







Republic of Indonesia Strengthening the Policy Synergy to Promote Recovery and Maintain Macroeconomic Stability

November 2021

About Investor Relations Unit of the Republic of Indonesia



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

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

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

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

What's New in This Edition





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Overview



Fiscal Performance and Flexibility: **Economic Recovery Program and Its Updates** Strong Commitment in Maintaining Fiscal Credibility **Institutional and Governance Effectiveness: Accelerated Reforms Agenda with** 6 Commitment to Sustainability and **Institutional** Improvement **Preserving the Environment** Monetary and Financial Factor: **Economic Factor:** Stable Growth Prospects **Credible Monetary Policy Amid Temporary Moderation** and Favourable Financial Sector **Progressive Infrastructure Development:** External Factor: Strong Commitment on Acceleration **Improved External Resilience** of Infrastructure Provision

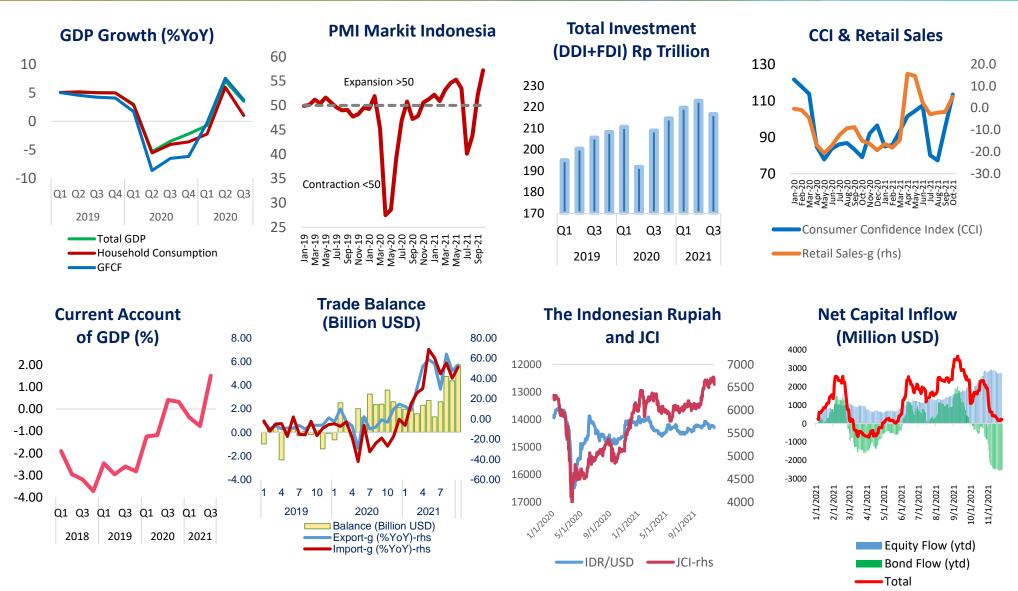


Section 1

Economic Recovery Program and Its Updates

Indonesia's Economic Improvement Trend Continues

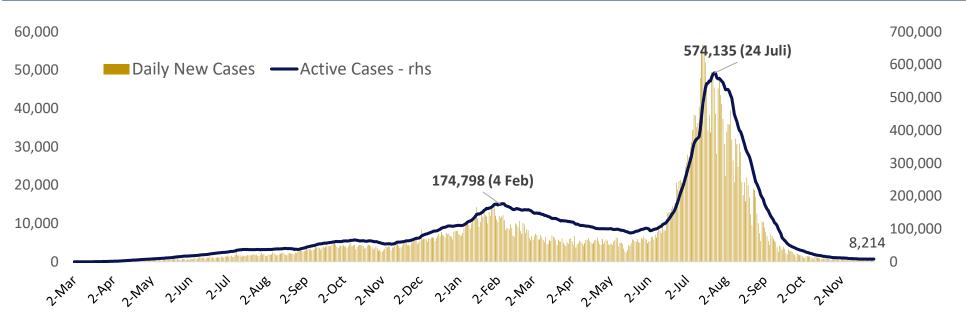




Indonesia Daily Covid-19 Continues to Trend Down



Progress of Daily Confirmed Cases & Active Cases of Covid-19



	Total Recovered		Total Deaths		Active Cases		Δ Active Cases	
Provinces	Total	RR	Total	CFR	09 Aug	28 Nov	%Share Nasional	9 Aug - 28 Nov
Sumatera	607.536	96,18%	22.594	3,58%	94.824	1.561	19,00%	-98,35%
Jawa & Bali	2.756.752	96,36%	100.233	3,50%	240.171	3.865	47,05%	-98,39%
Nusa Tengggara	89.366	97,36%	2.155	2,35%	12.906	264	3,21%	-97,95%
Kalimantan	339.767	96,76%	11.119	3,17%	47.861	267	3,25%	-99,44%
Sulawesi	229.610	97,26%	6.228	2,64%	33.980	239	2,91%	-99,30%
Maluku & Papua	80.883	95,86%	1.479	1,75%	18.766	2.018	24,57%	-89,25%
NATIONAL	4.103.914	96,43%	143.808	3,38%	448.508	8.214	100,00%	-98,17%

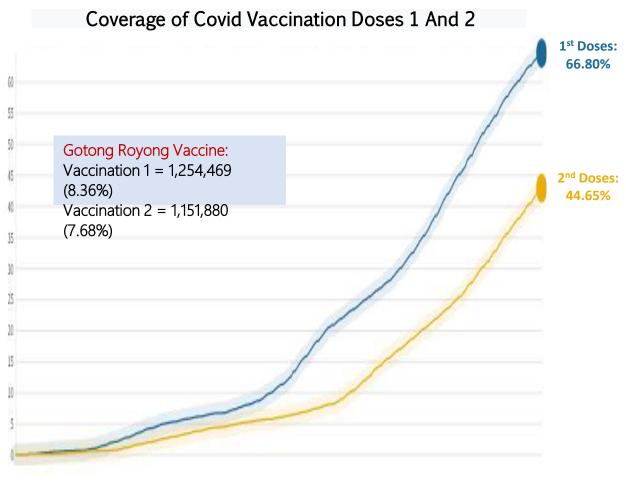
Notes: RR Global= 90,60% and CFR Global= 2,03%

Progress of Vaccination Implementation



Vaccination has been carried out since January 2021. As of November 29, 2021, the 1st vaccination dose was 139,12 million people (66.80%), and the 2nd dose vaccination was 95,07 million people (45,65%).

77				
Vacci	nation Target	Vaccination Progress		
TOTAL		208	,265,720	
	HEALTH WORKER	Vaccination 1 2,017,893	Vaccination 2 1,920,455	
1	1,468,764	(137.39%)	(130.75%)	
	PUBLIC OFFICERS	Vaccination 1 24,189,530	Vaccination 2 20,990,836	
2	17,327,167	(139.60%)	(121.14%)	
	ELDERLY	Vaccination 1 11,414,637	Vaccination 2 7,295,631	
3	21,553,118	(52.96%)	(33.85%)	
# †	COMMUNITY & VULNERABLE	Vaccination 1 80,108,279	Vaccination 2 49,397,214	
4 141,211,181		(56.73%)	(34.98%)	
	TEENAGER	Vaccination 1 20,125,945	Vaccination 2 14,313,503	
5	26,705,490	(75.36%)	(53.60%)	
Total Target (1+2+3+4+5) 208,265,720		139,119,962 (66.80%)	95,071,339 (45.65%)	

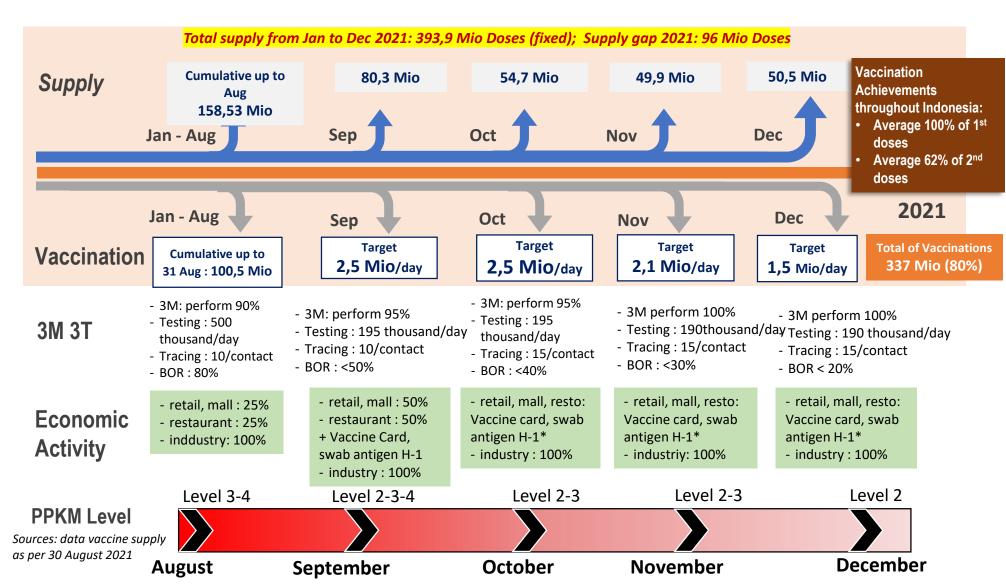


Source: Coordinating Ministry for Economic Affairs

As of 29 November 2021

Roadmap Pandemic to Endemic, and the role Covid-19 Vaccination ...until the end of 2021





Covid-19 Handling Strategies: Upstream (Prevention) and Downstream (Treatment)



HANDLING STRATEGIES (UPSTREAM)



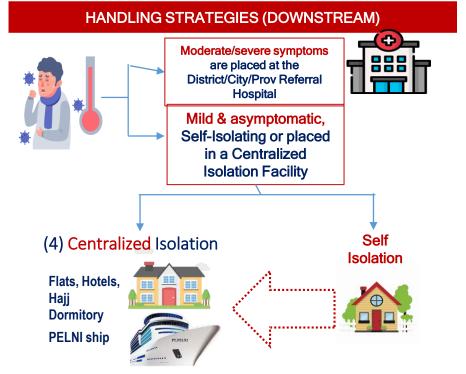
(1) Accelerated Vaccination

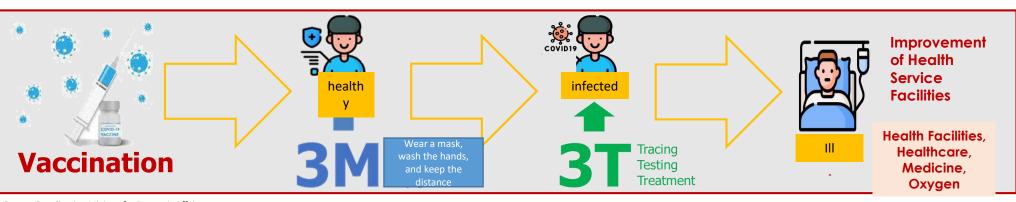


(2) Increased Number of Testing & Tracing



(3) Mobility Restrictions (PPKM)

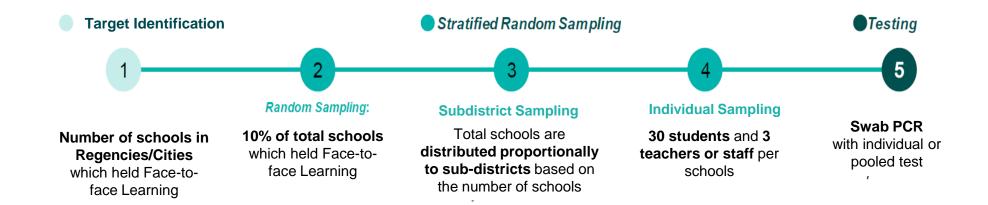




The Government Implements a Surveillance Sampling Strategy To Evaluate and Prevent The Spread Of Covid-19 In Schools That Have Started Face-to-face Learning



The Surveillance Phase is carried out at least once a month with random sampling methods to determine testing targets



The Results of the Surveillance Implementation are Used to Determine the Continuation of F-to-F Learning

% of Positive Results	<1%	1-5%		>5%
Follow-up Positive Cases and close contact	Covid-19 Con Self/centralize isolation Close contact	ed	• Qua	e Contact arantine ry and Exit Test
Face-to-face learning	Test all of the close contact All of the close contact quarantined in home	 Test all of the study group All of the study group quarantined in home F-to-F learning keeps running for unexposed class members 		 Test all of the students in school Every students quarantined in home
interventions	F-to-F learning keeps running for unexposed class members			School is closed F-to-F learning temporarily stop

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



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

Large – Scale Social Restriction (PSBB)April 2020

PSBB Transition October 2020

Community Activities Restriction Enforcement (PPKM) 11 Jan – 8 Feb 2021

Micro-Scale PPKM9 Feb - 2 Jul 2021

The Emergency PPKM 3 Jul - 20 Jul 2021

PPKM Level 1 to 4 21 Jul – 13 Dec 2021

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

Assessment of the Covid-19 Pandemic Situation Level

transmission level response capacity pandemic situation level

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

Micro-Scale PPKM aims to suppress the spread of covid-19 from the smallest level which is divided by zone

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

Targets and Strategies Towards a "New Normal"



Pandemic Control Strategy

Upstream (Preventive)

- Vaccination Intensification: 2.5 million/day Sept - Oct
- 3M's discipline is enhanced;
- Testing & Tracing + Care Protect screening;
- Provision of Centralized Isolation:
- · Good ventilation is key.
- PPKM as needed

Downsream (Curative)

- · Hospital capacity building;
- · Adequacy of health personnel;
- Securing the availability of oxygen and drugs.



Additional Effort

Develop Guidelines / Guidelines for coexistence with COVID as an Endemic.

Communicating the Guidelines to the public

Target for Pandemic Control by Q4-2021

Fatality Rate ± 2%
Equal to Global Average

Active Case ≤ **100,000**

Positivity Rate ≤ 5%

New Cases ± 5,000

BOR < 40%

"New Normal"
COVID-19 Endemic
Conditions

Preparation Stages:

Efforts to strengthen response capacity downstream need to be increased supported by strengthening efforts upstream to ensure that the spike in cases experienced does not burden the existing capacity.

Mapping the capacity currently owned by each region and the estimated

gap that needs to be anticipated to handle the maximum spike in cases (using the assumption of delta peak waves as a reference).

Covid-19 Handling Fund and National Economic Recovery

Strategy to accommodate Health Facilities and Economic Recovery by Integrating Health and Economic Policies



Health Sector (COVID-19 Handling)

Health Protocol

- Health protocol based on 3 standards (standard of number, activity, and behavior)
- Implementation of PPKM Level 1-4
- Utilization of digital technology in the implementation of health protocols

Detection

- · Increasing epidemiological vs screening tests.
- · Increase tracked close contact rate
- Genomic surveillance in areas with the potential for a spike in cases.

Therapeutic

- Convert beds 30-40% of total hospital capacity
- Tighten hospital admission requirements
- · Increase utilization of centralized isolation

Vaccination

- 50% vaccine allocation in areas with high cases & mobility.
- Vaccination centers in places that are easily accessible to the public
- Vaccination card requirements for travelers and in public spaces
- Acceleration of vaccination in vulnerable groups, including the elderly & people with comorbidities

Committee

(Chairman:

Coordinating Minister for Economic Affairs)

Vice Chairman

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

Vice Chairman

- Minister of Health
- · Minister of Home Affairs
- Executive Secretary I
- Executive Secretary II

Economy Sector (National Economic Recovery/PEN)

Intensification of National Economic Recovery Program

Acceleration of government spending

Labor-intensive program and the development of National Strategic Projects

Strengthened support for the manufacturing sector

Stimulate household consumption

.eader	S S
Force	
SOEs	Hea
ster)	Soc Pro
	Bus
	Sup MS Cor
7	Pric

Vice Chairman + Executive Team Leader
Minister of SOEs

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

PEN Task Force (Chairman: SOEs Vice Minister)

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

PEN and Covid-19 Stimulus Budget		2021 (as of 23 April 2021)	2021 (as of 21 July 2021)	
TOTAL	IDR 695,2 T (Realization: IDR 579,8 T)	IDR699,43 T	IDR744,75 T	
Health	IDR63,51 T	IDR175,5 T	IDR214,95 T	
Social Protection	IDR220,39 T	IDR150,88 T	IDR187,84 T	
Business Incentives	IDR56,12 T	IDR56,72 T	IDR62,83 T	
Support for MSMEs and Corporations	IDR173,17 T	IDR191,13 T	IDR161,20 T	
Priority Program	IDR66,59 T	IDR125,17 T	IDR117,94 T	

Source: Coordinating Ministry for Economic Affairs, Ministry of Finance, Ministry of Health

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



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



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

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





Change of Guarantee Process

Simplify the terms and stages of Credit Guarantee

Hotel, Restaurant and Café
Sector Incentives

Fund Placement and
Guarantee Schemes for
Hospitality SMEs credit
schemes and guarantees for
restaurants and cafes



Policy Synergy in the Property and Automotive Sector



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





Bank Indonesia



OJK



Giving VAT Incentives on Luxury Goods Borne by the Government for Motor Vehicles through PMK No. 77 of 2021 which amend PMK No 20 of 2021

- Car which produced with local purchases > 60%.
- The PPnBM Discount stimulus is given in stages:
- For 4x2 Type (<=1500 cc): 25% during Sep-Dec 2021
- ➤ For 4x2 Type (>1500 cc, <= 2500 cc): 25% during Sep-Dec 2021
- For 4x4 Type (>1500 cc, <=2500 cc): 12,5% during Sep-Dec 2021.

Relaxation of down payment requirements on automotive loans/financing to minimum 0% for all new motor vehicles, while I maintaining prudential principles I and risk management as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.

Letter of the Chief Executive of Banking Supervision and Non-Bank Financial Institutions:

- Relaxation of Risk Weighting Policy for Credit Risk Weighted Assets / Motor Vehicle Financing
- Exemption from the Maximum Credit Lending Limit to Battery-Based Electric Motor Vehicle Manufacturers



Giving Government-Borne VAT Incentives Borne by the Government for the Submission of Landed Houses and Apartment Residential Units through PMK 103 of 2021 which amend PMK No. 21 of 2021

Relaxation of Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property, while maintaining prudential principles and risk management, as stipulated by PBI No. 23/2/PBI/2021 effective 1st Mar 2021 31st Dec 2021.

Relaxation of Risk Weighted Assets for Credit / Mortgage Funding Depends on the LTV / FTV Ratio through the Letter of the Chief Executive of Banking and IKNB Supervision.

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

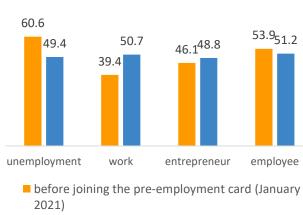


The Pre-employment Card is a program from the government for job seekers to workers affected by Covid-19 to improve skills through training as well as get incentives.





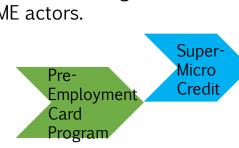


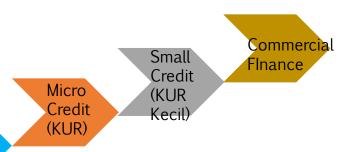


■ after joining the pre-employment card

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

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





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





INDUSTRIAL CONDITIONS



SECTORS FOCUS

STRATEGIC STEPS

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



35% IMPORT SUBSTITUTION PROGRAM BY 2020 Food and Beverage

Textiles and Clothing

Automotive

Chemical

Electronic

Pharmacy

Medical Devices

Import Reduction through Import Substitution in Industries with Large Import Value



Increasing Production
Utilisation of All
Manufacturing
Industry Sectors

Encouraging the Deepening of Industrial Structure Increase in Investment and Absorption of New Workers

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

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

Source: Ministry of Industry

Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY

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

Updated: 31 Dec 2020

- > 82 Taxpayers; 14 countries investors
- Investment plan of IDR 1.356 trillion
- Realization of IDR 204 Trillion
- Business locations in 24 provinces
- Workforce of 112 thousand

TAX ALLOWANCE

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

INVESTMENT ALLOWANCE

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

SUPER DEDUCTION TAX

Super Deduction Vocational

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

R & D Super Deduction

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

Government Support for MSMEs During the Covid-19 Pandemic



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

MSMEs CREDIT RESTRUCTURING

ASSET QUALITY
ASSESSMENT

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

Asset Quality Arrangement:

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

Restructurisation:

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

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

2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

KUR Super Mikro: Loan up to IDR 10 million

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

KUR MKM (SMEs):

Loan up to IDR 10 million up to IDR 500 million

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

KUR MSME Credit, non-KUR:

Loan > IDR 500 million up to IDR 10 billion

 Postponement of installments and interest subsidies 3% for the first 3 months and 2% for the next 3 months

UMi, Mekaar, Pegadaian (Pawnshop)

- Postponement of principal installments and interest subsidies for 6 months from Apr-Sep 2020
- Fintech Loan, Co-op, Farmers, LPDB, LPMUKP, UMKM PEMDA
- Relaxation is given a 6% interest subsidy for 6 months

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

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

WORKING CAPITAL CREDIT

LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

4

GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

OTHER SUPPORT

Income Tax for MSMEs is borne by Government

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

6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

Direct assistance to 13 million Micro Enterprises and 1 million street vendors in the amount of IDR 1.2 million per recipient

Ease, Protection and Empowerment of Cooperatives and MSMEs in Law No. 11 Of 2020 Concerning Job Creation and Government Regulation No. 7 Of 2021



20

01	Cooperatives	(Establishment	of	
01	Cooperatives,	Cooperative		
	Businesses, Sha	aria Cooperatives))	

Ease of Business Licensing Micro for and Small Enterprises

11

Training and Assistance in the Utilization of Bookkeeping/Financial Recording Systems/Applications

Changes in MSMEs Criteria, MSMEs Financing, MSMEs Partnerships in Law no. 20/2008 on MSMEs

07

Financing Ease of **Facilitation** and Fiscal Incentives for Micro and **Small Enterprises**

12

Incubation Management

MSMEs Single 03 Database

09

Legal

Micro

Assistance

Enterprises

Special Allocation Fund for Micro, Small, -Medium **Enterprises**

Assistance

and

Services

and

Small

for

Promotional Places. Places, Business and/or Micro and Small Enterprises Development at Terminals, Airports, Ports, Railway Stations, Toll Road Rest Areas and Other Public Infrastructure

30% Allocation for Provision

Integrated Management of Micro and Small Enterprises

Enterprises

and

Small

Partnership

40% Allocation of Micro and Small **Enterprises** Products/Services Government Procurement of Goods/Services

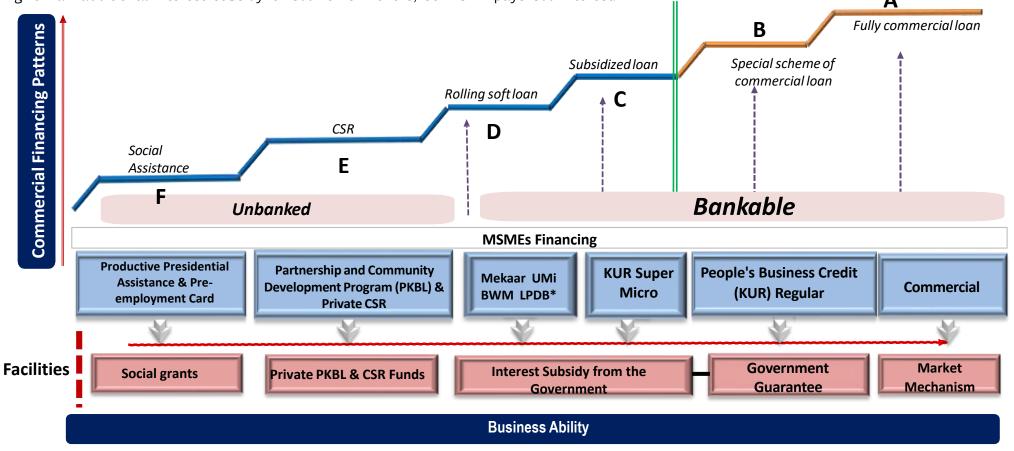
Micro Enterprises with Medium and Large

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



• The Government has began to empower super micro, micro and small businesses that are un-bankable through Productive Presidential Assistance & Pre-Work Card programs, while the BUMN through the partnership and community development program (PKBL) and private parties with CSR.

• Based on KUR Super Micro scheme, people could have loans with 0% interest until December 31, 2020. Meanwhile, People's Business Credit (KUR) for micro small and medium enterprises (MSME) is given an additional interest subsidy of 6% until 31 Dec 2020. For 2021, MSME is given an additional interest subsidy of 3% for 6 months, so MSME pays 3% interest.





Section 2

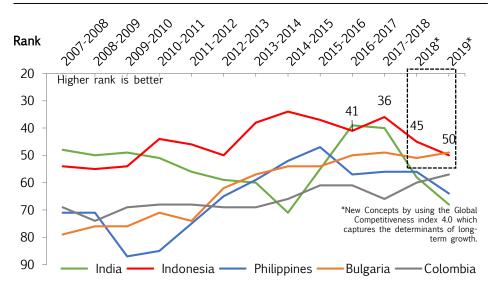
Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

Improving Global Perception

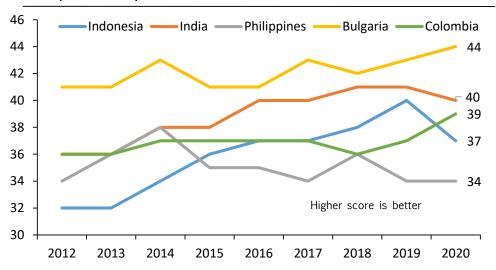
...with recent improvements on governance effectiveness



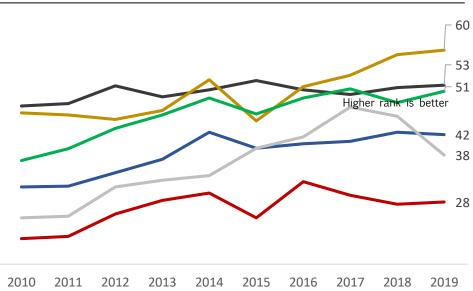
Global Competitiveness Index1



Corruption Perception Index³



Worldwide Governance Indicators²

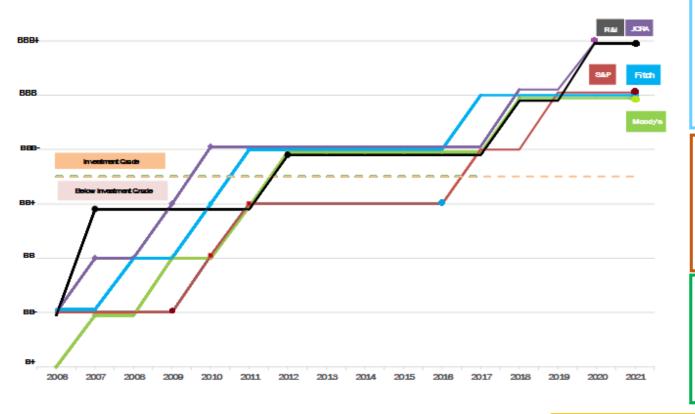




- 1. Source: World Economic Forum The Global Competitiveness Report 2019;
- 2. Source: World Bank The Worldwide Governance Indicators 2020 Update;
- 3. Source: Transparency International Corruption Perceptions Index 2020 Report

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





FitchRatings

BBB / Stable

November 2021, Rating Affirmed at BBB/Stable

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

S&P Global Ratings

BBB / Negative

April 2021, Rating Affirmed at BBB/Negative

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

Moody's

Baa2 / Stable

Feb 2020, Rating Affirmed at Baa2/Stable

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

R&I

BBB+ / Stable

April 2021, Rating Affirmed at BBB+/Stable

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



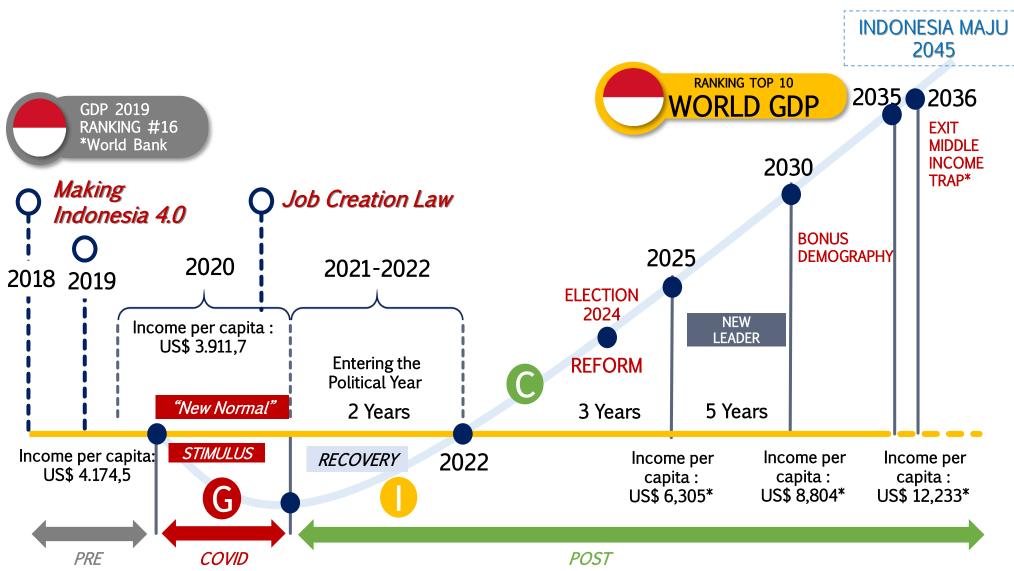
BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

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

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





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

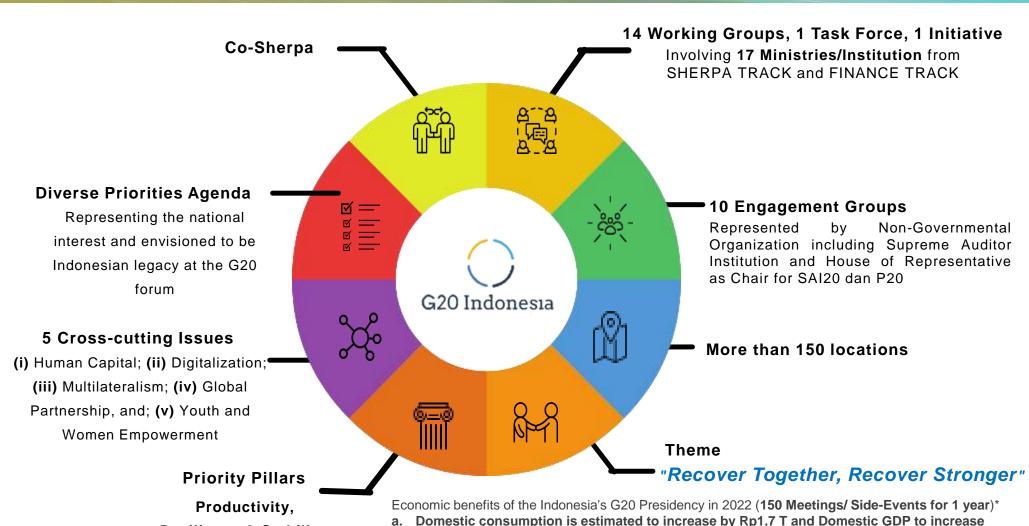
President's Vision: "The Establishment of an Advanced Sovereign, Independent and Personality Based on Mutual Cooperation".



