Republic of Indonesia

"Navigating Global Economic Challenges: Strengthening Synergy to Maintain Stability and Revive Economic Growth"

November 2023

About Investor Relations Unit of the Republic of Indonesia

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

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

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

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Highlight of the Month

What's New

National Economic Indicators
...page 7-10

Fiscal & Financing Policy Update
... page 67-91

External Sector, Monetary & Bank Indonesia Board of Meeting Decision
...page 61,62, 94

Banking & Non-Banking Performance
...page 96-102

Preserved Economic Resilience Amidst Global Uncertainty

Strong Synergy and Collaboration among Institutions Nationwide, including Sub-National Government

Robust Economic Recovery

Continued National economic recovery momentum, reflected by 4.94% (yoy) economic growth in the third quarter of 2023, driven by strong domestic demand.

Affirmation of Investment Grade Sovereign Credit Rating

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
MOODY'S	Baa2 (Stable)
S&P Global	BBB (Stable)
R&I	BBB+ (Positive)

Fitch Ratings (Fitch) has affirmed Indonesia's Sovereign Credit Rating at BBB (one level higher than the lowest investment grade) with a stable outlook on September 1, 2023. Key factors supporting the affirmation include a favorable medium-term growth outlook and a low government debt/GDP ratio, despite challenges coming from government revenue as well as lagging structural features, such as governance indicators, compared to those from 'BBB' category peers. While several external finance metrics, such as current account, are stronger than pre-pandemic levels, but they should normalise within the next few years, assuming further falls in commodity prices.

Overview

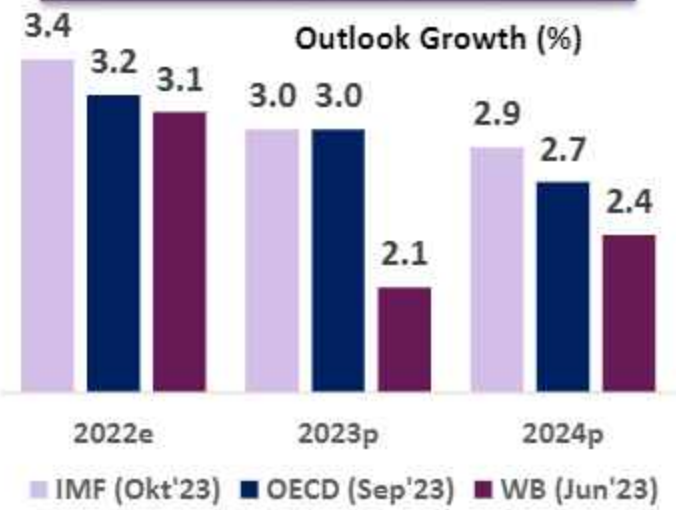
1. Unwavering Improvement Amid Headwinds
2. Accelerated Reforms Agenda: Institutional Improvement, Progressive Infrastructure
3. Economic Factor: Improved Growth Prospects Supported by Continued Economic Recovery Momentum
4. External Factor: Improved External Resilience
5. Fiscal Performance and Flexibility: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

Section 1

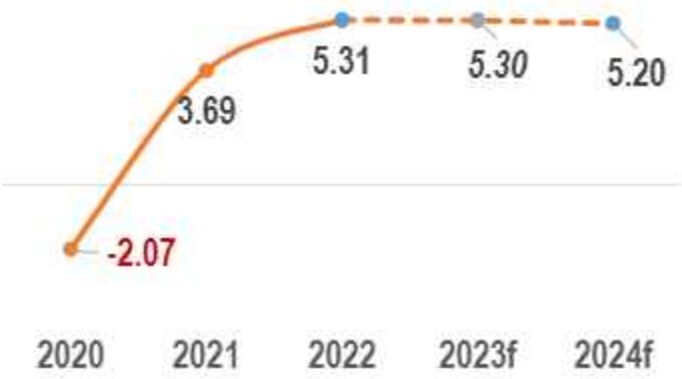
Unwavering Improvement Amid Headwinds

GLOBAL CONDITIONS STILL FACING A NUMBER OF CHALLENGES AHEAD

THE WORLD STILL FACES UNCERTAINTY



INDONESIA'S ECONOMIC GROWTH PROJECTIONS (GOVERNMENT PROJECTIONS)



INDONESIA'S ECONOMIC GROWTH PROJECTIONS (INSTITUTION PROJECTIONS)

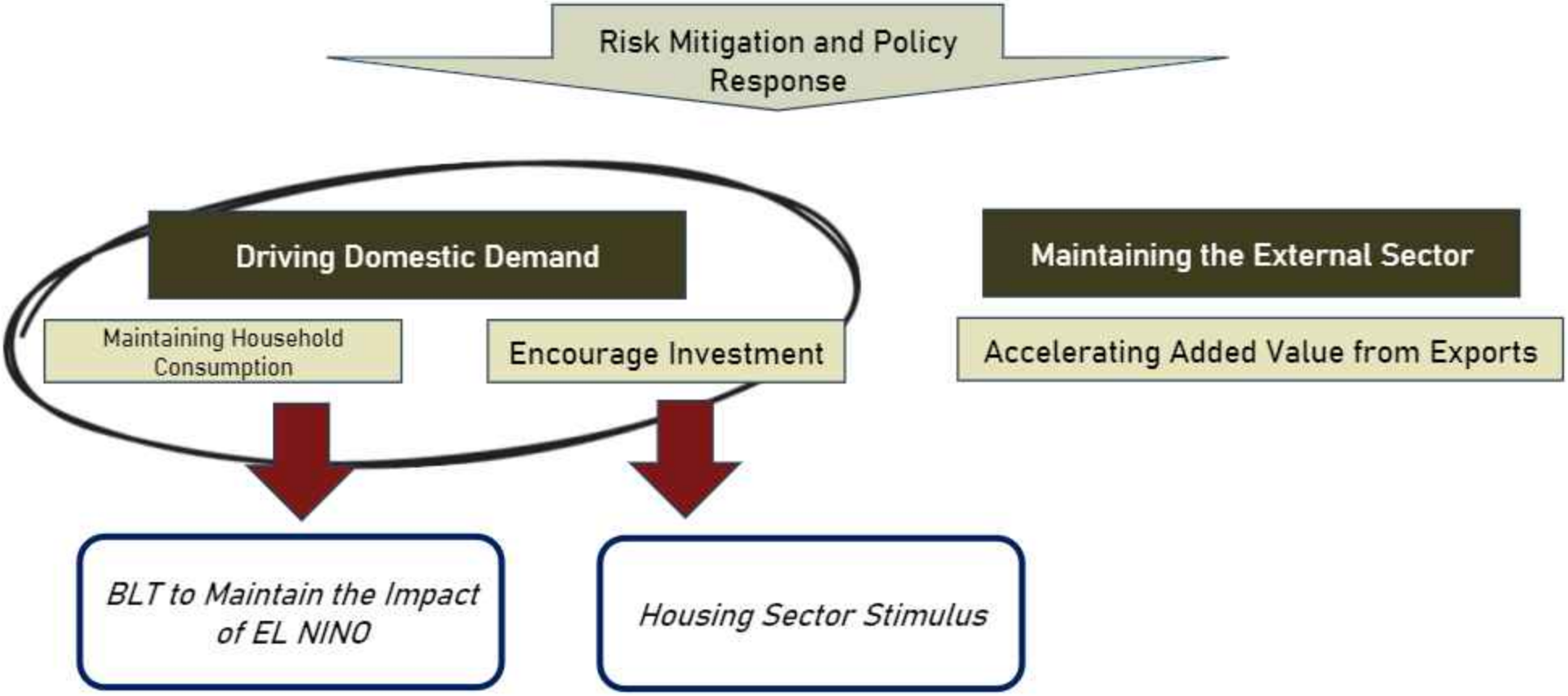
Global Economic Risks

- Real Estate Crisis in China has important risk for the global economy.
- Commodity Prices more volatile under renewed geopolitical tensions and disruptions linked to climate change.
- Debt Pressure on developing country
- Tightening of Financial Global
- Fiscal buffers have eroded in many countries

Policy for Supporting Growth (RKP 2024)

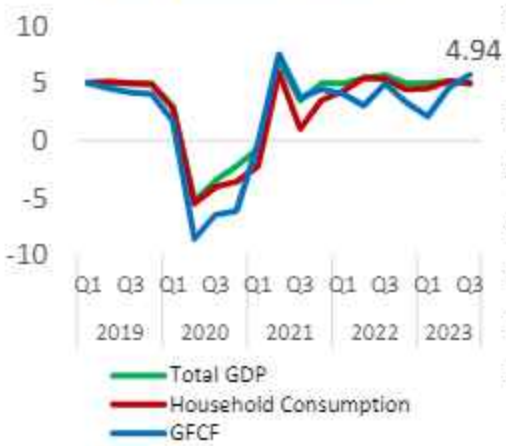
1. Reducing poverty and eliminating extreme poverty
2. Improving the Quality of Health and Education Services
3. Revitalizing Industry and Strengthening Applied Research
4. Strengthening Business Competitiveness
5. Low-Carbon Development and the Energy Transition
6. Accelerating Development of Basic Infrastructure and Connectivity
7. Acceleration the Development of IKN
8. Implementation of the 2024 Election

MITIGATION AND POLICY RESPONSE
AMIDST WEAKENING PROSPECTS FOR GLOBAL ECONOMIC GROWTH



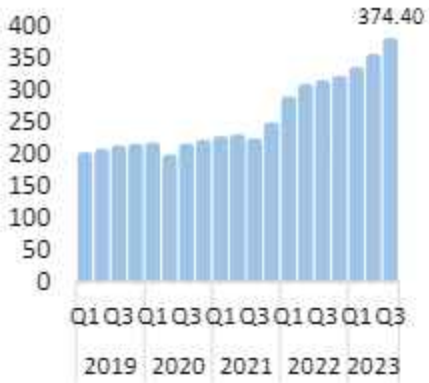
INDONESIA'S ECONOMIC GROWTH WITH IMPROVED QUALITY

GDP Growth (%YoY)



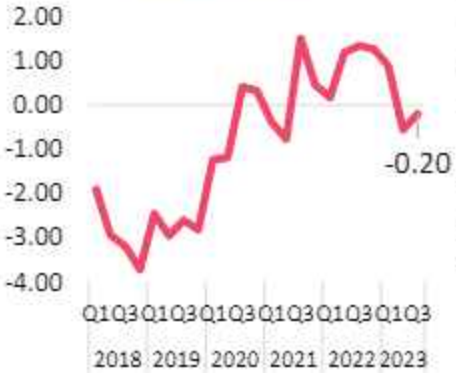
S&P Global Indonesia Manufacturing PMI

Total Investment (DDI+FDI) Rp Trillion



CCI & Retail Sales

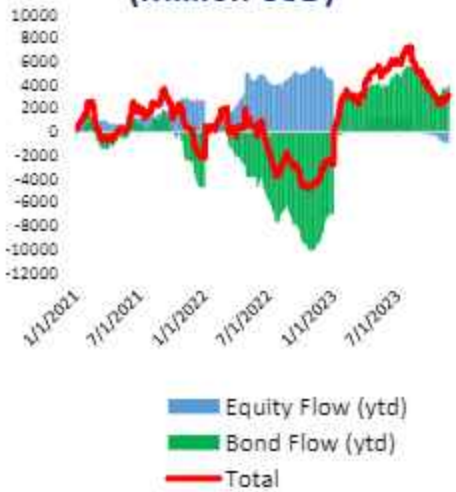
Current Account of GDP (%)



Trade Balance (Billion USD)

The Indonesian Rupiah and JCI

Net Capital flow (Million USD)



Sources: CEIC, BI, BPS, Bloomberg (as of 27 November 2023)

FISCAL INCENTIVES POLICY TO BOOST THE ECONOMY

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

TAX HOLIDAY & MINI TAX HOLIDAY

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

As of 30 September 2023 (year to date):
Total Investment: Rp158,4 Trillion
Tax Payer: 11 Tax Payer
Location: 8 provinces
Origin of investment: domestic and 5 countries

TAX ALLOWANCE

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

- Total Investment: Rp9.9Trillion
- Tax Payer: 7 Tax Payer
- Approval: 7 Minister of Finance Decree
- Source: OSS October 2023

INVESTMENT ALLOWANCE

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

- Total Investment: Rp455 Billion
- Investment: 2 activities
- Tax payer: 2 tax payers
- Source: OSS October 2023

SUPER DEDUCTION TAX

Super Deduction Vocational

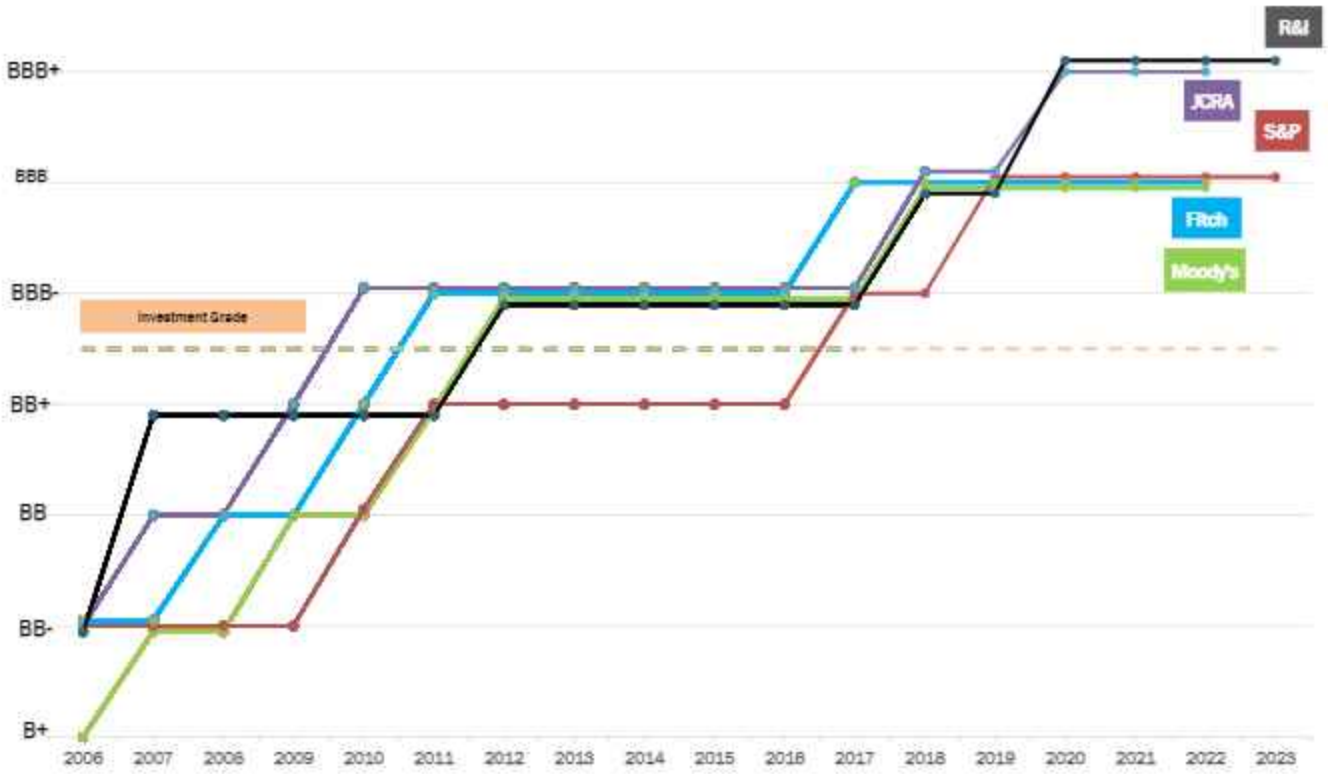
- Engaging industry in vocational activities to provide knowledge and encourage the transfer of knowledge
- A maximum reduction of 200% gross income from costs in the context of providing work practice, apprenticeship, and / or learning activities.
- As per October 2023, there are 310 agreement for vocational activities (ytd)

R & D Super Deduction

- Increase the role of industry in fostering innovation and the use of the latest technology in the production process
- Maximum gross income deduction of 300% over R&D costs carried out in Indonesia
- As per October 2023, there are 16 proposal for research and development activities (ytd), with estimated RnD cost up to Rp18 billions

Source. Coordinating Ministry for Economic Affairs

IMPROVED OUTLOOK AND A WELL MAINTAINED OF INDONESIA'S SOVEREIGN CREDIT RATING AMID GLOBAL ECONOMY UNCERTAINTIES



FitchRatings — BBB / Stable

September 2023, Rating Affirmed at BBB/Stable

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

S&P Global Ratings — BBB / Stable

July 2023, Rating Affirmed at BBB/Stable

"The stable rating outlook reflects our expectation that Indonesia will achieve solid economic growth over the next two years. This will support prudent fiscal outcomes and stabilize debt".

Moody's — Baa2 / Stable

March 2023, Rating Affirmed at Baa2/Stable

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

R&I — BBB+ / Positive

July 2023, Outlook Revised To Positive; BBB+ Ratings Affirmed

"In R&I view, Indonesia's economy has been showing strong performance even amid uncertainties of the global economic environment. With the inflation rate that has fallen within the target range in 2023, the price stability is being restored. The government has achieved its target level of fiscal deficit a year earlier than originally planned and the government debt ratio stays on a downward trajectory. The stability of financial system has been maintained and the economy has resilience to external shocks".

JCR — BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

INDONESIA'S COMPETITIVENESS RANK IMPROVED IN 2023

Based on the IMD (Institute for Management Development) World Competitiveness Yearbook 2023 report, Indonesia's competitiveness ranking in 2023 will be in 34th position out of a total of 64 countries. This ranking has increased from 2022 (No. 44).

All factors have increased compared to 2022, namely Economic Performance (+13), Business Efficiency (+11), Government Efficiency (+4), and Infrastructure (+1)

No.	Country	2019	2020	2021	2022	2023
1	South Korea	28	23	23	27	28
2	Indonesia	32	40	37	44	34
3	Japan	30	34	31	34	35
4	India	43	43	43	37	40
5	Philippines	46	45	52	48	52
6	Mexico	50	53	55	55	56
7	Brazil	59	56	57	59	60

IMD World Competitiveness Index 2015-2023

Factors	2019	2020	2021	2022	2023
Economic Performance	25	26	35	42	29
Government Efficiency	25	31	26	35	31
Business Efficiency	20	31	25	31	20
Infrastructure	53	55	57	52	51

Section 2

Accelerated Reforms: Institutional Improvement, Progressive Infrastructure

INDONESIA GOLD VISION 2045: BECOME A SOVEREIGN, ADVANCED AND SUSTAINABLE COUNTRY

INDONESIA GOLD VISION 2025-2045 → 5 GOLD VISION TARGETS OF INDONESIA → 8 DEVELOPMENT MISSIONS → 17 DEVELOPMENT DIRECTIONS → 45 MAIN INDICATORS OF DEVELOPMENT

1. Income per capita is the same as developed countries
2. Poverty goes to 0% and inequality decreases
3. Leadership positions and international influence increased
4. HR competitiveness increases
5. GHG emission intensity towards NZE

Development Phase

First Phase (2025-2029)	Strengthening the foundation of transformation
Second Phase (2030-2034)	With the establishment of a strong foundation, Indonesia has accelerated its economy
Third Phase (2035-2039)	Indonesia started steps to expand globally
Fourth Phase (2040-2045)	Indonesia succeeded in realizing Indonesia Gold 2045

TRANSFORMATION

1. Social
2. Economy
3. Governance

FOUNDATION OF TRANSFORMATION

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

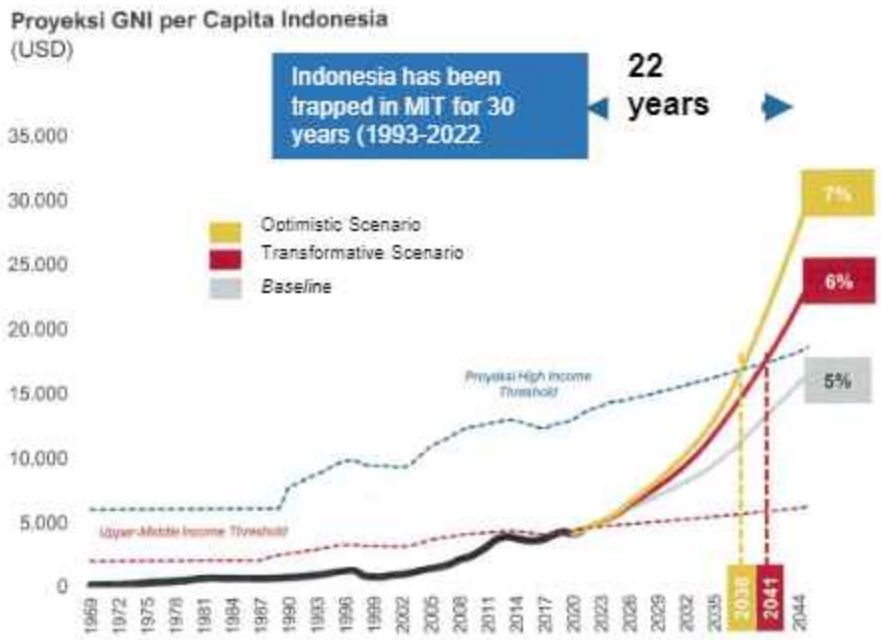
TRANSFORMATION IMPLEMENTATION FRAMEWORK

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

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

TARGETS OF ECONOMIC TRANSFORMATION FOR INDONESIA GOLD 2045

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



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

Economic Transformation

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

First Phase (2025-2029)	Downstream natural resources and strengthening innovation research and labor productivity
Second Phase (2030-2034)	Massive increase in productivity and expansion of sources of economic growth
Third Phase (2035-2039)	Economic power house that is integrated with global and domestic chain networks, as well as strong exports
Fourth Phase (2040-2045)	High income country

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

INVESTMENT POLICY DIRECTION 2020-2024:

Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth

Direction of Investment Policy: Quality Investment 2020-2024

Job Creation/ Labor intensive
Encouraging investment in labor-intensive business fields and developing business fields that involve the community by utilizing existing human resources

Increase Productivity
Encouraging increased company efficiency (i.e. Industry 4.0) and improvements to the Incremental Capital Output Ratio (ICOR)

Transfer of Knowledge and Technology
Encouraging human resource development and increasing R&D in an effort to master technology

Improve Competitiveness and Market Access
Encouraging increased perceptions and opening up a wider market for national companies and MSMEs through business partnerships

Export Oriented and Import Subtitution
Encouraging investment in export-oriented industries and industries that substitute imports

Environmental and Social Equality (ESG)
Encouraging increased investment in business sectors categorized as green investment and having a large positive social impact and equitable investment throughout Indonesia

Optimizing the use of natural resources and domestic production
Encouraging downstream products and increased use of domestic products

Sumber: Strategic Planning of Ministry of Investment/ BKPM (Renstra) 2020 – 2024

INDONESIA'S STRATEGY PRIORITIZES INVESTMENT WITH MULTIPLIER EFFECTS:
downstream, green economy, digitization, and HR development

6 Main Strategies for Economic Transformation:

Green and low carbon economy	Increasing economic productivity	Relocation of the nation's capital	Digital transformation	Domestic economic integration	HR development

Green and Low Carbon Economy is one of the main strategies set by President Joko Widodo to realize medium-long term economic transformation, which is achieved through the Low Carbon Development framework.

Priority Investment Sector

Labor Intensive Industry	Export Oriented Industry	New Renewable Energy	Infrastructure	Digital Economy	Value Added Industry (Downstream)

Source: Ministry of Investment (BKPM)

THE JOB CREATION LAW ENCOURAGES EMPLOYMENT AND FACILITATES NEW BUSINESS OPENING WHILE RECOVERING THE POST-PANDEMIC ECONOMY

With the Omnibus Law method, **79 Indonesian Laws** were revised at once with only one Job Creation Law which regulates 16 sectors

Has simplified into

186 Article dan **15 chapter**

11 Cluster

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

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

Source: Ministry of Investment (BKPM)

PERPPU NO. 2 OF 2022 CONCERNING JOB CREATION LAW IS AN IMPROVEMENT OF THE PREVIOUS REGULATION

Constitutional Court Decision

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

Follow-up

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

Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.

PERPPU NO. 2 OF 2022 (30 December 2022)

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

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

Employment Regulation

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

Halal Product Assurance (Halal Certification)

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

Management of Water Resources

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

BOOSTING INVESTMENT: IMPLEMENTATION OF JOB CREATION LAW TO PROVIDE LEGAL CERTAINTY AND IMPROVE INVESTMENT CLIMATE

Constitutional Court Decision (25 Nov 2021)

- The Constitutional Court stated that the Job Creation Law (Law Number 11 of 2020) was conditionally unconstitutional
  - The omnibus method has not yet been regulated in the Law on the Establishment of Legislation
  - Writing technical error
  - Meaningful participation is not maximized
- The Job Creation law is still valid, and asked the government to complete the revision within two years.

Follow-up (Jan-Dec 2022)

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

Emergency Regulation (30 Dec 2022)

- The President has issued a Government Regulation instead of Law Number 2 of 2022 concerning Job Creation (Perpu on Job Creation).
- It is urgently needed to anticipate global and domestic conditions.
- The contents of the Job Creation Perppu are generally the same as those of the Job Creation Law. However, there are some improvements to the content.

Promulgation of the Job Creation Law (31 March 2023)

- The government has promulgated Law No. 6 of 2023 as an endorsement of Perpu No. 2 of 2022 concerning Job Creation Becomes Law.
- Perpu on Job Creation as an attachment to Law no. 6 Year 2023.
- All implementing regulations for the Job Creation Perpu and Law Number 11 of 2020 concerning Job Creation are still valid.

