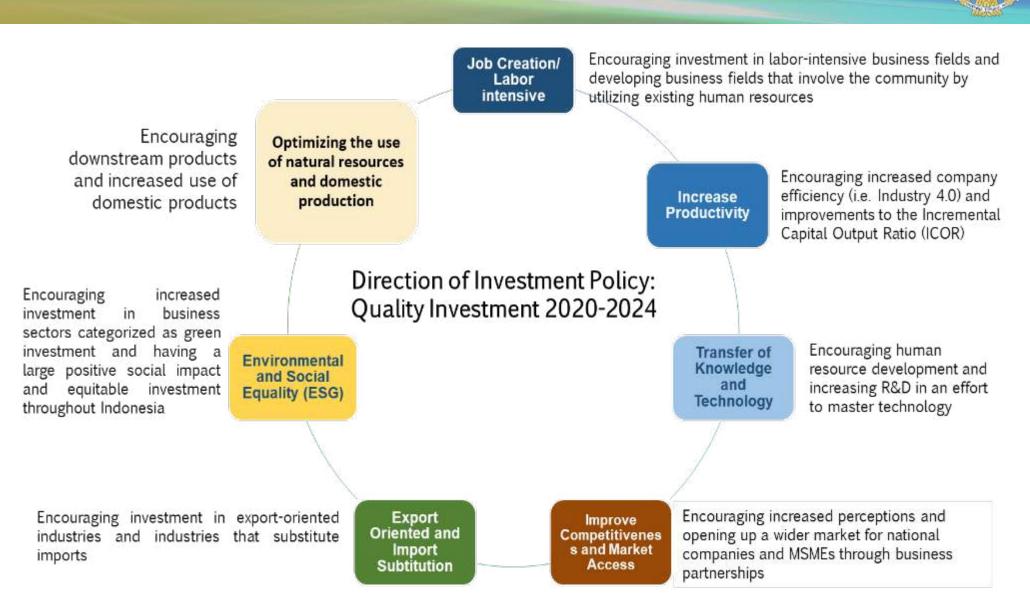
Energy, especially renewable energy



Mining, That creates added value products

Investment Policy Direction 2020 - 2024:

Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth



Investment Realization Target 2020 to 2024



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

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

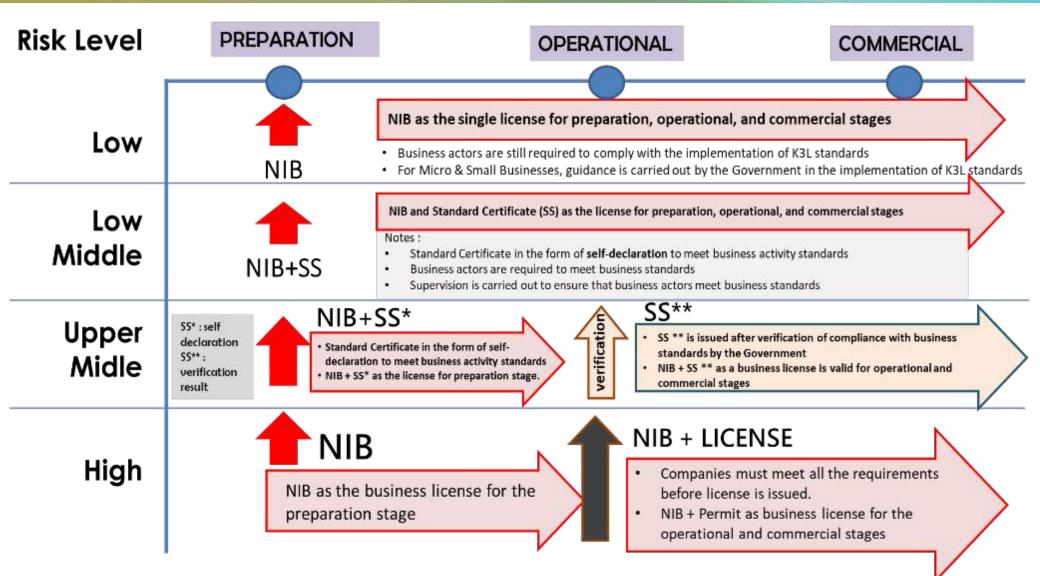
Total Investment Realization Year 2015 to 2019 **Rp. 3,381.9 T**



Investment Realization Target Year 2020 to 2024 **Rp. 4,983.2 T** The increase in investment targets from President Jokowi is expected to come from quality investments, such as processing industries that provide added value

Risk-Based Licensing Approach





Risk-based Business Licensing Deregulation Measures To Encourage FDI



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

Starting a Business



The Government implemented OSS-RBA on August 9, 2021, based on Regulation 5 of 2021. Low Risk Medium Risk High Risk

NIB Issued = 4.105.131 Period August 4, 2021 – 29 May, 2023

Based on Business Actor: • Business Entity = 541.085 • Individual = 3.564.046	Based on Investment Type: • FDI = 15.609 • DDI = 4.089.522	Based on Business Scale: • Micro = 3.903.636 • Small = 147.653 • Medium = 19.154 • Large = 34.688
--	--	---

Action Plans

Short - Medium-term

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

Long-term

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

Doing Business

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

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

INSPECTION:

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

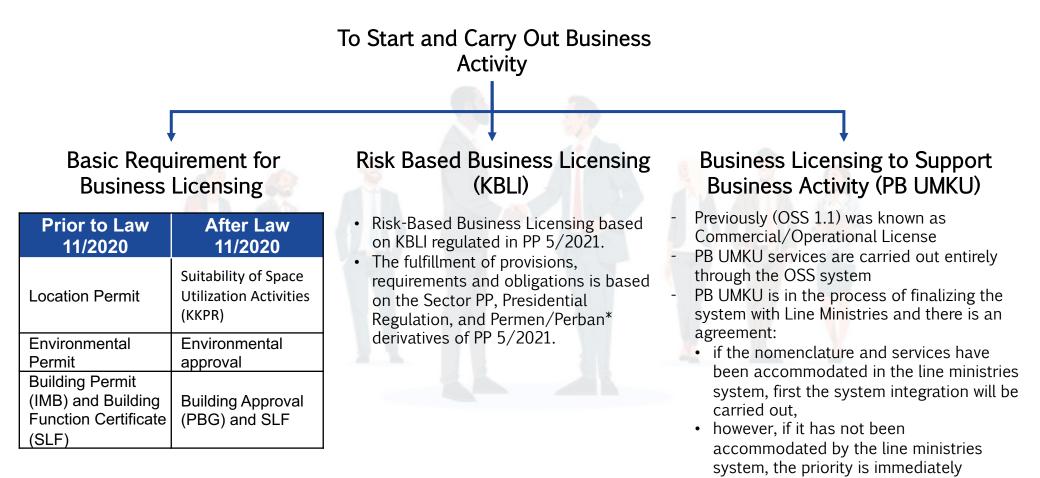
The Progress of Development Monitoring/Inspection Subsystem

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

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

Implementation of Risk-Based Business Licensing

Government Regulation Number 5 of 2021



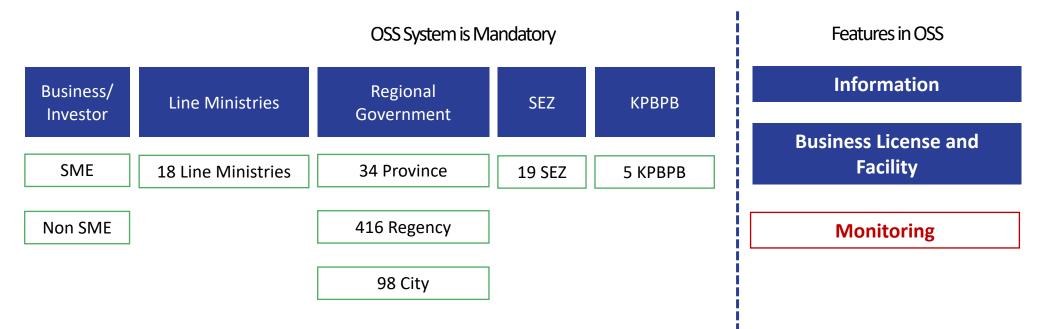
*) Various requirements are regulated in 22 Candy/Bandages that must be accommodated and planted in the OSS system

planted in the OSS system.

Risk Based OSS System: Users and Features

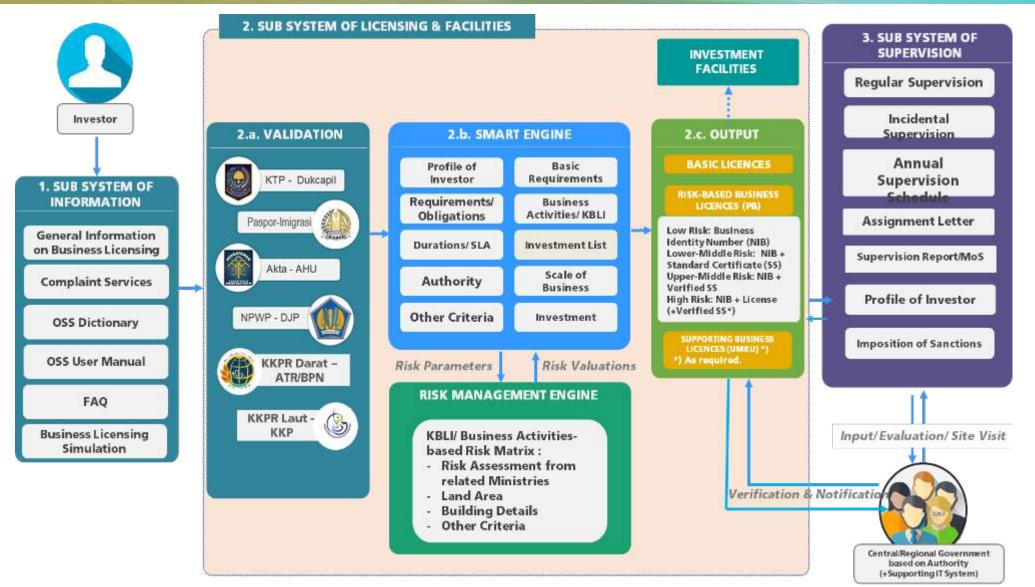




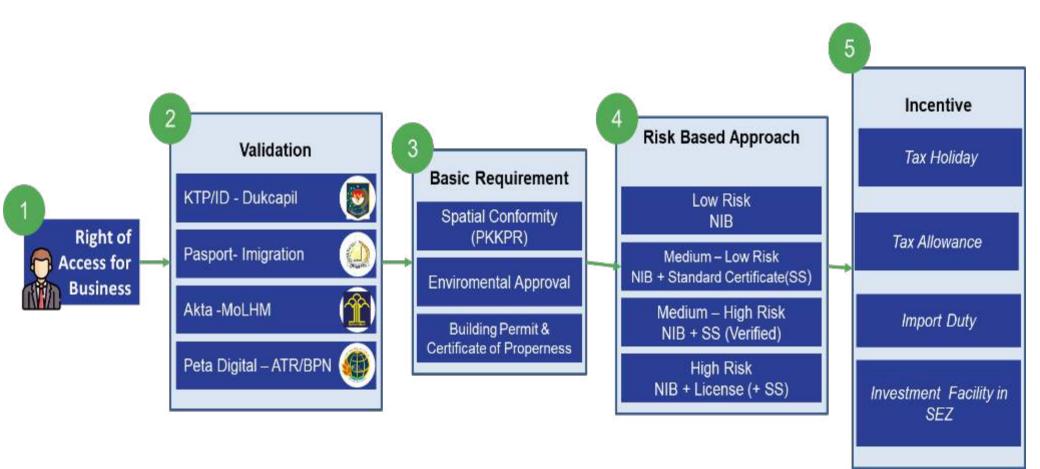


Architecture of OSS System





Ease of Business Licensing and Investment Facility through the OSS System

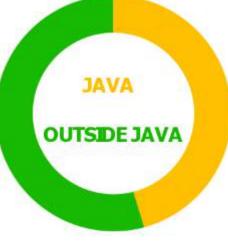


Investment Realization in 2022





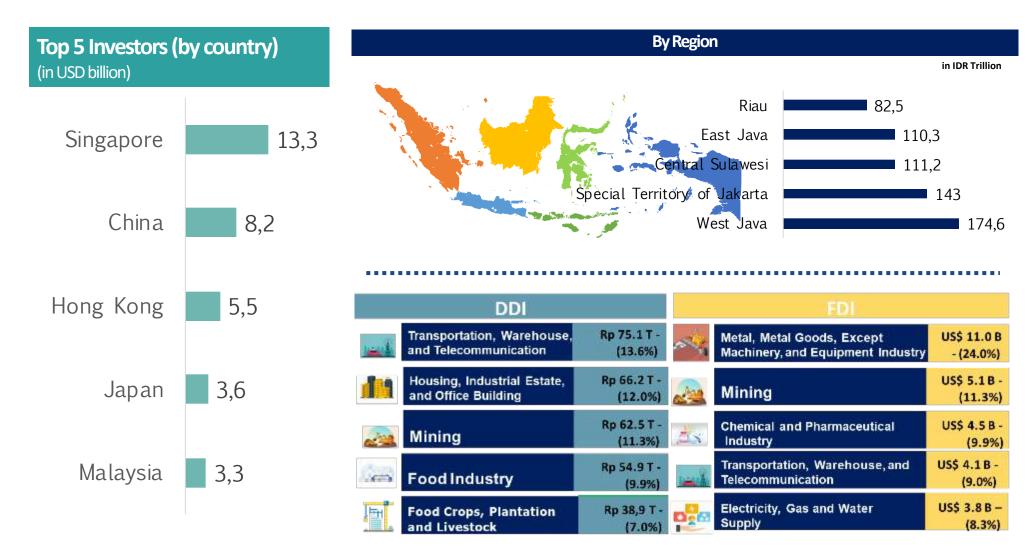




OUTSIDE JAVA (Rp 636.3 T) 52.7% (YoY: 35.9%) JAVA (Rp 570.9 T) 47.3% (YoY: 31.9%)

Investment Realization in 2022

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



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



 Project
included in
the PSN List
 Proposed project is evaluated by KPPIP
and approved through High level Limited
Meeting (Ratas)
 The project has been declared
Complete and there are no issues
that need to be resolved

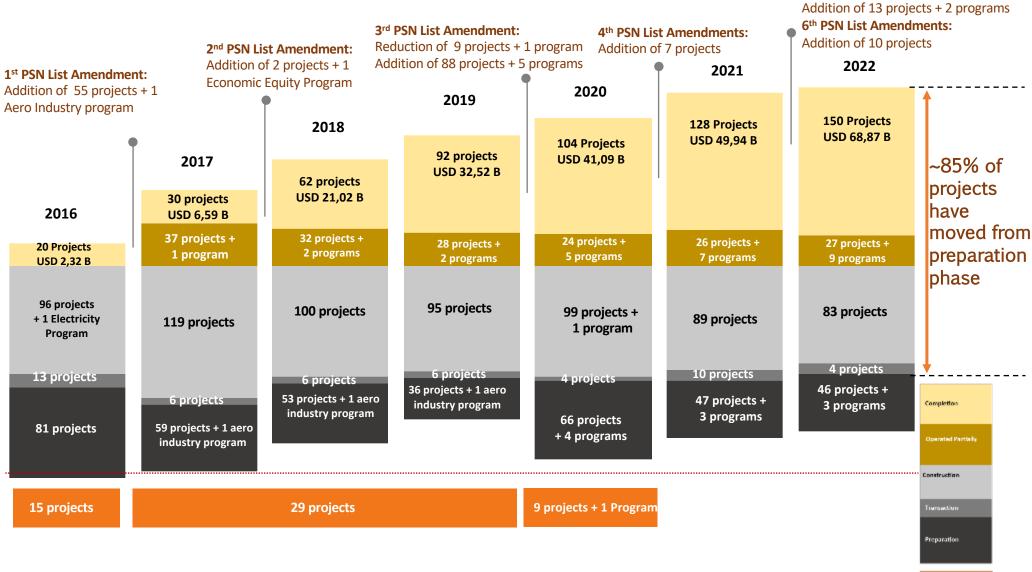
 Ongoing project from the previous list and
being pushed by the government
 The project no longer requires PSN
facilities