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

Indonesia G20 Presidency 2022: a Snapshot





33,000 workers in various sectors.

by Rp.7.43 T

Source: Coordinating Ministry for Economic Affairs

Resilience & Stability,

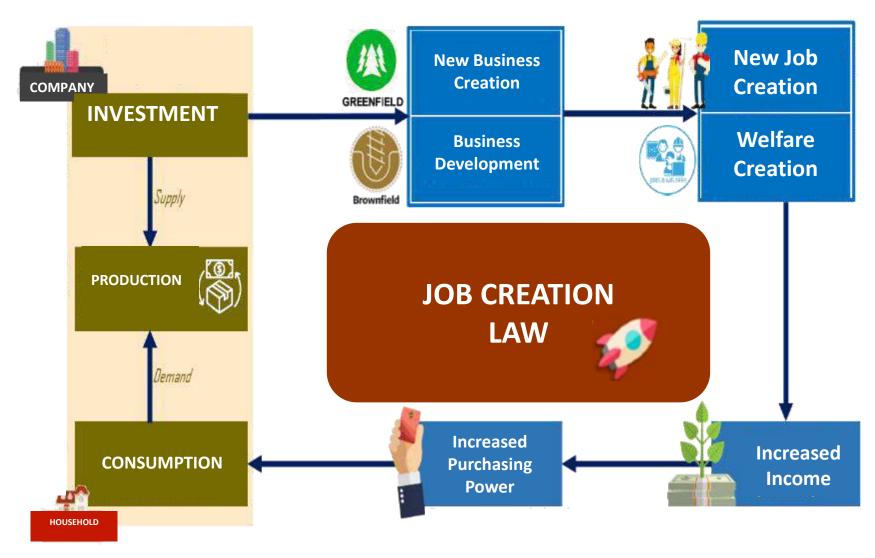
Sustainable & Inclusive Growth

c. In aggregate, the economic benefits are 1.5 - 2 times greater than the "IMF-WBF Annual Meetings in Bali 2018"

b. The holding of meetings in various cities increases the role of MSMEs and the absorption of

The Framework of Job Creation Law





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



The Job Creation Law is an effort to reform regulations that can make it easier to do business to increase investment and productivity, as well as an effort to get Indonesia out of the middle-income trap



Through the Omnibus Law method, 79 laws were revised and simplified

The Job Creation Act (Act Number 11 of 2020 on Job Creation) 186 Articles dan 15 Chapters 51 Implementing Regulations

Clasters in the Job Creation Law

- 1. Improving the Investment Ecosystem and Business Activities
- 2. Employment
- Ease, Protection, and Empowerment of Cooperatives and SMEs
- 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
- 9. Implementation of Government Administration
- 10. Imposition of Sanctions



Positive Investment List: Improving the Investment Ecosystem in Indonesia



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



Changes in the Regulation of the Investment Business Field

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

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

Priority Business Activities with the following criteria:			
National strategic project/program	Pioneer industry		
Capital intensive	Export oriented		
Labour intensive	Oriented in research,		
High technology	development, and innovation activities		

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 and materials
- 4. Immigration
- 5. Manpower
- 6. Other non-fiscal supports

Implementing Regulation on Risk-Based Licensing



A new paradigm in accelerating the licensing process to improve Indonesia's investment competitiveness

Ease of Doing Business



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

Risk-based Business License



Risk Based Business Licensing aiming to simplify the procedure to obtain a business license based on risk analysis and determination of the scale of a business (whether it is a small or a big business)

There are 16 sectors in which the Gov Regulation No 5/2021 covers licensing:

- 1. Marine & fisheries;
- 2. Agriculture;
- 3. The environment & forestry;
- 4. Energy & mineral resources;
- 5. Nuclear energy;
- 6. Industry;
- 7. Trading;
- 8. Public works and housing;

- 9. Transport;
- 10. Health, medicine and food:
- 11. Education and culture;
- 12. Tourism;
- 13. Religion;
- 14. Post, telecommunications, broadcasting, electronic systems and transactions;
- 15. Defense & safety;
- 16. Employment.

Low Risk

Only required to obtain a Business Identification Number

Medium Risk

Business
Identification
Number +
Standard
Certificate

High Risk

Business Identification
Number + License +
Standard Certificate
issued by either the
central or regional
government



Online Single Submission (OSS) – Risk Based Approach (RBA) will be implemented starting August 9, 2021 in all regions of Indonesia

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



- 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 in 2021 so that the total capital is IDR 30 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



Renewable Energy



Seaports



Digital Infrastructure



Plantation



Traditional Energy

Investment Cooperation Development

- MoU for Toll Road Project for 35 sections on 20 May 2021
- The signing of the INA DP World Cooperation on October 31, 2021
- The signing of the INA ADG Investment Framework Agreement on November 1, 2021

51 Regulations for Job Creation Law (Substance Grouping)



Spatial

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

Land and Land Rights

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

Environment

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

Construction and Housing

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

Cooperatives and SMEs

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

51 Regulations for Job Creation Law (Substance Grouping)



Investment

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

Fiscal

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

Employment

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

Economic Zone

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

Government Goods / Services

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

51 Regulations for Job Creation Law (Substance Grouping)



Licensing and Sector Business Activities

- 1. Government Regulation No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing
- 2. Government Regulation No. 6 of 2021 concerning the Implementation of Business Licensing in Regions
- 3. Government Regulation No. 25 of 2021 concerning the Implementation of the Sector of Energy and Mineral Resources
- 4. Government Regulation No. 26 of 2021 concerning the Implementation of the Agricultural Sector
- 5. Government Regulation No. 27 of 2021 concerning the Implementation of the Marine and Fisheries Sector
- 6. Government Regulation No. 28 of 2021 concerning the Implementation of the Industrial Sector
- 7. Government Regulation No. 29 of 2021 concerning the Implementation of the Trade Sector
- 8. Government Regulation No. 30 of 2021 concerning Implementation of the Road Traffic and Transportation Sector

- 9. Government Regulation No. 31 of 2021 concerning the Implementation of the Shipping Sector
- 10. Government Regulation No. 32 of 2021 concerning the Implementation of the Aviation Sector
- 11. Government Regulation No. 33 of 2021 concerning the Implementation of the Railway Sector
- 12. Government Regulation No. 38 of 2021 concerning Accompanying Accounts for Umrah Travel Expenses
- 13. Government Regulation No. 39 Year 2021 concerning Implementation of the Halal Product Guarantee Sector
- 14. Government Regulation No. 46 of 2021 concerning Post, Telecommunication and Broadcasting
- 15. Government Regulation No. 47 of 2021 concerning the Implementation of Hospitalization

Investment Facilitation Services During COVID-19 Pandemic



1 |

Companies Operation Support

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



2 |

Visa Recommendations for Company Leaders

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



3

Visa recommendations for foreign skilled workers

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



4

Managing Existing Investment Realization

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



5

Optimization of Business Licensing Services

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



Enhancing Business License Service Standard

Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014



Policy Goals

Improve efficient, streamlined, & integrated business license service standards

Provide business licensing process assurance in terms of the costs and lead times

Overcome the barriers to doing business in Indonesia













Accelerate the business licensing process

Increase coordination & synergy between central & regional government

Implement integrated licensing process (single submission)

Main Policy

1st Phase

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

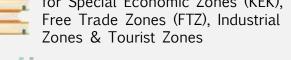


Business license regulatory reforms

2nd Phase



Implementing a licensing checklist for Special Economic Zones (KEK),





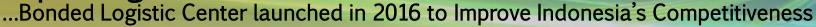
Utilizing data sharing



Implementation of the Single Submission system

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

Improving Investment Climate



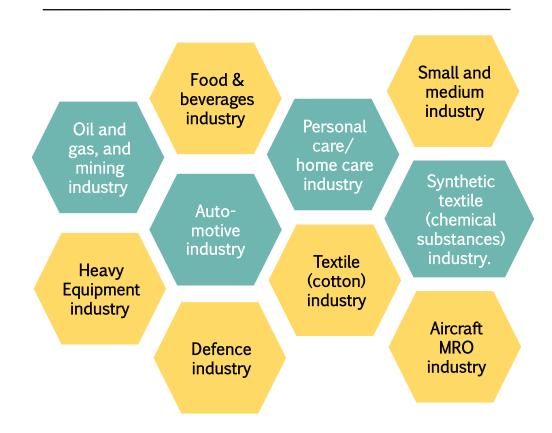


Bonded Logistic Center

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

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

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



Source: Coordinating Ministry for Economic Affairs

Improving Investment Climate

Online Single Submission (OSS) Has Been Launched in 2018

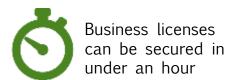


OSS is a web-based business licensing system intended to cut the red tape involved in obtaining business permits and integrated between the central government and regional administrations

Sectors

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

The Advantage of Using OSS





Standardized business licenses are available







Accessible at anytime and anywhere



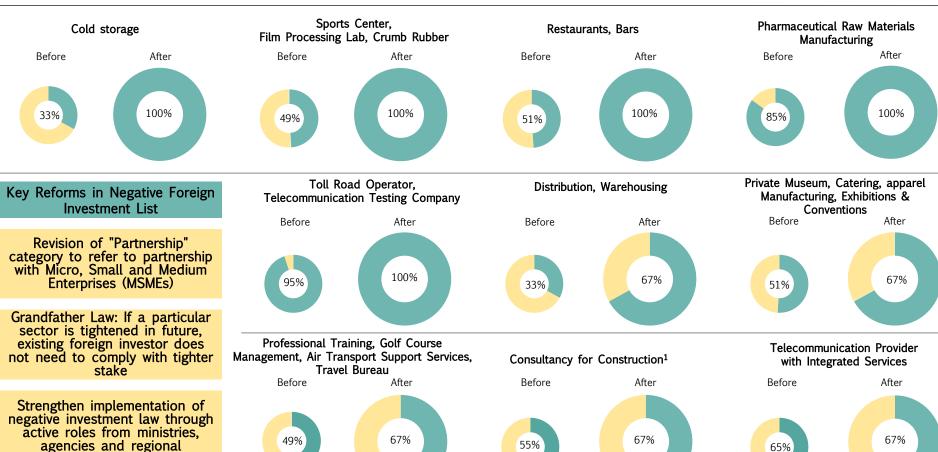
The whole licensing process is monitored by the Task Force

Improving Investment Climate

...revision of the Negative Investment List in 2018



Introduction of New Foreign Ownership Regulation for Strategic Sectors



governments

Source: Investment Coordinating Board (BKPM)

¹ For total project value of IDR10bn and above

Investment Realization in Q3-2021





DDI: Domestic Direct Investment

FDI: Foreign Direct Investment

^{*)} The achievement of investment realization in period of January-September 2021 is a rounding numbers

	20	20			2021				
	Q-I	Q-II	Q-III	Q-I	Q-II	Q-111			
DDI	112.7	94.3	102.9	108.0	106.2	113.5			
FDI	98.0	97.6	106.1	111.7	116.8	103.2			
TOTAL	210.7	191.9	209.0	219.7	223.0	216.7			
	JANUAI	RY – SEPT 2020	TEMBER	JANUARY – SEPTEMBER 2021					
DDI		309.9			327.7				
FDI		301.7			331.7				
TOTAL		611.6			659.4				

Q-111	2021	TARGET	ACHIEVEMENT
Y-0-Y	Q-0-Q	2021**	***
10.3%	6.8%	430.2	76.2%
-2.7%	-11.6%	469.8	70.6%
3.7%	-2.8%	900.0	73.3%





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

As regulated in BKPM Regulation Number 2 of 2020 concerning BKPM Strategic Plan 2020-2024 The adjustment of investment realization target for 2021: IDR900 T (President's Instruction)

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

Investment Realization in Q3-2021





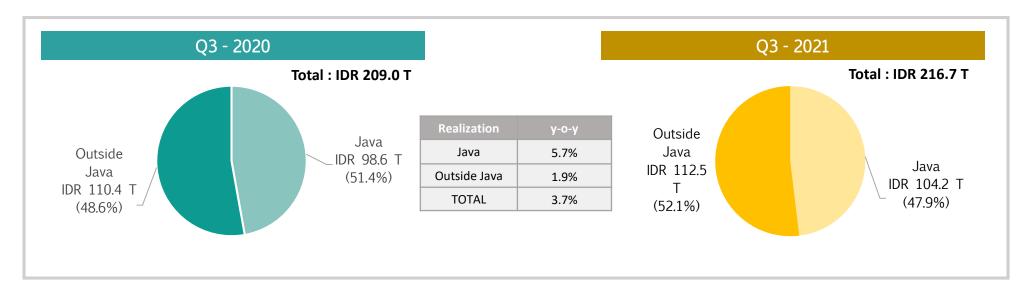


Source: Investment Coordinating Board (BKPM)
42

Investment Realization in Q3-2021









Source: Investment Coordinating Board (BKPM) 43

Potential Investment Realization Reaches IDR 708 T



IDR 708T

Potential Investment Realization

±IDR 517.6 (73.1%)

> The potential value facilitated

Companies that had been facilitated:



211.9T LOTTE CHEMICAL 61.2T





(PT Tanjung Jati

Power)









Solving stalled investment issues is one strategy to attract investors

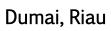


Klaten, Central

Java







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

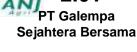




(PT Tenaga Listrik Bengkulu)



Asahan









PT Sumber

Perdana

(SMIP)

Mutiara Indah 1.8T



5.4T

1.4T

(PT Halmahera Persada Lygend)





(Project Hululais)



(PT Sulawesi Cahaya Mineral)



14.7T

Others 1.4T



Section 3

Economic Factor: Stable Growth Prospects Amid Temporary Moderation

Conducive Environment Underpinning Stable 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

From commodity-based to manufacturing and service sectors via infrastructure development

From consumption-led to investmentled 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

Large and Stable Economy



New Economic Structure

Consistent Budget Reform

Reform-Oriented Administration

High Infrastructure Investments

Budget reform as a part of larger economic reform initiative

Fuel subsidies
significantly
reduced and
spending redirected
to more productive
allocation

Tax base to be broadened from one reduce dependency on commodities

Prudent debt management

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

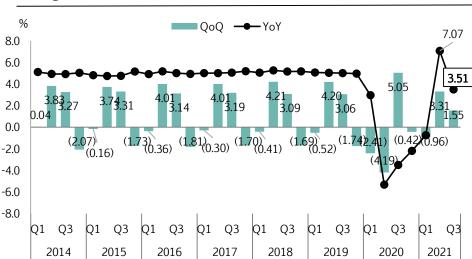
Infrastructure spending focused on basic infrastructure projects

Fiscal and non-fiscal incentives to attract infrastructure investment and promote PPP

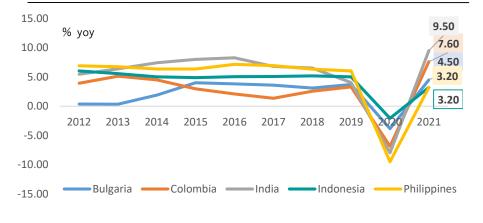
National Economic Recovery Expected to Continue



Strong GDP Growth¹



Favourable GDP Growth Compared to Peers²



- · Indonesia's economy maintained positive growth in the third quarter of 2021 despite moderating in response to a surge of the highly contagious Delta variant of coronavirus. The national economy grew 3.51% (yoy) in the third quarter of 2021, down from 7.07% (yoy) in the previous period. Economic growth was primarily supported by exports in line with persistently solid demand in Indonesia's trading partner countries. Meanwhile, domestic demand moderated as a corollary of mobility restrictions introduced to overcome the Delta variant. Indonesia's main economic sectors maintained positive momentum, despite contractions felt by sectors relating to Moving forward, Bank Indonesia will continue to strengthen public mobility. coordination with the Government and other relevant authorities to accelerate economic growth, including monetary-fiscal policy coordination, reopening priority sectors, increasing exports as well as economic and financial inclusion.
- · In terms of spending, all GDP components maintained lower growth compared with conditions in the previous period. Household consumption expanded 1.03% (yoy), down from 5.96% (yoy) in the second quarter of 2021 due to public mobility restrictions in several regions of Indonesia. Investment moderated to 3.74% (yoy), bolstered by building investment, and government consumption grew 0.66% (yoy) in line with the expenditure reallocation to accelerate the national economic recovery program and contain the Delta variant. Meanwhile, exports continued to perform well on the back of strong global demand, growing 29.16% (yoy) in the reporting period. Imports, on the other hand, also grew 30.11% (yoy) in the O3 of 2021.
- · Indonesia's major economic sectors, namely the Manufacturing Industry, Trade and Mining, maintained positive performance. In contrast, however, sectors relating to mobility, such as Accommodation and Food Service Activities, as well as Transportation and Storage, experienced contractions. Spatially, positive national economic performance was supported by nearly all regions, **Growth Prospect**

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	3.2-4.0
IMF (WEO, Oct 2021)	3.2
World Bank (East Asia and Pacific Economic Update, Oct21)	3.7
ADB (ADO, Sep 2021)	3.5
Consensus Forecast (Nov 2021)	3.4

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

GDP Growth Breakdown



GDP Growth Based on Expenditures (%, YoY)¹

			2016					2017					2018					2019					2020				2021	
By expenditure	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
HH. Consumption	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5	5,2	5	5,1	5,1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0	-3,6	-2,6	-2,2	6,0	1,0
Non profit HH. consumption	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8,1	8,8	8,7	11	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-2,0	-2,1	-4,3	-4,0	4,1	3,0
Government consumption	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,8	-6,9	9,8	1,8	1,9	2,6	8,0	0,7
Gross Fixed Cap. Formation	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7,9	5,8	6,9	6,1	6,7	5,0	4,6	4,2	4,1	4,5	1,7	-8,6	-6,5	-6,2	-4,9	-0,2	7,5	3,7
Exports	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5,8	7,4	8,3	4,6	6,5	-1,5	-1,8	0,1	-0,4	-0,9	0,4	-12,0	-11,7	-7,2	-7,7	7,1	32,0	29,2
Imports	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	13	15	14	7,4	12	-6,5	-6,7	-8,3	-7,9	-7,4	-3,6	-18,3	-23,0	-13,5	-14,7	5,4	31,7	30,1
GDP	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5,2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1	3,5

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

GDP Growth by Sector (%, YoY)

			2016					2017					2018					2019					2020				2021	
By sectors	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
Agriculture, forestry, and fishery	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	3,4	0,4	1,3
Mining and Quarrying	1.2	1.0	0.2	1.4	0.9	(1. 3)	2.1	1.8	0.0	0.7	1,1	2,6	2,7	2,2	2,2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3	-1,2	-2,0	-2,0	5,2	7,8
Manufacturing	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4,6	3,9	4,4	4,2	4,3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3	-3,1	-2,9	-1,4	6,6	3,7
Construction	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7,4	5,7	5,8	5,6	6,1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5	-5,7	-3,3	-0,8	4,4	3,8
Wholesale and Retail Trade, Repair of Car and Motorcycle	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,6	-7,6	-5,0	-3,6	-3,7	-1,2	9,4	5,2
Transportation and Storage	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8,5	8,7	5,7	5,5	7	5,4	5,9	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,0	-13,1	25,1	-0,7
Information and communication	7.6	9.3	8.9	9.6	8.9	10. 5	11.1	8.8	8.3	9.6	7,8	5,1	8,1	7,1	7	9,1	9,6	9,2	9,8	9,4	9,8	10,8	10,7	10,9	10,6	8,7	6,9	5,5
Financial service	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4,3	3,1	3,1	6,2	4,2	7,2	4,5	6,2	8,5	6,6	10,6	1,1	-0,9	2,4	3,2	-3,0	8,3	4,3
Other Services*	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4,6	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,2	-1,4	-1,7	-1,2	-2,6	9,8	-0,8
GDP	4.9	5.2	5.0	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5,1	5,3	5,2	5.2	5,2	5,1	5,1	5,0	5,0	5,0	3,0	-5,3	-3,5	-2,2	-2,1	-0,7	7,1	3.5

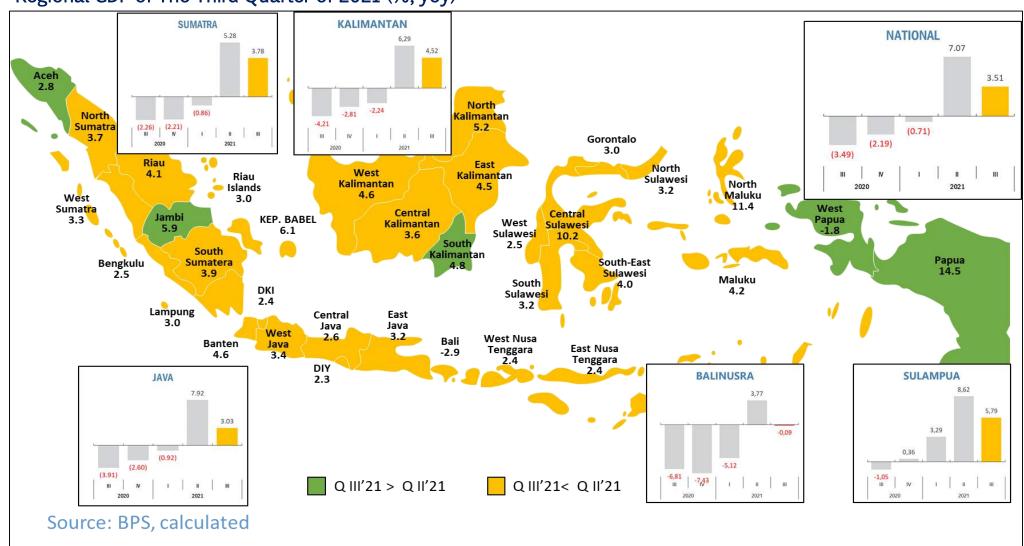
Source: Central Bureau of Statistics of Indonesia (BPS)

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

Economic Performance Improved In Almost All Regions



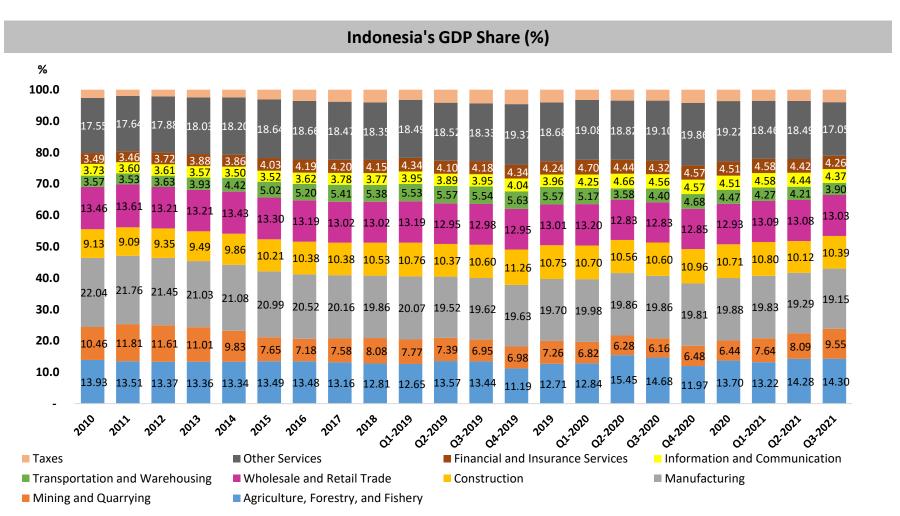
Regional GDP of The Third Quarter of 2021 (%, yoy)



Economic Performance in Most Sectors Starting to Improve

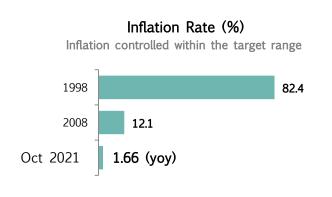


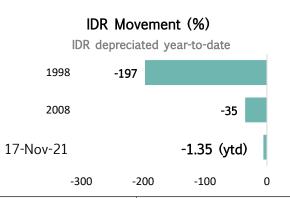
The key drivers of domestic economic growth are the Manufacturing Industry, Trade, and Mining, despite contractions of some sectors related to mobility, such as Accommodation and Food Service Activities, as well as Transportation and Storage.