Identification of Revision of Implementing Regulations of Law Number 6 of 2023

- PP Number 5 of 2021 concerning the Implementation of **Risk-Based Business Licensing**
- PP Number 28 of 2021 concerning the Implementation of **the Industrial Sector**
- PP Number 29 of 2021 concerning the Implementation of **the Trade Sector**
- PP Number 39 of 2021 concerning the Implementation of **the Field of Halal Product Assurance**
- Presidential Regulation Number 32 of 2021 concerning **Commodity Balances**
- Determination of Decisions and/or Actions that are Considered Legally Accepted
- PP Number 19 of 2021 concerning **the Implementation of Land Acquisition for Public Interests**
- Presidential Decree Number 10 of 2021 concerning the Investment Business Sector (BUPM) and Presidential Decree Number 49 of 2021

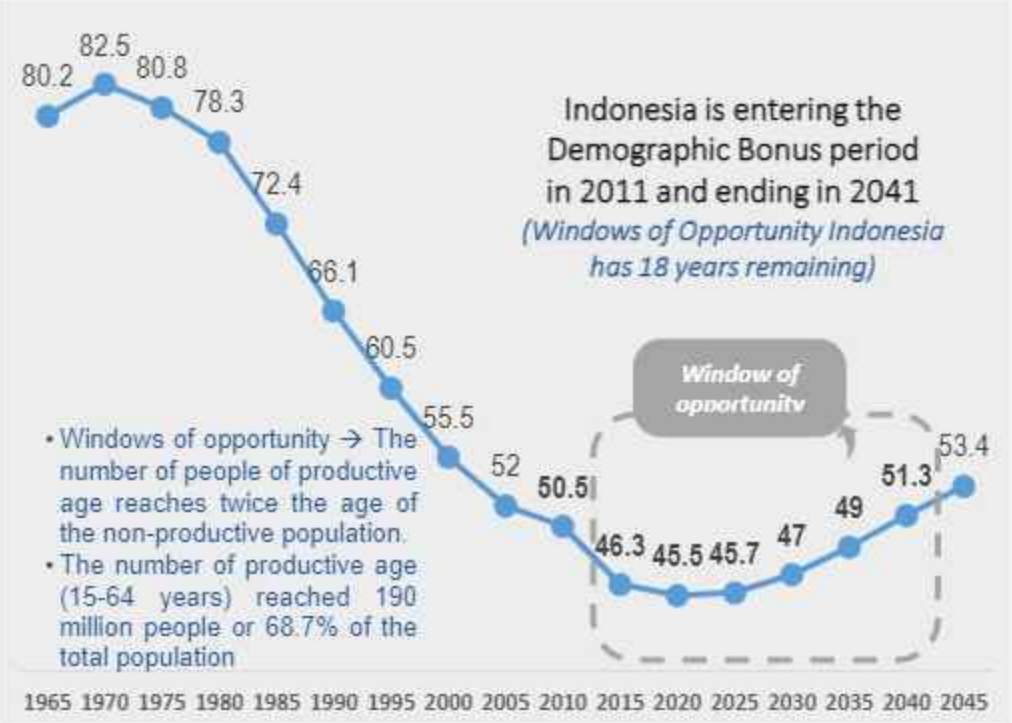
Source: Coordinating Ministry of Economics

DEMOGRAPHIC BONUS MOMENTUM TO BOOST HUMAN RESOURCES PRODUCTIVITY

	Country	Total Population 2022 (Million people)	Rangking Human Development Index (HDI) 2021	GDP Per Capita 2022 (USD)
1	China	1.411,8	79	12.733
2	India	1.382,9	132	2.452
3	United States	334,3	21	76.328
4	Indonesia	274,9	114	4.783
5	Bangladesh	171,3	129	2.657

"A high population without being balanced with good quality human resources will result in low economic output"

Currently, Indonesia is in the period of the lowest Population Dependency Ratio (Peak Demographic Bonus).



The Dependency Ratio is the ratio between the number of people aged 0-14 years plus those aged 65 years and over (non-productive age population) compared to those aged 15-64 years (productive age).

STRATEGIES FOR INCREASING HUMAN RESOURCES PRODUCTIVITY

REVITALIZATION OF THE INDONESIAN TVET SYSTEM (Vocational Education and Training) (Presidential Decree No. 68 of 2022)

Long Term

Improved TVET Governance

TVET Implementation Reform

Increasing the role of the business world and industry in TVET

EDUCATION AND TRAINING PROGRAMS

Short Term

a. Pre-Employment Card Program;

b. Digital Talent Scholarship;

c. Training at Job Training Centers;

d. Development of human resource quality through LPDP scholarships;

e. Other programs

Acceleration and Equalization of Digital Infrastructure

Palapa Ring

BTS

ICT Digital Ecosystem

Satelite

Internet Access

Pre-Employment Card Program

"The Pre-Employment Card Program is a vocational training aid aimed at job seekers, workers / active laborers and / or workers/laborers affected by termination of employment that require increased competence

"The G2P (Government to Person) program is the most massive in Indonesia"

Digitalization of MSMEs

Innovation and

Financing and Marketing

HR Literacy and Development

Standardization and Certification

Online processing of BPOM permits via: e-reg.pom.go.id

Manage Halal Certification online via: https://ptsp.halal.go.id

Register SNI online via: SIMPKTN

Legality and Licensing

PRE-EMPLOYMENT CARD PROGRAM FOR HUMAN RESOURCES DEVELOPMENT

Total Registered and Recipient

> 53 Million	18.356.621	17.568.343
Registrants on the Pre-Employment Card site (verified Email, NIK, KK, & Phone Number)	Total Recipients of Pre-Employment Cards (Batch 1-58)	Total Effective Recipients of Pre-Employment Cards (Batch 1-58)

38 Provinces **514** Reg/City

Total Effective Recipients of Pre-Employment Cards (Batch 1-58)

16.425.419	Rp40,17 Trilion
Recipient (*Batch* 1-47)*	Incentives has been distributed

*The number of beneficiaries effective until 2022, namely designated beneficiaries (17,084,444 people) minus beneficiaries whose membership has been revoked (659,025 people).

Normal Scheme Implemented in 2023

RECIPIENT

1.142.924 Effective recipient of the Normal Scheme Pre-Employment Card (Batch 48-60)*

851.009	834.899	Rp544 Bio
Recipient Completed Training	Recipients get incentives	Incentives have been disbursed

* The number of effective beneficiaries, namely defined beneficiaries (1.272.177 people) minus beneficiaries whose membership has been revoked is 129.253 people)

Training Progress

244 Training Institute

1.216 Active Training

15.1 hours Average training duration

Rp 1.464.960 The average price of the training purchased by Participants

Training Method

14% N=168 Offline

86% N=1048 Online

Source: Pre Employment Card Management, 3 November 2023

INDONESIA'S SPECIAL ECONOMIC ZONE (SEZS) ENCOURAGE ECONOMIC GROWTH, EQUITABLE DEVELOPMENT, AND INCREASE COMPETITIVENESS.

18 SEZs and Main Activities

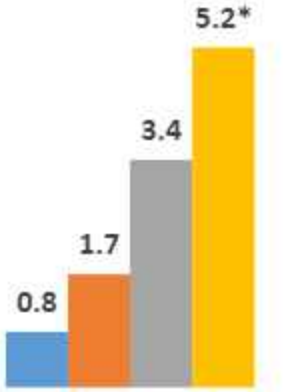
SUMMARY OF THE 18 SPECIAL ECONOMIC ZONES PERFORMANCE

Investment Commitment
USD 9.3 B

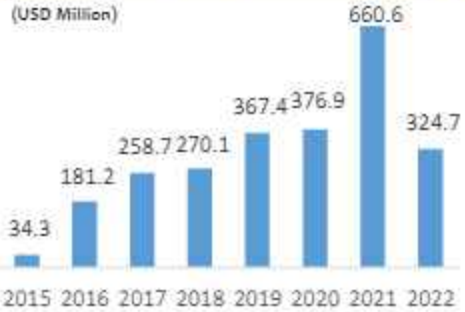
USD 6.5 B
Investment Realization
(Tenant & Developer)

Ratio of Foreign and Domestic Investment

Investment Realization by Tenant (USD Billion)
2019 - 2022



Export Performance (Sept 2022)
USD 324.7 Million



Number of Employment
63,416

*) up to October 2023
USD1 = Rp15,569.05

MAIN TARGET OF SEZS

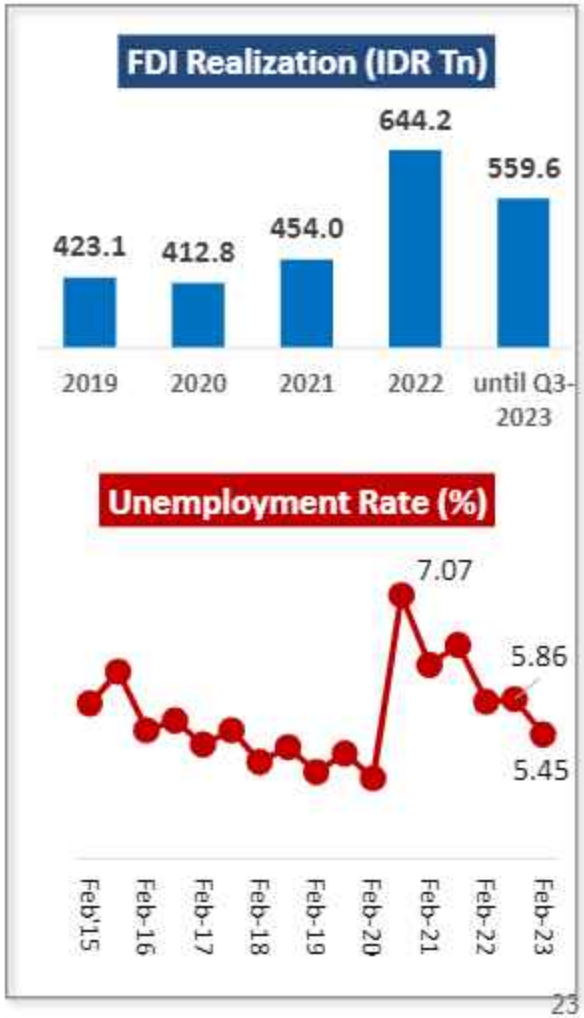
Import Substitution & Export Promotion industrialization	Industry 4.0 Acceleration	Regional Development	Services Industry Development	Improve Trade Balance

THE GOVERNMENT FOCUSES ON REGULATIONS AND PROCEDURES FOR EASE OF DOING BUSINESS

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

Streamlining Administrative Procedures and a Positive Investment Climate

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



RISK-BASED BUSINESS LICENSING DEREGULATION MEASURES TO ENCOURAGE FDI

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

Starting a Business

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

Low Risk | **Medium Risk** | **High Risk**

NIB Issued = 6.581.418
Period August 4, 2021 – November 27, 2023

Based on Business Actor:
- **Business Entity = 761.674**
- **Individual = 5.891.744**

Based on Investment Type:
- **FDI = 23.186**
- **DDI = 6.558.232**

Based on Business Scale:
- **Micro = 6.330.989**
- **Small = 182.126**
- **Medium = 22.527**
- **Large = 45.776**

Action Plans

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

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

Doing Business

RISK-BASED TARGETING – Optimizing Effectiveness and Cost of Monitoring:
- Resource and time limitations
- Focus on critical hazards that are more likely to arise
- Consider random inspections because blanket inspections are not appropriate, resulting in excessively costly (for countries and businesses)

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

The Progress of Development Monitoring/Inspection Subsystem

Of the 44 modules in the monitoring (inspection) subsystem:
- 36 modules have been completed/embedded in the OSS RBA (go-live)
- 8 modules are still in the process of User Acceptance Testing (UAT)

TAX INCENTIVES AND REFORM

Lower
Tax Rate for the Corporate Income Tax

25%
<2020

22%
2020-2021

20%
2022 dst

Law No. 2/2020, PERPPU 1/2020, PP 30/2020

Other improvements:
1. E-filing for CIT, VAT, worker income tax (payroll)
2. Faster VAT Restitution

Investment Facilities through OSS System

Tax Holiday and Mini Tax Holiday
Corporate income tax exemption of 50-100% for 5-20 years for **investments in pioneer industries.**

Tax Allowance
Income deduction before corporate income tax of 30%-TA (or 60%-IA for labor-intensive industries) of the investment value for 6 years for **investments in certain business fields and/or areas.**

Import Duty Facility
Import duty exemption incentives for imports of machinery as well as goods and materials for **industry and service industries.**

Investment Facility in SEZ
Tax Holiday for Main Activities, Tax Allowance for Other Activities, for **investors investing in Special Economic Zones.**
* Import Duty, Excise and Tax facilities related to Import do not go through OSS.

Source: Ministry of Investment (BKPM)

APBN DEFICIT KEEPS BELOW 3% OF GDP, FISCAL SUSTAINABILITY MAINTAINED

Since the COVID-19 pandemic which occurred in 2020 and 2021, fiscal policy has been pushed to be expansionary with a deficit of above 3% of GDP, but since 2022 with an estimated APBN deficit of 4.5%, only 2.35% has been realized. The APBN deficit below 3% has continue until 2024.

2020
Extraordinary Policy

- Perppu 1/2020 → UU 2/2020
- Law 2/2020 Handling Covid-19 and PEN Stimulus Program
- Widening APBN deficit by 6.34% of GDP

2021
COVID-19 Handling & Economic Recovery

- Focus on handling the pandemic (Vaccination and Health Protocols)
- Economic recovery, flexible and accountable PEN
- Reform Momentum(UU HPP, UU HKPD)

2022
National Economic Recovery & Structural Reform

- Strengthening pandemic management (accelerating vaccination for communal immunity)
- Strengthening pandemic management (accelerating vaccination for communal immunity)
- Effectiveness of reforms

2023
Increased Productivity & Fiscal Consolidation

- Strengthening the role of the APBN to increase productivity
- Consolidation of a quality fiscal (deficit returns to a maximum of 3% of GDP)
- Structural reform

2024
Accelerating Economic Transformation

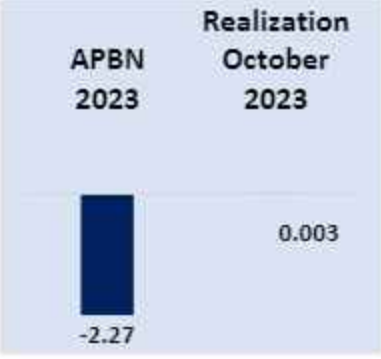
- Maintained Fiscal Sustainability
- Short term focus: inflation, extreme poverty, stunting, investment
- Long term focus: HR, Infrastructure, bureaucracy

2020 APBN deficit to GDP (%)

2021 APBN deficit to GDP (%)

2022 APBN deficit to GDP (%)

2023 APBN deficit to GDP (%)



2024 APBN deficit to GDP (%)

Source: MOF

ENCOURAGING INVESTMENT: INDONESIA INVESTMENT AUTHORITY (INA) TO ACCELERATE FDI

Legal basis

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

Update on Progress

- **Fruitful partnerships with various institutional investors have resulted in >USD 25 billion in collective commitments. INA has deployed >USD 3 billion of capital to date together with investor partners and will potentially deploy close to USD 3.5 billion by the end of 2023**
- **Investment opportunity that has been completed (closed):**
  - **Digital infrastructure**: Mitratel's IPO for a total transaction size of USD 800 million together with ADIA, ADG, GIC
  - **Toll Road**: Investment into SMR PPTR (Waskita Karya Toll Road) for an upfront transaction size of USD 400 million together with CDPQ, ADIA, APG
  - **Tourism/Digital**: Investment into Traveloka for a total transaction size of USD 300 million with BlackRock, Allianz, and other leading institutions
  - **Healthcare:** Investment into a significant minority stake in Kimia Farma Apotek and subscription into Kimia Farma (KAEF IJ)'s MCB for a total transaction size of USD 150 million with Silk Road Fund
  - **Infrastructure & Logistics:** ESR and Mitsubishi Corp for a total transaction size of USD 100 million for three modern warehouse asses, Hutama Karya two-toll road assets in Trans Sumatera for a total transaction of USD 1 billion. DP World and Pelindo investment for the development of an international container terminal
  - **Green Energy:** Anchor investor into the IPO of Pertamina Geothermal Energy (PGEO IJ) for a total transaction size of USD 490 million with Masdar

- **Current cooperation agreements secured are:**
  - **Toll Road**: Investment platform with ADIA, CDPQ, and APG for USD 3.75 billion. The Hutama Karya opportunity is expected to close in June 2023, while a Waskita Karya opportunity is envisioned to be completed in early 2023.
  - **Seaports**: Alliance agreement with DP World for developing container ports and supporting maritime logistics infrastructure amounting to USD 7.5 billion throughout the concession period.
  - **Green Sector:** USD 2 billion investment for Optimizing blended finance in ETM programs such as ADB, SMI, PLN, Global Energy Alliance with CATL Green EV Fund
  - **General**: USD 10 billion investment framework agreement with ADG for various sectors in Indonesia
  - **General**: USD 3 billion investment framework agreement with SRF for various sectors in Indonesia

Source: INA, as of May 30, 2023

NATIONAL STRATEGIC PROJECT (PSN) LIST WAS ESTABLISHED IN 2016, AND HAVE UNDERGONE SEVERAL AMENDMENTS

until recently stipulated under Coordinating Minister Regulation No.21/2022

Project included in the PSN List

- Proposed project is evaluated by KPPIP and approved through High level Limited Meeting (Ratas)
- Ongoing project from the previous list and being pushed by the government

Project excluded from the PSN List

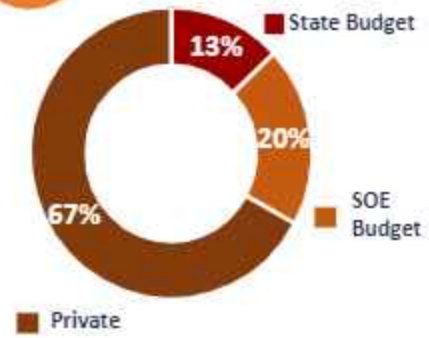
- The project has been declared Complete and there are no issues that need to be resolved
- The project no longer requires PSN facilities

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

AS OF NOW, THERE ARE 210 PROJECTS AND 12 PROGRAMS UNDER THE NATIONAL STRATEGIC PROJECT LIST

in which more than 60% of investment is expected from private sectors

Est. Total Investment Value
USD 383,09 Billion*



* Include potential tennant investment in Industrial Estate

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

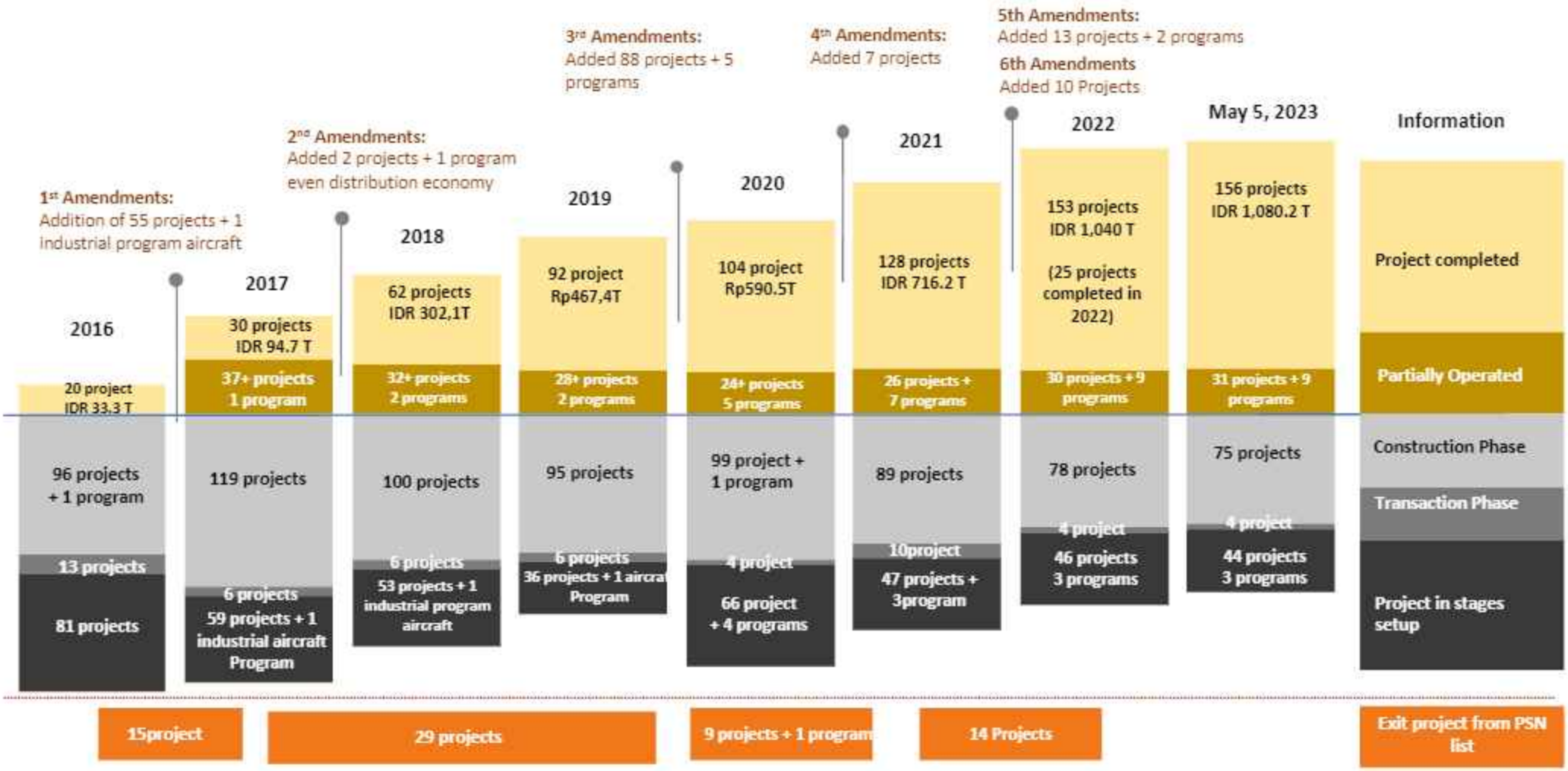
Road	Dams	Irrigation	Ind. Estate	Railway	Plantation	Energy	Ports	Cleanwater, Wastewater, Sea Wall	Airport	Tourism	Education	Technology	Housing	SEZ Program	Sugar & Palm Program
53 Projects	47 Projects	8 Projects	18 Projects	14 Projects	1 Project	14 Projects	15 Projects	14 Projects	6 Projects	1 Project	1 Proyek	6 Proyek	2 Proyek		

Smelter Program · *Superhub Program* · Electricity Program · Economic Dev. Program · Toll Road Access Program · Food Estate Program · Strategic Tourism Program · Waste to Energy Program · Border Dev. Program

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

SINCE 2016, 156 PSN HAVE BEEN EXPEDITED TOWARDS COMPLETION WITH INVESTMENT VALUE OF USD 69,48 BILLION

and most of the projects have passed preparation stage



ALL NATIONAL STRATEGIC PROJECTS HAVE BEEN GIVEN A SPECIAL FACILITY TO EASE EACH OF THE PROJECT'S IMPLEMENTATION

as stipulated in the Pres. Regulation No. 109 /2020

PSN Facility

- Land transfer fee waiver for PSN
- Electronic permit licensing
- Spatial planning
- Land aquisition
- Local content utilization
- Government guarantee
- IT Monitoring system by KPPIP
- SOE appointment
- Debottlenecking
- Procurement acceleration
- Law settlement assistance
- Project acceleration for private investment

Existing | New norm on Presidential Regulation No. 109/2020

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

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

Electricity Program with focus on Renewables

1. Electricity Infrastructure Development (PIK) (which contains projects listed in RUPTL 2021-2030);
2. National Rooftop Solar Power Plant
3. Large-scale Solar Power Plant in Riau Islands

HIGHLIGHTED PSN PROJECTS WHICH ALIGNED WITH RECENT NATIONAL ESG (ENVIRONMENT – SOCIAL – GOVERNANCE) AGENDA (2/2)

EV Battery end-to-end Development Plant

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

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

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

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

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

2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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

HIGHLIGHTED PSN PROJECTS WHICH PROVIDE SUBSTANTIAL BENEFIT TO PRIVATE INVESTOR - SPECIAL ECONOMIC ZONES DEVELOPMENT (KEK) ON 18 LOCATION IN INDONESIA

19 SEZs AND ITS PRIMARY ACTIVITIES

1. Arun Lhokseumawe
North Aceh & Lhokseumawe, Aceh
(Government Regulation No. 35/2017 - February 2017)
Operating in December 2018
Primary Activities:
- Energy Industry
- Petrochemical and other chemical industry
- Palm Oil Industry
- Logging Industry
- Logistic

2. Sei Mangkei SEZ
Simalungun, North Sumatera
(Government Regulation No. 29/2012 - February 2012)
Operating in January 2018
Primary Activities:
- Palm oil Industry
- Rubber Industry
- Tourism
- Logistic

3. Batam Aero Technic SEZ
Batam, Riau Islands
(Government Regulation No. 67/2021 - June 2021)
Primary Activities:
- MRO Industry (Maintenance, Repair, Overhaul)

4. Nongsa SEZ
Batam, Kepulauan Riau
(Government Regulation No. 50/2021 - June 2021)
Primary Activities:
- IT-digital
- Tourism

5. Galang Batang SEZ
Bintan, Riau Islands
(Government Regulation No. 42/2017 - October 2017)
Operating in December 2018
Primary Activities:
- Bauxite Industry
- Logistic

6. Tanjung Kelayang SEZ
Belitung, Bangka Belitung
(Government Regulation No. 26/2015 - March 2015)
Operating in March 2019
Primary Activities:
Tourism

7. Tanjung Lesung SEZ
Pandeglang, Banten
(Government Regulation No. 26/2012 - February 2012)
Operating in February 2019
Primary Activities:
Tourism

8. Lido SEZ
Bogor, West Java
(Government Regulation No. 69/2021 - June 2021)
Primary Activities:
- Tourism
- Creative Industry

9. Kendal SEZ
Kendal, Central Java
(Government Regulation No. 85/2019 - December 2019)
Operating in May 2021
Primary Activities:
- Textile and Clothing Industry
- Furniture and Toy Industry
- Food and Beverage Industry
- Automotive Industry
- Electronic Industry
- Logistic

10. Gresik SEZ
Gresik, East Java
(Government Regulation No. 7/2021 - June 2021)
Primary Activities:
- Metal Industry (Copper and steel smelter)
- Energy Industry
- Electronic Industry
- Chemical Industry
- Logistic

11. Singhasari SEZ
Malang, East Java
(Government Regulation No. 68/2014 - September 2014)
Primary Activities:
- Tourism
- Digital Technology

12. Mandalika SEZ
Central Lombok, NTB
(Government Regulation No. 52/2014 - June 2014)
Operating in October 2017
Primary Activities:
Tourism

13. MBTK SEZ
East Kutai, East Kalimantan
(Government Regulation No. 85/2014 - October 2014)
Operating in April 2019
Primary Activities:
- Palm Oil Industry
- Energy Industry
- Logistic

14. Palu SEZ
Palu, Central Sulawesi
(Government Regulation No. 31/2014 - May 2014)
Operating in September
Primary Activities:
- Base Metal Industry
- Logistic

15. Likupang SEZ
North Minahasa, North Sulawesi
(Government Regulation No. 84/2019 - December 2019)
Primary Activities:
Tourism