Project excluded from the PSN List

8

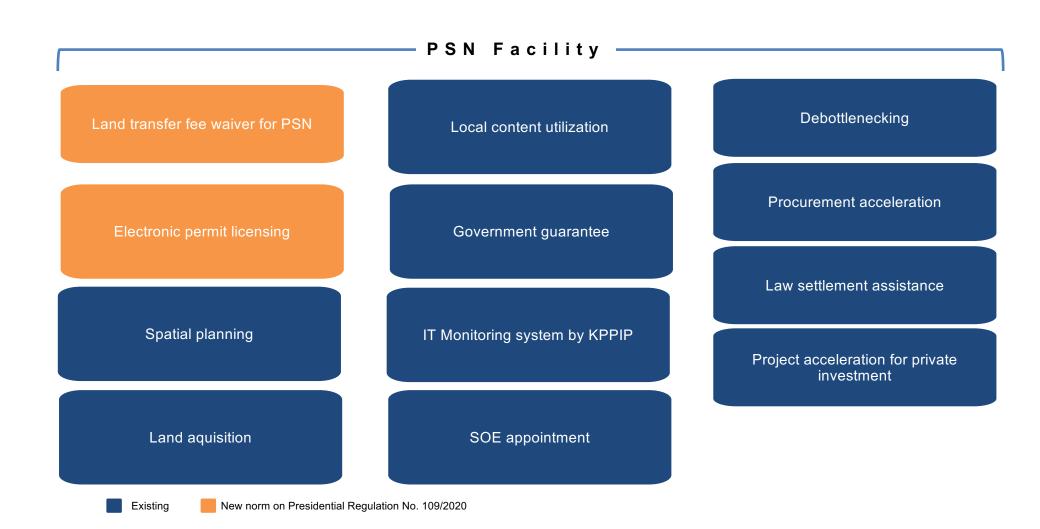
Since 2016, 141 National Strategic Projects have been fully operational, and most of the projects have been expedited to move from preparation phase



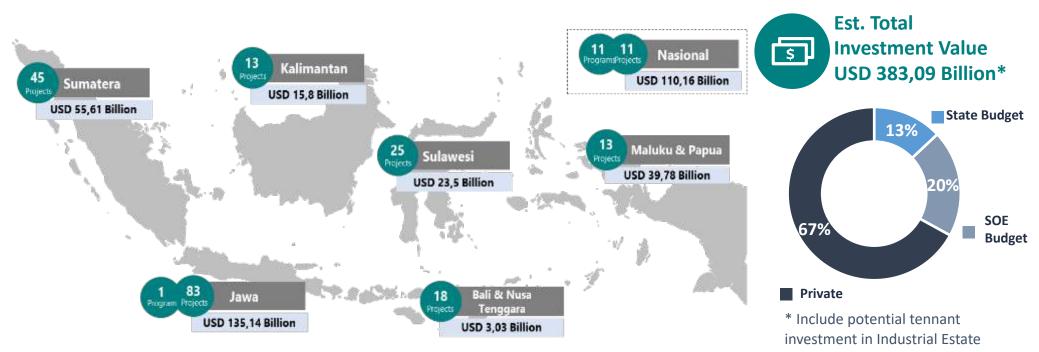


asduded from 45

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



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

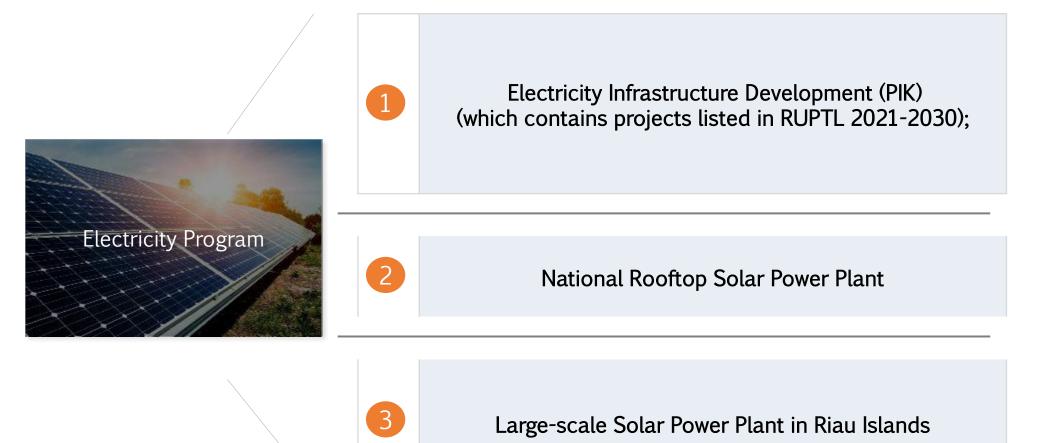


* Est. 1USD=15.000 IDR

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



Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (1/2) Electricity Program with focus on Renewables



Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (2/2) EV Battery end-to-end Development Plant

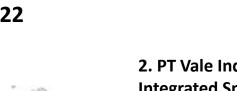
The Electric Vehicle Battery Industry is one of the Government's priorities

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

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



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



2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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

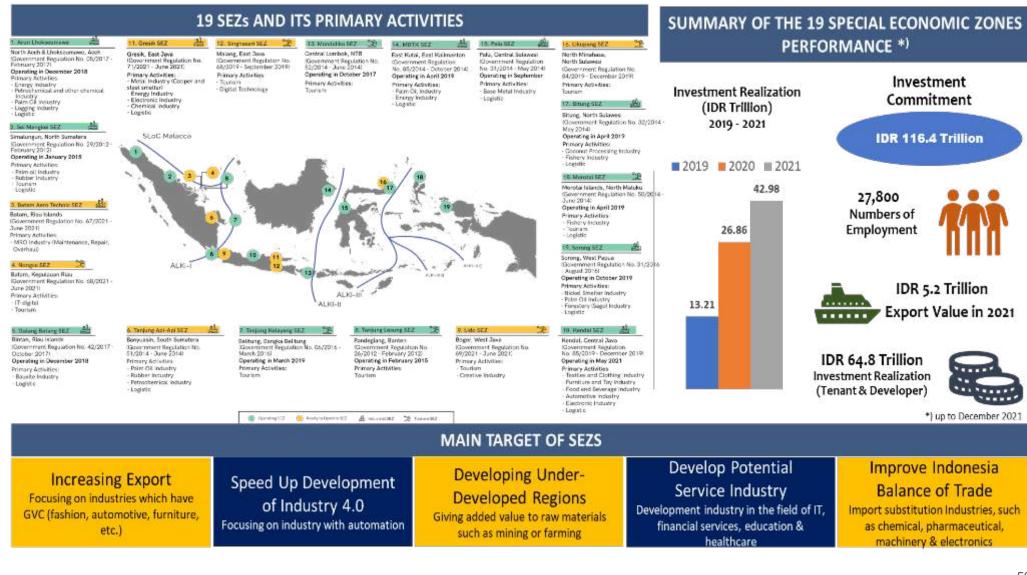




Ļρc

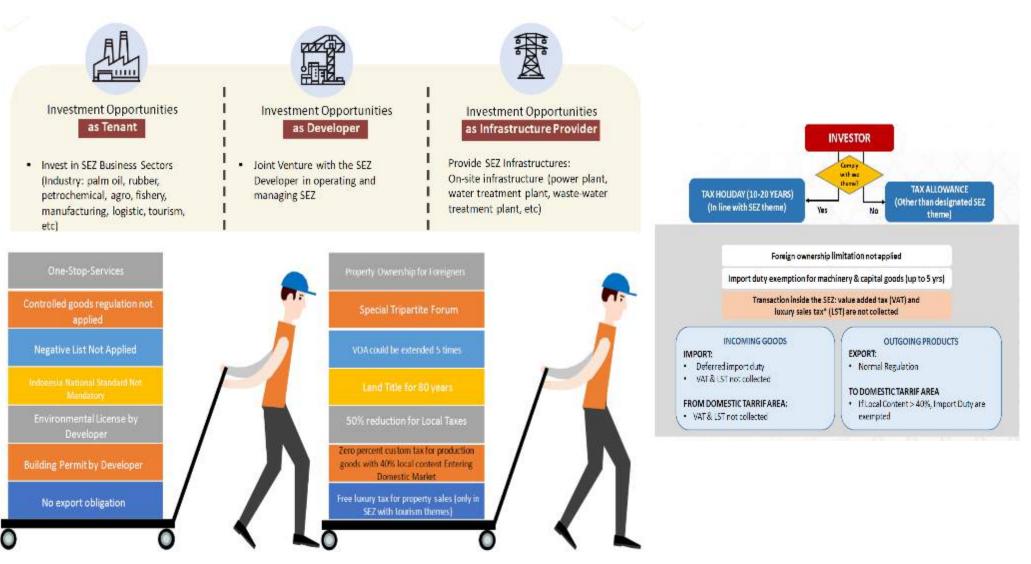


Highlighted PSN Projects which provide substantial benefit to private investor - Special Economic Zones Development (KEK) on 18 Location in Indonesia



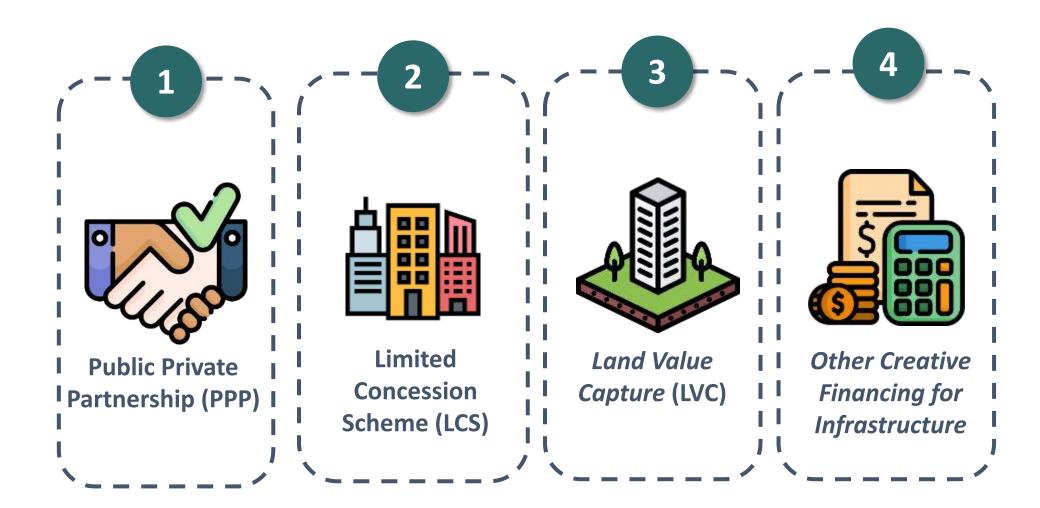
•

Highlighted PSN Projects which provide substantial benefit to private investor – Various facilities and Modalities for SEZ investors



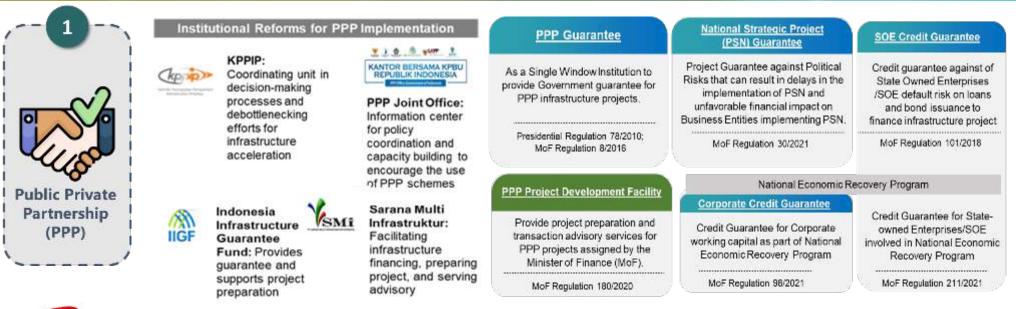
-

Various initiatives to boost private sector participation in Infrastructure sector especially for National Strategic Projects



Institutional reforms to establish a conducive PPP ecosystem...





Government Commitment through Fiscal Support



Project Preparation

Project Development Facility (PDF)

MoF assigns SOE to assist CA in PPP project preparation and transaction



Commitment

Contracting Agency (CA) Commitment

Through conversion from State Budget to PPP financing scheme



Viability of Project

Viability Gap Fund (VGF)

MoF provides support resulting a more viable project to be offered to market



Availability Payment (AP)

MoF provides periodic payment scheme for noncommercial projects that greatly needed by public



Bankability

Sovereign Guarantee and Long-Term Financing

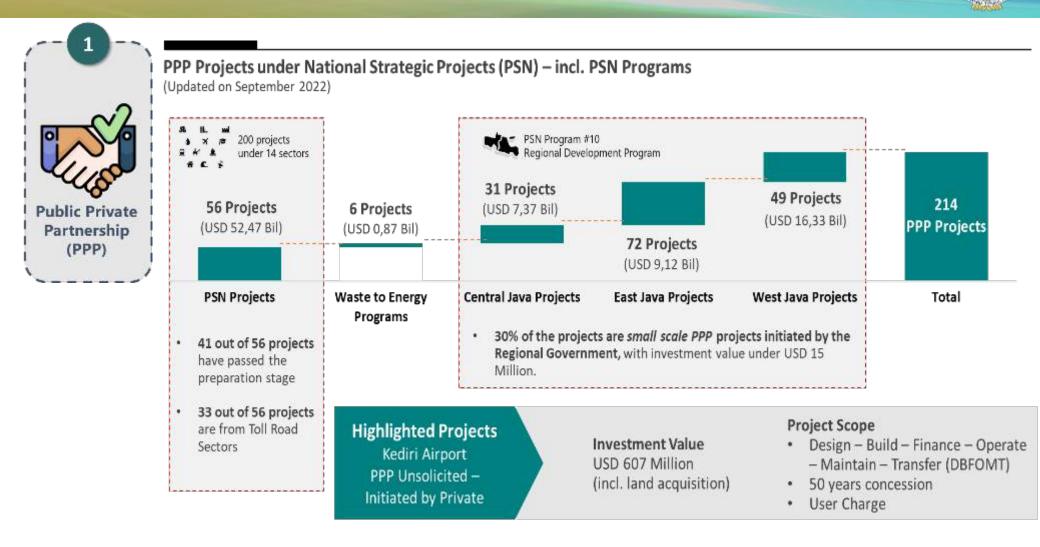
MoF established SOE in order to provide sovereign guarantee and long-term financing support



Land Support

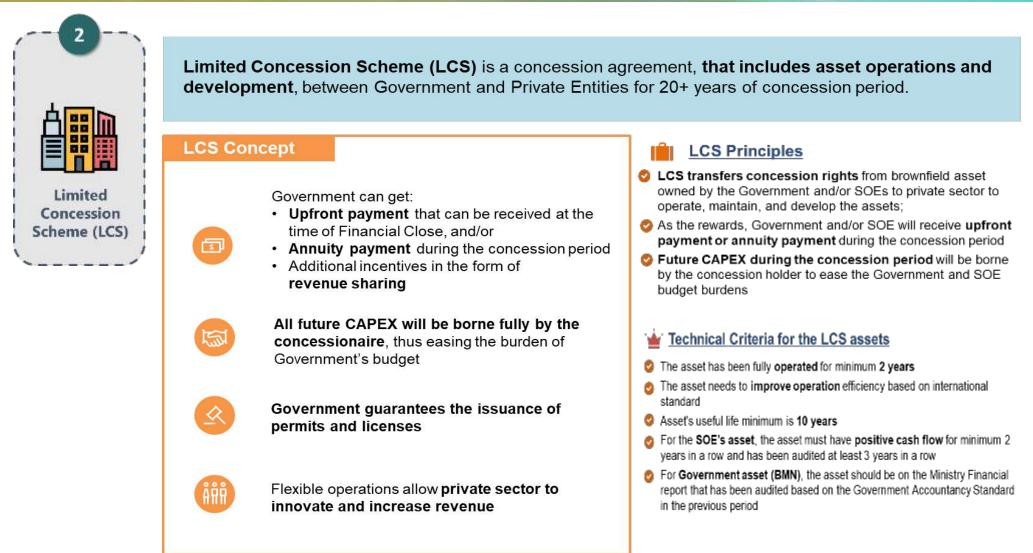
MoF established dedicated unit that settle land acquisition payment to be used for strategic infrastructure projects

National Strategic Project (PSN): 214 projects through Public Private Partnership (PPP)



