



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

October 2021

# About Investor Relations Unit of the Republic of Indonesia



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

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

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

Published by Investor Relations Unit – Republic of Indonesia

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

Contact:

Rosita Dewi (International Department - Bank Indonesia, Ph.: +6221 2981 8232)

Thasya Pauline (Deputy Ministry for Macroeconomic and Finance Coordinator - Coordinating Ministry for Economic Affairs, Ph. +6221 352 1843)

Putri Rizki Yulianti (Fiscal Policy Office - Ministry of Finance, Ph.: +6221 345 0012)

Subhan Noor (Directorate General of Budget Financing and Risk Management - Ministry of Finance, Ph.: +6221 351 0714)

E-mail: [contactIRU-DL@bi.go.id](mailto:contactIRU-DL@bi.go.id)

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

# What's New in This Edition



## Economic Recovery Program and Its Updates

...page 5-26

## Investment Realization (Q3-2021 )

...page 46-48



## Fiscal & Financing Policy Updates

...page 67-92



## Bank Indonesia Board of Meeting Decision

...page 124-125



# Overview



1

Economic Recovery Program and Its Updates

5

Fiscal Performance and Flexibility:  
Strong Commitment in Maintaining  
Fiscal Credibility

2

Institutional and Governance Effectiveness:  
Accelerated Reforms Agenda with  
Institutional Improvement

6

Commitment to Sustainability and  
Preserving the Environment

3

Economic Factor:  
Stable Growth Prospects  
Amid Temporary Moderation

7

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

4

External Factor:  
Improved External Resilience

8

Progressive Infrastructure Development:  
Strong Commitment on Acceleration  
of Infrastructure Provision



# Section 1

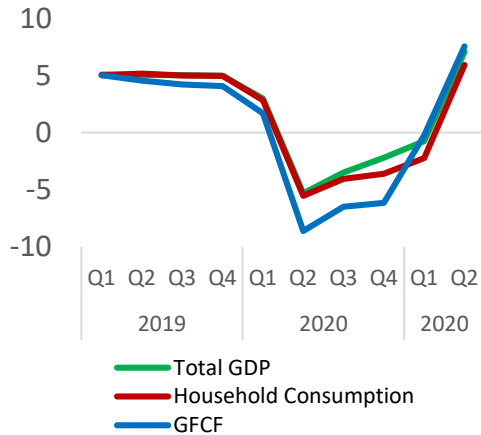
---

## Economic Recovery Program and Its Updates

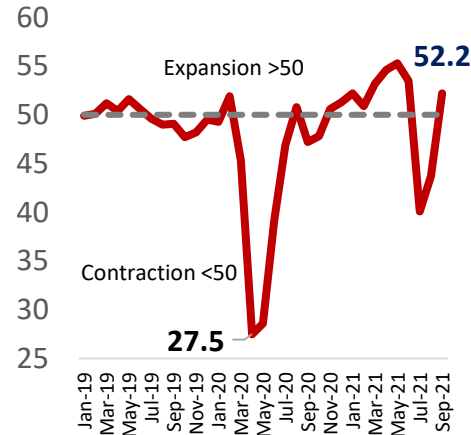
# Indonesia's Economic Improvement Trend Continues



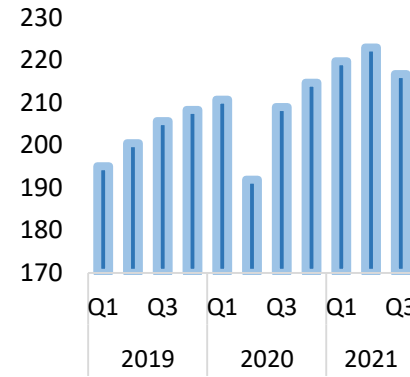
## GDP Growth (%YoY)



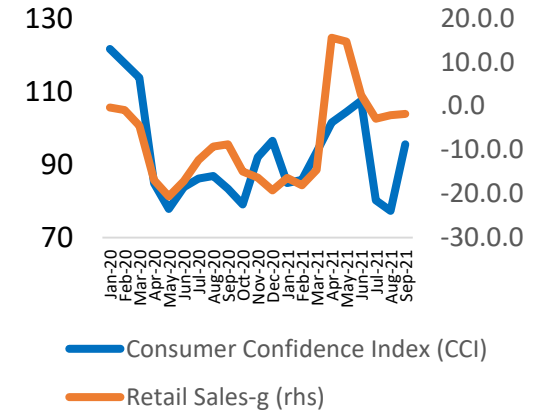
## PMI Market Indonesia



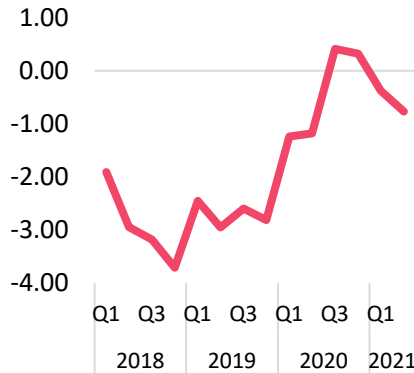
## Total Investment (DDI+FDI) Rp Trillion



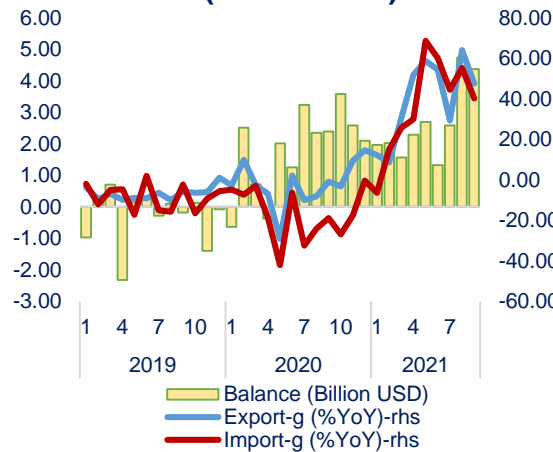
## CCI & Retail Sales



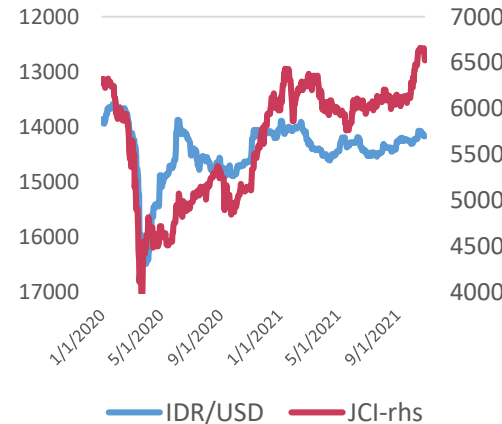
## Current Account of GDP (%)



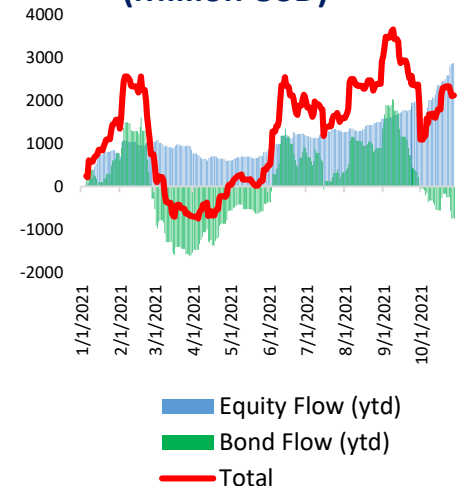
## Trade Balance (Billion USD)



## The Indonesian Rupiah and JCI



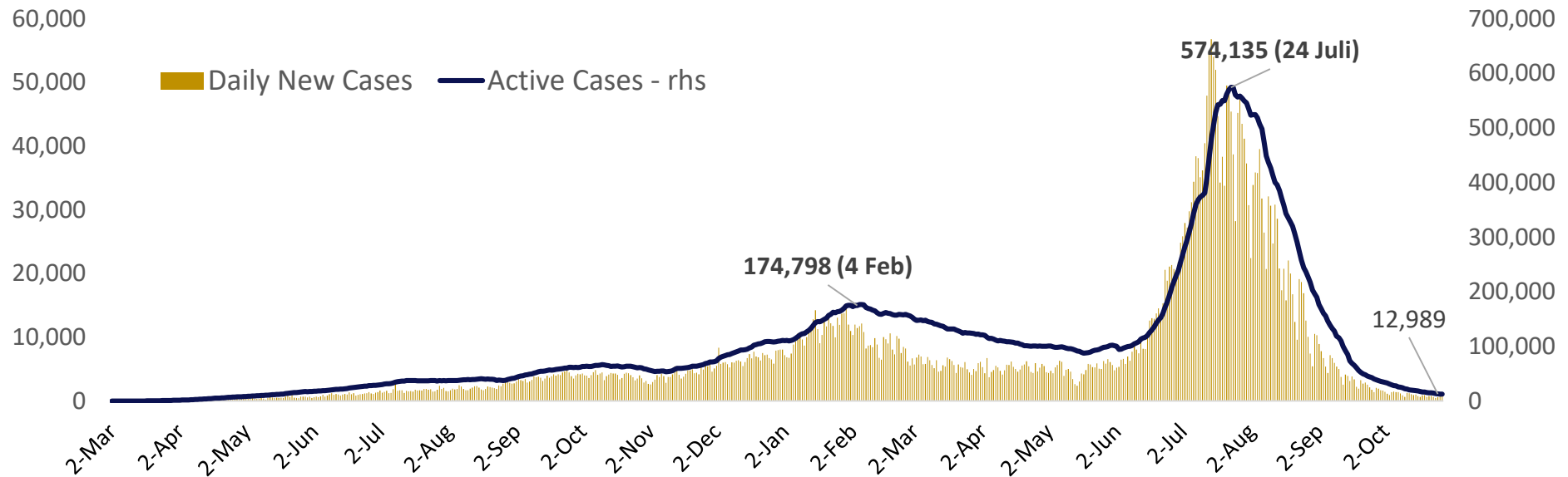
## Net Capital Inflow (Million USD)



# Indonesia Daily Covid-19 Continues to Trend Down



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

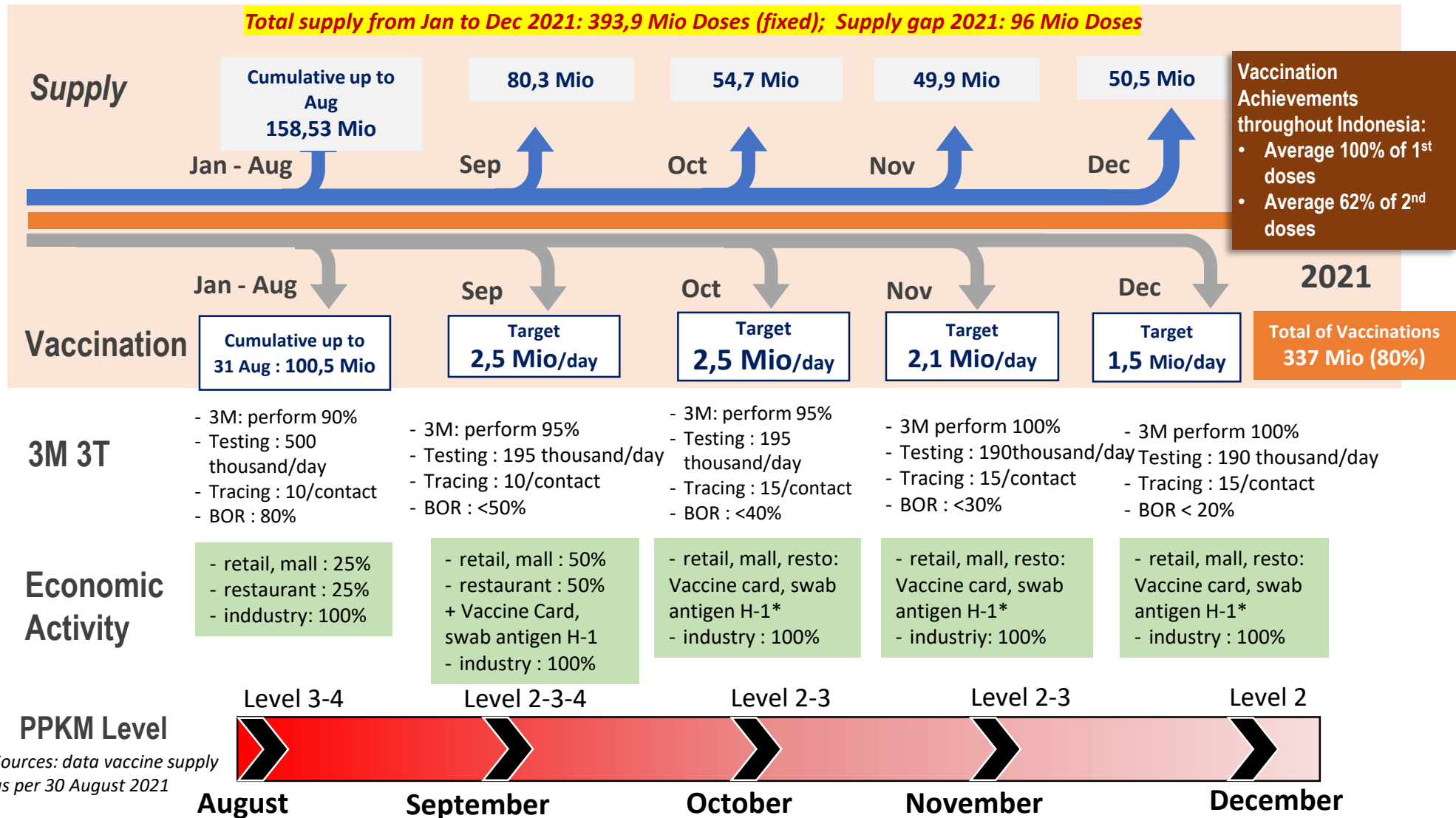


Provinces	Total Recovered		Total Deaths		Active Cases			Δ Active Cases 9 Aug - 24 Oct
	Total	RR	Total	CFR	09 Aug	24 Oct	%Share Nasional	
Sumatera	604.366	95,93%	22.468	3,57%	94.824	3.180	22,14%	-96,65%
Jawa & Bali	2.744.223	96,29%	99.868	3,50%	240.171	5.847	40,72%	-97,57%
Nusa Tenggara	88.624	97,20%	2.134	2,34%	12.906	421	2,93%	-96,74%
Kalimantan	336.904	96,32%	11.077	3,17%	47.861	1.781	12,40%	-96,28%
Sulawesi	227.910	96,87%	6.186	2,63%	33.980	1.189	8,28%	-96,50%
Maluku & Papua	80.427	95,93%	1.472	1,76%	18.766	1.942	13,52%	-89,65%
<b>NATIONAL</b>	<b>4.082.454</b>	<b>96,28%</b>	<b>143.205</b>	<b>3,38%</b>	<b>448.508</b>	<b>14.360</b>	<b>100,00%</b>	<b>-96,80%</b>

