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.

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

What’s New

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Prudent Pandemic Management and Continued Economic Recovery

Affirmation of Investment Grade Sovereign Credit Rating

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.

Sources: Fitch, Moody’s, S&P
Overview

1. Economic Recovery Program and Its Updates
2. Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development
3. Economic Factor: Improved Growth Prospects Supported by Continued Economic Recovery Momentum
4. External Factor: Improved External Resilience
5. Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility
6. Monetary and Financial Factor: Credible Monetary Policy Track Record and Favorable Financial Sector
Section 1

Economic Recovery Program and Its Updates
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.

Indonesia's Exit Strategy is starting to move towards economic recovery phase.

Growth: 5%

Economic growth fell / Unemployment and poverty rates rose.

Effective and widespread economic recovery program (PEN)

>445 million COVID-19 vaccines have been administered (main and booster doses). Indonesia has produced the COVID-19 vaccine domestically, to strengthen the supply of vaccines, including Indovac developed by Bio Farma.

President Joko Widodo on 30 December 2022 officially announced that PPKM had been repealed. However, the Pandemic status in Indonesia was not revoked.

Source: Coordinating Ministry for Economic Affairs

PEN PROGRAM

as a response to the handling of the Covid-19 pandemic and aims to handle health and support the economy

PEN 2020
575.9 Trillion

PEN 2021
655.14 Trillion

PEN 2022
455.62 Trillion

Focus: Continuation of Covid handling and acceleration/expansion of vaccinations

Focus: maintaining the purchasing power of the poor and vulnerable, as well as tackling extreme poverty

Focus: Job Creation and Increased Productivity

Source: Coordinating Ministry for Economic Affairs

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

1. Under the directions of the President, the combination of brakes and accelerator proved to be optimal. Dare to take risks, but measured.

2. PERPPU No 1 of 2020 provides responsible discretion. During the COVID-19 pandemic crisis period, support was not only needed by the poor but also the lower middle class.

3. Data availability & quality are important in formulating policies.

4. Intensive coordination between the Central Government, Regional Governments and the TNI/Polri as well as the involvement of all elements of society. The formulation of programs for ministries/institutions and local government may no longer be business as usual.

5. Utilization of digital technology can increase the accuracy of program targets. For example: KPCPEN One Data System, Care to Protect, Telemedicine Services, PKL-WN Applications, etc.

6. The pandemic creates innovation i.e. manufacture of Red and White Vaccines.

Source: Coordinating Ministry for Economic Affairs
Post Pandemic: Covid-19 Pandemic Handling

1. 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.
3. 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.
4. **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.

Source: Coordinating Ministry for Economic Affairs
The Improvement Trend Continues

GDP Growth (%YoY)

S&P Global Indonesia Manufacturing PMI

Total Investment (DDI+FDI) Rp Trillion

CCI & Retail Sales

Current Account of GDP (%)

Trade Balance (Billion USD)

The Indonesian Rupiah and JCI

Net Capital flow (Million USD)

Sources: CEIC, BI, BPS, Bloomberg (as of 26 May 2023)
Pre - Employment Card to Boost Working Skill Program

**Achievements**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;45.1 mio Verified applicant</td>
<td>registered on the Kartu Prakerja database</td>
</tr>
<tr>
<td>16.425.420 Total Beneficiaries</td>
<td>(Batch 1-47)</td>
</tr>
<tr>
<td>Rp37.96 trillion Incentive fund disbursement</td>
<td></td>
</tr>
<tr>
<td>Province</td>
<td>38</td>
</tr>
<tr>
<td>District/City</td>
<td>514</td>
</tr>
</tbody>
</table>

**Outcome**

A. Improved Working Skills and Entrepreneurship Opportunity

- **87.2%** The training to improve skills and competence
- **56% → 39.8%** Who previously unemployed are now getting jobs

B. Acceleration of Financial Inclusion

- **47%** Beneficiaries who previously did not have access to financial services are now have bank account or e-wallet.

C. Improved Purchasing Power and SMES

- **95%** beneficiaries used the cash incentives for
  - Staple Food
  - Electricity/Water
  - Business Capital
  - Mobile Data
  - Fuel
  - Transportation

**Statistical Demography**

- **Age**
  - 18...
  - 26...
  - 36...
  - 46...
  - >55
  - 27%
  - 34%
  - 21%
  - 13%
  - 5%

- **Residency**
  - Desa
  - Kota
  - 64%
  - 36%

- **Education**
  - Bachelor
  - Diploma
  - High-School
  - Middle-...
  - Elementary...
  - 11%
  - 4%
  - 49%
  - 17%
  - 19%

“Kartu Prakerja is the most extensive G2P (Government to Person) Program”

Source: Project Management Officer Program Kartu Prakerja, Dec 2022

Source: Coordinating Ministry for Economic Affairs
In 2023, the Government will implement a normal scheme that focuses more on improving skills, through offline, online or mixed training. Thus, the Pre-Employment Card is no longer semi-social assistance. The membership requirements are the same as before, however, Social Assistance Recipients/ Government Assistance are allowed.

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

<table>
<thead>
<tr>
<th>SEMI-BANSOS SCHEME</th>
<th>NORMAL SCHEME*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRAINING MODE</strong></td>
<td><strong>TRAINING MODE</strong></td>
</tr>
<tr>
<td>ONLINE</td>
<td>ONLINE — MIX — OFFLINE</td>
</tr>
<tr>
<td><strong>TRAINING BUDGET LIMIT</strong></td>
<td><strong>TRAINING BUDGET LIMIT</strong></td>
</tr>
<tr>
<td>MAX. Rp 1,000,000</td>
<td>MAX. 3,500,000</td>
</tr>
<tr>
<td><strong>POST TRAINING INCENTIVES &amp; SURVEY</strong></td>
<td><strong>POST TRAINING INCENTIVES &amp; SURVEY</strong></td>
</tr>
<tr>
<td>4 x Rp 600,000 &amp; 3 x Rp 50,000</td>
<td>1 x Rp 600,000 &amp; 2 x Rp 50,000</td>
</tr>
</tbody>
</table>

*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.

Source: Coordinating Ministry for Economic Affairs

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

MSMEs have returned to normal operations compared to 2020 (Survey of 505 MSMEs)

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)

84% of MSMEs get to know finance/banking products and 70% experience an increase in transactions per day. 71% get to know digital finance.

MSME Market Access and Empowerment Support

Source: Coordinating Ministry for Economic Affairs

Source: OVO and CORE Indonesia Survey (2021)
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

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

KUR Policy Returns to Before the COVID-19 Pandemic

KUR Policy Encouraging Graduation of KUR Debtors

- Reduction the Super Micro KUR interest rate from 6% to 3%
- Maximum limit for Micro KUR access:
  - Non-production sectors and non-agricultural production sectors, plantations, livestock and fisheries: a maximum of 2 (two) times Micro KUR access
  - Agricultural, plantation, livestock and fisheries production sectors: a maximum of 4 (four) Micro KUR access

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

Source: Coordinating Ministry for Economic Affairs
Fiscal Incentives Policy to Boost the Economy

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

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

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

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

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

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

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*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

*Source: Coordinating Ministry for Economic Affairs*
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

December 2022, Rating Affirmed at BBB/Stable

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

March 2023, Rating Affirmed at Baa2/Stable

“Indonesia’s credit profile is supported by its large economy, low fiscal deficits and modest debt burden, balanced against low revenue mobilization, reliance on external funding and some economic concentration that leaves the economy vulnerable to commodity cycles.”

July 2022, Rating Affirmed at BBB+/Stable

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

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.”

July 2022, Rating Affirmed at BBB+/Stable

“JCR holds that the debt will gradually decrease as the fiscal balance improves mainly increased revenue from economic growth and higher commodity prices.”

March 2023, Rating Affirmed at Baa2/Stable

“Indonesia’s credit profile is supported by its large economy, low fiscal deficits and modest debt burden, balanced against low revenue mobilization, reliance on external funding and some economic concentration that leaves the economy vulnerable to commodity cycles.”

April 2022, Outlook Revised To Stable; BBB Ratings Affirmed

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

July 2022, Rating Affirmed at BBB+/Stable

“In R&I view, Indonesia’s economy that plunged in 2020 will likely return to a pre-coronavirus growth level in one to two years. The government’s structural reform efforts are also expected to boost growth potential in the medium to long term. Despite the pressure on the fiscal side caused by policy responses, the government debt ratio remains relatively low. The economic resilience to external shocks is maintained thanks to flexible policy responses by the government and the central bank and ample foreign reserves.”
Indonesia Gold Vision 2045: Become A Sovereign, Advanced And Sustainable Country

1. Income per capita is the same as developed countries
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)
- With the establishment of a strong foundation, Indonesia has accelerated its economy

Third Phase (2035-2039)
- Indonesia started steps to expand globally

Fourth Phase (2040-2045)
- Indonesia succeeded in realizing Indonesia Gold 2045

Source: Preliminary Draft RPJPN 2025-2045, May 19 2023
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.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Average Growth</th>
<th>Years Escape from MIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformative</td>
<td>6%</td>
<td>2041</td>
</tr>
<tr>
<td>Optimistic</td>
<td>7%</td>
<td>2038</td>
</tr>
</tbody>
</table>

**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

**Downstream natural resources and strengthening innovation research and labor productivity**

**Massive increase in productivity and expansion of sources of economic growth**

**Economic power house that is integrated with global and domestic chain networks, as well as strong exports**

**High income country**

Source: Preliminary Draft RPJPN 2025-2045, May 19 2023
Structural Reform Towards “Indonesia Maju 2045” and Out of the Middle-Income Trap

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

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

**Current Conditions:**
Solid Economic Fundamentals

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

**Grand Strategy**

- Government and Society Prepare to Live With COVID-19
- Fiscal Policy as Shock-Absorber
- Price Stabilisation
- Omnibus Law on the Job Creation Act, including IKN development
- Downstreaming and industrialization of natural resources
- Optimization of clean energy sources and green economy
- Legal, social, political and economic protection for the people
- MSME’S LEVEL UP

**Goal**
Achieving Sustainable Economic Development
**Indonesian Digital Economy Development Framework Concept (2021-2030)**

The contribution of the Internet Economy reaches IDR 2,711 trillion. The e-Commerce market reaches IDR 1,815 trillion. 35 Million MSMEs digitized.

### POTENTIAL ACHIEVEMENTS 2030

<table>
<thead>
<tr>
<th>Vision</th>
<th>Potential Achievements 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOAL</td>
<td>Creating Inclusivity</td>
</tr>
<tr>
<td></td>
<td>35 Million MSMEs digitized</td>
</tr>
<tr>
<td></td>
<td>250 million digital literacy</td>
</tr>
<tr>
<td></td>
<td>2 times the worker productivity ratio vs. cost</td>
</tr>
</tbody>
</table>

### STRATEGY

- **(Accelerate)** Accelerating the digitization of the economic sector
- **(Create)** Creating diverse and equitable digital economic opportunities
- **(Encourage) Encouraging** cross-sector/stakeholder coordination

### MAIN PILLAR

1. Infrastructure
2. Human Resources
3. Research, innovation & Business Development
4. Policies/Regulations
5. Data Governance & Cybersecurity
6. Funding & Investment

**Digital Economy Development Program**

- Agriculture & Fisheries
- Industry 4.0
- Trade
- Education
- Finance
- Health
- tourism and creative economy
- MSME

**Source:** Coordinating Ministry for Economic Affairs
The Framework of Job Creation Law

- New Business Creation
- Business Development
- Welfare Creation

- Increased Purchasing Power
- Increased Income

Source: Coordinating Ministry for Economic Affairs
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

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 Projects Implementation of Government Administration
9. Imposition of Sanctions

• 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.