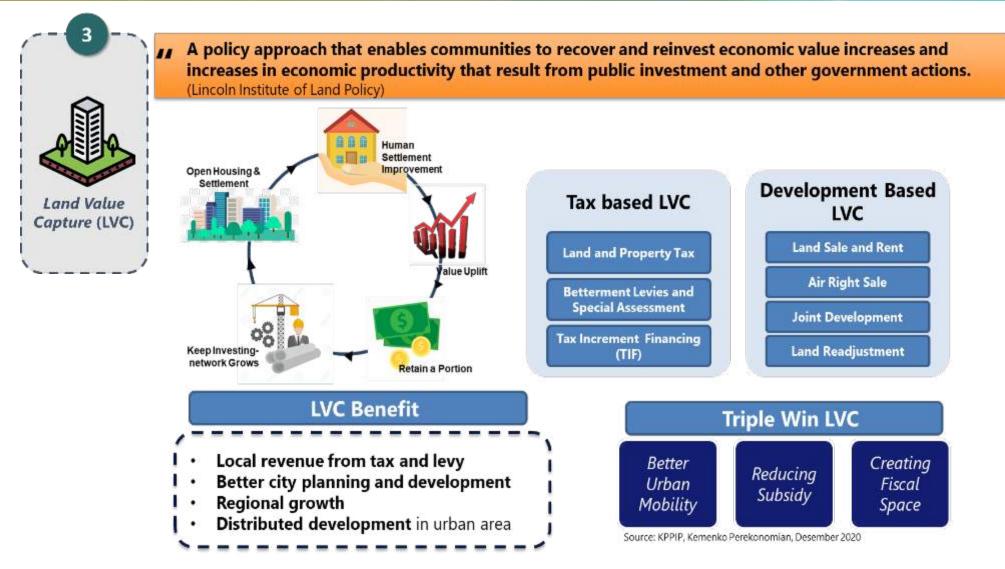
Limited Concession Scheme Stipulation as an asset recycling scheme for brownfield infrastructure asset





LVC Scheme implementation to ease the government burden on infrastructure development





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

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

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



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





Infrastructure

Profile of PT SMI

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

SDGs Initiative

• The platform was launched in October 2018

• The Pipeline Projects comprise public transportation sector, health care, renewable energy, tourism and drinking water supply system

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





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

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

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



Main Sectors of Investment



Development of INA's Progress

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

Investment opportunity that has been completed: Digital infrastructure: Mitratel's IPO with ADIA, ADG, and GIC for a total of USD 770 million

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

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







2

Limited Mutual Fund (RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

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

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

MARKET - Donald Bahjamahor, CNBC Indonesia

Example on RDPT Financing

Summary of TPJT

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

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

Location: East Java

1 RDPT Financing

Ownership Structure



Summary of KKDM

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

Location: Greater Jakarta

Ownership Structure

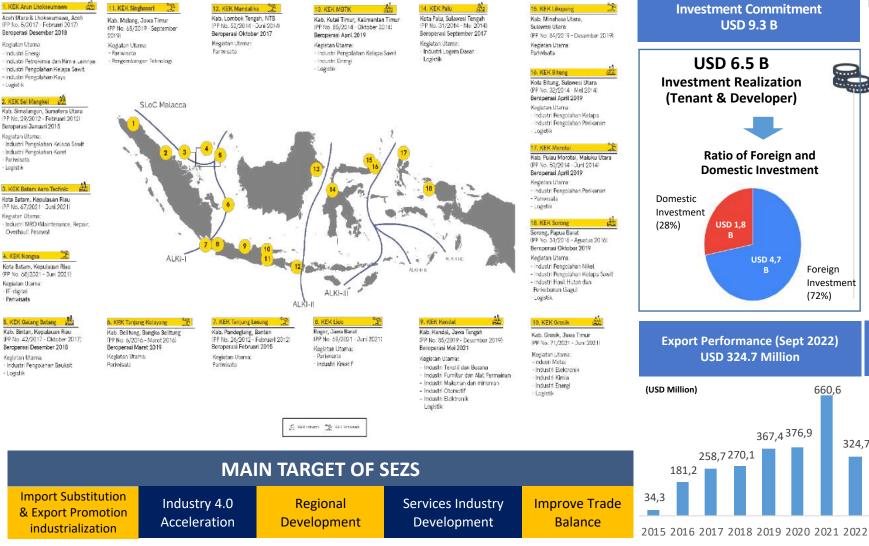
Indonesia's Special Economic Zone (SEZs)

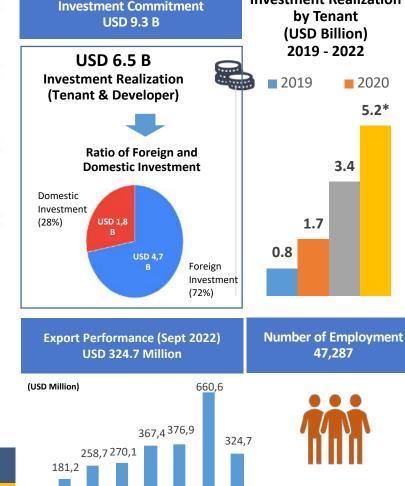
Encourage Economic Growth, Equitable Development, And Increase Competitiveness



Investment Realization

18 SEZs and Main Activities





*) up to September 2022 USD1 = Rp15.569.05

Source: Coordinating Ministry for Economic Affairs

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

Contingent Liabilities from Government Guarantee as of Q4 2022**

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

 From 2008 to Q3-2022**, the government has issued 94 guarantee documents with total value of USD41.59 billion, there were 40 guarantee documents worth USD9.20 billion have been expired.

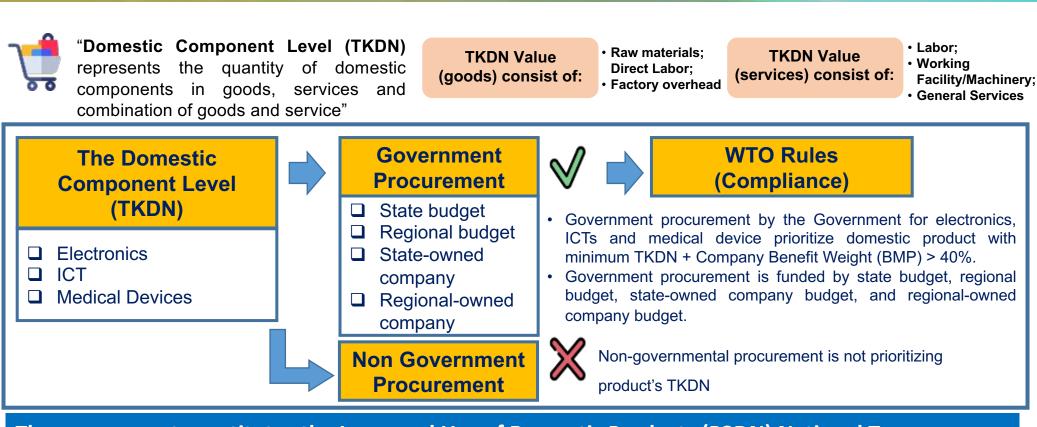
• The Maximum Guarantee Limit for the period 2022-2025 is set at 6% of GDP.

Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

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

The Domestic Component Level (TKDN) Implementation



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



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

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



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



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

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

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

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

Commodity-based improvement framework

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

Strengthen Key-Enabler

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

Organizing action plans based on 6 key drivers

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



1. Main Competitivenes Commodity welfare

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

Key Drivers: Logistic Action Plan

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

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

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

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



3

Government Continues to Support the Development of Downstream Industries



Indonesia's Coal Gasification Roadmap until 2045

• 2021	• 2025	• 2030	• 2035 2045 •
2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2045
 Establishment of 3 Gasification Plants for DME and/or Industry Import of LPG has decreased by 3,51 million tons by DME substitution Infrastructure and Product Distribution Channel for Coal Upgrading Phase-1 has been built Establishment of Coke Factory for Metallurgy Increased value-added of around 19.6 million tons of coal in the Coal Downstream Industry. 	 Increased capacity of the Gasification Industry to meet the demand for DME and Industry Establishment of 2 Coal to SNG plants in Sumatra. Establishment of a bio-coal briquette factory and implement the use of bio-coal briquettes. Coal Upgrading industry started operation. Increased value-added of around 22.7 million tons of coal in the Coal Downstream Industry. 	 Increased capacity of the Gasification Industry to meet the demand for DME and Industry Establishment of 2 Coal to SNG plants in Sumatra & 1 plant in Kalimantan. Establishment of the Coal Liquefaction Industry to substitute imported gasoline Establishment of REE industry and Advanced Materials, Agri-Industry, Materials from coal. Increased value-added of around 28.7 million tons of coal in the Coal Downstream Industry. 	 Increased capacity of the gasification industry to meet the demand for 19.81 million tons of Methanol for DME and Industry Increased capacity (optimization) in each Coal Downstream Industry There has been an increase in value-added of around 40.7 million tons of coal in the Coal Downstream Industry.

Encouraging The Downstream Industry To Increase Value-added Commodities



Downstream Industry Policy



Supporting Policy For Downstream Industry

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

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

Fiscal incentive and disincentive

Source: Coordinating Ministry for Economic Affairs

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

Total Number and Investment Smelter 2021-2024

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

Coal Development Project

The development of the Coal to DME Project aims to increase national ene 🙀 BukitAsam $^{\circ}$ 🅕 PERTAMINA PROPULAR security by reducing LPG imports.

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

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

Source: Ministry of Energy and Mineral Resources, 2022

Tanjung Enim

Gasification

COAL TO DMF PLAN

COAL 6 MTPA

METHANOL

SYNGAS

Promoting The Development Of Nickel-based Industries To Become A Global Battery And EV Supplier



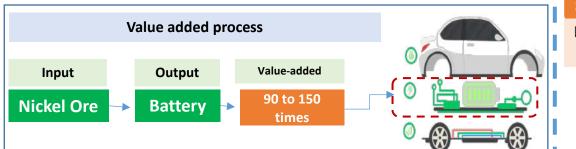
Government Issues Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021. In order to strengthen the ecosystem of Battery-Based Electric Motorized Vehicles, the Government provides Incentive Support in the form of Government-borne VAT

Potential: Indonesia's Nickel Reserves Are Abundant









Amount of Incentive for Battery-Based Electric Motorized Vehicles



TKDN > 40%
VAT incentive of 10%, so that the VAT that must be paid remains 1%



- TKDN > 20% - 40% - VAT incentive of 5%, so that the VAT that must be paid remains 6%

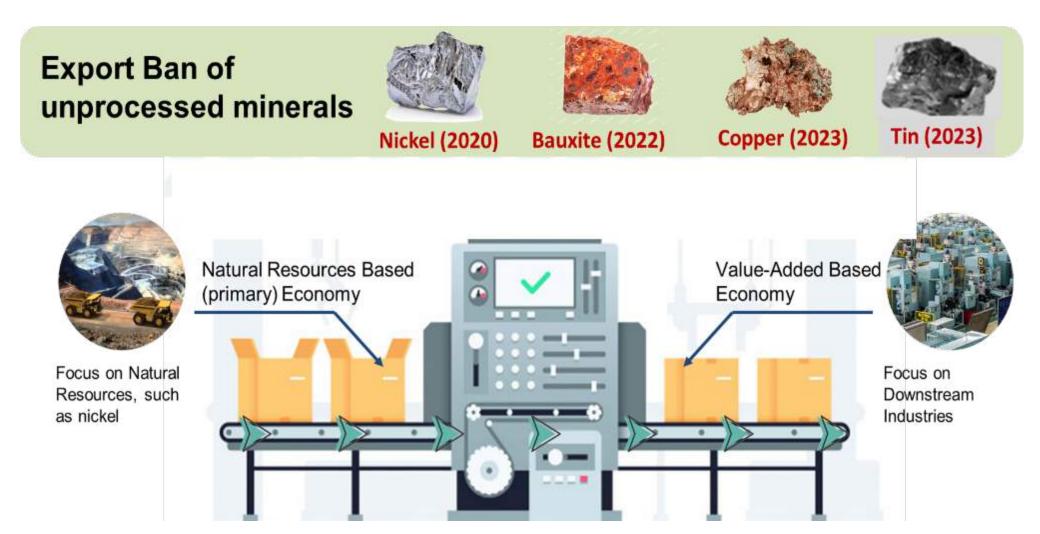
In Indonesia, the deepening of the electric vehicle industry structure is carried out through the obligation to gradually increase the domestic content level (TKDN) until 2030.

Supporting Regulation

Regulation Of The Minister Of Finance Of The Republic Of Indonesia 38/2023

Economic Transformation from Primary Sector Industries to Value-Added Industries





The Benefit of Nickel Downstreaming



Nickel Downstreaming: Indonesia as the World Production Hub for Electric Vehicle





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

-	Investment Plan:		
5	LG	: Integrated Battery Industry US\$9,8 Billion	
	CATL	: Integrated Battery Industry US\$5,2 Billion	
	Foxconn	: Electric Battery Industry, Electric Vehicle Industry	
		(4wheel, 2wheel, E-Bus), and Supporting Industry	
10 11		(including charging station, R&D, and training) US\$8 Billion	
	BritishVolt: Battery and electric vehicle industry, US\$2 Billion		

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

Indonesia will become an exporter of high value-added commodities







Natural Resource Downstreaming As a Value-Added Commodity



Processing of Nickel to make the battery for electric vehicles

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

Location: Central Sulawesi, North Maluku, Central Java

Commodity:



Gasification of Coal into Dimethyl Ether (DME)

Investment plan in collaboration with Stateowned And National Private Sector in Coal gasification industry and its derivatives

Location: Tanjung Enim, South Sumatra

Commodity:



Processing natural gas into methanol and Fertilizer

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

> Location: West Papua and East Java

> > Commodity :



Industrialization Downstreaming for Food Sector

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

> **Location**: Eastern Indonesia

> > Commodity :



Visioning Nusantara – New Capital City Of Indonesia



Vision

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

Recent Progress

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

New Capital City Planning Scheme



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

Development Stages of the National Capital City

sectors

(SDGs)

 Achieving the goals of the Sustainable

Development Goals



2035-2045 2020-2024 2045-onwards 2025-2035 Building the entire Initial transfer to IKN Strengthening reputation as a Building KN as a Resilient infrastructure and ecosystem of "World City for All" Area **3cities to accelerate the** development of East Kalimantan Critical basic • Developing the next Expand urban To be the leading city infrastructure is in the world in terms phase of the city (e.g., development completed and innovation and and of competitiveness • operational (eg water, economic centre) complete connectivity Top 10 livable cities in the • energy, rail) for residents between and within • Completed the transfer world cities in the initial stages of • Achieving net zero- Build central the IKN FDID estination No. 1 for carbon emissions and infrastructure (e.g. priority economic sectors in government 100% renewable Presidential Palace, centre Indonesia energy at MPR/DPR Building) and Develop priority Top 5 top destinations in installed capacity – the first housing in the Main IKN economic Southeast Asia for city in the world with >1 area global talent sectors million inhabitantsto Transfer of early-stage reach this target Implement an Encouraging ASN (eg TNI, Polri, K/L incentive system for sustainable utility ASN) priority economic networks by

implementing circular

economy enablers

 Developing a center for innovation and

talent development

- Initiation of priority
- economic sectors

The Progress of New Capital City "Nusantara" Development



The Important Role of Establishment of IKN

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



Indonesia's **New Economic** Driver

GDP of USD180 Billion

3 Million New Jobs 7+ Million Residents of IKN, Balikpapan, and Samarinda

Composition of Financing for the Capital of the Archipelago

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

Private Investment Cooperation

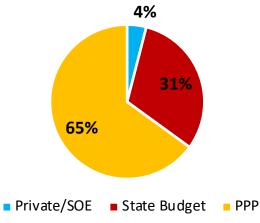
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant. hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

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

State Budget

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

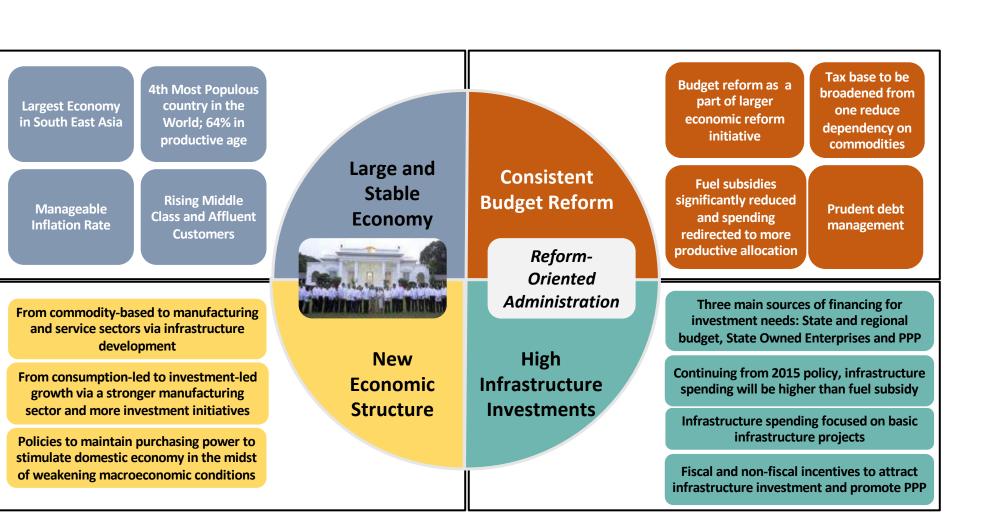
Composition of Financing schemes





Section 3

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



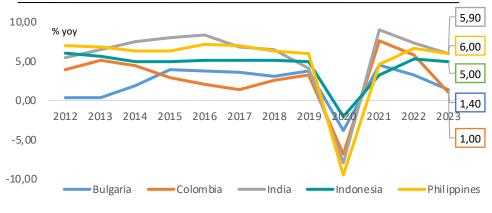
National Economic Growth Remains Solid



77

Strong GDP Growth¹ 000 -YoY 7,07 8,0 5,72 5,02 5.01 6,0 4,0 5,05 5.UI 2,0 3.06 5506 0,0 (1,69) (1,742,41) (0,42) (0,96) (0,52)(0,96) 0,36 (1,81)(0,30)(1,70)(0,41)-2,0 (0.16)-4.0 -6,0 -8,0 Q2 Q4 2021 2022 2023

Favourable GDP Growth Compared to Peers²



-15,00

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

2. Source: World Economic Outlook Database – January 2023; * indicates estimated figure

*) Consensus Forecast number will be given later

Against a backdrop of global economic moderation, economic growth in Indonesia remains solid. The latest data published by BPS-Statistics Indonesia indicates 5.03% (yoy) national economic growth in the first quarter of 2023, up slightly from 5.01% (yoy) in the previous period. Moving forward, Bank Indonesia projects solid economic growth in 2023 with a bias towards the upper bound of the 4.5-5.3% range on the back of improving domestic demand and persistently strong export performance.