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

Source: Coordinating Ministry for Economic Affairs (as of 27 Oct 2021)

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









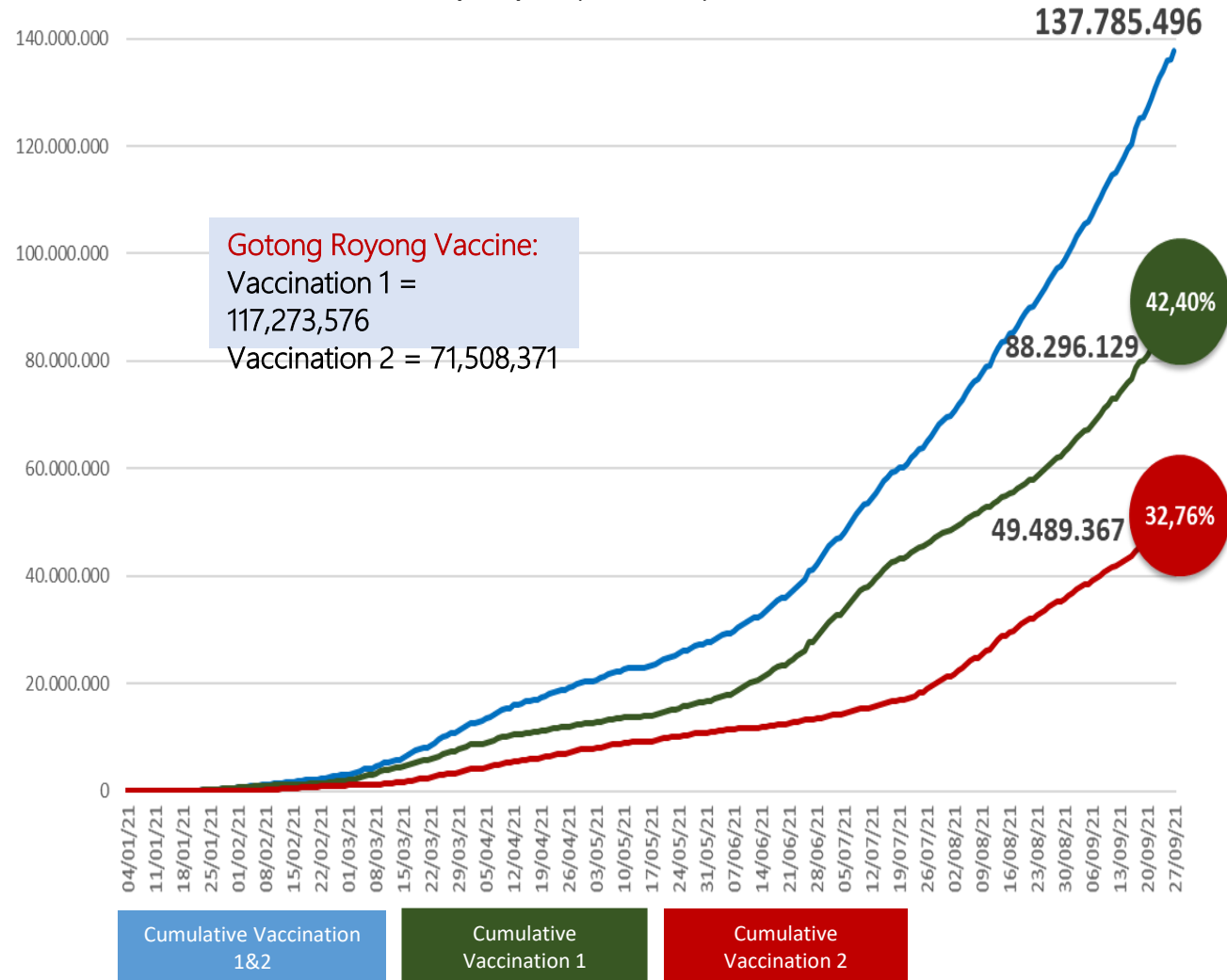


# Progress of Vaccination Implementation



Vaccination has been carried out since January 2021. As of October 29, 2021, the 1st vaccination dose was 117.28 million people (42,40%), and the 2nd dose vaccination was 71.50 million people (32,76%).

Vaccination Target		Vaccination Progress	
 TOTAL		208,265,720	
	HEALTH WORKER	Vaccination 1 2,010,521 (134.89%)	Vaccination 2 1,890,817 (128.74%)
1	1,468,764		
	PUBLIC OFFICERS	Vaccination 1 28,053,236 (161.90%)	Vaccination 2 22,741,902 (131.25%)
2	17,327,167		
	ELDERLY	Vaccination 1 8,314,363 (38.58%)	Vaccination 2 5,166,447 (23.97%)
3	21,553,118		
	COMMUNITY & VULNERABLE	Vaccination 1 73,826,829 (55.28%)	Vaccination 2 37,513,085 (26.57%)
4	141,211,181		
	TEENAGER	Vaccination 1 3,893,261 (14.58%)	Vaccination 2 3,182,265 (11.92%)
5	26,705,490		
Total Target (1+2+3+4+5) 208,265,720		117,273,576 (56.31%)	71,508,317 (32.76%)



As of 29 October 2021

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



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

## Assessment of the Covid-19 Pandemic Situation Level

- Large – Scale Social Restriction (PSBB)  
April 2020
- PSBB Transition  
October 2020
- Community Activities Restriction Enforcement (PPKM)  
11 Jan – 8 Feb 2021
- Micro-Scale PPKM  
9 Feb – 2 Jul 2021
- The Emergency PPKM  
3 Jul – 20 Jul 2021
- PPKM Level 1 to 4  
21 Jul – 17 Oct 2021

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

transmission level

→

response capacity

→

pandemic situation level

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

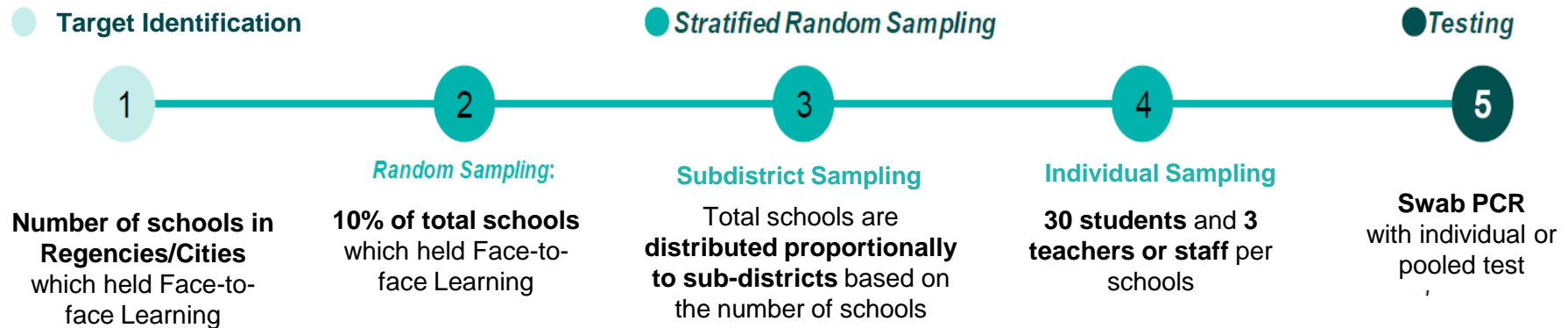
Micro-Scale PPKM aims to suppress the spread of covid-19 from the smallest level which is divided by zone

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



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



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



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

% of Positive Results	<1%	1-5%	>5%
Follow-up Positive Cases and close contact	<div>  <b>Covid-19 Confirmed</b> <ul style="list-style-type: none"> <li>Self/centralized isolation</li> <li>Close contact tracing</li> </ul> </div> <div>  <b>Close Contact</b> <ul style="list-style-type: none"> <li>Quarantine</li> <li>Entry and Exit Test</li> </ul> </div>		
Face-to-face learning interventions	<ul style="list-style-type: none"> <li>Test all of the close contact</li> <li>All of the close contact quarantined in home</li> <li>F-to-F learning keeps running for unexposed class members</li> </ul>	<ul style="list-style-type: none"> <li>Test all of the study group</li> <li>All of the study group quarantined in home</li> <li>F-to-F learning keeps running for unexposed class members</li> </ul>	<ul style="list-style-type: none"> <li>Test all of the students in school</li> <li>Every students quarantined in home</li> <li>School is closed</li> <li>F-to-F learning temporarily stop</li> </ul>

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



## HANDLING STRATEGIES (UPSTREAM)



### (1) Accelerated Vaccination



### (2) Increased Number of Testing & Tracing



### (3) Mobility Restrictions (PPKM)

## HANDLING STRATEGIES (DOWNSTREAM)



Moderate/severe symptoms  
are placed at the  
District/City/Prov Referral  
Hospital



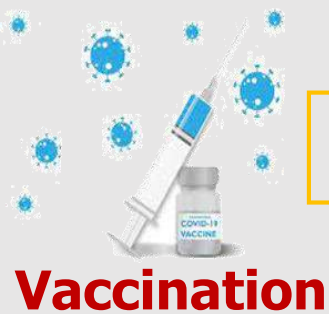
Mild & asymptomatic,  
Self-Isolating or placed in  
a Centralized Isolation  
Facility

### (4) Centralized Isolation

Flats, Hotels,  
Haji  
Dormitory  
PELNI ship



### Self Isolation



## Vaccination



health  
y

## 3M

Wear a mask,  
wash the hands,  
and keep the  
distance



infected

## 3T

Tracing  
Testing  
Treatment

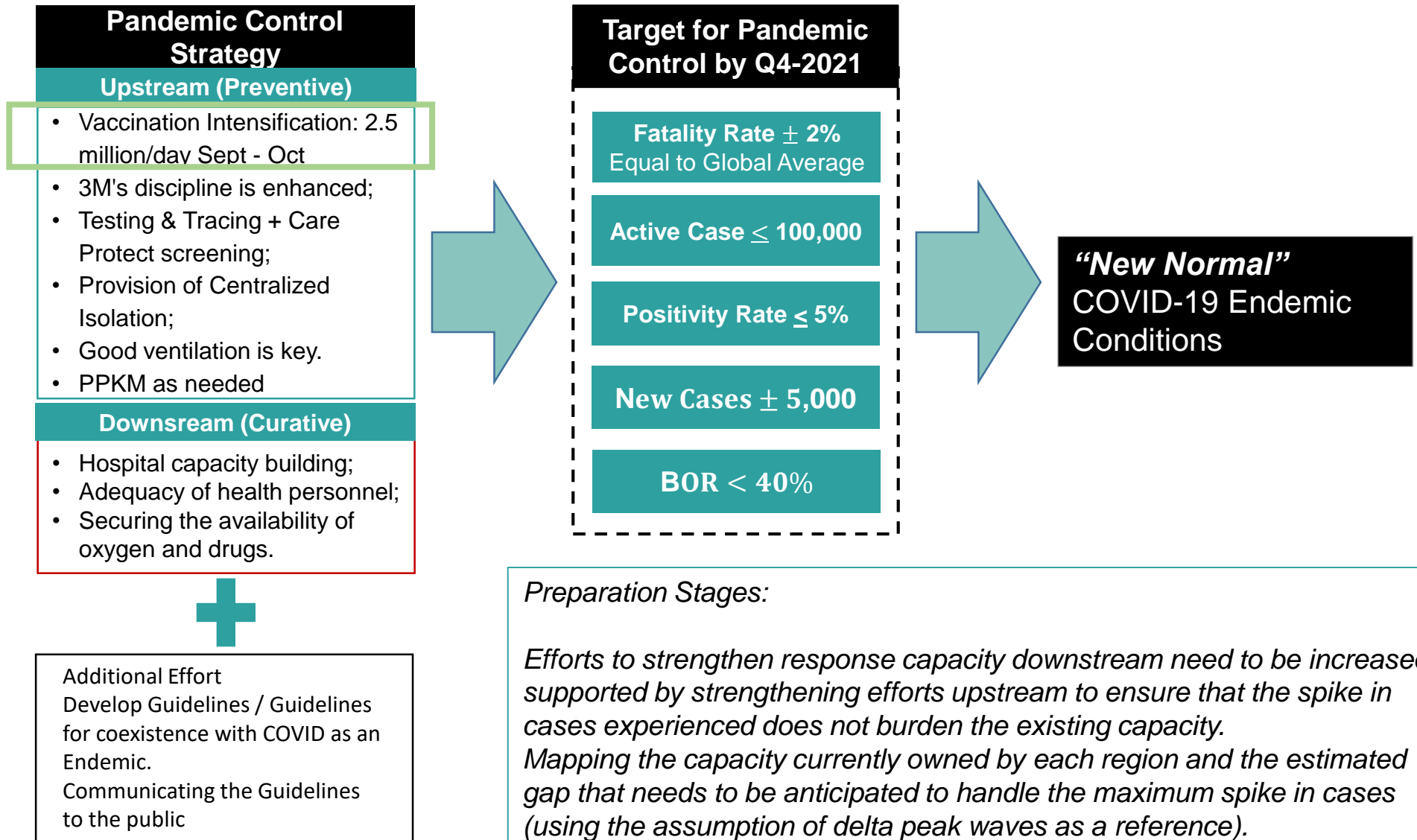


III

Improvement  
of Health  
Service  
Facilities

Health Facilities,  
Healthcare,  
Medicine,  
Oxygen

# Targets and Strategies Towards a "New Normal"





# Covid-19 Handling Fund and National Economic Recovery

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



### Health Sector (COVID-19 Handling)

#### Health Protocol

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

#### Detection

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

#### Therapeutic

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

#### Vaccination

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

### Committee

(Chairman:  
Coordinating Minister for Economic Affairs)

#### Vice Chairman

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

#### Vice Chairman

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

Vice Chairman + Executive Team Leader  
Minister of SOEs

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

PEN Task Force  
(Chairman: SOEs  
Vice Minister)

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

### Economy Sector (National Economic Recovery/PEN)

#### Intensification of National Economic Recovery Program

- Acceleration of government spending
- Labor-intensive program and the development of National Strategic Projects
- Strengthened support for the manufacturing sector
- Stimulate household consumption

PEN and Covid-19 Stimulus Budget	2020	2021 (as of 23 April 2021)	2021 (as of 21 July 2021)
<b>TOTAL</b>	<b>IDR 695,2 T (Realization: IDR 579,8 T)</b>	<b>IDR699,43 T</b>	<b>IDR744,75 T</b>
Health	IDR63,51 T	IDR175,5 T	IDR214,95 T
Social Protection	IDR220,39 T	IDR150,88 T	IDR187,84 T
Business Incentives	IDR56,12 T	IDR56,72 T	IDR62,83 T
Support for MSMEs and Corporations	IDR173,17 T	IDR191,13 T	IDR161,20 T
Priority Program	IDR66,59 T	IDR125,17 T	IDR117,94 T

# National Economic Recovery Program Will Continue In 2022 To Anticipate The Expansion Of The Impact Of Covid-19



Until September 17<sup>th</sup>, 2021  
(Reached IDR395.92 T or 53.2% of IDR744.77 T)