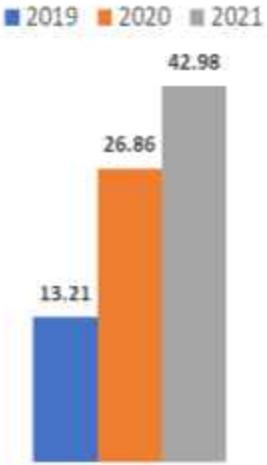
16. Bitung SEZ
Bitung, North Sulawesi
(Government Regulation No. 32/2014 - May 2014)
Operating in April 2019
Primary Activities:
- Coconut Processing Industry
- Fishery Industry
- Logistic

17. Morotai SEZ
Morotai Islands, North Maluku
(Government Regulation No. 50/2014 - June 2014)
Operating in April 2019
Primary Activities:
- Fishery Industry
- Tourism
- Logistic

18. Sorong SEZ
Sorong, West Papua
(Government Regulation No. 31/2016 - August 2016)
Operating in October 2019
Primary Activities:
- Nickel Smelter Industry
- Palm Oil Industry
- Forestry Sagoi Industry
- Logistic

SUMMARY OF THE 19 SPECIAL ECONOMIC ZONES PERFORMANCE *)

Investment Realization (IDR Trillion) 2019 - 2021



Investment Commitment

IDR 116.4 Trillion

27,800
Numbers of Employment

IDR 5.2 Trillion
Export Value in 2021

IDR 64.8 Trillion
Investment Realization (Tenant & Developer)

*) up to December 2021

MAIN TARGET OF SEZS

Increasing Export	Speed Up Development of Industry 4.0	Developing Under-Developed Regions	Develop Potential Service Industry	Improve Indonesia Balance of Trade
Focusing on industries which have GVC (fashion, automotive, furniture, etc.)	Focusing on industry with automation	Giving added value to raw materials such as mining or farming	Development industry in the field of IT, financial services, education & healthcare	Import substitution Industries, such as chemical, pharmaceutical, machinery & electronics

HIGHLIGHTED PSN PROJECTS WHICH PROVIDE SUBSTANTIAL BENEFIT TO PRIVATE INVESTOR – VARIOUS FACILITIES AND MODALITIES FOR SEZ INVESTORS

Investment Opportunities as Tenant

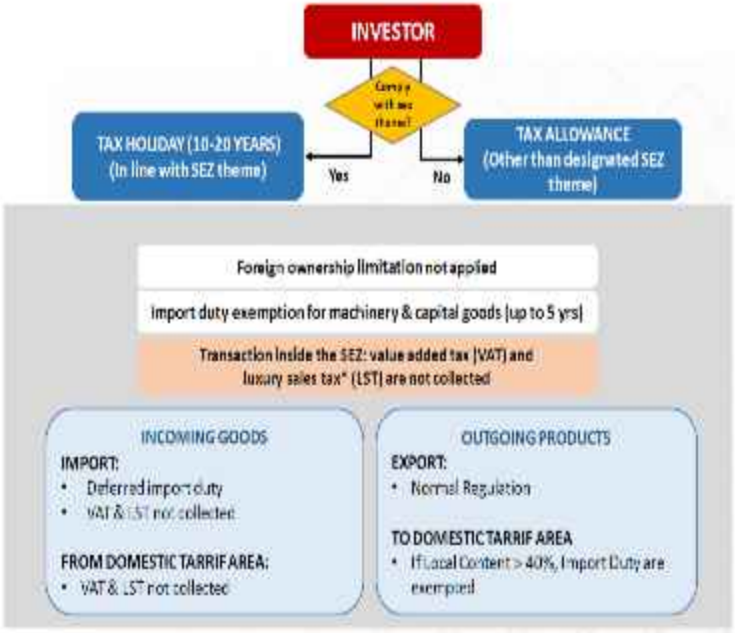
- Invest in SEZ Business Sectors (Industry: palm oil, rubber, petrochemical, agro, fishery, manufacturing, logistic, tourism, etc)

Investment Opportunities as Developer

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

Investment Opportunities as Infrastructure Provider

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



Various Initiatives to Boost Private Sector Participation in Infrastructure Sector Especially for National Strategic Projects

1

Public Private Partnership (PPP)

2

Limited Concession Scheme (LCS)

3

***Land Value Capture* (LVC)**

4

Other Creative Financing for Infrastructure

Institutional Reforms to Establish a Conducive PPP Ecosystem…

1

Public Private Partnership (PPP)

Institutional Reforms for PPP Implementation

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

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

Indonesia Infrastructure Guarantee Fund: Provides guarantee and supports project preparation

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

PPP Guarantee

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

Presidential Regulation 78/2010; MoF Regulation 8/2016

National Strategic Project (PSN) Guarantee

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

MoF Regulation 30/2021

SOE Credit Guarantee

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

MoF Regulation 101/2018

PPP Project Development Facility

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

MoF Regulation 180/2020

National Economic Recovery Program

Corporate Credit Guarantee

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

MoF Regulation 98/2021

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

MoF Regulation 211/2021

Government Commitment through Fiscal Support

Project Preparation

Project Development Facility (PDF)

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

Commitment

Contracting Agency (CA) Commitment

Through conversion from State Budget to PPP financing scheme

Viability of Project

Viability Gap Fund (VGF)

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

Availability Payment (AP)

MoF provides periodic payment scheme for non-commercial projects that greatly needed by public

Bankability

Sovereign Guarantee and Long-Term Financing

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

Land Support

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

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

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

1

Public Private Partnership (PPP)

PPP Projects under National Strategic Projects (PSN) – incl. PSN Programs
(Updated on 2023)

- Of these, 36 projects (53%) are Toll Road projects.

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

Highlighted Projects
Kediri Airport
PPP Unsolicited – Initiated by Private

Investment Value
USD 607 Million
(incl. land acquisition)

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

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

Limited Concession Scheme Stipulation as an Asset Recycling Scheme for Brownfield Infrastructure Asset

2

Limited Concession Scheme (LCS)

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

LCS Concept

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

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

Government guarantees the issuance of permits and licenses

Flexible operations allow **private sector to innovate and increase revenue**

LCS Principles

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

Technical Criteria for the LCS assets

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

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

LVC Scheme Implementation to Ease the Government Burden on Infrastructure Development

3

Land Value Capture (LVC)

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

Tax based LVC

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

Development Based LVC

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

LVC Benefit

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

Triple Win LVC

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

Source: KPPIP, Kemenko Perekonomian, Desember 2020

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

Government of Indonesia is Exploring the Potential of Pilot Project on LVC to Encourage Regional Government in Implementing LVC Scheme

3

Land Value Capture (LVC)

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

MRT Station Harmoni, DKI Jakarta	TOD Jurangmangu, Tangerang, Banten	Gedebage Area, Bandung, Jawa Barat	TOD Tawang Station, Semarang, Jawa Tengah	Sekanak – Lambidaro Area Development, Palembang, Sumatera Selatan
Value Capture Instrument: • FAR (Floor Area Ratio) Compensation • Betterment Levy	Value Capture Instrument: • Concession Fee • Betterment Levy	Value Capture Instrument: Betterment Levy	Value Capture Instrument: • Concession Fee • Betterment Levy	Value Capture Instrument: Betterment Levy

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

SDG Indonesia One is Launched by PT SMI as an Integrated Funding Platform for Private Investor

4

Other Creative Financing for Infrastructure

Profile of PT SMI

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

SDGs Initiative

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

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

Source: PT SMI, 2019

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

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

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

4

Other Creative Financing for Infrastructure

Legal basis

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

Development

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

Main Sectors of Investment

Toll Road

Airport

Health Services

Industrial Area

Seaports

Digital Infrastructure

Renewable Energy

Traditional Energy

Plantation

Development of INA's Progress

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

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

Other Financing Scheme and Modality – Capital/Secondary Market that Have Contribution as an Alternative Infrastructure Financing Instrument (Example)

4

Other Creative Financing for Infrastructure

Limited Mutual Fund
(RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

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

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

MARKET - Donald Banjarnahor, CNBC Indonesia

Example on RDPT Financing

1

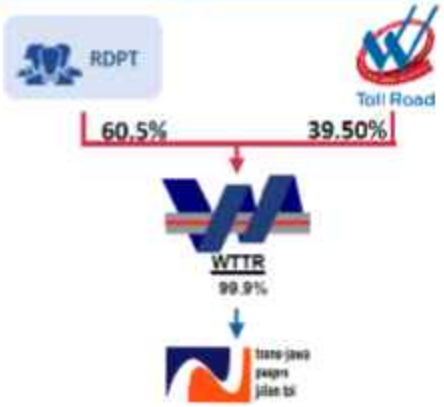
Summary of TPJT

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

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

Location: East Java

Ownership Structure



2

Summary of KKDM

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

Location: Greater Jakarta

Ownership Structure

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

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

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

LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

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

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

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

1 Commodity-based improvement framework

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

2 Strengthen Key-Enabler

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

3 Organizing action plans based on 6 key drivers

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

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

Key Drivers: Logistic Action Plan

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

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

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

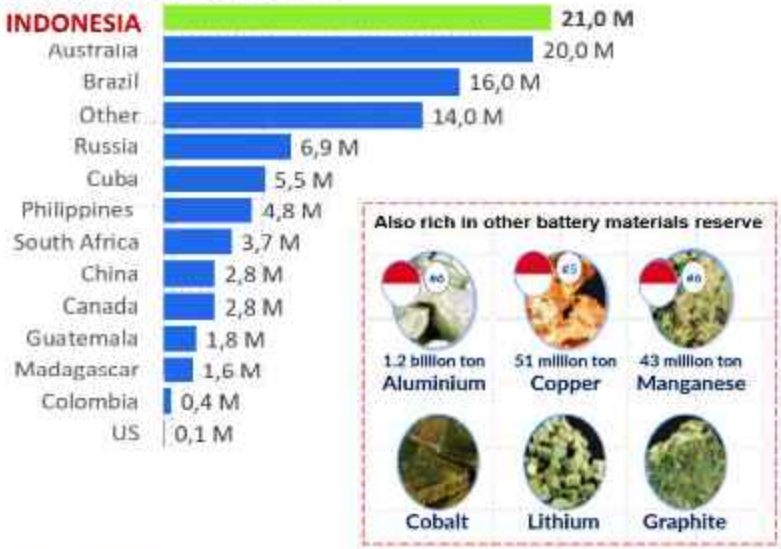
Human Resource Management → *Some programs include (a) The establishment of the National Occupational Map for Logistics and Supply Chain (b) Legalization of the Indonesian National Occupation Competency Standards*

Promoting the Development Of Nickel-based Industries to Become a Global Battery and EV Supplier

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

Potential: Indonesia's Nickel Reserves Are Abundant

Global Nickel Reserve



Benefits and Added Value of Nickel Downstream

Amount of Incentive for Battery-Based Electric Motorized Vehicles

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

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

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

Supporting Regulation

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

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

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

Investment Plan:

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

BritishVolt: Battery and electric vehicle industry, US$2 Billion

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

Indonesia will become an exporter of high value-added commodities

LG Energy Solution CATL BRITISHVOLT HYUNDAI BASF We create chemistry FOXCONN

Source: Ministry of Investment (BKPM)

Development Stages of the National Capital City

2020-2024
Initial transfer to IKN

- Critical basic infrastructure is completed and
- operational (eg water,
- energy, rail) for residents in the initial stages
- Build central infrastructure (e.g.
- Presidential Palace,
- MPR/DPR Building) and housing in the Main IKN area
- Transfer of early-stage ASN (eg TNI, Polri, K/L ASN)
- Initiation of priority
- economic sectors

2025-2035
Building IKN as a Resilient Area

- Developing the next phase of the city (e.g., innovation and economic centre)
- Completed the transfer of the IKN government centre
- Develop priority economic sectors
- Implement an incentive system for priority economic sectors
- Achieving the goals of the Sustainable Development Goals (SDGs)

2035-2045
Building the entire infrastructure and ecosystem of 3 cities to accelerate the development of East Kalimantan

- Expand urban development and complete connectivity between and within cities
- FDI Destination No. 1 for priority economic sectors in Indonesia
- Top 5 top destinations in Southeast Asia for global talent
- Encouraging sustainable utility networks by implementing circular economy enablers
- Developing a center for innovation and talent development

2045-onwards
Strengthening reputation as a "World City for All"

- To be the leading city in the world in terms of competitiveness
- Top 10 livable cities in the world
- Achieving net zero-carbon emissions and 100% renewable energy at installed capacity – the first city in the world with >1 million inhabitants to reach this target

Source: Coordinating Ministry for Economic Affairs

Visioning Nusantara – New Capital City of Indonesia

Vision

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

Recent Progress

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

New Capital City Planning Scheme

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

The Progress of New Capital City "Nusantara" Development

The Important Role of Establishment of IKN

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

Indonesia's New Economic Driver

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

Composition of Financing for the Capital of the Archipelago

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

Private Investment Cooperation

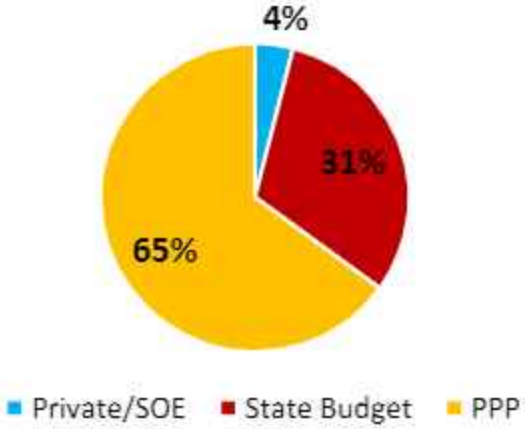
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant, hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

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

State Budget

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

Composition of Financing schemes



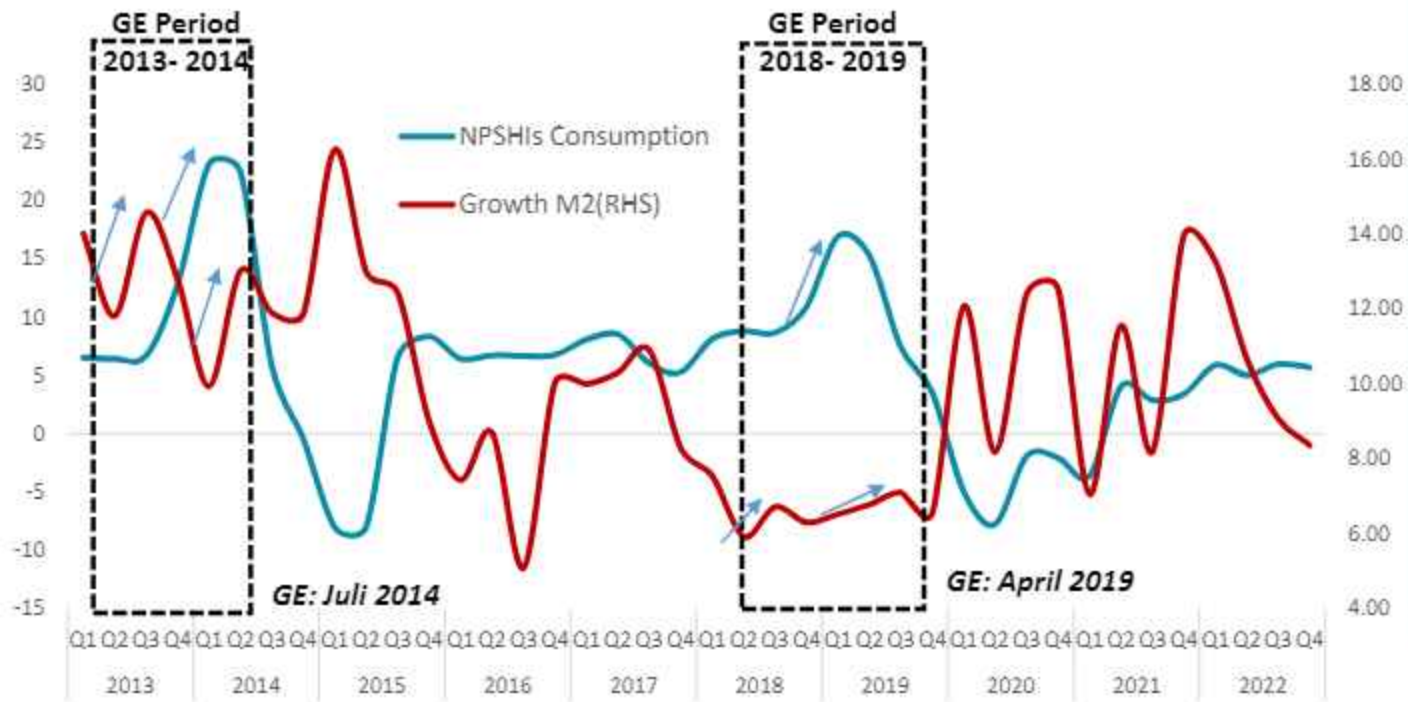
Source: Coordinating Ministry for Economic Affairs

The General Election Period Will Boost Economic Activity

> *"**Political Stability** is one of the keys to the success of economic achievement. **Indonesia is the third-largest democracy** in the world. Since 2004, **the people can directly elect** the president and members of parliament.*

	2004	2009	2014	2019
Number of parties	24	38	12	16
Presidential candidate's vote	60,6%	60,8%	53,2%	55,5%

NPSHIs consumption and M2 (money supply) increased during the election period (including the campaign period) in 2014 and 2019



Elections will drive the national and regional economy through:

1. **Increasing MSME economic activity until the campaign period through e-mail, printing, and various merchandise;**
2. **Election logistics costs;**
3. **Improvement of facilities and infrastructure (including infrastructure) to build public image;**
4. **Regional Original Revenue (PAD) through advertisement tax for the installation of billboards, banners, video trans, etc.;**

Section 3

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

Conducive Environment

Underpinning Improved Growth Fundamentals Amid Heightened Global Uncertainty

Large and Stable Economy

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

Consistent Budget Reform

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

Reform-Oriented Administration

New Economic Structure

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

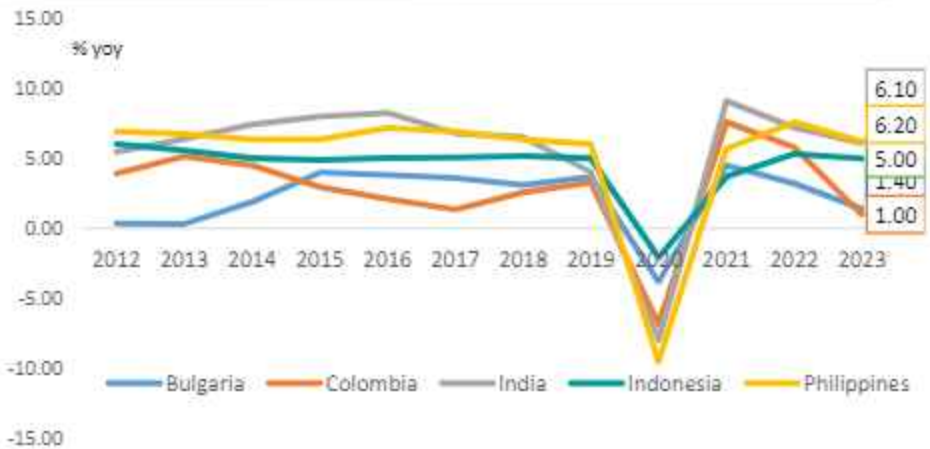
High Infrastructure Investments

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

Indonesia's Economic Growth Projected to Remains Solid and Resilient to Global Spillovers

Strong GDP Growth[1]

Favourable GDP Growth Compared to Peers[2]



1. Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
2. Source: World Economic Outlook Database – JULY 2023; * indicates estimated figure

*) Consensus Forecast number will be given later

Amidst increasing global uncertainty, Indonesia's economic performance remains solid and resilient to global spillover. Entering the second half of 2023, Indonesia's economy grew by 4.94 % (yoy) in the third quarter of 2023, after recorded a 5.17% (yoy) growth in the second quarter of 2023. The economic performance was supported by solid domestic demand. Household consumption growth recorded 5.06% (yoy) in line with increasing mobility, stable purchasing power, and a well maintained of consumer confidence. Meanwhile government consumption contracted by 3.76% (yoy) due to shifting personnel expenditures in Q2-2023. Overall investment recorded a higher growth at 5.77% (yoy), supported by improved construction investment in line with the continued infrastructure development in various regions, including the infrastructure development of Ibu Kota Nusantara (IKN). Nevertheless, exports contracted by 4.26% (yoy), given weaker global economy. **Economic growth also supported by sound performance across all economic sectors, particularly the manufacturing industry, wholesale and retail trade as well as construction. Spatially, the highest economic growth was recorded in the regions of Sulawesi-Maluku-Papua (Sulampua), Java, Kalimantan, Sumatera, and Bali-Nusa Tenggara (Balinusra)**. Robust economic growth is expected to persist in the fourth quarter of 2023, as reflected in a number of early indicators, such as consumer confidence, income expectations and the Manufacturing Purchasing Managers Index (PMI). Overall, economic growth in 2023 is projected in the 4.5-5.3% range before accelerating in 2024 as a corollary of solid consumer confidence, the upcoming general election and ongoing development of national strategic projects (PSN). Bank Indonesia will continue strengthening fiscal-monetary stimulus synergy with macroprudential stimuli to drive economic growth, particularly from the demand side.

2023 Growth Projection *)

Institutions	GDP growth
2023 Budget	5.3
Bank Indonesia	4.5-5.3
Consensus Forecast (November 2023)	5.0
World Bank (GEP, June 2023)	4.9
IMF (WEO, October 2023)	5.0
ADB (Asian Development Outlook, September 2023)	5.0

GDP Growth Breakdown

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

By expenditure	2018					2019					2020					2021*					2022**					2023***		
	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	5,2	5,0	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	3,6	2,0	4,3	5,5	5,4	4,5	4,9	4,5	5,2	5,1
Non profit HH. consumption	8,1	8,8	8,7	10,9	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-1,9	-1,9	-4,2	-3,6	4,1	2,9	3,2	1,6	5,9	5,0	6,0	5,7	5,6	6,2	8,6	6,2
Government consumption	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,9	-6,5	9,8	1,9	2,1	2,6	8,2	0,6	5,3	4,2	-6,6	-4,6	-2,6	-4,8	-4,5	3,3	10,6	-3,8
Gross Fixed Cap. Formation	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	-5,0	-0,2	7,5	3,8	4,5	3,8	4,1	3,1	5,0	3,3	3,9	2,1	4,6	5,8
Exports	5,8	7,4	8,3	4,6	6,5	-1,1	-1,2	0,9	-0,6	-0,5	0,4	-13,6	-12,7	-7,4	-8,4	2,2	28,4	20,7	22,2	18,0	14,2	16,4	19,4	14,9	16,3	11,9	-3,0	-4,3
Imports	12,5	15,2	14,2	7,4	12,1	-5,8	-5,9	-8,5	-8,1	-7,1	-6,0	-21,3	-25,0	-17,6	-17,6	5,2	33,2	31,1	32,6	24,9	16,0	12,7	25,4	6,3	14,7	3,7	-3,1	-6,2
GDP	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	5,0	3,7	5,0	5,5	5,7	5,0	5,3	5,0	5,2	4,9

GDP Growth by Sector (%, YoY)

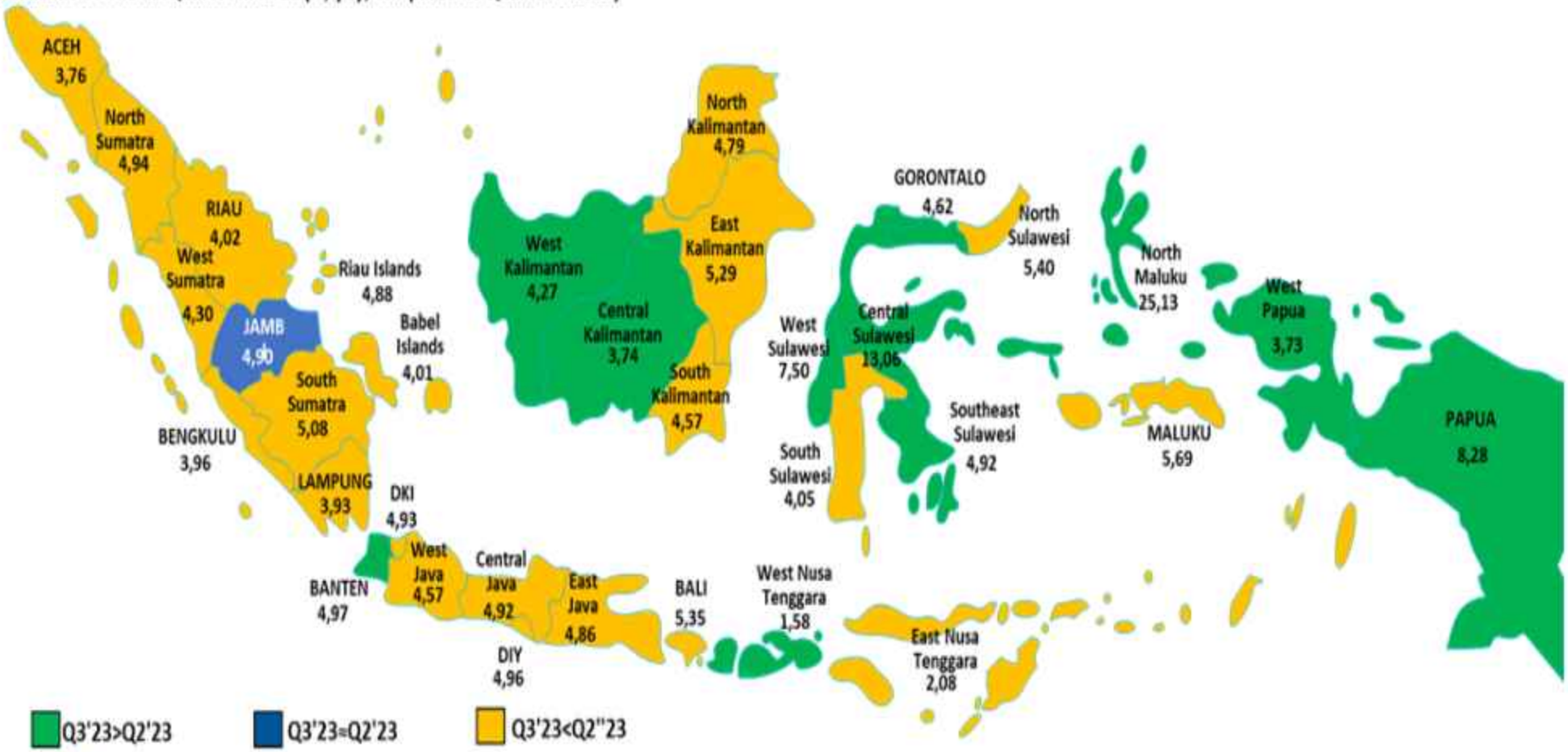
By sectors	2018					2019					2020					2021*					2022**					2023***		
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
Agriculture, forestry, and fishery	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	3,5	0,6	1,4	2,3	1,9	1,2	1,7	2,0	4,5	2,3	0,4	2,0	1,5
Mining and Quarrying	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	5,2	4,0	3,8	4,0	3,2	6,5	4,4	4,9	5,0	7,0
Manufacturing	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	4,9	3,4	5,1	4,0	4,8	5,6	4,9	4,4	4,9	5,2
Construction	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	3,9	2,8	4,8	1,0	0,6	1,6	2,0	0,3	5,2	6,4
Wholesale and Retail Trade, Repair of Car and Motorcycle	5,0	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,5	-7,7	-5,1	-3,7	-3,8	-1,3	9,5	5,1	5,5	4,6	5,7	4,4	5,4	6,6	5,5	4,9	5,3	5,1
Transportation and Storage	8,5	8,7	5,7	5,5	7	5,4	5,8	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,1	-13,1	25,1	-0,7	7,9	3,2	15,8	21,3	25,8	17,0	19,9	15,9	15,3	14,7
Information and communication	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	11,0	10,6	8,7	6,9	5,5	6,2	6,8	7,2	8,1	7,0	8,7	7,7	7,1	8,0	8,5
Financial service	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	-2,6	1,6	1,6	1,5	0,9	3,8	1,9	4,4	2,9	5,2
Other Services*	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,3	-1,4	-1,7	-1,2	-2,5	9,8	-0,8	3,4	2,3	3,3	4,0	7,9	4,9	5,0	4,5	7,1	3,3
GDP	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	5,0	3,7	5,0	5,5	5,7	5,0	5,3	5,0	5,2	4,9