The subject matter in the revision includes:
• Omnibus method;
• Strengthen community involvement and meaningful participation;
• Regulatory digitalization
• Improve the technical error of writing in the draft law either that has been agreed upon or after the President receives the bill

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

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

186 Article dan 15 chapter

11 Cluster

- Investment Ecosystem and Business Activities
- Business Licensing
- Employment
- SME and Cooperatives
- Research and Innovation
- Land Acquisition
- Economic Zones
- Ease of Doing Business
- Government Investment & National Strategic Project (PSN)
- Public Administration
- Imposition of Sanctions

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

Source: Ministry of Investment (BKPM)
# Perppu No. 2 of 2022 Concerning Job Creation Law Is An Improvement of The Previous Regulation

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

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

## Emergency Regulation
It is urgently needed to anticipate global and domestic conditions.

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

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

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

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

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

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

The Judicial Review of the UUCK in 2021 will result in legal uncertainty for the business world.

Evaluation of PP 5/2021 includes:
1. Completion of KBLI in stages and without support;
2. Revision regarding the arrangement in the torso;
3. Sectoral provisions; and
4. Requirements and obligations of each KBLI.

Based on a letter from the Cabinet Secretary No: B.0304/Seskab/Ekon/09/2021. The Coordinating Ministry for Economic Affairs coordinates a thorough evaluation of the regulations for implementing the OSS RBA.

The Indonesian government issued Government Regulation No. 2 of 2022 concerning Job Creation

Issuance of Job Creation Perpu as an Implementation of MK Decision Number 91/PUU-XVIII/2020P and provides legal legal certainty to the business world.
The Government Focuses On Regulations And Procedures For Ease of Doing Business

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

Streamlining Administrative Procedures and a Positive Investment Climate

<table>
<thead>
<tr>
<th>Ease of Doing Business Policy</th>
<th>Latest update</th>
<th>Impact on ease of doing business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law No. 11 of 2020 About Job Creation</td>
<td>PERPPPU 2 of 2022 concerning Job Creation has been issued</td>
<td>Providing legal certainty to business actors</td>
</tr>
<tr>
<td>Government Regulation No 5 of 2021</td>
<td>Revision of the Legal Draft and Appendix I/II</td>
<td>Improving risk-based licensing procedures (NSPK) and harmonization with other PPs</td>
</tr>
<tr>
<td>OSS RBA System</td>
<td>Assistance in conformity evaluation between Regulation and System</td>
<td>Better and smoother Business Licensing Services</td>
</tr>
</tbody>
</table>

Source: Coordinating Ministry for Economic Affairs
More Business Fields Are Open for Foreign Investment

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

Pres. Regulation 44/2016
“Investment Negative List”

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

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

Business Restriction oriented

515 Business Fields

Encouraging the Development of Priority Business Fields

More Attractive and Competitive

Source: Ministry of Investment (BKPM)

Mandate of Law Number 11 of 2020 concerning Job Creation Article 77 Number 2 (Amending Law Number 25 of 2007 concerning Investment Article 12)
Changes in the regulation process and expansion of business fields for investment will be a game changer in accelerating investment and opening new jobs.

### Priority Business Activities with the following criteria:

<table>
<thead>
<tr>
<th>National strategic project/program</th>
<th>Pioneer industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital intensive</td>
<td>Export oriented</td>
</tr>
<tr>
<td>Labour intensive</td>
<td>Oriented in research, development, and innovation activities</td>
</tr>
<tr>
<td>High technology</td>
<td></td>
</tr>
</tbody>
</table>

### Fiscal Incentives

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

### Non-Fiscal Facilities

1. Ease of obtaining business licenses
2. Provision of supporting infrastructure
3. Guarantees on availability of energy
4. Guarantees on availability of materials
5. Immigration
6. Manpower
7. Other non-fiscal supports

---

**Positive Investment List: Improving the Investment Ecosystem in Indonesia**

- **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.**

---

**Changes in the Regulation of the Investment Business Field**

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

**Source:** Coordinating Ministry for Economic Affairs
# The Latest Investment Business Field Arrangements

<table>
<thead>
<tr>
<th>Presidential Regulation No. 44/2016</th>
<th>Presidential Regulation No. 10/2021 Jo. 49/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Investment Negative List”</td>
<td>“Investment Business Fields”</td>
</tr>
</tbody>
</table>

## Attachment I

<table>
<thead>
<tr>
<th>Business Fields Closed for Investment</th>
<th>Priority Business Fields*</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Business Fields</td>
<td>246 Business Fields</td>
</tr>
<tr>
<td></td>
<td>*Equipped with Tax Holiday, Tax Allowance, and Investment Allowance</td>
</tr>
</tbody>
</table>

## Attachment II

<table>
<thead>
<tr>
<th>Business Lines Reserved for or Required for Partnerships With Cooperatives and SME</th>
<th>Business Lines Allocated for or Required for Partnerships With Cooperatives and SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>145 Business Fields/KBLI</td>
<td>182 KBLI in 106 Business Groups</td>
</tr>
</tbody>
</table>

## Attachment III

<table>
<thead>
<tr>
<th>Business Fields Opened with Conditions</th>
<th>Business Fields Opened with Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>350 Business Fields</td>
<td>37 Business Fields</td>
</tr>
</tbody>
</table>
## Investment Focus Sectors

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

### BKPM Promotion Strategy

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

Source: Ministry of Investment (BKPM)
Encouraging Investment Through Priority Sectors That Have Value Added

Export Oriented – Labor Intensive industries
- Pharmaceutical and Health Equipment
- Automotive Industries
- Electronic Industries

Energy, especially renewable energy

Infrastructure

Mining, That creates added value products

Source: Ministry of Investment (BKPM)
Investment Policy Direction 2020-2024:
Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth

Direction of Investment Policy:
Quality Investment 2020-2024

- Encouraging increased investment in business sectors categorized as green investment and having a large positive social impact and equitable investment throughout Indonesia
- Encouraging investment in export-oriented industries and industries that substitute imports
- Optimizing the use of natural resources and domestic production
- Encouraging investment in labor-intensive business fields and developing business fields that involve the community by utilizing existing human resources
- Encouraging increased company efficiency (i.e. Industry 4.0) and improvements to the Incremental Capital Output Ratio (ICOR)
- Encouraging human resource development and increasing R&D in an effort to master technology
- Encouraging increased perceptions and opening up a wider market for national companies and MSMEs through business partnerships

Sumber: Strategic Planning of Ministry of Investment/ BKPM (Renstra) 2020 – 2024
### Strategic Goals and Key Performance Index BKPM 2020-2024

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

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.

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 Level**

- **Low**
  - **PREPARATION**
    - NIB
  - **OPERATIONAL**
    - NIB as the single license for preparation, operational, and commercial stages
    - Business actors are still required to comply with the implementation of K3L standards
    - For Micro & Small Businesses, guidance is carried out by the Government in the implementation of K3L standards

- **Low/Middle**
  - **PREPARATION**
    - NIB+SS
  - **OPERATIONAL**
    - NIB and Standard Certificate (SS) as the license for preparation, operational, and commercial stages
    - Notes:
      - Standard Certificate in the form of self-declaration to meet business activity standards
      - Business actors are required to meet business standards
      - Supervision is carried out to ensure that business actors meet business standards

- **Upper/Middle**
  - **PREPARATION**
    - NIB+SS*
      - Standard Certificate in the form of self-declaration to meet business activity standards
      - NIB + SS* as the license for preparation stage.
    - **SS**
      - SS ** is issued after verification of compliance with business standards by the Government
      - NIB + SS ** as a business license is valid for operational and commercial stages

- **High**
  - **PREPARATION**
    - NIB
  - **OPERATIONAL**
    - NIB + LICENSE
      - Companies must meet all the requirements before license is issued.
      - NIB + Permit as business license for the operational and commercial stages

Source: Ministry of Investment (BKPM)
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

### Doing Business

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

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

**INSPECTION:**

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

### Action Plans

**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.)

### The Progress of Development Monitoring/Inspection Subsystem

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

- 36 modules have been completed/embedded in the OSS RBA (go-live)
- 8 modules are still in the process of User Acceptance Testing (UAT)
Implementation of Risk-Based Business Licensing
Government Regulation Number 5 of 2021

To Start and Carry Out Business Activity

Basic Requirement for Business Licensing

<table>
<thead>
<tr>
<th>Prior to Law 11/2020</th>
<th>After Law 11/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location Permit</td>
<td>Suitability of Space Utilization Activities (KKPR)</td>
</tr>
<tr>
<td>Environmental Permit</td>
<td>Environmental approval</td>
</tr>
<tr>
<td>Building Permit (IMB) and Building Function Certificate (SLF)</td>
<td>Building Approval (PBG) and SLF</td>
</tr>
</tbody>
</table>

Risk Based Business Licensing (KBLI)

- The fulfillment of provisions, requirements and obligations is based on the Sector PP, Presidential Regulation, and Permen/Perban* derivatives of PP 5/2021.

Business Licensing to Support Business Activity (PB UMKU)

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

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

Source: Ministry of Investment (BKPM)
OSS System is Mandatory

- **Business/Investor**
  - SME
  - Non SME

- **Line Ministries**
  - 18 Line Ministries

- **Regional Government**
  - 34 Province

- **SEZ**
  - 19 SEZ

- **KPBPB**
  - 5 KPBPB

- **19 SEZ**
  - 5 KPBPB

- **416 Regency**

- **98 City**

**Features in OSS**

- **Information**

- **Business License and Facility**

- **Monitoring**

Source: Ministry of Investment (BKPM)
Architecture of OSS System

2. SUB SYSTEM OF LICENSING & FACILITIES

2.a. VALIDATION
- KTP - Dukcapil
- Paspor-Imigasi
- Akta - AHU
- NPWP - DJP
- KKPR Darat – ATR/BPN
- KKPR Laut - KKP

2.b. SMART ENGINE
- Profile of Investor
- Requirements/ Obligations
- Durations/ SLA
- Authority
- Other Criteria
- Basic Requirements
- Business Activities/ KBLI
- Investment List
- Scale of Business
- Investment

2.c. OUTPUT
- BASIC LICENCES
- RISK-BASED BUSINESS LICENCES (PB)
  - Low Risk: Business Identity Number (NIB)
  - Lower-Middle Risk: NIB + Standard Certificate (SS)
  - Upper-Middle Risk: NIB + Verified SS
  - High Risk: NIB + License (+Verified SS*)
- SUPPORTING BUSINESS LICENCES (UMKU)
  - As required.