## HEALTH

Budget **IDR.214.96 T**

Realization **IDR.97.28 T (45.3%)**

## SOCIAL PROTECTION

Budget **IDR.186.64 T**

Realization **IDR.112.87 T (60.5%)**

## SUPPORT FOR MSME AND CORPORTATION

Budget **IDR.162.40 T**

Realization **IDR.68.35 T (42.1%)**

## PRIORITY PROGRAM

Budget **IDR.117.94 T**

Realization **IDR.59.51 T (50.5%)**

## BUSINESS INCENTIVE

Budget **IDR.62.83 T**

Realization **IDR.57.92 T (92.2%)**

**2022**

Potential Risks of the Increased of COVID-19 Impact in 2022 include:

— Increased testing, tracing, dan treatment

— Increased Patient Claims as the number of cases increases

— Expansion of community protection



The allocation of the Program has the potential to increase in line with the development of handling COVID-19

HEALTH:  
**IDR 77.05 T**

PRIORITY PROGRAM:  
**IDR 90.04 T**

COMMUNITY PROTECTION :  
**IDR 126.54 T**

SUPPORT FOR MSME AND CORPORTATION:  
**IDR 27.48 T**

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



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



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

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



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

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



# Policy Synergy in the Property and Automotive Sector



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



Government



Bank Indonesia



OJK

1



Automotive Sector

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

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

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

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

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

2



Property Sector

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

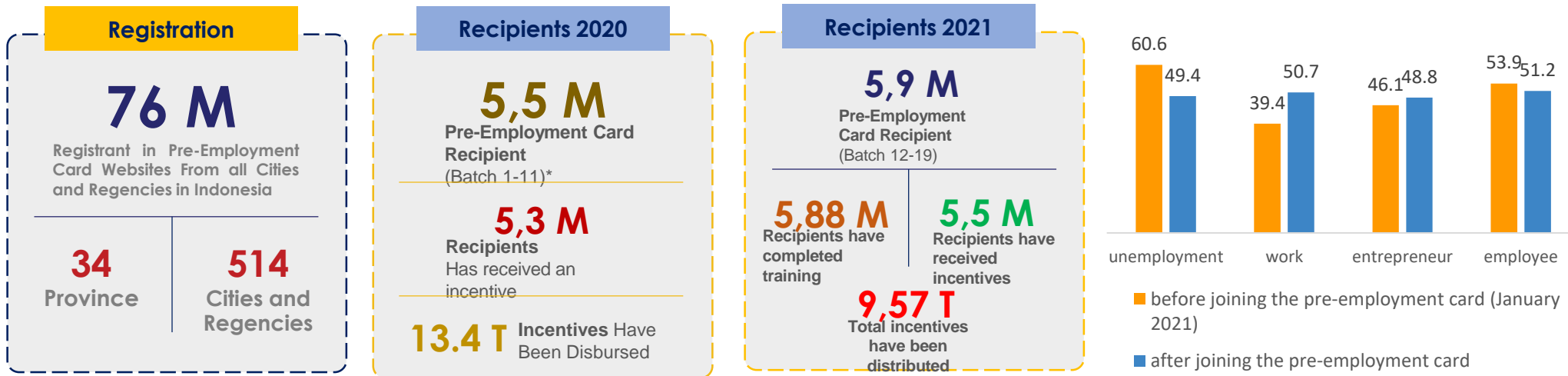
Relaxation of Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid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

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

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

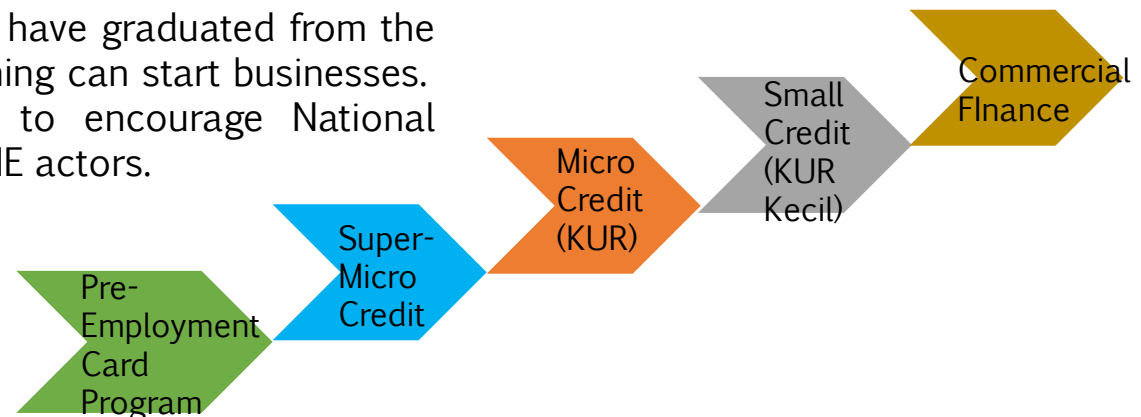


*The Pre-employment Card is a program from the government for job seekers to workers affected by Covid-19 to improve skills through training as well as get incentives.*



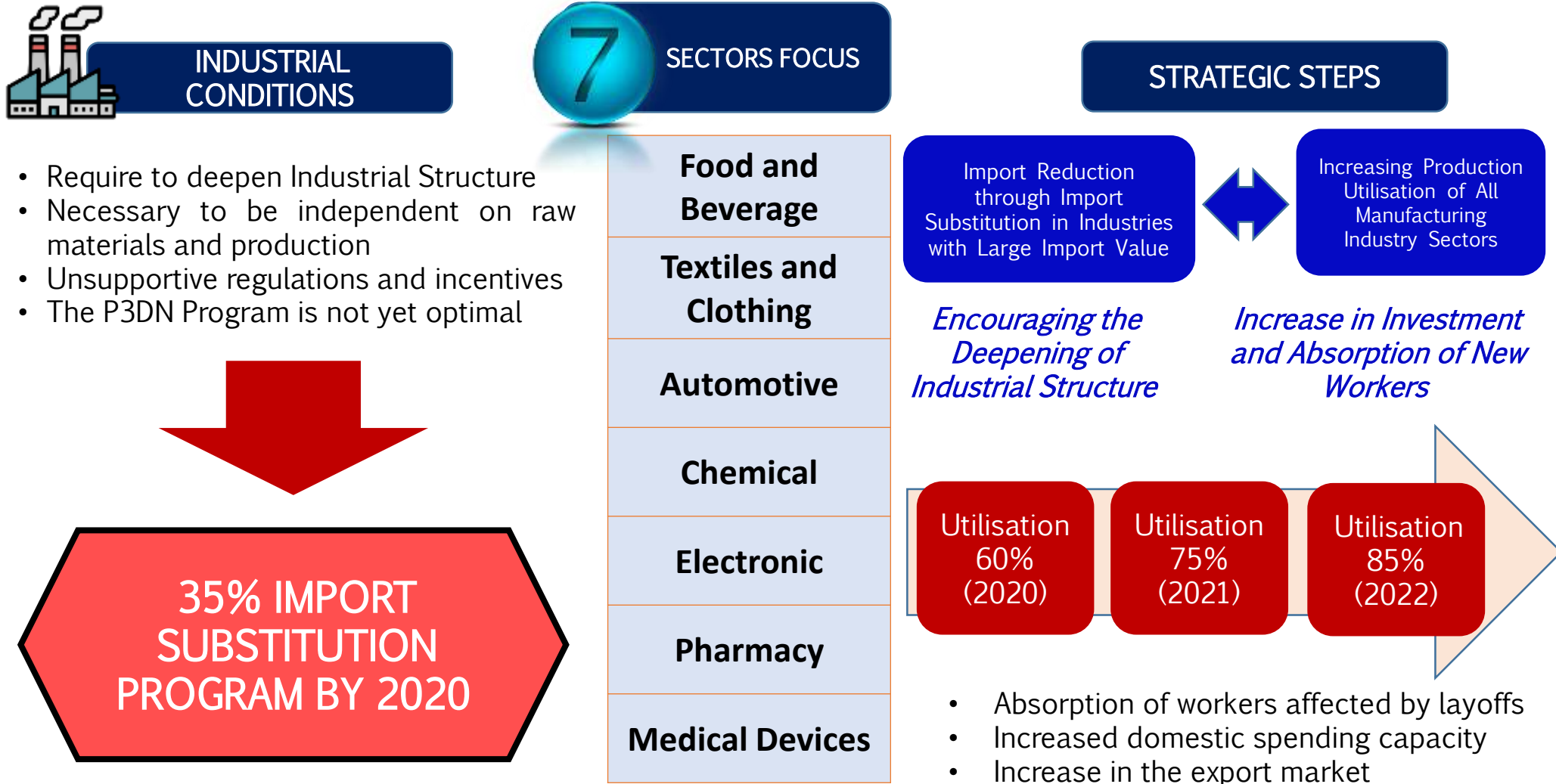
## Graduation Stages for Pre-Employment Card Program Recipients to the People's Business Credit Program (KUR)

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





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



# Fiscal Incentives Policy to Boost the Economy



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

## TAX HOLIDAY

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

## TAX ALLOWANCE

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

## INVESTMENT ALLOWANCE

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

## SUPER DEDUCTION TAX

### Super Deduction Vocational

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

### R & D Super Deduction

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

#### Updated: 31 Dec 2020

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



# Government Support for MSMEs During the Covid-19 Pandemic

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

## MSMEs CREDIT RESTRUCTURING

### 1 ASSET QUALITY ASSESSMENT

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

#### Asset Quality Arrangement:

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

#### Restructurisation:

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

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

### 2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

#### KUR Super Mikro : Loan up to IDR 10 million

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

#### KUR MKM (SMEs):

##### Loan up to IDR 10 million up to IDR 500 million

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

#### KUR MSME Credit, non-KUR:

##### Loan > IDR 500 million up to IDR 10 billion

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

#### UMi, Mekaar, Pegadaian (Pawnshop)

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

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

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

## WORKING CAPITAL CREDIT

### 3 LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

### 4 GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

## OTHER SUPPORT

### 5 Income Tax for MSMEs is borne by Government

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

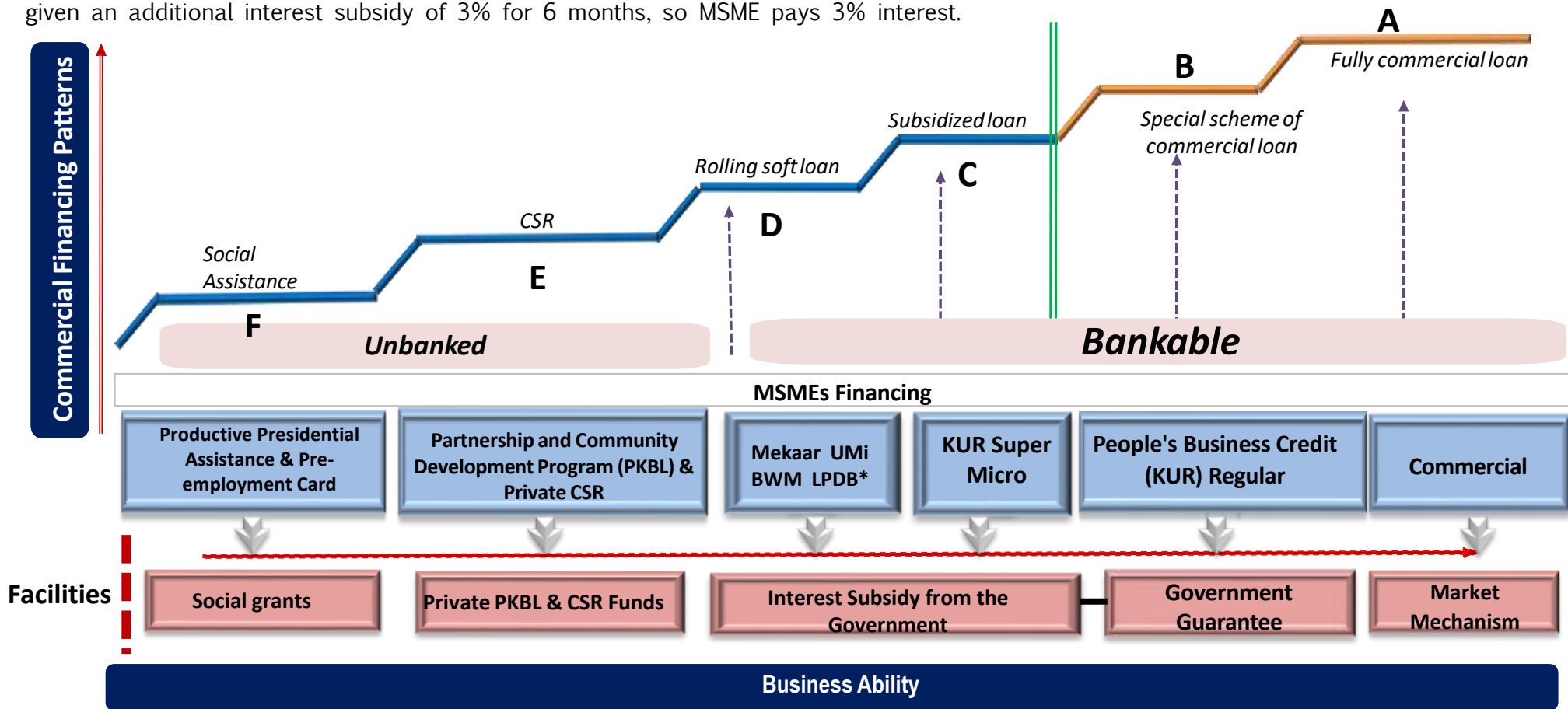
### 6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

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



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

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





# Section 2

---

Institutional and Government Effectiveness:  
Accelerated Reforms Agenda with  
Institutional Improvement