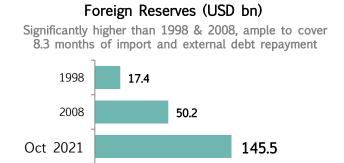


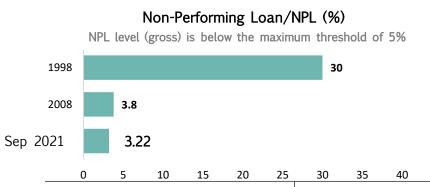
Stronger Fundamentals Facing the Headwinds

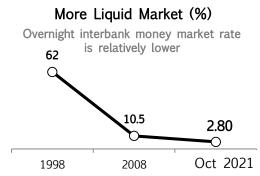


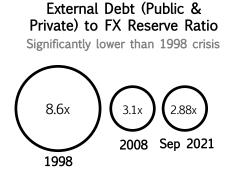


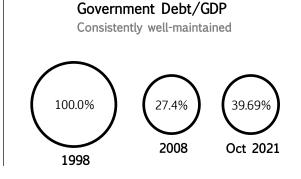


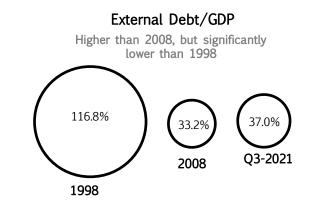












Outlook of Domestic Economy Remains Robust

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



2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 3.2-4.0%, and accelerate to 4.7%-5.5% in 2022.
- Bank Indonesia projects Inflation in 2021 and 2022 to remain under control and within the 3.0%±1% target corridor.
- Bank Indonesia projects a lower current account deficit in 2021 in the range of surplus 0.3% to deficit 0.5% of GDP and remain manageable in the range 1.1-1.9% of GDP in 2022, thus supporting external sector resilience in Indonesia.
- Bank Indonesia projects credit growth in 2021 will be around 4.0-6.0% and increase to 6.0-8.0% in 2022

	Economic Growth	π Inflation	CAD (% of GDP)	Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021	3.2-4.0%	3.0±1%	surplus 0.3% to deficit 0.5%	4.0-6.0%

Source : Bank Indonesia 52



Section 4

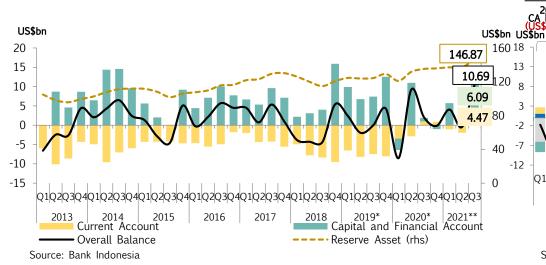
External Factor: Improved External Resilience

External Sector Remains Resilient

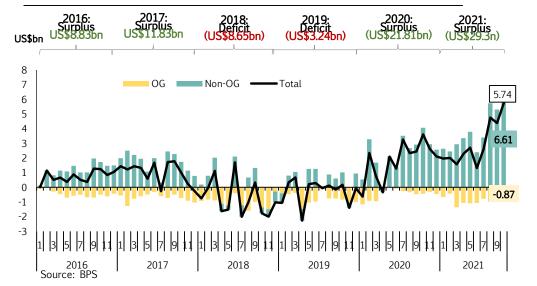
... Supported by Adequate Reserves and Sound Balance of Payments



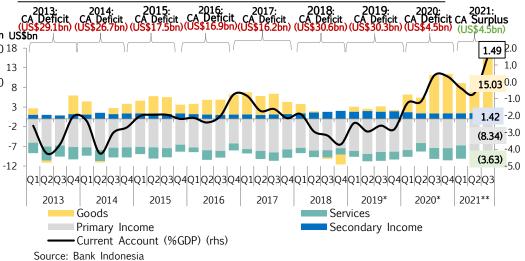




Trade Balance Surplus Continues

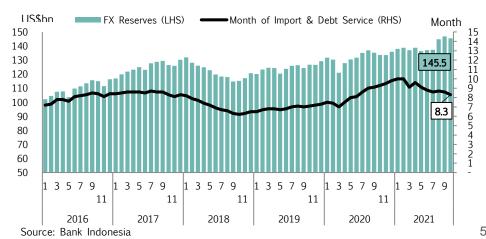


Current Account Recorded Surplus in Q3-2021



Official Reserve Assets Increased to Reinforce External Sector Resilience

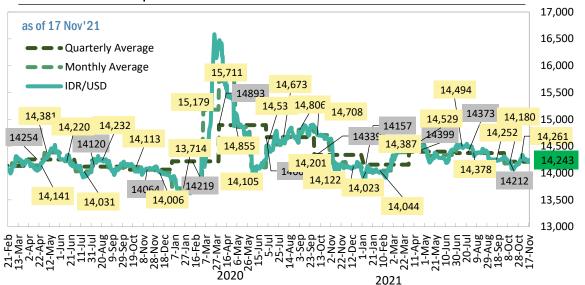
FX Reserves as of October 2021: US\$145.5 bn (Equiv. to 8.3 months of imports + servicing of government debt)



Exchange Rate In Line with Fundamentals



Movement of Rupiah

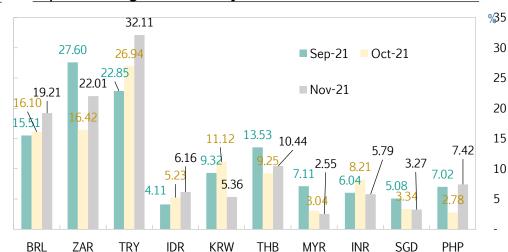


In response to Bank Indonesia's stabilisation measures, rupiah exchange rate movements remain under control despite global financial market uncertainty that has not yet fully subsided. As of 17th November 2021, the rupiah depreciated 0.53% (ptp) and 0.56% on average compared with the October 2021 The weaker rupiah stems from restrained foreign capital inflows despite the promising domestic economic outlook and maintained domestic supply of foreign exchange. Compared with the level at the end of 2020, therefore, the rupiah has depreciated by 1.35% (ytd), which is relatively lower than the depreciation experienced in several other developing economies, namely India, Malaysia and the Bank Indonesia continues to strengthen rupiah Philippines. exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Rupiah Exchange Rate Volatilty



Source: Reuters, Bloomberg (calculated)

Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of October 2021: US\$145.5 bn

Swap Arrangement

Bilateral

Japan

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

Singapore

China

Renewed a 1 year SGD/IDR swap arrangement with the size up to USD10 bn (equivalent) on November 4th 2021

Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018

Malaysia

Established a 3 year RM/IDR swap arrangement with a size up to USD2 bn (equivalent) in September 2019

Regional

ASEAN Swap Arrangement (ASA)

- Entitled to a maximum swap amount of USD600 million under ASA
- The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million
- Increased in size to U.S.\$2 billion in 2005

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

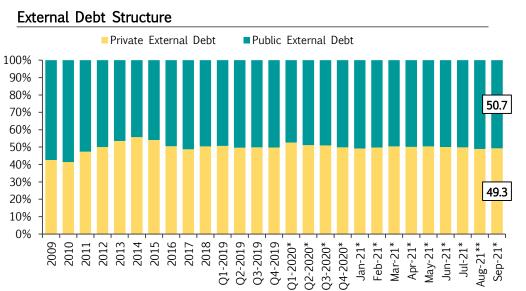
IMF Global Financial Safety Net - GSFN

- 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)

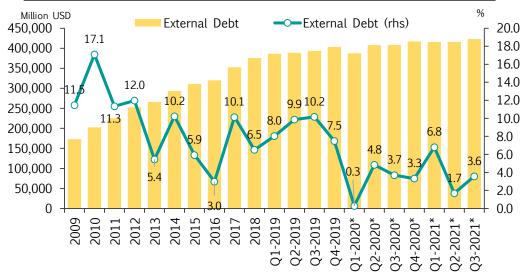
Source: Bank Indonesia

Healthy External Debt Profile

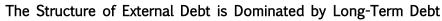


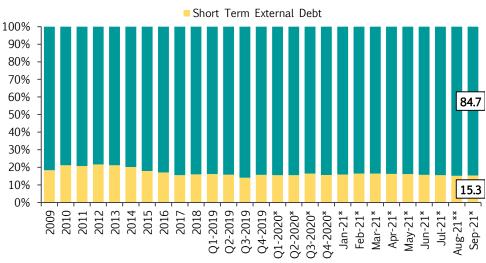


External Debt Remains Manageable

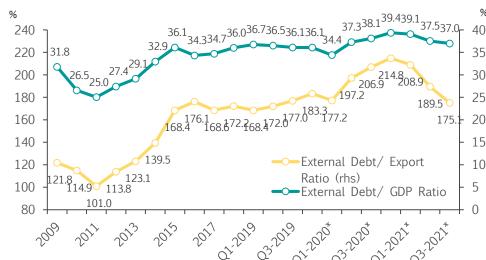


Source: Bank Indonesia, External Debt Statistics of Indonesia





External Debt to GDP Ratio & Debt to Export Ratio



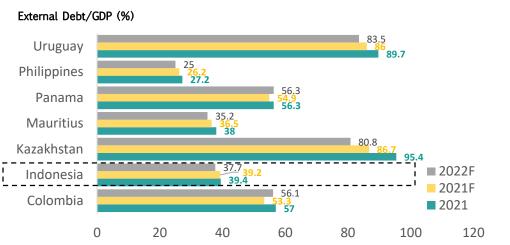
*Provisional Figures

**Very Provisional Figures

Strengthened Private External Debt Risk Management



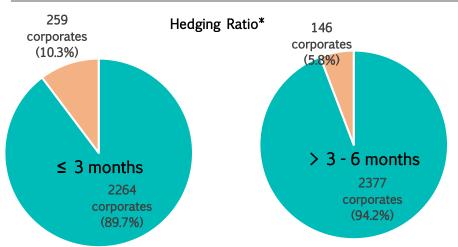
Debt Burden Indicator (External Debt/GDP) Remains Comparable to Peers Rating Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



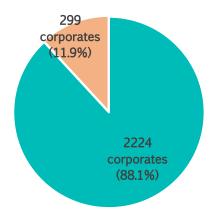
Source: Moody's Credit View Fundamental Data, August 2021

Regulation on Prudential Principle in Managing External Debt

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



Liquidity Ratio*



*Data as of Q1-2021, with total population 2.,523 corporates

Source: Bank Indonesia

Source: Bank Indonesia

Solid Policy Coordination In Managing Financial Markets Volatility





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



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



Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)

BSF

Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

Indicators:

State's Budget

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

Bond Stabilization Framework

First Line of Defense									
State's Budget	Buyback fund at DG of Budget Financing and Risk Management Investment fund at Public Service Agency (BLU) (min. level Aware)								
State Owned Enterprises (BUMN)'s Budget	Related SOEs (min. level Aware)								
Social Security Organizing Agency (BPJS)'s Budget	BPJS (min. level Aware)								
Second Line of Defense									

Seco	nd Line of Defense
	State General Treasury Account (Rekening KUN) (min. level Alert)
	Accumulated cash surplus (SAL) (min. Level Crisis)



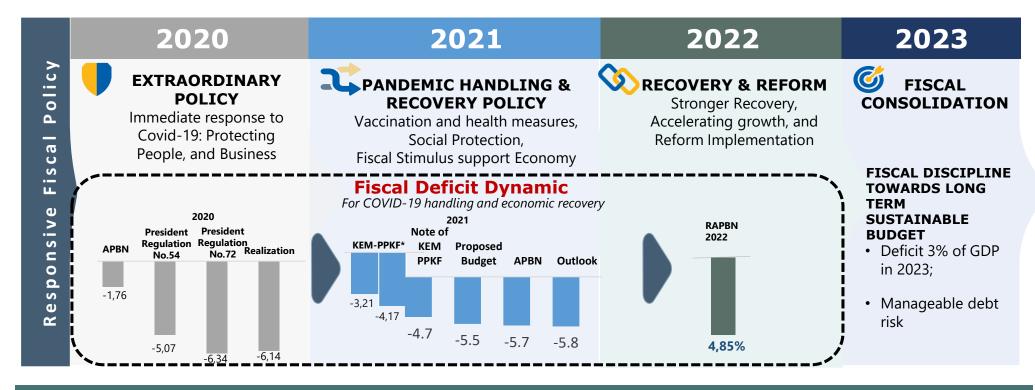
Section 5

Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

Indonesia Quick and Responsive Policy During COVID-19 Pandemic

Flexible fiscal policy to support pandemic handling and recovery to pave way toward economic transformation





STRONG AND CONTINOUS ECONOMIC RECOVERY



EFFECTIVE COVID-19 PANDEMIC HANDLING

- Mass Vaccination
- 5M Internalization
- 3T Implementation



ECONOMIC JUMP START

- · Tax Incentives
- Financing and Guarantee Program
- Integrated Policy Packaged from Financial Sector Stability Committee



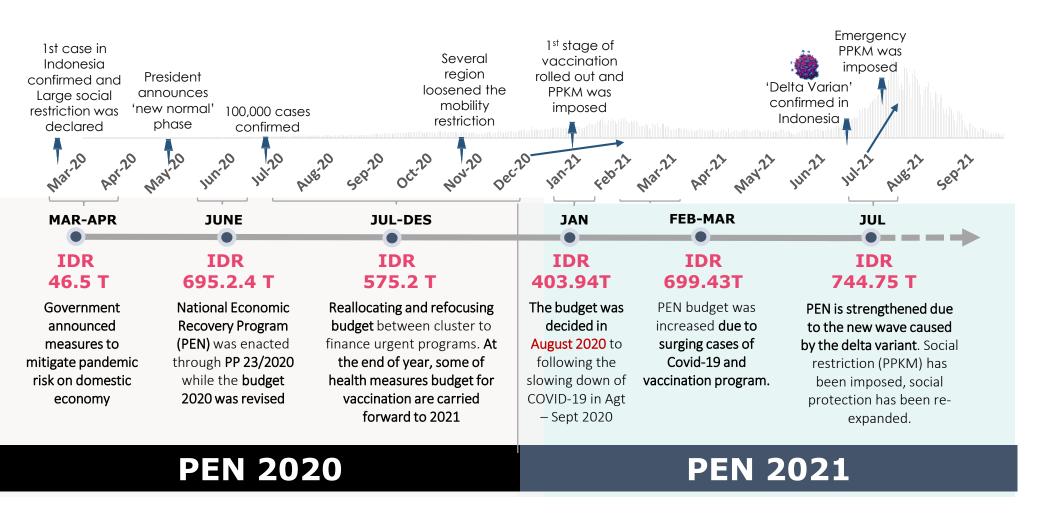
STRUCTURAL REFORM

- Omnibus law on job creation (including INA, OSS)
- Fiscal Reform
- · Financial Sector Reform

Flexible State Budget to Respond The Uncertainty

As countercyclical instrument to respond to COVID-19 development as well as to stabilize and stimulate economy recovery





As of October 2021, State Budget Continues Its Good Performance

Flexible fiscal policy to support pandemic handling and recovery to pave way toward economic transformation



		2020)			202	21	
Account (IDR T)	Budget ¹	Realized As of Oct 31st	% of Budget	YoY (%)	Budget	Realized As of Oct 31st	% of Budget	YoY (%)
Revenue	1,700.0	1,277.0	75.1	(15.3)	1,743.6	1,510.0	86.6	18.2
Tax Revenue	1,198.8	826.9	69.0	(18.8)	1,229.6	953.6	77.6	15.3
Customs & Excise	205.7	164.0	79.7	5.5	215.0	205.8	95.7	25.5
Non Tax Revenue	294.1	278.9	94.8	(16.3)	298.2	349.2	117.1	25.2
Expenditure	2,739.2	2,041.8	74.5	13.6	2,750.0	2,058.9	74.9	0.8
Central Government Expenditure	1,975.2	1,343.9	68.0	19.9	1,954.5	1,416.2	72.5	5.4
Regional Transfer & Village Funds	764	698.0	91.4	74.3	795.5	642.6	80.8	(7.9)
Primary Balance	-700.4	(513.2)	73.3	648.4	(633.1)	(266.9)	42.2	(48.0)
Surplus (Deficit)	-1,039.2	(764.8)	73.6	164.4	(1,006.4)	(548.9)	54.5	(28.2)
% to GDP	(6.34)	(4.67)			(5.70)	(3.29)		
Financing	1,039.2	926.3	89.1	142.5	1,006.4	608.3	60.4	(34.3)

Revenue

- As of October 2021, Government revenue continues performing strongly, rising at 18.2% (yoy), equivalent to 86.6% from the target, reconfirming a strong economic recovery.
- This strong revenue collection is in line with improving economic and strong international trade activities, nearly reaching the prepandemic level.
- The Non-tax revenue reaches 117.1% of its target, mainly due to the rising commodity prices.

Expenditures

- Government spending grew slightly by 0.8% (yoy) in October 2021, mainly due to the base effect as the disbursement of the recoveryrelated spending was relatively high in October 2020.
- Government spending to be accelerated to benefit the community. Government continues to support COVID-19 pandemic handling and economic recovery efforts, both at the central and regional levels.

Financing

 The overall and primary budget deficit are on track. Debt financing was maintained, supported by a conducive domestic financial market.

Macroeconomic Indicators Development



	2020		2021
INDICATOR	Realization	State Budget	Latest update
Economic Growth (%, yoy)	-2.07	5.0	Q3: 3.51% (yoy) 3.24 (ytd)
Inflation (%, yoy)	1.6	3.0	0.93 (ytd) 1.66 (yoy) (as of October)
Exchange Rates (Rp/US\$)	14,578	14,600	14,237(eop) 14,310(ytd) (as of Nov 23 rd)
10-years treasury bond yield (%)	n/a	7.29	5.99 (eop) 6.35 (ytd) (based on latest auction on Oct 26 ^{th)}
ICP (Oil Price) (US\$/Barrel)	40.4	45	81.80(eop) 66.87(ytd) (as of October)
Oil Lifting (thousand barrel per day)	706	705	668.93(eop) 660.89 (ytd) (as of September)
Gas lifting (thousand barrel – equal oil per day)	975	1,007	901.62 (eop) 997.70 (ytd) (as of September)

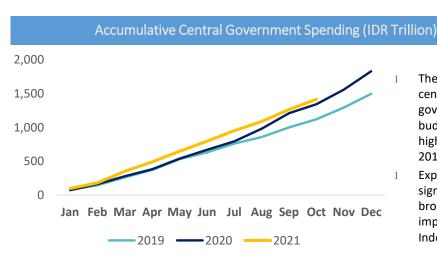
Economic Indicator Development 2021

- **Economic growth:** GDP for the third quarter of 2021 grew by 3.51% yoy or 3.24% (ytd)
- Inflation rate: inflation in Octover was recorded at 0.12% (mtm) due to higher administered price inflation along recovery of people mobility, while core inflation recorded limited growth and volatile food slowed down.
- Rupiah Exchange Rate: The rupiah was steady in the mid of November 2021. Up to November 23rd 2021, the Rupiah (ytd) depreciated by 2.7% compared to the initial exchange rate in 2021.
- SBN 10 Years: The weighted average yield of 10-Year Government Securities is 6.35% (ytd). The last auction was on October 26, 2021, with a yield of 5.99%.
- Indonesian Crude Oil Prices: The ICP price increased as the fundamental of the crude oil market strengthened, particularly due to higher demand from Europe and the OPEC+ agreement to maintain current supply
- Oil and Gas Lifting: Oil and gas lifting up to September 2021 is 901.62 thousand bpd and 997.7 thousand bpd, respectively

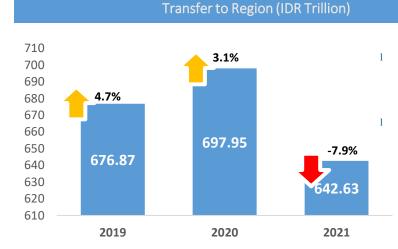
As of October 2021, Government Spending Has Shown Good Performance

The hard work of the state budget continue to support the pandemic handling as well as economic recovery



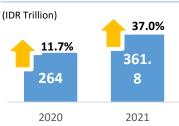


The realization of central government budget in 2021 is higher compare to 2019 and 2020 Expenditure grew significantly and brought positive impact to Indonesian people



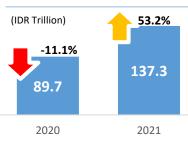
Transfer to region disbursement in 2021 is lower compare to 2020 Regions need to accelerate meeting the requirement of the disbursement

Line Ministries' Operational (Goods and Services) Spending



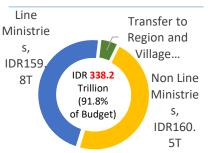
Accelerated payments for vaccines, Covid-19 treatments, assistance for Micro Business

Line Ministries' Capital Expenditure



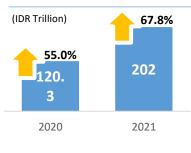
Basic infrastructure and connectivity projects still continue: dam, irrigation network and connectivity

Social Protection Budget



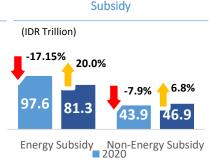
Distribution of PEN Program assistance as a cushion for poor and vulnerable families affected by the Covid-19 pandemic

Health Budget



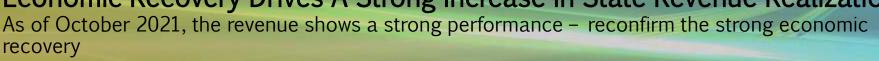
Health spending mainly used for Covid-19 handling: vaccine, patient care, health workers incentives

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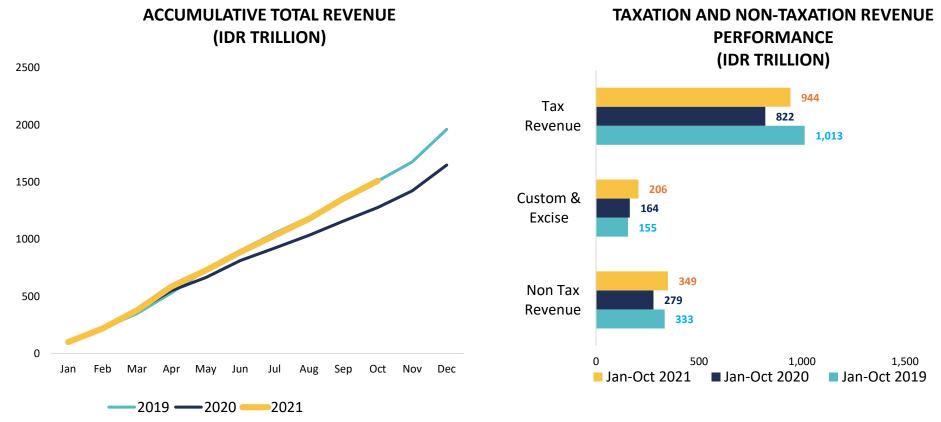


Influenced by economic prices and the realization of the distributed subsidized goods

Economic Recovery Drives A Strong Increase In State Revenue Realization







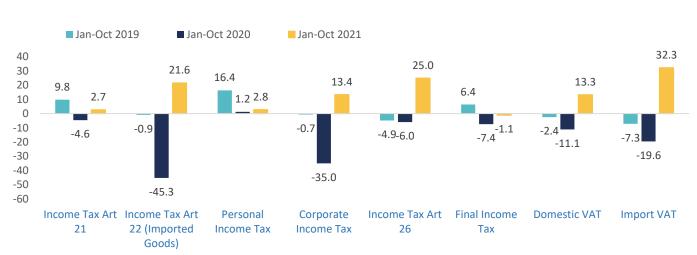
- Until October 2021, tax collection keeps showing improvements and gets closer to the pre-pandemic level in 2019.
- Customs and Excise grew strongly, mainly supported by increased export volume and rising commodity prices of copper, bauxite, and palm oil products.
- Non-tax revenue also increased excellently from all the components.

Economic Recovery Drives A Strong Increase In State Revenue Realization

As of October 2021, the revenue shows a strong performance – reconfirm the strong economic recovery



TAX REVENUE GROWTH BY TYPES (%)



TAX REVENUE GROWTH BY SECTORS (%)



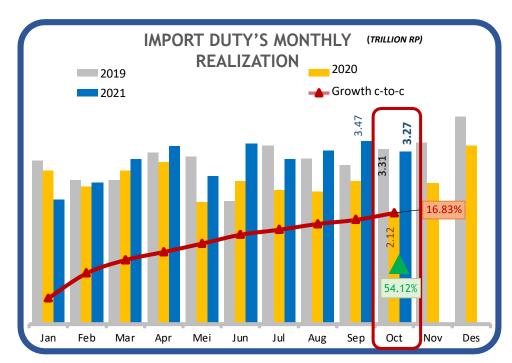
- As Covid-19 has caused a slowdown in economic activities, the government provided fiscal stimulus to protect business through tax cut and incentive, which led to a deep fall in 2020 tax collection.
- In 2021, major taxes has started to show a positive performance and has been consistent with economic recovery trend. Tax receipt booked growth of 17.0% in Ocktober (ytd), exceeded the target of 14.7% in the 2021 state budget.
- The income tax, especially corporate income tax, and tax form import activities grew strongly.
- Tax collection of most sectors hike can align with the recovering performance of those sectors. Even though some other sectors contracted, the realization up to October was way better compared to in early 2021.

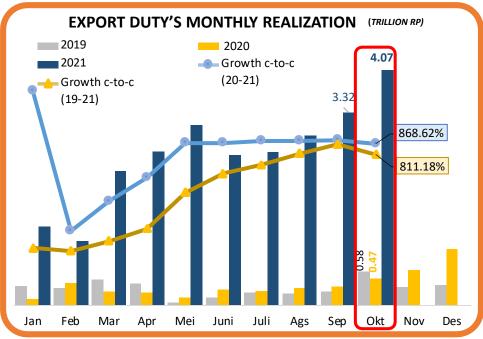
67

Import And Export Duty Revenue Grew Positively

Import grew on the back of increasing imports; export duty grew, driven by palm products and copper







Import Duty

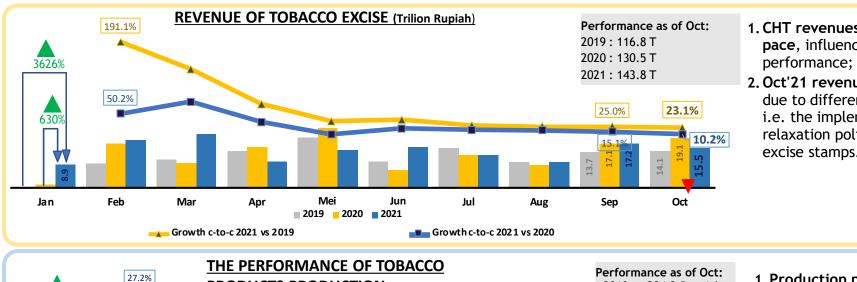
- Was sluggish at the beginning of the year, but improved and its performance trend continued to increase (16.83% ytd);
- The positive performance was driven by continued improvement in national import activities

Export Duty

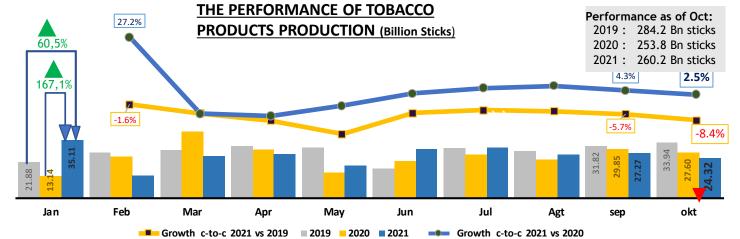
- ✓ 2021 Performance is better than 2019 and 2020, contributed by the commodity of Palm Oil and Copper Products:
- ✓ The receipts for Palm Oil and Copper Products grew significantly, affected by an **increase in export volume and prices** which pushed the tariff in 2021 to be higher than in previous years.

The Performance Of Excise Of Tobacco As Of October Continued To Improve The Although Tobacco Production Slowed Down





- CHT revenues grew at a slower pace, influenced by October's performance;
- 2. Oct'21 revenue grew negatively, due to differences in the pattern, i.e. the implementation of the relaxation policy for paying off the excise stamps.



- Production performance is accumulatively growing but tends to slow down (ytd: 2020);
- 2. The slowdown in production (ytd) was affected by the decline in production performance in October;
- 3. The production performance that tends to decline (ytd: 2020) even lower than in 2019, an indication of the **supervision function** being maintained.

Realization Of Non-tax Revenue As Of October 2021 Achieved 117.1% Of The 2021 Budget

Realization of Non-Tax Revenue grew by 25.2%, mainly driven by increase in Natural Resources Revenue, Other Non-Tax Revenue and Public Service Agency



Non-Tax revenue IDR349.2 T (117.1% of the Budget)



Oil and Gas Revenue Grows 23.1% (94.3% of the Budget)

The increase in Oil and Gas Revenue was mainly **due to the increase in ICP in the last 10 months**





- **Commodity prices increase:** coal, copper, tin and nickel prices
- Supported by the increase in the forestry and geothermal sectors: increased wood production, use of forest area areas, payment of PNBP receivables from the use of forest areas, as well as increased revenues from geothermal exploitation



Separate State Asset Revenue (114.8% of the Budget)

Influenced by the decline in the financial performance of banking SOEs in 2020 Fiscal Year due to the impact of Covid-19 pandemic and **absence of BI surplus deposit**



Other Non-Tax Revenue Revenues Grow 35.9% (102.2% of the Budget)

Increase in revenue from Other State Rights (Mine Sales, DMO, Premium State Bonds, & Previous Budget) and Line Ministries Service Revenue (Police, Ministry of Transportation, Ministry of Law and Human Rights, Health, and Agrarian Affairs)



Public Service Agency Revenue Grows 84.8% (164.1% of the Budget)

The increase in revenue from the management of oil palm plantation funds, education services, telecommunications services, area management, and income from Public Service Agency from the Central Government Entities.

The potential increase in Non-Tax Revenue from **Natural Resources Revenue** is indicated by the upward trend in the average price of crude oil and commodity prices which has increased since early 2021.

- ICP realization in the last 10 months (Dec2020-Sep 2021) of US\$63.51 per barrel (Budget: US\$45 per barrel).
- Reference Coal Price Average (Jan-Oct 2021) of US\$108.29/ton (APBN: US\$70/ton).

Public Service Agency revenue increased significantly, mainly from oil palm plantation fund revenues (growing 351.7%). There has been an increase in CPO prices in the last 11 months, the REF of the Ministry of Trade from US\$782/MT to the highest of US\$1,224/MT in June 2021

Government Budget Remains Flexible And Responsive To The Dynamics Of Covid19

As of November 19th, the realization of the National Economic Recovery program amounted IDR 495.77 T or 66.6% of its plan

The allocation of the 2021 The National Economic Recovery program (IDR774.75 T) increased compared to the realization of the 2020 (IDR575.2 T)



HEALTH SECTOR

Budget: **IDR214.96 T**Realization: **IDR135.53T**(63%) of budget

- Vaccine Procurement (220.14m Doses)
- Medical Facilities and Infrastructure
- Treatment costs (759.94 thousand Patients)
- Incentives (1.36 million health workers) & death compensation (501 health workers)
- Health Insurance Aid for Non-Wage Workers (34.71m people)



SOCIAL PROTECTION

Budget: **IDR186.64 T**Realization: **IDR140.50T**(75.5%) of budget

- Conditional Cash Transfer (10m families)
- Staple Food Assistance (18.1m Families)
- Pre-Employment Card (5.96m People)
- Cash Transfer (9.99m Families) & Village Fund Cash Transfer (5.62m Families)
- Internet Subsidy (65.59m People)
- Electricity Bill Discount (32.6m Beneficiary)
- Job Loss Guarantee Contribution (6.7m Workers)



FIRMS & MSMEs SUPPORT

Budget: IDR162.40 T Realization: IDR81.83T (50.4%) of budget

- Ultra-Micro business assistance (12.8m businesses)
- Guarantee Fee subsidy for MSMEs (2.29 M recipient) and for firms (43 recipient)
- Liquidity support for the banking sector (IDR 450.57T for 5.46M Debtors)
- Interest subsidy for MSMEs credit (6.7m businesses) and non MSMEs credit (13.4M businesses)
- Capital Injection to HK, Pelindo III. KIW. and LPI IDR23.39T
- Street vendors support (1 million businesses)



Budget: **IDR117.94T**Realization: **IDR75.44T**(64%) of budget

- Tourism Supports
- Food Security/Food Estate
- Loan Facility for Regional Govt IDR10T through PT.
 SMI
- Labor Intensive Program (1.43m workers)
- Other Priority Programs



Budget: IDR62.83T Realization: IDR62.47T (99.4%) of budget

- Income Tax subsidy for employers (84,622) and MSMEs (132,992)
- Income Tax Exemption on Import (9,529 taxpayers)
- VAT Refund (2.607 taxpayers)
- Tax discount for Automotive (6 sellers)
- VAT discount for property sector (928 sellers)
- Subsidy on Import Duty (IDR2.68T)

POLICY DIRECTION FOR STATE BUDGET 2022



Maintaining the right balance between anticipating pandemic risk, accelerating economic recovery, and supporting structural reform

COVID-19 HANDLING: Strengthening health sector as the

key to economic recovery

1. Vaccination for community immunity

2. Health Protocol

3. Health Facilities & Health Worker

4. Medicine

MAINTAINING THE RESILIENCY AND SURVIVAL ABILITY AS WELL AS ACCELERATING RECOVERY

Through social protection program for businesses and MSMEs.

- Conditional Cash Transfer (PKH), Staple Food Assistance, Preemployment card, Cash Transfer through Village Fund
- 2. Interest subsidy & incentives for businesses.

Optimum implementation of State Budget 2022 as FOUNDATION for FISCAL CONSOLIDATION in 2022.

STRUCTURAL REFORM:

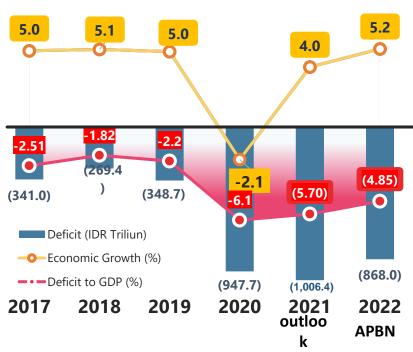
To improve competitiveness and enhance production capacity.