RISK MANAGEMENT ENGINE
- KBLI/ Business Activities-based Risk Matrix:
  - Risk Assessment from related Ministries
  - Land Area
  - Building Details
  - Other Criteria

INVESTMENT FACILITIES
- Regular Supervision
- Incidental Supervision
- Annual Supervision
- Schedule
- Assignment Letter
- Supervision Report/MoS
- Profile of Investor
- Imposition of Sanctions

3. SUB SYSTEM OF SUPERVISION

Input/ Evaluation/ Site Visit
Verification & Notification
Central/ Regional Government based on Authority (+Supporting IT System)

Source: Ministry of Investment (BKPM)
Ease of Business Licensing and Investment Facility through the OSS System

Source: Ministry of Investment (BKPM)
Investment Realization in 2022

Rp 1,207.2 Trillion
(YoY: 34.0%)

Achieving Target of 1200 T (100%) from President

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

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

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

JAVA
(Rp 570.9 T) 47.3%
(YoY: 319%)

Indonesian Labor Absorption:
1,305,001 people

Source: Ministry of Investment (BKPM)
Investment Realization in 2022
(excluding the upstream oil and gas sector and financial services)

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>13.3</td>
</tr>
<tr>
<td>China</td>
<td>8.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5.5</td>
</tr>
<tr>
<td>Japan</td>
<td>3.6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3.3</td>
</tr>
</tbody>
</table>

By Region

- **Riau**: 82.5 trillion IDR
- **East Java**: 110.3 trillion IDR
- **Central Sulawesi**: 111.2 trillion IDR
- **Special Territory of Jakarta**: 143 trillion IDR
- **West Java**: 174.6 trillion IDR

**DDI**

- **Transportation, Warehouse, and Telecommunication**: Rp 75.1 T (13.6%)
- **Housing, Industrial Estate, and Office Building**: Rp 66.2 T (12.0%)
- **Mining**: Rp 62.5 T (11.3%)
- **Food Industry**: Rp 54.9 T (9.9%)
- **Food Crops, Plantation and Livestock**: Rp 38.9 T (7.0%)

**FDI**

- **Metal, Metal Goods, Except Machinery, and Equipment Industry**: US$ 11.0 B (24.0%)
- **Mining**: US$ 5.1 B (11.3%)
- **Chemical and Pharmaceutical Industry**: US$ 4.5 B (9.9%)
- **Transportation, Warehouse, and Telecommunication**: US$ 4.1 B (9.0%)
- **Electricity, Gas and Water Supply**: US$ 3.8 B (8.3%)

Source: Ministry of Investment (BKPM)
National Strategic Project (PSN) list was established in 2016, and have undergone several amendments until recently stipulated under Coordinating Minister Regulation No.21/2022.
Since 2016, 141 National Strategic Projects have been fully operational, and most of the projects have been expedited to move from preparation phase.

1st PSN List Amendment:
Addition of 55 projects + 1 Aero Industry program

2nd PSN List Amendment:
Addition of 2 projects + 1 Economic Equity Program

3rd PSN List Amendment:
Reduction of 9 projects + 1 program
Addition of 88 projects + 5 programs

4th PSN List Amendments:
Addition of 7 projects

5th PSN List Amendments:
Addition of 13 projects + 2 programs

6th PSN List Amendments:
Addition of 10 projects

~85% of projects have moved from preparation phase.
All National Strategic Projects have been given a special facility to ease each of the project’s implementation as stipulated in the Pres. Regulation No. 109/2020.

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPIP)
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.

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

Est. Total Investment Value USD 383,09 Billion*

* Include potential tenant investment in Industrial Estate

* Est. 1USD=15,000 IDR
Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (1/2)

Electricity Program with focus on Renewables

<table>
<thead>
<tr>
<th></th>
<th>Electricity Infrastructure Development (PIK) (which contains projects listed in RUPTL 2021-2030);</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Rooftop Solar Power Plant</td>
</tr>
<tr>
<td></td>
<td>Large-scale Solar Power Plant in Riau Islands</td>
</tr>
</tbody>
</table>
Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (2/2)

EV Battery end-to-end Development Plant

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

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

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

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

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

2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

Contributing the downstreaming of electric battery precursor products up to 40,000 tons/year
Highlighted PSN Projects which provide substantial benefit to private investor - Special Economic Zones Development (KEK) on 18 Location in Indonesia

19 SEZs AND ITS PRIMARY ACTIVITIES

SUMMARY OF THE 19 SPECIAL ECONOMIC ZONES PERFORMANCE *

Investment Realization (IDR Trillion) 2019 - 2021

Investment Commitment
IDR 116.4 Trillion

27,800 Numbers of Employment

IDR 5.2 Trillion Export Value in 2021

IDR 64.8 Trillion Investment Realization (Tenant & Developer)

* up to December 2021

MAIN TARGET OF SEZS

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

Speed Up Development of Industry 4.0
Focusing on industry with automation

Developing Under-Developed Regions
Giving added value to raw materials such as mining or farming

Develop Potential Service Industry
Development industry in the field of IT, financial services, education & healthcare

Improve Indonesia Balance of Trade
Import substitution Industries, such as chemical, pharmaceutical, machinery & electronics
Highlighted PSN Projects which provide substantial benefit to private investor – Various facilities and Modalities for SEZ investors

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

Investment Opportunities as Developer
- Joint Venture with the SEZ Developer in operating and managing SEZ

Investment Opportunities as Infrastructure Provider
- Provide SEZ Infrastructures: On-site infrastructure (power plant, water treatment plant, wastewater treatment plant, etc.)

INVESTOR

TAX HOLIDAY (10-20 YEARS) (In line with SEZ theme)
- Yes

TAX ALLOWANCE (Other than designated SEZ theme)
- No

One-Stop-Services
- Controlled goods regulation not applied
- Negative List Not Applied
- Indonesian National Standard Not Mandatory
- Environmental License by Developer
- Building Permit by Developer
- No export obligation

Property Ownerships for Foreigners
- Special Tripartite Forum
- VOA could be extended 5 times
- Land Title for 80 years
- 50% reduction for Local Taxes
- Zero percent custom tax for production goods with 4% local content Entering Domestic Market
- Free luxury tax for property sales (only in SEZ with tourism themes)

INCOMING GOODS
- Import:
  - Deferred import duty
  - VAT & LST not collected
- From Domestic Tariff Area:
  - VAT & LST not collected

OUTGOING PRODUCTS
- Export:
  - Normal Regulation
- To Domestic Tariff Area:
  - If Local Content > 40%, Import Duty are exempted

Foreign ownership limitation not applied
- Import duty exemption for machinery & capital goods (up to 5 yrs)
- Transaction inside the SEZ: Value Added Tax (VAT) and luxury sales tax (LST) are not collected
Various initiatives to boost private sector participation in Infrastructure sector especially for National Strategic Projects

1. Public Private Partnership (PPP)
2. Limited Concession Scheme (LCS)
3. Land Value Capture (LVC)
4. Other Creative Financing for Infrastructure
Institutional reforms to establish a conducive PPP ecosystem...

**Institutional Reforms for PPP Implementation**

- **KPPIP**: Coordinating unit in decision-making processes and bottlenecking efforts for infrastructure acceleration.
- **PPP Joint Office**: Information center for policy coordination and capacity building to encourage the use of PPP schemes.
- **Indonesia Infrastructure Guarantee Fund**: Provides guarantee and supports project preparation.
- **Sarana Multi Infrastruktur**: Facilitating infrastructure financing, preparing project, and serving advisory.

**PPP Guarantee**

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

- Presidential Regulation 78/2010; MoF Regulation 8/2016

**National Strategic Project (PSN) Guarantee**

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

- MoF Regulation 30/2021

**SOE Credit Guarantee**

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

- MoF Regulation 101/2018

**PPP Project Development Facility**

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

- MoF Regulation 180/2020

**Corporate Credit Guarantee**

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

- MoF Regulation 98/2021

**National Economic Recovery Program**


- MoF Regulation 211/2021

**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 non-commercial 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.

*Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)*
# National Strategic Project (PSN): 214 projects through Public Private Partnership (PPP)

## PPP Projects under National Strategic Projects (PSN) – incl. PSN Programs

(Updated on September 2022)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Value (USD)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>56 Projects</td>
<td>52.47 Bil</td>
<td>Under 14 sectors</td>
</tr>
<tr>
<td>6 Projects</td>
<td>0.87 Bil</td>
<td>Waste to Energy Programs</td>
</tr>
<tr>
<td>31 Projects</td>
<td>7.37 Bil</td>
<td>PSN Program #10 Regional Development Program</td>
</tr>
<tr>
<td>49 Projects</td>
<td>16.33 Bil</td>
<td>72 Projects (USD 9.12 Bil)</td>
</tr>
</tbody>
</table>

### PSN Projects
- 41 out of 56 projects have passed the preparation stage
- 33 out of 56 projects are from Toll Road Sectors

### Central Java Projects
- 30% of the projects are *small scale PPP projects* initiated by the Regional Government, with investment value under USD 15 Million.

### Highlighted Projects
- Kediri Airport
- PPP Unsolicited – Initiated by Private

### Investment Value
- USD 607 Million (incl. land acquisition)

### Project Scope
- Design – Build – Finance – Operate – Maintain – Transfer (DBFOMT)
- 50 years concession
- User Charge

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Limited Concession Scheme Stipulation
as an asset recycling scheme for brownfield infrastructure asset

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

LCS Concept

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

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

- Government guarantees the issuance of permits and licenses

- Flexible operations allow private sector to innovate and increase revenue

LCS Principles

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

Technical Criteria for the LCS assets

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)
LVC Scheme implementation to ease the government burden on infrastructure development

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

(Lincoln Institute of Land Policy)

LVC Benefit

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

Tax based LVC

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

Development Based LVC

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

Triple Win LVC

- Better Urban Mobility
- Reducing Subsidy
- Creating Fiscal Space

Source: KPPPIP, Kemenko Perekonomian, December 2020

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPPIP)
Government of Indonesia is exploring the potential of pilot project on LVC to encourage Regional Government in implementing LVC Scheme

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

<table>
<thead>
<tr>
<th>Location</th>
<th>Value Capture Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRT Station Harmoni, DKI Jakarta</td>
<td>FAR (Floor Area Ratio) Compensation, Betterment Levy</td>
</tr>
<tr>
<td>TOD Jurangmangu, Tangerang, Banten</td>
<td>Concession Fee, Betterment Levy</td>
</tr>
<tr>
<td>Gedebage Area, Bandung, Jawa Barat</td>
<td>Betterment Levy</td>
</tr>
<tr>
<td>TOD Tawang Station, Semarang, Jawa Tengah</td>
<td>Concession Fee, Betterment Levy</td>
</tr>
<tr>
<td>Sekanak – Lambidaro Area Development, Palembang, Sumatera Selatan</td>
<td>Betterment Levy</td>
</tr>
</tbody>
</table>

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
SDG Indonesia One is launched by PT SMI as an integrated funding platform for private investor

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

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

Impact toward SDGs: Increase funds availability for infrastructure projects and project appropriateness.
Other Financing Scheme and Modality – Indonesia Investment Authority (INA) as an Alternative Source of Economic Development Financing

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

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

**Main Sectors of Investment**
- Toll Road
- Airport
- Health Services
- Industrial Area
- Seaports
- Digital Infrastructure
- Renewable Energy
- Traditional Energy
- Plantation

**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)

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

Example on RDPT Financing

Summary of TPJ

TPJ 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.