Solid economic growth in the reporting period was supported by all GDP components. Exports maintained high 11.68% (yoy) growth, underpinned by strong demand in key trading partner countries. Household consumption growth improved to 4.54% (yoy) in line with increasing mobility and purchasing power, coupled with lower inflation. Government consumption expanded 3.99% (yoy), primarily driven by procurement and personnel expenditures. Meanwhile, non-building investment growth also remained solid in line with export performance, though overall investment was sluggish at 2.11% (yoy) given subdued building investment growth.

Robust economic growth was also reflected by broad-based sectoral and spatial growth. All economic sectors recorded positive growth in the first quarter of 2023, primarily underpinned by the Manufacturing Industry, Wholesale and Retail Trade as well as Mining and Quarrying. Meanwhile, the Transportation and Storage sector, Accommodation and Food Service Activities as well as Other Services posted strong growth on greater public mobility and a surge of inbound international travellers. Spatially, economic growth in the first quarter of 2023 was maintained in nearly all regions of Indonesia, led by Kalimantan, followed by Sulawesi-Maluku-Papua (Sulampua), Java, Sumatra and Bali-Nusa Tenggara (Balinusra).

2023 Growth Projection *)

Institutions	GDP growth
2023 Budget	5.3
Bank Indonesia	4.5-5.3
Consensus Forecast (May 2023)	4.7
World Bank (GEP, January 2023)	4.8
IMF (WEO, April 2023)	5.0
ADB (Asian Development Outlook, April 2023)	4.8

GDP Growth Breakdown



GDP Growth Based on Expenditures (%, YoY)¹

Feerreratie Creatith by Fundamilitation	2018 2019 2				2021						2022				
Economic Growth by Expenditure	Total	Total	Total	Q1-2021*	Q2-2021*	Q3-2021*	Q4-2021*	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023***	(%)
GDP Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	5,03	
Private Consumption	5,14	5,16	(2,67)	(2,25)	5,92	1,06	3,55	2,01	4,37	5,49	5,40	4,50	4,94	4,57	54,06
Household Consumption	5,05	5,04	(2,63)	(2,21)	5,96	1,02	3,56	2,02	4,34	5,51	5,39	4,48	4,93	4,54	52,88
NPI Serving Households Consumption	9,15	10,62	(4,21)	(3,65)	4,06	2,87	3,20	1,62	5,90	5,02	5,97	5,70	5,64	6,17	1,17
Government Expenditure	4,82	3,27	2,12	2,57	8,22	0,65	5,29	4,24	(6,62)	(4,63)	(2,55)	(4,77)	(4,51)	3,99	5,32
Gross Fixed Capital Formation	6,68	4,45	(4,96)	(0,21)	7,52	3,76	4,49	3,80	4,08	3,09	4,98	3,33	3,87	2,11	29,11
Building	5,41	5,37	(3,78)	(0,74)	4,36	3,36	2,48	2,32	2,58	0,92	0,07	0,11	0,91	0,08	21,69
Nonbuilding	10,44	1,83	(8,44)	1,44	18,50	4,96	10,40	8,42	8,63	9,71	19,32	12,11	12,53	7,93	7,42
Export	6,51	(0,48)	(8,42)	2,17	28,41	20,74	22,24	17,95	14,22	16,40	19,41	14,93	16,28	11,68	22,71
Import Source: Central Bureau of Statistics of	12,14	(7,13)	(17,60)	5,21	33,20	31,08	32,61	24,87	16,04	12,72	25,37	6,25	14,75	2,77	(19,56)

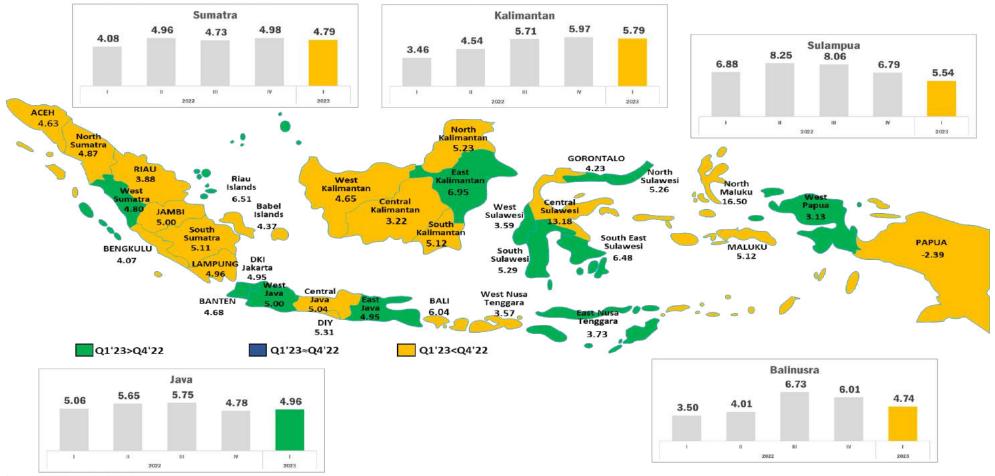
GDP Growth by Sector (%, YoY)

	2018	2019	2020		2021					2022					
Economic Growth by Sector	Total	Total	Total	Q1-2021*	021* Q2-2021* Q3-2021* Q4-2021* Total Q1-2				Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023***	(%)
Economic Growth (% yoy)	5,17	5,02	(2,07)	(0,69)	7,08	3,53	5,03	3,70	5,02	5,46	5,73	5,01	5,31	5,03	
Agriculture, Forestry, and Fishery	3,88	3,61	1,77	3,48	0,56	1,44	2,33	1,87	1,16	1,68	1,95	4,51	2,25	0,34	11,77
Mining and Quarrying	2,16	1,22	(1,95)	(2,02)	5,22	7,78	5,15	4,00	3,82	4,01	3,22	6,46	4,38	4,92	11,85
Manufacturing	4,27	3,80	(2,93)	(1,38)	6,58	3,68	4,92	3,39	5,07	4,01	4,83	5,64	4,89	4,43	18,57
Construction	6,09	5,76	(3,26)	(0,79)	4,42	3,84	3,91	2,81	4,83	1,02	0,63	1,61	2,01	0,32	9,88
Wholesale and Retail Trade	4,97	4,60	(3,79)	(1,28)	9,50	5,12	5,54	4,63	5,73	4,43	5,37	6,55	5,52	4,89	12,95
Transportation and Warehousing	7,05	6,38	(15,05)	(13,09)	25,10	(0,72)	7,93	3,24	15,79	21,27	25,80	16,99	19,87	15,93	5,56
Information and Communication	7,02	9,42	10,61	8,72	6,90	5,54	6,24	6,82	7,15	8,06	6,95	8,75	7,74	7,19	4,19
Financial and Insurance Services	4,17	6,61	3,25	(2,97)	8,33	4,29	(2,59)	1,56	1,64	1,50	0,87	3,76	1,93	4,48	4,31
Other Services	6,18	6,66	(1,24)	(2,51)	9,83	(0,84)	3,43	2,35	3,33	4,03	7,88	4,95	5,04	4,55	16,32

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

Economic Performance In All Regions Remains Solid

Economic growth in the first quarter of 2023 was recorded at 5.03% (yoy), up slightly from 5.01% (yoy) in the previous period...



Realization of PDRB Quarter I 2023 (%, yoy; compared to Quarter IV 2022)

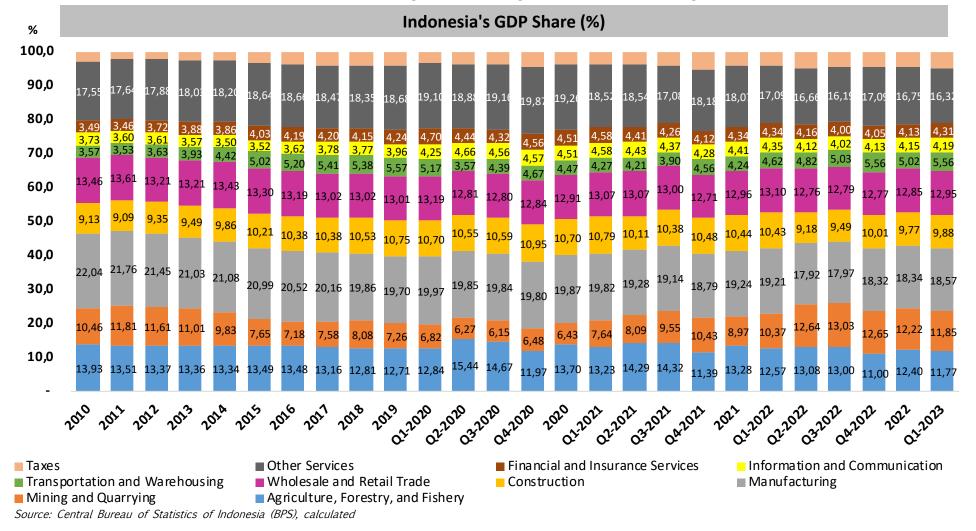
Source: BPS, calculated

Economic Performance in Most Sectors Continue to Improve



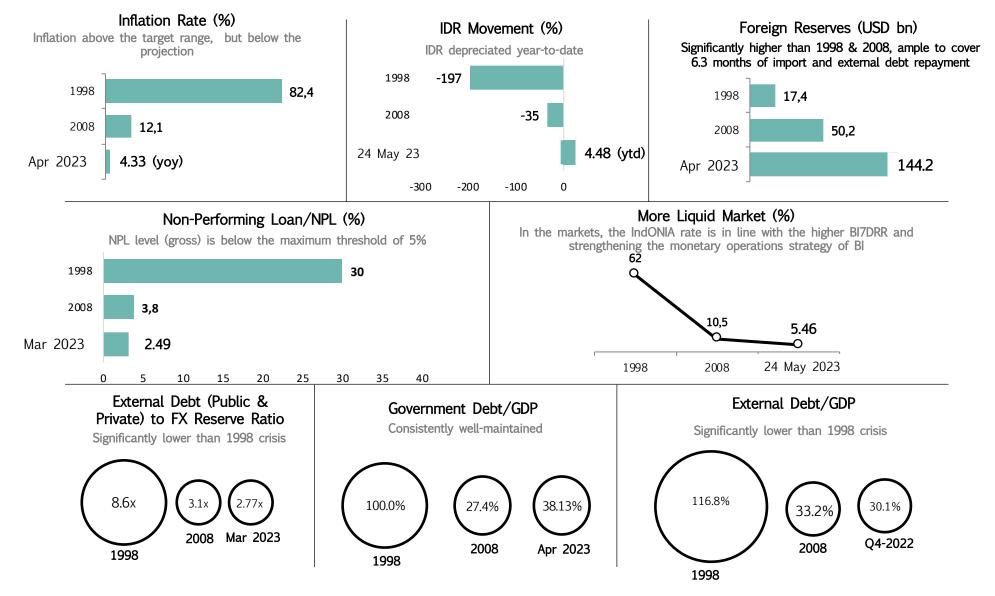
80

Sound performance in all economic sectors supporting solid economic growth, in particularly the manufacturing industry, wholesale and retail trade as well as transportation and storage. Indonesia's economy is mainly supported by services sector, manufacturing, and primary sector. Services sector (wholesale and retail trade, information and communication, financial and insurance service) has expanded the last five years, while primary sector (mining and quarrying) has benefited from higher commodity prices in 2022.



Solid Fundamentals Facing the Headwinds



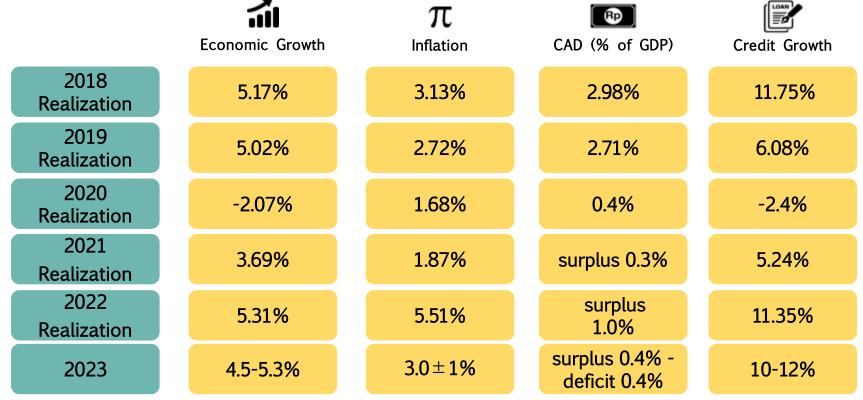


Outlook of Domestic Economy Remains Robust

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

2023 Economic Outlook

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





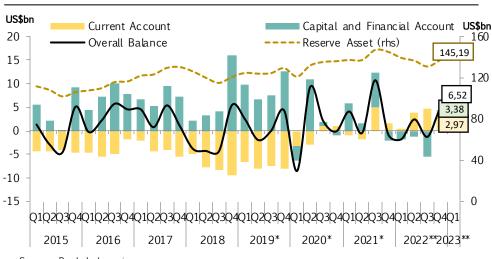
Section 4

External Factor: Improved External Resilience

External Sector Remains Resilient

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

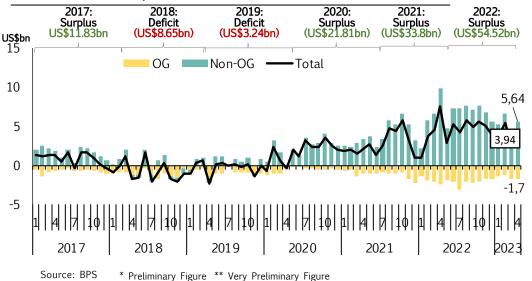


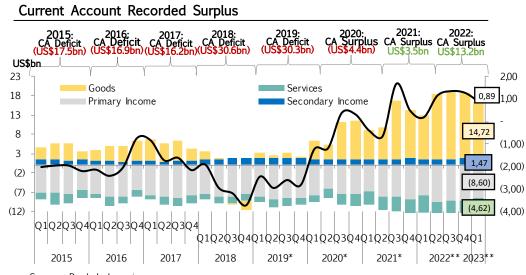


Balance Of Payment Remains Solid

Source: Bank Indonesia

Trade Balance Surplus Continues

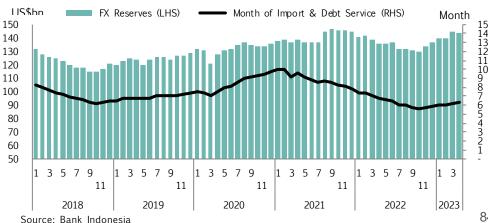




Source: Bank Indonesia

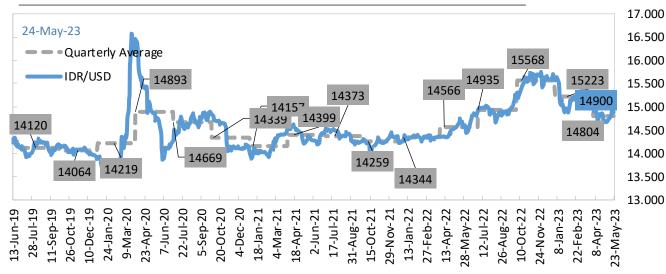
Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of April 2023: US\$144.2bn (Equiv. to 6.3 months of imports + servicing of government debt)