- 1. Education for excellent and integrity human resources
- 2. Reliable health system
- 3. Adaptive social protection



2022 State Budget: Fiscal Policy to Support The Economic Recovery and Structural Reform





•	In 2023 fiscal deficit at <3% of GDP according to
	the mandate of Law 2/2020.

•	In 2022,	the	deficit	t is mainta	ained at aro	und	4.85%
	of GDP	to	give	smooth	trajectory	for	fiscal
	consolid	atio	n proc	ess.			

Account	20	20	20	21	202	22
(IDR T)	Audited	Growth (%)	State Budget	Growth* (%)	Budget	Growth** (%)
State Revenue*	1,647.8	(16.0)	1,743.6	5.8	1,846.1	5.6
Tax Revenue	1,285.1	(16.9)	1,444.5	12.4	1,510.0	4.3
Non Tax Revenue	343.8	(15.9)	298.2	-13.3	335.6	11.1
State Expenditure	2,595.5	12.4	2,750.0	5.6	2,714.2	(1.3)
Central Government Expenditure	1,833.0	22.5	1,954.5	6.63	1,944.5	(0.5)
Regional Transfer & Village Funds	762.5	(6.2)	795.5	4.33	769.6	(3.4)
Primary Balance	(633.6)	766.8	(633.1)	(0.1)	(462.2)	(37.0)
Surplus (Deficit)	(947.7)	171.8	(1,006.4)	6.2	(868.0)	(15.9)
% to GDP	(6.14)		(5.70)		(4.85)	
Financing	1,193.3	196.8	1,006.4	(15.7)	868.0	(15.9)

MACROECONOMIC ASSUMPTIONS									
Economic Growth	Inflation	Exchange Rate	10-year T-Bonds Rate	ICP (USD/barrel)	Oil Lifting ('000 barrels per day)	Gas Lifting ('000 barrels oil equivalent per day)			
5.2%	3%	14,350	6.80%	63	703	1,036			

^{*}growth 2021 State Budget to 2020 Audited

^{**}growth 2022 State Budget to 2021 State Budget

2022 State Budget Supports Development Sectors



2022 STATE BUDGET SUPPORTS DEVELOPMENT SECTORS*)

- Improve the quality of human capital
- Support the economic recovery and structural reforms

*) pre-eliminary figures



INFRASTRUCTURE (Rp367,8T)

- Support the basic service infrastructure
- Enhance the productivity (connectivity and mobility)
- Providing the energy and food infrastructure
- Equal provision and access to infrastructure and ICT



- Increase the skills and professionalism of the teachers
- Accelerate the rehabilitation of education facilities
- Strengthening vocational education through quality standardization and developing research and innovation
- Increase the synergy of Central Government, Local Government, and Line Ministries



HEALTH (Rp256,0T)

- Continue the CVID-19 Handling (Gov't vaccination, patient treatment)
- Increase the effectiveness of insurance for maternal health (Jampersal) and make it integrated into JKN program
- Strengthen the reforms of national health system
- Continue the efforts to lower the stunting incidence



- Continue to develop the Unified Database (DTKS) and synergizing with other relevant data
- Supoport the social protection reforms
- Support the program of insurance scheme from losing job
- Develop the scheme of Adaptive Social Protection



FOOD SECURITY (Rp78,7T)

- Improve the food access and coverage
- Increase the productivity and revenue of the farmers and fisherman
- Pengembangan Kawasan Sentra Produksi Pangan (Food Estate)



TOURISM (Rp9,2T)

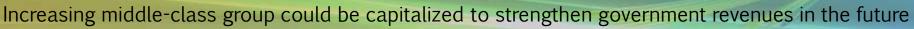
- Accelerate the development of 5 Super Priority Tourism Destinations (Danau Toba, Borobudur, Mandalika, Labuan Bajo and Likupang)
- The development of tourism and creative economy
- · Tourism recovery and Rebranding



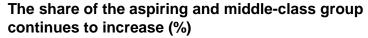
(Rp27,1T)

- The ICT infrastructure development
- Encourage the adoption of digital transformation in various economic sectors and government
- Establising the National Center of Data and the SPBE Implementation

Favorable Demographic Changes As An Opportunity For Tax Reform



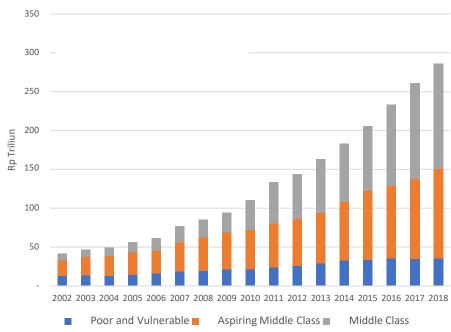






Through **tax reforms**, state revenue could be strengthened along with favorable demographic changes.

Consumption of the aspiring and middle-class group increases significantly (IDR Trillion) 350



Stronger consumption on the back of rising middleclass group could boost tax revenue, particularly VAT and personal income tax.

The Urgency of Tax Reform



Stronger and Broader Tax Base

- Growing consumption
- Higher Income Per Capita

Healthier and Sustainable Budget

- Stronger State Revenue
- Low Budget Risk and manageable financing risk

High Economic Growth

- Boost investment and job creation
- Improve ease of doing business

TOWARDS FAIR, HEALTHY, EFFECTIVE, AND ACCOUNTABLE TAX SYSTEM

TAX REFORM

Policy Reforms

- Broadening tax base
- Enhance competitiveness
- More efficient and effective tax incentives which are in line with global tax dynamics
- Tax incentives are more prioritized for high value-added sectors with larger job creation
- Reducing excessive tax exemptions and distortionary effect
- Improving tax progressivity.

Administration Reforms

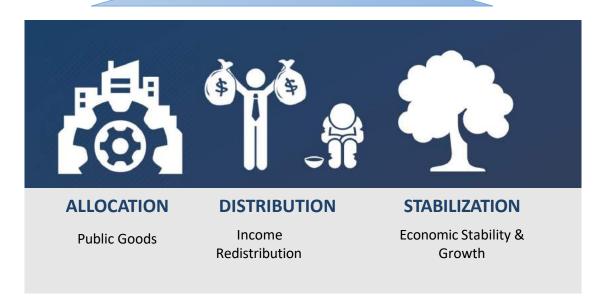
- Simpler and more efficient tax administration
- Ensuring legal certainty
- Utilizing financial data and information
- Flexible to changes of the economic structure, business activities including digital economy
- In line with global tax changes and best practices
- · High tax compliance.

Tax Reform Strengthens The State Budget Function to Enhance Social Welfare



The State Budget

as an instrument to realize fair and prosperous society



- Over the last 10 years, state revenue has been in downward trend to around 10% of GDP limiting fiscal space.
- In response to Covid-19 crisis, the state budget is used as countercyclical measures to tackle the health crisis, provide lifeline support to poor and vulnerable family and businesses, and facilitate economic recovery.
- Fiscal reform is aimed to strengthen long-term fiscal sustainability to facilitate comprehensive structural reforms in order to enhance longterm potential growth.

The Law on Harmonization of Tax Regulations (HPP Law)



As part of tax reform to increase revenue and achieve the long term sustainable growth

POLICY CHANGES IN THE HPP LAW

GENERAL PROVISIONS AND PROCEDURES

- · Integration of the ID Number with the Taxpayer Number,
- Appointment of third parties as withholding, collecting, depositing and/or reporting tax (including e-commerce)

INCOME TAX

- Introducing of the new bracket for individual with income exceeding IDR 5 billion at 35% tax rate,
- Corporate Income Tax in 2022 remains at 22%
- Income Tax rate at 0.5% for individual MSME (threshold IDR 500 million)
- · Natura (Employee non-cash benefits) becomes tax object

VOLUNTARY DISCLOSURE PROGRAM

Offering opportunity to pay the unpaid taxes for assets during 2015 - 2020 with imposing tax fine rate. Will be implemented from 1 January 2022 to 30 June 2022

VAT

- Tax rate hike on VAT from 10% to 11% from 1 April 2022 and to 12% by 2025,
- · reducing the VAT exemptions and facilities,

CARBON TAX

 Introduction of the carbon tax in 2022 through gradual basis according to a roadmap that will consider the development of a carbon market, achievement of NDC targets, sector readiness, and economic conditions.

EXCISE

Strengthening the mechanism for determining excisable goods; and Applying criminal sanctions as a last resort (*ultimum remedium*) in excise crime for violations of permits, releasing excisable goods, unpackaged excisable goods, excisable goods originating from criminal acts, and the sale and purchase of excise stamps.

Tax Revenue Started to Increase by Strengthened Tax Reform

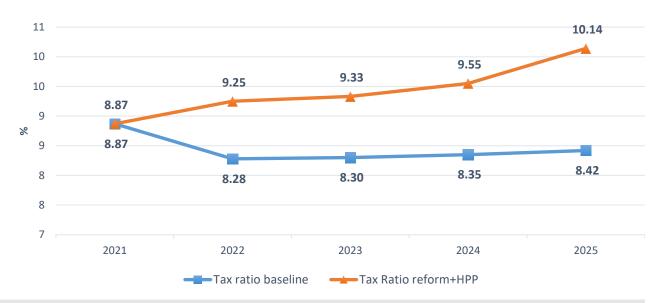
Tax regulation harmonization law strengthens tax reform



Macroeconomic Analysis

- ✓ Economic growth is relatively unaffected
- ✓ Impact on Inflation is limited, < 0.5%
- ✓ Provide positive contribution to MSMEs

Taxation Revenue and Tax Ratio 2021-2025



- Outlook for tax revenues reach Rp1,492.8T in 2021 (based on the current realization).
- Taxation in the 2022 State Budget is Rp1,510.0 Trillion → exclude the impact of the HPP Law.
- Without reform and the HPP Law, tax ratio 2021-2025 will stagnate in 8.3%- 8.9% of GDP.
- With the reform and implementation of the HPP Law, the tax ratio is estimated to reach 9.25% of GDP (in 2022) and 10.14% of GDP (in 2025).
- With yearly average growth of tax revenue by 13.07, tax ratio is expected to 10.14% of GDP in 2025.

Comprehensive Structural Reforms Are Needed To Capitalize Demographic Dividend



Fiscal reform will facilitate further structural reforms



Improve the quality of education, health, and effectiveness of social protection to improve the quality of human resources.

FISCAL REFORM

Tax reform, improvement of spending quality (spending better) & innovative financing

Continue the acceleration of infrastructure development through digital infrastructure and logistics efficiency, as well as connectivity.



Real Sector
Reform through
Omnibus Law on
Job Creation



- Ease of Starting Business
- Support the Eradication of Corruption



Deregulation

- Investment ecosystem improvement
- Business licensing
- Employments
- MSME Supports
- · Ease of Doing Business
- Research & innovation



Simplification of Bureucracy

- Land procurement
- · Economic zones
- Central government investment & national strategic projects acceleration
- Government administration
- Imposition of Sanctions

. D

Transformation of Economy

Financial Sector Reform

- Deep financial markets Depth •
- Broadly accessible financial sector Access •
- Efficient, strong and stable financial system Efficiency •

80

Accelerating Structural Reforms is A Key to Enhance Medium to Long-term Growth

The Covid-19 pandemic has underscored the urgency to accelerate the structural reforms



Key for Further Strong and Sustainable Economy in Medium Term

Maintaining growth momentum through promoting growth engine: consumption, investment, export & production sectors



Structural reforms for improving productivity:

Implementation of Job Creation Law, SWF / INA, Risk-Based OSS System



Increasing investment & export

competitiveness: creating quality jobs and sustainable economic recovery

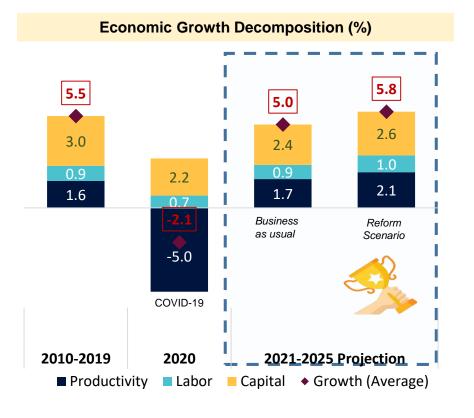


Structural reforms along with fiscal reforms (APBN)

focus on priority areas: Health, Education, Social Protection, Infrastructure, Tax Reform and Regional

Government Revenue Sharing Law (HKPD)

Source: Statistics Indonesia, MoF Calculation



2021 Budget Financing



Macroeconomic Assumption for 2021 Budget Economic Growth 5%

Inflation 3%

Exchange Rate 14.600

IDR/USD

10 years T-Bills Rate 7.29% ICP

US\$ 45 per barrel Oil Lifting

705 thousand oil barrel/day

Gas Lifting

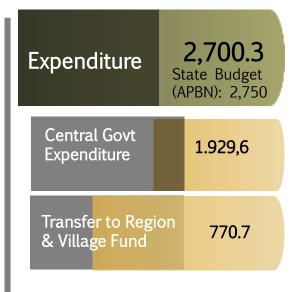
1.007 thousand barrel of oil equivalent/day

 1,760.7
 Revenue

 1,400.3
 Tax

 357.7
 Non Tax

 2.7
 Grants



939.6
State Budget
(APBN):1,006.4
Financing
Deficit
APBN & Outlook
5,7% PDB

STATE REVENUE POLICY

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

EXPENDITURE FOCUS

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

FINANCING STRATEGY

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

2021 Financing Needs

Include National Economic Recovery (PEN) program funding



Budget Deficit 2021

APBN: 1,006 T Outlook: 939,6 T

(APBN & Outlook: 5,7% of GDP)



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

Government Securities (GS)

Domestic GS

Foreign 12-15% **Denominated Bonds**

Retail GS 3-6%

80 - 85%

Loan

IDR2.7 T Domestic Loan

Foreign Loan e.q US\$ 2

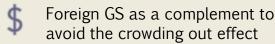
Project bio

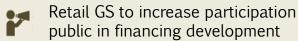
Foreign Loan e.q US\$ 5 Program - 6 bio

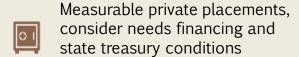
GS Policy:



Optimization of medium-long tenor domestic GS to mitigate refinancing risk









Coordination with BI in fulfillment GS issuance target

Loan Policy:



Program loans can be optimized up to USD6 billion at capacity lenders with consideration cost and risk



USD2 billion project loan according to implementing capacity project



Flexibility of use program loan with target issuance of foreign GS

2021 Financing Strategy





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

Debt Policy	Overall Funding Strategy
1 Manage debt by maintaining the debt over GDP ratio within the safe limit	Non-debt funding source optimization, including SAL utilization
To adopt a flexible debt management which is responsive in supporting the countercyclical policy, while prudently manage the cost and risk	Targeting Loan Program from Development Partners, for both bilateral and multilaterals, i.e. World Bank, ADB, KfW, JICA, EDFC, and AIIB
To achieve an efficient debt cost, by doing market deepening exercises: investor base widening improving the infrastructure in the SBN market debt instrument diversification eg. SDG bond issuance and municipal bond/sukuk issuance	 A well targeted SBN (Government Bond) issuance by optimizing all available sources Targeting domestic/onshore bond issuance (including retail bond) for up to IDR 80 tn Targeting Foreign Currency/Global Bond issuance amount at 12-15% from total SBN funding (subject to market conditions) Private Placement from specific institutions
To maintain macro stability by managing debt portfolio composition optimally.	Support from Bank Indonesia as the funding of the last resort / back stop

Strengthened Synergy Between Monetary and Fiscal Policy



Background

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

Principles



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

Strengthened Synergy Between Monetary and Fiscal Policy

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



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

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

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

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

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

GOVERNMENT SECURITIES (SBN) ISSUANCE AND BI CONTRIBUTION SCHEME

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

Cluster A

2021 → IDR58 T 2022 → IDR40 T

Cluster B

2021 → IDR157 T

2022 → IDR184 T

Cluster A:

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

Cluster B:

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

Interest rate BI 3M-RR Covered by



BANK INDONESIA

Interest rate BI 3M-RR Covered by



GOVERNMENT

Government
Securities is done
through a private
placement: reducing
the target for SBN
auction and manage
cost of debt

· The issuance of

- All Government
 Securities are issued
 at variable rate
 using BI 3-month
 Reverse Repo
 Interest Rate.
- SBN is tradable and marketable

Source: Ministry of Finance, Bank Indonesia

Government Securities Financing Realisation

(a.o Oct 29, 2021)



	Realization
	(ao. October 29, 2021)
Government Securities (GS)	1,077.65
Government Debt Securities (GDS)	764.63
IDR Denominated GDS	649.37
- Coupon GDS	522.03
- Conventional T-Bills	55.35
- Private Placement	23.50
- Retail Bonds	48.50
Foreign Denominated Bonds	115.25
- SEC USD-EUR REG SHELF TAKE-DOWN	92.41
- Samurai Bond	13.18
- SDG Bonds	8.36
- SEC USD REG SHELF TAKE-DOWN	1.30
- USD Onshore Bonds	0.00
Sovereign Sharia Securities (Sukuk)	313.02
Domestic Sovereign Sharia Securitoes	270.23
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk	215.25
- Retail Sukuk	43.73
- Private Placement	11.25
Global Sukuk	42.79
BI Purchase (SKB III)	0.00

Note: including GSO transaction

Republic of Indonesia - Dual Currency USD3bn and EUR1bn

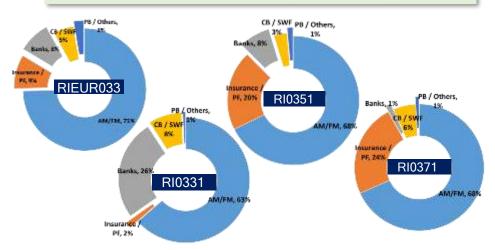


Issuer	Republic of Indonesia								
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)								
Exp. Issue Rating	Baa2	2 Moody's / BB	B S&P / BBB F	itch					
Format		SEC Reg	gistered						
Issue	Senior uns	Senior unsecured fixed rate notes off US SEC Shelf							
Pricing Date		January 5, 2021							
Settlement Date		January 12, 2021							
Currency		USD							
Size	US\$1.25bio	US\$1.25bio	US\$0.5bio	€1bio					
Tenor	Long 10-year	Long 30-year	Long 50-year	Long 12-year					
Maturity	March 12, 2031	March 12, 2051	March 12, 2071	March 12, 2033					
Coupon (p.a.)	1.850%	3.050%	3.350%	1.100%					
Yield	1.900%	3.100%	3.400%	1.174					
Price	99.538%	99.020%	98.794%	99.165%					
Listing	Sin	gapore, Frankfu	rt Stock Exchar	nge					
Use of Proceeds		ls are for gener sia, including its							

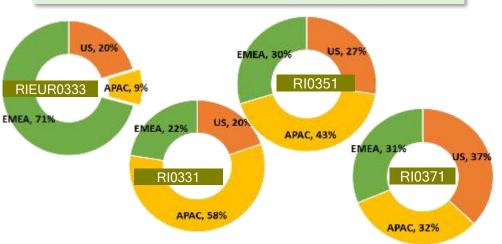
Transaction Highlights

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

Investor Breakdown by Investor Type



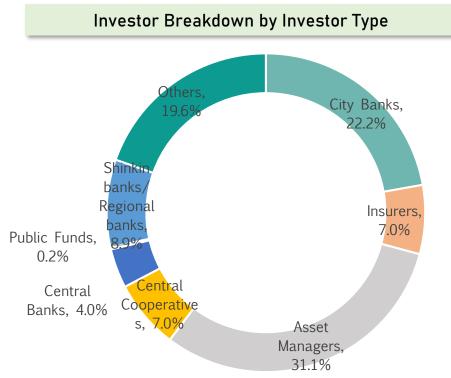
Investor Breakdown by Geography



Republic of Indonesia - Samurai Bond JPY100bn



Issuer		Republic of Indonesia							
Issuer Rating		Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)							
Exp. Issue Rating		Baa2 Moody's / BBB S&P / BBB Fitch							
Format		Samurai Bond (Public Offering)							
Pricing Date		May 21, 2021							
Settlement Date		May 27, 2021							
Deal Size			JPY:	100bn					
Size	JPY29.0bn	JPY46.8bn	JPY1.2bn	JPY18.2bn	JPY2.5bn	JPY2.3bn			
Tenor	3-year	5-year	7-year	10-year	15-year	20-year			
Maturity				May 27, 2031					
Coupon	0.33%	0.57%	0.70%	0.89%	1.17%	1.44%			
Re-offer Spread over Yen Mid Swap (YMS)	YMS+35	YMS+56	YMS+65	YMS+76	YMS+90	YMS+105			
Joint Lead Managers		Daiv	va/Mizuho	/Nomura/S	SMBC				



Transaction Highlights

- · Rol's seventh consecutive year accessing this market with JPY 100 billion or larger sized benchmark transactions since 2015.
- This benchmark sized transaction has been achieved with the lowest JPY spreads and coupon levels in comparison with Rol's past Samurai deals, maintaining a fairly low premium over its USD secondary curves
- The lowest coupon in the history of the issuance of Samurai Bonds for a tenor of 10 years, amounting to 0.89%. This coupon is even lower when compared to the issuance of 10-year Samurai Bonds with JBIC guarantee in 2015 which was at the level of 0.91%.
- Rol successfully issued mid to long tenured tranches (5-year and above) for more than 70% of the total issuance with the lowest ever dependency on 3-year tenor. This significant demand shift from 3-year tranche to longer tenors reflected investors' confidence on Rol's fundamentals.

Republic of Indonesia - Global Sukuk USD3bn



Issuer		Republic of Indonesia	ı					
Issue Format		144A/Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate ("Sukuk") issued under a USD\$25billion Trust Certificate Issuance Program						
Issuer Rating	Baa2 Moody's (Sta	ble) / BBB S&P (Neg)	/ BBB Fitch (Stable)					
Pricing Date		02 June 2021						
Issue Date		09 June 2021 (T+5)						
Tenor	5-year Sukuk	10-year Sukuk	30-year Green Sukuk					
Maturity	9-Jun-26	9-Jun-31	9-Jun-51					
Trance Size	USD1.25B	USD1.00B	USD750M					
Profit Rate	1.5% fixed, semiannual, 30/360		3.55% fixed, semiannual, 30/360					
Re-Offer Price	100.00%	100.00%	100.00%					
Re-Offer Spread	UST +70.4bps	UST +95.7bps	UST +125.5bps					
Listing	S	GX-ST and Nasdaq Du	bai					
Joint Bookrunners	CIMB, Citigroup	, Dubai Islamic Bank, F	HSBC, SCB (B&D)					
Co-Managers	PT BRI Dana Sekui	ritas, PT Trimegah Sek	uritas Indonesia Tbk					

Transaction Highlights

- Republic of Indonesia marked their annual return to the Sukuk market with the issuance of Global Sukuk which was very well received by investors by generating a total order book in excess of USD 10.3 billion reflecting an oversubscription of more than 3.43x.
- The transaction was carried out in line with the 2021 financing strategy, including accommodating the needs of the state budget in handling the impact of the Covid 19 pandemic.
- The USD 3 billion issuance also included a Green Tranche. The Green tranche was issued under the 30 year tenor for the first time, which is also the first in the world, after consistently issuing Green Sukuk with a 5 year tenor every year since its debut in 2018. This aptly demonstrates the Republic's dedication and long term commitment to Green and sustainable finance, as well as pioneering financing methods in the fight against climate change.





Achievement

- Lowest ever 5, 10 and 30 year yield, spread over UST and profit rate achieved by the Republic of Indonesia for global Sukuk issuance,
- First ever 30 year Green Sukuk issuance in the world,
- Robust investor orderbook allowed pricing below fair value across all tranches.

Challenges

- Global financial market conditions are very volatile and still affected by the Covid 19 pandemic
- Performed under WFH conditions

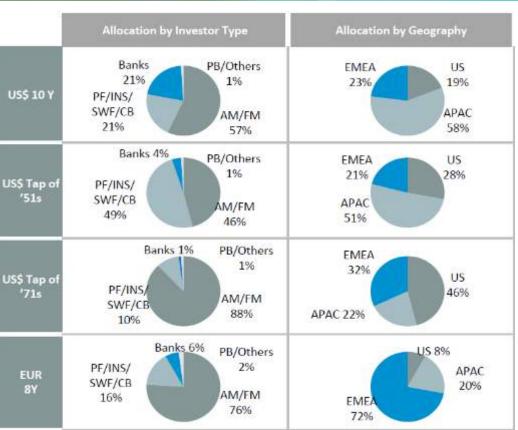
90

· No roadshow.

Republic of Indonesia – Dual Currency USD1,65bn and EUR500mio



lssuer		Republic of	Indonesia						
Issuer Rating	Baa2 Mood	·	S&P (Neg) BBB Fito	ch (Stable)					
Format		SEC Registered							
Pricing Date		July 21, 2021							
Settlement Date		July 28, 2021							
Currency		USD		Euro					
Series	RI0731	RI0351 (Reopening)	RI0371 (Reopening)	RIEUR0729					
Issue Size	US\$600 million	US\$750 million	US\$300 million	€500 million					
Tenor	10-year	30-year	50-year	8-year					
Maturity	July 28, 2031	March 12, 2051	March 12, 2071	July 28, 2029					
Coupon (p.a.)	2,150%	3,050%	3,350%	1,000%					
Yield	2,200%	3,100%	3,350%	1,068%					
Price	99,553%	99,031%	99,995%	99,481%					
Listing	S	ingapore, Frankfu	rt Stock Exchange						
Use of Proceeds	General	Purposes, Includir	ng Covid-19 relief	efforts					



Transaction Highlights

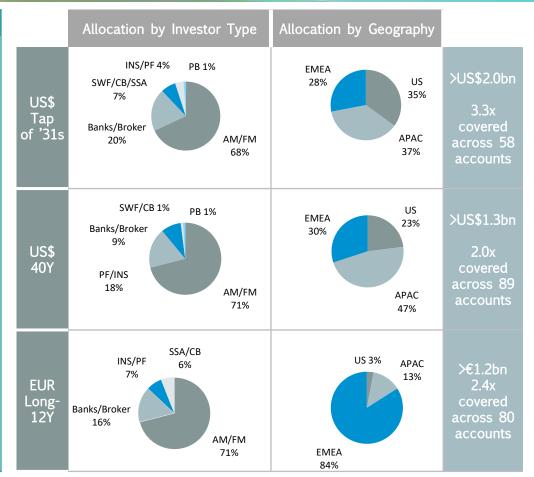
- Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date (Implied spread of +90.8bps over 10Y UST)
- · Tightest ever spread and yield achieved by ROI for a EUR 8Y transaction
- · Achieved negative new issue concessions across all 4 tranches despite UST volatility and a crowded primary market on the day of bookbuild
- For the USD tranches, garnered total orders of >US\$4.7 bn at reoffer representing oversubscription of 2.8x. For EUR, garnered orders of >€1.2bn at reoffer representing oversubscription of 2.4x

• The transaction marks one of the larger global offering by the Republic and as such demonstrates the Republic's ability to respond swiftly to markets and capture favorable issuance windows

Republic of Indonesia Sustainable Development Goals (SDG Bond) EUR500mm & Liability Management US\$1.25bn



Issuer	Republic of Indonesia								
Issuer Rating	Baa2 Moody'	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fito (Stable)							
Format	SEC-	SEC-Registered Shelf Take-Down							
Settlement Date		2021							
Tranche	US\$ Tap of '31s	US\$ 40 Year	EUR Long-12 Year						
Currency	USD	USD	Euro						
Issue Size	-	US\$650 mm	€500 million						
Original Principal Amount	\$600mm	-	-						
Reopening Size	\$600mm	-	-						
Maturity	28 Jul 2031	23 Sep 2061	23 Mar 2034						
Coupon (p.a.)	2.150%	3.200%	1.300%						
Yield	2.180%	3.280%	1.351%						
Price	99.734%	98.225%	99.419%						
Use of Proceeds	outstanding pursuant to	e certain of its g global bonds its tender offer on Sep 13,2021	that may qualify as Eligible SDGs						
Listing	Singap	ore, Frankfurt Sto	ock Exchange						



Transaction Highlights

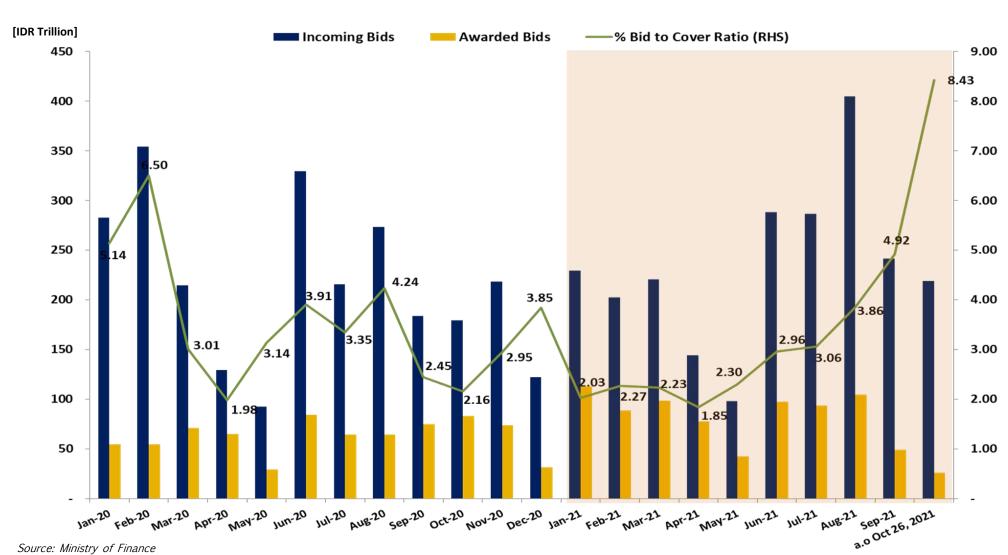
- One of the first Sovereign SDG conventional bond issuance in the region and the first SDG Bond Framework verified by CICERO and IISD globally.
- On the back of strong demand from ESG-focused accounts, the Republic was able to price flat to its outstanding curve with zero new issue concession, and inside a potential conventional issuance.
- Final pricing implied that we were able to achieve a price compression of 27 bps, well inside the initial price thoughts level of MS+140-145bps.
- The successful debut SDG Offering demonstrates the Republic of Indonesia's commitment towards financing environmental and social projects in contribution to the 2030 National Development Agenda and to be aligned with the SDGs.