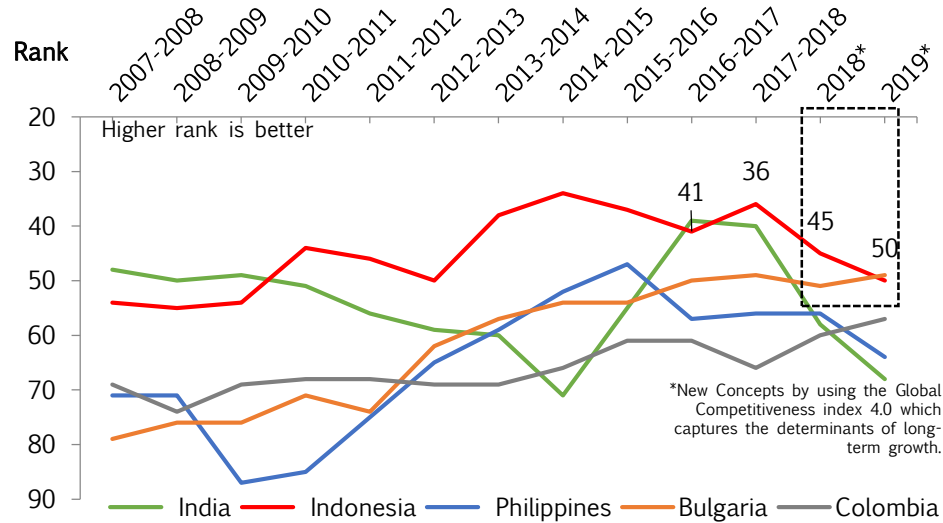


# Improving Global Perception

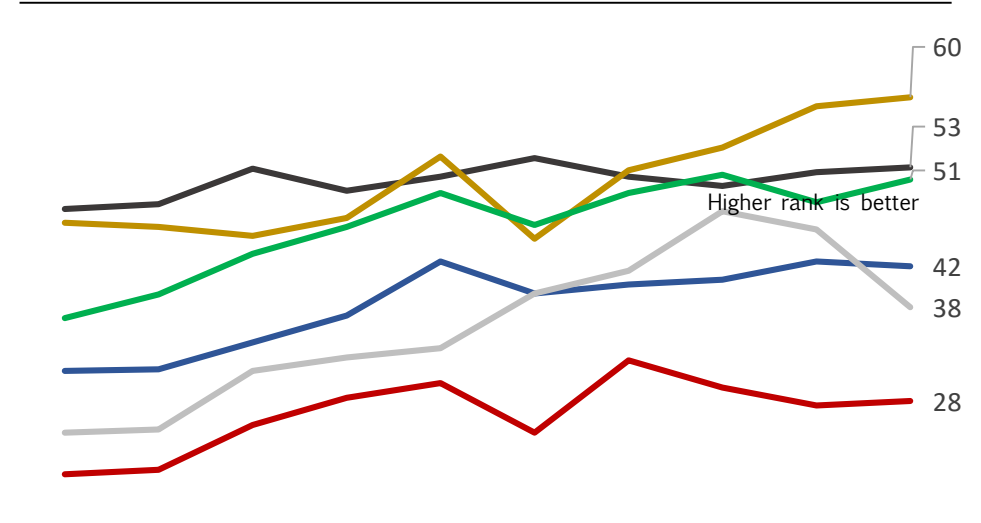
## ...with recent improvements on governance effectiveness



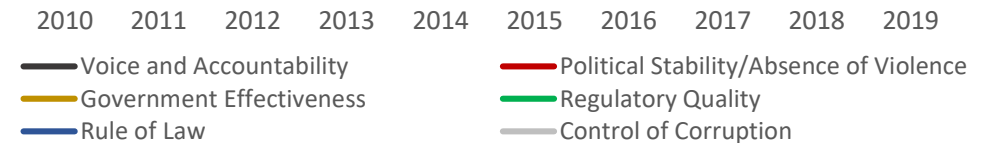
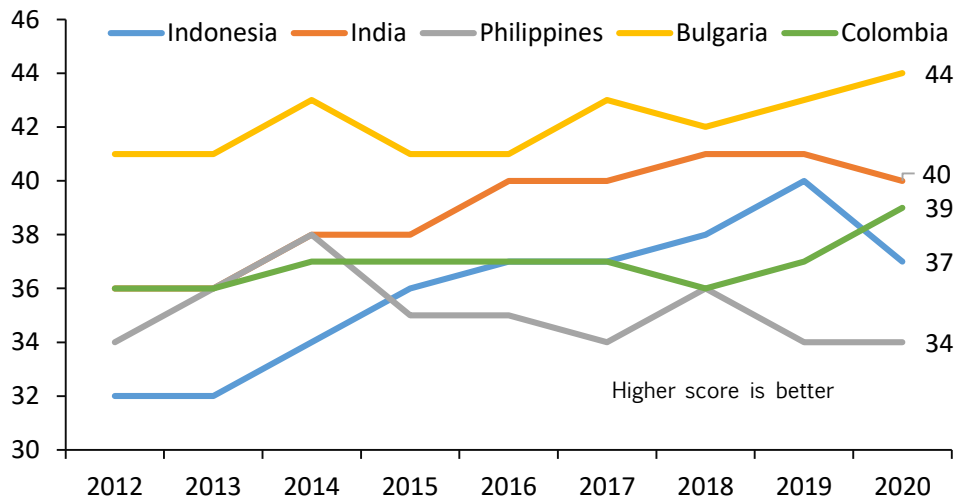
Global Competitiveness Index<sup>1</sup>



Worldwide Governance Indicators<sup>2</sup>

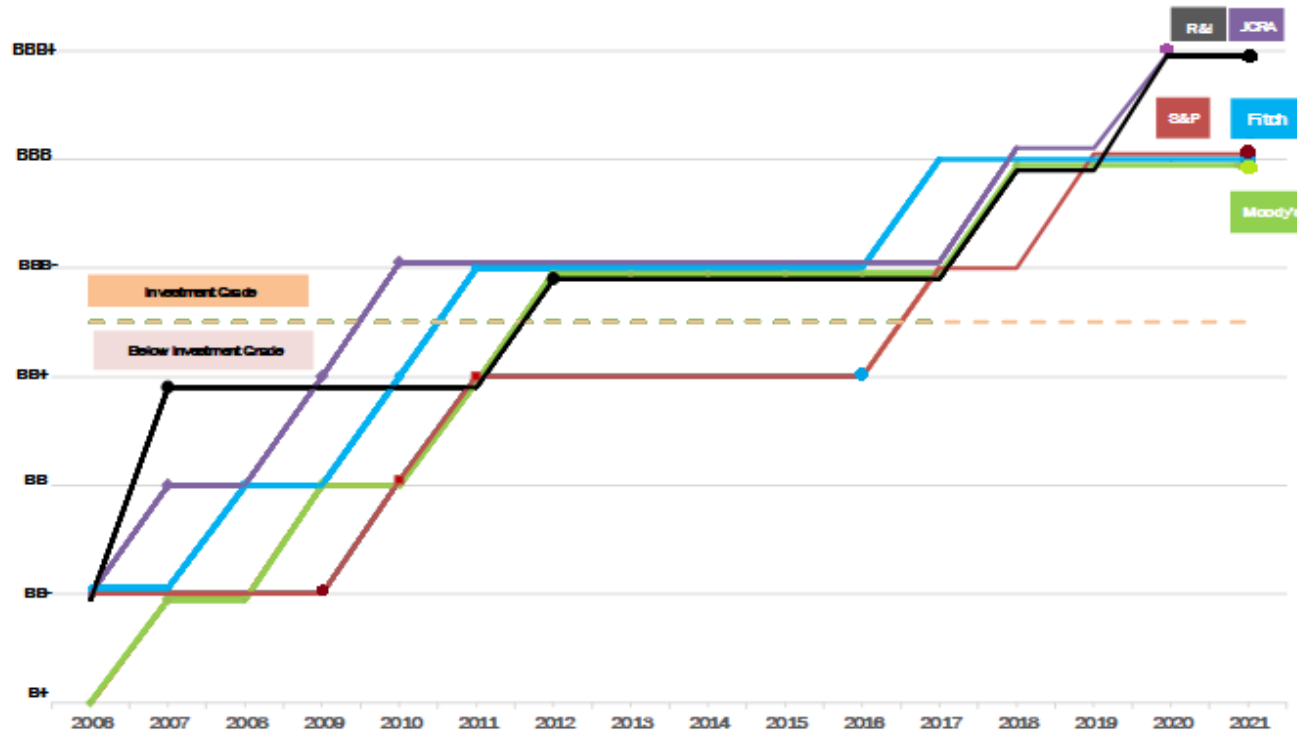


Corruption Perception Index<sup>3</sup>



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

# Indonesia Has Been Rated as Investment Grade Country since 2017



## Fitch Ratings

BBB / Stable

March 2021, Rating Affirmed at BBB/Stable

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

## S&P Global Ratings

BBB / Negative

April 2021, Rating Affirmed at BBB/Negative

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

## Moody's

Baa2 / Stable

Feb 2020, Rating Affirmed at Baa2/Stable

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



BBB+ / Stable

April 2021, Rating Affirmed at BBB+/Stable

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

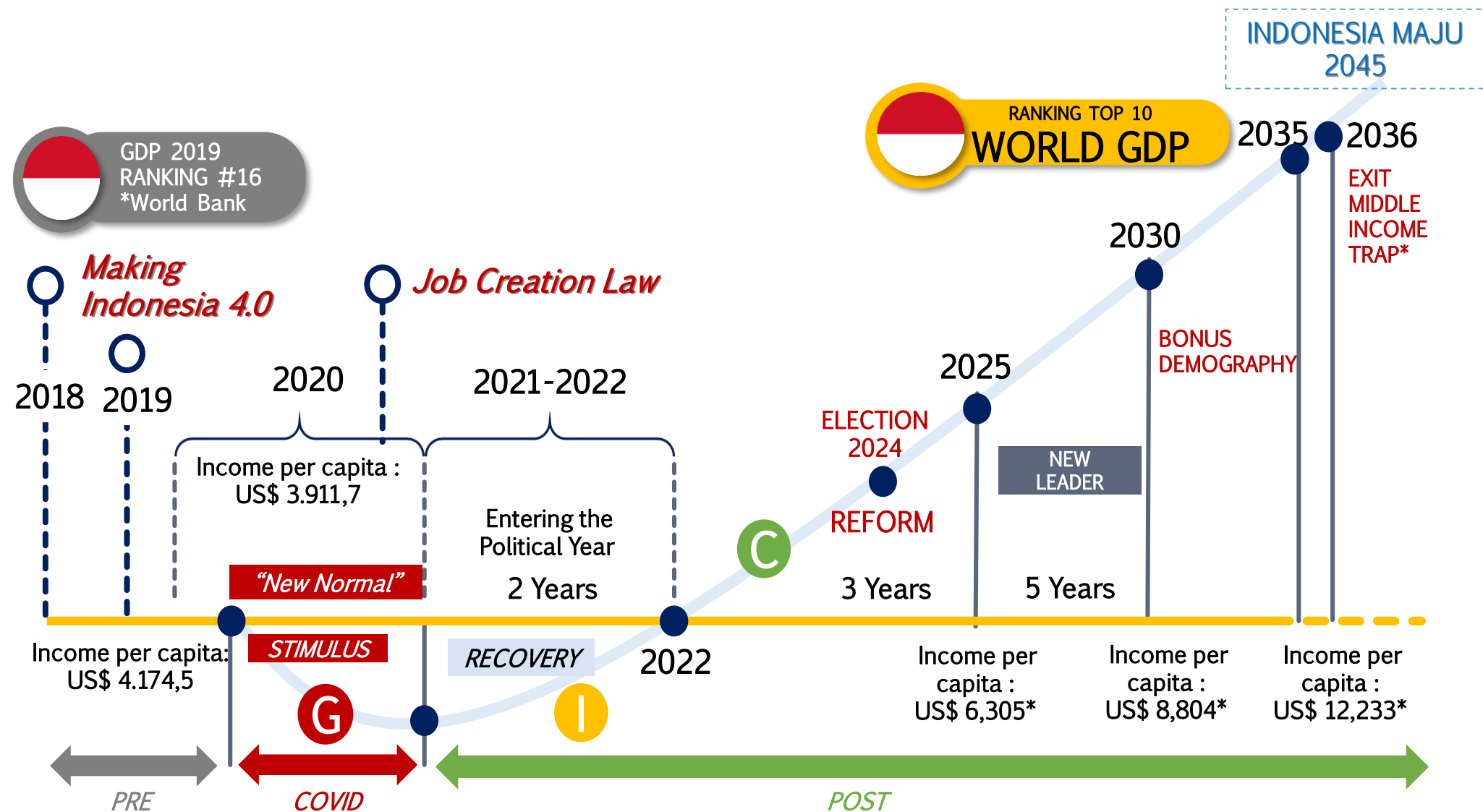


BBB+ / Stable

December 2020, Rating Affirmed at BBB+/Stable

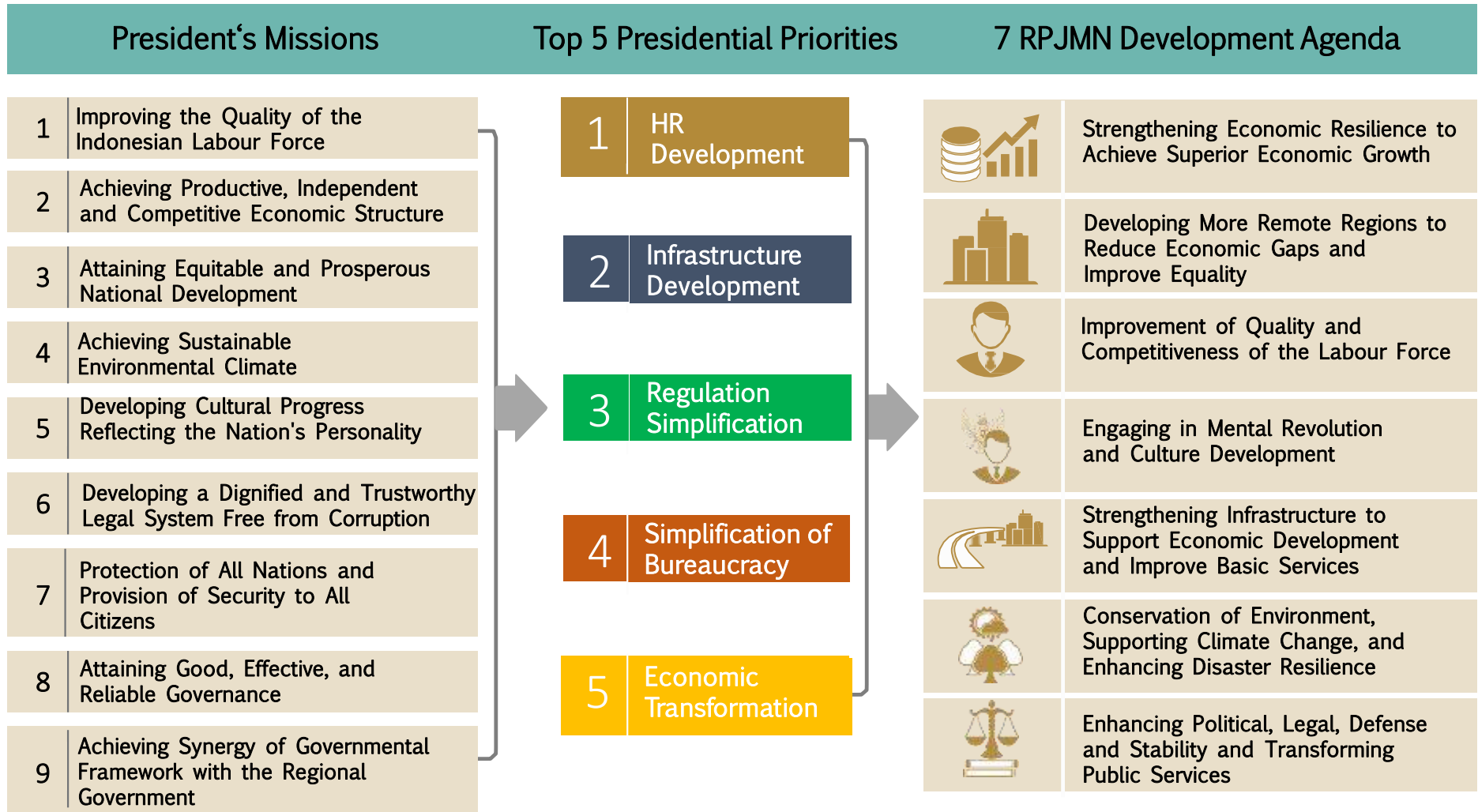
*"The ratings mainly reflect the country's solid domestic demand-led economic growth potential, restrained public debt, and resilience to external shocks supported by flexible exchange rate and monetary policies and accumulation of foreign exchange reserves. Additionally, the government has been maintaining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