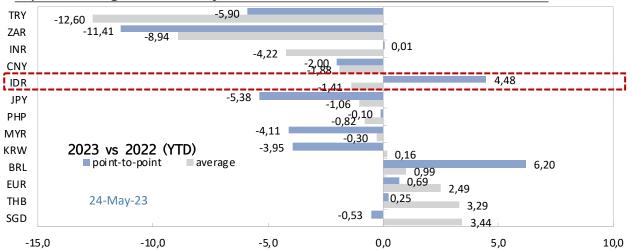


Exchange Rate Movement Supported by BI Stabilization Measures

Movement of Rupiah



Rupiah Exchange Rate Volatilty



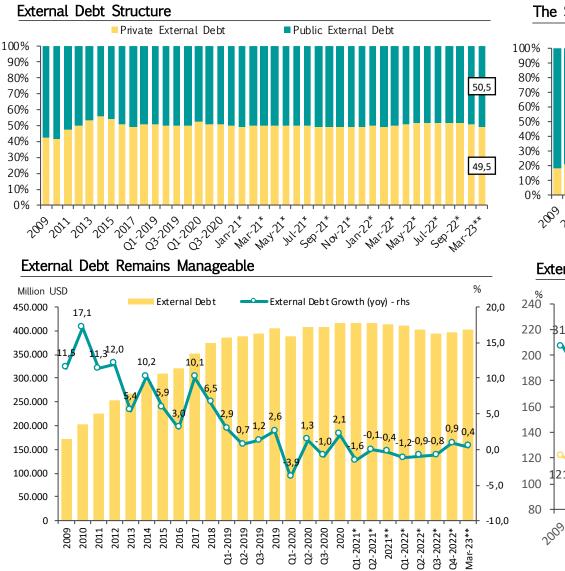
The rupiah continues to regain lost value in line with the stabilisation measures implemented by Bank Indonesia. The rupiah is tracking an appreciatory trend in the second quarter of 2023, gaining 0.63% (ptp) as of 24th May 2023 compared with the level recorded at the end of the first guarter of 2023, driven by an influx of foreign capital inflows in the form of portfolio investment. Year-to-date, the rupiah gained 4.48% on the level recorded at the end of December 2022, thus exceeding baht (0.20%) and rupee (0.08%) appreciation, with the peso depreciating 0.10%. Bank Indonesia continues strengthening rupiah stabilisation policy through triple intervention and the twist operation to control imported inflation and mitigate the contagion risk of global financial market uncertainty. Moving forward, Bank Indonesia expects the rupiah to continue appreciating, supported by a positive current account and foreign capital inflows in line with the promising economic growth outlook, low inflation and attractive yields on domestic financial assets for investment.

Source: Reuters, Bloomberg (calculated)

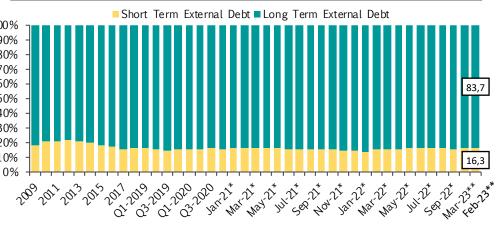
Amp	le Reserves	
	FX Reserve	 Ample level of FX reserves to buffer against external shock FX Reserves as of of April 2023: US\$144.2 bn
Swap	Arrangement	
	Japan	 Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2021 The facility is available in USD and JPY
	Singapore	 Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 1000 tn (equivalent) in November 2022
Bilateral	China	 Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 250 bn / IDR 550 tn (equiv.) in January 2022
	Malaysia	 Established a 3 year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022
	Australia	 Renewed a 3 year A\$/IDR swap arrangement with a size up to A\$10 billion or IDR 100 trillion in February 2022
Regional	Chiang Mai Initiative Multilateralizatior (CMIM) Agreemen	
Global	IMF Global Financial Safety Net - GSFN	 Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

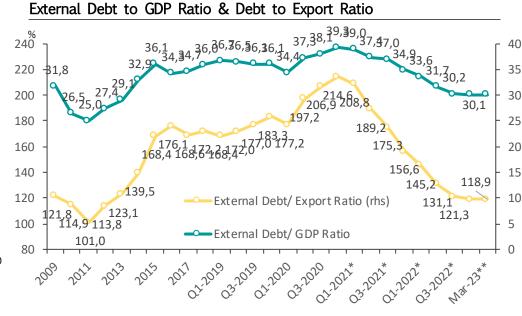
Healthy External Debt Profile





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

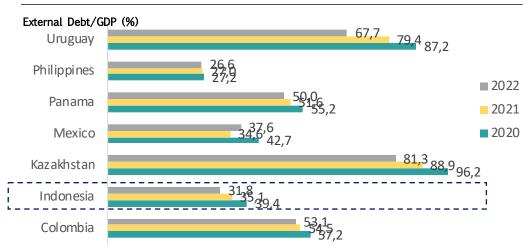




Source: Bank Indonesia, External Debt Statistics of Indonesia

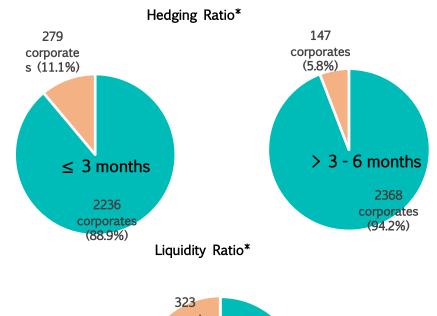
Strengthened Private External Debt Risk Management

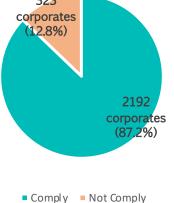
Debt Burden Indicator (External Debt/GDP) Remains Comparable to Peers Rating Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



Source: Moody's Credit View Fundamental Data, September 2022 Regulation on Prudential Principle in Managing External Debt

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





*Data as of Q3-2022, with total population 2,515 corporates Source: Bank Indonesia

Source: Bank Indonesia

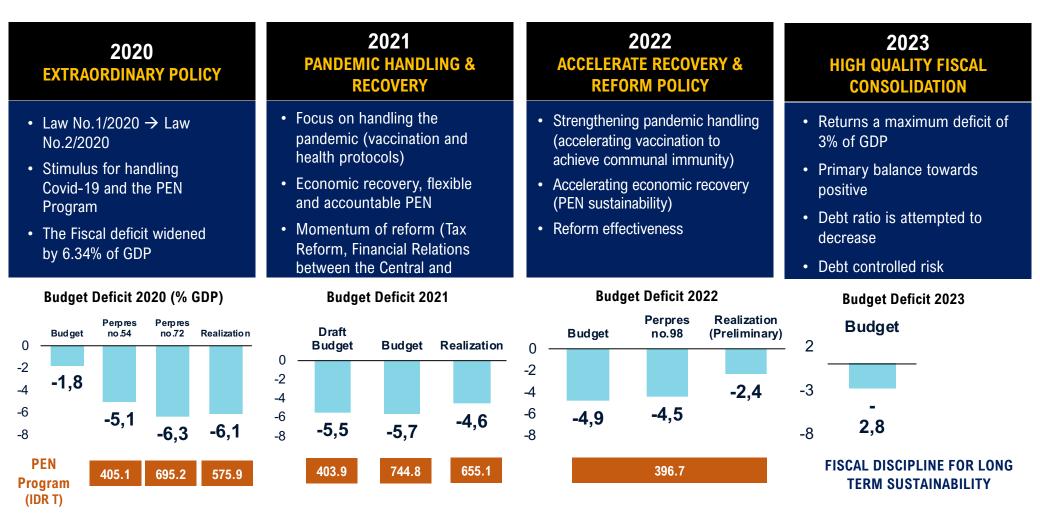


Section 5

Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

Fiscal Policy Works Hard, Responsive, and Flexible During Pandemic

Covid-19 measures, accelerating recovery, and supporting reforms

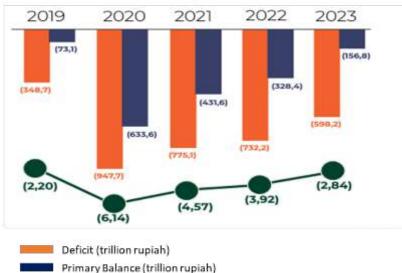


Fiscal Policy Focus 2023





The 2023 State Budget supports consolidation to maintain fiscal sustainability



Strengthening the Role of the APBN and Continuing Quality Fiscal Consolidation



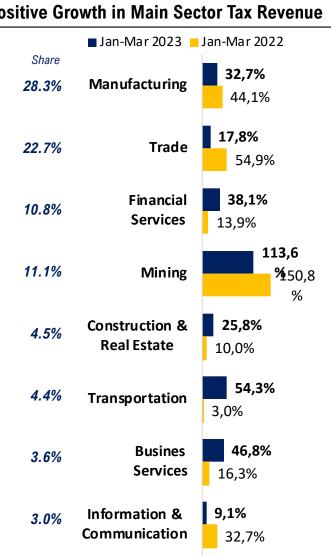
Deficit of GDP (&)

Budget Outturn Up To March 2023 Showed Positive Sign

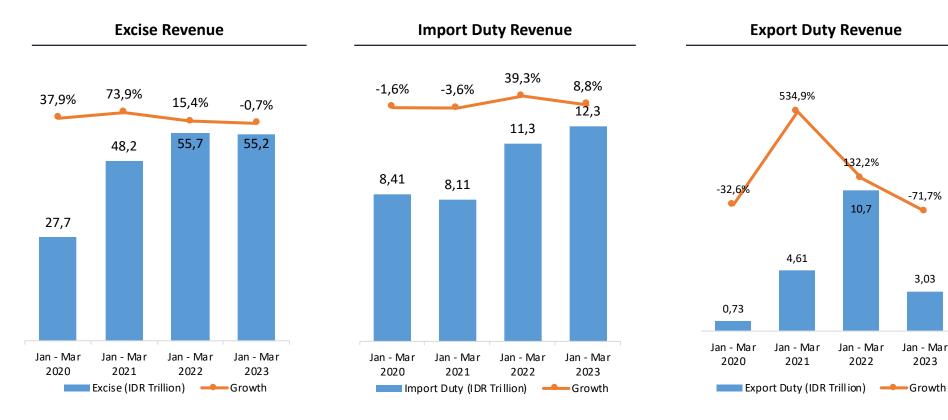
Economic Activities and the HPP Law Drive Revenue Despite Commodity Price Normalization



		2022		2023				
Account (IDRtn)	Real. as of 31 March	% to Revised Budget	Growth (%)	Budget	Real. as of 31 March	% to Budget	Growth (%)	
A. Revenue	501.8	22.1	32.3	2,463.0	647.2	26.3	29.0	
I. Tax Revenue (DG Tax & Custom-Excise)	402.4	22.6	38.6	2,021.2	504.5	25.0	25.4	
1. Tax	323.1	21.8	41.6	1,718.0	432.2	25.2	33.8	
2. Custom & Excise	79.3	26.5	27.3	303.2	72.2	23.8	(8.9)	
II. Non-Tax Revenue	99.2	20.6	12.0	414.4	142.7	32.3	43.7	
B. Expenditure	490.7	15.8	(6.2)	3,061.2	518.7	16.9	5.7	
I. Central Government	314.2	13.7	(10.2)	2,246.5	347.3	15.5	10.5	
1. Line Ministries Spending	150.0	15.9	(25.6)	1,000.8	166.9	16.7	11.3	
2. Non-Line Ministries	164.2	12.1	10.6	1,245.6	180.3	14.5	9.8	
II. Regional Transfer & Village Funds	176.5	21.9	2.0	814.7	171.4	21.0	(2.9)	
C. Primary Balance	95.5	(22.0)	246.3	(156.8)	228.8	(145.9)	139.6	
D. Surplus (Deficit)	11.1	(1.3)	107.7	(598.2)	128.5	(21.5)	1,058.4	
% to GDP	0.06			(2.84)	0.61			
E. Financing	139.8	16.6	(58.0)	598.2	203.7	34.1	45.8	



Customs And Excise Revenues Are Slightly Slow But On-track

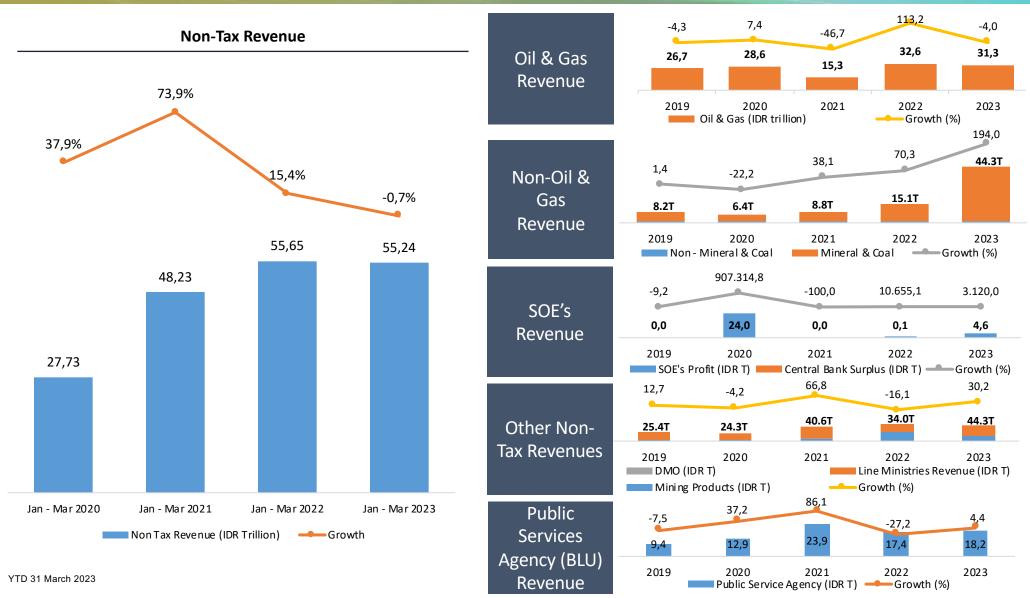


Tobacco excise tax revenue decreased slightly, due to the decline in January 2023 production

The growth of import duty is driven by the import of main commodities that are still increasing and the weakening of the rupiah currency The performance of export duty is declining due to moderated prices of crude palm oil and the decrease in export volume of mineral commodities

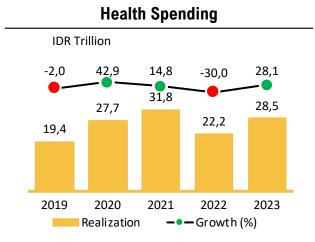
The Realization Of Non-tax State Revenue Continues To Experience Growth

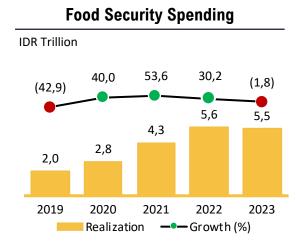




Government Maintains Focus on Priority Spending



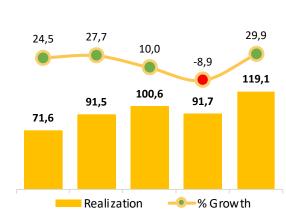








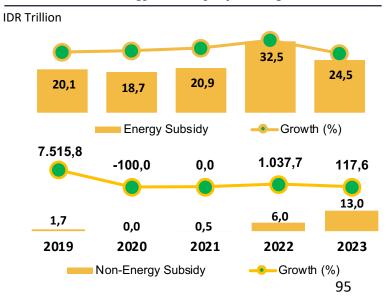
Education Spending



Infrastructure Spending



Energy Subsidy Spending

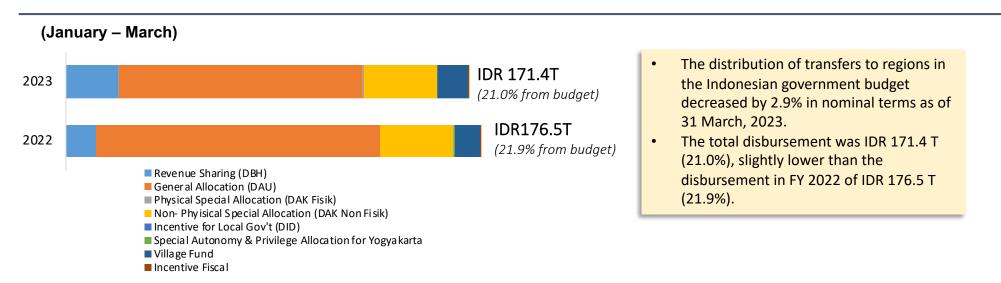


YTD 31 March 2023

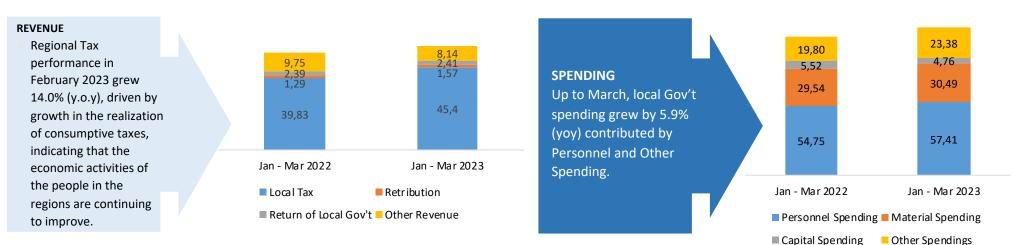
The Performance Of Transfers To The Region Requires Improvement