GS Primary Market Performance 2020 - 2021

Through Auction



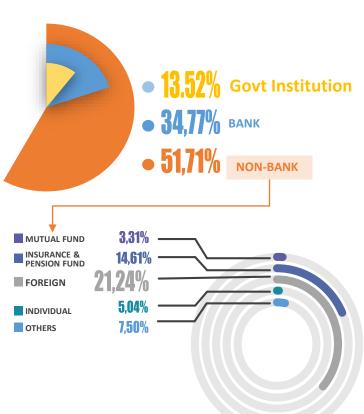
In 2021, average incoming bid = IDR56.97 tn/auction while average awarded bid = IDR19.33 tn/auction



Ownership of IDR Tradable Government Securities (a.o Oct 29, 2021)



(IDR tn)



									וטו	\ ui/
Description	Dec-	17	Dec-	18	Dec-1	19	Dec-2	0	October 29	, 2021
Banks*	491.61	23.41%	481.33	20.32%	581.37	21.12%	1,375.57	35.54%	1,554.03	34.77%
Govt Institutions (Bank Indonesia**)	141.83	6.75%	253.47	10.70%	262.49	9.54%	454.36	11.74%	604.23	13.52%
Bank Indonesia (gross)	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.88	22.60%	1,005.53	22.50%
GS used for Monetary Operation	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.51	10.86%	401.30	8.98%
Non-Banks	1,466.33	69.83%	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%	2,310.81	51.71%
Mutual Funds	104	4.95%	118.63	5.01%	130.86	4.75%	161.32	4.17%	148.01	3.31%
Insurance Company and Pension Fund	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.82	14.02%	653.06	14.61%
Foreign Holders	836.15	39.82%	893.25	37.71%	1,061.86	38.57%	973.91	25.16%	949.27	21.24%
Foreign Govt's & Central Banks	146.88	6.99%	163.76	6.91%	194.45	7.06%	178.31	4.61%	244.82	5.48%
Individual	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.21	3.39%	225.12	5.04%
Others	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.57	5.98%	335.36	7.50%
Total	2,099.77	100%	2,368.45	100%	2,752.74	100%	3,870.76	100%	4,469.08	100%



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



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

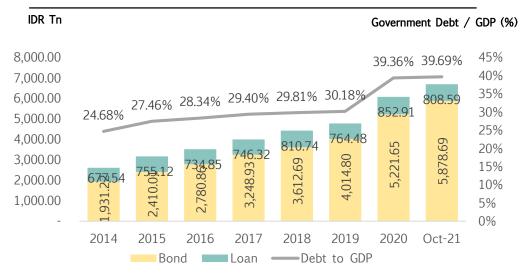
Note:

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

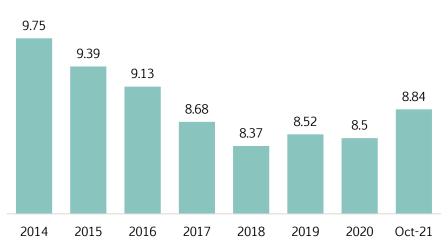
Disciplined and Advanced Debt Portfolio Management



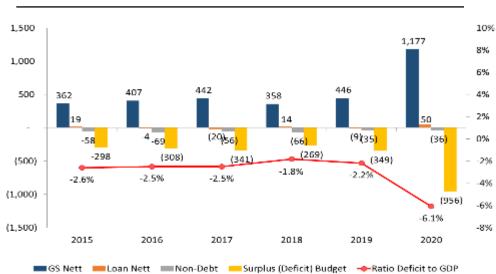
Stable Debt to GDP Ratio Over the Years



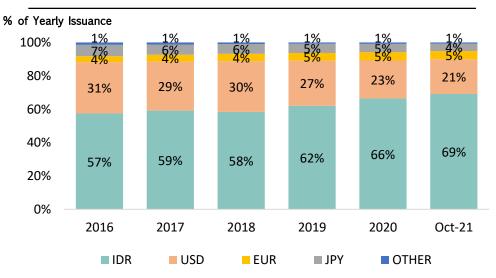
Weighted Average Debt Maturity of ~8.84 Years



Prudent Fiscal Deficit

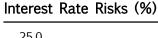


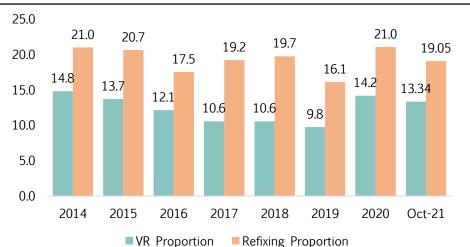
Well Diversified Across Different Currencies



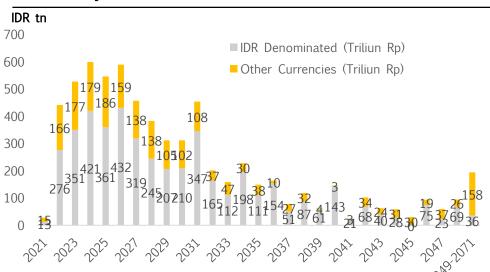
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



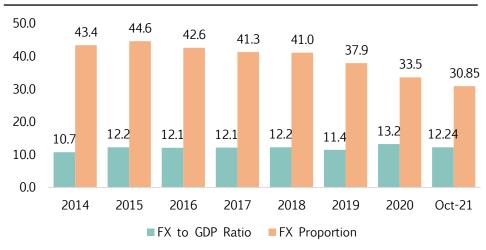




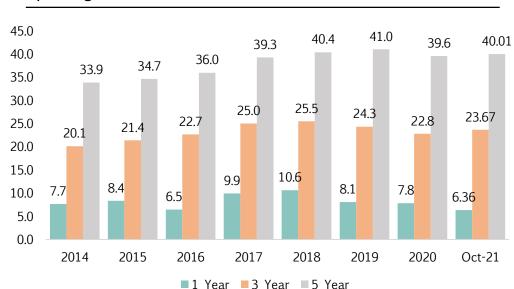
Debt Maturity Profile



Declining Exchange Rate Risks (%)



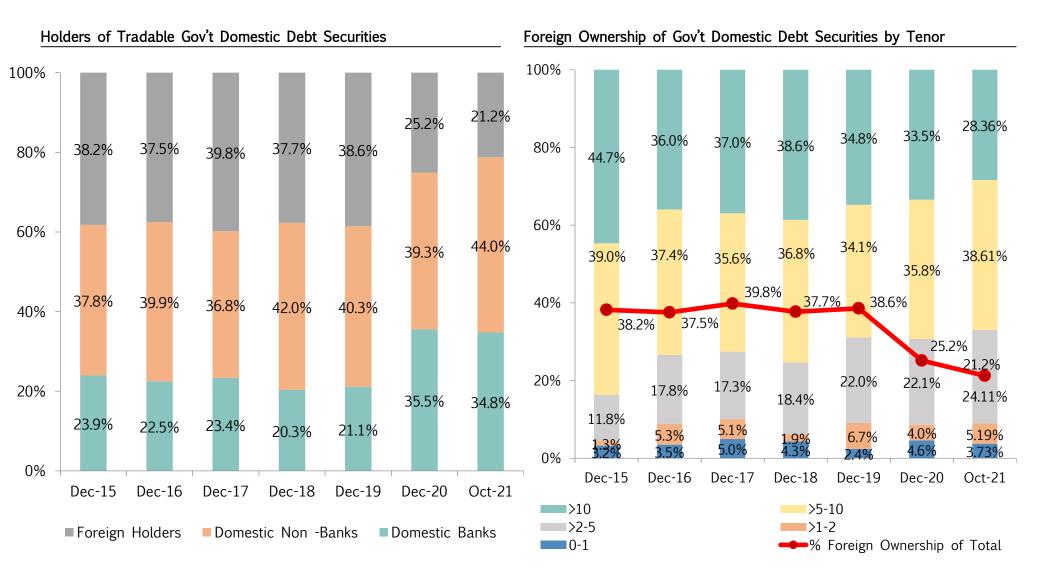
Upcoming Maturities (Next 5 Years)



Holders of Tradable Central Government Securities

Balanced Ownership In Terms of Holders and Tenors







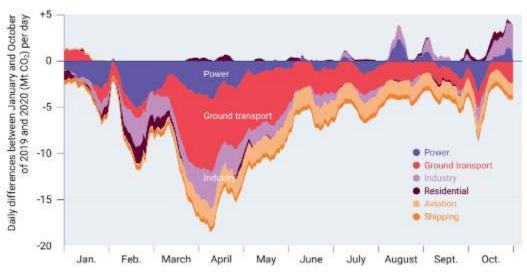
Section 6

Commitment to Sustainability and Preserving the Environment

Anticipating the Rise of Emissions After the COVID-19 Pandemic

As global economy recovered, the emissions is predicted to increase





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





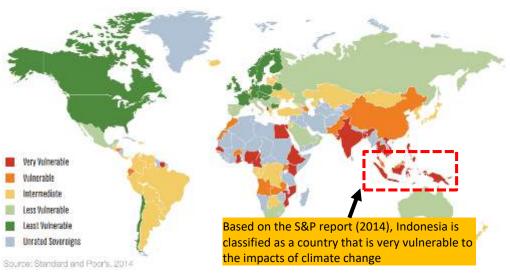
 Pandemic is not over yet, and Indonesia were faced by flood disasters in several provinces. This disaster needs to be of concern to the central and local governments in managing forest and land areas so that the ecosystem of water absorption areas can be maintained.

Photo: kanalkalimantan.com & BPBD Prov. Kalsel

Photo: Bayu Pratama

Climate Change Risk on Indonesia

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



Indonesia is an archipelagic country that has >17,000 islands and it is vulnerable to climate change risks such as the sea-level rise

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

Source: Bappenas (2021)

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

source Data: KLHK (2020), data diolah

From 1981-2018, Indonesia experienced a temperature increase trend of around 0.03 °C per year

source: BMKG (2020)

CLIMATE CHANGE RISK



WATER SECURITY

Increased levels of flooding and severe drought will exacerbate the scarcity of clean water.



FOOD SECURITY

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



HEALTH

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



DESTRUCTION OF LAND, SEA, AND COASTAL ECOSYSTEMS

It is scientifically predicted that severe forest fires will occur. This can lead to loss of ecosystems, biodiversity, and changes in Biomass.Rising sea surface temperatures cause the extinction of coral reefs, seaweed, mangroves, some biodiversity and marine ecosystems.

ESTIMATED COST LOSS and MITIGATION COST

ESTIMATED COST LOSS and MITIGATION COST						
Reference	Scope	Estimated Cost/Impact				
IPCC (2014)	If each country's NDC target is achieved, the global temperature rise can be limited to below 2.0°C	Continue to suffer economic losses of up to 0.2% - 2.0% of global GDP per year				
Second Biennial Update Report, KLHK (2018)	Cost of mitigating climate change to achieve NDC	Cumulative mitigation costs reach IDR 3,461 trillion by 2030				
Roadmap NDC Mitigasi Indonesia, KLHK (2020)	Cost of climate change mitigation to achieve NDC (using mitigation action cost approach)	Cumulative mitigation costs from 2020-2030 reach IDR 3,779 trillion (IDR 343.6 trillion per year)				
Roadmap NDC Adaptasi Indonesia, KLHK (2020)	Potential economic losses if not adapting to climate change (sectors analyzed: agriculture, water, health, and energy)	Potential economic losses reach 0.66% - 3.45 % of GDP in 2030				

Global Trends Strengthening Attention to Climate Change



UNFCCC-COP26 GOALS



01

Secure global net zero by midcentury and keep 1.5 degrees within reach

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

Adapt to protect communities and natural habitats

02

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



03

Mobilise finance

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

04

Work together to deliver

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

G20 FORUM

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

EUROPEAN UNION

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

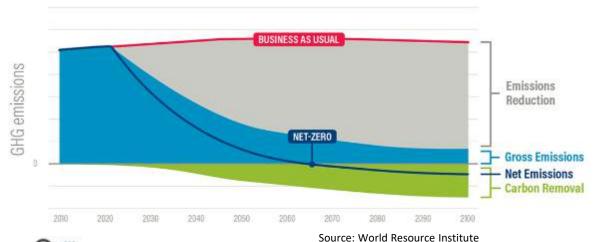
INTERNATIONAL FINANCE INSTITUTIONS

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

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

Net Zero Emission (NZE)







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



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



10 Key Solutions to Achieve NZE 2050



Sumber: World Resource Institute

Long Term Strategy was mandated ini Paris Agreement Article 4.19

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

Indonesia's Net Zero Emission





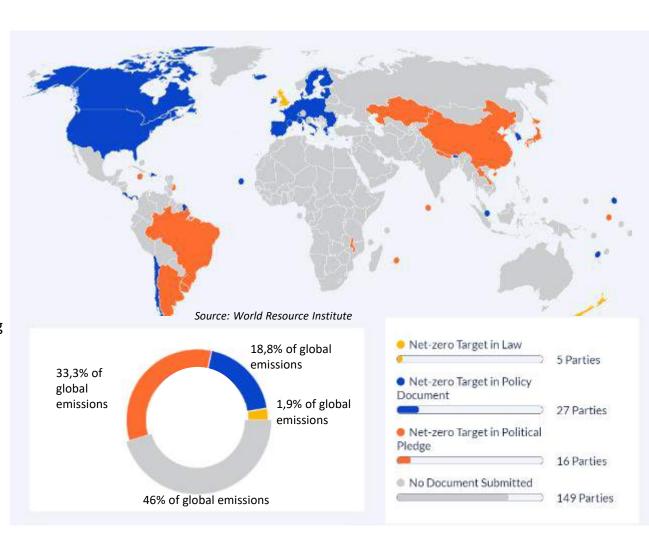
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



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



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



Paris Agreement & NDC Indonesia





Indonesia has ratified the Paris Agreement into UU No. 16/2016



Limiting global temperature rise to below 2 degrees Celsius and achieving net zero emissions by 2050

Increase resilience and adaptation to the impacts of climate change

Aligning the world's financial flows with Paris Agreement Goal

Submission of Nationally Determined Contribution (NDC) to UNFCCC

Through the NDC, Indonesia is committed to reducing GHG emissions from BaU levels in 2030 by:

29% through national efforts

and

41% with International Support

Emission Reduction Targets by Sector (MTon CO2e)

Emission Reduction Targets			•	R	*
	FORESTRY	ENERGY & TRANSPORTATION	WASTE	AGRICULTURE	IPPU
29%	497	314	11	9	2.75
41%	650	398	26	4	3.25
				source: ND	C Indonesia, KLHK (2016)

Climate Change Mitigation Financing Needs

sector	Second Biennial Update Report (Rp trillion)	Roadmap NDC Mitigasi (Rp trillion)
Forestry	77,82	93,28
Energy dan Transportation	3.307,20	3.500,00
IPPU	40,77	0,92
Waste	30,34	181,40
Agriculture	5,18	4,04
Total	3.461,31	3.779,63

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

Commitment to Sustainability and Climate Change Mitigation

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



Commitment to Sustainability

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

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

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

The President's Nawacita Programme

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





































Environment Commitment and Objectives

Mitigation

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

Adaptation

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

Biodiversity

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

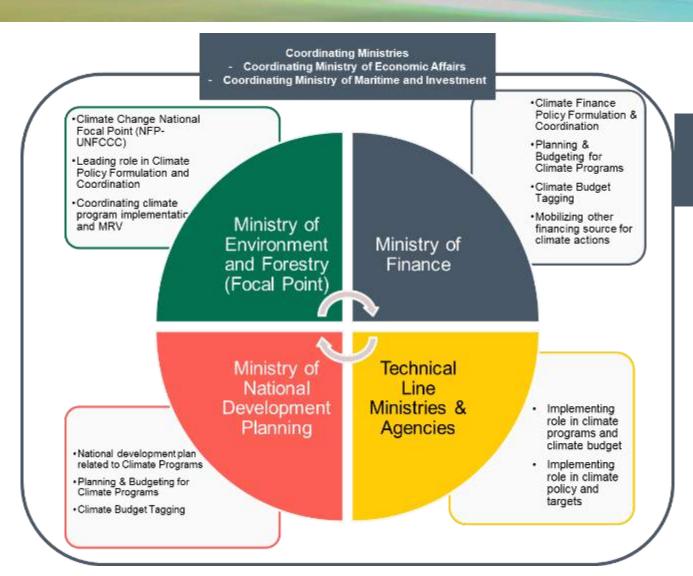
Note: (1) SDG Indonesia One. PT Sarana Multi Infrastruktur

Climate Governance in Indonesia



Ministry of Finance is responsible for climate fiscal policy

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

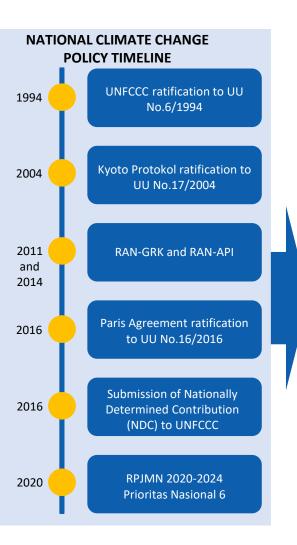


Central Bank and Financial Sector Authority

Also coordinating with Central Bank (BI) and FSA (OJK) to promote green and resilience development through fiscal, monetary, and financial policy mix

Commitment to Handling Climate Change





FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

Mitigation Fiscal Framewor

Tax Incentives for NRE and clean technology development

Revocation of Fuel Subsidy

Implementaion of Climate
Budget Tagging

Indonesia's Green
Bond/Sukuk Framework

Mainstreaming Climate Budget Tagging in local government budget

Ecology-based Fiscal Transfer

NEXT STEP OF CLIMATE RELATED FISCAL POLICY



Preparation of fiscal instruments related to Carbon Tax and Carbon Trading



updating Mitigation Fiscal Framework



Integration of Climate Change Planning, Budgeting and MRV Systems



Preparation of SDGs Government Securities Framework

AGENDA PERUBAHAN IKLIM NASIONAL DAN GLOBAL



Nationally
Determined
Contribution (NDC)



SDGs 13: Climate Action



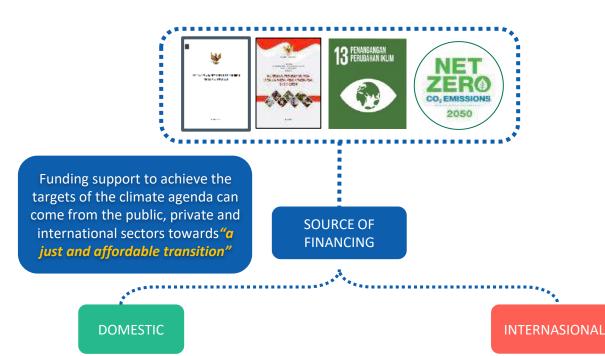
Low Carbon Development Planning in RPJMN 2020-2024



Agenda Net-Zero Emission

National Climate Financing





STATE BUDGET

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

NON-STATE BUDGET

- Carbon Trading
- Private Investment and CSR
- BPDLH
- SDG Indonesia One
- ICCTF

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

BILATERAL

- Government
- Private

MULTILATERAL

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

CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



Limited fiscal space

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



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



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



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



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

State Expenditure for Climate Change



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

IDR102.65 trillion per year

the average mitigation and co-benefit budget reached

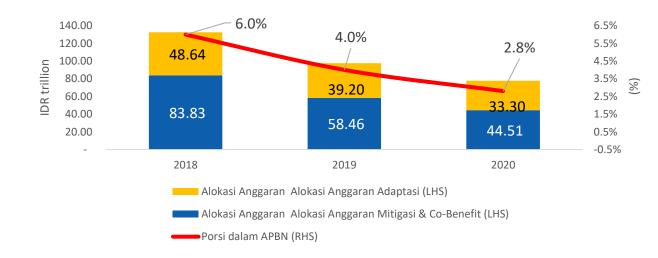
IDR 62.7 trillion

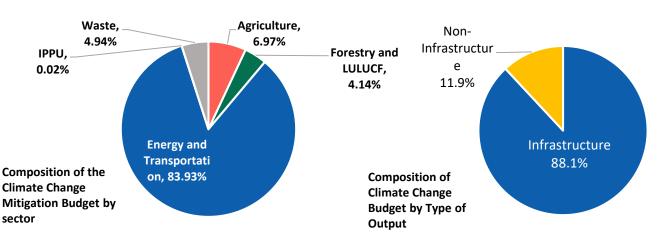
per year

the average adaptation budget reaches IDR 40.4 trillion

per year

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





Source: Ministry of Finance, calculated 109

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







bpdlh today progenta dana logicingan hasio

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

- SDG Indonesia One is an integrated funding cooperation platform managed by PT. SMI by combining public funds and private funds through a blended finance scheme to be channeled into infrastructure projects in Indonesia related to the achievement of the SDGs.
- SDG Indonesia One funding sources come from the private sector, donors/philanthropy, financial institutions, institutional investors, and bilateral and multilateral institutions.
- BLU BPDLH or Indonesia Environment Fund (IEF) is a merger between the BLU of the Center for Forest Development Financing and the environmental conservation program of the Ministry of Environment and Forestry.
- IEF manages and provides the funds needed for environmental and forestry protection, preservation and conservation, biodiversity management, and climate change mitigation and adaptation.
- IEF not only manages funds in the environmental & forestry sector, but also in the fields of energy, agriculture, transportation, marine & fisheries, and industry.

GCF Approved Indonesian Projects/Programs



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



Grants:

Readiness I USD850.000 Readiness II USD998.000

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



Grant: USD788.000 **Result-based Payment** (RBP) REDD+ Indonesia (2014-2016)

600



RBP: USD103,8 m

PEGASUS

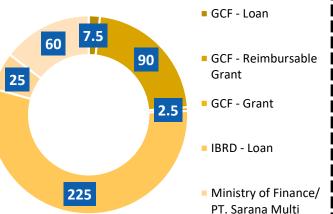
Pegasus Capital

Advisors - Equity





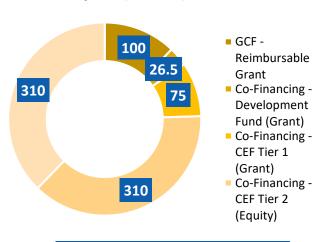
Infrastruktur



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

Climate Investor One (CIO)

Funding Scheme (in million USD)



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



Funding Scheme (in million USD)



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

Achievements of SDG Indonesia One



Achievement of SDG Indonesia One Quarter 1 2021

Blended Finance Project (Indicative)

19 Projects

consists of 4 financing projects and 15 project development activities

Sustainability Promotor

Ecosystem Enabler

9 Activities

Consists of capacity building activities and sharing sessions

USD791 m

risking and loans as stated in the agreement with the donor

Funds Mobilization

Support for grants, de-

On-Going Programs



Technical Assistance on Green Finance Facility



Technical Assistance on Global Green **Bond Issuance**



Solar Rooftop **Program**



Clean Water Program



Renewable Energy Program



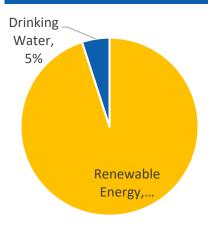
Urban Infrastructure **Program**

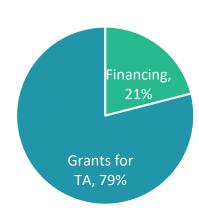


Disaster Area Rehabilitation Program

Sectors

Supports





Indonesian SDG Performance One had been supporting the following SDGs Target









Indonesia Environment Fund / BPDLH



13 PRIORITY PROGRAMS

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





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



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



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



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



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



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



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



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



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



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



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



13. Other environmental protection and management activities

Climate Change Fiscal Framework (CCFF) Indonesia



What is CCFF?

Framework for formulating fiscal policy options and strategies for mobilizing climate finance

The Urgency of CCFF



Strengthening the function of fiscal policy in controlling climate change and sustainable development



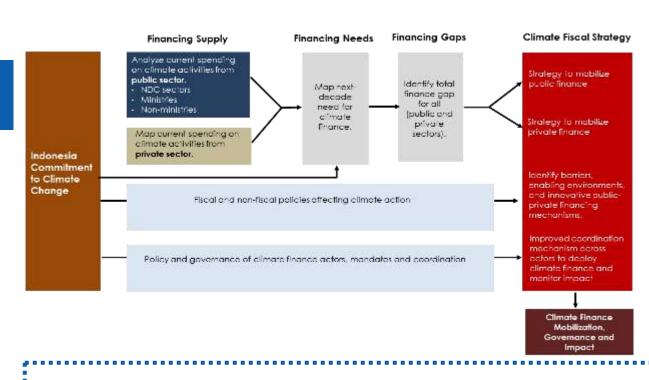
Support national commitments related to climate change (NDC, SDGs, RPJMN)



Mobilization of public and private funds that have not been optimal.



Strengthening the institutional framework for national climate change funding



Strategic Partners







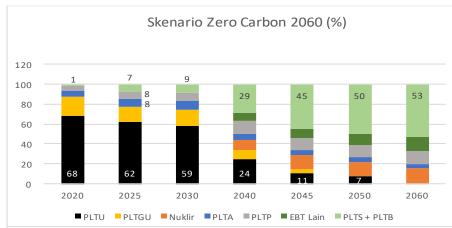
Technical Advisor

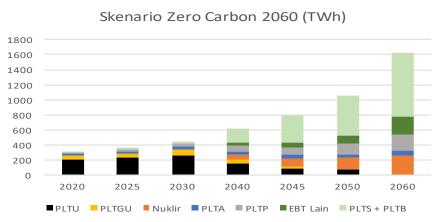


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Phasing Out Coal Scenario





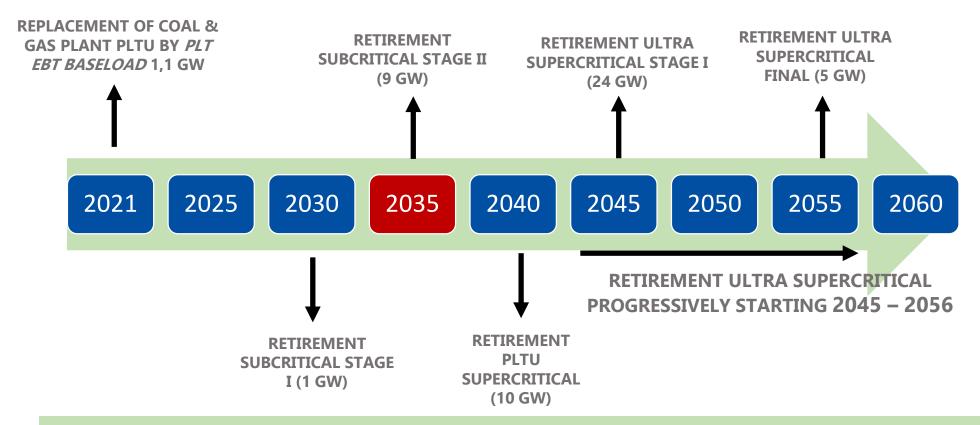


In 2060 All Power Plants in Indonesia are Using Clean Energy

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

Roadmap Moving Towards Decarbonization and Coal Phase Out





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

Carbon Pricing Policy





CARBON PRICING POLICY UNDER DISCUSSION

- Aims to reduce national GHG emissions.
- Become a policy intervention to overcome "market failure".
- The practice of "polluters-payprinciple"
- Encouraging a low-emissions business and business ecosystem.
- Can be an alternative source of financing for sustainable development programs.
- Government, currently, is preparing Regulation on Carbon Pricing.
- Implementation of international carbon trading will consider the discussion of Article 6 Paris Agreement at COP 26

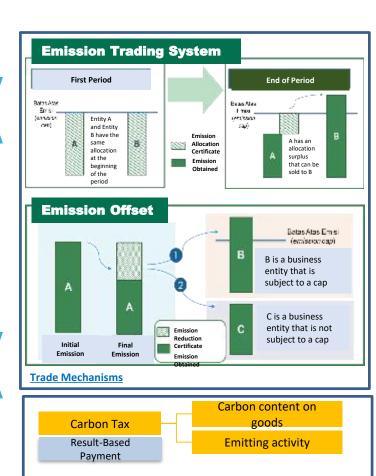
Carbon Pricing Instruments

Trading Instruments

- a. Emission Trading System/ ETS: an entity that emits more buys an emission permit than one that emits less (cap and trade)
- b. Emission Offset (Crediting Mechanism): Entities undertaking emission reduction activities can sell their carbon credits to entities requiring carbon credits.

Non-Trade Instruments

- **a. Carbon tax:** imposed on carbon content or carbon emitting activity.
- **b. Result Based Payment:** payments are made for the results of emission reductions.



Non Trade Mechanisms
No carbon credits transfer

Indonesia's Green Project Priority Sector



- □ Indonesia realizes that investment in green and sustainable infrastructure is becoming increasingly important in post-pandemic.
- Regarding the NDC targets in reducing carbon emission, Indonesia has outlined the PPP priority sectors of 2020-2024, in which two sectors are related to climate issue, respectively:
 - · Urban Transport, and
 - Waste Management
- Environmental quality aspects of projects are considered since the beginning of PPP project cycle, notably in planning and preparation stage, such as climate change issues and promoting green financing.
- ☐ The Project Development Facility (PDF) from MoF is focused to assist those priority sectors while considering environmental and other quality aspects during project preparation and its implementation.
- Additionally, GOI also initiate the development of ESG framework to be implemented to projects which involve private financing and at the same time obtain government supports.