TPJ is a subsidiary of PT Waskita Transjawa Toll Road (“WTTR”).

Location: East Java

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

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPPI)
Indonesia’s Special Economic Zone (SEZs)
Encourage Economic Growth, Equitable Development, And Increase Competitiveness

18 SEZs and Main Activities

Investment Realization by Tenant (USD Billion) 2019 - 2022

Export Performance (Sept 2022) USD 324.7 Million

Number of Employment 47,287

Source: Coordinating Ministry for Economic Affairs
Government Guarantee For Basic Infrastructure Development
Reflects strong commitment to national development planning

**Government Guarantee Program**

- **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.

**Credit Guarantee**

- **Business Viability Guarantee (BVG)**

- **PPP Guarantee**

- **Political Risk Guarantee**

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

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

- 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)

Source: Ministry of Finance
The Domestic Component Level (TKDN) Implementation

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

- Electronics
- ICT
- Medical Devices

The Domestic Component Level (TKDN)

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

Government Procurement

TKDN Value (goods) consist of:
- Raw materials;
- Direct Labor;
- Factory overhead

TKDN Value (services) consist of:
- Labor;
- Working Facility/Machinery;
- General Services

WTO Rules (Compliance)

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

Non-governmental procurement is not prioritizing product’s TKDN

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

P3DN Team tasks:

a. coordinate, supervise, and evaluate the implementation of Increased Use of Domestic Products (P3DN) in their respective environments;

b. provide a final interpretation of the dispute of the TKDN value between the producer of the goods/services provider and the goods/services procurement team;

c. Other tasks and liaisons related to P3DN
Improving National Logistics System Resiliency: “Key Priorities In Encouraging The Investment”

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

**LOGISTICS PROGRAM FOR 2022-2024**

**1. Commodity-based improvement framework**

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

**2. Strengthen Key-Enabler**

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

**3. Organizing action plans based on 6 key drivers**

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

**Key Drivers: Logistic Action Plan**

**Transportation Infrastructure**

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

**Logistics Service Provider**

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

**ICT**

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

**Human Resource Management**

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

**Sources:** RPJMN 2020-2024; Presidential Regulation No.26/2012 Concerning Blueprint of National Logistics System Development.
Government Continues to Support the Development of Downstream Industries

Indonesia’s Coal Gasification Roadmap until 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.

Source: Ministry of Energy and Mineral Resources
Encouraging The Downstream Industry To Increase Value-added Commodities

Downstream Industry Policy

- Acceleration of Economy Growth
- Strengthen and deepen industrial Structure through R&D, product innovation, brand, and design.
- Acceleration of Industrial Deployment which covers NKRI territorial
- Increase foreign exchange revenue through Export
- Broaden Working Opportunity
- Country foreign exchange reduction with Import Substitution
- Increase Local Added Value
- Support Policy For Downstream Industry

Total Number and Investment Smelter 2021-2024

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Number of Smelter</th>
<th>Total Investment (mn $)</th>
<th>Investment Realization (mn $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing</td>
<td>Plan</td>
<td>TOTAL</td>
</tr>
<tr>
<td>Nickel</td>
<td>11</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Bauxite</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Iron</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Copper</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Mangan</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Lead and Zinc</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>17</td>
<td>31</td>
<td>48</td>
</tr>
</tbody>
</table>

Coal Development Project

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

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

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

Source: Coordinating Ministry for Economic Affairs
Source: Ministry of Energy and Mineral Resources, 2022
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**

**Global Nickel Reserve**

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>21,0 M</td>
</tr>
<tr>
<td>Australia</td>
<td>20,0 M</td>
</tr>
<tr>
<td>Brazil</td>
<td>16,0 M</td>
</tr>
<tr>
<td>Other</td>
<td>14,0 M</td>
</tr>
<tr>
<td>Russia</td>
<td>6,9 M</td>
</tr>
<tr>
<td>Cuba</td>
<td>5,5 M</td>
</tr>
<tr>
<td>Philippines</td>
<td>4,8 M</td>
</tr>
<tr>
<td>South Africa</td>
<td>3,7 M</td>
</tr>
<tr>
<td>China</td>
<td>2,8 M</td>
</tr>
<tr>
<td>Canada</td>
<td>2,8 M</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1,8 M</td>
</tr>
<tr>
<td>Madagascar</td>
<td>1,6 M</td>
</tr>
<tr>
<td>Colombia</td>
<td>0,4 M</td>
</tr>
<tr>
<td>US</td>
<td>0,1 M</td>
</tr>
</tbody>
</table>

**Value added process**

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
<th>Value-added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nickel Ore</td>
<td>Battery</td>
<td>90 to 150 times</td>
</tr>
</tbody>
</table>

**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

Export Ban of unprocessed minerals

- Nickel (2020)
- Bauxite (2022)
- Copper (2023)
- Tin (2023)

Natural Resources Based (primary) Economy

Focus on Natural Resources, such as nickel

Value-Added Based Economy

Focus on Downstream Industries

Source: Ministry of Investment (BKPM)
## The Benefit of Nickel Downstreaming

<table>
<thead>
<tr>
<th>Year</th>
<th>Export of Nickel Derivative Products</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Export Ban (2020)</td>
<td>3.3</td>
</tr>
<tr>
<td>2021</td>
<td>Export of Nickel Derivative Products</td>
<td>20.9</td>
</tr>
</tbody>
</table>

**PANDEMIC CONTROL IS KEY TO STRONG**

**Added Value of Nickel Derivative Products**

- **Nickel Sulfate**: x 11.4
- **Precursor**: x 19.4
- **Cathode**: x 37.5
- **Battery Cells**: x 67.7

Source: Ministry of Investment (BKPM)
Nickel Downstreaming: Indonesia as the World Production Hub for Electric Vehicle

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.

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

Indonesia will become an exporter of high value-added commodities

Source: Ministry of Investment (BKPM)
### Natural Resource Downstreaming As a Value-Added Commodity

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Project Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nickel</td>
<td>Processing of Nickel to make the battery for electric vehicles</td>
<td>Central Sulawesi, North Maluku, Central Java</td>
</tr>
<tr>
<td>Coal</td>
<td>Gasification of Coal into Dimethyl Ether (DME)</td>
<td>Tanjung Enim, South Sumatra</td>
</tr>
<tr>
<td>Natural gas</td>
<td>Processing natural gas into methanol and Fertilizer</td>
<td>West Papua and Bojonegoro, East Java</td>
</tr>
<tr>
<td>Food</td>
<td>Industrialization Downstreaming for Food Sector</td>
<td>Eastern Indonesia</td>
</tr>
</tbody>
</table>

**Source:** Ministry of Investment (BKPM)
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

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

New Capital City Planning Scheme

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

### 2020-2024
**Initial transfer to IKN**
- Critical basic infrastructure is completed and operational (e.g., water, energy, rail) for residents in the initial stages.
- Build central infrastructure (e.g., Presidential Palace, MPR/DPR Building) and housing in the Main IKN area.
- Transfer of early-stage ASN (e.g., TNI, Polri, K/L ASN).
- Initiation of priority economic sectors.
- Achieving the goals of the Sustainable Development Goals (SDGs).

### 2025-2035
**Building IKN as a Resilient Area**
- Developing the next phase of the city (e.g., innovation and economic centre).
- Completed the transfer of the IKN government centre.
- Develop priority economic sectors.
- Implement an incentive system for priority economic sectors.
- Achieving the goals of the Sustainable Development Goals (SDGs).

### 2035-2045
**Building the entire infrastructure and ecosystem of 3 cities to accelerate the development of East Kalimantan**
- Expand urban development and complete connectivity between and within cities.
- FD | Destination No. 1 for priority economic sectors in Indonesia.
- Top 5 top destinations in Southeast Asia for global talent.
- Encouraging sustainable utility networks by implementing circular economy enablers.
- Developing a center for innovation and talent development.

### 2045-onwards
**Strengthening reputation as a “World City for All”**
- To be the leading city in the world in terms of competitiveness.
- Top 10 livable cities in the world.
- Achieving net zero carbon emissions and 100% renewable energy at installed capacity – the first city in the world with >1 million inhabitants to reach this target.

Source: Coordinating Ministry for Economic Affairs
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.

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

State Budget

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

Indonesia's New Economic Driver

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

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

Composition of Financing schemes

- Private/SOE
- State Budget
- PPP

Source: Coordinating Ministry for Economic Affairs
Section 3

Economic Factor: Improved Growth Prospects Supported by Continued Economic Recovery Momentum
Conducive Environment
Underpinning Improved Growth Fundamentals Amid Temporary Moderation

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

Large and Stable Economy

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

Consistent Budget Reform

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

High Infrastructure Investments

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

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 *

<table>
<thead>
<tr>
<th>Institutions</th>
<th>GDP growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023 Budget</td>
<td>5.3</td>
</tr>
<tr>
<td>Bank Indonesia</td>
<td>4.5-5.3</td>
</tr>
<tr>
<td>Consensus Forecast (May 2023)</td>
<td>4.7</td>
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<tr>
<td>World Bank (GEP, January 2023)</td>
<td>4.8</td>
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<tr>
<td>IMF (WEO, April 2023)</td>
<td>5.0</td>
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<tr>
<td>ADB (Asian Development Outlook, April 2023)</td>
<td>4.8</td>
</tr>
</tbody>
</table>