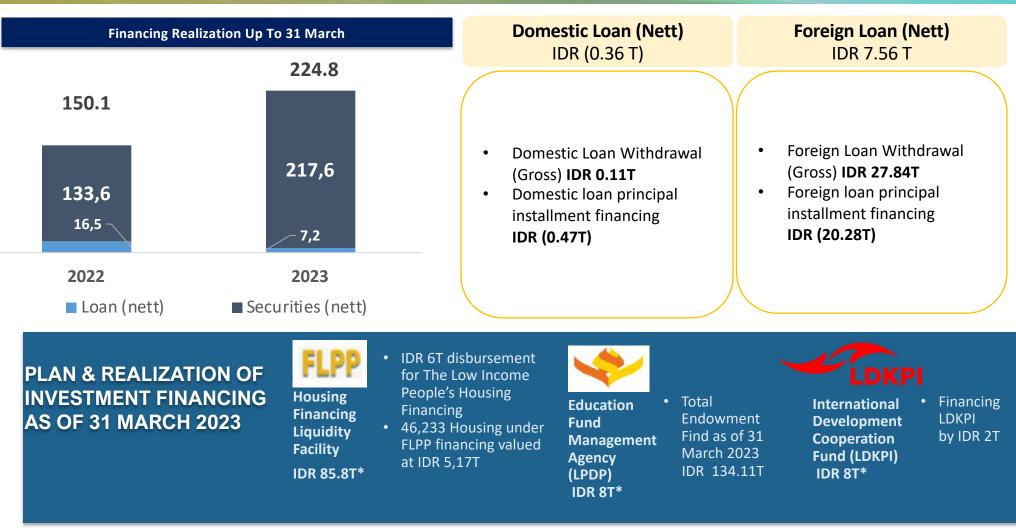


Local Government Performance



Budget Financing Apply Prudent, Flexible, And Opportunistic Principle





* 2023 Target Fund

Inc	reasing productivity for	or an inc
	Description (IDR Trillion)	Budget 2
A. St	ate Revenue	2,463.0
1.	Tax Revenue	2,021.2
2.	Non-tax Revenue	441.4

2023 Budget Financing

clusive and sustainable economic transformation

Economic Growth

5.3%

Inflation

3.6%

Exchange Rate IDR14,800/USD

10Y T-Bonds Rate 7.90%

	Description (IDR Trillion)	Budget 2023
A. St	ate Revenue	2,463.0
1.	Tax Revenue	2,021.2
2.	Non-tax Revenue	441.4
3.	Grants	0.4
B. St	ate Expenditure	3,061.2
1.	Central Government Expenditure	2,246.5
2.	Regional Transfer & Village Fund	814.7
C. Pr	imary Balance	(156.7)
D. Sı	ırplus (Deficit)	(598.2)
	% of GDP	(2.84)
E. F	inancing	598.2

Macroeconomic Assumption for 2023 Budget

ICP US\$90/barrel



Oil Lifting 660 thousand barrel/day



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

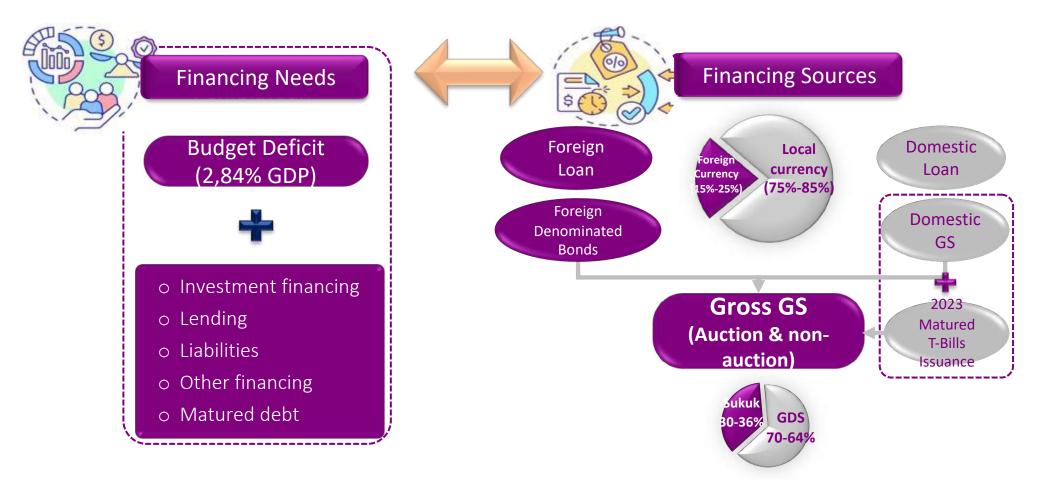


105 - 107

107 - 108

2023 Financing Needs





2023 Financing Policies



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



<u>debt</u> <u>policy</u> <u>direction</u>



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



Prioritizing domestic sources of financing to increase financial independence



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



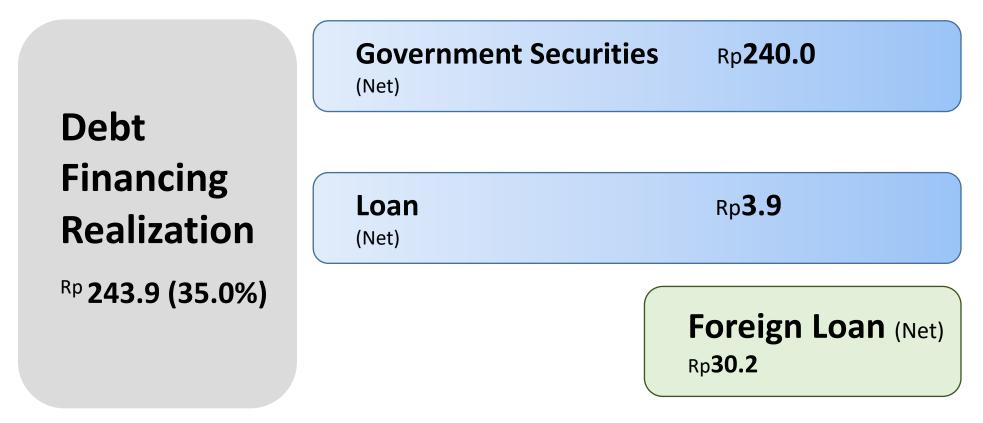
Flexibility in debt financing, both in terms of timing and composition, to obtain the most favorable costs and risks for the government.



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



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



Note :

1. all numbers in trillion Rupiah

2. The percentage is the percentage of budget ceiling from National Budget year 2023

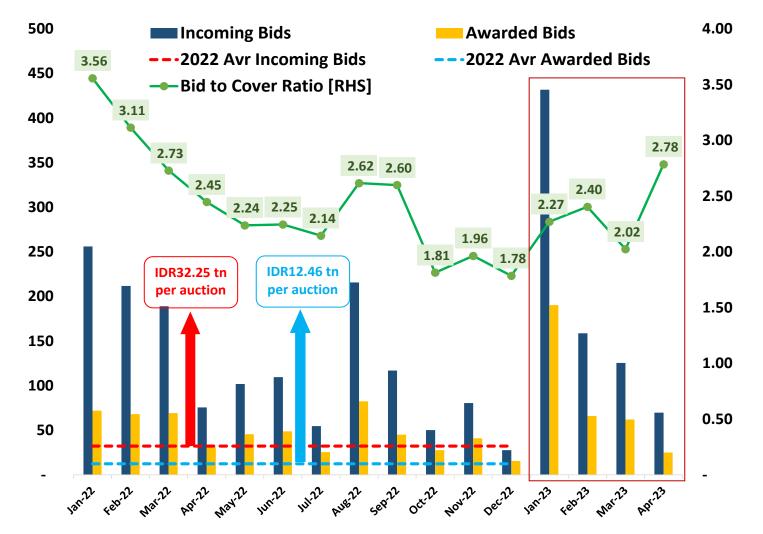
GS Financing Realization 2023



	(Trillion IDR)
	Realization
	(ao. Apr 28, 2023)
Government Securities (GS) Nett	342.11
Government Securities (GS) Gross	235.05
Government Debt Securities (GDS)	187.56
IDR Denominated GDS	139.40
- Coupon GDS	21.85
- Conventional T-Bills	4.12
- Private Placement (+ Voluntary Disclosure Program)	22.18
- Retail Bonds	47.49
Foreign Denominated Bonds	46.77
- SEC USD-EUR (- Buyback LM)	0.00
- Samurai Bond	0.00
- SDG Bonds	0.72
- Valas Voluntary Disclosure Program	107.06
Sovereign Sharia Securities (Sukuk)	107.06
Domestic Sovereign Sharia Securitoes	76.46
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk	85.00
- Retail Sukuk	21.49
- Private Placement	0.57
Global Sukuk	0.00

Primary Market Performance 2022 – 2023

Government Securities (GS)



In 2023:

- average incoming bid = IDR36.96 tn/auction
- average awarded bid = IDR16.42 tn/auction

Ownership Of Tradable Domestic Government Securities

	1	
N	X	Jut -
	ili ja	5

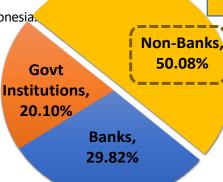
Description	Dec-1	9	Dec-20)	Dec-2	1	Dec-22	2	Apr-2	3	72.23	Portion of foreign
Banks*	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,697.43	31.97%	1,651.31	29.82%	%	ownership in the mid
Govt Institutions (Bank Indonesia**)	262.49	9.54%	454.36	11.74%	801.46	17.13%	1,020.02	19.21%	1,112.84	20.10%	/0	& long term sector (≥
Bank Indonesia (gross)	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,453.58	27.38%	1,419.64	25.64%	\smile	5 years)
GSused for Monetary Operation	10.72	0.39%	420.51	10.86%	419.27	8.96%	433.57	8.17%	306.80	5.54%		24,2020
Non-Banks	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,591.98	48.82%	2,772.59	50.08%	DR 1,092.02	on January 24, 2020, foreign holders reach
Mutual Funds	130.86	4.75%	161.32	4.17%	157.93	3.38%	145.82	2.75%	166.95	3.02%	Т /	a record high in
Insurance Company and Pension Fund	471.67	17.13%	542.82	14.02%	655.24	14.00%	873.03	16.44%	929.87	16.79%		nominal terms
Foreign Holders	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	762.19	14.36%	822.69	14.86%		
Foreign Govt's & Central Banks	194.45	7.06%	178.31	4.61%	233.45	4.99%	203.11	3.83%	207.47	3.75%		
Individual	81.17	2.95%	131.21	3.39%	221.41	4.73%	344.30	6.48%	369.82	6.68%		
Others	163.32	5.93%	231.57	5.98%	360.47	7.70%	466.65	8.79%	483.26	8.73%		
Total	2,752.74	100%	3,870.76	100%	4,678.98	100%	5,309.43	100%	5,425.54	100%		

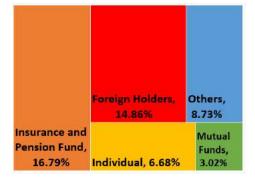
1) Non Resident consists of Private Bank, Fund/Asset Manager, Securities Company, Insurance Company, and Pension Fund.

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

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

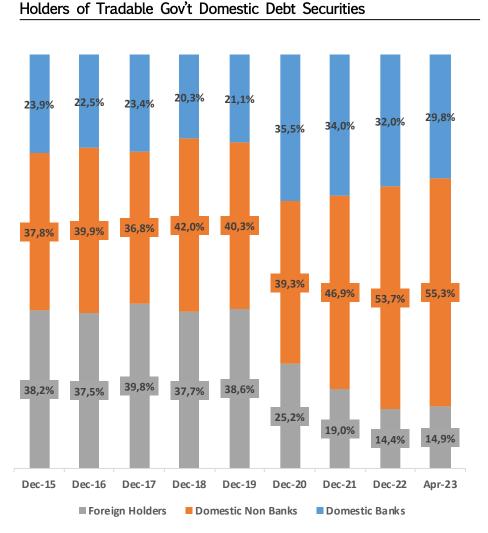
**) net, excluding Government Securities used in monetary operation with Banks.



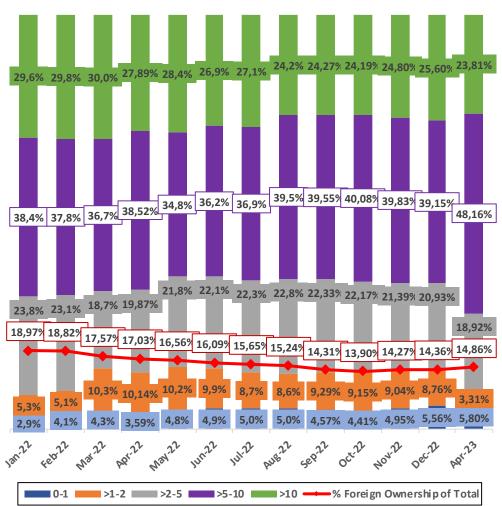


Holders of Tradable Central Government Securities

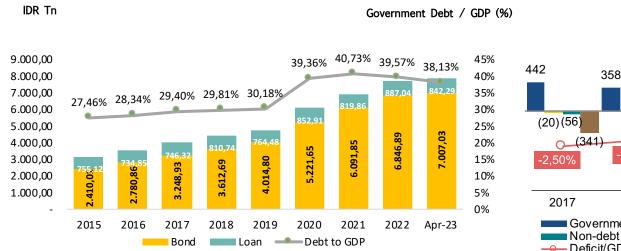
Balanced Ownership In Terms of Holders and Tenors



Foreign Ownership of Gov't Domestic Debt Securities by Tenor

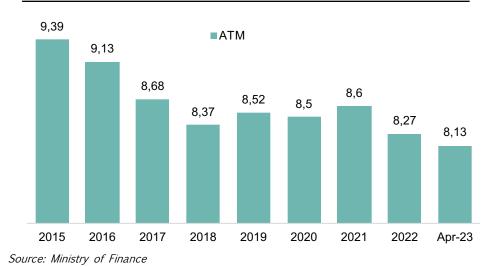


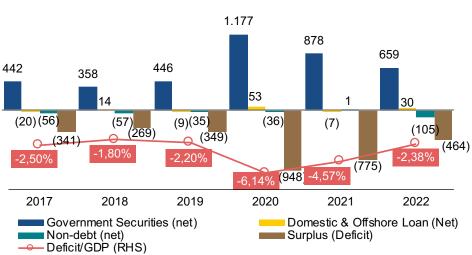
Disciplined and Advanced Debt Portfolio Management



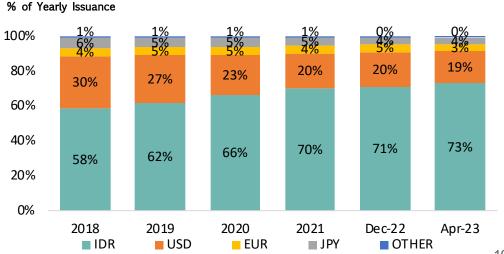
Stable Debt to GDP Ratio Over the Years

Weighted Average Debt Maturity





Well Diversified Across Different Currencies

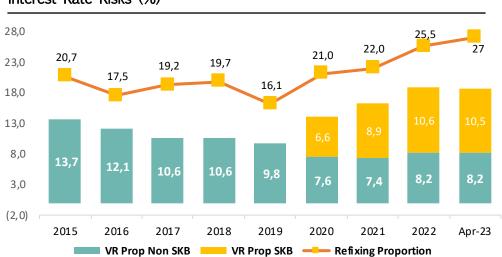


Prudent Fiscal Deficit

106

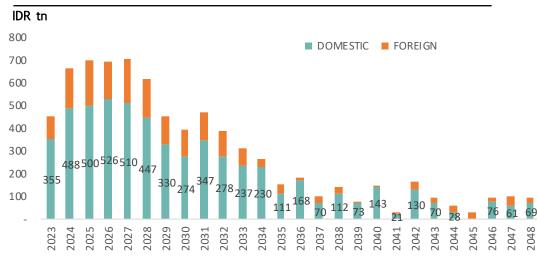
Well Balanced Maturity Profile with Strong Resilience Against External Shocks