PPP Focused Sectors 2020-2024



PPP Green Project



Expected to contribute for 70% energy efficiency by using LED technology as well as carbon emission reduction



Expected to manage around 2,000 ton waste per day from 6 municipals



Expected to manage around 1,000 ton waste per day from Semarang City

The Role of Fiscal Policy in Green Economic Transformation





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

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

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





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

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



Fiscal Incentives





Several tax incentives to promote green private investment.

Instruments

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

Property Tax Pro

Property tax deduction up to 100% for exploration stage.

Fiscal Transfer

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

Profit Sharing Fund on Natural Resources (DBH SDA)

- DBH SDA Forestry
- DBH SDA Geothermal

Special Allocation Fund for Physical Development (DAK Fisik):

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

Non Physical Special Allocation Fund (DAK Non Fisik)

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

Incentive Fund (DID)

DID on Waste Management

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







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



Central Bank Policy:

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



Financial Sector Authority Policy:

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

Sustainable Finance Roadmap (2021-2025)



7 components of Indonesia Sustainable Finance Ecosystem



OJK Strategic Initiative on Sustainable Finance

- Development of a green taxonomy which aims to classify sustainable financing and investment activities in Indonesia
- Implementation of ESG aspects
 into risk management with the aim of increasing
 resilience and mitigating environmental and social risks that may affect
 financial industry's business processes
- Scalable Green Program Development
 to present success stories of innovative green scheme development to be replicated so as to enhance the role of the financial industry in sustainable financing
- The innovation of sustainable financial products and services to accelerate financial industry's transition towards sustainability is carried out by developing innovative schemes of sustainable project financing/funding
- A national campaign for sustainable Finance that aims to build an understanding of the importance of activities that take into account environmental, social, and governance aspects

Source: Financial Services Authority (OJK)

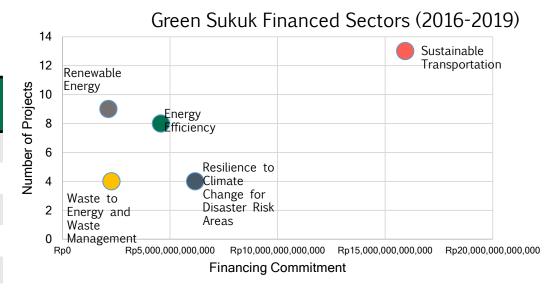
Innovative Financing: Sovereign Green Sukuk and SDGs Bond



Sovereign Green Sukuk and SDG Bond

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

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: USD 3.5 billion
- Total green sukuk retail financing: IDR 6.88 trillion
- Green sukuk has financed various projects in 5 sectors and mostly for transportation projects.
- Rol issued its debut SDG Bond in September 2021, which was also the first issuance of sovereign conventional SDG bond in Asia.





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



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

Transaction Highlights

- Debut Sustainable Development Goals (SDG) EUR issuance by an Asian Sovereign
- **Debut Liability Management transaction** and Debut US\$ 40 Year issuance by ROI
- Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date yet again (implied spread of +85.8 over 10Y UST)
- Tightest ever spread achieved by ROI for a EUR 12 / long-12 Year issuance
- Achieved zero to negative new issue concessions across all 3 tranches despite a crowded primary market on the day of bookbuild
- The successful debut SDG Offering demonstrates Rol's commitment towards financing environmental and social projects in contribution to the 2030 National Development Agenda and to be aligned with the SDGs.

Source: Ministry of Finance

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Indonesia's Existing Green Bond and Sukuk Framework

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



1

Use of proceeds of Green Bond and Green Sukuk

Eligible Green Projects must fall into one of the nine eligible sectors 2

Project Evaluation and Selection

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

Project selection will utilize the Climate Budget Tagging (CBT) mechanism 3

Management of Proceeds Management – Ministry of Finance

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

Line Ministries

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

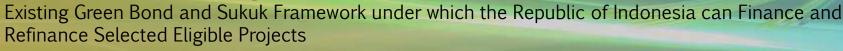
4

Reporting

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

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

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





Eligible Sectors

Green Shading according to CICERO's second-party opinion

Dark Green



Renewable Energy



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

Light to Medium



Energy efficiency



Sustainable Management of Natural Resources

Medium to Dark



Sustainable Transport



Waste and Waste to Energy Management



Green Tourism



Sustainable Agriculture

Light Green



Green Building

The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale
Hydropower Plants
> 30 MW



Nuclear Assets

Indonesia SDG Government Securities Framework (cont)

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

Eligible SDGs Expenditures with Green and Blue focus



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

Alignment with the Rol's 2030 SDGs Target













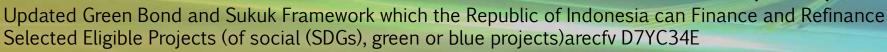








Indonesia SDGs Government Securities Framework (cont)





Eligible SDGs Expenditures with Social focus



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



Access to Essential Services



Socioeconomic Advancement and Empowerment



Food Security and Sustainable Food Systems



Affordable Basic Infrastructure

Alignment with the Rol's 2030 SDGs Target





















The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW



Nuclear Assets

Overview of the Indonesia SDGs Government Securities Framework

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



Journey of The Republic of Indonesia SDGs Government Securities Framework ("SDGs Framework")

2018 - 2021 January 2018 August 2021

Published a Green Bond and Green Sukuk Framework & obtained a Second Party Opinion based on ROI Green Bond and from CICERO

Successfully issued 4 Green Sukuk Green Sukuk Framework

SDGs Framework developed to demonstrate how ROI intends to issue Green and Blue Bonds and Sukuk ("Green Securities") and Social and Sustainability Bonds and Sukuk ("SDGs Securities")

SDGs Government Securities Framework



Use of Proceeds

New or existing Eligible SDGs Expenditures with Green and/or Social focus ("Eligible Expenditures")

Process for Project Evaluation and Selection

Budget Tagging Process to select Eligible SDGs **Expenditures for Green and SDGs Securities**



Management of Proceeds

Managed within the Government's general account; allocation register will be established



Reporting

Annual allocation reporting and impact reporting

Source: Republic of Indonesia SDGs Government Securities Framework

Aligned with International Standards & Principles

All Green and SDGs Securities issued under The Republic of Indonesia ("ROI") SDGs Government Securities Framework will align with international standards and principles











External Review of Indonesia SDGs Government Securities Framework

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



Joint Second Party Opinion from CICERO Shades of Green and IISD2



°CICERO Shades of Green



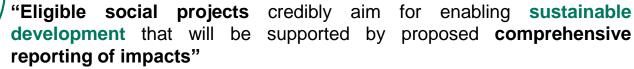
Extracts of Republic of Indonesia SDGs Framework Second Opinion

"In alignment with the green bond principles, social bond principles, and sustainability bond guidelines."



Sustainability Bond

"CICERO Shades of Green governance procedures in the Republic of Indonesia's framework to be Good."



"We rated Republic of Indonesia's green bond and sukuk issuances under this framework CICERO Medium Green".



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

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

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

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

Indonesia's Green Initiatives: Financing Green Projects

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

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

2021 Issuance

2020 Issuance USD 750 million USD 750 million

2019 Issuance USD 750 million

2018 Issuance USD 1.25 billion

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

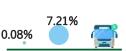
Use of Proceeds

2020 Global Green Sukuk Issuance

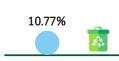
The 2020 Global Green Sukuk Issuance comprised of

and 49% financing new projects

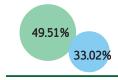
51% refinancing existing projects



Sustainable Transport



Waste and Waste to **Energy Management**



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

Project Owner

Financing of 2020 new projects

Ministry of Public Refinancing of 2018 projects Works and Housing

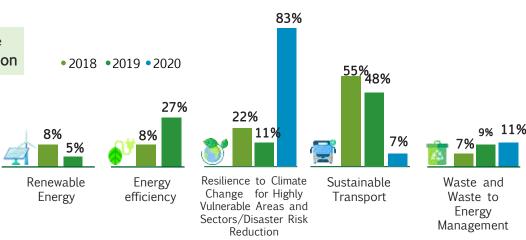


Ministry of Transportation



Agriculture

Global Green Sukuk Proceeds Allocation by Sector (in percentage)



Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



Note:

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

Reduction

Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2020 Global Green Sukuk



Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

Sustainable Transport



Expected to:

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

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



Expected to:

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

Waste to Energy and Waste Management



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





















Tangible Results from Indonesia's Green Sukuk Initiatives

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



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







Resilience to Climate Change

Sustainable Transport

Waste and Waste to Energy Management

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

NOTE

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

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

Government Support for New and Renewable Energy PISP Fund & Government Guarantee for Electricity Projects



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

PISP Fund Exploration Financing Facilities PISP Co-financing (MOF Regulation 62/2017)

Goal	Financing exploration, exploitation and PLTP		
Fund Manager	PT Sarana Multi Infrastruktur (SMI)		
Total Funds	IDR 3,1 Trillion (revolving fund)		
Fund Distribution	Loans, capital injections, and data provisions		
Main feature	De-risking facility for exploration stage		
	 Minister of Finance's Assignment Letter (SK) to PT SMI to finance exploration project. 		
Governance	 Monitoring and supervision by The Joint Committee between MoF and MEMR. 		
	 Engage academic experts to receive technical knowledge. 		

(Collaboration with international funding)

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



Section 7

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

Bank Indonesia's Policy Mix

Synergy to Accelerate Economic Recovery, while Maintaining Macroeconomic and Financial System Stability



- Maintaining accommodative monetary policy stance (lowering policy rate 125bps in 2020, and 25ps in February 2021)
- Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms
- Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance
- Focusing on the quantity channel by providing liquidity to stimulate economic recovery
- Controlling inflation through Inflation Control Team in national and regional level
- Supporting the State Budget through SBN purchases in the primary market in line with Act No. 2/2020, while maintaining macroeconomic stability
- Supporting national economic recovery program in cooperation with the MOF
- Promoting lower lending rates through close supervision and public communication in coordination with OJK
- Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability



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

- Strengthening accommodative macroprudential policy to stimulate growth of loans / financing allocated to priority sectors, incl. SMEs, and inclusion of export L/C as a financing component to stimulate bank lending to the corporate sector and export-oriented businesses
- Refining the MSME credit ratio into the Macroprudential Inclusive Financing Ratio (RPIM) by expanding the scope of bank partners to disburse inclusive financing as well as through inclusive financing securitisation and other business models
- Accommodative macroprudential policy stance by:
 - Relaxing the Loan / Financing-to-Value (LTV / FTV) ratio on housing loans / financing
 - Relaxing down payment requirements on automotive loans / financing
 - Holding the countercyclical buffer (CCB) at 0%
 - Macroprudential Intermediation Ratio (MIR) in the 84-94% range
 - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, and the sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%
 - Relaxing credit card policy
 - 1 Accelerating digital transformation payment system policy and faster implementation of Indonesia Payment System Blueprint 2025
 - Strengthening and expanding electronification: Social program, e-payment for Government
 - Extending the 0% QRIS merchant discount rate (MDR) for micro merchants until 30th June 2022 to maintain QRIS acceptance and uptake as well as industry sustainability
 - Implementing the first phase of BI-FAST, starting in the second week of December 2021

Bank Indonesia Policy Mix: November 2021





The BI Board of Governors agreed on 17th and 18th November 2021 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%.











Hold the BI 7-Day Reverse Repo Rate at 3.50% Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.

Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance

Strengthening prime lending rate (SBDK) transparency in the banking industry by deepening the assessment of the largest banks that dominate 70% of the credit market

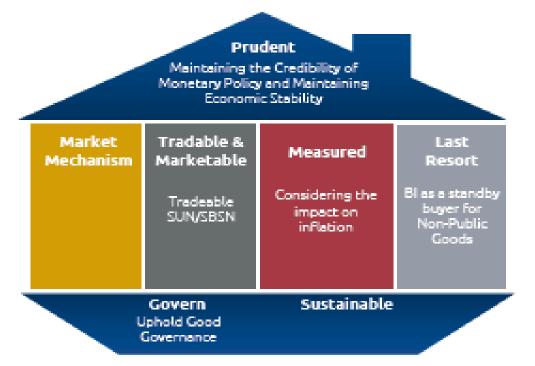
Extending the 0% QRIS merchant discount rate (MDR) for micro merchants until 30th June 2022 to maintain QRIS acceptance and uptake as well as industry sustainability

Promoting trade and investment as well as socialising Local Currency Settlement (LCS) in conjunction with other relevant institutions (In Nov and Dec 2021, promotional activities will be organised in Japan, China, United States, United Kingdom, Russia, Brunei and Singapore)

Continue to strengthen policy coordination with the Government and Financial System Stability Committee to maintain financial system stability and revive bank lending to the corporate and priority sectors, which will help catalyse economic growth and exports as well as economic and financial inclusion

Liquidity Remains Very Loose in Line with Accommodative Monetary Policy Stance and the Impact of Synergy Between BI and the Government to Support Economic Recovery

Principles for Long Term Government Bond Purchasing by



- Bank Indonesia has injected liquidity through quantitative easing (QE) to the banking industry totalling Rp137.24 trillion in 2021 (as of 16th November 2021)
- In addition, Bank Indonesia continues to purchase SBN in the primary market to fund the 2021 State Revenue and Expenditure Budget (APBN), totalling Rp143.32 trillion, in accordance with the Joint Decree (KB) issued by the Minister of Finance and Governor of Bank Indonesia on 16th April 2020 and subsequently extended on 11th December 2020 until 31st December 2021. SBN purchases include Rp67.87 trillion through primary auction and Rp75.46 trillion through greenshoe options (GSO)
- The expansive monetary policy stance supports very loose liquidity conditions in the banking industry, as reflected in October 2021 by a high ratio of liquid assets to deposits of 34.05% and deposit growth of 9.44% (yoy)
- Liquidity in the economy has also increased, as indicated by narrow (M1) and broad (M2) money supply aggregates, which grew 14.6% (yoy) and 10.4% (yoy) respectively in the reporting period, primarily driven by fiscal expansion and growth of outstanding loans disbursed by the banking industry

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix















BGM: Board of Governor Meeting Source: Bank Indonesia

BGM 20-21 JAN, 17-18 FEB AND 17-18 MARCH 2021

- 1. Hold BI7DRR at 3.75% in Jan, lower it to 3.50% in Feb and Hold it in March.
- Accelerating money market deepening by strengthening JISDOR (methodology, transaction monitoring period and publication schedule) as IDR reference rate against USD
- 3. Relaxing down payment requirements on automotive loans/financing to min 0% for all new motor vehicles and relaxing the LTV/FTV ratio on housing loans/financing to maximum 100% on all residential property for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property. Both effective from 1 Mar until 31 Dec 2021.
- Publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry" in February
- 5. Strengthening Prime Lending Rate (SBDK) transparency in the banking industry, while coordinating with the Government and other relevant authorities to: (i) accelerate monetary policy transmission to lending rates in the banking industry; and (ii) stimulate lending/financing to the corporate sector.
- 6. Strengthening MIR/Sharia MIR policy through the inclusion of export L/C as a financing component, while incrementally introducing regulatory disincentives in the form of MIR related reserve requirement, to stimulate bank lending to the corporate sector and export-oriented businesses
- 7. Supporting the Regional Digitalisation Acceleration and Expansion Teams (TP2DD) to stimulate innovation, accelerate and expand Electronification of Regional Government Transactions (ETP) and integrate the digital economy and finance.
- 8. Supporting development of an inclusive and efficient digital economy & finance ecosystem, by:
 - Extending the QRIS 0% MDR for micro enterprises until 31st December 2021;
 - Expanding QRIS acceptance to 12mil merchant

BGM 19-20 APRIL, 24-25 MAY AND 16-17 JUN 2021

- 1. Hold BI7DRR at 3.50%
- 2. Expanding the use of (SukBI) for tenors of 1 week to 12 months, effective from 16th April 2021.
- 3. Maintaining accommodative macroprudential policy by holding the CCyB at 0%, the MPLB at 6% with repo flexibility at 6%, as well as Sharia MPLB at 4.5% with repo flexibility also at 4.5%.
- 4. Expanding money market deepening efforts by accelerating the establishment of a Central Counterparty (CCP) as well as standardising repo transactions for clearing via the CCP.
- 5. Lowering the upper limit on credit card interest rates from 2% to 1.75% per month, effective 1st July 2021
- Extending the National Clearing System (SKNBI) pricing policy of IDR1 from BI to banks and a maximum of IDR2,900 from banks to customers from 30th June 2021 previously until 31 Dec 2021
- 7. Extending policy of lower late payment penalties on credit cards at 1% of the outstanding balance, or max of IDR 100,000, until 31 Dec 2021, to encourage the use of credit cards as a private consumption buffer to support the national economic recovery.
- 8. Strengthening PLR transparency in the banking industry with an emphasis on suppressing higher interest rates on new loans, the affecting factors (increasing risk perception and profit margin) as well as PLR analysis at individual banks
- Accelerating the money market deepening program by strengthening the corresponding regulatory framework and implementing the Multi-Matching ETP, specifically targeting the Rupiah money market and FX market.
- 10.Strengthening QRIS policy by:
 - Raising the QRIS transaction limit from IDR 2 mil to IDR 5 mil, effective from 01/05/21
 - Lowering the MDR for Public Services Agencies (BLU) and Public Service Obligations (PSO) 0.7% to 0.4% effective from 01/06/21

BGM 21-22 JUL, 18-19 AUG, 20-21 SEP 2021

- Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
- Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of accommodative monetary policy.
- 3. Nurturing intermediation by strengthening prime lending rate (PLR) transparency with an emphasis on the risk premium and its impact on setting interest rates for new loans across various credit segments (appendix).
- 4. Strengthening the payment system ecosystem through PBI PJP/PIP implementation to simplify a more efficient licensing/approval process, while fostering innovation in terms of payment system services.
- Accelerating Quick Response Code Indonesia Standard (QRIS) uptake, including cross-border QRIS, and implementing the National Open API Payment Standard (SNAP) towards broader digital economic and financial integration.
- Increasing support for a fast, simple, affordable, secure and reliable payment system that underpins government social aid program (bansos) disbursements and online transaction efficiency.
- 7. Strengthening exports by extending the SPE exemptions that were due to end on 29th November 2020 until 31st December 2022 in order to exploit increasing demand in trading partner countries as well as rising international commodity prices.
- Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions.

Further Strengthening of an Accommodative Bank Indonesia's Policy Mix



HoldBl 7day Reverse Repo Rate











BGM: Board of Governor Meetin Source: Bank Indonesia

BGM 18-19 OCT 2021

- 1. Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
- 2. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance.
- 3. Maintaining an accommodative macroprudential policy stance by holding: (i) the Countercyclical Capital Buffer (CCyB) at 0%, (ii) the Macroprudential Intermediation Ratio (MIR) in the 84-94% range with a lower disincentive parameter of 80% (1st September-31st December 2021) and 84% (1st January 2022), and (iii) the Macroprudential Liquidity Buffer (MLB) at 6% with repo flexibility at 6%, and the Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%.
- 4. Maintaining looser downpayment requirements on automotive loans/financing at 0% for all types of new motor vehicle, while applying risk management and prudential principles, effective from 1st Jan 2022 31st Dec 2022.
- 5. Maintaining a looser Loan/Financing-to-Value (LTV/FTV) ratio on property loans/financing to a maximum of 100% on all property types (landed house, apartment and shop/office house) for banks meeting specific NPL/NPF criteria, while removing regulations stipulating the gradual liquidation of partially prepaid property to revive credit growth in the property sector in line with risk management and prudential principles, effective from 1st Jan 2022 31st Dec 2022.
- 6. Strengthening prime lending rate (SBDK) transparency in the banking industry by expanding the assessment of policy rate transmission to prime lending rates and interest rates on new loans in the banking industry by economic sector/subsector
- 7. Implementing the first phase of BI-FAST, starting in the second week of December 2021, based on policies covering participation, provision of infrastructure, maximum transaction value and price schemes, to be announced on 22nd October 2021.
- 8. Extending credit card policy as follows: (a) Minimum payment equal to 5% of the outstanding balance until 30th June 2022. (b) Late payment penalty equal to 1% of the outstanding balance or a maximum of Rp100,000 until 30th June 2022.
- Accelerating local currency settlement (LCS) implementation to facilitate trade and investment with partner countries by strengthening synergy with the Government, Financial System Stability Committee, banking industry and corporate sector.

BGM 17-18 NOV 2021

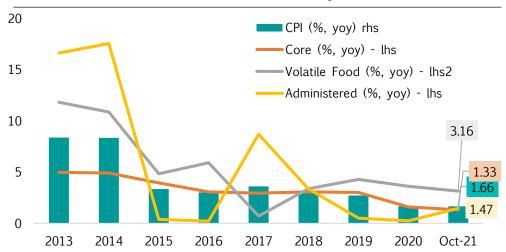
- Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
- 2. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance.
- 3. Strengthening prime lending rate (SBDK) transparency in the banking industry by deepening the assessment of the largest banks that dominate 70% of the credit market
- 4. Extending the 0% QRIS merchant discount rate (MDR) for micro merchants until 30th June 2022 to maintain QRIS acceptance and uptake as well as industry sustainability.
- 5. Promoting trade and investment as well as socialising Local Currency Settlement (LCS) in conjunction with other relevant institutions. In November and December 2021, promotional activities will be organised in Japan, China, United States, United Kingdom, Russia, Brunei and Singapore.

Stable Monetary Environment Despite Challenges

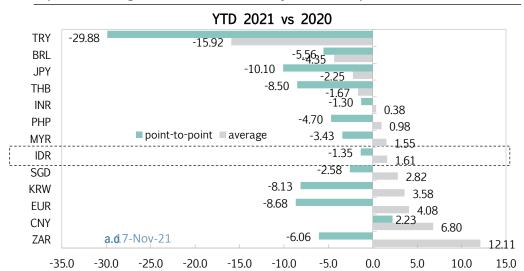


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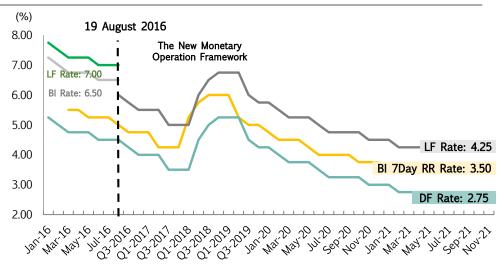
Well Maintained Inflation Ensured Price Stability



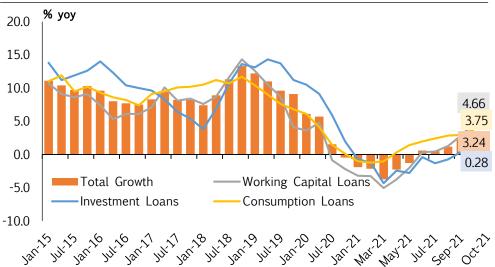
Rupiah Exchange Rate Fared Relatively Well Compared to Peers



Strengthened Monetary Policy Framework



Credit Growth Profile



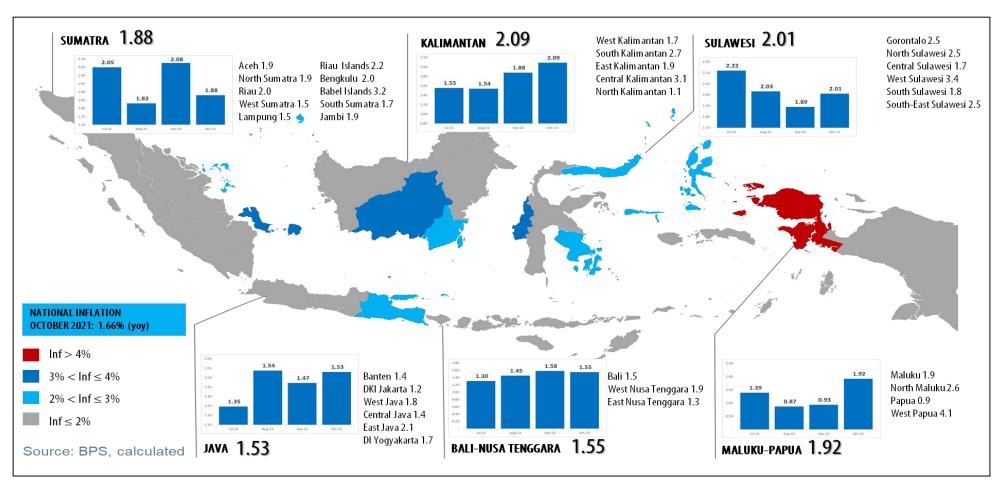
Source: Reuters, Bloomberg (calculated)

Regional Inflation Remains Under Control

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



Regional Inflation, October 2021



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

4 Strategies to Achieve the Inflation Target



2020-2021 Target

Achieving inflation at 3,0%±1%

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

4 Strategies

1. Price Affordability		2. Supply Availability		3. Well Managed Distribution		4. Effective Communication	
	anaging and side	Strengthening production, Government food reserves and food export-import management	Strengthening institution	Encouraging trade cooperation between regions	Improving trade infrastructure	Improving data quality	Strengthening central-regional coordination

Principles of Average Reserve Requirement Ratios Improvement



Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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

Relaxing Reserve Requirement Ratios

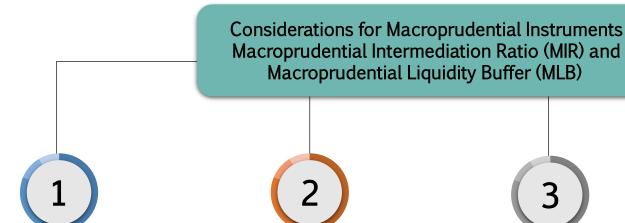


Lower reserve requirements, effective 1st May 2020

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

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





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

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

liquidity procyclicality.

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

20/11/PADG/2018 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units.

Striving to stimulate the bank

intermediation function and

liquidity management, Bank

Indonesia issued Bank Indonesia

Regulation (PBI) No.

20/4/PBI/2018 and Board of

Governors Regulation (PADG) No.

Principles of Macroprudential Intermediation Ratio (MIR)*



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

Principles of Macroprudential Intermediation Ratio (MIR)*



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

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



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

Policy Backgrounds

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

Main Regulatory Points

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

Credit + Owned Bond Deposit + Issued Bond + Loan/Financing Received

Lower disincentive parameter

MIR/sharia MIR RR=

Lower Disincentives MIR/Sharia MIR Target - Bank's MIR/Sharia MIR) x Deposit

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

Upper disincentive parameter

MIR/sharia MIR RR=

Parameter x (Lower Bound of 0.2 x (Bank's MIR/sharia MIR - Upper Bound of MIR/Sharia MIR Target -) x Deposit

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

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

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

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Strengthened MIR and Sharia MIR to accelerate economic recovery

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

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

	Current Regulation	n			New Regulation				
Regulation	MIR (CCB)	Sharia MIR (SCB and SBU)	Regulation		MIR (CCB)	Sharia MIR (SCB and SBU)			
	In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;			In the form of corporate bonds and/or corporate sukuk;	In the form of corporate sukuk;			
Criteria of Securities held	1.Issued by nonbaand residents. 2.Offered to the public offering. 3.Rated by a rat lower than invest 4.Administrated bauthorised to presettlement a services.	ing agency no tment grade. y an institution rovide securities	Criteria of Securities held	1	Issued by rionbank corporat and residents. Offered to the public throug public offering. Rated by a rating agency lower than investment grade. Administrated by an institut authorised to provide securi settlement and custodial service.				
				Ĥ.	In the form of export L/C,				

	Current Regula	tion	New Regulation							
NPL/NPF <5%	KPMM	Lower Disincentive Parameter	NPL/NPF	KPMM	Lower Disincentive Parameter					
	>19%	0.00		>19%	0.15					
<5%	14% <kpmm≤ 19%</kpmm≤ 	0.00	<5%	14% <kpmm≤ 19%</kpmm≤ 	0.10					
	≤14%	0.00		≤14%						
≥5%		0.00	≥5%	000	0.00					

Principles of Macroprudential Liquidity Buffer (MLB)



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

Macroprudential Liquidity Buffer (MLB) Policy and Credit card policy



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

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

Credit card policy, effective 1st May 2020.