# Structural Reform Towards “Indonesia Maju 2045” and Out of the Middle-Income Trap

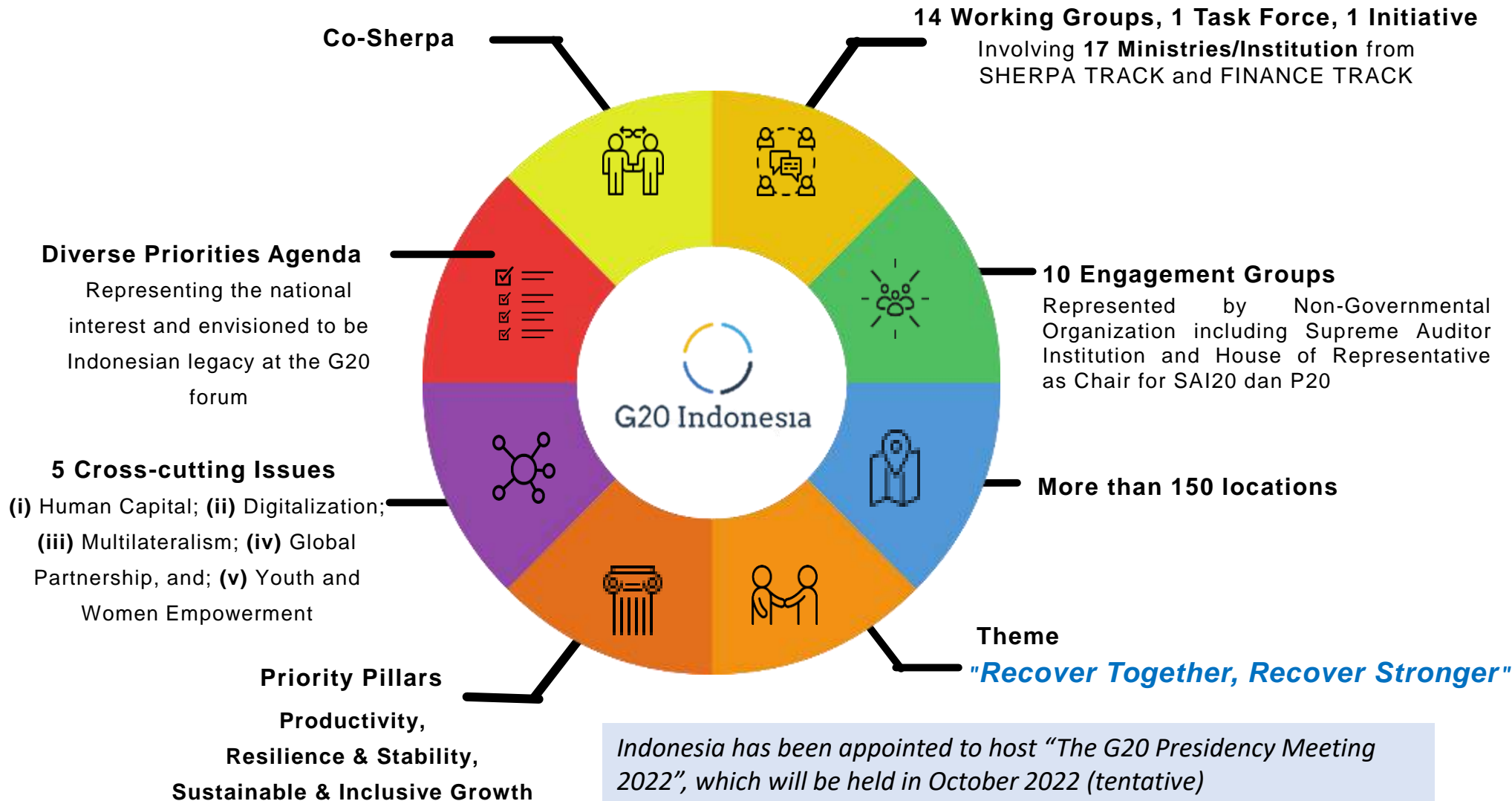


# Medium-Term National Development Plan (RPJMN) 2020-2024

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

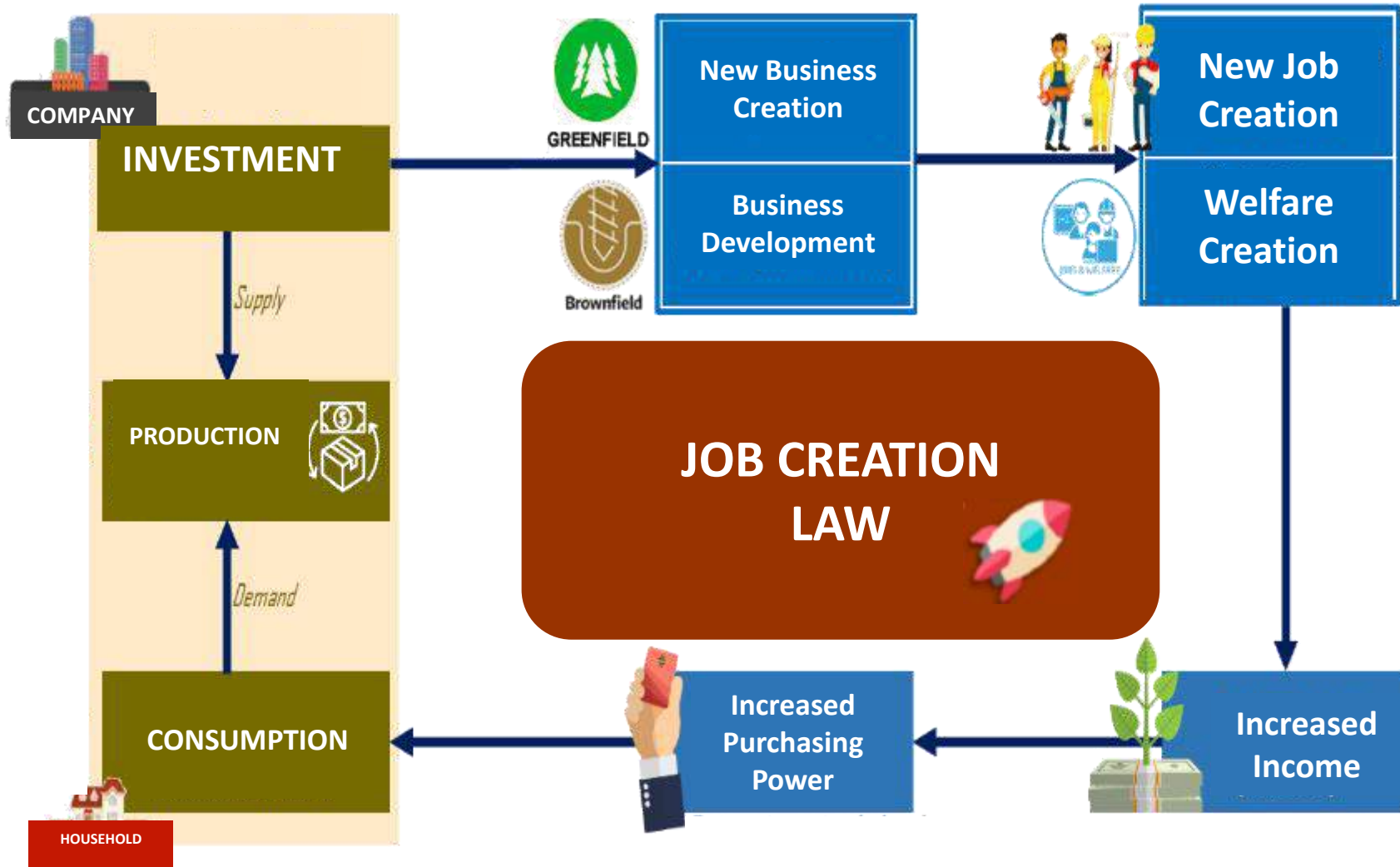


# Indonesia G20 Presidency 2022: a Snapshot





# The Framework of Job Creation Law



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



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



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

**The Job Creation Act** (Act Number 11 of 2020 on Job Creation)

**186 Articles dan 15 Chapters**

**51 Implementing Regulations**

## Clusters in the Job Creation Law

1. Improving the Investment Ecosystem and Business Activities
2. Employment
3. Ease, Protection, and Empowerment of Cooperatives and SMEs
4. Ease of Business
5. Research and Innovation Support
6. Land Procurement
7. Economic Zone
8. Central Government Investment and Acceleration of National Strategic Projects
9. Implementation of Government Administration
10. Imposition of Sanctions

## Improving the Investment Ecosystem and Business Activities



Implementing risk-based Business Licensing

simplifying primary requirements for business licensing

Simplifying sectoral business licensing

Simplifying investment requirements

# Positive Investment List: Improving the Investment Ecosystem in Indonesia



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



## Changes in the Regulation of the Investment Business Field

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

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

### Priority Business Activities with the following criteria:

National strategic project/program	Pioneer industry
Capital intensive	Export oriented
Labour intensive	Oriented in research, development, and innovation activities
High technology	

### Fiscal Incentives

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

### Non-Fiscal Facilities

- Ease of obtaining business licenses
- Provision of supporting infrastructure
- Guarantees on availability of energy and materials
- Immigration
- Manpower
- Other non-fiscal supports

# Implementing Regulation on Risk-Based Licensing



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

## Ease of Doing Business



**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.

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

1. Marine & fisheries;
2. Agriculture;
3. The environment & forestry;
4. Energy & mineral resources;
5. Nuclear energy;
6. Industry;
7. Trading;
8. Public works and housing;
9. Transport;
10. Health, medicine and food;
11. Education and culture;
12. Tourism;
13. Religion;
14. Post, telecommunications, broadcasting, electronic systems and transactions;
15. Defense & safety;
16. Employment.

## Risk-based Business License



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

### Low Risk

Only required to obtain a Business Identification Number

### Medium Risk

Business Identification Number + Standard Certificate

### High Risk

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



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



# 51 Regulations for Job Creation Law (Substance Grouping)



## Spatial

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

## Land and Land Rights

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

## Environment

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

## Construction and Housing

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

## Cooperatives and SMEs

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



# 51 Regulations for Job Creation Law (Substance Grouping)



## Investment

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

## Fiscal

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

## Employment

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

## Economic Zone

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

## Government Goods / Services

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

# 51 Regulations for Job Creation Law (Substance Grouping)



## Licensing and Sector Business Activities

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



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

## Progress

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

## Target



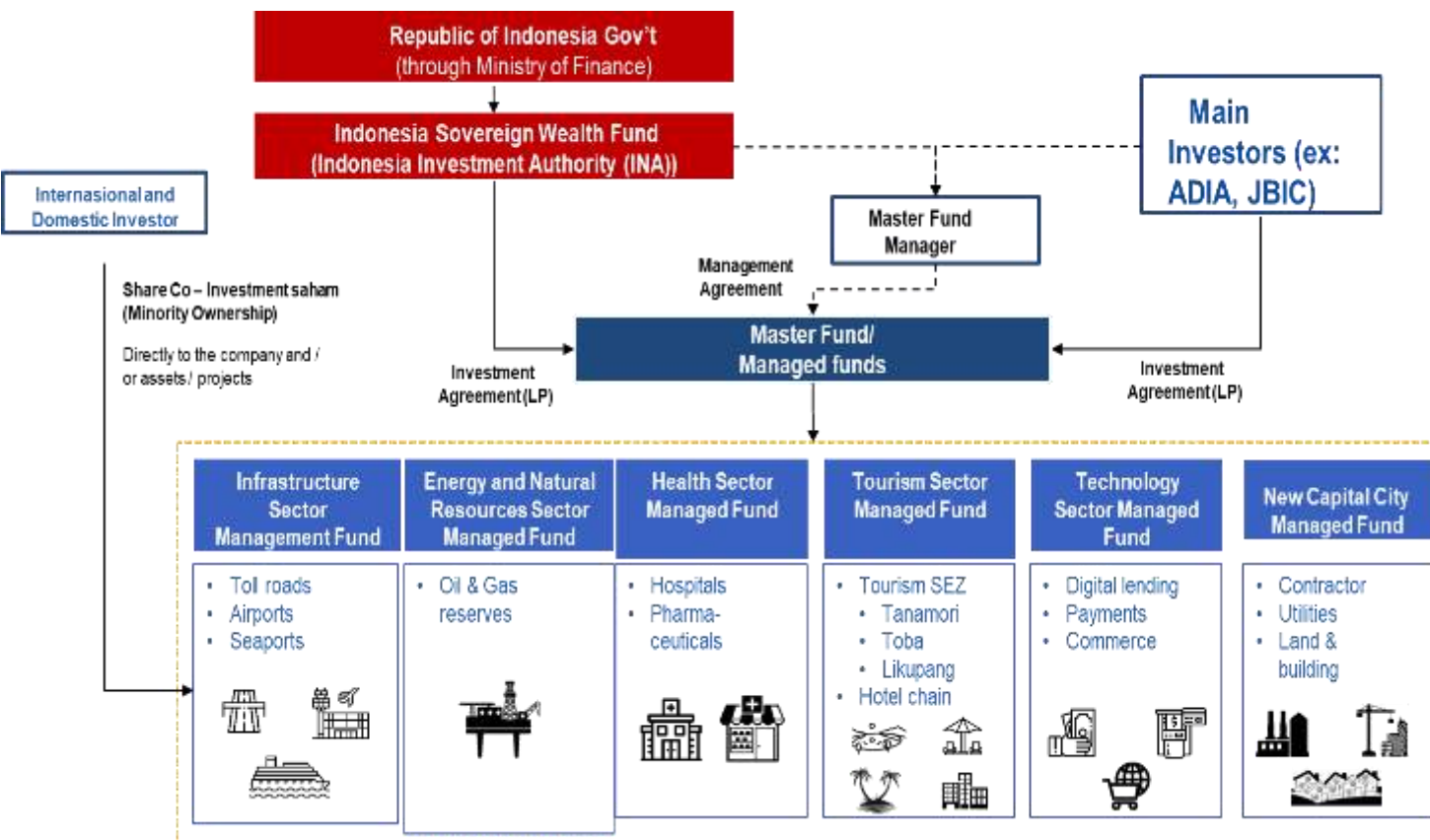
Optimization of Central Government Investment Value