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
## GDP Growth Breakdown

### GDP Growth Based on Expenditures (% YOY)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth (% yoy)</td>
<td>5.17</td>
<td>5.02</td>
<td>(2.07)</td>
<td>(0.69)</td>
<td>7.08</td>
<td>3.53</td>
<td>5.03</td>
<td>3.70</td>
<td>5.02</td>
<td>5.46</td>
<td>5.73</td>
<td>5.01</td>
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<tr>
<td>Private Consumption</td>
<td>5.14</td>
<td>5.16</td>
<td>(2.67)</td>
<td>(2.25)</td>
<td>5.92</td>
<td>1.06</td>
<td>3.55</td>
<td>2.01</td>
<td>4.37</td>
<td>5.49</td>
<td>5.40</td>
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<tr>
<td>Household Consumption</td>
<td>5.05</td>
<td>5.04</td>
<td>(2.63)</td>
<td>(2.21)</td>
<td>5.96</td>
<td>1.02</td>
<td>3.56</td>
<td>2.02</td>
<td>4.34</td>
<td>5.51</td>
<td>5.39</td>
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<td>4.93</td>
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<td>NPI Serving Households Consumption</td>
<td>9.15</td>
<td>10.62</td>
<td>(4.21)</td>
<td>(3.65)</td>
<td>4.06</td>
<td>2.87</td>
<td>3.20</td>
<td>1.62</td>
<td>5.90</td>
<td>5.02</td>
<td>5.97</td>
<td>5.70</td>
<td>5.64</td>
</tr>
<tr>
<td>Government Expenditure</td>
<td>4.82</td>
<td>3.27</td>
<td>(2.12)</td>
<td>(2.57)</td>
<td>8.22</td>
<td>0.65</td>
<td>5.29</td>
<td>4.24</td>
<td>(6.62)</td>
<td>(4.63)</td>
<td>(2.55)</td>
<td>(4.77)</td>
<td>(4.51)</td>
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<tr>
<td>Gross Fixed Capital Formation</td>
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<td>4.45</td>
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<td>(0.21)</td>
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<td>3.76</td>
<td>4.49</td>
<td>3.80</td>
<td>4.08</td>
<td>3.09</td>
<td>4.98</td>
<td>3.33</td>
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<tr>
<td>Building</td>
<td>5.41</td>
<td>5.37</td>
<td>(3.78)</td>
<td>(0.74)</td>
<td>4.36</td>
<td>3.36</td>
<td>2.48</td>
<td>2.32</td>
<td>2.58</td>
<td>0.92</td>
<td>0.07</td>
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<td>0.91</td>
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<td>Export</td>
<td>6.51</td>
<td>(0.48)</td>
<td>(8.42)</td>
<td>2.17</td>
<td>28.41</td>
<td>20.74</td>
<td>22.24</td>
<td>17.95</td>
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<td>16.40</td>
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<td>16.28</td>
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<tr>
<td>Import</td>
<td>12.14</td>
<td>(7.13)</td>
<td>(17.60)</td>
<td>5.21</td>
<td>33.20</td>
<td>31.08</td>
<td>32.61</td>
<td>24.87</td>
<td>16.04</td>
<td>12.72</td>
<td>25.37</td>
<td>6.25</td>
<td>14.75</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics of Indonesia (BPS)

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

---

### GDP Growth by Sector (% YOY)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth (% yoy)</td>
<td>5.17</td>
<td>5.02</td>
<td>(2.07)</td>
<td>(0.69)</td>
<td>7.08</td>
<td>3.53</td>
<td>5.03</td>
<td>3.70</td>
<td>5.02</td>
<td>5.46</td>
<td>5.73</td>
<td>5.01</td>
<td>5.31</td>
</tr>
<tr>
<td>Agriculture, Forestry, and Fishery</td>
<td>3.88</td>
<td>3.61</td>
<td>1.77</td>
<td>3.48</td>
<td>0.56</td>
<td>1.44</td>
<td>2.33</td>
<td>1.87</td>
<td>1.16</td>
<td>1.68</td>
<td>1.95</td>
<td>4.51</td>
<td>2.25</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>2.16</td>
<td>1.22</td>
<td>(1.95)</td>
<td>(2.02)</td>
<td>5.22</td>
<td>7.78</td>
<td>5.15</td>
<td>4.00</td>
<td>3.82</td>
<td>4.01</td>
<td>3.22</td>
<td>6.46</td>
<td>4.38</td>
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<tr>
<td>Manufacturing</td>
<td>4.27</td>
<td>3.80</td>
<td>(2.93)</td>
<td>(1.38)</td>
<td>6.58</td>
<td>3.68</td>
<td>4.92</td>
<td>3.39</td>
<td>5.07</td>
<td>4.01</td>
<td>4.83</td>
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<tr>
<td>Construction</td>
<td>6.09</td>
<td>5.76</td>
<td>(3.26)</td>
<td>(0.79)</td>
<td>4.42</td>
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<td>Wholesale and Retail Trade</td>
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<td>4.43</td>
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<td>Transportation and Warehousing</td>
<td>7.05</td>
<td>6.38</td>
<td>(15.05)</td>
<td>(13.09)</td>
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<td>Information and Communication</td>
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<td>6.95</td>
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<td>7.74</td>
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<td>Financial and Insurance Services</td>
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<td>4.29</td>
<td>(2.59)</td>
<td>1.56</td>
<td>1.64</td>
<td>1.50</td>
<td>0.87</td>
<td>3.76</td>
<td>1.93</td>
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<td>Other Services</td>
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<td>(2.51)</td>
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<td>(0.84)</td>
<td>3.43</td>
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<td>3.33</td>
<td>4.03</td>
<td>7.88</td>
<td>4.95</td>
<td>5.04</td>
</tr>
</tbody>
</table>

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

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
Economic Performance in Most Sectors Continue to Improve

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.

### Indonesia's GDP Share (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Taxes</th>
<th>Transportation and Warehousing</th>
<th>Mining and Quarrying</th>
<th>Agriculture, Forestry, and Fishery</th>
<th>Financial and Insurance Services</th>
<th>Construction</th>
<th>Information and Communication</th>
<th>Other Services</th>
<th>Manufacturing</th>
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<tr>
<td>2013</td>
<td></td>
<td>10.95</td>
<td>11.98</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
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<td>2015</td>
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<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
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<tr>
<td>2017</td>
<td></td>
<td>10.95</td>
<td>11.98</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>10.95</td>
<td>11.98</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
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<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
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<tr>
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<td></td>
<td>10.95</td>
<td>11.98</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
<td>11.16</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
Solid Fundamentals Facing the Headwinds

**Inflation Rate (%)**
Inflation above the target range, but below the projection

- 1998: 82.4%
- 2008: 12.1%
- Apr 2023: 4.33 (yoy)

**Non-Performing Loan/NPL (%)**
NPL level (gross) is below the maximum threshold of 5%

- 1998: 30%
- 2008: 3.8%
- Mar 2023: 2.49%

**IDR Movement (%)**
IDR depreciated year-to-date

- 1998: -197%
- 2008: -35%
- 24 May 2023: -300 to 0

**Foreign Reserves (USD bn)**
Significantly higher than 1998 & 2008, ample to cover 6.3 months of import and external debt repayment

- 1998: 17.4
- 2008: 50.2
- Apr 2023: 144.2

**More Liquid Market (%)**
In the markets, the IndONIA rate is in line with the higher BI7DRR and strengthening the monetary operations strategy of BI

- 1998: 62
- 2008: 10.5
- 24 May 2023: 5.46

**External Debt (Public & Private) to FX Reserve Ratio**
Significantly lower than 1998 crisis

- 1998: 8.6x
- 2008: 3.1x
- Mar 2023: 2.77x

**Government Debt/GDP**
Consistently well-maintained

- 1998: 100.0%
- 2008: 27.4%
- Apr 2023: 38.13%

**External Debt/GDP**
Significantly lower than 1998 crisis

- 1998: 116.8%
- 2008: 33.2%
- Q4-2022: 30.1%
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%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Growth</th>
<th>Inflation</th>
<th>CAD (% of GDP)</th>
<th>Credit Growth</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.17%</td>
<td>3.13%</td>
<td>2.98%</td>
<td>11.75%</td>
</tr>
<tr>
<td>2019</td>
<td>5.02%</td>
<td>2.72%</td>
<td>2.71%</td>
<td>6.08%</td>
</tr>
<tr>
<td>2020</td>
<td>-2.07%</td>
<td>1.68%</td>
<td>0.4%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2021</td>
<td>3.69%</td>
<td>1.87%</td>
<td>surplus 0.3%</td>
<td>5.24%</td>
</tr>
<tr>
<td>2022</td>
<td>5.31%</td>
<td>5.51%</td>
<td>surplus 1.0%</td>
<td>11.35%</td>
</tr>
<tr>
<td>2023</td>
<td>4.5-5.3%</td>
<td>3.0 ± 1%</td>
<td>surplus 0.4% - deficit 0.4%</td>
<td>10-12%</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
Section 4

External Factor: Improved External Resilience
External Sector Remains Resilient

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

**Balance Of Payment Remains Solid**

- Current Account
- Capital and Financial Account
- Reserve Asset (rhs)

**Trade Balance Surplus Continues**


**Current Account Recorded Surplus**

- Goods
- Services
- Primary Income
- Secondary Income

**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)

Source: Bank Indonesia

* Preliminary Figure  ** Very Preliminary Figure
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 quarter 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.
# Ample Lines of Defense Against External Shocks

<table>
<thead>
<tr>
<th>Ample Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FX Reserve</strong></td>
</tr>
<tr>
<td>• Ample level of FX reserves to buffer against external shock</td>
</tr>
<tr>
<td>• FX Reserves as of April 2023: <strong>US$144.2 bn</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Swap Arrangement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
</tr>
<tr>
<td>• Renewed a 3 year USD 22.76 billion swap line with Japan on October 14th, 2021</td>
</tr>
<tr>
<td>• The facility is available in USD and JPY</td>
</tr>
</tbody>
</table>

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

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

| **Malaysia** |
| • Established a 3 year RM/IDR swap arrangement with a size up to RM 8 billion / IDR 28 trillion (equiv.) in September 2022 |
| • Renewed a 3 year A$ / IDR swap arrangement with a size up to A$10 billion or IDR 100 trillion in February 2022 |

| **Australia** |
| • Renewed a 3 year A$ / IDR swap arrangement with a size up to A$10 billion or IDR 100 trillion in February 2022 |

| **Regional** |
| **Chiang Mai Initiative Multilateralization (CMIM) Agreement** |
| • Entitled to a maximum swap amount of US$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement |
| • Came into effect in 2010 with a pool of US$120 bn |
| • Doubled to US$240 bn effective July 2014 |

| **Global** |
| **IMF Global Financial Safety Net - GSFN** |
| • Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem |
| • Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL) |

*Source: Bank Indonesia*
Healthy External Debt Profile

External Debt Structure
- Private External Debt
- Public External Debt

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

External Debt Remains Manageable
- External Debt
- External Debt Growth (yoy) - rhs

The External Debt to GDP Ratio & Debt to Export Ratio
- External Debt/ Export Ratio (rhs)
- External Debt/ GDP Ratio

Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures
**Very Provisional Figures
Strengthened Private External Debt Risk Management

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

Rating

R

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio

Hedging Ratio*

≤ 3 months

2236 corporates (88.9%)

> 3 - 6 months

2368 corporates (94.2%)

Liquidity Ratio*

323 corporates (12.8%)

2192 corporates (87.2%)

Comply  Not Comply

Source: Bank Indonesia

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

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

Regulation Key Points

1 Jan 17 & beyond

Object of Regulation

Governs all foreign currency Debt

Hedging Ratio

≤ 3 months 25%

> 3 – 6 months 25%

Liquidity Ratio (≤ 3 months) 70%

Credit Rating

Minimum rating of BB- (State-owned Enterprises)

Hedging transaction to meet hedge ratio

Must be done with a bank in Indonesia

Sanction

Applied

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

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

**2021 PANDEMIC HANDLING & RECOVERY**
- Focus on handling the pandemic (vaccination and health protocols)
- Economic recovery, flexible and accountable PEN
- Momentum of reform (Tax Reform, Financial Relations between the Central and