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

Economic Performance in All Regions Remains Solid

In the third quarter of 2023, the economy grew 4.94% (yoy), down from 5.17% (yoy) in the previous period

Realization of PDRB Quarter III 2023 (%, yoy; compared to Quarter II 2023)



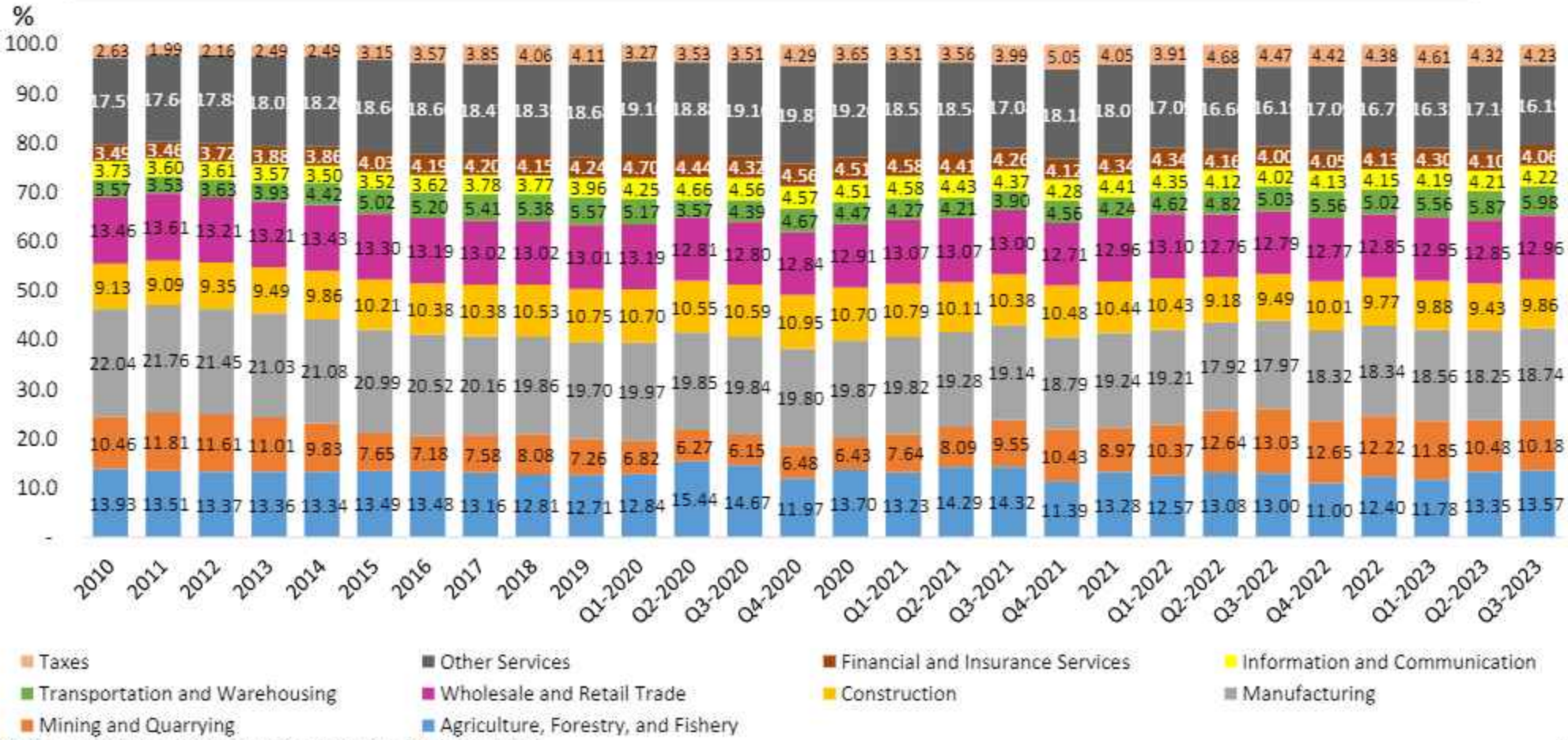
Source: BPS, calculated

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

Economic Performance in Most Sectors Continue to Improve

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

Indonesia's GDP Share (%)



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

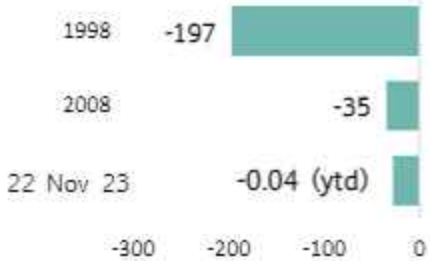
Solid Fundamentals Facing the Headwinds

Inflation Rate (%)

Inflation remain under control within the target range

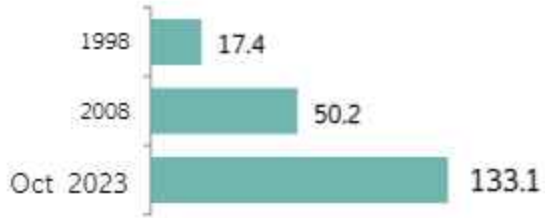
IDR Movement (%)

IDR movement year-to-date exceeding Other developing economies currency performance



Foreign Reserves (USD bn)

Significantly higher than 1998 & 2008, ample to cover 5.9 months of import and external debt repayment

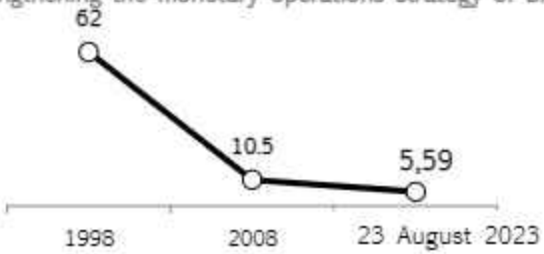


Non-Performing Loan/NPL (%)

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

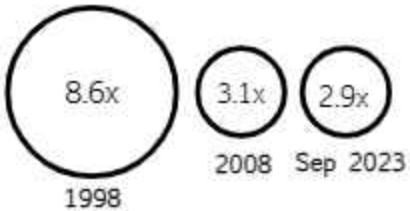
More Liquid Market (%)

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



External Debt (Public & Private) to FX Reserve Ratio

Significantly lower than 1998 crisis

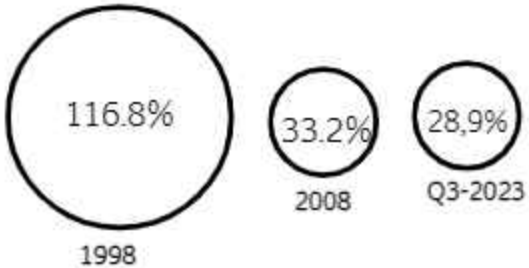


Government Debt*/GDP

Consistently well-maintained

External Debt/GDP

Significantly lower than 1998 crisis



*) Domestic & Forex

Outlook of Domestic Economy Remains Solid

...strong economic growth projected to continue in 2023, and further accelerate in 2024 amid global uncertainty

2023 - 2024 Economic Outlook

- Bank Indonesia projects economic growth in 2023 continue to accelerate to the range of 4.5-5.3% in 2023, before accelerating to the range 4.7-5.5% in 2024
- Bank Indonesia is confident that inflation will remain under control in the 3.0%±1% target this year, and 2.5%±1% in 2024.
- Bank Indonesia projects Balance of Payment (BOP) to remain sound, supported by a manageable current account maintained in the range of a 0.4% surplus to a 0.4% deficit of GDP in 2023, and in the range of a 0.1-0.9% deficit of GDP in 2024.
- Bank Indonesia projects credit growth in 2023 will grow by 9-11%, before accelerating to 10-12% in 2024

	Economic Growth	Inflation	CAD (% of GDP)	Credit Growth
2019 Realization	5.02%	2.72%	2.71%	6.08%
2020 Realization	-2.07%	1.68%	0.4%	-2.4%
2021 Realization	3.69%	1.87%	surplus 0.3%	5.24%
2022 Realization	5.31%	5.51%	surplus 1.0%	11.35%
2023	4.5-5.3%	3.0±1%	surplus 0.4% - deficit 0.4%	9-11%
2024	4.7-5.5%	2.5±1%	Deficit 0.1% - Deficit 0.9%	10-12%

Source : Bank Indonesia

Section 4

External Factor:
Improved External Resilience

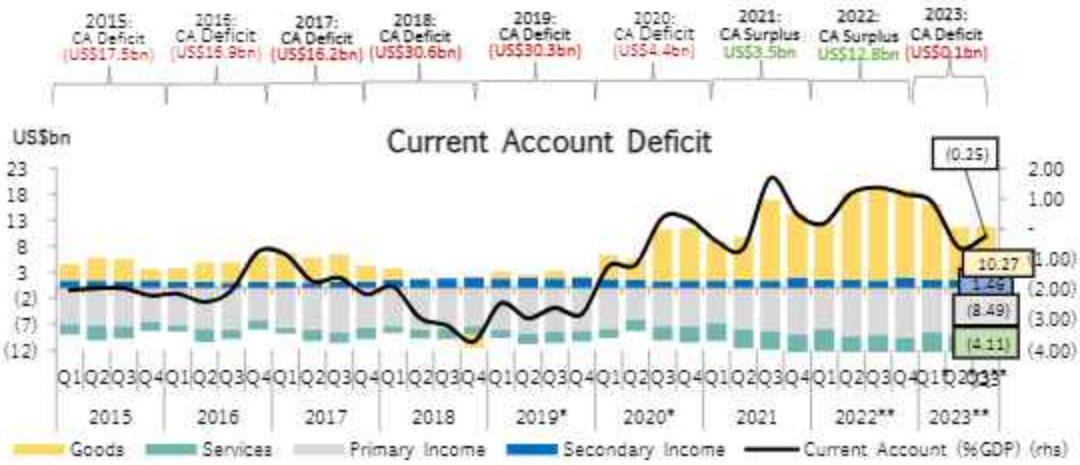
External Sector Remains Resilient

… Supported by Adequate Reserves and Sound Balance of Payments

Balance Of Payment Remains Solid

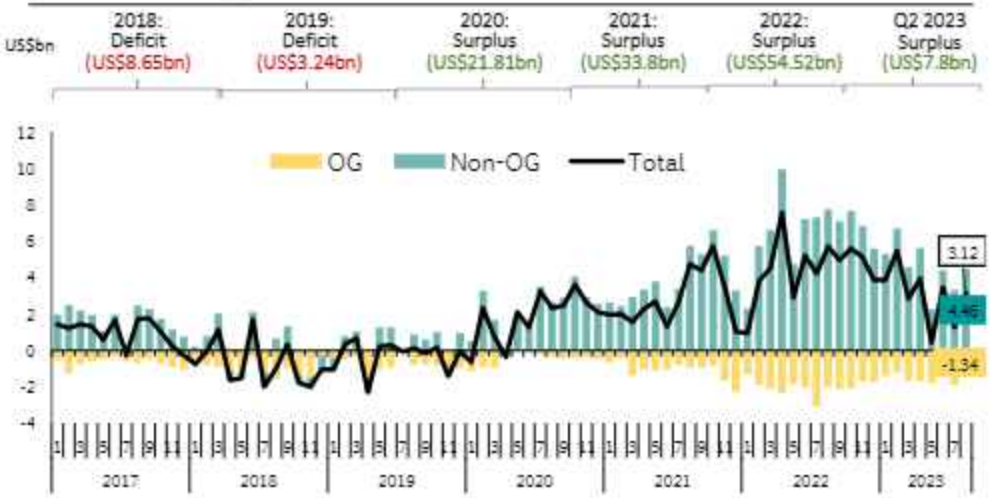
Source: Bank Indonesia

Current Account Recorded Low Deficit



Source: Bank Indonesia

Trade Balance Surplus Continues



Source: BPS

* Preliminary Figure ** Very Preliminary Figure

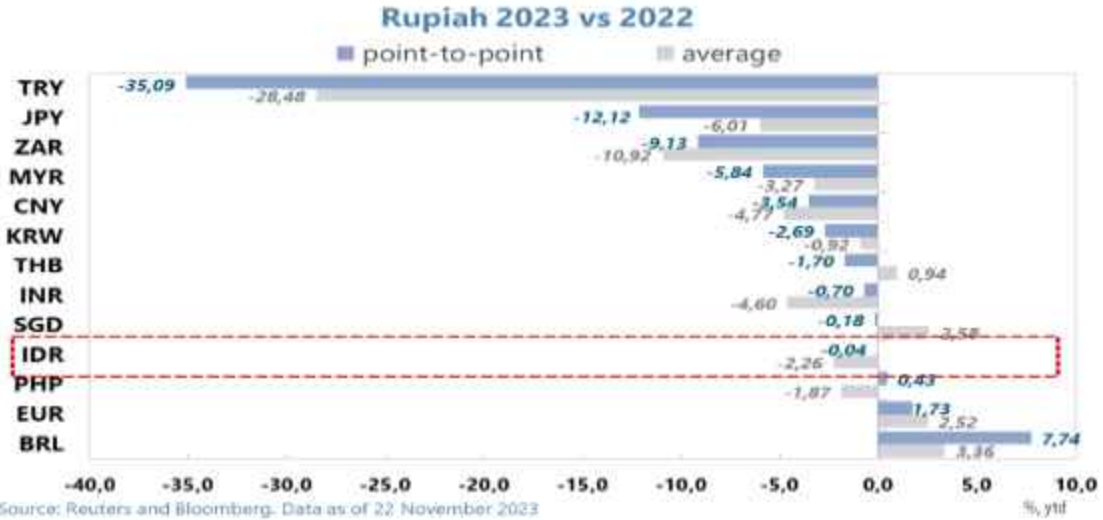
Official Reserve Assets Increased to Reinforce External Sector Resilience

Source: Bank Indonesia

Exchange Rate Movement In Line With BI Stabilization Measures

Movement of Rupiah

Rupiah Exchange Rate Volatilty



Source: Reuters and Bloomberg. Data as of 22 November 2023

As of 22nd November 2023, the rupiah gained 1.99% in value against the level recorded at the end of October 2023. Year-to-date, the rupiah is stable, with modest 0.04% depreciation from the level at the end of December 2022, thereby outperforming the Indian rupee, Thai baht and Malaysian ringgit, which recorded 0.70%, 1.70% and 5.84% depreciation respectively in the reporting period

Rupiah appreciation stemmed from foreign capital inflows to domestic financial markets in line with positive investor perception concerning the promising national economic outlook, accompanied by maintained stability and attractive yields on domestic financial assets for investment, despite persistently high global financial market uncertainty. Moving forward, Bank Indonesia will continue strengthening rupiah stabilisation policy in line with the currency's fundamental value to control imported inflation. **In addition, Bank Indonesia will optimise the "pro-market" MO strategy through the SRBI and SVBI instruments to enhance liquidity management at domestic financial institutions and attract portfolio inflows from abroad.** Meanwhile, Bank Indonesia continues strengthening coordination with the Government, banking industry and business community to support the effective implementation of instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 (PP DHE SDA).

Ample Lines of Defense Against External Shocks

Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of of October 2023: **US$133.1 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

- Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 100 tn (equivalent) in November 2022

China

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

Malaysia

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

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

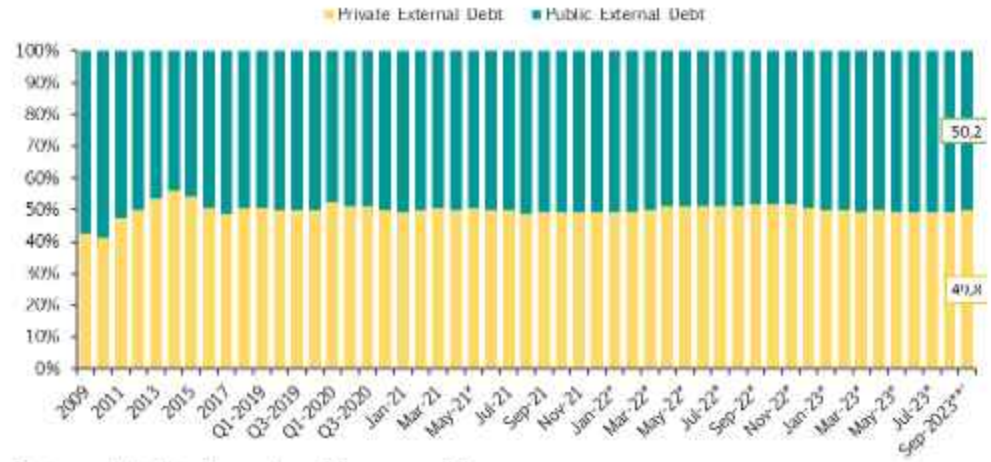
IMF Global Financial Safety Net - GSFN

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

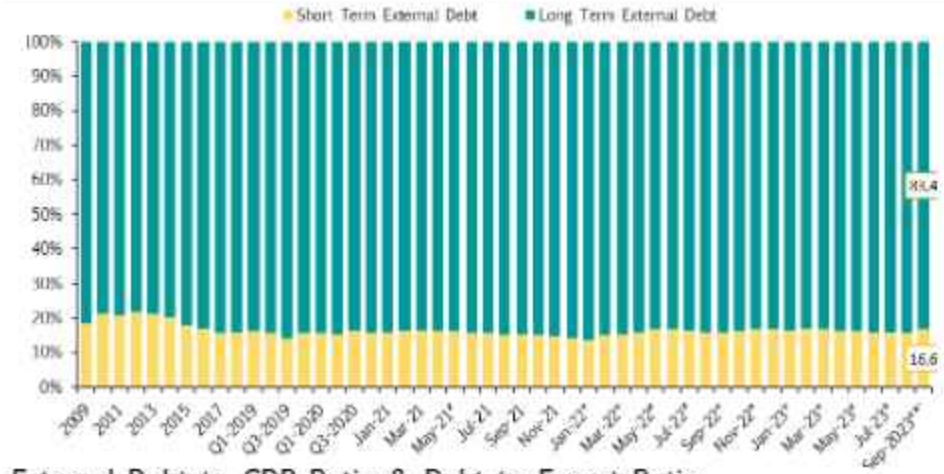
Source: Bank Indonesia

Healthy External Debt Profile

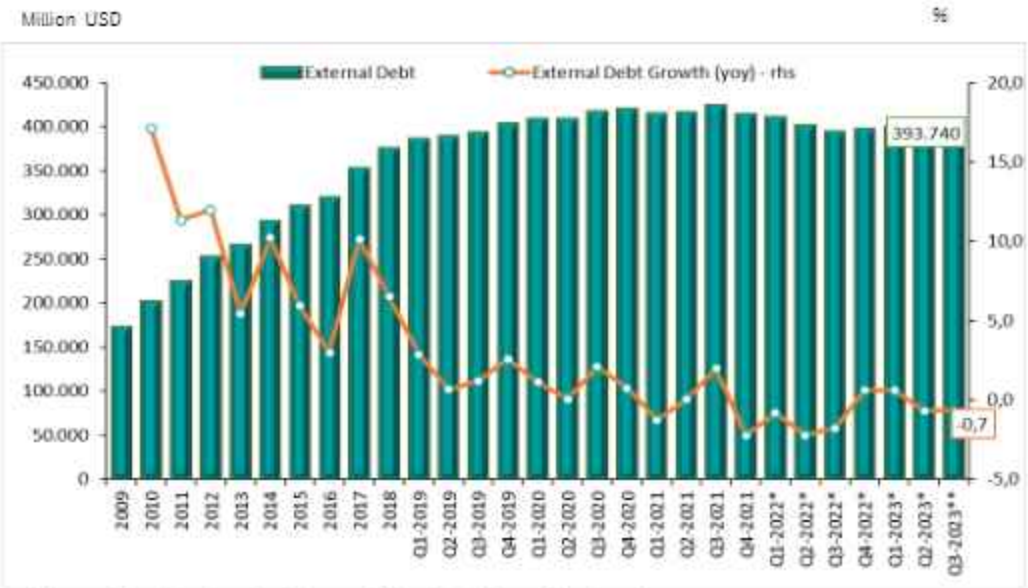
External Debt Structure



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



External Debt Remains Manageable



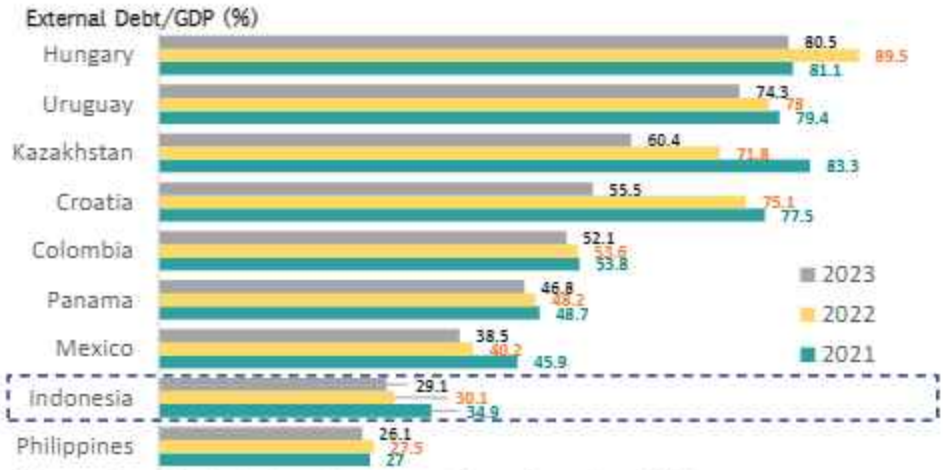
External Debt to GDP Ratio & Debt to Export Ratio

Source: Bank Indonesia, External Debt Statistics of Indonesia

*Provisional Figures **Very Provisional Figures

Strengthened Private External Debt Risk Management

Lower Debt Burden Indicator (External Debt/GDP) Compared to Peers Rating



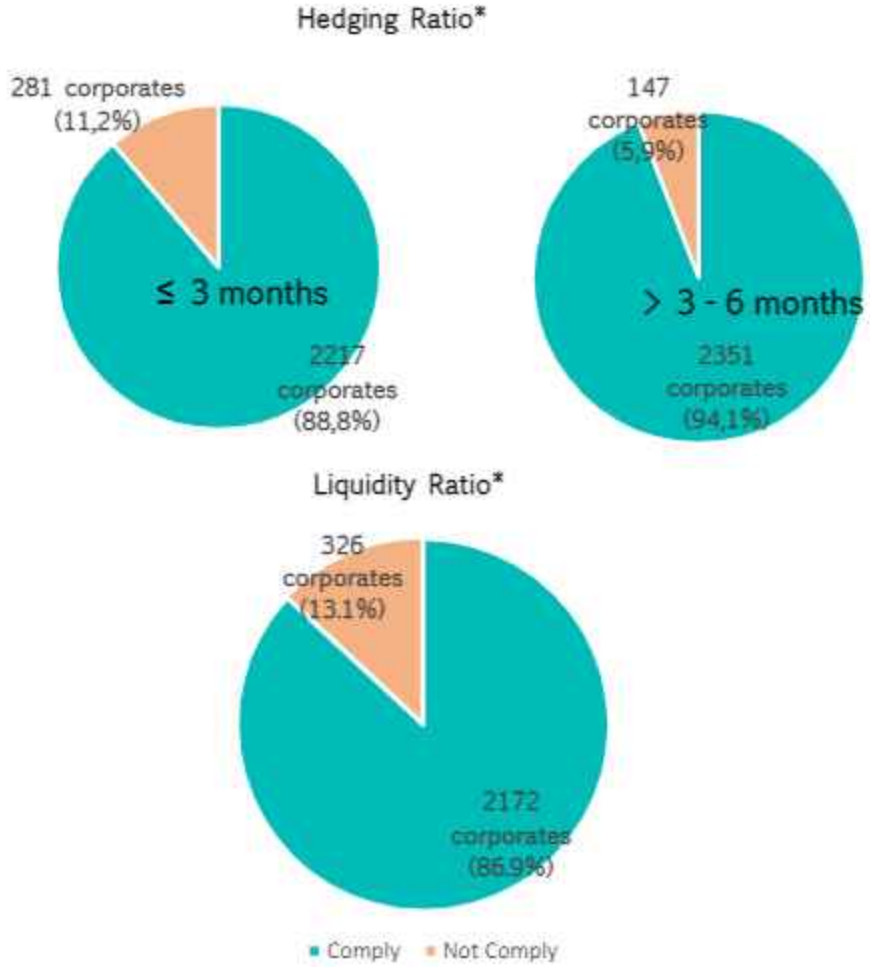
Source: Moody's Credit View Fundamental Data, September 2023

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



*Data as of Q1-2023, with total population 2,498 corporates

Source: Bank Indonesia

Section 5

Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility

SOLID BUDGET PERFORMANCE CONTINUES

The budget deficit returned to below 3% GDP one year earlier than the initial target

Account (IDR Tn)	2022		2023				
	Audited	Growth[1] (%)	Budget	Growth[2] (%)	Real. 31st Oct	% to Budget	Growth (%)
Revenue	**2,635,8**	**30.6**	**2,463.6**	**(6.2)**	**2,240.1**	**90.9**	**2.8**
Tax Revenue	2,034.6	31.4	2,021.2	(0.7)	1,744.6	86.3	2.5
Non Tax Revenue	595.6	28.3	441.4	(25.0)	494.2	112.0	3.7
Expenditure	**3,096.3**	**10.9**	**3,061.2**	**(1.0)**	**2,240.8**	**73.2**	**(4.7)**
Central Government Expenditure	2,280.0	13.7	2,246.5	(1.2)	1,572.2	70.0	(5.9)
Transfer to Region	816.2	3.9	814.7	(0.2)	668.5	82.1	(1.6)
Primary Balance	**(74.1)**	**(81.9)**	**(156.8)**	**(101.0)**	**365.4**	**(233.1)**	**153.0**
Surplus (Deficit)	**(460.4)**	**(40.1)**	**(598.2)**	**(28.8)**	**(0.7)**	**0.1**	**(99.6)**
% to GDP	*(2.35)*		*(2.84)*		*(0.003)*		
Financing	**591.0**	**(33.1)**	**598.2**	**2.5**	**168.5**	**28.2**	**(61.8)**

Source: Ministry of Finance.
Note: 1. % Growth of 2021 Budget Realization, 2. % Growth of 2022 Budget Realization

Government Revenue

The government's revenue goal considers the **moderating effects of commodity prices** and **the potential non-recurrence of certain revenue sources** such as the Voluntary Disclosure Program.