Increase Foreign Direct Investment (FDI)



Encouraging the improvement of the investment climate



### Top SWF in Global with its total assets:

- Norway Gov → USD 1.37 trillion
- China Inv. Co. → USD 1.22 trillion
- ADIA (Abu Dhabi) → USD 829 billion

### Top SWF in ASEAN with its total assets:

- GIC Private Limited → USD 744 billion
- Temasek Holdings → USD 283 billion
- Khazanah Nasional Berhad → USD 31 billion

# Investment Facilitation Services During COVID-19 Pandemic



1

## Companies Operation Support

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



2

## Visa Recommendations for Company Leaders

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



3

## Visa recommendations for foreign skilled workers

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



4

## Managing Existing Investment Realization

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



5

## Optimization of Business Licensing Services

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



# Enhancing Business License Service Standard

Presidential Regulation to Accelerate Ease of Doing Business implemented since 2014



## Policy Goals

Improve efficient, streamlined, & integrated business license service standards



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



Overcome the barriers to doing business in Indonesia



Accelerate the business licensing process

Increase coordination & synergy between central & regional government

Implement integrated licensing process (single submission)

## Main Policy

### 1<sup>st</sup> Phase



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



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



Utilizing data sharing

### 2<sup>nd</sup> Phase



Business license regulatory reforms



Implementation of the Single Submission system

Note: 1<sup>st</sup> and 2<sup>nd</sup> Phase are implemented in parallel



# Improving Investment Climate

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

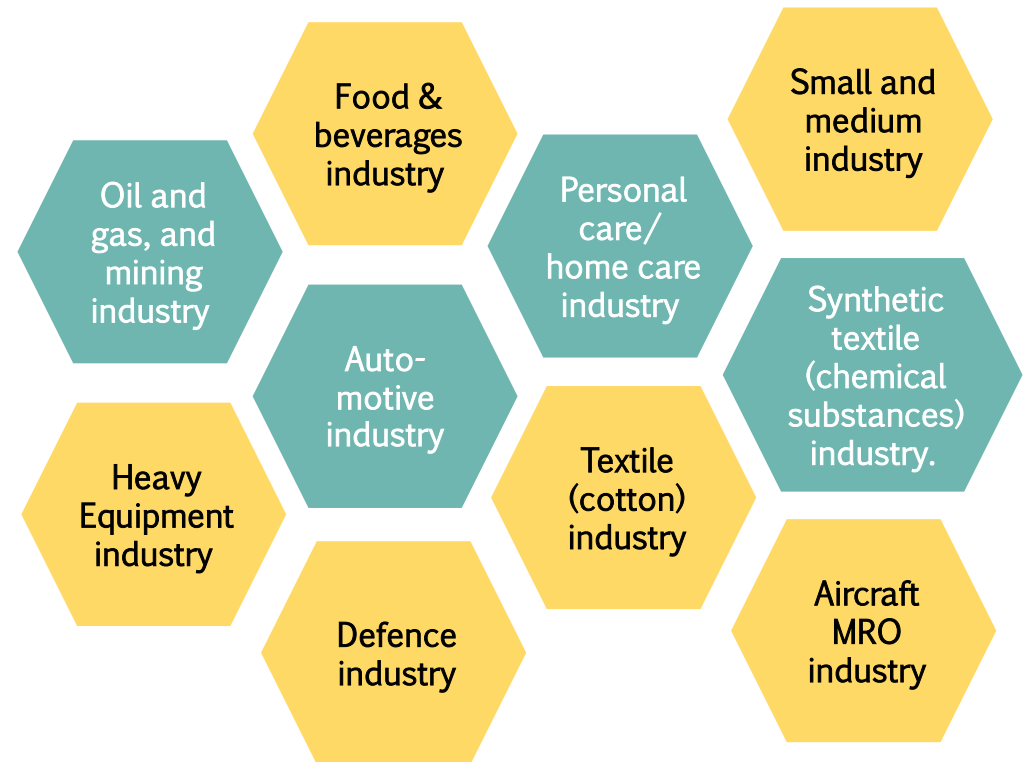


## Bonded Logistic Center

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

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

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

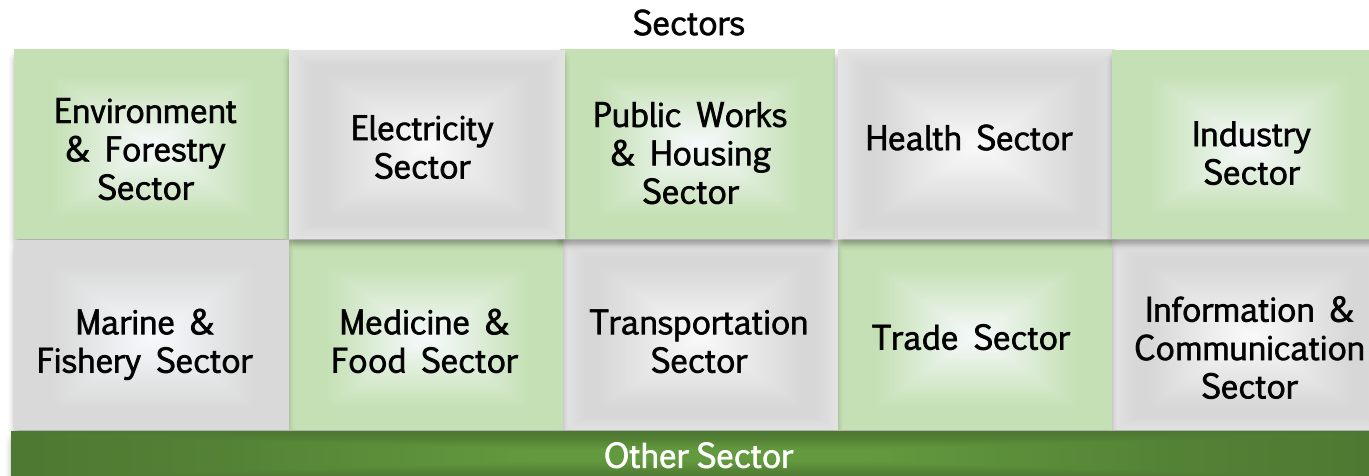


# Improving Investment Climate

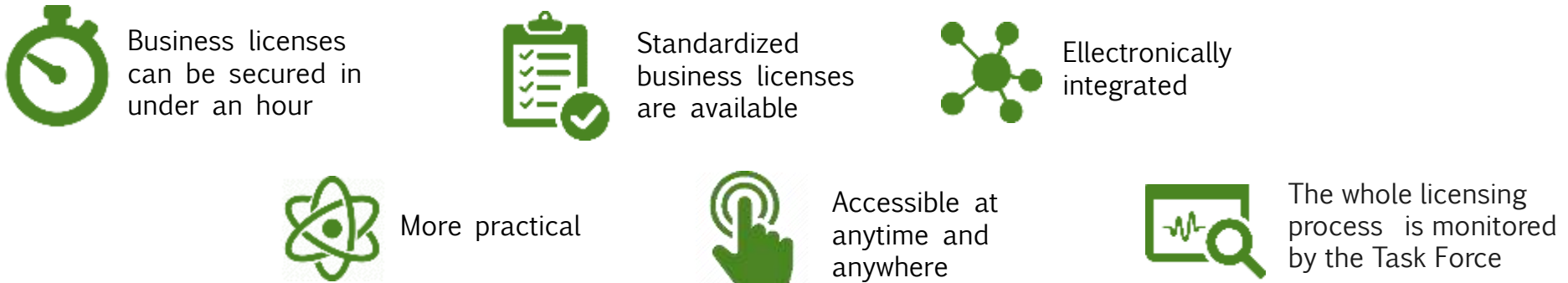
Online Single Submission (OSS) Has Been Launched in 2018



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



## The Advantage of Using OSS

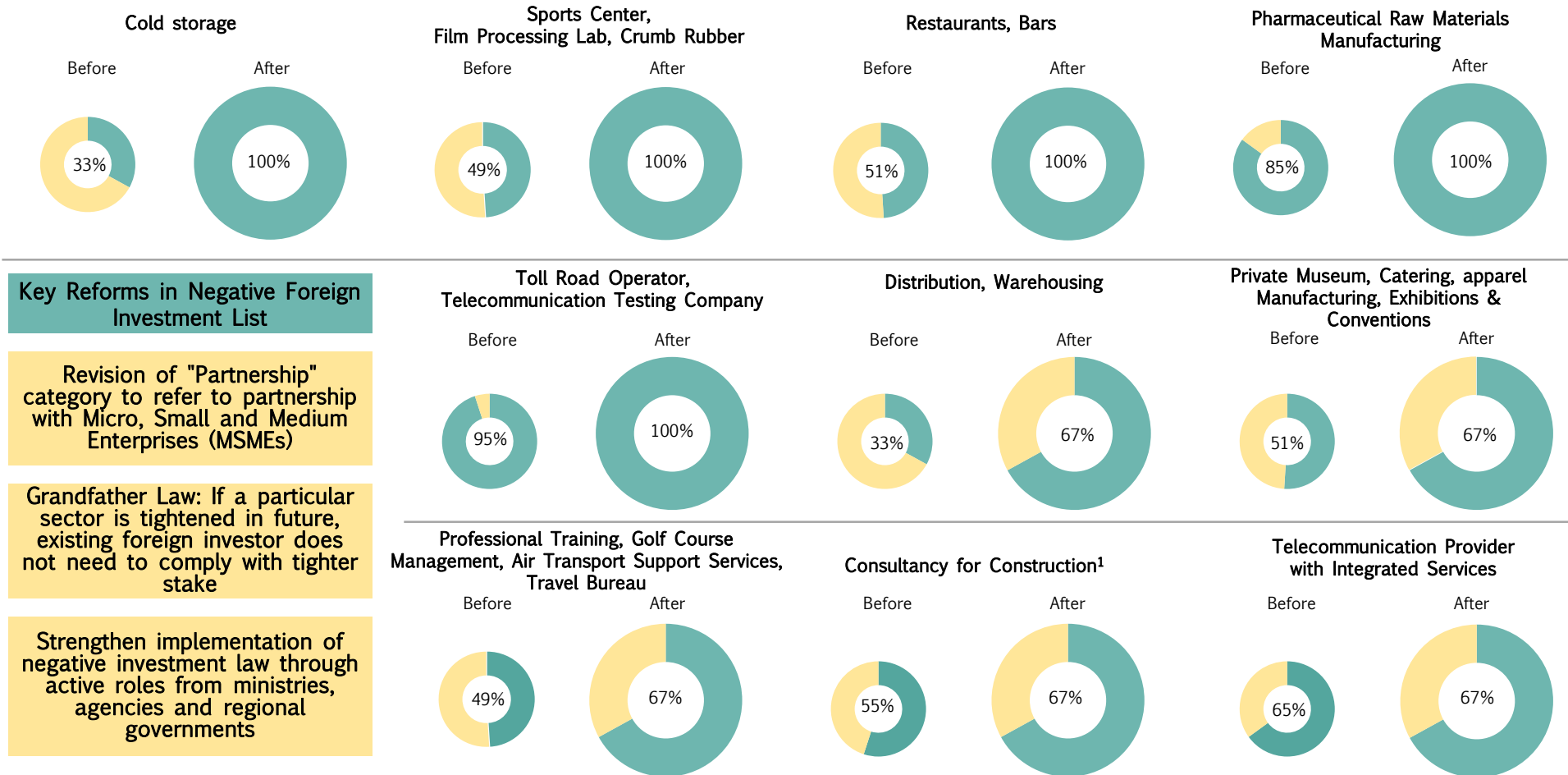


# Improving Investment Climate

## ...revision of the Negative Investment List in 2018

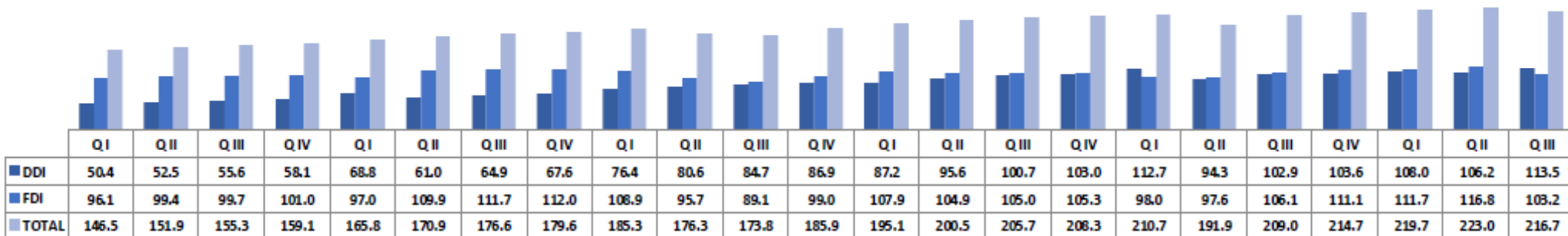


### Introduction of New Foreign Ownership Regulation for Strategic Sectors



<sup>1</sup> For total project value of IDR10bn and above

# Investment Realization in Q3-2021



DDI: Domestic Direct Investment

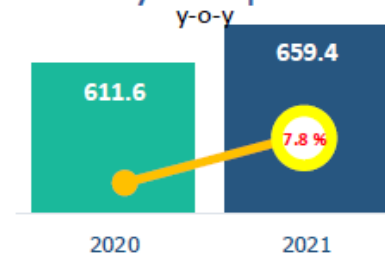
FDI: Foreign Direct Investment

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

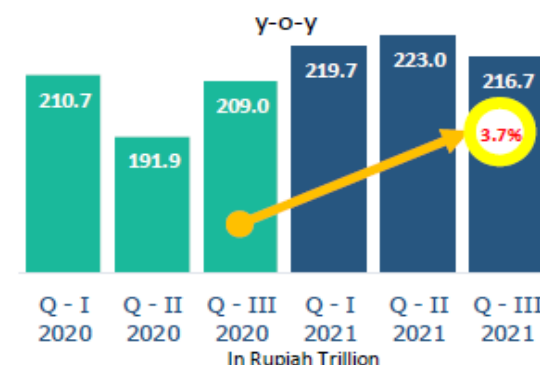
	2020			2021		
	Q-I	Q-II	Q-III	Q-I	Q-II	Q-III
DDI	112.7	94.3	102.9	108.0	106.2	113.5
FDI	98.0	97.6	106.1	111.7	116.8	103.2
TOTAL	210.7	191.9	209.0	219.7	223.0	216.7
	JANUARY – SEPTEMBER 2020			JANUARY – SEPTEMBER 2021		
DDI	309.9			327.7		
FDI	301.7			331.7		
TOTAL	611.6			659.4		

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

## January – September



## QUARTER III



\*\*) 2021 Investment Realization Target: IDR858.5 T (Strategic Plan)

As regulated in BKPM Regulation Number 2 of 2020 concerning BKPM Strategic Plan 2020-2024

The adjustment of investment realization target for 2021: IDR900 T (President's Instruction)