**2022 ACCELERATE RECOVERY & REFORM POLICY**
- Strengthening pandemic handling (accelerating vaccination to achieve communal immunity)
- Accelerating economic recovery (PEN sustainability)
- Reform effectiveness

**2023 HIGH QUALITY FISCAL CONSOLIDATION**
- Returns a maximum deficit of 3% of GDP
- Primary balance towards positive
- Debt ratio is attempted to decrease
- Debt controlled risk

---

**Budget Deficit 2020 (% GDP)**
- Budget Deficit 2020 (% GDP)

**Budget Deficit 2021**
- Draft Budget: -5.5
- Budget: -5.7
- Realization: -4.6

**Budget Deficit 2022**
- Draft Budget: -4.9
- Budget: -4.5
- Realization (Preliminary): -2.4

**Budget Deficit 2023**
- Budget: -2.8

---

**PEN Program (IDR T)**
- 405.1
- 695.2
- 575.9

---

**FISCAL DISCIPLINE FOR LONG TERM SUSTAINABILITY**

Source: Ministry of Finance
The 2023 State Budget supports consolidation to maintain fiscal sustainability

Source: Ministry of Finance
## Budget Outturn Up To March 2023 Showed Positive Sign

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

### Account (IDRtn)

<table>
<thead>
<tr>
<th>Account (IDRtn)</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Real. as of 31 March</td>
<td>% to Revised Budget</td>
</tr>
<tr>
<td>A. Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Tax Revenue</td>
<td>501.8</td>
<td>22.1</td>
</tr>
<tr>
<td>(DG Tax &amp; Custom-Excise)</td>
<td>402.4</td>
<td>22.6</td>
</tr>
<tr>
<td>1. Tax</td>
<td>323.1</td>
<td>21.8</td>
</tr>
<tr>
<td>2. Custom &amp; Excise</td>
<td>79.3</td>
<td>26.5</td>
</tr>
<tr>
<td>II. Non-Tax Revenue</td>
<td>99.2</td>
<td>20.6</td>
</tr>
<tr>
<td>B. Expenditure</td>
<td>490.7</td>
<td>15.8</td>
</tr>
<tr>
<td>I. Central Government</td>
<td>314.2</td>
<td>13.7</td>
</tr>
<tr>
<td>1. Line Ministries Spending</td>
<td>150.0</td>
<td>15.9</td>
</tr>
<tr>
<td>2. Non-Line Ministries</td>
<td>164.2</td>
<td>12.1</td>
</tr>
<tr>
<td>II. Regional Transfer &amp; Village Funds</td>
<td>176.5</td>
<td>21.9</td>
</tr>
<tr>
<td>C. Primary Balance</td>
<td>95.5</td>
<td>(22.0)</td>
</tr>
<tr>
<td>D. Surplus (Deficit)</td>
<td>11.1</td>
<td>(1.3)</td>
</tr>
<tr>
<td>% to GDP</td>
<td>0.06</td>
<td>(2.84)</td>
</tr>
<tr>
<td>E. Financing</td>
<td>139.8</td>
<td>16.6</td>
</tr>
</tbody>
</table>

### Positive Growth in Main Sector Tax Revenue

<table>
<thead>
<tr>
<th>Share</th>
<th>Sector</th>
<th>Jan-Mar 2023</th>
<th>Jan-Mar 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.3%</td>
<td>Manufacturing</td>
<td>32.7%</td>
<td>44.1%</td>
</tr>
<tr>
<td>22.7%</td>
<td>Trade</td>
<td>17.8%</td>
<td>54.9%</td>
</tr>
<tr>
<td>10.8%</td>
<td>Financial Services</td>
<td>38.1%</td>
<td>13.9%</td>
</tr>
<tr>
<td>11.1%</td>
<td>Mining</td>
<td>113,6%</td>
<td>50,8%</td>
</tr>
<tr>
<td>4.5%</td>
<td>Construction &amp; Real Estate</td>
<td>25.8%</td>
<td>10.0%</td>
</tr>
<tr>
<td>4.4%</td>
<td>Transportation</td>
<td>54.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>3.6%</td>
<td>Business Services</td>
<td>46.8%</td>
<td>16.3%</td>
</tr>
<tr>
<td>3.0%</td>
<td>Information &amp; Communication</td>
<td>9.1%</td>
<td>32.7%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
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.

Source: Ministry of Finance
The Realization Of Non-tax State Revenue Continues To Experience Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Tax Revenue (IDR Trillion)</th>
<th>Oil &amp; Gas Revenue (IDR Trillion)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>27.73</td>
<td>26.7</td>
<td>-4.3</td>
</tr>
<tr>
<td>2020</td>
<td>48.23</td>
<td>28.6</td>
<td>7.4</td>
</tr>
<tr>
<td>2021</td>
<td>55.65</td>
<td>15.3</td>
<td>-46.7</td>
</tr>
<tr>
<td>2022</td>
<td>55.24</td>
<td>32.6</td>
<td>113.2</td>
</tr>
<tr>
<td>2023</td>
<td>31.3</td>
<td>4.0</td>
<td>194.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Oil &amp; Gas Revenue (IDR Trillion)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>8.2T</td>
<td>1,4</td>
</tr>
<tr>
<td>2020</td>
<td>6.4T</td>
<td>-22.2</td>
</tr>
<tr>
<td>2021</td>
<td>8.8T</td>
<td>38.1</td>
</tr>
<tr>
<td>2022</td>
<td>15.1T</td>
<td>70.3</td>
</tr>
<tr>
<td>2023</td>
<td>44.3T</td>
<td>194.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SOE’s Profit (IDR T)</th>
<th>Central Bank Surplus (IDR T)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-9.2</td>
<td>0,0</td>
<td>-92.2</td>
</tr>
<tr>
<td>2020</td>
<td>907.314,8</td>
<td>24,0</td>
<td>907.316</td>
</tr>
<tr>
<td>2021</td>
<td>-100,0</td>
<td>0,0</td>
<td>-100.0</td>
</tr>
<tr>
<td>2022</td>
<td>10.655,1</td>
<td>0,1</td>
<td>10.655,1</td>
</tr>
<tr>
<td>2023</td>
<td>3.120,0</td>
<td>4,6</td>
<td>3.120,0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Non-Tax Revenues (IDR T)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>25.4T</td>
<td>12,7</td>
</tr>
<tr>
<td>2020</td>
<td>24.3T</td>
<td>-4.2</td>
</tr>
<tr>
<td>2021</td>
<td>40.6T</td>
<td>66.8</td>
</tr>
<tr>
<td>2022</td>
<td>34.0T</td>
<td>-16.1</td>
</tr>
<tr>
<td>2023</td>
<td>44.3T</td>
<td>30.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Service Agency (BLU) Revenue (IDR T)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-7.5</td>
<td>-7.5</td>
</tr>
<tr>
<td>2020</td>
<td>37.2</td>
<td>37.2</td>
</tr>
<tr>
<td>2021</td>
<td>86.1</td>
<td>86.1</td>
</tr>
<tr>
<td>2022</td>
<td>-27.2</td>
<td>-27.2</td>
</tr>
<tr>
<td>2023</td>
<td>4.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Government Maintains Focus on Priority Spending

**Health Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-2.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>2020</td>
<td>42.9</td>
<td>27.7</td>
</tr>
<tr>
<td>2021</td>
<td>14.8</td>
<td>31.8</td>
</tr>
<tr>
<td>2022</td>
<td>-30.0</td>
<td>22.2</td>
</tr>
<tr>
<td>2023</td>
<td>28.1</td>
<td>28.5</td>
</tr>
</tbody>
</table>

**Food Security Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>19.4</td>
<td>2.0</td>
</tr>
<tr>
<td>2020</td>
<td>27.7</td>
<td>2.8</td>
</tr>
<tr>
<td>2021</td>
<td>31.8</td>
<td>4.3</td>
</tr>
<tr>
<td>2022</td>
<td>22.2</td>
<td>5.6</td>
</tr>
<tr>
<td>2023</td>
<td>28.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>

**Social Protection Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>2020</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>2021</td>
<td>31.1</td>
<td>31.1</td>
</tr>
<tr>
<td>2022</td>
<td>-6.2</td>
<td>-6.2</td>
</tr>
<tr>
<td>2023</td>
<td>-7.7</td>
<td>-7.7</td>
</tr>
</tbody>
</table>

**Education Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>24.5</td>
<td>91.5</td>
</tr>
<tr>
<td>2020</td>
<td>27.7</td>
<td>100.6</td>
</tr>
<tr>
<td>2021</td>
<td>10.0</td>
<td>91.7</td>
</tr>
<tr>
<td>2022</td>
<td>-8.9</td>
<td>119.1</td>
</tr>
<tr>
<td>2023</td>
<td>29.9</td>
<td></td>
</tr>
</tbody>
</table>

**Infrastructure Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>55.7</td>
<td>34.8</td>
</tr>
<tr>
<td>2020</td>
<td>52.8</td>
<td>45.7</td>
</tr>
<tr>
<td>2021</td>
<td>50.8</td>
<td>41.7</td>
</tr>
<tr>
<td>2022</td>
<td>41.7</td>
<td>42.4</td>
</tr>
</tbody>
</table>

**Energy Subsidy Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy Subsidy</th>
<th>Non-Energy Subsidy</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>20.1</td>
<td>7,515,8</td>
<td>-100,0</td>
</tr>
<tr>
<td>2020</td>
<td>18.7</td>
<td>1,037,7</td>
<td>0,0</td>
</tr>
<tr>
<td>2021</td>
<td>20.9</td>
<td>13,0</td>
<td>553,9</td>
</tr>
<tr>
<td>2022</td>
<td>32.5</td>
<td>6,0</td>
<td>117,6</td>
</tr>
<tr>
<td>2023</td>
<td>24.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

YTD 31 March 2023

Source: Ministry of Finance
The distribution of transfers to regions in the Indonesian government budget decreased by 2.9% in nominal terms as of 31 March, 2023.

The total disbursement was IDR 171.4 T (21.0%), slightly lower than the disbursement in FY 2022 of IDR 176.5 T (21.9%).

Local Government Performance

REVENUE
- Regional Tax performance in February 2023 grew 14.0% (y.o.y), driven by growth in the realization of consumptive taxes, indicating that the economic activities of the people in the regions are continuing to improve.

SPENDING
Up to March, local Gov’t spending grew by 5.9% (yoy) contributed by Personnel and Other Spending.