Government Expenditure

The government's spending priorities are geared **towards enhancing productivity and safeguarding the public**, with adequate budget support provided to preserve citizens' purchasing power through energy subsidies and compensation programs.

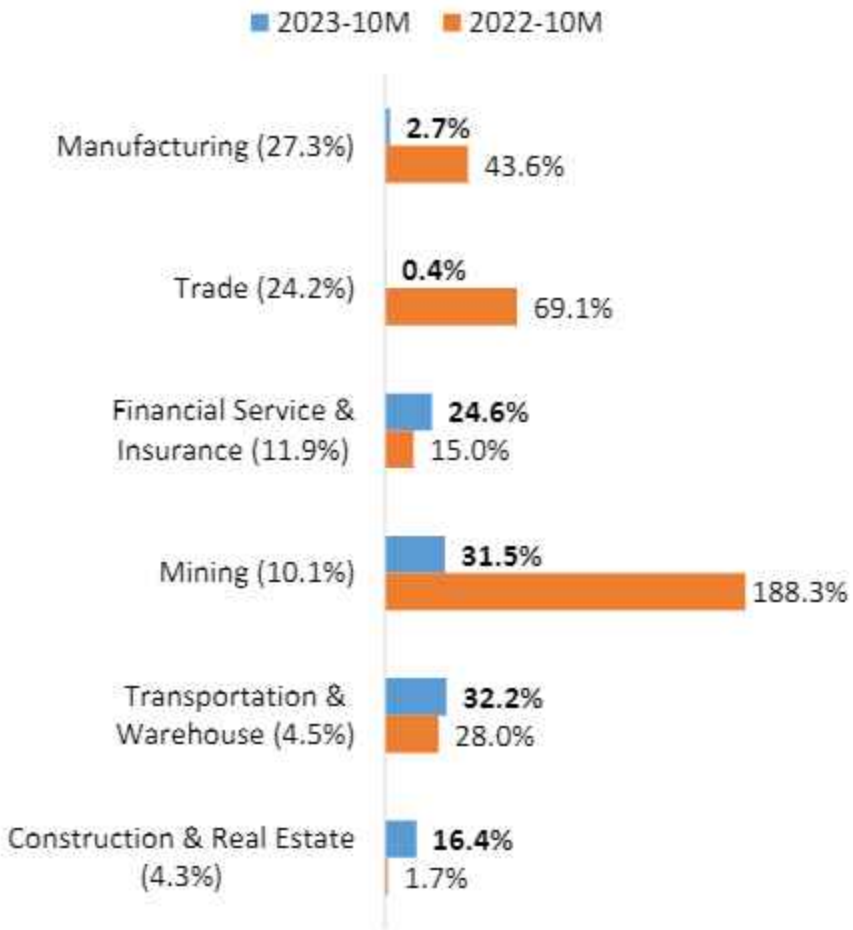
Government Financing

Addressing the challenges posed by global financial market volatility and the possibility of increased debt costs.

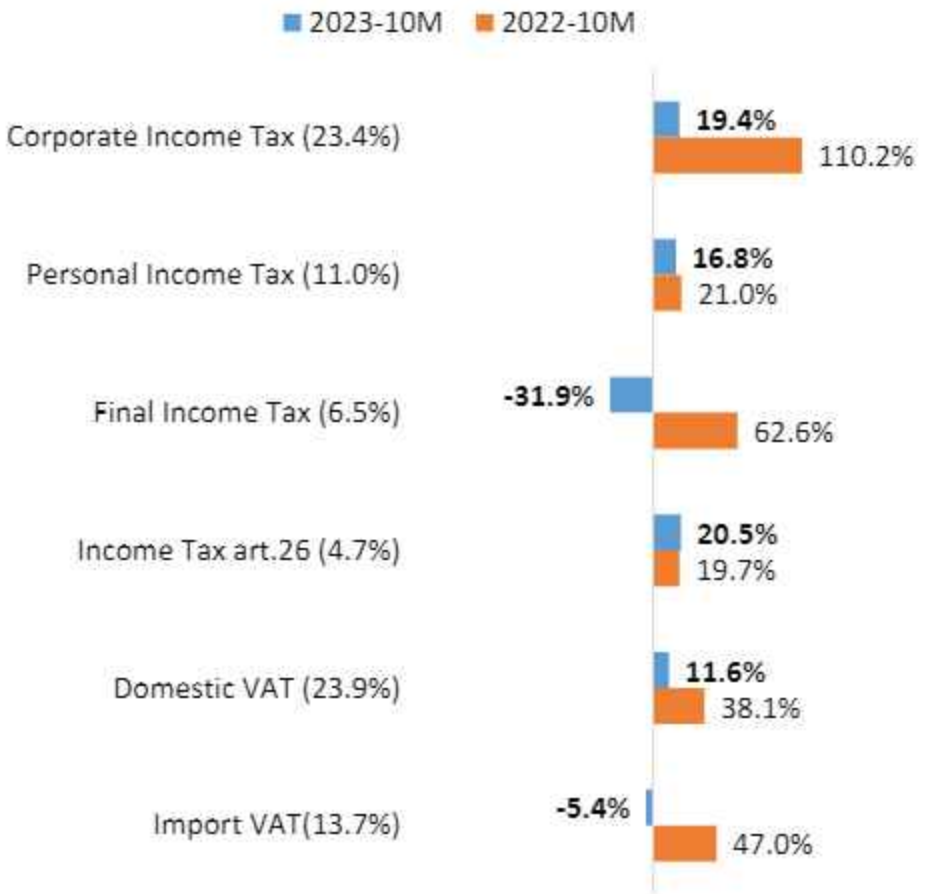
SOLID BUDGET PERFORMANCE SUPPORTED BY SUSTAINED REVENUE COLLECTION

Remained robust economic activities and gained from the tax reforms have sustained revenue collection amid moderating commodity prices

Positive Growth in Main Sector Tax Revenue (CtC)



Positive Growth in Main Sector Tax Revenue (CtC)



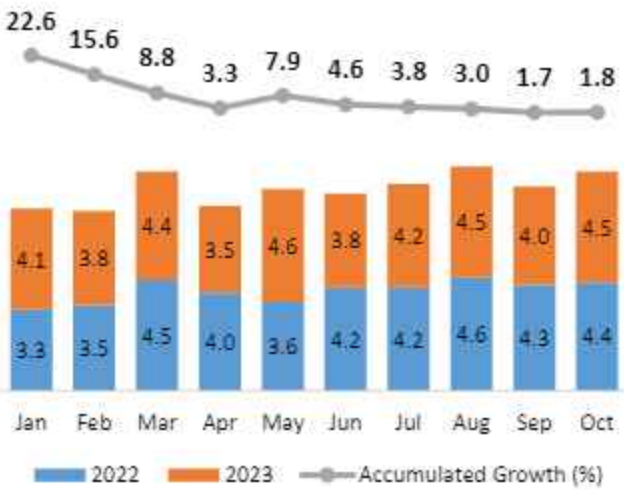
Source: Ministry of Finance, YTD October 2023

CUSTOMS AND EXCISE REVENUE CONTRACTION

Impact of Global Commodity Price Decline and Tax Control Policies Amid Sustained Domestic Economic Activity

IMPORT DUTY
IDR 41.4T
87.1% of Budget

IDR Trillion



Trade balance grew 1.8% (YoY) until October, despite a -7.8% contraction in imports: effective tariff rate increased to 1.4%, USD strengthened by 3.5% (YoY), and growth in key imports like four-wheeled vehicles and rice, while gas, spare parts, and mining machinery declined.

EXPORT DUTY
IDR 9.7T
94.7% of Budget

IDR Trillion

Revenue from exports until October 2023 declined by -74.4% (YoY) due to:

- Palm oil product exports decreased by -81.9% (YoY) due to price drops despite volume growth.
- Copper exports fell by -31.0% (YoY) due to a decline in copper export volume (-7.9% YoY).
- Bauxite exports plummeted by -88.3% (YoY) due to export halts since March.

EXCISE
IDR 169.8T
69.2% of Budget

IDR Trillion

Tobacco Product Excise
IDR163.2T (70.2% of Budget)

Alcoholic Beverage Excise
IDR 6.3T (72.9% of Budget)

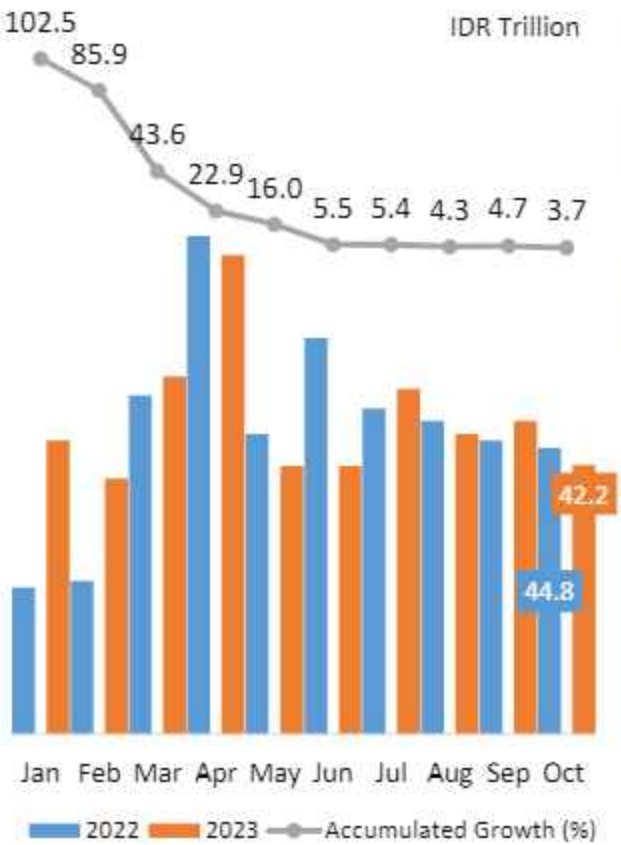
Revenue from Tobacco Products until October declined by 4.3% (YoY) due to:

- A 2.1% decrease in production until August (YoY).
- A 0.9% decline in the weighted average tariff due to reduced production of SKM and SPM Grade 1.

Source: Ministry of Finance

NON-TAX REVENUE REALIZATION HAS REACHED THE BUDGET TARGET AMIDST COMMODITY PRICE FLUCTUATIONS

This achievement is primarily attributed to the increase in Non-Oil and Gas Natural Resources Revenue, Separated State Wealth Revenue, and Non-Budgetary Revenue.



Oil & Gas IDR 97.8T

74.6% of Budget

Contraction is caused by a **decrease in ICP and oil lifting**

The increase is due to the adjustment of coal production royalty fees in accordance with the implementation of **Government Regulation 26/2022.**

Up to 31st October

Non Oil & Gas IDR 116.8T

180.3% of Budget

2022 2023 Cumulative Growth YoY

Separated State Assets IDR74.2T

150.9% of Budget

The increase is contributed by the dividend payments **from state-owned enterprises in both banking and non-banking sectors.**

Other Non Tax Revenues IDR133.4T

117.8% of Budget

Contraction is caused by **a decrease in non-tax revenue and crude oil revenue (Domestic Market Obligation or DMO)**

Public Service Agencies IDR 72.0T

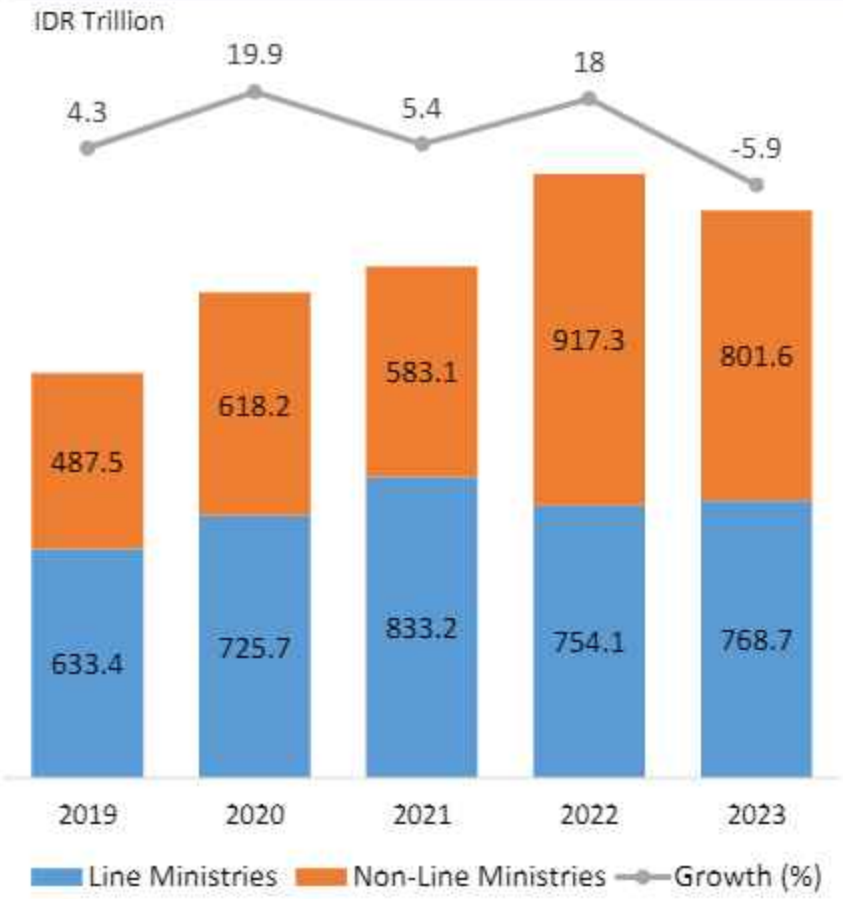
86.7% of Budget

The main contraction comes from a increase in **the management of funds for palm oil plantations**

Source: Ministry of Finance

CENTRAL GOVERNMENT EXPENDITURE PERFORMANCE

Central Government Expenditure as of October 2023



Central government spending until October 2023 has been realized at IDR 1,572.2 trillion (70.0% of the allocation), comprising:

1. **Line Ministries Spending IDR768.7 T* (76.8% of Budget)**

   Support for the preparation of election implementation, the development of the New Capital City (IKN) program, acceleration of priority infrastructure completion, and
   the distribution of various social assistance.

   *) Realization of personnel expenses, goods expenses, capital expenses, and social assistance expenses.

2. **Non- Line Ministries Spending IDR803.6 T (64.5% of Budget)**

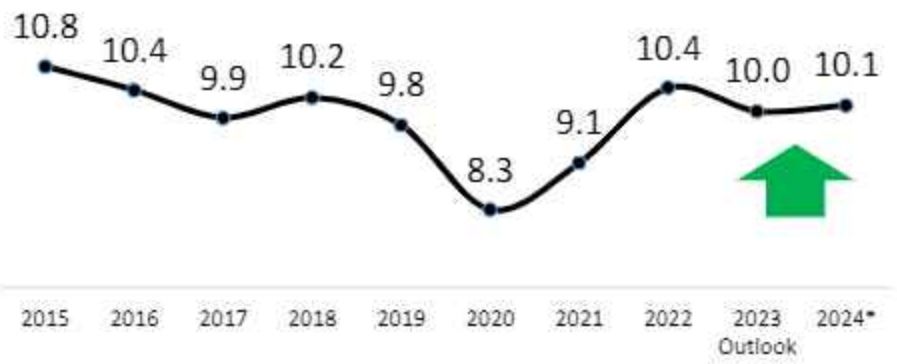
   Realization of subsidies and compensations (for fuel and electricity), the Pre-Employment program, as well as fertilizer subsidies.

Source: Ministry of Finance

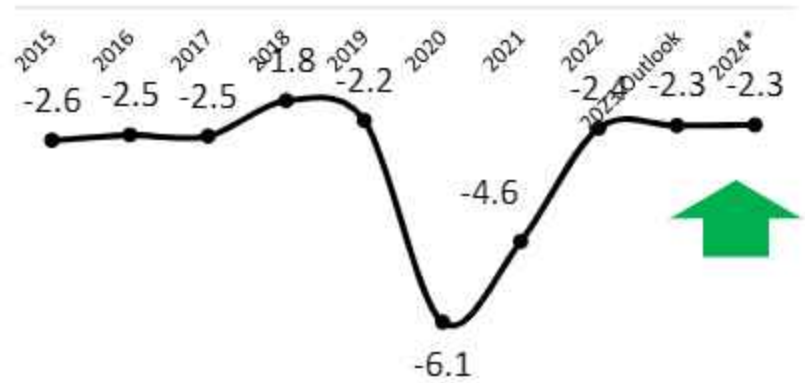
STRONGER BUDGET PERFORMANCE HAS EASED FISCAL PRESSURES

Fiscal position has continued to improve

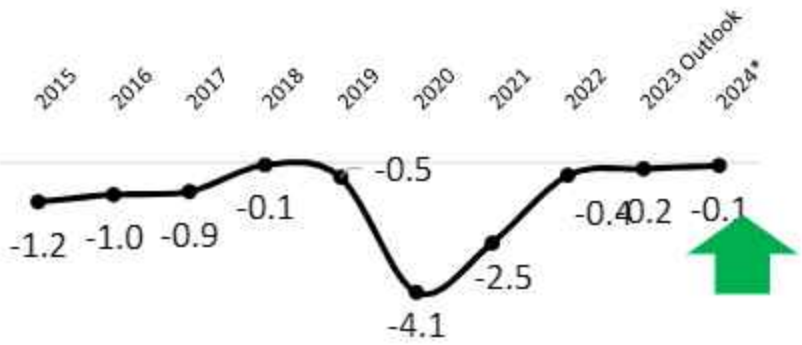
Tax ratio increases in line with stronger recovery (% GDP)



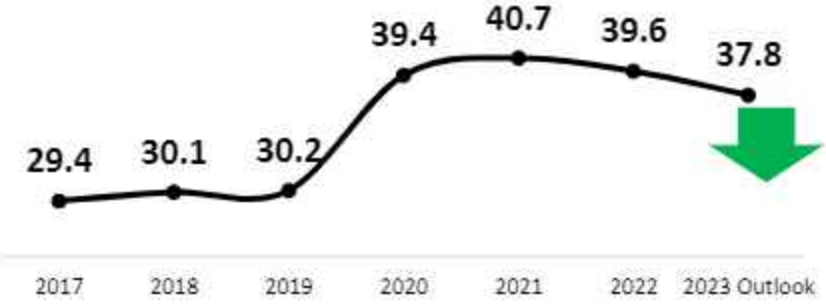
Overall budget position improved significantly (% GDP)



Primary Balance is trending up (% GDP)



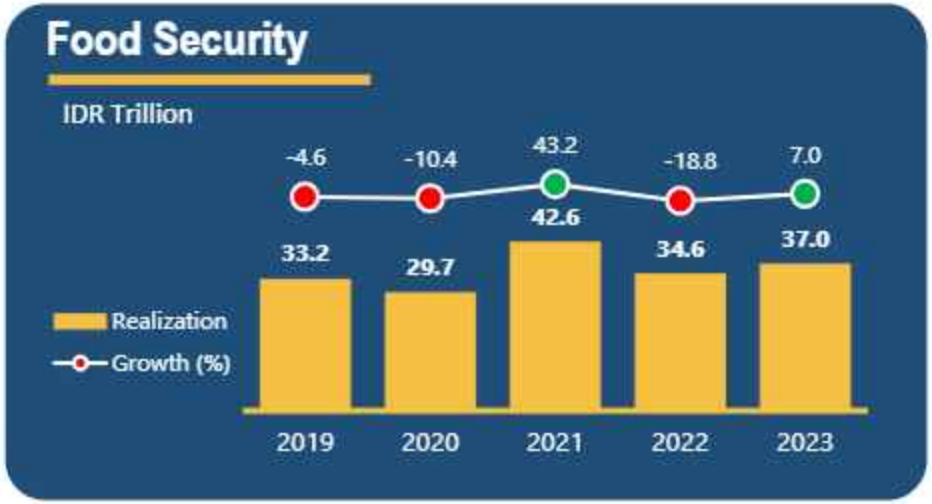
Fiscal pressures has eased (% of GDP)

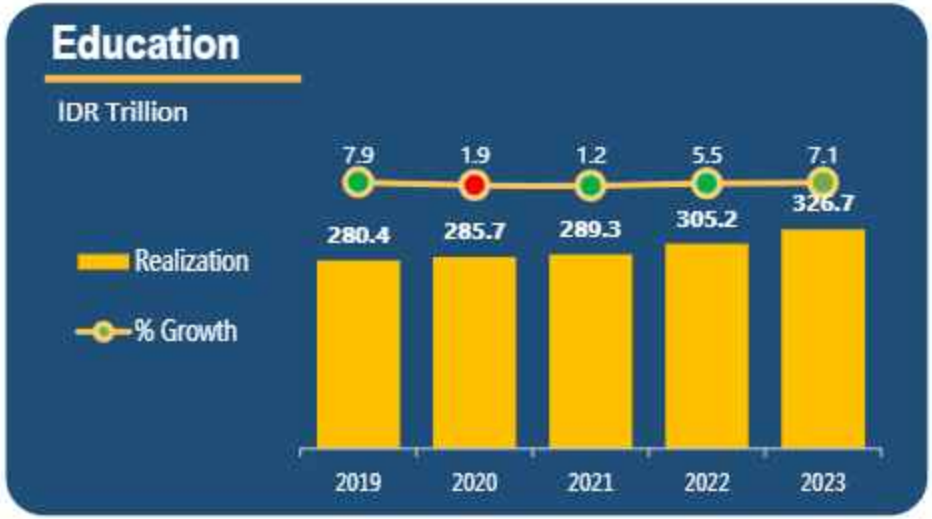


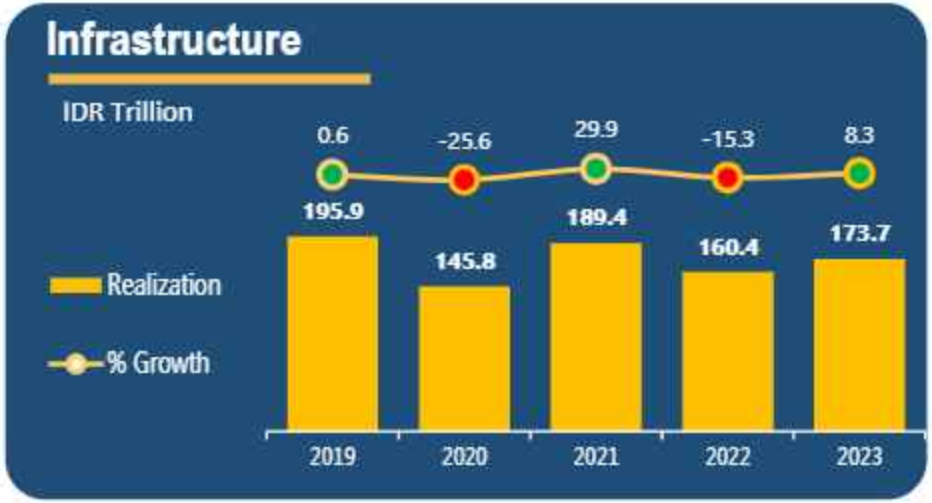
Source: Ministry of Finance

Note: *2024 Proposed Budget

STRATEGIC FOCUS FOR 2023: PRIORITIZING HEALTH, FOOD SECURITY, HUMAN CAPITAL, AND INFRASTRUCTURE DEVELOPMENT





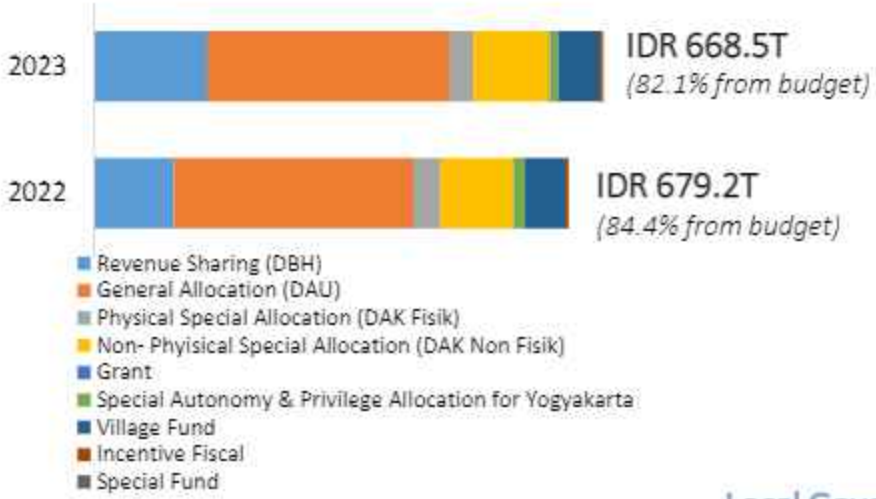


Source: Ministry of Finance, YTD 31 Aug 2023

INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

Transfer to Region Fund

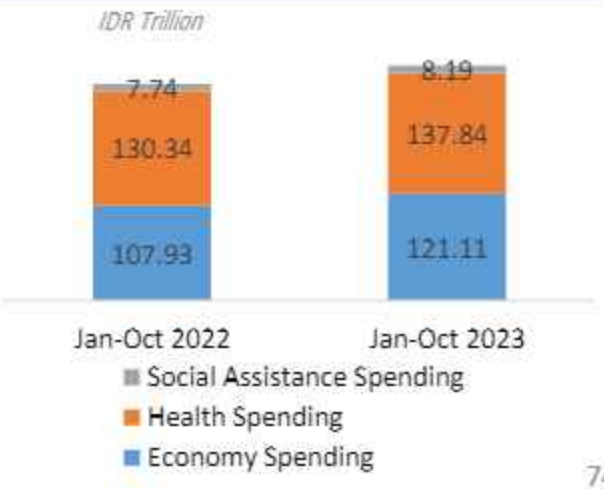
(January – October)



- DAU is higher due to the disbursement of the third stage of DAU in the Education, Health, Public Works sectors, including DAU for PPPK salaries.
- Non-Physical DAK is higher due to increased compliance in delivering disbursement requirements.
- Fiscal incentives are higher due to the distribution of 50% of the Rp3.0 trillion Performance Welfare Incentive.
- Village Fund performance is better with the additional Village Fund (incentive) starting in October.
- Special Fund is slightly higher due to a 2023 allocation increase of Rp100 trillion compared to 2022.
- DBH is lower, mainly because there was a disbursement of Rp22.9 trillion for the Family Planning Program on October 31, 2022.
- Special Autonomy Fund is lower due to the reduction in Aceh allocation from 2% to 1% of the National DAU

Local Government Performance

Regional Government expenditure performance grew 7.1% (YOY) alongside improved spending absorption. Regions need to continue maintaining this good realization performance until the end of the year



Source: Ministry of Finance

BUDGET FINANCING CONTROLLED AMID GLOBAL MARKET VOLATILITY & GOVERNMENT LIQUIDITY

Financing Realization as of end September 2023

Domestic Loan (Net)
IDR 7.92 T

- Domestic Loan Withdrawal (Gross) **IDR 10.11T**
- Domestic loan principal installment financing **IDR (2.19T)**

Foreign Loan (Net)
IDR 10.28 T

- Foreign Loan Withdrawal (Gross) **IDR 78.33T**
- Foreign loan principal installment financing **IDR (68.05T)**

Accelerate Investment in Priority Sectors for The Welfare of The Society

Housing Financing Liquidity Facility

IDR 97.78T (Total Fund from 2010 to October 2023)

As of Oct 31, 2023, a total of 193,425 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 392 cities/regencies

State Asset Management Agency

Total Fund Allocation: 144.47 trillion (from 2016 to October 2023)

- The total fund allocation for LMAN in 2023 is 25.4 trillion IDR.
- As of October2023, 115 National Strategic Projects with a total value of 120.19 trillion IDR have been funded.