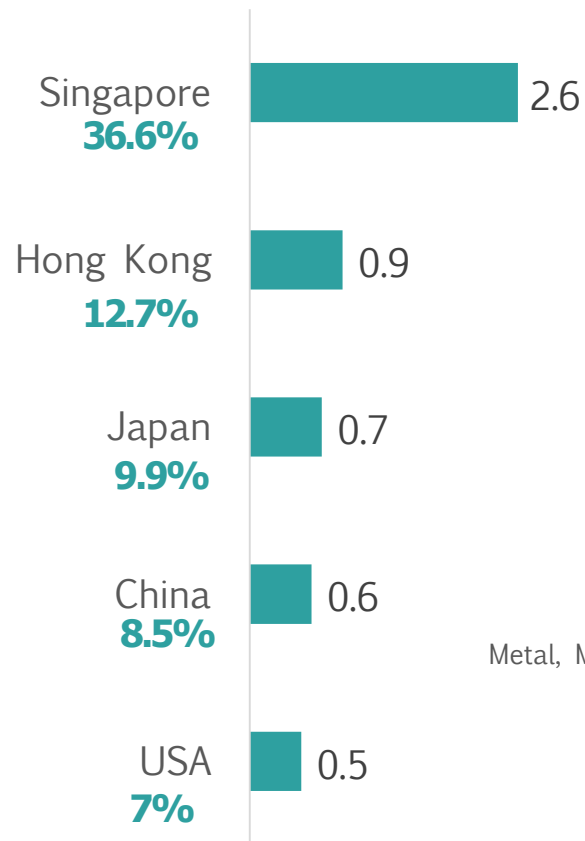
\*\*\*) Towards the 2021 investment realization target according to the President's Instruction

# Investment Realization in Q3-2021

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



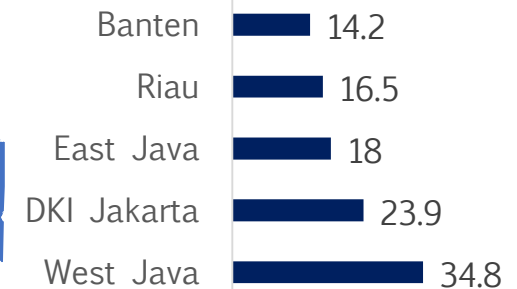
## Top 5 Investors (by country) (in USD billion)



## By Region



in IDR Trillion



## By Sector

in IDR Trillion





# Investment Realization in Q3-2021

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



Q3 - 2020

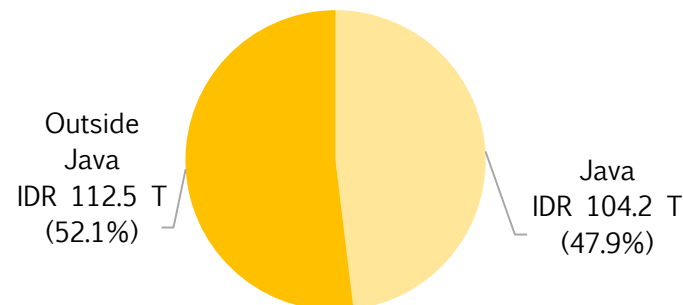
Total : IDR 209.0 T



Realization	y-o-y
Java	5.7%
Outside Java	1.9%
TOTAL	3.7%

Q3 - 2021

Total : IDR 216.7 T



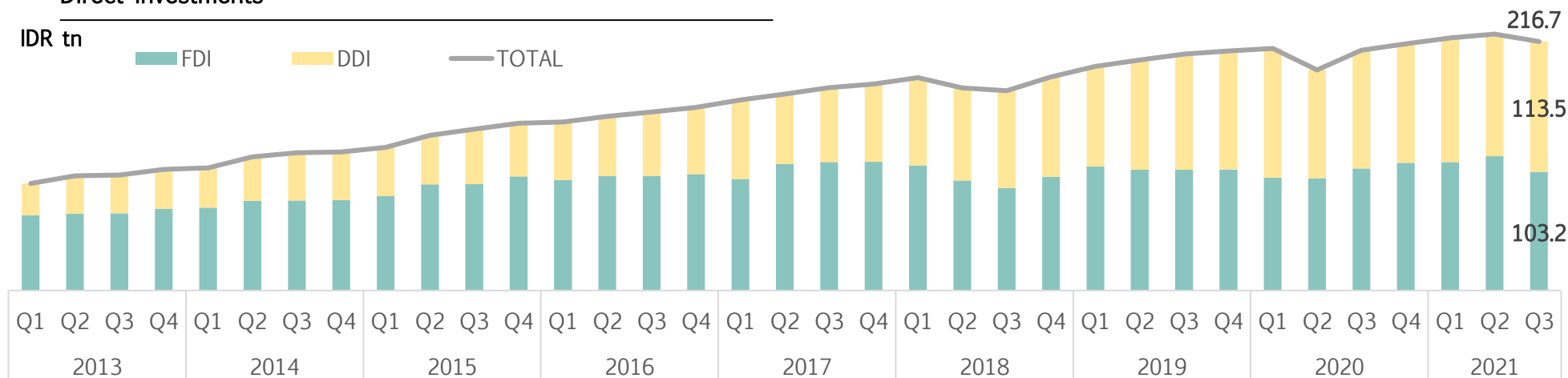
## Direct Investments

IDR tn

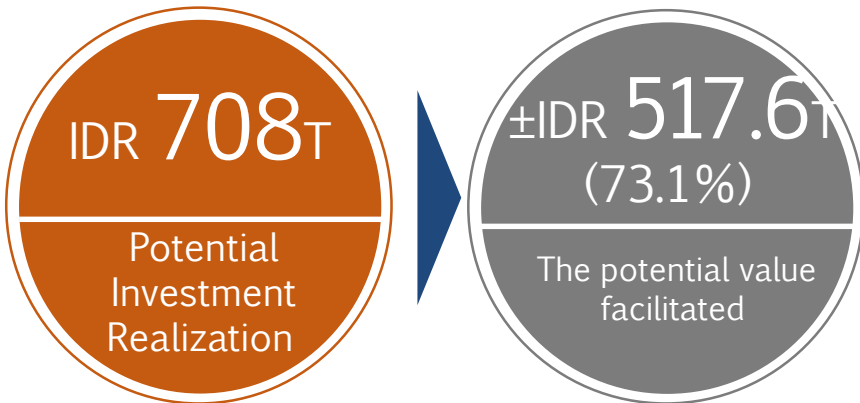
FDI


DDI

TOTAL



# Potential Investment Realization Reaches IDR 708 T



 Solving stalled investment issues is one strategy to attract investors

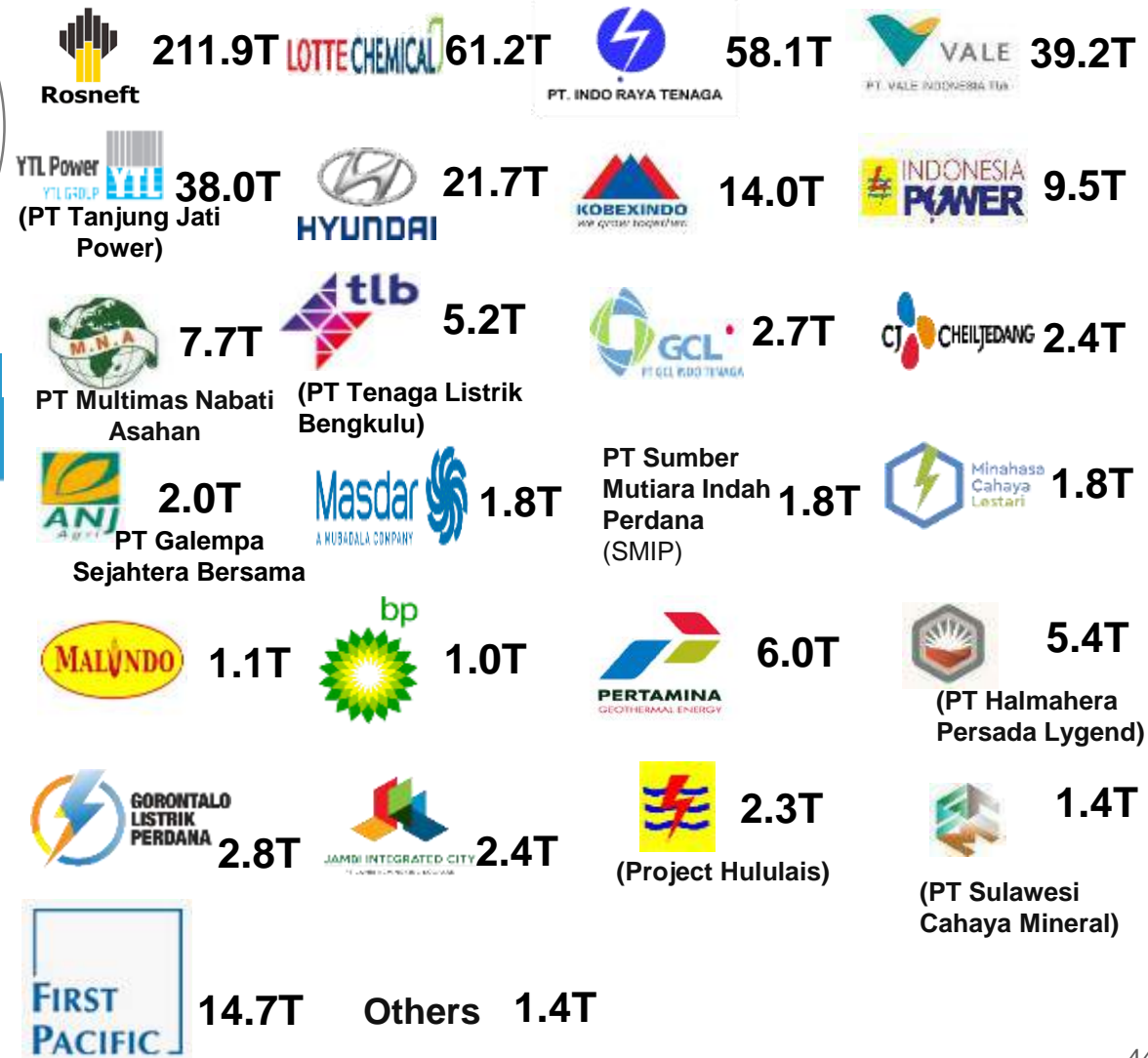


Klaten, Central Java

Dumai, Riau

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

## Companies that had been facilitated:



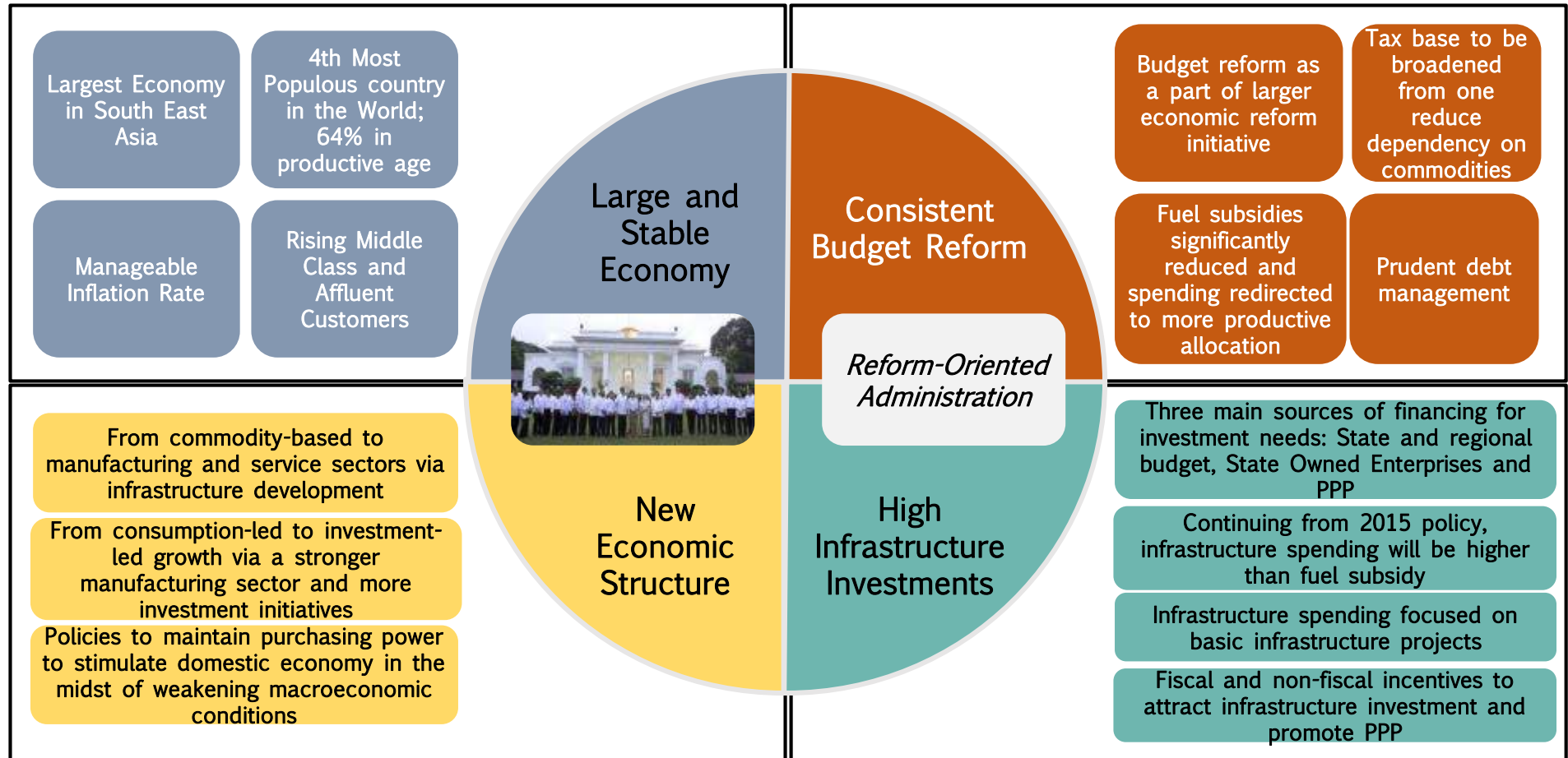


# Section 3

---

Economic Factor:  
Stable Growth Prospects  
Amid Temporary Moderation

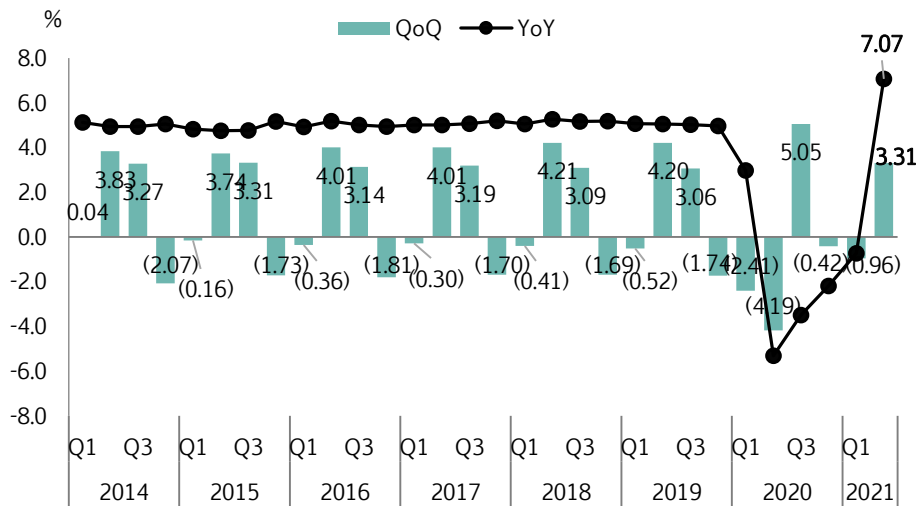
# Conductive Environment Underpinning Stable Growth Fundamentals Amid Temporary Moderation



# National Economic Growth Improved



## Strong GDP Growth<sup>1</sup>



Indonesia's GDP in Q2-2021 moved into positive territory for the first time since the Covid-19 outbreak at the beginning of 2020, achieving 7.07% (yoy) growth. Recent economic expansion builds on the previous improvements in Q1-2021 and represents the fastest pace of growth since Q4-2004 (7.16% yoy). Consequently, real GDP in Q2-2021 surpassed that recorded prior to the Covid-19 pandemic in Q4-2019. All demand components and economic sectors have contributed to upward economic momentum. Moving forward, Bank Indonesia will continue to increase policy coordination with the Government and other relevant institutions, including monetary-fiscal policy coordination, export stimuli as well as economic and financial inclusion, to nurture further economic gains, while accelerating the vaccination rollout and adhering to stringent health protocols.