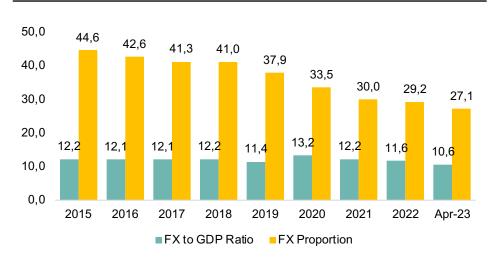
Interest Rate Risks (%)





Declining Exchange Rate Risks (%)

2049-2071







Republic of Indonesia USD3 bn Global Bonds Issuance



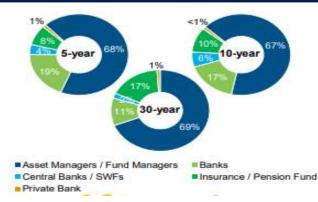
lssuer		Republic of Indonesia										
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Negative) BBB Fitch (Stable)											
Format		SEC-Registered Notes Off	ering									
Pricing Date		January 5, 2023										
Settlement Date		March 11, 2023										
lssue Size		USD3 bn										
Tenor	5year 10year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

Transaction Highlight

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



Investor Breakdown by Investor Type



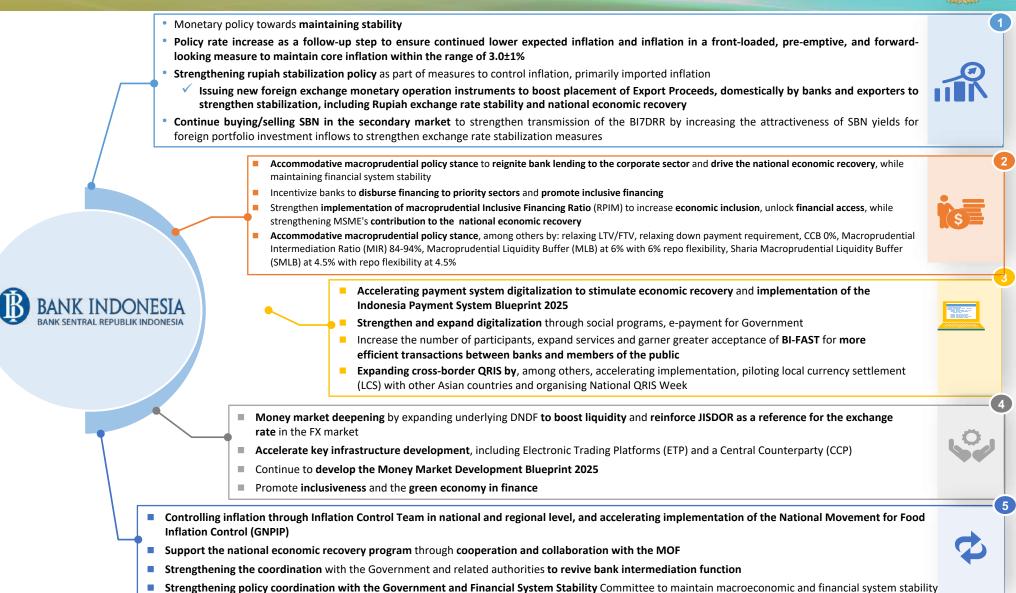


Section 6

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

Bank Indonesia's Policy Mix Direction in 2023 Maintaining Stability, Accelerating Economic Recovery



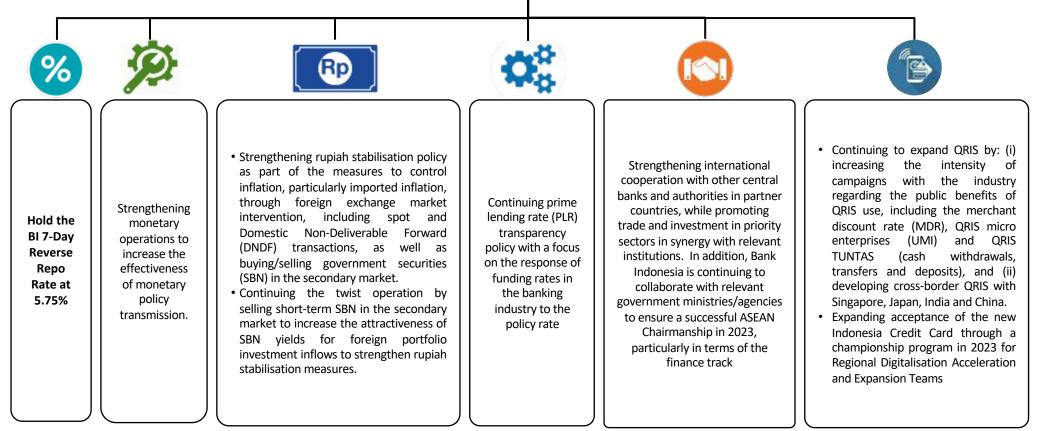


Bank Indonesia Policy Mix: May 2023





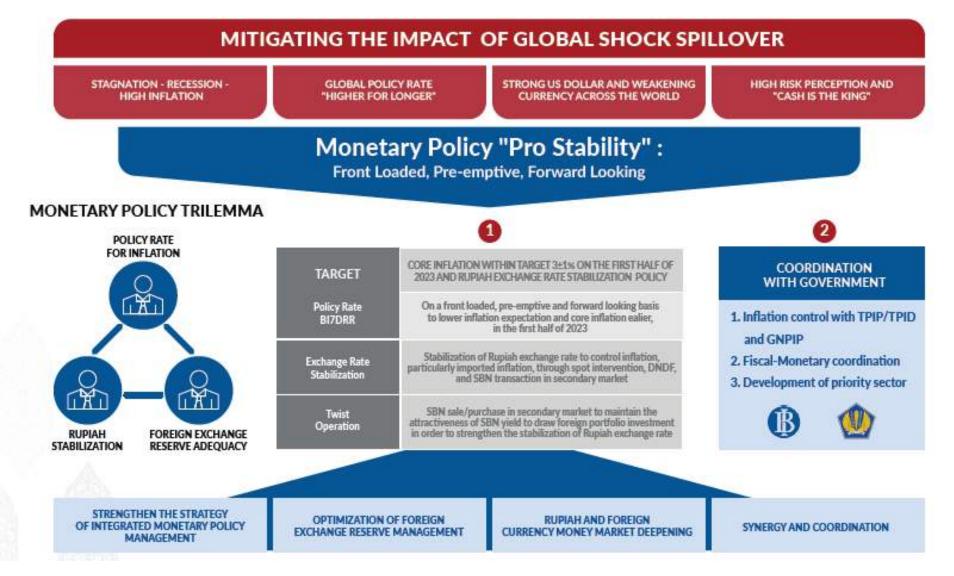
The BI Board of Governors agreed on 24th and 25th May 2023 to hold the BI 7-Day Reverse Repo Rate at 5.75%, while also maintaining the Deposit Facility (DF) rate at 5.00% and Lending Facility (LF) rate at 6.50%.



Monetary Policy will focus on stability

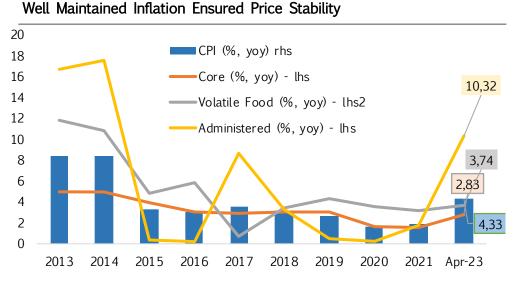
to stabilize Rupiah and manage inflation towards the target corridor, as part of mitigation measures against the impact of global spillovers.



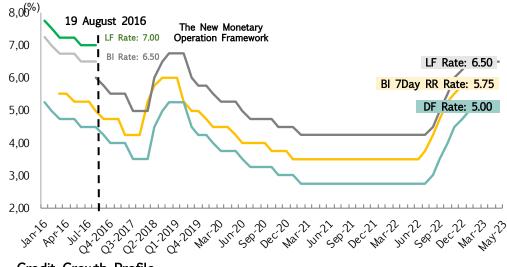


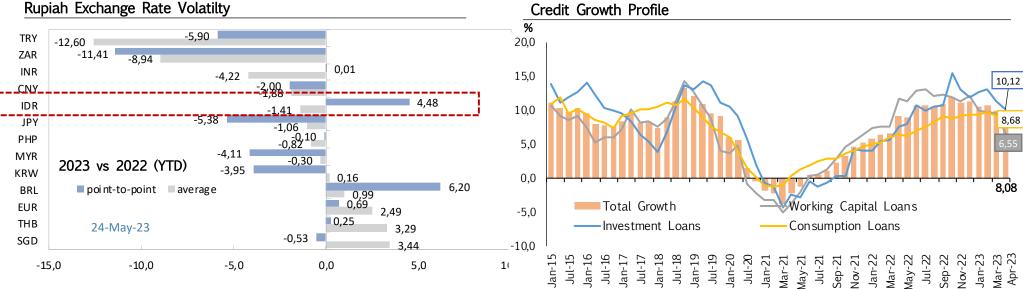
Manageable Monetary Environment amid Heightened Global Uncertainty





Strengthened Monetary Policy Framework





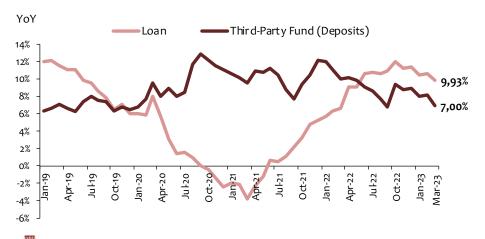
Source: Reuters, Bloomberg (calculated)

Banking Intermediation

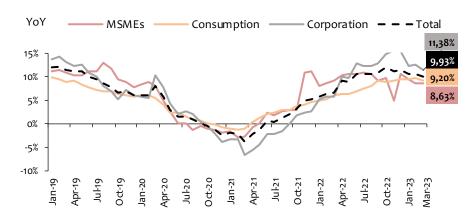
Despite the challenging global economic environment, Bank loans continued to grow, driven by investment and business lending, with relatively stable growth in funding.



In March 2023, bank loans decreased by 9.93% (yoy), and Third-Party Funds (Total Deposits) also decreased by 7.00% (yoy).



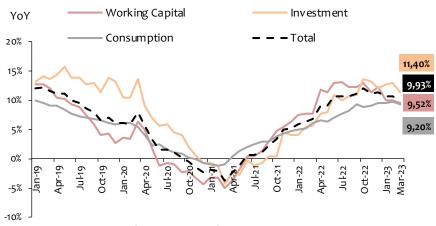
Loan growth by segmentation continued to improve in March 2023, with major contribution from Corporation loans, which grew by 11.38% (yoy).



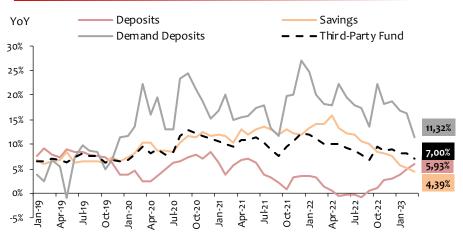


LOAN

Majority types of loans continued their positive trend, particularly **Investment** loans, which grew by **11.40%** (yoy) in March 2023



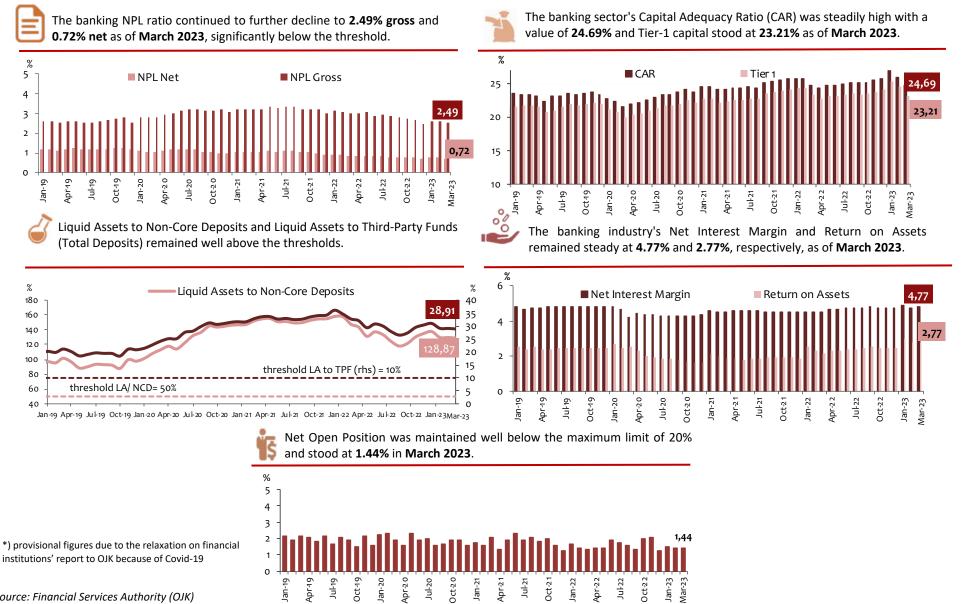
Third-Party Funds (Total Deposits) grew stable in **March 2023**, mainly supported by **Demand Deposits** growth, which increased by **11.32%** (yoy), respectively.



Banking Risk Profile and Profitability

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





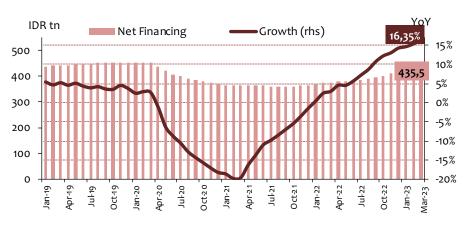
Source: Financial Services Authority (OJK)

Multi-finance Companies

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

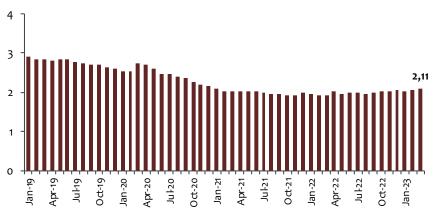
16

In **March 2023**, net financing continued its increasing trend and stood at **IDR435.5 Tn** or growing by **16.35%** yoy.

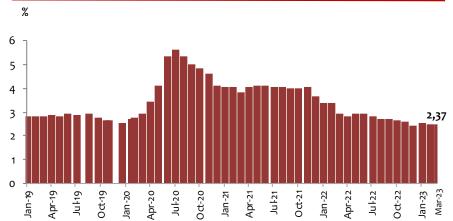


IÚ

The gearing ratio of multi-finance companies remained stable at **2.11** times or well below the 10 times threshold in **March 2023**.

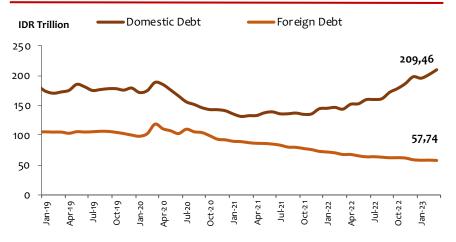


*) provisional figures due to the relaxation on financial institutions' report to OJK because of Covid-19 Source: Financial Services Authority (OJK) The Non-Performing Financing ratio of multi-finance companies was relatively stable at **2.37%** in **March 2023**, well below the 5% threshold.*)



Vě.

Multi-finance companies' exposure to domestic debt continued to increase whereas exposure to foreign debt experienced a declining trend in **March 2023**. *)

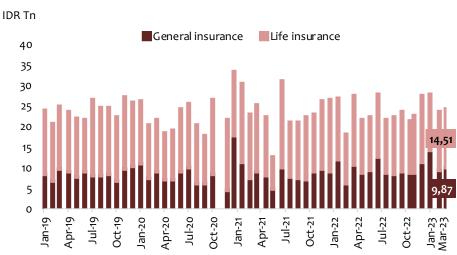


Insurance and Pension Funds

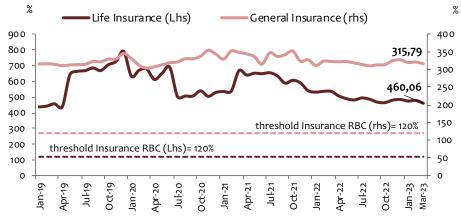
Insurance and pension funds continue to improve, shown by adequate performance and manageable risks.