Education Fund Management Agency (LPDP)

IDR 8T (2023 Funding Target)

Total Endowment Fund as of Dec 2023 IDR 139.11T

International Development Cooperation Fund (LDKPI)

Grant disbursement as of Oct 2023 amounting IDR IDR140.45B to many countries in Latin America and Caribbean, Africa, Asia, and Pacific.

Source: Ministry of Finance

FISCAL POLICY DIRECTED TO SUPPORT ACCELERATION OF ECONOMIC TRANSFORMATION

Fiscal Policy Theme 2024: Accelerating Inclusive and Sustainable Economic Transformation

Vision Advancing Indonesia 2045

Short-term Policy Focus

- ***Inflation control (price stability)***
- ***Eradication of extreme poverty***
- ***Reduction of stunting prevalence***
- ***Increased investment***

The role of the budget policy:
Stabilization and addressing urgent issues (Stunting, extreme poverty)

Medium – Long Policy Focus

- ***Human Capital Gap***
- ***Infrastructure Gap***
- ***Institutional Gap***

The role of the budget policy:
Accelerating Structural Reforms

Transformasi Ekonomi

Productivity
Low → High

Value Added
Low → High

Environmental
Brown → clean & green

Economic Base
Narrow → Broad-based & inklusif

Source: Ministry of Finance

2024 BUDGET POSTURES

Focused on expediting inclusive and sustainable economic transformation

Account (IDR Tn)	2023 outlook	2024	% Growth
Revenue	2,637.2	2,802.3	6.26
Tax Revenue	2,118.3	2,309.9	9.04
Non-Tax Revenue	515.8	492.0	-4.61
Expenditure	3,123.7	3,325.1	6.45
Central Gov't Expenditure	2,298.2	2,467.5	7.37
Transfer to Region	825.4	857.6	3.90
Deficit	486.4	522.8	7.48
% of GDP	(2.30)	(2.29)	
Financing	486.4	522.8	7.48

MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

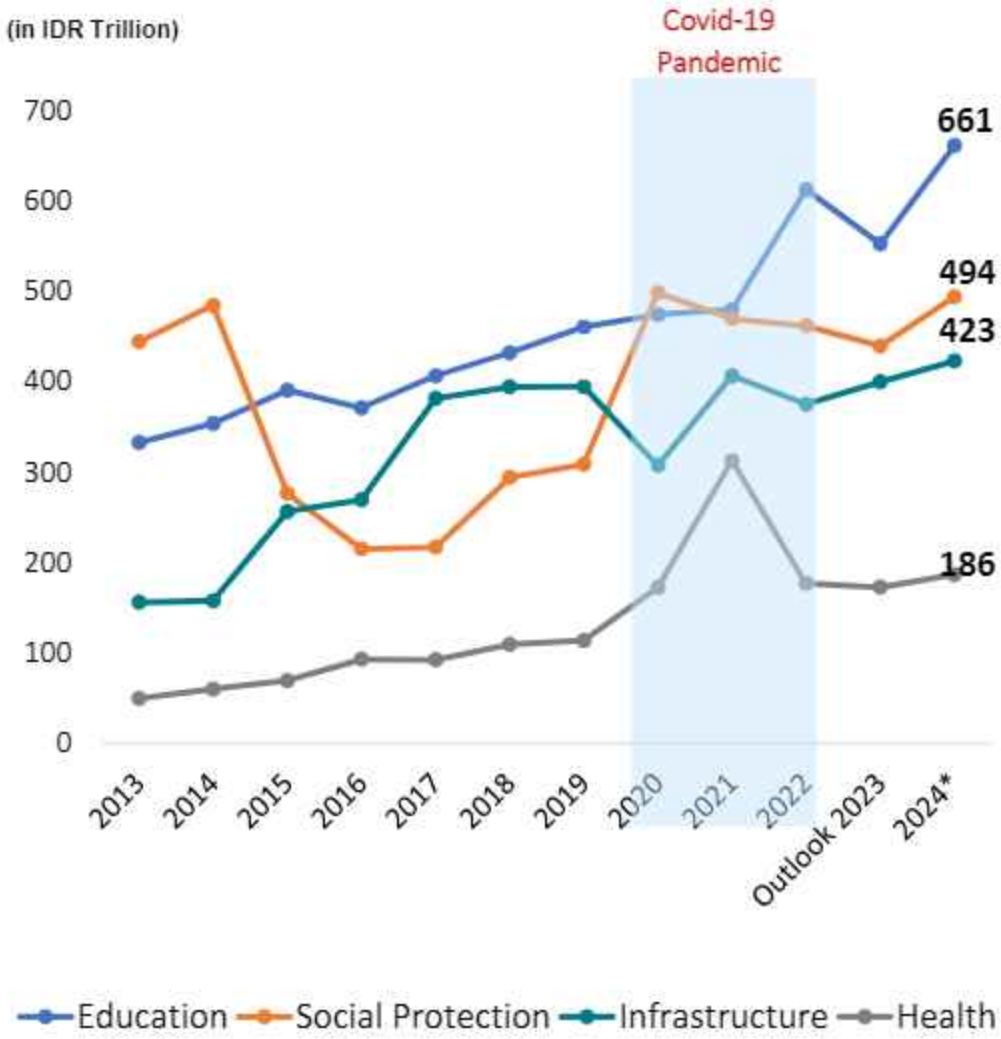
Economic Growth	5.2% (yoy)
Inflation	2.8% (yoy)
Exchange rate	IDR15.000/US$
Oil Price/ ICP	USD82/barrel
10Y T-Bonds Rate	6.7%
Oil Lifting	635 Thousand bpd
Gas Lifting	1,033 Thousand bsmpd

Source: Ministry of Finance

BUDGET SUPPORTS FOR STRUCTURAL REFORM AGENDA WELL MAINTAINED

Budget allocation for prioritized sectors on the upward trend

Budget Development on Priority Program



% to total budget
(avg 2013-2024)

20%	**Education** fostering a competitive human capital
14%	**Social Protection** promoting more effective and efficient social protection and subsidy distribution
14%	**Infrastructure** accelerating the implementation of basic infrastructure projects
5%	**Health** supporting health system reforms

Source: Ministry of Finance

BUDGET PRIORITIES 2024 TO SUPPORT ECONOMIC TRANSFORMATION

Education
(IDR660.8 T)

Improve access and quality of education in Indonesia & educational infrastructure, especially in the 3T (frontier, outermost, and underdeveloped) regions

Health
(IDR186.4 T)

Accelerate stunting reduction, strengthen technology and pharmaceutical self-reliance, enhance National Health Insurance, and improve healthcare system reliability.

Social Protection
(IDR493.5 T)

Provide financial assistance and basic necessities to the extremely poor, Strengthen Lifelong Social Welfare, Graduation from Poverty, Adaptive Social Protection

Infrastructure
(IDR422.7 T)

Develop infrastructure in ICT, energy, food, and connectivity sectors, accelerate completion of National Strategic Projects (IKN), particularly in connectivity infrastructure.

Food Security
(IDR108.8 T)

Boosting domestic food production, improving agricultural storage and processing facilities, enhancing logistics and connectivity, and strengthening the national food reserve.

2023 Budget Financing

Increasing productivity for an inclusive and sustainable economic transformation

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

Macroeconomic Assumption for 2023 Budget

Economic Growth
5.3%

Inflation
3.6%

Exchange Rate
IDR14,800/USD

10Y T-Bonds Rate
7.90%

ICP
US$90/barrel

Oil Lifting
660 thousand barrel/day

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

2023 Development Target

Unemployment rate
5.3 – 6.0

Human Development Index
73.31 – 73.49

Gini Ratio
0.375 – 0.378

Poverty Level
7.5 – 8.5

Peasant Exchnage Rate
105 - 107

Fisherman Exchnage Rate
107 - 108

Source: Ministry of Finance

2023 Fiscal Policy Focus

Human Resources

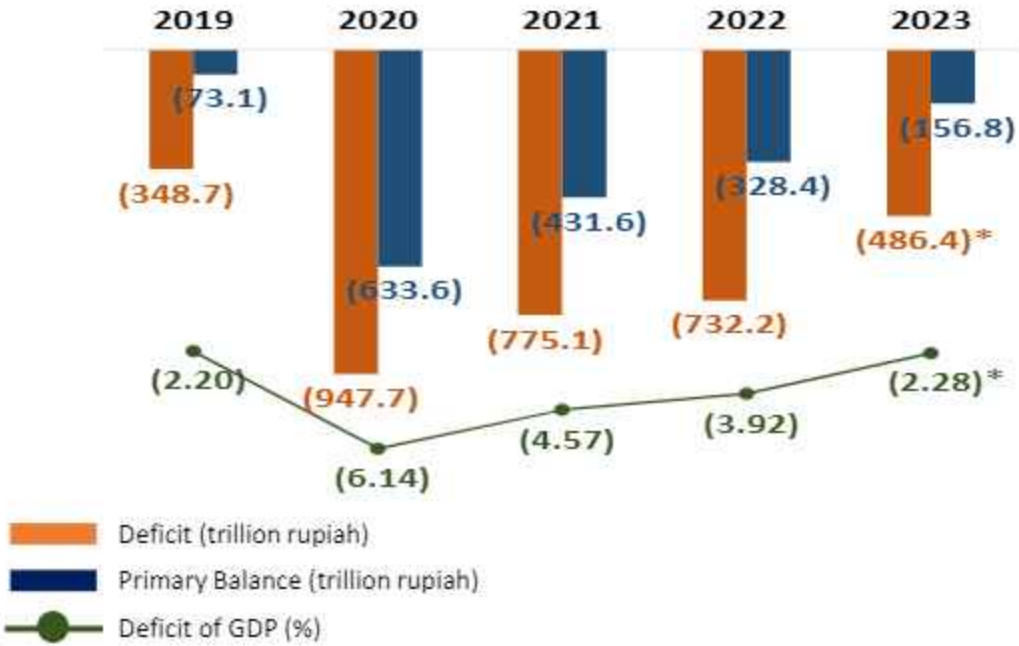
Infrastructure

Bureaucratic Reform

Industrial Revitalization

Green Economy

The 2023 State Budget supports consolidation to maintain fiscal sustainability



* 1st Semester Report Outlook

Strengthening the Role of the APBN and Continuing Quality Fiscal Consolidation

- **Revenue Mobilization**
- **Quality Expenditure**
- **Innovative Financing**

DEBT FINANCING
as of August 31st, 2023

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

Debt Financing Realization

Rp **198.9 (28.6%)**

Government Securities (Net) Rp**181.4**

Loan (Net) Rp**17.5**

Disbursed Foreign Loan Rp**70.7**

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

Source: Ministry of Finance

GS Financing Realization 2023

(Trillion IDR)

	Realization (ao. Sep 30, 2023)
Government Securities (GS)	641.37
Government Debt Securities (GDS)	**414.60**
IDR Denominated GDS	**355.63**
- Coupon GDS	261.82
- Conventional T-Bills	31.15
- Private Placement (+ Voluntary Disclosure Program)	11.57
- Retail Bonds	51.08
Foreign Denominated Bonds	**58.97**
- SEC USD-EUR (- Buyback LM)	46.77
- Samurai Bond	11.24
- SDG Bonds	0.00
- Valas Voluntary Disclosure Program	0.96
Sovereign Sharia Securities (Sukuk)	**226.77**
Domestic Sovereign Sharia Securitoes	**226.77**
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk	162.00
- Retail Sukuk	61.94
- Private Placement	2.83
Global Sukuk	**0.00**

Source: Ministry of Finance

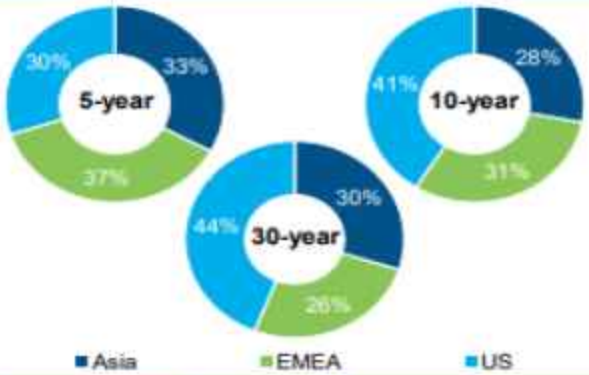
Republic of Indonesia USD3 bn Global Bonds Issuance

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

Transaction Highlight

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

Investor Breakdown by Region



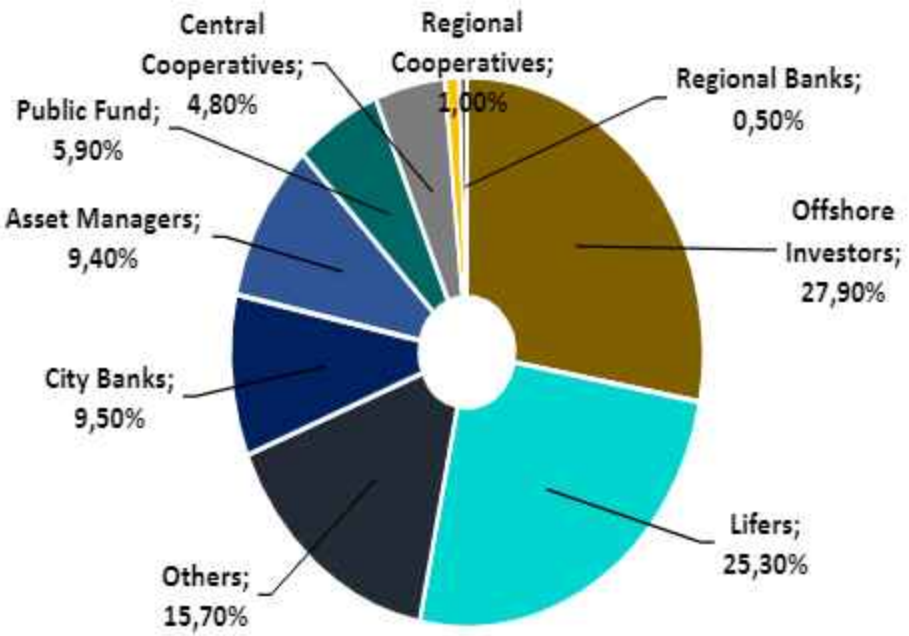
Investor Breakdown by Investor Type

Source: Ministry of Finance

Republic of Indonesia JPY104,8 bn Samurai Bonds Issuance

Series	RIJPY0526B	RIJPY0528B	RIJPY0530 (*Blue SB*)	RIJPY0533 (*Blue SB*)
Tenor	3 Years	5 Years	7 Years	10 Years
Maturity Date	May 26, 2026	May 26, 2028	May 24, 2030	May 26, 2033
Pricing Date	19 Mei 2023			
Settlement Date	26 Mei 2023			
Size	JPY46.9 Bio	JPY37.2 Bio	JPY14.7 Bio	JPY6 Bio
Yield/ Coupon	0,74%	0,98%	1,20%	1,43%

Investor breakdown by Investor Type



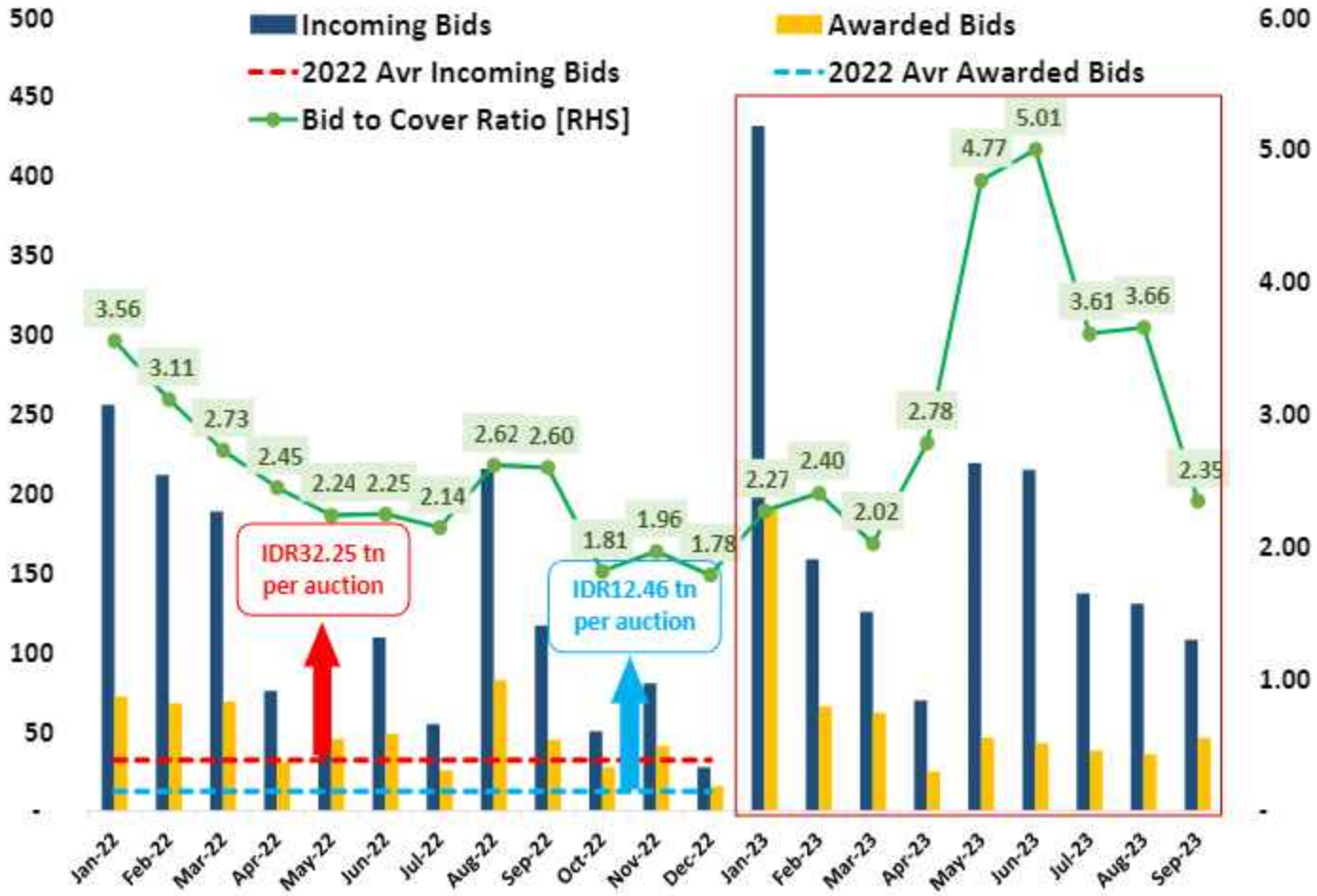
Transaction Highlight

- The Republic becomes the first Sovereign Blue Bonds issuer that publicly offered in accordance with ICMA principles.
- This issuance demonstrates the government's commitment to sustainable financing, particularly for the achievement of the Sustainable Development Goals (SDGs), and represents a major milestone for blue financing.
- The Republic successfully achieved its objective of marking lower yield levels across tranches despite a significant rise in underlying interest rates compared to the previous year's transaction.

Source: Ministry of Finance

Primary Market Performance 2022 – 2023

Government Securities (GS)



In 2023:

- average incoming bid = **IDR37.91 tn/auction**
- average awarded bid = **IDR12.64 tn/auction**

Source: Ministry of Finance

Ownership Of Tradable Domestic Government Securities

Description	Dec-19		Dec-20		Dec-21		Dec-22		Sep-23	
Banks*	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,697.43	31.97%	1,636.21	29.73%
Govt Institutions (Bank Indonesia**)	262.49	9.54%	454.36	11.74%	801.46	17.13%	1,020.02	19.21%	930.61	16.91%
Bank Indonesia (gross)	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,453.58	27.38%	1,359.05	24.69%
GS used for Monetary Operation	10.72	0.39%	420.51	10.86%	419.27	8.96%	433.57	8.17%	428.44	7.78%
Non-Banks	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,591.98	48.82%	2,937.58	53.37%
Mutual Funds	130.86	4.75%	161.32	4.17%	157.93	3.38%	145.82	2.75%	182.04	3.31%
Insurance Company and Pension Fund	471.67	17.13%	542.82	14.02%	655.24	14.00%	873.03	16.44%	1,010.16	18.35%
Foreign Holders	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	762.19	14.36%	823.00	14.95%
Foreign Govt's & Central Banks	194.45	7.06%	178.31	4.61%	233.45	4.99%	203.11	3.83%	234.14	4.25%
Individual	81.17	2.95%	131.21	3.39%	221.41	4.73%	344.30	6.48%	406.32	7.38%
Others	163.32	5.93%	231.57	5.98%	360.47	7.70%	466.65	8.79%	516.05	9.38%
Total	**2,752.74**	**100%**	**3,870.76**	**100%**	**4,678.98**	**100%**	**5,309.43**	**100%**	**5,425.54**	**100%**

68.24%

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

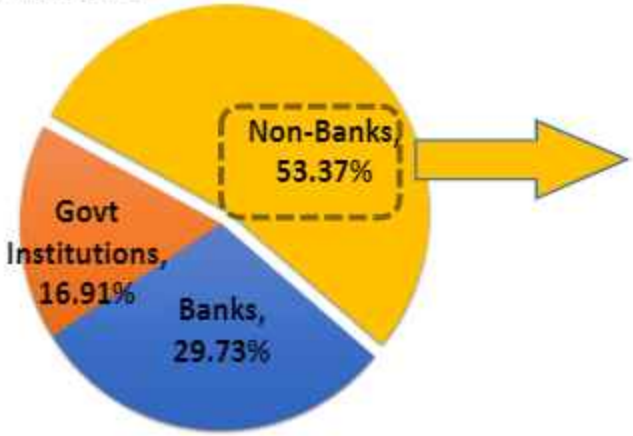
IDR 1,092.02T

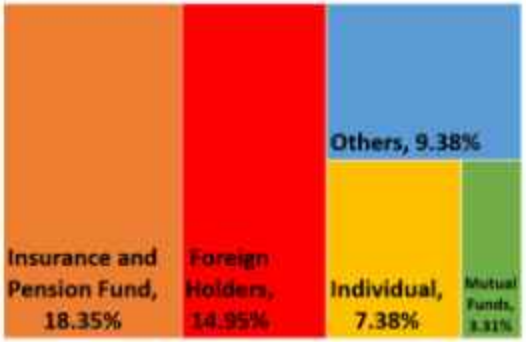
on January 24, 2020, foreign holders reach a record high in nominal terms

1) Non Resident consists of Private Bank, Fund/Asset Manager, Securities Company, Insurance Company, and Pension Fund.
2) Others such as Securities Company, Corporation, and Foundation.