	Regulation	Before	After	Effective Period
1	Lower upper limit on credit card interest	2.25% per month	1.75% per month	1 st July 2021
2	Temporary reduction of minimum payment requirements	10%	5%	until 30th June 2022
3	Temporary reduction of late payment penalties	3% or maximum of Rp150,000	1% or maximum of Rp100,000	until 30th June 2022

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

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

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

LTV / FTV Exemptions

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

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

Adjustment of LTV/FTV ratio on Housing loans/financing (effective from 1st March 2021 until 31st December 2022)



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

Policy Objectives and Background

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

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

	C	urrei	nt R	egula	atic	n							New	Reg	gulat	ion						
	1	NPL/NPF C	riteria M	et		NPL/NI	PF Crit	eria No	t Met	k	-		NPL/NPF (riteria M	et	NPL/NPF Criteria Not Met*						
	Loans/F base Muraba	perty inancing ed on shah and Contracts	Property Financing based on MMQ and IMBT Contracts		Murababab and			Property Financing based on MMQ and IMBT Contracts				Property Loans/Financing based on Murabahah and Istishna Contracts		and IMBT		Property Loans/Financing based on Murabahah and Istishna Contracts			Property Financine based on MMQ and IMBT Contracts			
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3	Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landec House											Landec House											
Type >70		85%	1,50	90%	85%	75%	65%	90%	80%	70%	Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	909	
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%	Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	951	
Type ≤21 Apartment	2	-	-	-	-	-	-	-	-	-	Type ≤21	100%	100%	100%	100%	100 %	95%	95%	100 %	95%	959	
Type >70	-	85%	(F)	90%	85%	75%	65%	90%	80%	70%	Apartment											
Type >21 - 70	-	90%	-	90%						75%	Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	909	
Type ≤21	2	90%	72	90%	-	85%	75%		85%	75%	Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	959	
Shop House/Office House	*	90%	(0)	90%	-	85%	75%	-	85%	75%	Type ≤21	100%	100%	100%	100%	100 %	95%	95%	100 %	95%	959	
Notes:											Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	909	
'-' denotes LTV ratio Based on PB No. 21			etion								*) NPL/NPF Criteria: 1. Gross NPL/NPF ratio			ancing <5	5%							

Adjustment of LTV/FTV ratio on Housing loans/financing (effective from 1st March 2021 until 31st December 2022)



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

	1	Keter	tuar	Saa	t In	i				Ketentuan Baru												
		NPL/NPF C	riteria Me	et		NPL/NI	F Crite	eria No	t Met	*		NPL/NPF Criteria Met NPL/NPF Criteria								a Not Met*		
	Loans/F base Muraba	perty inancing ed on ahah and Contracts	Property Financing based on MMQ and IMBT Contracts		Murahahah and			Property Financing based on MMQ and IMBT Contracts				Property Loans/Financing based on Murabahah and Istishna Contracts		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabahah and Istishna Contract			PP Bdsr Akad MMQ & Akad IMB			
Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3	Facility	1	22	1	22	1	2	23	1	2	2	
Landec House											Landec House											
Type >70	. 59	90%	, P	95%	90%	80%	70%	95%	85%	75%	Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90	
Type >21 - 70		95%	+	- 80	-	90%	80%		90%	80%	Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95	
Type ≤21		+	-	-	7.	-	-	-	5.	-	Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95	
Apartment											Aparement	100										
Type >70	-	90%		95%	90%	80%	70%	95%	85%	75%	Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90	
Type >21 - 70	2	95%		95%	-	90%	80%	-	90%	80%	Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95	
Type ≤21	5*	95%	-	95%		90%	80%	-	90%	80%	Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95	
Shop House/Office House	17	95%	5	95%	3	90%	80%	3	90%	80%	Shop House/Office House	100%	100%	100%	100%	95%		90%				
Notes: 1. '-' denotes LTV ra 2. Based on PB No. 3. Criteria for a gree a. Property area - appraisal instit b. Property area	21/13/PBI/2 n building: ; 2,500m², ution and/o	019 assessed by ir certified	Bank Ind	y an appro	ved gr	een bu	ilding a	pprais	al insti	2.1	*) NPL/NPF Criteria: 1. Gross NPL/NPF ratio 2. Net NPL/NPF ratio o			icing <5%								

c. Changes to Indent Regulations

	Current Regul	ation	New Regulation
Maximum cumulative liquidation	up to 30% of ceiling	upon completion of loan contract	Repeals regulations concerning the gradua
Maximum cumulative liquidation	up to 50%	upon completion of foundations	liquidation of indent and the maximum cumulative liquidation of property loans or
Maximum cumulative liquidation	up to 90% of ceiling	upon completion of roof	property financing. Z. Banks are required to maintain prudentia
Maximum cumulative liquidation	up to 100% of ceiling	upon signing of BAST, accompanied by AJB and a cover note.	principles and that management which

Source: Bank Indonesia

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



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

Main Regulatory Points

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

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

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

Requirements:

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

Adjustment of LTV/FTV Requirements on Automotive loans/financing (effective from 1st March 2021 until 31st December 2022)



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

Policy Objectives and Background

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

Changes to Down payment Requirements on Automotive Loans/Financing

Current Regulation					New Regulation				
		t Requirements een Vehicles	Downpaymen on Green	t Requirements n Vehicles			t Requirements een Vehicles	Downpaymen on Greet	Requirements Vehicles
Vehicle Type	NPL Requirements Met **	NPL Requirements Not Met**	NFL Requirements Met**	NPL Requirements Not Met**	Vehicle Type	NPL Requirements Met**	NPL Requirements Not Met**	NPL Requirements Met**	NPL Requirements Not Met**
Two Wheels	15%	20%	0%	15%	Two Wheels	0%	10%	0%	0%
Two Wheels or More (Non- Commercial)	15%	25%	0%	20%	Two Wheels or More (Non- Commercial)	0%	10%	0%	0%
Two Wheels or More (Commercial)	10%	15%	0%	10%	Two Wheels or More (Commercial)	0%	5%	0%	0%

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

- Gross NPL/NPF ratio <5%; and
- Net NPL/NPF ratio <5%

Notes

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

^{**)} Requirements as follows:

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



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

Key Takeaways

- The decline in the prime lending rate (PLR) continues, although in a limited scale. The cost of loanable funds (CoLF) remains the primary contributor to lower prime lending rates. On the other hand, profit margins have shown an increase, especially in the national commercial private banks.
- In line with the decline in the PLR and the improvement in perception of banking risk, interest rates for new loans continue to show a downward trend (year on year).
- Big Banks have responded to the reduction in BI7DRR by further lowering new loan interest rates. The decline in interest rates for new BB loans mainly occurred in mortgages, followed by working capital loans and MSME loans.

The banking industry has continued to lower prime lending rates (PLR).

- By bank group, the lower PLR was primarily driven by regional government banks, followed by national private commercial banks and foreign bank branches.
- By component, the cost of loanable funds (CoLF) was still the main driver of the lower PLR, contrasting higher overhead costs (OHC).

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

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

¹ Assessment period until September 2021.

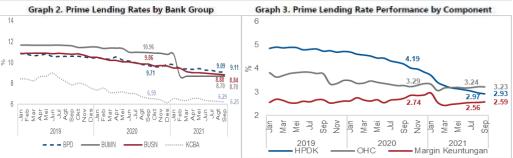
Prime Lending Rate and Deposit Rate Response to BI7DRR 1

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

- Prior to the Covid-19 pandemic, from June 2019 until Feb 2020, BI lowered the BI7DRR policy rate five times by a total of 125bps from 6.00% to 4.75%.
- From March 2020, Bank Indonesia lowered the policy rate another four times (100bps) to a level of 3.75% in November 2020, and lower another 25 bps in Februari 2021 to 3.50%.
- In terms of liquidity, accommodative monetary and macroprudential policy significantly boosted liquidity in the banking industry in order to maintain financial system stability and the bank intermediation function.

Graph 1 Prime Lending Rate, BI7DRR and 1-Month Term Deposit Rate Performance





Source: Bank Indonesia Source: OJK

Improving the Effectiveness of Monetary Policy Transmission



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



Reformulation of Monetary Policy Operational Framework

Implementation of BI 7 Day Reverse Repo Rate

Enhancement of monetary policy signal

Implementation of Money Market Deepening Program

Enhancement of instruments and transactions

Implementation of Reserve Requirement (RR) Averaging

Enhancement of banking liquidity management



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

Initiative I

Promoting Digitalization and Strengthen Financial Market Infrastructures

(Trading venue, central counterparty, BI-SSSS, BI-RTGS, trade repository)

Initiative II

Strengthening Effectiveness of Monetary Policy Transmission

(Repo, IndONIA and JIBOR, Overnight Index Swap, DNDF, LCS)

Initiative III

Developing Economic Financing Sources and Risk Management

(long-term hedging, sustainability and green financing, investor retail, asset securitization)

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

Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Purposes

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

General Provisions

- Domestic Non-Deliverable Forward Transaction (DNDF Transaction)
 Plain vanilla derivative transaction of foreign exchange against rupiah in the form of forward transaction with fixing mechanism in the domestic market
- Forward Transactions

Forward Transactions are sell/purchase foreign currencies against rupiah whereas the delivery of funds shall be performed in more than 2 days after the transaction date

Fixing Mechanism

Transaction settlement mechanism without full movement of funds by calculating the difference between rate on the transaction date and reference rate in JISDOR on a specified future time agreed in the contract (fixing date)

Other Definitions

The definition of derivative transaction of foreign exchange against rupiah, Forward Transaction, Spot Transaction, Customers, Foreign Party is referring to Bank Indonesia regulations regarding foreign exchange transaction against rupiah

Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Bank can perform DNDF Transactions as follows:

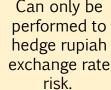
Transaction between:



Bank - Customer



Bank - Foreign Party





1. Must have *Underlying* Transactions:



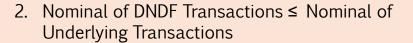
Including all following activities:

- Trade of goods and services
- Investments, loans, capital, and other investements.
- Banks credit or financing in foreign currencies (specifically for transactions between bank and customers)



Excluding following activities:

- Bank Indonesia certificates:
- Placement of funds with bank;
- Unwithdrawn credit facilities:
- Documents of foreign currencies sales againts rupiah;
- Money transfer by fund transfer companies
- Intercompany loan
- Money changer activities.



3. Tenor of DNDF Transactions ≤ Tenor of Underlying **Transactions**



Principles of Domestic Non Deliverable Forward (DNDF) Transaction





Transaction Settlement

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



Roll over and early termination for DNDF is prohibited

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



Cover Hedging

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

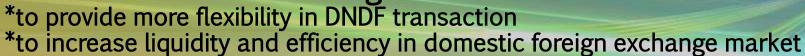
- Underlying Transactions: DNDF Transaction between Bank and Customer/Foreign
- Purpose: Hedging



Notes:

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

Amendment on DNDF Regulation





BI Regulation No. 20/10/PBI/2018

AMENDMENT

BI Regulation No. 21/7/PBI/2019

Article 3

1. DNDF transactions must have Underlying

Article 6

2. Not Regulated;

Article 11

3. Underlying documents must be final (firm) with additional supporting documents

Article 11

4. Not Regulated;

Article 3

1. Sell FX/IDR through DNDF up to \$ 5 mio can be done without underlying documents

Article 6

2. DNDF can be terminated (unwind);

Article 11

- 3. Underlying documents for buy FX/IDR for DNDF is:
 - Final (firm commitment) + Supporting documents
- 4. Underlying documents for sell FX/IDR for DNDF above threshold \$ 5 mio can be:
 - Final (firm commitment) + Supporting documents
 - Projection (anticipatory basis) + Supporting documents

Article 11

- 5. In using estimate underlying transaction documents in the form of cash flow projection, Bank must evaluate the appropriateness through:
 - a. Supplementary documents;
 - b. Historical data within at least 1 year before; and
 - c. Track record of the Customer or Foreign Party.

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

Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR) To accelerate money market deepening



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

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

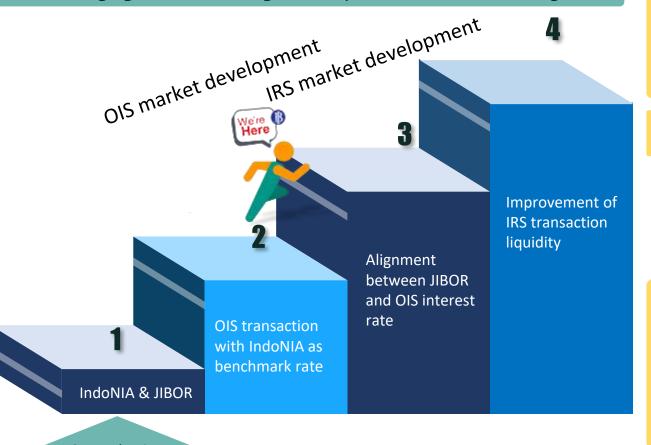
Adjustment of the operational time for the domestic FX Market operating hours during The COVID-19 Pandemic: Monitoring Period JISDOR ranges: 09.00 - 15.00, JISDOR published at 15.15 Jakarta Time.

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

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



As hedging instruments against Rupiah interest rate changes



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

IRS is a contract between two parties to

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



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

Strengthening reference rate based on real transactions

OIS and IRS Transactions: General Provisions



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

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

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

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



Calculation Base ACT/360

Interest Payment based on Netting

OIS Quotation rates based on 2 decimals

IndONIA Index with 5 decimals Notional of Net interest payment in IDR with 0 decimals

Quotation: 1W, 2W, 1M, 2M, 3M, 4M, 5M, 6M

Compound Floating Rates (CFR) based on 5 decimals

Settlement Date = 1 business days after Maturity Date (MD)

At the 1st phase, OIS settlement will only be done at the end of the OIS tenor (MD+1bd).

Enhancement of Monetary Operations Framework



STRENGTHENED THE ROLE OF JIBOR AS REFERENCE RATE by regulatory enhancement.

2

ACCELERATED MARKET REPO
TRANSACTIONS by promoting GMRA



REDUCED SEGMENTATION AND IMPROVE THE CAPACITY
OF MARKET TRANSACTIONS by encouraging banks to
open more access to counterparties



MOVING FROM FIXED RATE TENDER (FRT) TO VARIABLE RATE TENDER (VRT)



PREVIOUS JIBOR

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



CURRENT JIBOR (as per June 1st, 2016)

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

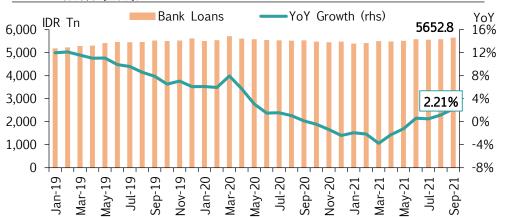
Signs of Recovery in Financial Intermediations



Bank loans continue to grow, supported by consumer and MSME loans while financing is still in the contraction zone despite already showing an upward trend.

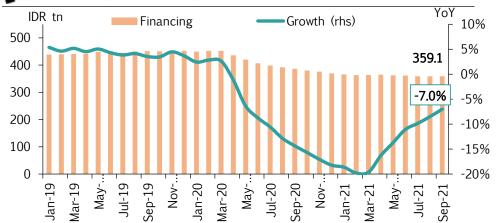


In September 2021, Bank Loans Growth continued to grow by 2.21% (YoY) and 1.20% (MoM), higher than the previous month's of 1.16% (YoY) and 0.40% (MoM).





Financing growth was contracted by -7.0% (YoY) in September 2021, continuing an improving trend in the past several months.

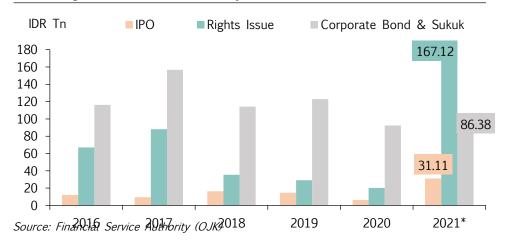


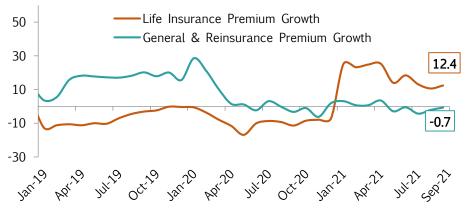


Capital raising through securities issuance reached IDR284.61 Tn as of 9th November 2021 (YTD), indicating a more optimistic signal to economic recovery.



Life insurance premium recorded a 12.4% growth (YoY) while General & Reinsurance premium growth was still contracting but slightly improving at -0.7% (YoY) as of September 2021.





Resilient Financial Institutions



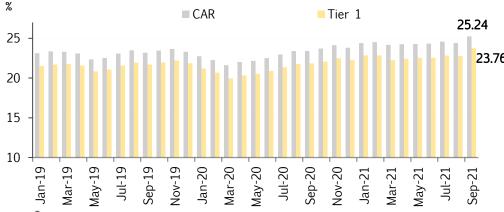
Domestic financial institutions remain sound and stable, supported by strong capitals and leverage amidst hurdles due to the pandemic.



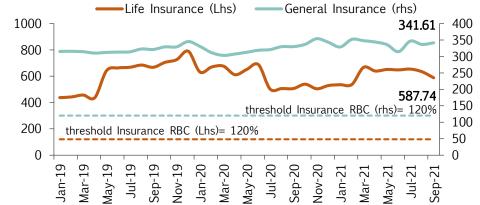
CAR of the banking sector was steadily high and stable with a value of 25.24% and Tier-1 capital at 23.76% as of September 2021.*)

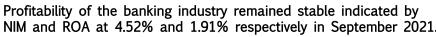


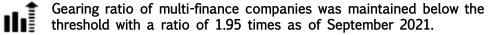
RBC of the insurance industry remained high and well above the minimum threshold (120%) with Life Insurance RBC at 587.74% and General Insurance RBC at 341.61% as of September 2021.

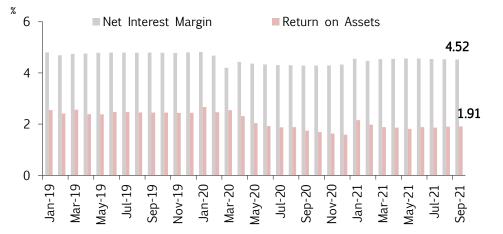


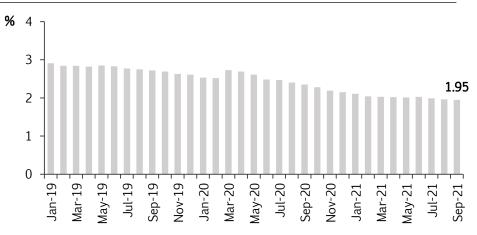












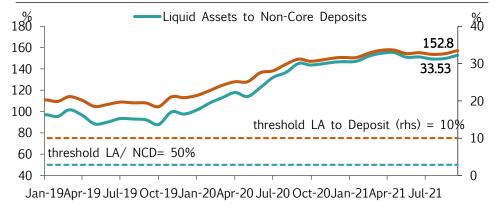
Manageable Credit Risks with Adequate Liquidity



Financial institutions are equipped with ample liquidity while credit risks are maintained at a low level and remain below the threshold.

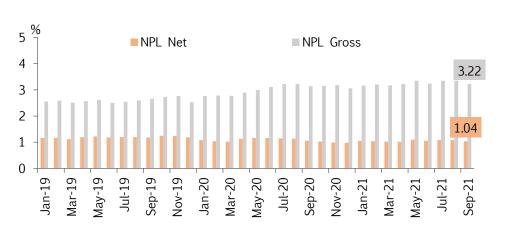


Liquid Assets to Non-Core Deposits and Liquid Assets to Deposits remained well-above the thresholds in September 2021, following banks' cautious appetite for lending. *)

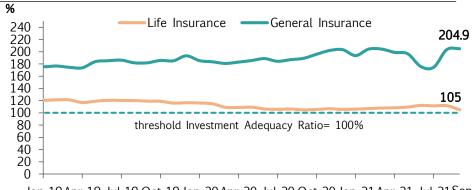




Banking NPL ratios stood at 3.22% gross and 1.04% net as of September 2021, slightly decreased from the previous month's records.



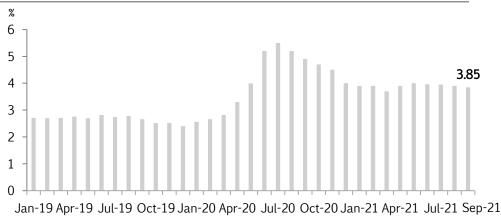
In September 2021, General Insurance Investment was recorded higher than the previous month with a growth of 204.9% while Life Insurance Investment Adequacy Ratio stood at 105%, remained above the threshold.



Jan-19 Apr-19 Jul-19 Oct-19 Jan-20 Apr-20 Jul-20 Oct-20 Jan-21 Apr-21 Jul-21 Sep-21



NPF of multi-finance companies remained below the 5% threshold and stood at 3.85% as of September 2021, lower than the previous month. *)



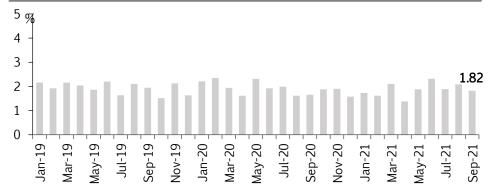
Manageable Market Risks



Several market risks indicators still show an adequate performance.

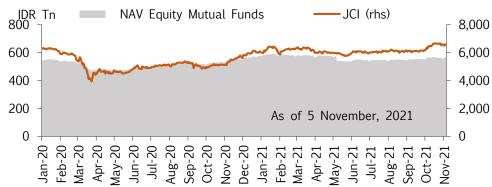


Net Open Position remained well below the maximum limit of 20% despite slightly decreasing to 1.82% in September 2021. *)





Net asset value (NAV) of equity mutual funds continues to grow, indicating public optimism towards the capital market.

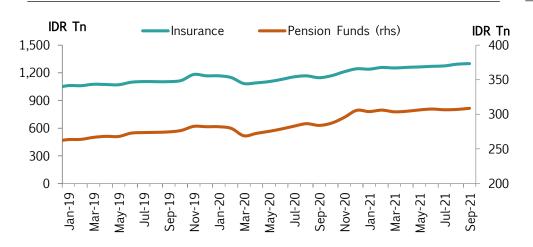


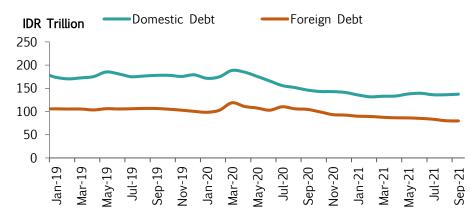


Insurance investment value rose to IDR1,298.34 Tn and pension fund investment stood higher at IDR308.83 Tn in September 2021. *)



Multi-finance companies' exposure to foreign and domestic debt remained low amidst financing growth slowdown. *)





Domestic Capital Market Performance Amid Global Challenges



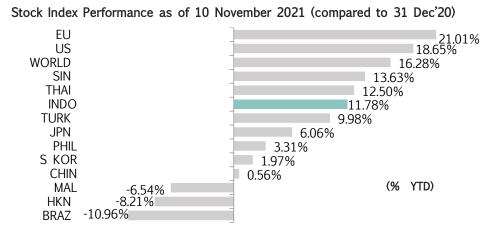
The progress of Covid-19 vaccines rollout and prospects of faster economic recovery have kept a positive tone in the global capital market.

¢Ω

Global indices performance recorded a stable movement and steady improvement although few countries still face challenges to recover.

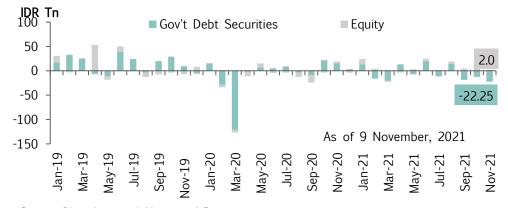


JCl's performance continues to improve and has returned to its pre-pandemic level which reflects positive sentiments from the market.





Non-resident portfolios of government bonds & equity recorded a total net sell of YTD IDR5.33 Tn in November 2021 due to investors' risk-on behavior. However, the equity market marked a YTD net buy of IDR41.57 Tn as of November 9th 2021.

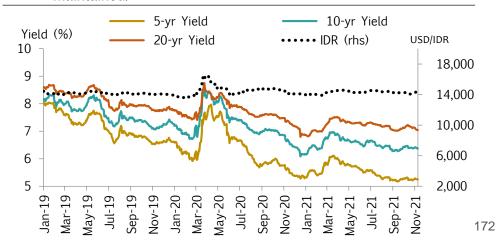


Source: Bloomberg and Ministry of Finance





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



Stimuli to Support Indonesia's Financial Industry

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



Maintaining business fundamental of the real sector



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

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



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

Amended *OJK Regulation No. 14/POJK.05/2020

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



Supporting National Economic Recovery

Continuing Capital Market Stabilitzation

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

Mortgage Credit/Financing Policy

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

Vehicle Credit/Financing Policy

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

Health Sector Credit Policy

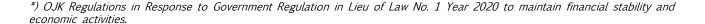
Reducing credit RWA from 100% to 50%.

Digitizing MSMEs

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

Support to Sovereign Wealth Fund (SWF)

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



Banking Regulations Way Forward in 2021



174

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

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



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



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



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



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



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



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



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



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

Source: Financial Service Authority (OJK)

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



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



Interest Subsidy



MSME's Guarantee



Corporate Guarantee



Gov't Fund Placement

related Providing data regarding banking debtors, finance company, BUMN Credit

Distribution Program, which becomes the basis of giving interest subsidy.

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

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

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

Realization of the National Economic Recovery Program

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

HIMBARA

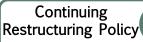
Credit Disbursement *IDR 218.36 T

Regional Development Bank Credit Disbursement *IDR30.12 T

Sharia Bank Credit Disbursement *IDR 5.89 T

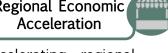
*data as of 31 Dec 2020

OJK's Way Forward



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

Regional Economic Acceleration



Accelerating regional economic to further facilitate national government spending.

Financial Industry **Optimalization**



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

Acceleration of Digitalization & Integrated Finance



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

Strengthening Integrated Supervision



Improving supervision infrastructure and technology based licensing.

Source: Financial Service Authority (OJK)

OJK's Strategic Policies in The Financial Sector 2021



National Economic Recovery Program Stimulus Policy

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

Digital Transformation Acceleration in the Financial Services Sector

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

Strengthening Resilience and Competitiveness of the Financial Services Sector

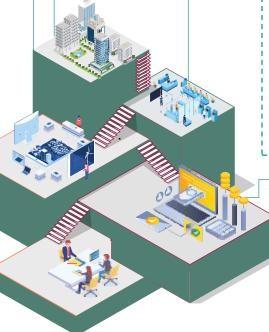
- Accelerating the consolidation of the financial services industry by gradually implementing a minimum capital policy.
- Strengthening the implementation of governance, risk management through Investment Limits and Large Fund Provision, Improvement of Capital Regulations, & Status Determination and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

Financial Services Sector Ecosystem Development

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

Strengthening OJK's internal capacity

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



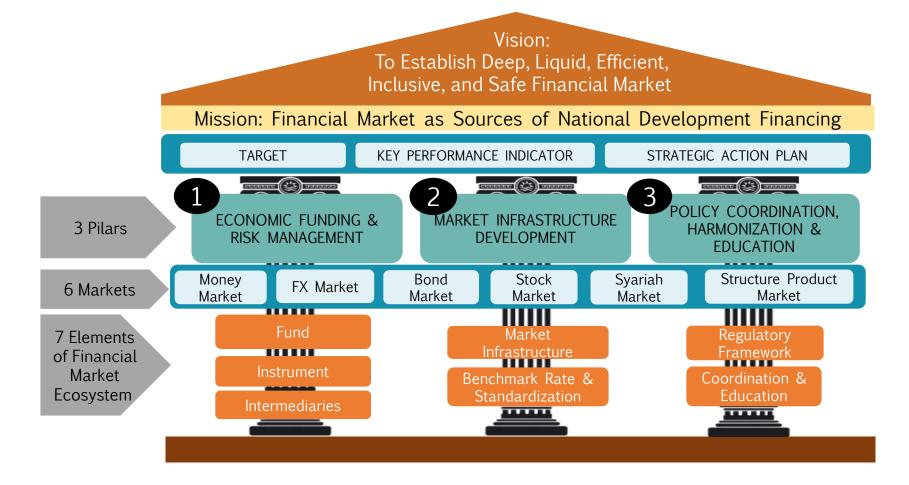
Source: Financial Service Authority (OJK)

A Comprehensive Financial Deepening Program

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



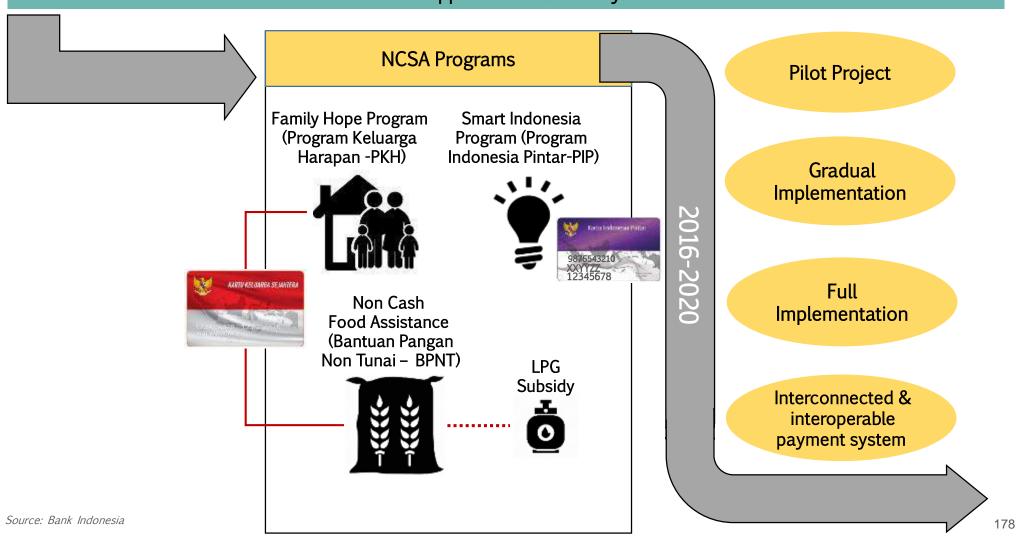
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate "The National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



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



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



Progress of NCSA Programs





Family Hope Program (Program Keluarga Harapan -PKH)

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



-);;;;-

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

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



Section 8

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision

Institutional Reforms to establish a conducive PPP ecosystem



Institutional Reforms for PPP Implementation



KPPIP:

Coordinating unit in decisionmaking processes and debottlenecking efforts for infrastructure acceleration



PPP Joint Office:

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



Indonesia Infrastructure Guarantee

Fund: Provides guarantee and supports project preparation



Sarana Multi Infrastruktur: **Facilitating** infrastructure financing, preparing project,

and serving

advisory

PPP Stages

Determination of **Funding** Scheme

Project Development Facility (PDF)

Tender document preparation **Final Business** Case (FBC)

Transaction

PPP Agreement

Financial

Entity

Lender

Close

Government Contracting Agency (PJPK)



Outline

Business

Case















Business Entity

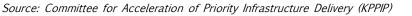
Legend **Business**



Ministry of National **Development** Planning



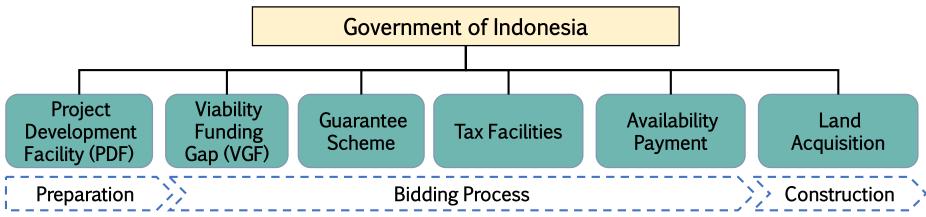
Ministry Finance



Reforms Along the Project's Life Cycle

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





Project development facility assists the Government Contracting Agency (GCA) in PPP project preparation (PDF&TA)

Managing entity: KPPIP, PT SMI and PT IIF, Ministry of Finance A facility which contributes to construction cost in order to increase project financial feasibility

Managing entity: Ministry of Finance based on GCA proposal Govt's commitment: Max 49% per project cost Guaranteeing govt. contractual obligations under infra. concession agreements and MoF Reg. No.