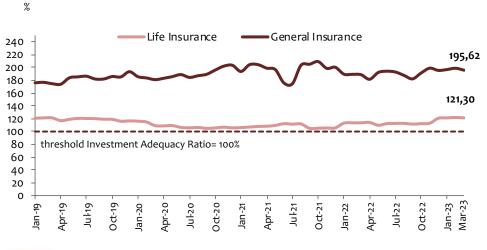
In March 2023, insurance premiums marked a total increase of IDR24.38 Tn (mtm) with General and Life insurance added premiums at IDR9.87 Tn and IDR14.51 Tn, respectively.



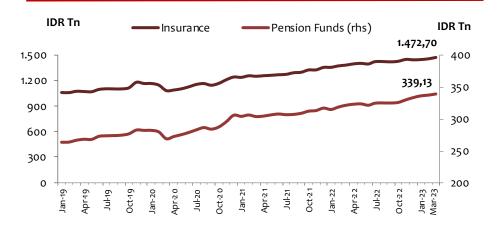
Risk-Based Capital (RBC) of the insurance industry remained well above the minimum threshold with Life Insurance at 460.06% and General Insurance at 315.79% in March 2023.



In March 2023, the Investment Adequacy Ratio of both Life Insurance and General Insurance stayed well above the threshold at 121.3% and 195.62%, respectively.



In March 2023, pension fund and insurance investment values continued the upward trend and stood at IDR339.13 Tn and IDR1,472.70 Tn, respectively.



Source: Financial Services Authority (OJK)

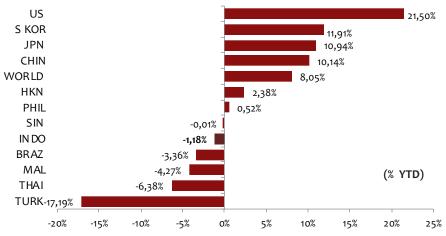
Domestic Capital Market Performance

Indonesia's capital market continued to maintain its stability despite global challenges



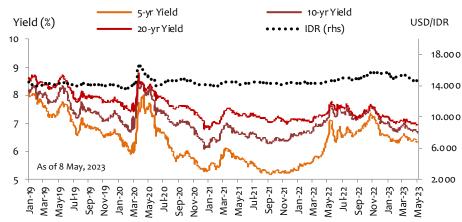
Persistent inflation and rapid interest rates unleash a global economic slowdown leaving a lasting effect on global stock indices, especially in emerging markets

Stock Index Performance as of 8 May 2023 (compared to 30 Dec'22)



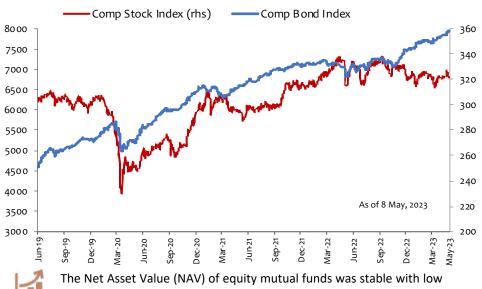


Government bond yields remained competitive, followed by a stable rupiah as the risk premium was maintained.

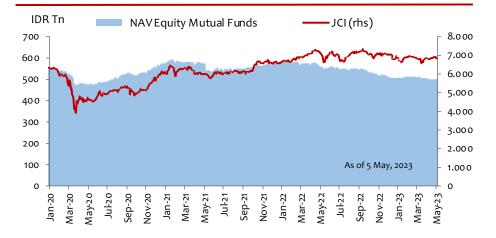




The domestic capital market showed a mixed performance with composite bond maintained its positive trend since the beginning of the year.



volatility, reflecting a steady movement in the capital market.



Source: Reuters, Financial Services Authority (OJK)

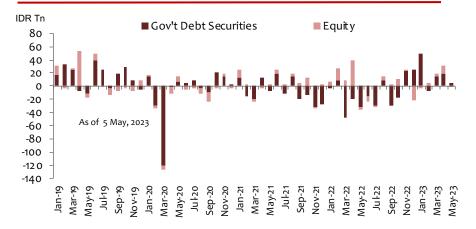
Domestic Capital Market Performance

Several capital market indicators recorded positive performance and remained stable.



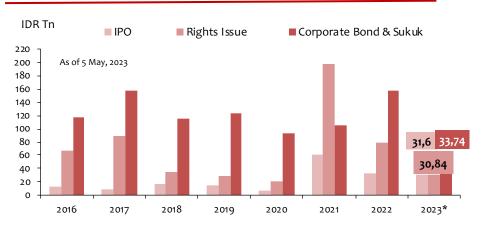


Non-resident portfolios of equity and government bonds recorded a total **net buy** of **IDR83.94 Tn (YTD)**, while the equity market recorded a **net buy** of **IDR18.18 Tn (YTD)** as of 5 May 2023

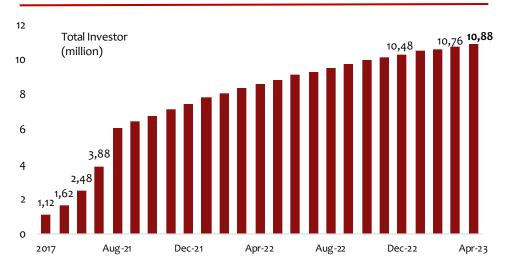




Total securities issuance reached IDR96.18Tn (YTD) as of 5 May 2023.



Capital Market Investors continued to grow to 10.88 million by the end of April 2023, representing a 26.22% (yoy) increase.



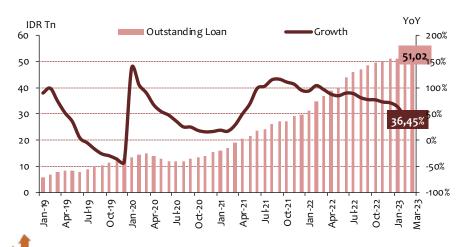
Source: Financial Services Authority (OJK), KSEI

Fintech (Peer to Peer Lending and Securities Crowdfunding)

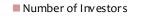
Peer to Peer Lending (P2PL) Fintech intermediation grows with a manageable NPL ratio and Securities Crowdfunding fundraising continues to rise.



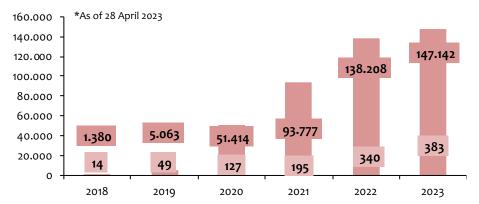
The outstanding loan of P2PL Fintech remained steady and stood at IDR51.02 Tn or grew by 36.45% (yoy) as of March 2023.



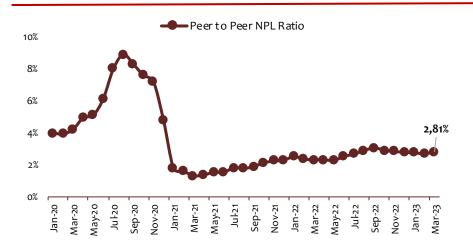
The total number of investors and issuers in Securities Crowdfunding increased and stood at **147,142** and **383**, respectively, as of 28 April 2023.



Number of Issuers

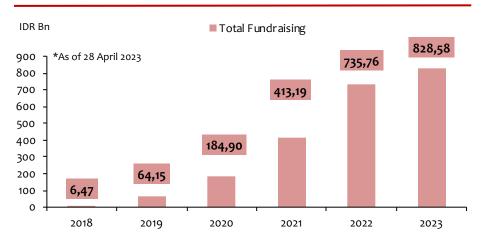


The Non-Performing Loan ratio of P2PL Fintech remained manageable at **2.81%** in **March 2023.**





Continuing the positive trend, the total value of SCF fundraising stood at **IDR828.58 billion** as of 28 April 2023.



Source: Financial Services Authority (OJK)

OJK Policy Directions 2023

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





Strengthening the Financial Services Sector

- Strengthening capital and consolidation in the banking sector
- Enhancing product and service innovations
- Strengthening governance and integrated supervision
- Restoring public trust in the insurance industry
- Implementation of Statements of Financial Accounting Standards (PSAK) 74
- Strengthening the role of actuaries
- Funding source diversification in the multi-finance industry
- Massive education programs to enhance financial literacy
- Strengthening complaint handling and dispute resolution as well as civil lawsuits by OJK



Maintaining Economic Growth

- Increasing investors' interest in green and sustainable instruments as well as Shari'a investmeants
- Enhancing the attractiveness of domestic financial market
- Supporting the Government's strategic policies and programs
- Enhancing financial access for MSMEs



Improving Services and Strengthening OJK's Capacity

- Enhancing Financial Information Services System (SLIK) to create a level playing field
- Expediting single window licensing
- Facilitating coordination among the financial services industry, authorities, and other relevant institutions
- Strengthening integrity and professionalism
- Implementing Anti-Bribery Management
 System (SMAP)
- Harmonizing rules with international standards
- Integrated data and information management
- Development of SupTech and RegTech

In consumer protection, OJK will focus on creating swift and just resolutions for financial consumers, imposing still financial penalties to create deterrent effects on violators, eradicating illegal investments, and establishing service centers to channel consumer complaints at all OJK offices across Indonesia.

In the implementation of Financial Sector Omnibus Law (P2SK Law), OJK hopes for stakeholders' active participation in the P2SK Law implementation process, including synergy with relevant authorities and institutions during the regulatory and supervisory transition process. Other important measures include Shari'a financial sector landscape restructuring through spin-offs and banking consolidation, preparing for the implementation of the Insurance Policy Holder Protection Program, strengthening market conduct supervision, and gradually extending activities and financial products to encompass areas, such as carbon exchanges, bullion activities, digital and crypto assets. *Source: Financial Services Authority (OJK)*

R

As global economic uncertainties remain high and economic sectors face different impacts due to the scarring effect of the Covid-19 pandemic, OJK extended the loans/financing restructuring policy until 31 March 2024 to targeted sectors as follows:

Targeted Segments of Covid-19 Restructured Loan



Act No. 4/2023 – Financial Sector Reform



FUNDAMENTAL ISSUES

- Short-term financing is still dominated by Banks
- Small non-bank asset portion should be enlarged to finance development
- Limited financial instruments huge potential for market deepening
- Digital assets: high risk and complex financial instruments
- Weak governance and law enforcement in the financial sector

EXTERNAL CHALLENGES

Technology Disruptions

New financial risks from **climate change** and current **geopolitical** situation

OBJECTIVE : Optimizing **financial intermediation** and **financing portfolio** for productive sectors; improving **financial access, inclusion and literacy,** and **consumer protection**; expanding **long-term financing resources**; enhancing **competitiveness** and **efficiency** of the financial sector; and strengthening **the authorities and responsibilities of financial regulators**.

OTORITAS JASA KEUANGAN Indonesia Financial Services Authority	BANK INDONESIA The Central Bank of The Republic of Indonesia	LEMBAGA PENJAMIN SIMPANAN Indonesia Deposit Insurance Corporation	KEMENTERIAN KEUANGAN The Ministry of Finance
 Strengthening OJK's role in some areas, including integrated supervision, financial conglomerate supervision, market conduct supervision, consumer protection, etc. Giving new mandates among others: cooperative in the financial sector, digital assets, carbon exchange, bullion activities. 	 Strengthening BI's role in some areas, such as maintaining financial system stability to support sustainable economic growth, maintaining the smooth running of the payment system, implementing macroprudential policies. 	 Strengthening the role of IDIC in deposit guarantee and bank resolution. Giving a new mandate: IDIC establishes policies and implement the insurance policy guarantee program. 	 Strengthening the role of the Ministry of Finance as a coordinator for Financial System Stability Committee and Sustainable Finance committee. The MoF coordinates with OJK, BI, and IDIC in some areas, including financial literacy and inclusion, financial sector development, etc.

Act No. 4/2023 - Substances



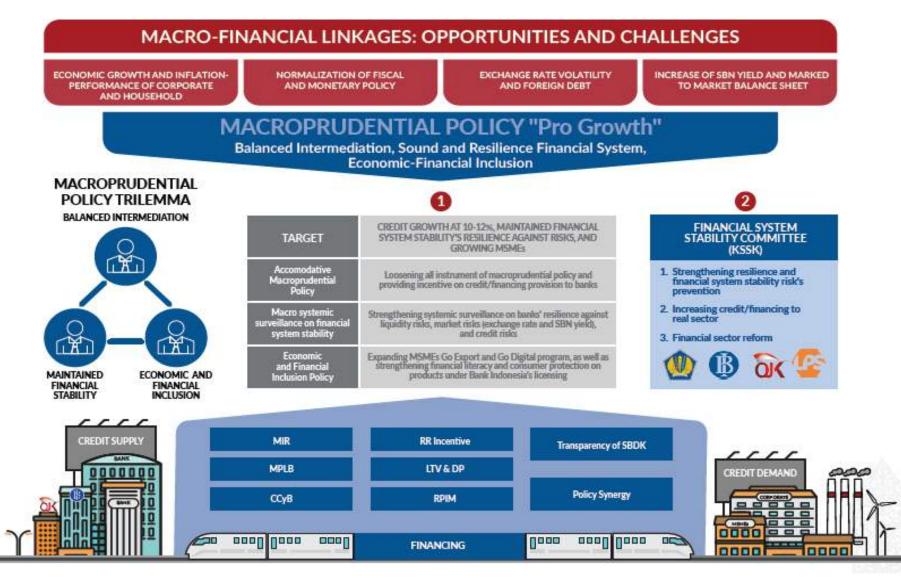
Act No. 4/2023 modifies, removes, and/or establishes new provisions for 17 existing laws in the financial sector and repeals one law. The Act also introduces new provisions regarding a) Financing Service Business, b) Consumer Protection in the Financial Sector, c) Technological Innovation in the Financial Sector, d) Human Resources, e) Financial Reporting, and f) Mutual Insurance.

CHAPTER I General Provisions	CHAPTER XV Financial Conglomerate	
CHAPTER II. Principles, Purposes, Objectives and Scope	CHAPTER XVI Financial Sector Technology Innovation	
CHAPTER III Institutional Aspect	CHAPTER XVII Sustainable Finance Implementation	
CHAPTER IV Bank	CHAPTER XVIII Financial Literacy, Financial Inclusion and Consumer Protection	
CHAPTER V Capital Market, Money Market and Foreign Exchange Market		
	CHAPTER XIX Access to Micro, Small, and Medium Financing	
CHAPTER VI Insurance		
CHAPTER VII Mutual Insurance	CHAPTER XX Human Resources	
CHAPTER VIII Policy Guarantee Program	CHAPTER XXI Financial System Stability	
	CHAPTER XXII Indonesia's Export Financing Institutions	
CHAPTER IX Guarantee Agencies	CHAPTER AND INdonesia's Export Financing institutions	
CHAPTER X Financing Service Business	CHAPTER XXIII Administrative Sanction	
CHAPTER XI Bullion Business Activity	CHAPTER XXIV Criminal Provisions	
CHAPTER XII Pension Fund, Old Age Protection Program, and Pension	CHAPTER XXV Other Provisions	
Program	CHAPTER XXVI Transition Provisions	
CHAPTER XIII Cooperative in the Financial Services Sector	CHAPTER XXVII Closing Provisions	
CHAPTER XIV Microfinance Institution		

Macroprudential Policy remains accommodative in 2023

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





Bank Indonesia's Comprehensive Financial Deepening Program

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





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

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

NATIONAL DIGITAL FINANCE AND ECONOMY : OPPORTUNITIES AND CHALLENGES

CLEAR VISION AND POLICY ON THE DIGITALIZATION OF THE NATIONAL PAYMENT SYSTEM ACTIVE INDUSTRY PARTICIPATION IN THE DIGITALIZATION OF FINANCIAL SERVICES AND PAYMENTS TO CONSUMERS

ACCELERATION OF PUBLIC ACCEPTATION OF FAST, CONVENIENT, AFFORDABLE, SECURE, AND RELIABLE DIGITAL PAYMENT TRANSACTIONS

DIGITAL TECHNOLOGY SPACE VS HIGH INVESTMENT COSTS. HUMAN RESOURCE SCARCITY, AND CYBER RISK

PENETRATION OF GLOBAL DIGITAL FINANCE PLAYERS, THE NEEDS FOR INTERNATIONAL COOPERATION

"Pro-Growth" Payment System Policy:

National Digital Economic-Financial Integration, Digital Rupiah

POLICY TRILLEM PAYMENT SYSTEM







www.indonesia.travel