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

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



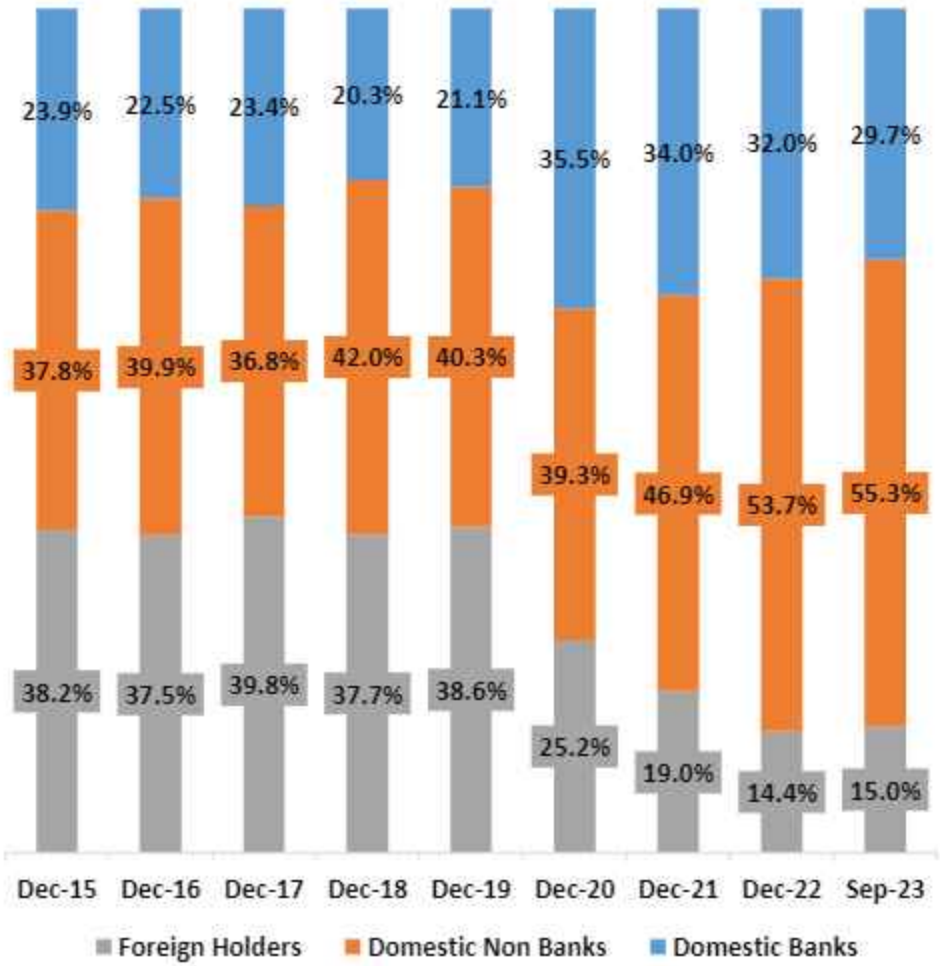


Source: Ministry of Finance

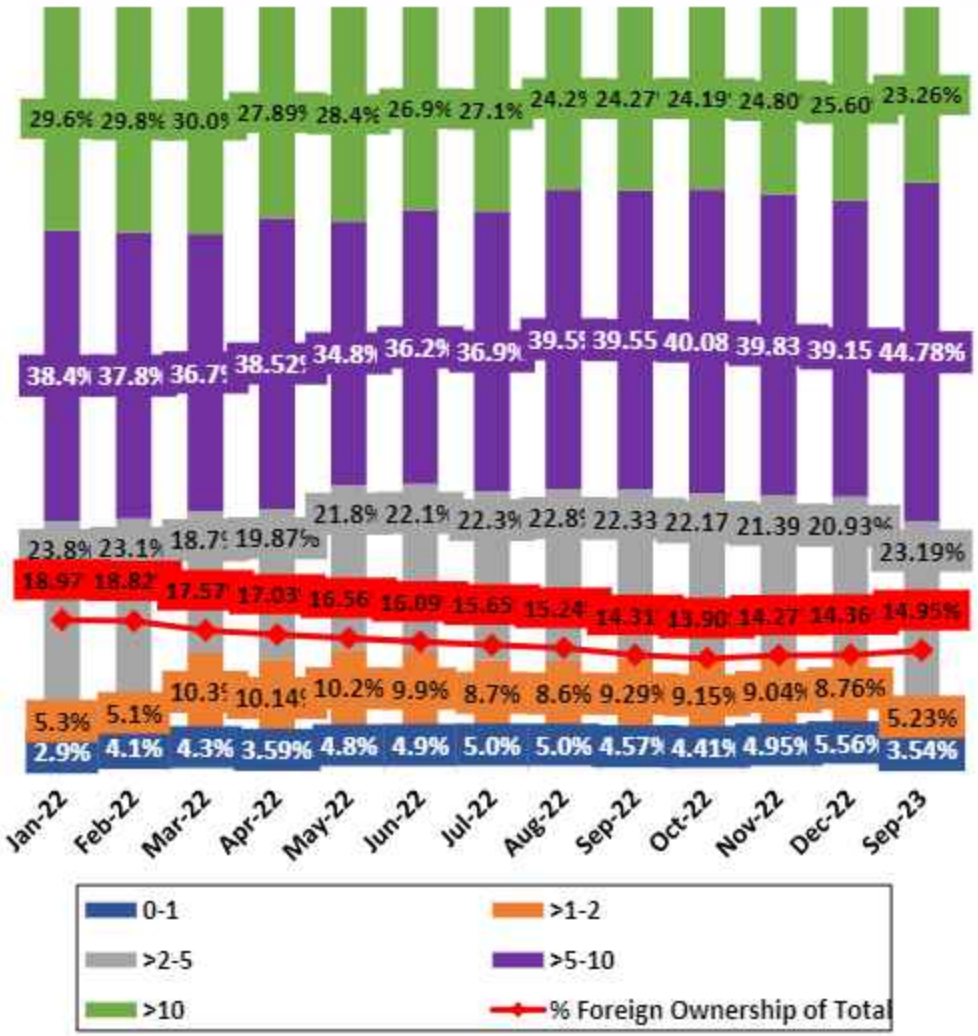
Holders of Tradable Central Government Securities

Balanced Ownership In Terms of Holders and Tenors

Holders of Tradable Gov't Domestic Debt Securities



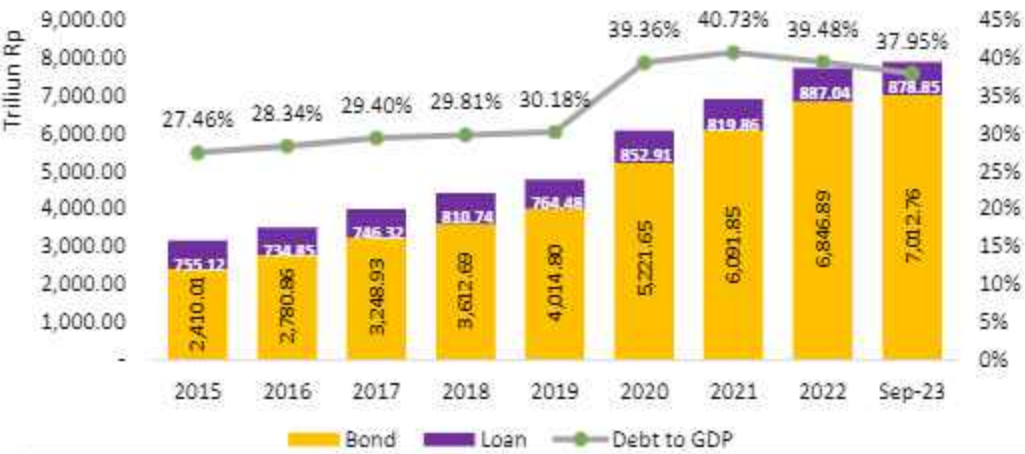
Foreign Ownership of Gov't Domestic Debt Securities by Tenor



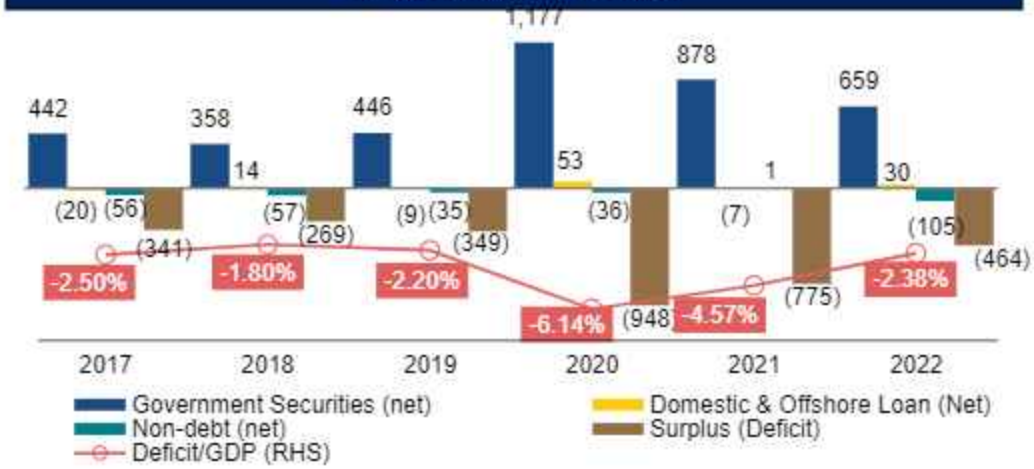
Source: Ministry of Finance

Disciplined and Advanced Debt Portfolio Management

Stable Debt to GDP Ratio Over the Years

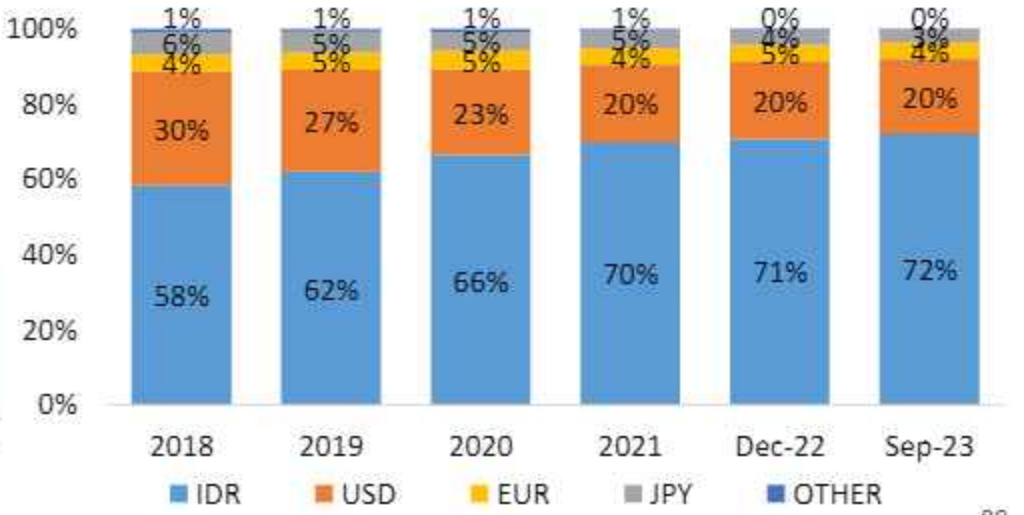


Prudent Fiscal Deficit



Weighted Average Debt Maturity

Well Diversified Across Different Currencies

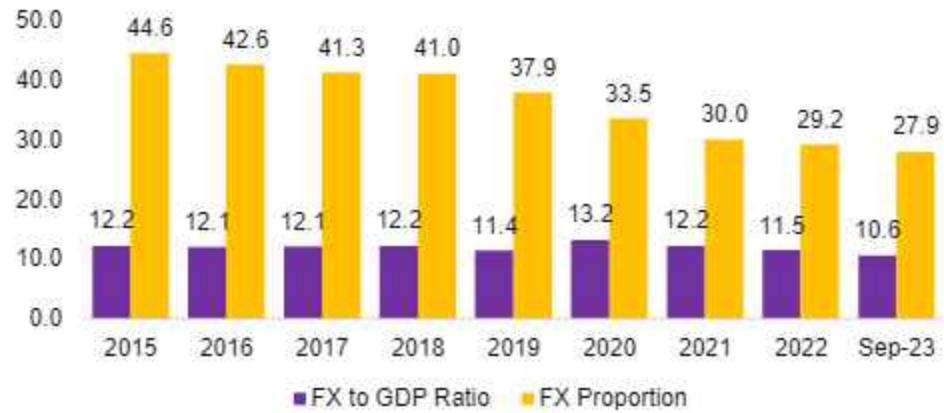


Source: Ministry of Finance

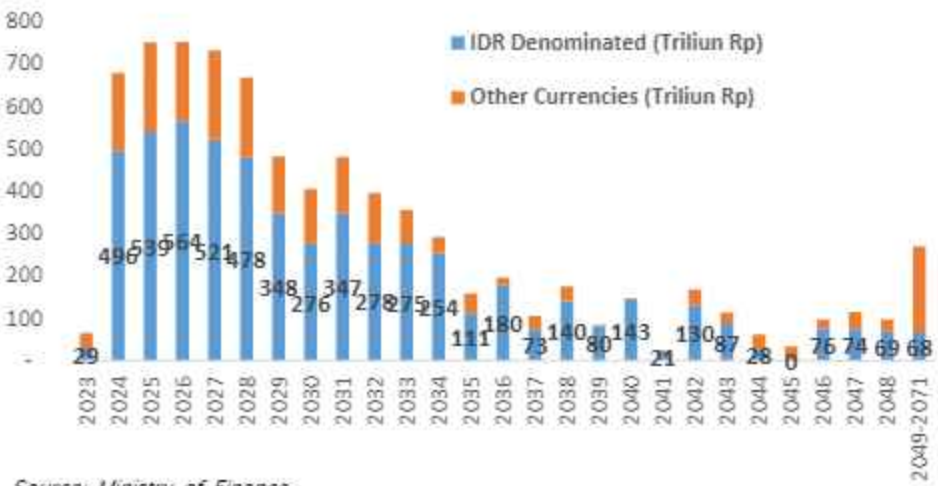
Well Balanced Maturity Profile with Strong Resilience Against External Shocks

Interest Rate Risks (%)

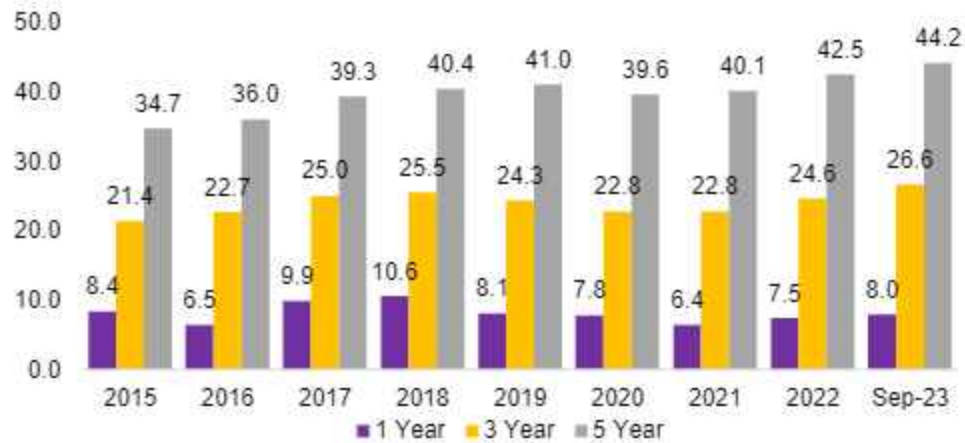
Declining Exchange Rate Risks (%)



Debt Maturity Profile



Upcoming Maturities (Next 5 Years) (%)



Source: Ministry of Finance

GOVERNMENT GUARANTEE FOR BASIC INFRASTRUCTURE DEVELOPMENT

Reflects strong commitment to national development planning

Government Guarantee Program

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

Source: Ministry of Finance

Contingent Liabilities from Government Guarantee as of Q4 2022**

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

- From 2008 to Q4-2022**, the government has issued 95 guarantee documents with total value of USD41.4 billion, there were 41 guarantees worth USD9.1 billion have been expired.
- The Maximum Guarantee Limit for the period 2022-2025 is set at 6% of GDP.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

*) MOF provides both credit guarantees and BVGs for 35GW program
**) Currency conversion of IDR15,731/USD1 and IDR16,712/EUR1 (30 Dec 2022)

Section 6

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

Bank Indonesia's Policy Mix Direction in 2023

Maintaining Stability, Reviving Economic Growth

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

1

- Monetary policy towards maintaining stability, with policy rate as a pre-emptive and forward-looking measure to mitigate the impact of imported inflation, amidst heightening global uncertainty.
- Rupiah stabilisation through foreign exchange market intervention with a focus on spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying government securities (SBN) in the secondary market.
- Strengthening the monetary operations (MO) strategy for effective monetary policy, which includes optimising Bank Indonesia Rupiah Securities (SRBI) as a pro-market monetary instrument.
- Issuing Bank Indonesia Foreign Currency Securities (SVBI) and Bank Indonesia Foreign Currency Sukuk (SUVBI) as pro-market monetary instruments for money market deepening and to support efforts to attract portfolio inflows by optimising securities denominated in a foreign currency held by Bank Indonesia as the underlying asset

2

- **Accommodative macroprudential policy stance** to **reignite bank lending to the corporate sector** and **drive the national economic recovery**, while maintaining financial system stability
- Incentivize banks to **disburse financing to priority sectors** and **promote inclusive financing**
- Strengthen **implementation of macroprudential Inclusive Financing Ratio** (RPIM) to increase **economic inclusion**, unlock **financial access**, while strengthening MSME's **contribution to the national economic recovery**
- **Accommodative macroprudential policy stance**, among others by: relaxing LTV/FTV, relaxing down payment requirement, CCB 0%, Macroprudential Intermediation Ratio (MIR) 84-94%, Macroprudential Liquidity Buffer (MLB) at 5% with 5% repo flexibility, Shana Macroprudential Liquidity Buffer (SMLB) at 3.5% with repo flexibility at 3.5%

3

- Accelerating payment system digitalization to stimulate economic recovery and implementation of the Indonesia Payment System Blueprint 2025
- Strengthen and expand digitalization through expanding QRIS, BI FAST, digitizing Social Assistance, local government financial transactions, and modes of transportation
- Increasing cross-border payment transactions through QRIS cooperation and interconnection of payment systems between countries
- Accelerating implementation, expanding local currency transaction (LCT) with other Asian countries.

4

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

5

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

Source: Bank Indonesia

Bank Indonesia Policy Mix: November 2023
Maintaining Stability and Reviving Growth

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

The BI Board of Governors Meeting agreed on 22-23rd November 2023 to hold the BI 7-Day Reverse Repo Rate (BI7DRR) at 6.00%, while also maintaining the Deposit Facility (DF) rate and Lending Facility (LF) rate at 5.25% and 6.75% respectively

Hold the BI 7-Day Reverse Repo Rate at 6.00%

Rupiah stabilisation through foreign exchange market intervention with a focus on spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying government securities (SBN) in the secondary market.

Strengthening the pro-market monetary operations (MO) strategy for effective monetary policy, which includes optimising Bank Indonesia Rupiah Securities (SRBI) and Bank Indonesia Forex Securities (SVBI), as well as issuing Bank Indonesia Forex Sukuk (SUVBI).

Enhancing the effectiveness of Macroprudential Liquidity Policy Incentives (KLM) by strengthening socialisation, communication and coordination with the Government, financial authorities, government ministries/agencie, the banking industry and business community

Deepening prime lending rate (PLR) transparency policy with a focus on interest rates by economic sector

Accelerating payment system digitalisation towards greater transaction efficiency and expanding the digital economy and finance (EKD) ecosystem as follows:

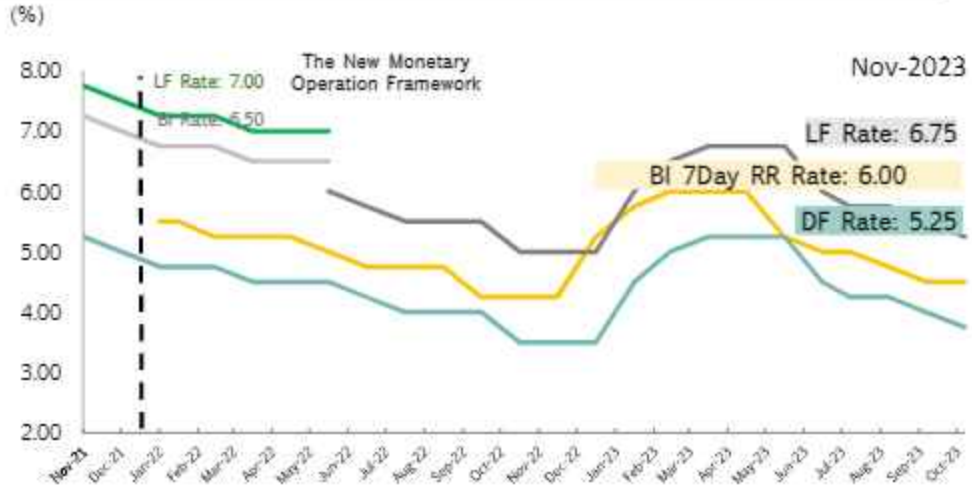
1. Increasing the implementation effectiveness of QRIS policy, including QRIS Withdrawal, Transfer and Deposit (TUNTAS) and the merchant discount rate (MDR) for micro merchants, as well as expanding cross-border QRIS payment linkages,
2. Extending the period of credit card policy and National Clearing System (SKNBI) pricing policy until 30th June 2024, namely: (a) minimum payment policy for credit cardholders of 5% of the outstanding balance, and late payment penalties of 1% of the outstanding balance up to a maximum of Rp100,000, and (b) SKNBI fees of Rp1 from BI to the banks and up to Rp2,900 from bank to the customers.
3. Strengthening literacy concerning the Indonesia Credit Card (KKI) for the government segment to increase the effectiveness.

Source: Bank Indonesia

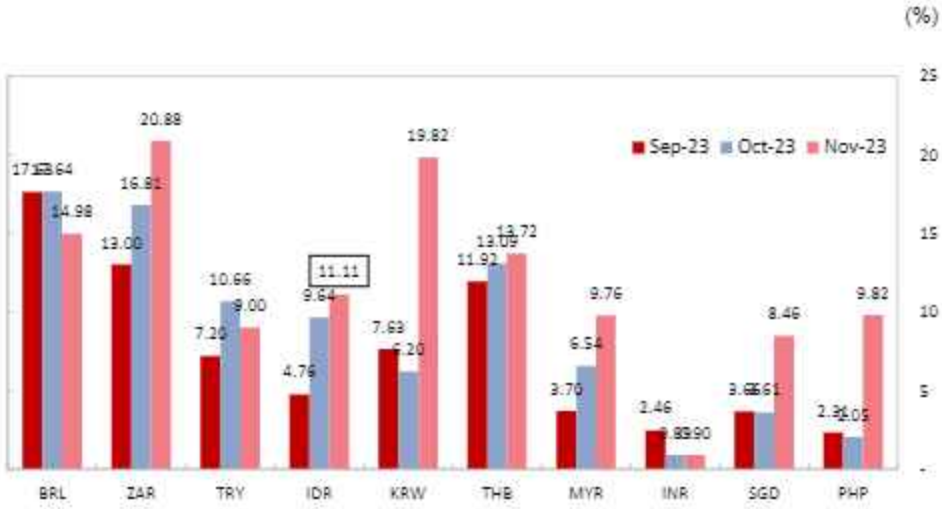
Manageable Monetary Environment amid Heightened Global Uncertainty

Well Maintained Inflation Ensured Price Stability

Strengthened Monetary Policy Framework



Rupiah Exchange Rate Volatilty



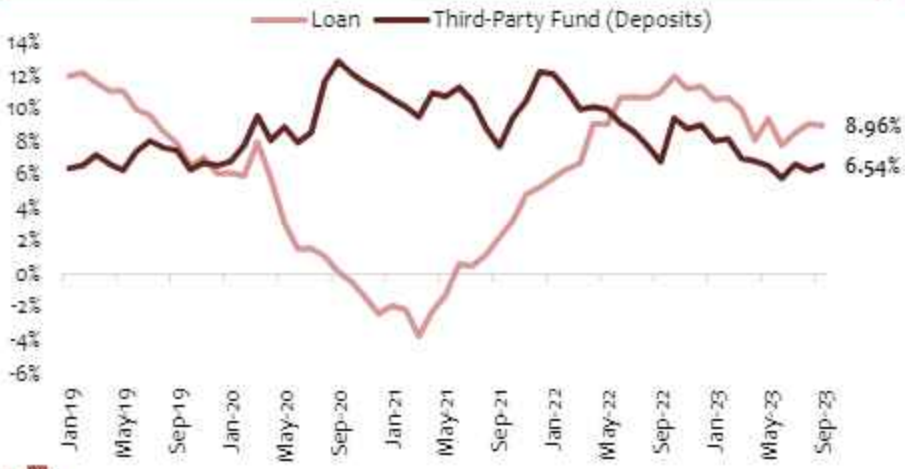
Credit Growth Profile

Source: Reuters, Bloomberg (calculated)

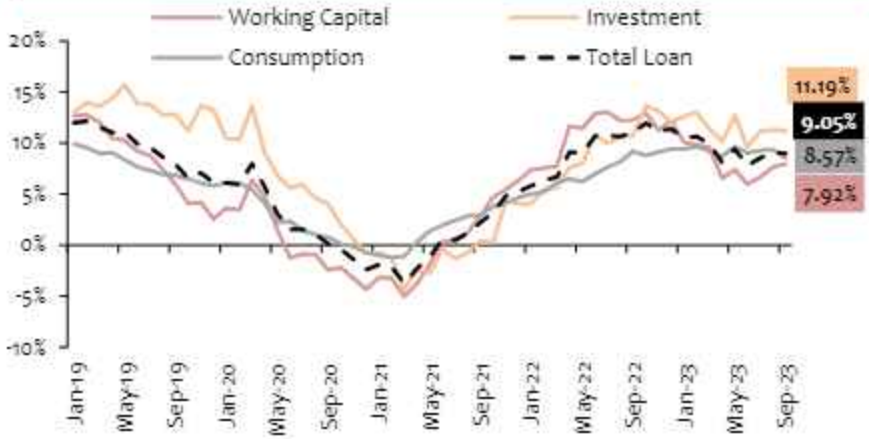
Banking Intermediation

Despite the challenging global economic environment, Bank loans and Third-Party Funds grew modestly, driven by investment and consumption loans.

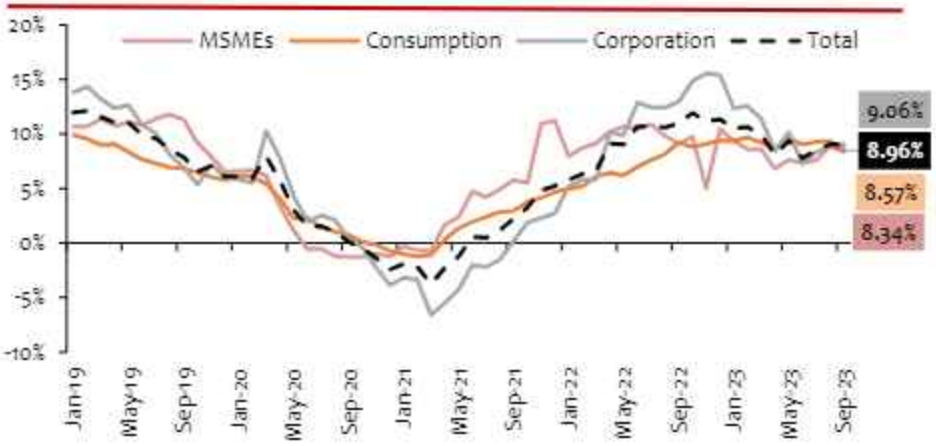
In **September 2023,** bank loans and third-party funds (total deposits) grew by **8.96% (yoy)** and **6.54% (yoy)**, respectively.