130/PMK.08

/2016 re: Govt.

guarantee for electricity project acceleration

Managing entity: Indonesia Infra. Guarantee Fund (IIGF) and MoF. MoF Reg.
No.150/2018 allowed
100% Tax Holiday
for 18 Pioneering
Industries for 5 – 20
years depending on
the investment value.
The tax holiday is
not only given to
the new investments
but can also be
obtained by the
existing taxpayers
who want to expand
their business.

Managing entity: Ministry of Finance A scheme in which concessionaires receive periodic payments from central or regional government if the service standard is fulfilled. The MoF Regulation and MoHA Regulation on Availability Payment have been stipulated.

Managing entity: Ministry of Finance Ministry of Home Affairs A facility to support land acquisition for infrastructure projects particularly projects that involve private sector Managing entity: Ministry of Finance; Ministry of Agrarian and Spatial Planning/BPN, and BLU-LMAN

The establishment of Indonesia Asset Management Agency (LMAN)



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



LMAN at a Glance

- 1. LMAN was established in December 2015 through the issuance of MoF Reg. 219/2015 concerning State Assets Management
- 2. In 2016, BLU LMAN was mandated to provide land acquisition fund as a support to Ministry of Public Works due to US\$ 1,081 Mio shortage of fund to acquire land for priority toll roads
- 3. The scope of support is broaden for all National Strategic Projects through the issuance of MoF Reg. 21/2017 (j.o MoF Reg. 209/2019 j.o. MoF Reg. 139/2020) concerning land acquisition financing guideline for PSN
- 4. In 2016 July 2021, LMAN has disbursed up to IDR 80,17 Trillion through bridging finance scheme for 97 PSN projects, and planned to start the implementation of direct payment scheme



Land Acquisition Budgeting Scheme

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

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

Limited Concession Scheme as an Alternative of Infrastructure financing



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



Definition

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



LCS Principles

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

Infrastructure Financing Priority

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

Several adjustments on the substance of Presidential Regulation Number 32/2020 will be conducted, by considering the uncertainty conditions of the assets affected by COVID-19 pandemic which causing the LCS quite difficult to be implemented.

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

Land Value Capture (LVC) Scheme



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

Tax Based LVC

Land and Property Tax

Betterment Levies and Special Assessment

Tax Increment Financing (TIF)

Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

Triple Win LVC

Creating Fiscal Space

Reducing Subsidy

Better Urban **Mobility**

LVC Benefit

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

Collaboration in the development of LVC Regulation in Indonesia

The implementation of LVC obviously need an intensive cooperation of all related stakeholders, such as: National and Regional Government, SOE & ROE, International Institution, as well as higher education agencies with CMEA as an implementing



coordinator

LVC Policy Development Timeline



Finalizing Study on National Value Capture Framework in Indonesia



Initiate the LVC policy implementation in the form of legal regulation and pilot projects



Conducting socialization and stakeholder capacity development on LVC



 Completing the pilot project modelling process to find the most appropriate LVC scheme to be implemented in Indonesia

Completing legal drafting as the regulation on national LVC policy

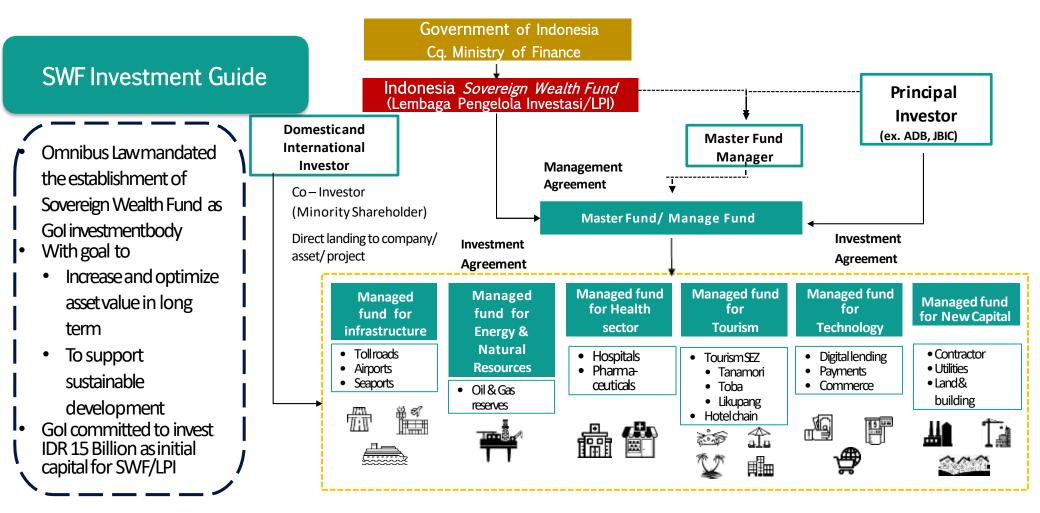


- LVC development and implementation
- Conducting socialization to Regional Government and SOE

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

Sovereign Wealth Fund (SWF)





Fundamental Regulations Initiation

to accelerate infrastructure projects delivery



1

Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)

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

2

MoF Reg. No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation

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

3

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

4

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

5

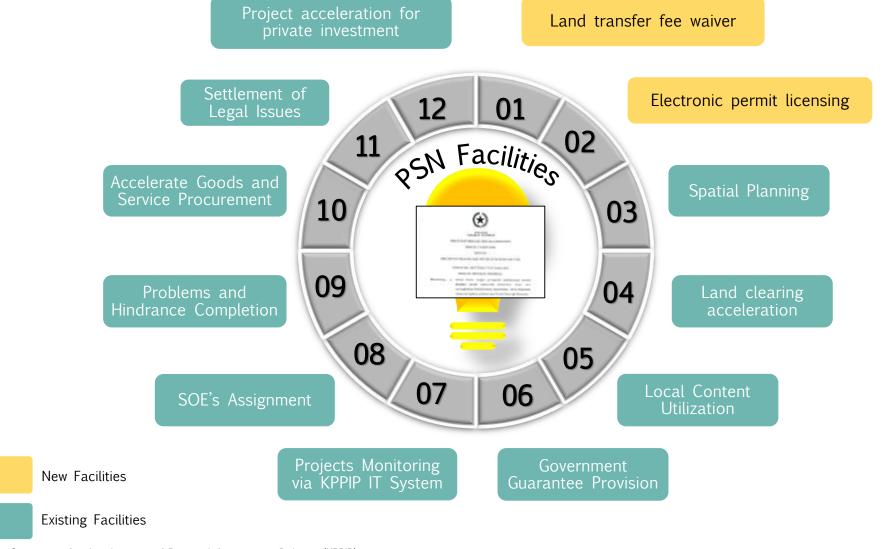
MoF Reg. No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects (PSN) and Asset Management of Land Acquisition by State Asset Management Agency (j.o. MoF Reg. No. 5/2019, j.o. MoF Reg. No. 209/2019, j.o. MoF Reg. No. 139/2020)

The implementing regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN

National Strategic Projects (PSN) may receive privileges

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





Job Creation Law's Positive Development on PSN



PP No. 42 Year 2021

Government Regulation on Ease of National Strategic Projects

Derivative of Job

Creation Law

11/2020 in

supporting PSN

Projects

PP No. 40 Year 2021

Government Regulation on the Implementation of Special Economic Zones

PP No. 43 Year 2021

Government Regulation on Settlement of Mismatches Between Spatial Planning and Forest Areas, Permits and/or Land Rights

PP No. 18 Year 2021

Government Regulation on Management Rights, Land Rights, Flat Units and Land Registration

PP No. 21 Year 2021

Government Regulation on the Implementation of Spatial Planning

PP No. 19 Year 2021

Government Regulation on the Implementation of Land Acquisition for Development in the Public Interest

PP No. 23 Year 2021

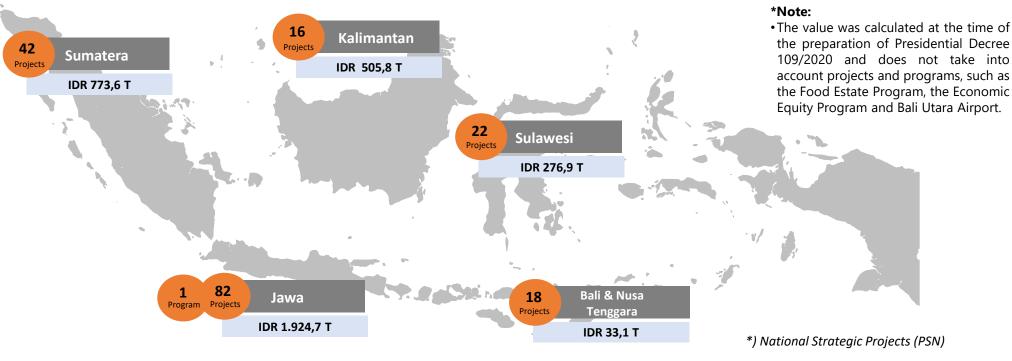
Government Regulation on Forestry Implementation



Government regulations on Area Control and the Abandoned Land

Under Presidential Reg. No.109/2020, PSN list has been revised into 201 Projects and 10 Programs

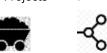




PSN includes 12 sectors at project level and 10 sectors at program level



Road 54 Projects



Superhub Smelter 1 Program 1 Programs



SEZs & IEs 18 Projects



Electricity



Railway

Economic Equality 1 Program





Energy

15 Projects



Clean Water & Sanitation 12 Projects



Airports 8 Projects



Education 1 Projects



Technology 5 Projects



Housing 2 Projects







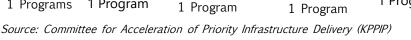


Food Supply 1 Program



Waste Processing Installation 1 Program

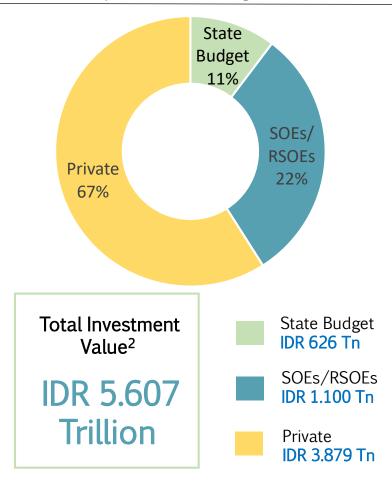




PSN Profile of 201 Projects + 10 Programs



The Estimated Investment Value for 201 Projects + 10 Programs PSN



^{*}Exclude Food Estate Program, Regional Development Acceleration Program and Bali Utara Airports

5 Sectors with Highest Investment Value



Energy 15 Projects IDR 1.556 Tn



Electricity 1 Program IDR 915 Tn



Roads 69 Projects IDR 919 Tn



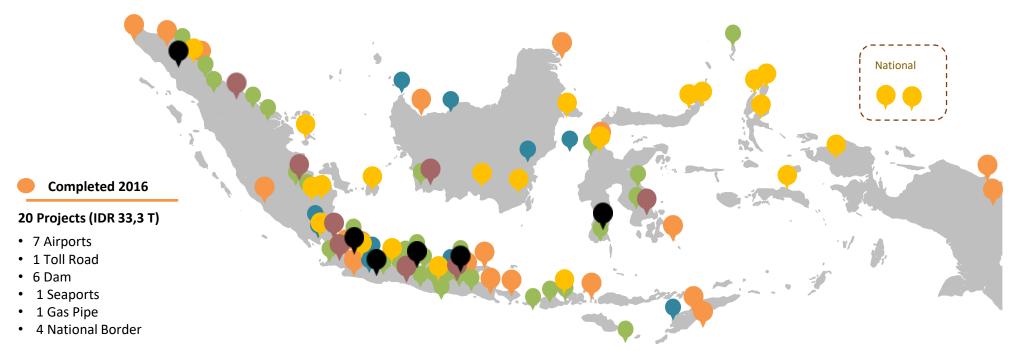
Railways 15 Projects IDR 432 Tn



SEZs and IEs 18 Projects IDR 485 Tn

From 2016 - June 2021, there were 110 projects completed with total estimated investment value of IDR 604 tn





Completed 2017

10 Projects (IDR 61,4 T)

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

Completed 2018

32 Projects (IDR 207,4 T)

- 2 Railway
- 4 Dam
- 1 Irrigation
- 10 Toll Road

- 1 Airports
- 4 Industrial Zone
- 4 Smelter
- 1 Fishery Center
- 5 SEZ

Completed 2019

30 Projects (IDR 165,3 T)

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

Completed 2020

12 Projects (IDR 123,1 T)

- 1 Airports
- 1 Railways
- 2 Toll Road
- 1 Seaport
- 1 Water Supply System
- 3 Industrial Zone
- 3 Dam

Completed Jan-Jun 2021

6 Projects (IDR 13,5 T)

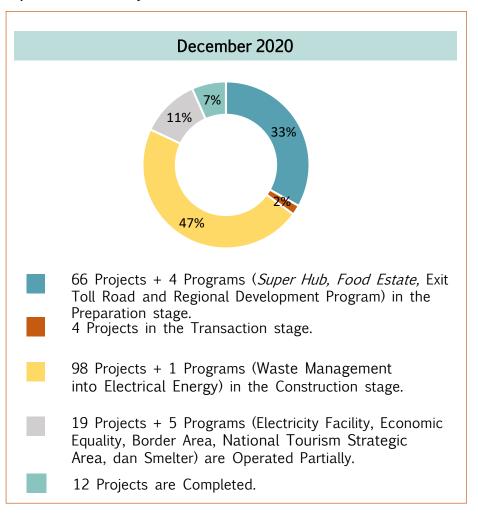
- 2 Toll Road
- 2 Water Supply System
- 2 Dam

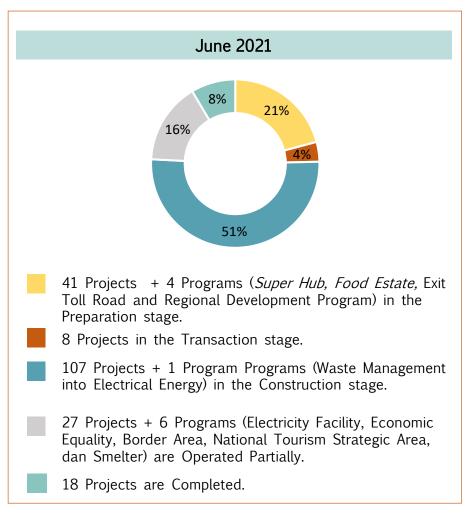
Since January 2021, 18 PSN projects completed

with 27 projects operate partially and 107 under construction



From the list of 201 Projects + 10 National Strategic Project Programs, in June 2021 there was 18 PSN Projects declared Completed, compared to 11 Projects in December 2020



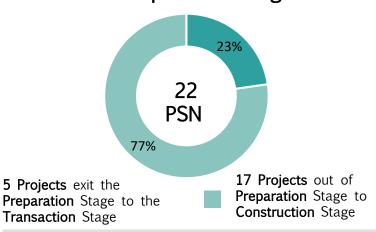


Progress on 37 National Strategic Project (PSN)



During 1st Quarter of 2021 (Covid-19 Pandemic Conditions), there were 8 PSN Projects that were declared Partially Operated, and 22 PSN Projects that were successfully pushed through the Preparation Stage to the Transaction and Construction Stage.

Successfully pushed PSN Projects pass the **Preparation Stage**



There are 22 PSN Projects with a total investment value of IDR 392.6 trillion which is divided into 8 sectors:

- 3 Toll Roads (IDR 62,2 Tn)
- 3 Seaports (IDR 1,3 Tn)
- 6 Airports (IDR 14,5 Tn)
- 1 SEZs and IEs (IDR 31,4 Tn)
- 4 Dam (IDR 7 Tn)
- 2 Irrigations (IDR 5,7 Tn)
- 2 Clean Water & Sanitasionsi (IDR 72,9 Tn)
- 1 Energy (IDR 196,9 Tn)

Successfully pushed PSN Projects Start Operated Partially

No	PSN Projects	Investment Value (in IDR Bio)
1	Jalan Tol Serpong - Cinere	2.219
2	Jalan Tol Cimanggis - Cibitung	4.524
3	Penambahan Lingkup Jalan Tol Ngawi - Kertosono - Kediri	1.783
4	Penambahan Lingkup Jalan Tol Depok Antasari	6.600
5	Makassar New Port	3.168
6	Pembangunan Pelabuhan Patimban	43.221
7	Pengembangan Pelabuhan Terminal Kijing	5.048
8	Pengembangan Pelabuhan Kupang	223

8 PSN Projects were successfully pushed to operated partially with estimated investment value IDR 100,8 Trillion

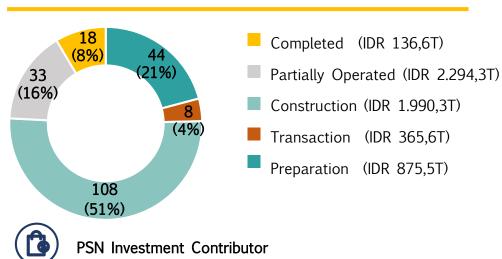
Status is a comparison of progress between December 2020 and June 2021

National Strategic Project (PSN) Completed in Q1-2021

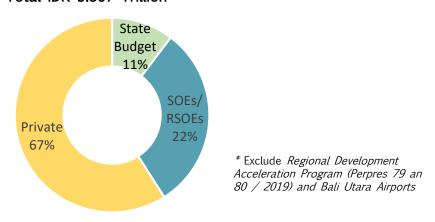




PSN Progress Status 201 Projects + 10 Programs (January - June 2021)



Total IDR 5.607 Trillion*



6 PSN Projects Completed in Q 1 – 2021

1 Medan – Binjai Toll Road

2 Cengkareng – Batu Ceper – Kunciran Toll Road

3 Kuningan Dam

4 Passeloreng Dam

Semarang Barat Water Supply System 6 Umbulan Water Supply System



6 PSN Projects Completed in 1st Quarter in year 2021 with estimated investment value IDR 13,5 Trillion and 25 PSN Projects are partially operated with estimated investment value IDR 394,6 Trillion

Progress on 37 National Strategic Project



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



- Balikpapan-Samarinda Toll Road
- Manado-Bitung Toll Road
- Panimbang-Serang Toll Road
- 15 Segments of Trans Sumatera Toll 16. Road
- Probolinggo Banyuwangi Toll Road
- Yogyakarta Bawean Toll Road
- SHIA Express Railway
- MRT Jakarta South-North Line
- Makassar-Parepare Railway
- Light Rail Transit (LRT) of Jakarta-Depok-Bogor-Bekasi
- 11. LRT of South Sumatera
- East Kalimantan Railway

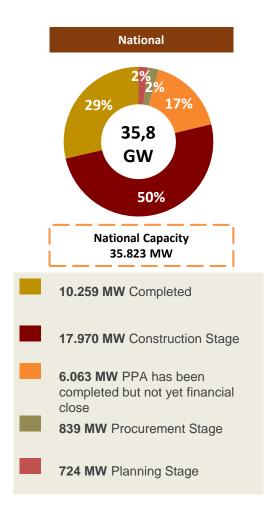
- LRT of DKI Jakarta
- Kuala Tanjung International Hub Seaport
- Bitung International Hub Seaport 15.
- Patimban Port
- Inland Waterways Cikarang-Bekasi-Laut (CBL)
- Palapa Ring Broadband
- Batang, Central Java Power Plant (CJPP)
- Central West Java Transmission Line 500 kV
- Indramayu Coal-fired Power Plant
- Sumatera 500 kV Transmission (4 Provinces)
- 23. Mulut Tambang Coal-fired Power Plant (6 Provinces)
- 24. PLTGU (16 Provinces)
- Bontang Oil Refinery

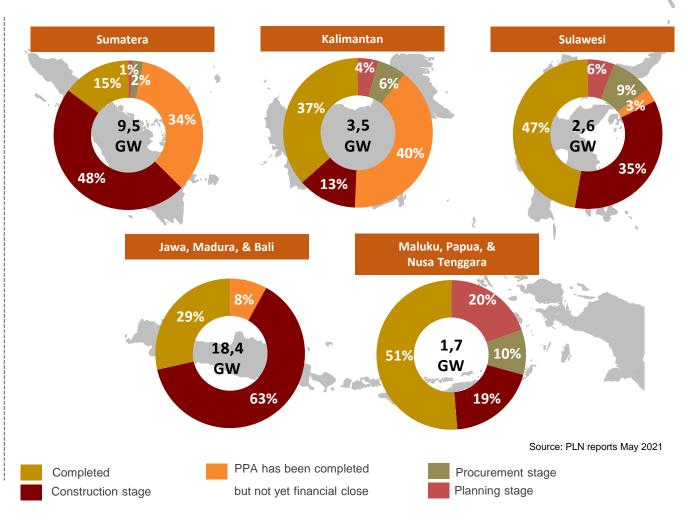
- Tuban Oil Refinery
- RDMP/Revitalization of the Existing Refineries (Balikpapan, Cilacap, Balongan, Dumai, Plaju)
- 28. Abadi WK Masela Field
- Unilization Field Has Jambaran-Tiung Biru
- Indonesian Deepwater Development (IDD)
- Tangguh LNG Train 3 Development
 - West Semarang Drinking Water Supply System
 - Jakarta Sewerage System
- National Capital Integrated Coastal
- Development (NCICD) Phase A
- Jatiluhur Drinking Water Supply
- Lampung Drinking Water Supply
- Waste to Energy Program in 8 cities

Energy Sector: the Progress of 35.000 MW Program



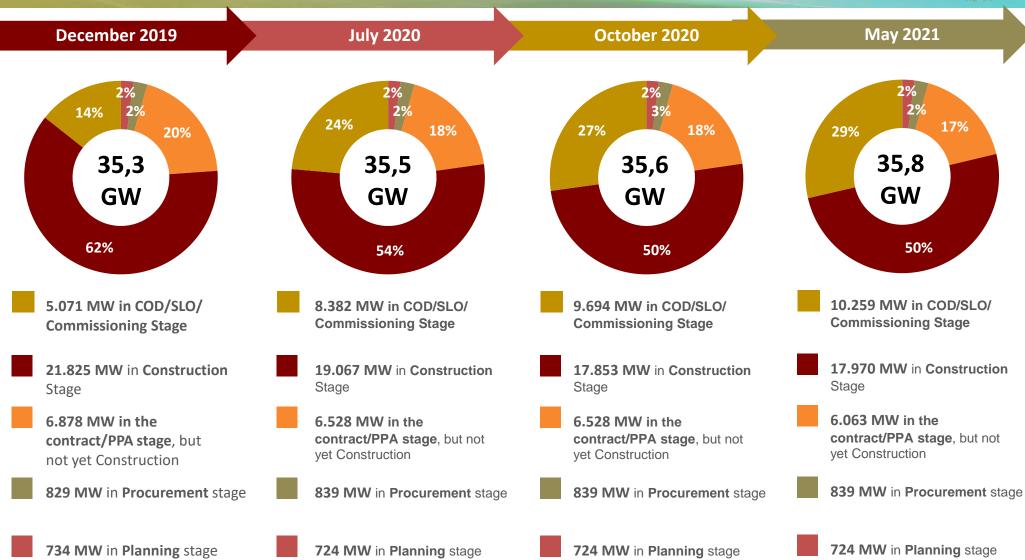
Report on the Progress of the Electricity Infrastructure Development Program (1/2)





Energy Sector: the Progress of 35.000 MW Program

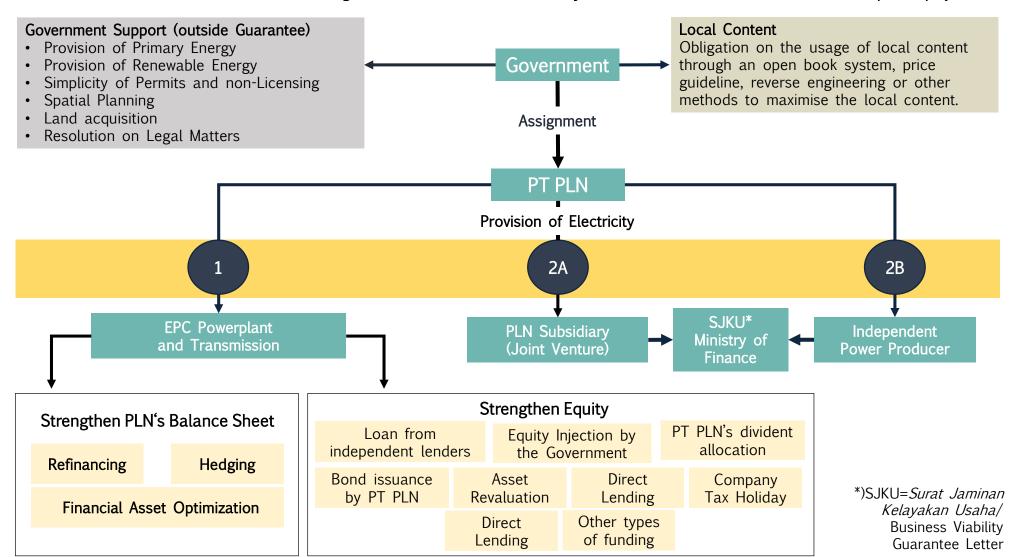




Acceleration of 35.000 MW Program



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



Significant Progress on Infrastructure Projects



Roads



Trans-Sumatra Toll Road



Merah Putih Bridge, Ambon

Dams



Jatigede Dam (Operational)

Drinking Water Processing



Umbulan Drinking Water Provision System, East Java

Transportation



Jakarta MRT Project²



New Tanjung Priok Port Project²



Terminal 3 Ultimate Soekarno-Hatta²



Nop Goliat Dekai, Papua

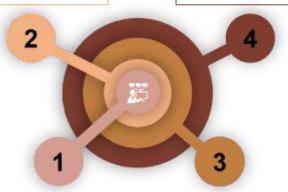
Improving Monitoring System on Infrastructure Projects¹

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

Database

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

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



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

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

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

Infrastructure Projects and Financing Schemes

Promotion of Infrastructure Development to Accelerate Economic Growth



Infrastructure Development is a Key Priority

Infrastructure Development in order to:

- 1. Accelerate growth particularly in rural areas
- 2. Support industrial development and tourism
- 3. Reduce unemployment and poverty
- 1 Infrastructure fundraising needs: \$357.9 bn (or equivalent to IDR4,796.2 tn)
- 245 National Strategy Projects under National Medium Term Plan for 2015 2019 with an estimated total cost of IDR 4.197 tn (USD 313 bn)
- 37 priority infrastructure projects with an estimated cost of IDR 2,490 tn (USD 180 billion)
- Majority of 37 priority projects are expected to commence commercial operation by 2018 2022

Establishment of PPP Unit

Broad Objective

Champion project preparation and acceleration of the PPP agenda in Indonesia

Core Mandates

- Improve quality of project selection under KPPIP OBC criteria
 Support project preparation through PDF support and highly
- qualified transaction advisors

 Act on behalf the Minister of Finance in providing government
- Act on behalf the Minister of Finance in providing government support and approvals for projects

Additional Mandates

- Coordinate all public finance instruments
- Provide input for PPP Policy program Development and Regulations
- Implement capacity building for Govt. Contracting Agency (GCAs)
- One stop shop for PPP promotion & Information

Budget

Central & regional budget (special allocation fund & rural transfer)

- Primarily to support basic infrastructure projects:
 - Food security:
 Irrigation, dams etc.
 - Maritime: Seaports, shipyards etc.
 - Connectivity: Village roads, public transportation etc.

Public Private Partnership

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

SOE & Private Sector

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

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

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

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 Credit development of Sumatra Toll Roads. Guarantee 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. Power (Electricity) - Guarantee for PT PLN's **Business Viability** obligations under Power Purchase Agreements Guarantee (BVG) with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*

PPP Guarantee

Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements

Political Risk Guarantee

Infrastructure – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

Contingent Liabilities from Government Guarantee as of Q3 2021**

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	10	USD 0.87
2	Clean Water Supply Program	6	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	10	USD 1.83
4	Sumatra Toll Road	10	USD 3.13
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 3.98
6	Public-Private Partnerships (PPP)	7	USD 6.11
7	Regional infrastructure financing	1	USD 0.21
8	Public Transportation (Light Rail Transit)	1	USD 0.68
9	Electricity Infrastructure Fast Track Program (35 GW)	6	USD 5.09
	Total	58	USD 21.89

From 2008 to Q3-2021**, the government has issued 92 guarantee documents with total value of USD41.80 billion, there were 32 guarantee documents worth USD5.08 billion have been expired.

The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP. Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

Source: Ministry of Finance

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

^{**)} Currency conversion of IDR14,496.00/USD1 and IDR17,254.61/EUR1 (as of end June 2021)

Government Financial Facilities for PPP Projects



Financial Facilities to Attract More Private Participation

More Funding Schemes are on the Pipelines

Viability Gap Fund (VGF) Project Development Facility (PDF)

Government Guarantees (directly by MoF or through IIGF)

Availability Payment Schemes

Financing from PT. SMI and PT. IIF

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

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

Scheme Characteristics

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

PINA
(Non-Government
Budget
Infrastructure
Financing)

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

Scheme Characteristics

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

Source: Ministry of Finance

New Guarantee Schemes for Non-PPP Projects



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

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

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

State finance soundness

Fiscal sustainability

Best practice of fiscal risk management

Guarantee for Regional Infrastructure Financing Provision

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

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

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