Source: Ministry of Finance
Budget Financing Apply Prudent, Flexible, And Opportunistic Principle

**FINANCING REALIZATION UP TO 31 MARCH**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan (nett)</td>
<td>150.1</td>
<td>224.8</td>
</tr>
<tr>
<td>Securities (nett)</td>
<td>133.6</td>
<td>217.6</td>
</tr>
<tr>
<td></td>
<td>16.5</td>
<td>7.2</td>
</tr>
</tbody>
</table>

**DOMESTIC LOAN (NETT)**
- IDR 0.36 T
- Domestic Loan Withdrawal (Gross) IDR 0.11T
- Domestic loan principal installment financing IDR 0.47T

**FOREIGN LOAN (NETT)**
- IDR 7.56 T
- Foreign Loan Withdrawal (Gross) IDR 27.84T
- Foreign loan principal installment financing IDR 20.28T

**PLAN & REALIZATION OF INVESTMENT FINANCING AS OF 31 MARCH 2023**

- **FLPP**
  - Housing Financing Liquidity Facility IDR 85.8T*
  - IDR 6T disbursement for The Low Income People's Housing Financing
  - 46,233 Housing under FLPP financing valued at IDR 5,17T

- **LPDP**
  - Total Endowment Find as of 31 March 2023 IDR 134.11T

- **International Development Cooperation Fund (LDKPI)**
  - Financing LDKPI by IDR 2T
  - IDR 8T*

* 2023 Target Fund

Source: Ministry of Finance
## 2023 Budget Financing
Increasing productivity for an inclusive and sustainable economic transformation

### Description (IDR Trillion) vs. Budget 2023

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

### Macroeconomic Assumption for 2023 Budget

- **Economic Growth**: 5.3%
- **Inflation**: 3.6%
- **ICP**: US$90/barrel
- **Oil Lifting**: 650 thousand barrel/day
- **Exchange Rate**: IDR14,800/USD
- **Gas Lifting**: 1,100 thousand barrel of oil equivalent/day
- **10Y T-Bonds Rate**: 7.90%

### 2023 Development Target

- **Unemployment rate**: 5.1 – 6.0
- **Human Development Index**: 73.31 – 73.49
- **Gini Ratio**: 0.375 – 0.378
- **Poverty Level**: 7.5 – 8.5
- **Peasant Exchange Rate**: 105 – 107
- **Fisherman Exchange Rate**: 107 – 108

*Source: Ministry of Finance*
2023 Financing Needs

**Financing Needs**

- Budget Deficit (2.84% GDP)
  - Investment financing
  - Lending
  - Liabilities
  - Other financing
  - Matured debt

**Financing Sources**

- Foreign Loan
- Foreign Denominated Bonds
- Local currency (75%-85%)
- Foreign Currency (15%-25%)
- Domestic Loan
- Domestic GS
- Gross GS (Auction & non-auction)
  - Sukuk 30-36%
  - GDS 70-64%
  - Matured T-Bills Issuance

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

**General debt policy direction**

- **Management of prudent and sustainable debt financing by controlling debt risk at a safe and credible level**
- **Prioritizing domestic sources of financing to increase financial independence**
- **Procurement of foreign debt as an effort to mitigate the crowding out effect.**
- **Flexibility in debt financing, both in terms of timing and composition, to obtain the most favorable costs and risks for the government.**
- **Utilizing cash loans within the framework of financing flexibility to ensure the fulfillment of financing, while the choice of cash loan currency takes into account cash requirements and debt portfolio management.**

*Source: Ministry of Finance*
DEBT FINANCING
As of April 28th, 2023

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

Debt Financing Realization

Rp 243.9 (35.0%)

Government Securities
Rp 240.0 (Net)

Loan
Rp 3.9 (Net)

Foreign Loan
Rp 30.2 (Net)

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

Source: Ministry of Finance
<table>
<thead>
<tr>
<th>Description</th>
<th>Realization (Trillion IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities (GS) Nett</td>
<td>342.11</td>
</tr>
<tr>
<td>Government Securities (GS) Gross</td>
<td>235.05</td>
</tr>
<tr>
<td>Government Debt Securities (GDS)</td>
<td>187.56</td>
</tr>
<tr>
<td>IDR Denominated GDS</td>
<td>139.40</td>
</tr>
<tr>
<td>- Coupon GDS</td>
<td>21.85</td>
</tr>
<tr>
<td>- Conventional T-Bills</td>
<td>4.12</td>
</tr>
<tr>
<td>- Private Placement (+ Voluntary Disclosure Program)</td>
<td>22.18</td>
</tr>
<tr>
<td>- Retail Bonds</td>
<td>47.49</td>
</tr>
<tr>
<td>Foreign Denominated Bonds</td>
<td>46.77</td>
</tr>
<tr>
<td>- SEC USD-EUR ( - Buyback LM)</td>
<td>0.00</td>
</tr>
<tr>
<td>- Samurai Bond</td>
<td>0.00</td>
</tr>
<tr>
<td>- SDG Bonds</td>
<td>0.72</td>
</tr>
<tr>
<td>- Valas Voluntary Disclosure Program</td>
<td>107.06</td>
</tr>
<tr>
<td>Sovereign Sharia Securities (Sukuk)</td>
<td>107.06</td>
</tr>
<tr>
<td>Domestic Sovereign Sharia Securitoes</td>
<td>76.46</td>
</tr>
<tr>
<td>- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)</td>
<td>85.00</td>
</tr>
<tr>
<td>- Retail Sukuk</td>
<td>21.49</td>
</tr>
<tr>
<td>- Private Placement</td>
<td>0.57</td>
</tr>
<tr>
<td>Global Sukuk</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance*
Government Securities (GS)

In 2023:
- average incoming bid = IDR36.96 tn/auction
- average awarded bid = IDR16.42 tn/auction

Source: Ministry of Finance
Ownership Of Tradable Domestic Government Securities

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec-19</th>
<th>Dec-20</th>
<th>Dec-21</th>
<th>Dec-22</th>
<th>Apr-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks*</td>
<td>581.37</td>
<td>1,375.57</td>
<td>1,591.12</td>
<td>1,697.43</td>
<td>1,651.31</td>
</tr>
<tr>
<td>Govt Institutions (Bank Indonesia**)</td>
<td>262.49</td>
<td>454.36</td>
<td>801.46</td>
<td>1,020.02</td>
<td>1,112.84</td>
</tr>
<tr>
<td>Bank Indonesia (gross)</td>
<td>273.21</td>
<td>874.88</td>
<td>1,220.73</td>
<td>1,453.58</td>
<td>1,419.64</td>
</tr>
<tr>
<td>GS used for Monetary Operation</td>
<td>10.72</td>
<td>420.51</td>
<td>419.27</td>
<td>433.57</td>
<td>306.80</td>
</tr>
<tr>
<td>Non-Banks</td>
<td>1,908.88</td>
<td>2,040.83</td>
<td>2,286.40</td>
<td>2,591.98</td>
<td>2,772.59</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>130.86</td>
<td>161.32</td>
<td>157.93</td>
<td>145.82</td>
<td>166.95</td>
</tr>
<tr>
<td>Insurance Company and Pension Fund</td>
<td>471.67</td>
<td>542.82</td>
<td>655.24</td>
<td>873.03</td>
<td>929.87</td>
</tr>
<tr>
<td>Foreign Holders</td>
<td>1,061.86</td>
<td>973.91</td>
<td>891.34</td>
<td>762.19</td>
<td>822.69</td>
</tr>
<tr>
<td>Foreign Gov't &amp; Central Banks</td>
<td>194.45</td>
<td>178.31</td>
<td>233.45</td>
<td>203.11</td>
<td>207.47</td>
</tr>
<tr>
<td>Individual</td>
<td>81.17</td>
<td>131.21</td>
<td>221.41</td>
<td>344.30</td>
<td>369.82</td>
</tr>
<tr>
<td>Others</td>
<td>163.32</td>
<td>231.57</td>
<td>360.47</td>
<td>466.65</td>
<td>483.26</td>
</tr>
<tr>
<td>Total</td>
<td>2,752.74</td>
<td>3,870.76</td>
<td>4,678.98</td>
<td>5,309.43</td>
<td>5,425.54</td>
</tr>
</tbody>
</table>

2) Others such as Securities Company, Corporation, and Foundation.
*) Including the Government Securities used in monetary operation with Bank Indonesia.
**) net, excluding Government Securities used in monetary operation with Banks.

Source: Ministry of Finance
Holders of Tradable Central Government Securities
Balanced Ownership In Terms of Holders and Tenors

Holders of Tradable Gov't Domestic Debt Securities

<table>
<thead>
<tr>
<th>Month</th>
<th>Foreign Holders</th>
<th>Domestic Non Banks</th>
<th>Domestic Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-15</td>
<td>23.9%</td>
<td>40.3%</td>
<td>37.8%</td>
</tr>
<tr>
<td>Dec-16</td>
<td>22.5%</td>
<td>42.0%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Dec-17</td>
<td>23.4%</td>
<td>42.0%</td>
<td>36.8%</td>
</tr>
<tr>
<td>Dec-18</td>
<td>20.3%</td>
<td>40.3%</td>
<td>37.7%</td>
</tr>
<tr>
<td>Dec-19</td>
<td>21.1%</td>
<td>39.3%</td>
<td>37.8%</td>
</tr>
<tr>
<td>Dec-20</td>
<td>35.5%</td>
<td>46.9%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Dec-21</td>
<td>34.0%</td>
<td>55.3%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Dec-22</td>
<td>32.0%</td>
<td>55.3%</td>
<td>29.8%</td>
</tr>
<tr>
<td>Apr-23</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Foreign Ownership of Gov't Domestic Debt Securities by Tenor

<table>
<thead>
<tr>
<th>Month</th>
<th>0-1</th>
<th>&gt;1-2</th>
<th>&gt;2-5</th>
<th>&gt;5-10</th>
<th>&gt;10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr-23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Disciplined and Advanced Debt Portfolio Management

**Stable Debt to GDP Ratio Over the Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR Tn</th>
<th>Government Debt / GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.411.04</td>
<td>27.46%</td>
</tr>
<tr>
<td>2016</td>
<td>2.788.63</td>
<td>28.34%</td>
</tr>
<tr>
<td>2017</td>
<td>3.248.93</td>
<td>29.40%</td>
</tr>
<tr>
<td>2018</td>
<td>3.612.69</td>
<td>29.81%</td>
</tr>
<tr>
<td>2019</td>
<td>4.014.80</td>
<td>30.18%</td>
</tr>
<tr>
<td>2020</td>
<td>4.521.65</td>
<td>39.36%</td>
</tr>
<tr>
<td>2021</td>
<td>6.094.65</td>
<td>40.73%</td>
</tr>
<tr>
<td>2022</td>
<td>6.846.89</td>
<td>39.57%</td>
</tr>
<tr>
<td>Apr-23</td>
<td>8.167.93</td>
<td>38.13%</td>
</tr>
</tbody>
</table>

**Weighted Average Debt Maturity**

- **ATM**
  - 2015: 9.39
  - 2016: 9.13
  - 2017: 8.68
  - 2018: 8.52
  - 2019: 8.5
  - 2020: 8.6
  - 2021: 8.27
  - 2022: 8.13
  - Apr-23: 8.13

**Prudent Fiscal Deficit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit/GDP (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-2.50%</td>
</tr>
<tr>
<td>2018</td>
<td>-1.80%</td>
</tr>
<tr>
<td>2019</td>
<td>-2.20%</td>
</tr>
<tr>
<td>2020</td>
<td>-6.14%</td>
</tr>
<tr>
<td>2021</td>
<td>-4.57%</td>
</tr>
<tr>
<td>2022</td>
<td>-2.38%</td>
</tr>
</tbody>
</table>