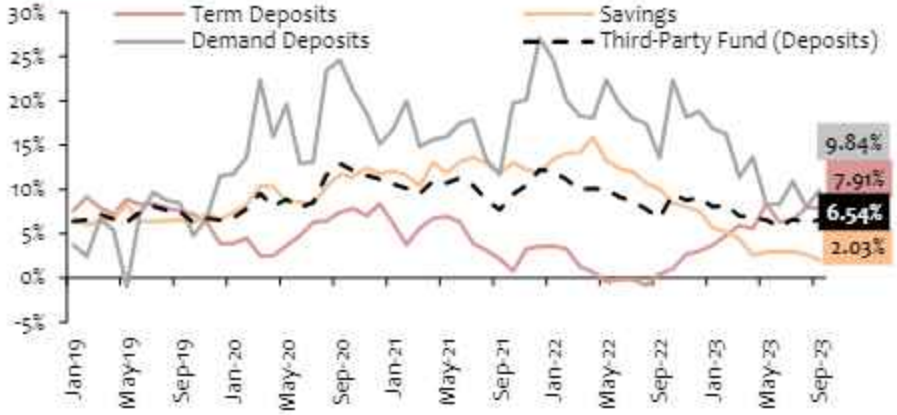
All types of loans maintained their positive trend in **September 2023**, with **investment** loans, in particular, grew by **11.19% (yoy).**



Loan growth by segmentation continued to improve in **September 2023,** with major contribution from **Corporation loans**, with **9.06% (yoy)** growth.



Third-Party Funds (Total Deposits) grew steadily in **September 2023,** driven by increased household consumption particularly in **Demand Deposits**, which increased by **9.84%** (yoy).



Source: Financial Services Authority (OJK)

Banking Risk Profile and Profitability

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

The banking NPL ratios were manageable in **September 2023**, recorded at **2.43% gross** and **0.77% net**, significantly below the threshold.

The banking sector's Capital Adequacy Ratio (CAR) was steady with a value of **27.41%** and Tier-1 capital stood at **25.77%** as of **September 2023**.

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

The banking industry's profitability remained steady with NIM at **4.85%** and ROA at **2.73%**, as of **September 2023**.

Net Open Position was maintained well below the maximum limit of 20% and stood at **1.76%** in **September 2023**.

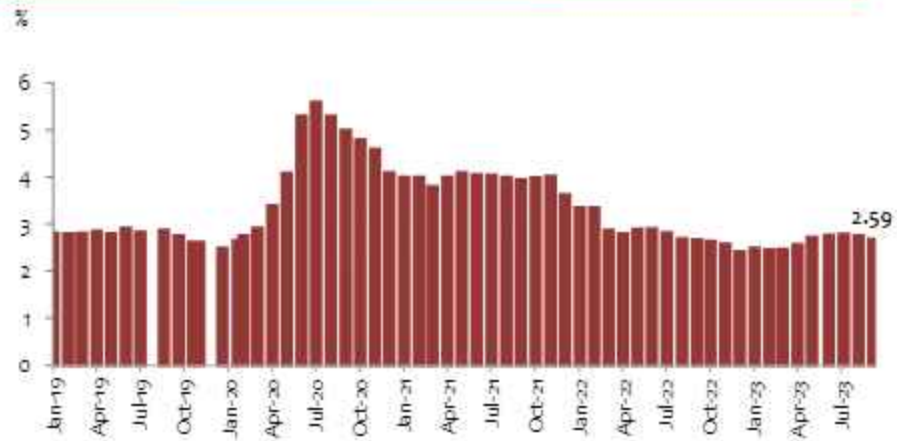
Source: OJK

Multi-finance Companies

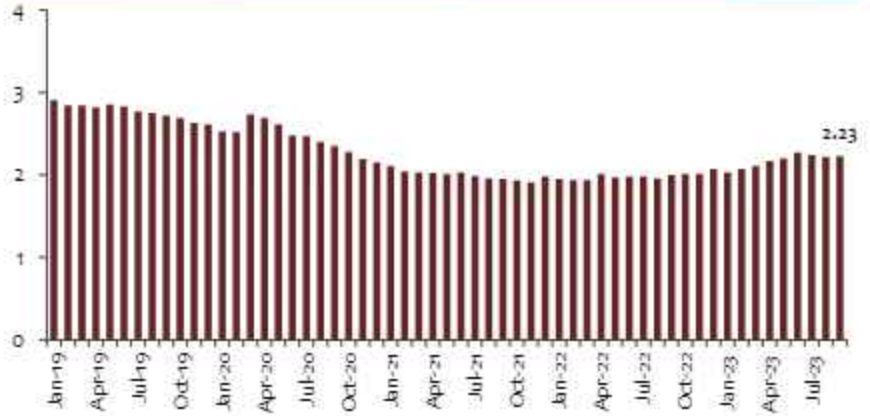
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable Non-Performing Financing (NPF) ratio, and a stable gearing ratio.

In **September 2023**, net financing continued its increasing trend and stood at **IDR458.7 Tn** or growing by **15.42%** yoy.

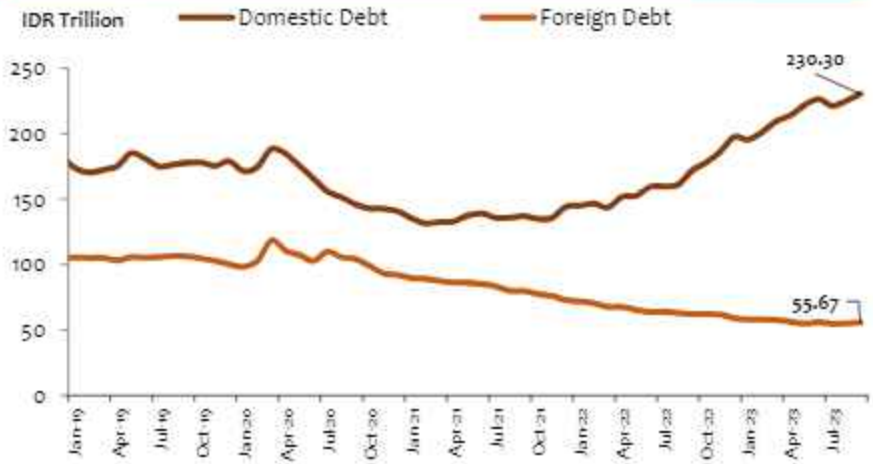
The Non-Performing Financing ratio of multi-finance companies improved as shown by a decrease from 2.66% to **2.59%** in **September 2023**, well below the 5% threshold.



The gearing ratio of multi-finance companies stood at **2.23** times or well below the threshold in **September 2023**.



Multi-finance companies' exposure to domestic debt and foreign debt experienced a slight increase in **September 2023**.

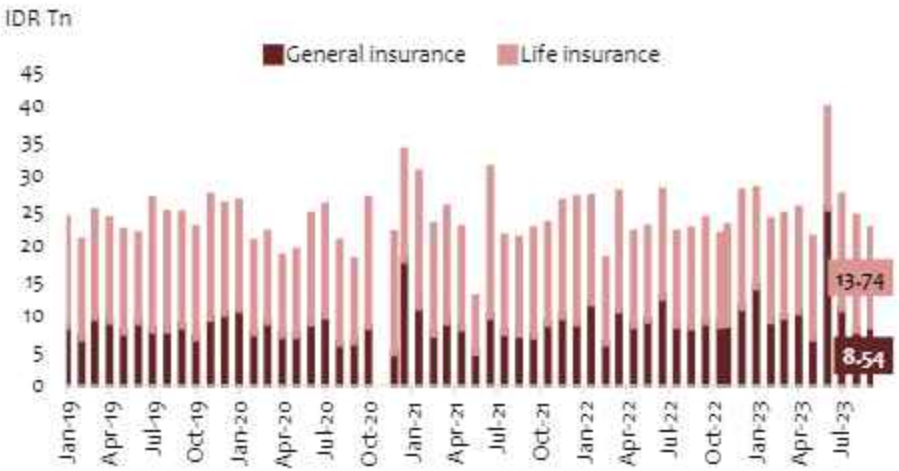


Source: Financial Services Authority (OJK)

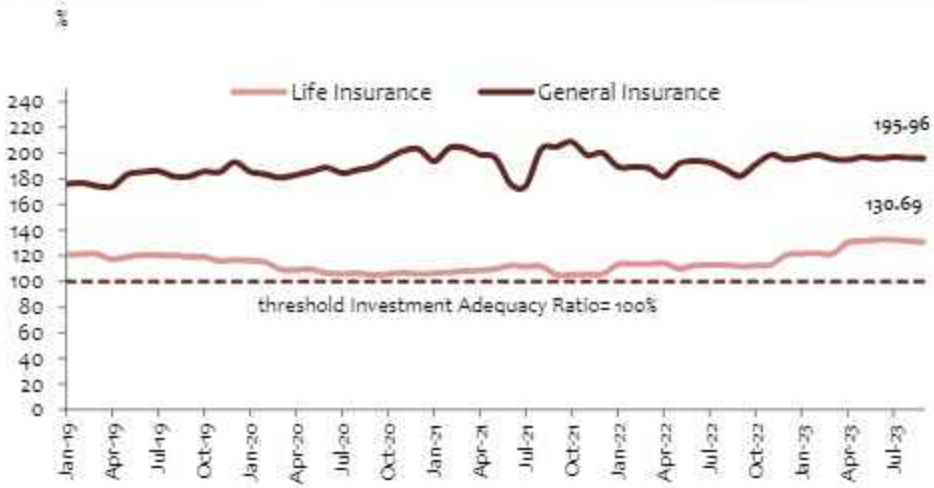
Insurance and Pension Funds

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

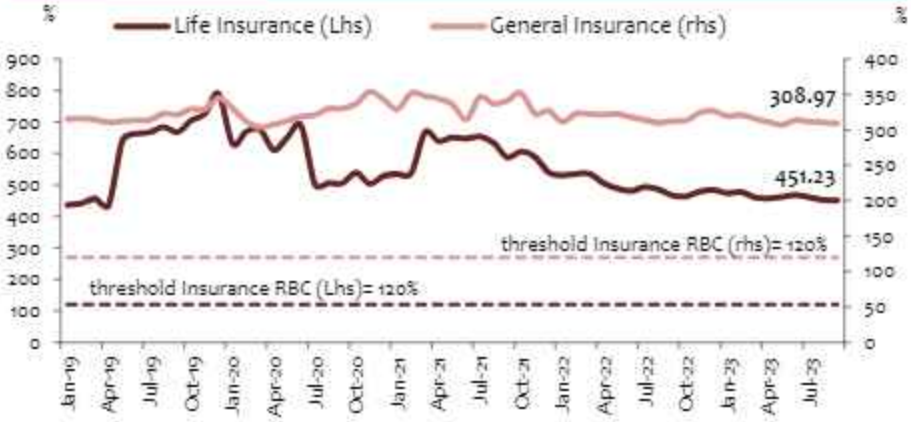
In **September 2023**, insurance premiums marked a total increase of **IDR22.28 Tn** (mtm) with General and Life insurance added premiums at **IDR8.54 Tn** and **IDR13.74 Tn**, respectively.



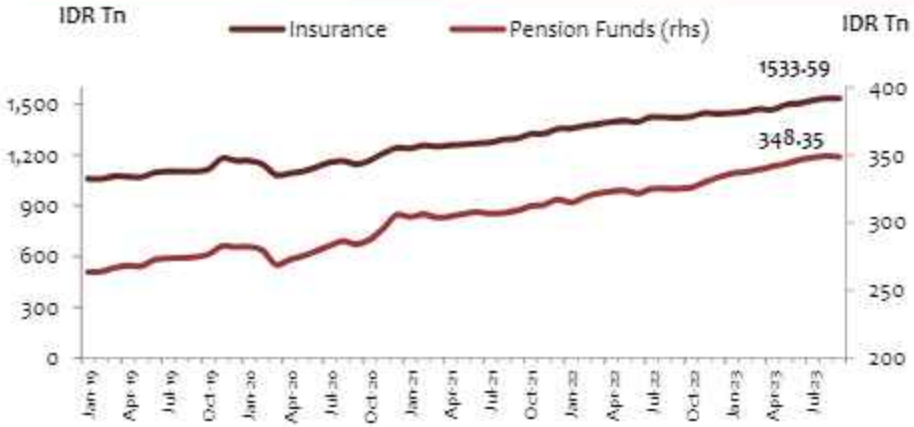
In **September 2023**, the Investment Adequacy Ratio of both Life Insurance and General Insurance stayed well above the threshold at **130.69%** and **195.96%**, respectively.



Risk-Based Capital (RBC) of the insurance industry remained well above the minimum threshold with **Life Insurance at 451.23%** and **General Insurance at 308.97%** in **September 2023**.



In **September 2023**, pension fund and insurance investment values continued the positive trend and stood at **IDR348.35** Tn and **IDR1,533.59** Tn, respectively.



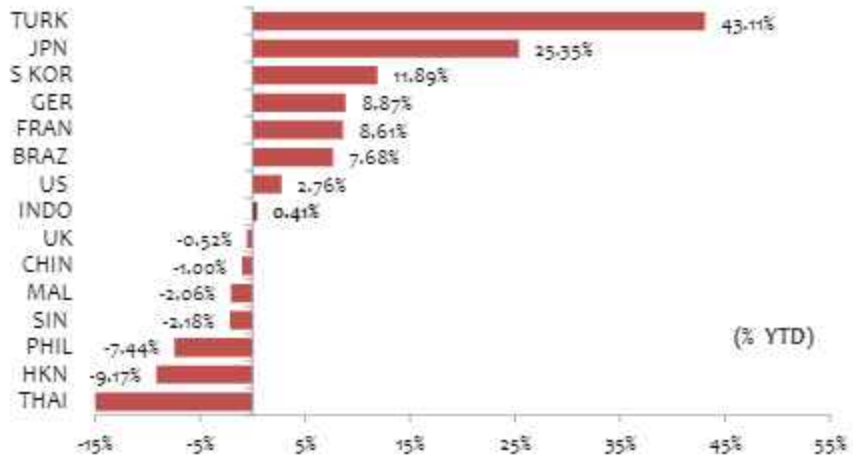
Source: OJK

Domestic Capital Market Performance

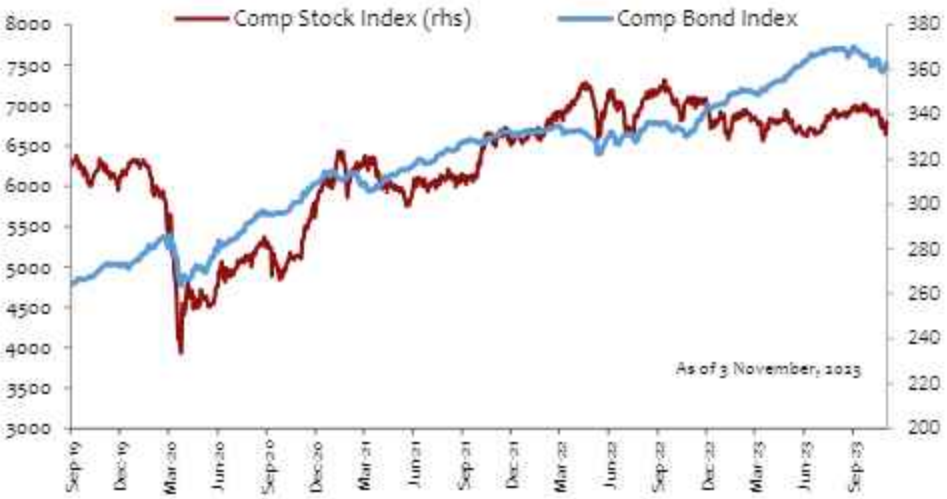
Indonesia's capital market proved to be resilient, supported by positive external performance and growing domestic demand.

The major stock market indices continue to experience an upward trend, while few emerging markets dipped into the negative zone due to increased global uncertainties and heightened geopolitical tensions.

Stock Index Performance as of 6 November 2023 (compared to 30 Dec'22)

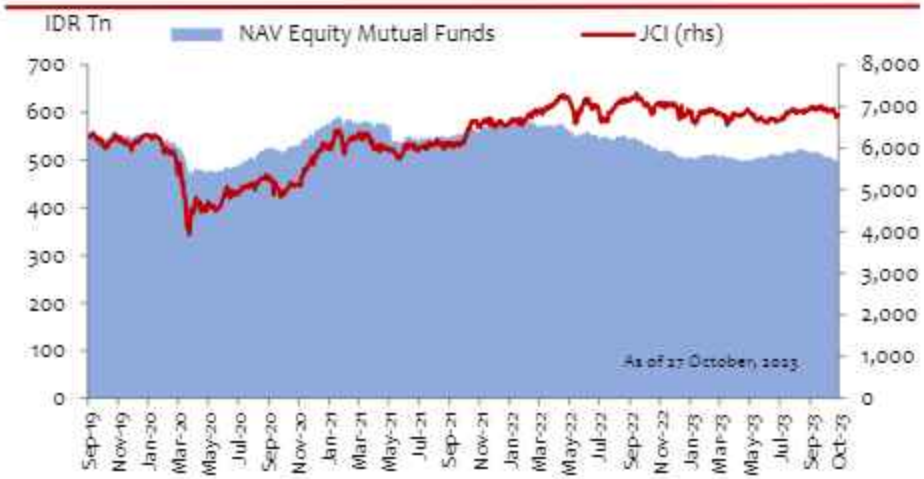


Following the dynamic shifts in global capital markets, the domestic capital market started to adjust gradually indicated by slowdown in the composite bond index in the last month.



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

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

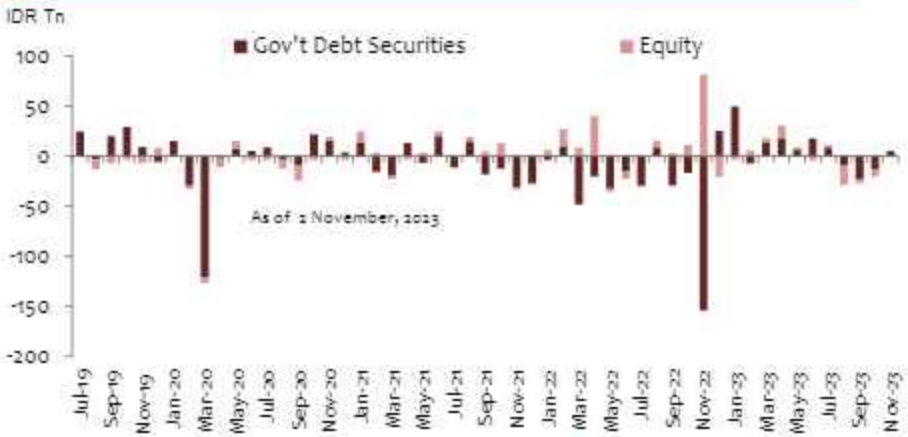


Source: Reuters, OJK

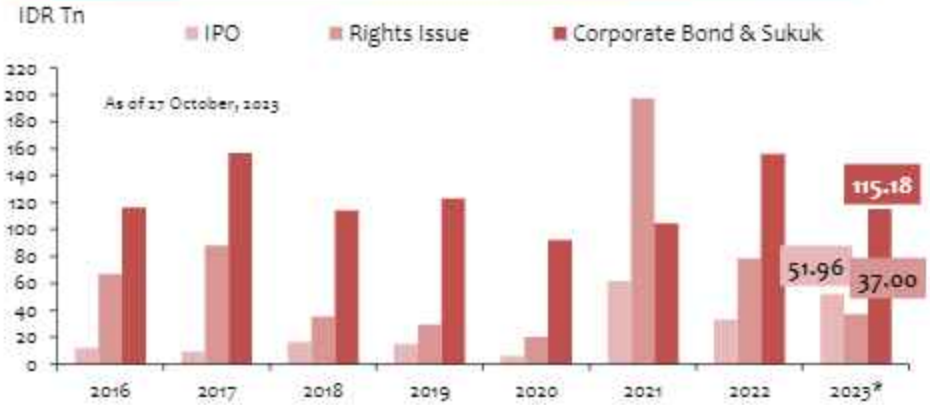
Domestic Capital Market Performance

Several capital market indicators recorded positive performance and remained stable.

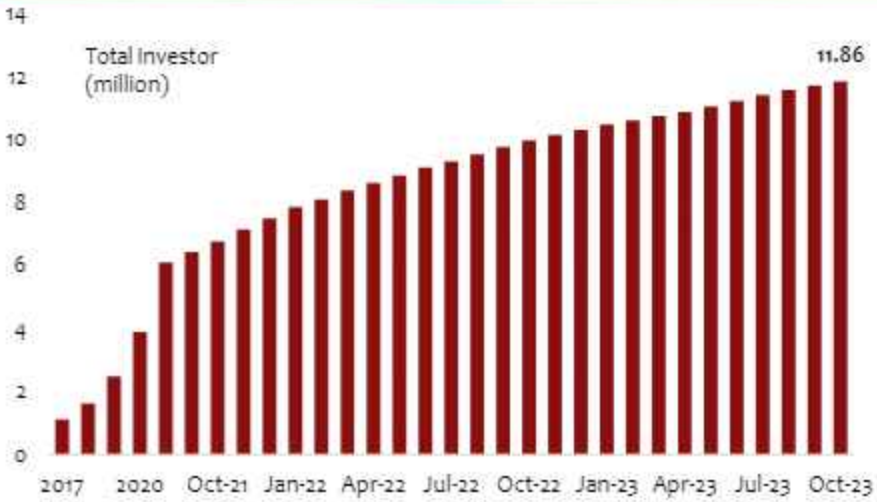
Non-resident portfolios of government bonds and equity market recorded a **YTD net buy of IDR53.41 Tn** as of 2nd November 2023.



Total securities issuance reached IDR204.14 Tn (YTD) as of 27th October 2023.



Capital Market Investors continued to grow to 11.86 million by the end of October 2023, representing a **18.90% (yoy) increase.**

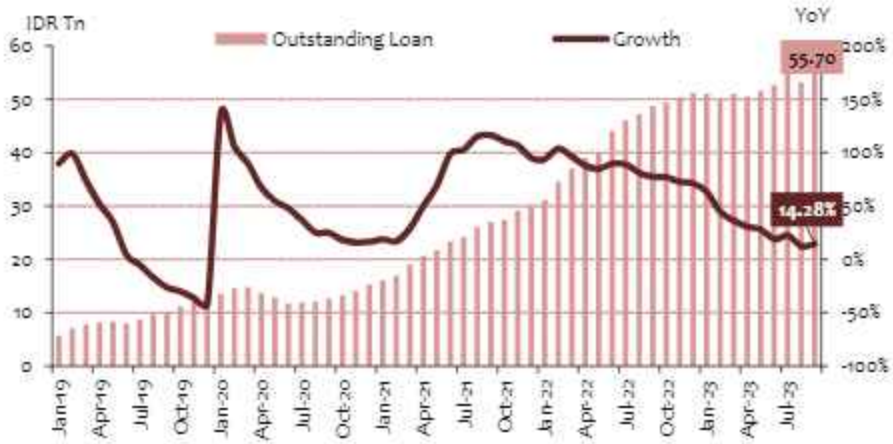


Source: OJK, KSEI

Fintech (Peer to Peer Lending and Securities Crowdfunding)

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

The outstanding loan of P2PL Fintech stood at **IDR55.7 Tn** or grew by **14.28%** (yoy) as of **September 2023**.



The Non-Performing Loan ratio of P2PL Fintech decreased from 2.88% to 2.82% in **September 2023.**

The total number of investors and issuers in Securities Crowdfunding increased to **164,210** and **467**, respectively, as of 27 October 2023.

Continuing the positive trend, the total value of SCF fundraising stood at **IDR1,01 trillion** as of 27 October 2023.

Source: OJK

OJK Policy Directions 2023

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

Strengthening the Financial Services Sector

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

Maintaining Economic Growth

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

Improving Services and Strengthening OJK's Capacity

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

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

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

Source: Financial Services Authority (OJK)

OJK Policy Directions 2023

Extended Loans and Financing Restructuring Policy

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

Targeted Segments of Covid-19 Restructured Loan

MSME segment (covering all sectors)

Accommodation and food service activities

Labor-intensive industries, such as textile and textile products and footwear industries

Source: Financial Services Authority (OJK)

Act No. 4/2023 – Financial Sector Reform

FUNDAMENTAL ISSUES

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

EXTERNAL CHALLENGES

Technology Disruptions

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

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

OTORITAS JASA KEUANGAN
Indonesia Financial Services Authority

- Strengthening OJK's role in some areas, including integrated supervision, financial conglomerate supervision, market conduct supervision, consumer protection, etc.
- Giving new mandates among others: **cooperative in the financial sector, digital assets, carbon exchange, bullion activities.**

BANK INDONESIA
The Central Bank of The Republic of Indonesia

- Strengthening BI's role in some areas, such as maintaining financial system stability to support sustainable economic growth, maintaining the smooth running of the payment system, implementing macroprudential policies.

LEMBAGA PENJAMIN SIMPANAN
Indonesia Deposit Insurance Corporation

- Strengthening the role of IDIC in deposit guarantee and bank resolution.
- Giving a new mandate: IDIC establishes policies and implement the **insurance policy guarantee program.**

KEMENTERIAN KEUANGAN
The Ministry of Finance

- Strengthening the role of the Ministry of Finance as a coordinator for Financial System Stability Committee and Sustainable Finance committee.
- The MoF coordinates with OJK, BI, and IDIC in some areas, including financial literacy and inclusion, financial sector development, etc.

Source: Financial Services Authority (OJK)

Act No. 4/2023 - Substances

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

CHAPTER I General Provisions

CHAPTER II. Principles, Purposes, Objectives and Scope

CHAPTER III Institutional Aspect

CHAPTER IV Bank

CHAPTER V Capital Market, Money Market and Foreign Exchange Market

CHAPTER VI Insurance

CHAPTER VII Mutual Insurance

CHAPTER VIII Policy Guarantee Program

CHAPTER IX Guarantee Agencies

CHAPTER X Financing Service Business

CHAPTER XI Bullion Business Activity

CHAPTER XII Pension Fund, Old Age Protection Program, and Pension Program

CHAPTER XIII Cooperative in the Financial Services Sector

CHAPTER XIV Microfinance Institution

CHAPTER XV Financial Conglomerate

CHAPTER XVI Financial Sector Technology Innovation

CHAPTER XVII Sustainable Finance Implementation

CHAPTER XVIII Financial Literacy, Financial Inclusion and Consumer Protection

CHAPTER XIX Access to Micro, Small, and Medium Financing

CHAPTER XX Human Resources

CHAPTER XXI Financial System Stability

CHAPTER XXII Indonesia's Export Financing Institutions

CHAPTER XXIII Administrative Sanction

CHAPTER XXIV Criminal Provisions

CHAPTER XXV Other Provisions

CHAPTER XXVI Transition Provisions

CHAPTER XXVII Closing Provisions

Source: Financial Services Authority (OJK)

Jakarta - Special Capital District of Indonesia

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