**Well Diversified Across Different Currencies**

- **% of Yearly Issuance**
  - 2018: IDR 58%, USD 27%, EUR 23%, JPY 20%, OTHER 19%
  - 2019: IDR 62%, USD 23%, EUR 20%, JPY 20%, OTHER 19%
  - 2020: IDR 66%, USD 20%, EUR 70%, JPY 71%, OTHER 72%
  - 2021: IDR 70%, USD 20%, EUR 70%, JPY 71%, OTHER 72%
  - Dec-22: IDR 65%, USD 16%, EUR 45%, JPY 46%, OTHER 47%
  - Apr-23: IDR 65%, USD 16%, EUR 45%, JPY 46%, OTHER 47%

*Source: Ministry of Finance*
Well Balanced Maturity Profile with Strong Resilience Against External Shocks

### Interest Rate Risks (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>VR Prop Non SKB</th>
<th>VR Prop SKB</th>
<th>Refixing Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13.7</td>
<td>12.1</td>
<td>9.8</td>
</tr>
<tr>
<td>2016</td>
<td>17.5</td>
<td>10.6</td>
<td>7.6</td>
</tr>
<tr>
<td>2017</td>
<td>19.2</td>
<td>10.6</td>
<td>7.4</td>
</tr>
<tr>
<td>2018</td>
<td>19.7</td>
<td>9.8</td>
<td>8.2</td>
</tr>
<tr>
<td>2019</td>
<td>16.1</td>
<td>7.6</td>
<td>10.6</td>
</tr>
<tr>
<td>2020</td>
<td>21.0</td>
<td>6.6</td>
<td>10.5</td>
</tr>
<tr>
<td>2021</td>
<td>22.0</td>
<td>8.9</td>
<td>8.2</td>
</tr>
<tr>
<td>2022</td>
<td>25.5</td>
<td>10.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Apr-23</td>
<td>27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Declining Exchange Rate Risks (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>FX to GDP Ratio</th>
<th>FX Prop Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>44.6</td>
<td>12.2</td>
</tr>
<tr>
<td>2016</td>
<td>42.6</td>
<td>12.1</td>
</tr>
<tr>
<td>2017</td>
<td>41.3</td>
<td>12.1</td>
</tr>
<tr>
<td>2018</td>
<td>41.0</td>
<td>11.4</td>
</tr>
<tr>
<td>2019</td>
<td>37.9</td>
<td>13.2</td>
</tr>
<tr>
<td>2020</td>
<td>33.5</td>
<td>12.2</td>
</tr>
<tr>
<td>2021</td>
<td>30.0</td>
<td>11.6</td>
</tr>
<tr>
<td>2022</td>
<td>29.2</td>
<td>10.6</td>
</tr>
<tr>
<td>Apr-23</td>
<td>27.1</td>
<td></td>
</tr>
</tbody>
</table>

### Upcoming Maturities (Next 5 Years)

<table>
<thead>
<tr>
<th>Year</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>8,4</td>
<td>6,5</td>
<td>9,9</td>
</tr>
<tr>
<td>2016</td>
<td>12,2</td>
<td>13,0</td>
<td>18,0</td>
</tr>
<tr>
<td>2017</td>
<td>34,7</td>
<td>36,0</td>
<td>39,3</td>
</tr>
<tr>
<td>2018</td>
<td>39,6</td>
<td>40,4</td>
<td>41,0</td>
</tr>
<tr>
<td>2019</td>
<td>41,0</td>
<td>39,6</td>
<td>40,1</td>
</tr>
<tr>
<td>2020</td>
<td>40,1</td>
<td>42,5</td>
<td>42,7</td>
</tr>
<tr>
<td>2021</td>
<td>42,7</td>
<td>42,5</td>
<td>42,7</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
## Republic of Indonesia USD3 bn Global Bonds Issuance

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

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

### Investor Breakdown by Region
- Asia: 30% 33% 41%
- EMEA: 44% 30% 26%
- US: 28% 31% 6%

### Investor Breakdown by Investor Type
- Asset Managers / Fund Managers: 68% 67% 68%
- Central Banks / SWFs: 6% 6% 6%
- Banks: 10% 10% 10%
- Insurance / Pension Fund: 17% 17% 17%
- Private Bank: 11% 11% 11%
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

- Monetary policy towards maintaining stability
- Policy rate increase as a follow-up step to ensure continued lower expected inflation and inflation in a front-loaded, pre-emptive, and forward-looking measure to maintain core inflation within the range of 3.0±1%
- Strengthening rupiah stabilization policy as part of measures to control inflation, primarily imported inflation
  - Issuing new foreign exchange monetary operation instruments to boost placement of Export Proceeds, domestically by banks and exporters to strengthen stabilization, including Rupiah exchange rate stability and national economic recovery
- Continue buying/selling SBN in the secondary market to strengthen transmission of the BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen exchange rate stabilization measures

- Accommodative macroprudential policy stance to reignite bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability
- Incentivize banks to disburse financing to priority sectors and promote inclusive financing
- Strengthen implementation of macroprudential Inclusive Financing Ratio (RPIM) to increase economic inclusion, unlock financial access, while strengthening MSME’s contribution to the national economic recovery
  - Accommodative macroprudential policy stance, among others by: relaxing LTV/FTV, relaxing down payment requirement, CCB 0%, Macroprudential Intermediation Ratio (MIR) 84-94%, Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%

- Accelerating payment system digitalization to stimulate economic recovery and implementation of the Indonesia Payment System Blueprint 2025
- Strengthen and expand digitalization through social programs, e-payment for Government
- Increase the number of participants, expand services and garner greater acceptance of BI-FAST for more efficient transactions between banks and members of the public
- Expanding cross-border QRIS by, among others, accelerating implementation, piloting local currency settlement (LCS) with other Asian countries and organising National QRIS Week

- Money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for the exchange rate in the FX market
- Accelerate key infrastructure development, including Electronic Trading Platforms (ETP) and a Central Counterparty (CCP)
- Continue to develop the Money Market Development Blueprint 2025
- Promote inclusiveness and the green economy in finance

- Controlling inflation through Inflation Control Team in national and regional level, and accelerating implementation of the National Movement for Food Inflation Control (GNPIP)
- Support the national economic recovery program through cooperation and collaboration with the MOF
- Strengthening the coordination with the Government and related authorities to revive bank intermediation function
- Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability

Source: Bank Indonesia
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%.

- Strengthening rupiah stabilisation policy as part of the measures to control inflation, particularly imported inflation, through foreign exchange market intervention, including spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying/selling government securities (SBN) in the secondary market.
- Continuing the twist operation by selling short-term SBN in the secondary market to increase the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen rupiah stabilisation measures.
- Continuing prime lending rate (PLR) transparency policy with a focus on the response of funding rates in the banking industry to the policy rate.
- Strengthening international cooperation with other central banks and authorities in partner countries, while promoting trade and investment in priority sectors in synergy with relevant institutions. In addition, Bank Indonesia is continuing to collaborate with relevant government ministries/agencies to ensure a successful ASEAN Chairmanship in 2023, particularly in terms of the finance track.
- Continuing to expand QRIS by: (i) increasing the intensity of campaigns with the industry regarding the public benefits of QRIS use, including the merchant discount rate (MDR), QRIS micro enterprises (UMI) and QRIS TUNTAS (cash withdrawals, transfers and deposits), and (ii) developing cross-border QRIS with Singapore, Japan, India and China. 
- Expanding acceptance of the new Indonesia Credit Card through a championship program in 2023 for Regional Digitalisation Acceleration and Expansion Teams.

Source: Bank Indonesia
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.

Source: Bank Indonesia
Manageable Monetary Environment amid Heightened Global Uncertainty

**Well Maintained Inflation Ensured Price Stability**

- CPI (%, yoy) rhs
- Core (%, yoy) - lhs
- Volatile Food (%, yoy) - lhs2
- Administered (%, yoy) - lhs

**Rupiah Exchange Rate Volatility**

<table>
<thead>
<tr>
<th>Currency</th>
<th>2023 vs 2022 (YTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRY</td>
<td>-12.60</td>
</tr>
<tr>
<td>ZAR</td>
<td>-11.41</td>
</tr>
<tr>
<td>INR</td>
<td>-8.94</td>
</tr>
<tr>
<td>CNY</td>
<td>-4.22</td>
</tr>
<tr>
<td>IDR</td>
<td>-5.38</td>
</tr>
<tr>
<td>JPY</td>
<td>-1.41</td>
</tr>
<tr>
<td>PHP</td>
<td>-4.11</td>
</tr>
<tr>
<td>MYR</td>
<td>-3.95</td>
</tr>
<tr>
<td>KRW</td>
<td>0.01</td>
</tr>
<tr>
<td>BRL</td>
<td>0.99</td>
</tr>
<tr>
<td>EUR</td>
<td>0.69</td>
</tr>
<tr>
<td>THB</td>
<td>2.49</td>
</tr>
<tr>
<td>SGD</td>
<td>3.44</td>
</tr>
</tbody>
</table>

Source: Reuters, Bloomberg (calculated)

**Credit Growth Profile**

- Total Growth
- Investment Loans
- Consumption Loans

**Strengthened Monetary Policy Framework**

- 19 August 2016
- LF Rate: 7.00
- BI Rate: 6.50
- DF Rate: 5.00

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).

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.

Source: Financial Services Authority (OJK)
Banking Risk Profile and Profitability

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

The banking NPL ratio continued to further decline to 2.49\% gross and 0.72\% net as of March 2023, significantly below the threshold.

The banking sector's Capital Adequacy Ratio (CAR) was steadily high with a value of 24.69\% and Tier-1 capital stood at 23.21\% as of March 2023.

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

The banking industry's Net Interest Margin and Return on Assets remained steady at 4.77\% and 2.77\%, respectively, as of March 2023.

Net Open Position was maintained well below the maximum limit of 20\% and stood at 1.44\% in March 2023.

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

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.

In March 2023, net financing continued its increasing trend and stood at IDR 435.5 Tn or growing by 16.35% yoy.

The Non-Performing Financing ratio of multi-finance companies was relatively stable at 2.37% in March 2023, well below the 5% threshold.*)

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

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

Source: Financial Services Authority (OJK)
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.

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

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

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

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 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 investments
- 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)
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**

- **MSME segment (covering all sectors)**
- **Accommodation and food service activities**
- **Labor-intensive industries, such as textile and textile products and footwear industries**

*Source: Financial Services Authority (OJK)*
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
- 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.

BANK INDONESIA
The Central Bank of The Republic of Indonesia
- 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.

LEMBAGA PENJAMIN SIMPANAN
Indonesia Deposit Insurance Corporation
- 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.

KEMENTERIAN KEUANGAN
The Ministry of Finance
- 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.

Source: Financial Services Authority (OJK)

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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

Source: Bank Indonesia
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.