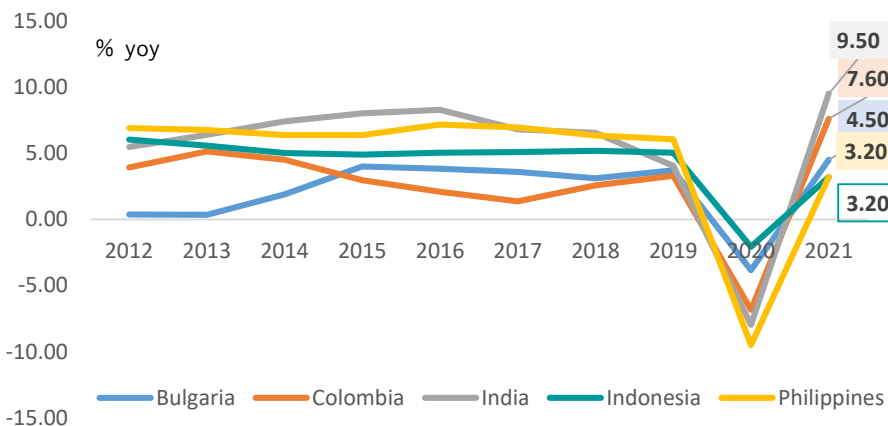
On the demand side, Q2 economic performance was boosted primarily by higher exports, household consumption, investment and government consumption. In the reporting period, exports soared 31.78% (yoy) on the back of growing demand in Indonesia's trading partner countries. Furthermore, household consumption charged into a positive zone for the first time since the Q2-2020 at 5.93% (yoy), thus reversing the -2.22% (yoy) contraction recorded in the Q1-2021. Household consumption continues to increase in response to fewer mobility restrictions, ongoing stimuli in the form of a luxury tax holiday and macroprudential policy, as well as the seasonal boost afforded by recent national religious holidays (HBKN). Investment growth has also moved into an expansionary phase at 7.54% (yoy), underpinned by stronger non-building investment. Finally, government consumption expanded 8.06% (yoy) in the reporting period, driven by the accelerated realisation of fiscal stimuli in the form of procurement and capital spending, specifically relating to the national economic recovery program, as well as personnel expenditure. Consistent with higher exports and domestic demand, import growth also surged to 31.22% (yoy).

All economic sectors expanded in the reporting period, primarily led by the Manufacturing Industry, Trade, Transportation and Storage as well as Accommodation and Food Service Activities. Spatially, national economic momentum has been buoyed by all regions of the archipelago, dominated by Sulawesi-Maluku-Papua (Sulampua), Java and Kalimantan.

## Growth Prospect

Institutions	2021 GDP growth (%YoY)
2021 Budget	5.0
Bank Indonesia	3.5-4.3
IMF (WEO, Oct 2021)	3.2
World Bank (East Asia and Pacific Economic Update, Oct21)	3.7
ADB (ADO, Sep 2021)	3.5
Consensus Forecast (Oct 2021)	3.3

## Favourable GDP Growth Compared to Peers<sup>2</sup>



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



# GDP Growth Breakdown



## GDP Growth Based on Expenditures (% , YoY)<sup>1</sup>

By expenditure	2015					2016					2017					2018					2019					2020					2021	
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2
HH. Consumption	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9	5.0	4.9	5.0	4.9	5	5,2	5	5,1	5,1	5,0	5,2	5,0	5,0	5,0	2,8	-5,5	-4,0	-3,6	-2,6	-2,2	5,9
Non profit HH. consumption	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.7	6.7	6.6	8.1	8.5	6.0	5.3	6.9	8,1	8,8	8,7	11	9,1	17,0	15,3	7,4	3,5	10,6	-5,0	-7,8	-2,0	-2,1	-4,3	-4,0	4,1
Government consumption	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(3.0)	(4.0)	(0.1)	2.7	(1.9)	3.5	3.8	2.1	2,7	5,2	6,3	4,6	4,8	5,3	8,2	1,0	0,5	3,3	3,8	-6,9	9,8	1,8	1,9	2,3	8,1
Gross Fixed Cap. Formation	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8	5.3	7.1	7.3	6.2	7,9	5,8	6,9	6,1	6,7	5,0	4,6	4,2	4,1	4,5	1,7	-8,6	-6,5	-6,2	-4,9	-0,2	7,5
Exports	(0.6)	(0.3)	(1.0)	(6.4)	(2.1)	(3.1)	(1.5)	(5.9)	3.9	(1.7)	8.4	2.7	16.5	8.4	8.9	5,8	7,4	8,3	4,6	6,5	-1,5	-1,8	0,1	-0,4	-0,9	0,4	-12,0	-11,7	-7,2	-7,7	7,0	31,8
Imports	(2.6)	(7.1)	(6.5)	(8.6)	(6.2)	(5.0)	(3.4)	(4.1)	2.7	(2.4)	4.8	0.2	15.4	11.9	8.1	13	15	14	7,4	12	-6,5	-6,7	-8,3	-7,9	-7,4	-3,6	-18,3	-23,0	-13,5	-14,7	5,5	31,2
<b>GDP</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>5.2</b>	<b>4.9</b>	<b>4.9</b>	<b>5.2</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>	<b>5.2</b>	<b>5.1</b>	<b>5,1</b>	<b>5,3</b>	<b>5,2</b>	<b>5,2</b>	<b>5,2</b>	<b>5,1</b>	<b>5,1</b>	<b>5,0</b>	<b>5,0</b>	<b>5,0</b>	<b>3,0</b>	<b>-5,3</b>	<b>-3,5</b>	<b>-2,2</b>	<b>-2,1</b>	<b>-0,7</b>	<b>7,1</b>

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

## GDP Growth by Sector (% , YoY)

By sectors	2015					2016					2017					2018					2019					2020					2021	
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2
Agriculture, forestry, and fishery	3.7	6.5	2.9	1.6	3.8	1.5	3.5	3.2	5.5	3.4	7.1	3.3	2.8	2.4	3.9	3,3	4,7	3,6	3,8	3,9	1,8	5,3	3,1	4,2	3,6	0,0	2,2	2,2	2,6	1,8	3,3	0,4
Mining and Quarrying	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.0	0.2	1.4	0.9	(1.3)	2.1	1.8	0.0	0.7	1,1	2,6	2,7	2,2	2,2	2,3	-0,7	2,3	0,9	1,2	0,4	-2,7	-4,3	-1,2	-2,0	-2,0	5,2
Manufacturing	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.3	4.3	4.3	3.5	4.9	4.5	4.3	4,6	3,9	4,4	4,2	4,3	3,9	3,5	4,1	3,7	3,8	2,1	-6,2	-4,3	-3,1	-2,9	-1,4	6,6
Construction	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.0	7.0	7.0	7.2	6.8	7,4	5,7	5,8	5,6	6,1	5,9	5,7	5,6	5,8	5,8	2,9	-5,4	-4,5	-5,7	-3,3	-0,8	4,4
Wholesale and Retail Trade, Repair of Car and Motorcycle	3.8	1.6	1.4	3.5	2.5	4.3	4.3	3.7	3.9	4.0	4.6	3.5	5.2	4.5	4.5	5	5,2	5,3	4,4	5	5,2	4,6	4,4	4,2	4,6	1,6	-7,6	-5,0	-3,6	-3,7	-1,2	9,4
Transportation and Storage	6.3	6.0	7.0	7.5	6.7	7.4	6.5	8.2	7.6	7.4	8.1	8.8	8.9	8.2	8.5	8,5	8,7	5,7	5,5	7	5,4	5,9	6,7	7,6	6,4	1,3	-30,8	-16,7	-13,4	-15,0	-13,1	25,1
Information and communication	9.7	9.3	10.6	9.2	9.7	7.6	9.3	8.9	9.6	8.9	10.5	11.1	8.8	8.3	9.6	7,8	5,1	8,1	7,1	7	9,1	9,6	9,2	9,8	9,4	9,8	10,8	10,7	10,9	10,6	8,7	6,9
Financial service	8.6	2.6	10.3	12.8	8.6	9.3	13.6	9.0	4.2	8.9	6.0	5.9	6.1	3.8	5.5	4,3	3,1	3,1	6,2	4,2	7,2	4,5	6,2	8,5	6,6	10,6	1,1	-0,9	2,4	3,2	-3,0	8,3
Other Services*	5.1	6.5	4.8	5.5	5.4	6.0	5.6	4.5	3.8	4.9	4.2	3.5	4.8	6.0	4.6	5,4	6,2	6,7	6,4	6,2	6,8	7,3	6,4	6,2	6,7	4,6	-6,2	-1,4	-1,7	-1,2	-2,7	9,7
<b>GDP</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>5.2</b>	<b>4.9</b>	<b>4.9</b>	<b>5.2</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>	<b>5.2</b>	<b>5.1</b>	<b>5,1</b>	<b>5,3</b>	<b>5,2</b>	<b>5,2</b>	<b>5,2</b>	<b>5,1</b>	<b>5,1</b>	<b>5,0</b>	<b>5,0</b>	<b>5,0</b>	<b>3,0</b>	<b>-5,3</b>	<b>-3,5</b>	<b>-2,2</b>	<b>-2,1</b>	<b>-0,7</b>	<b>7,1</b>

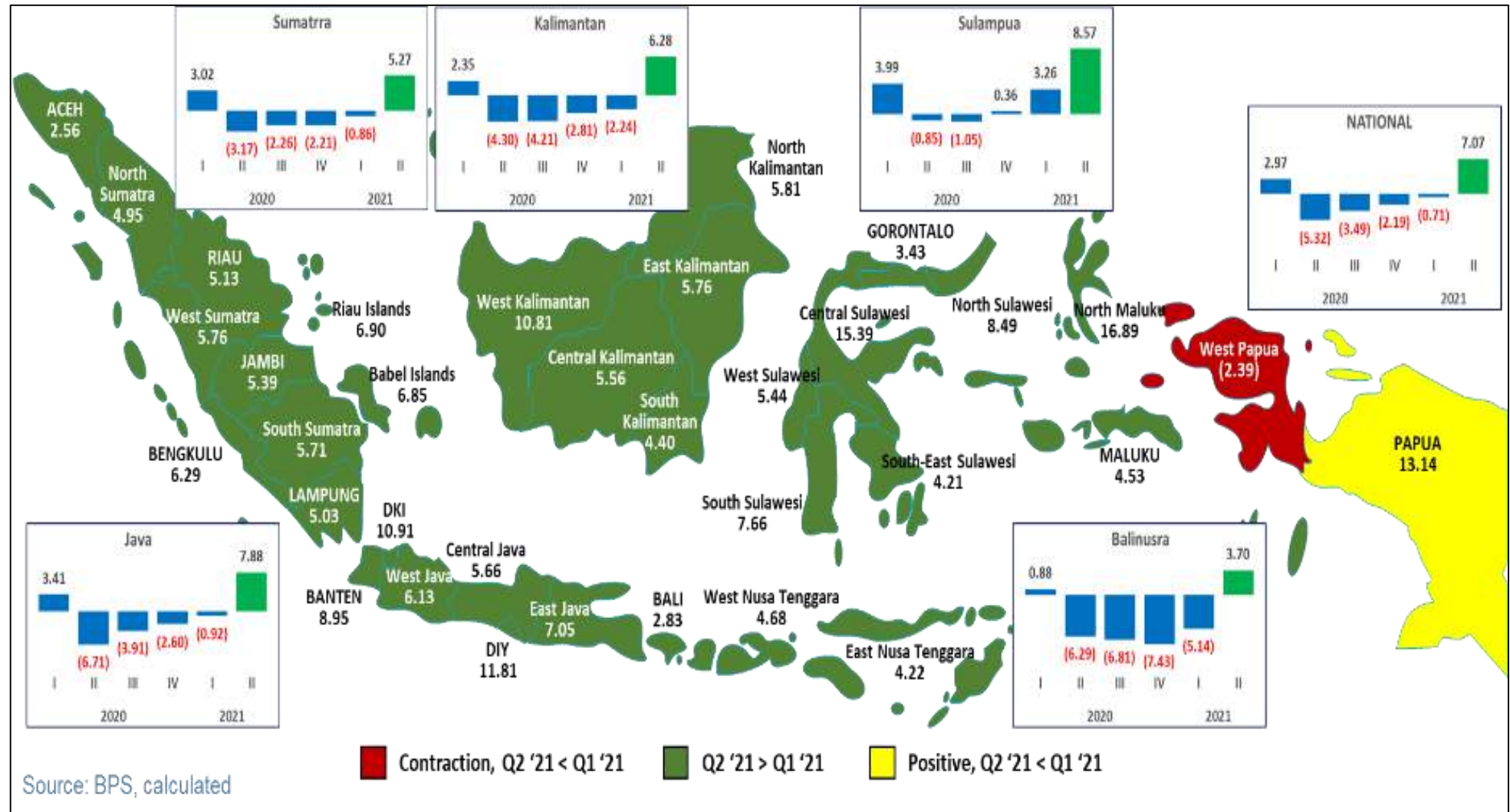
Source: Central Bureau of Statistics of Indonesia (BPS)

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

# Economic Performance Improved In Almost All Regions



## Regional GDP of The Second Quarter of 2021 (% , yoy)



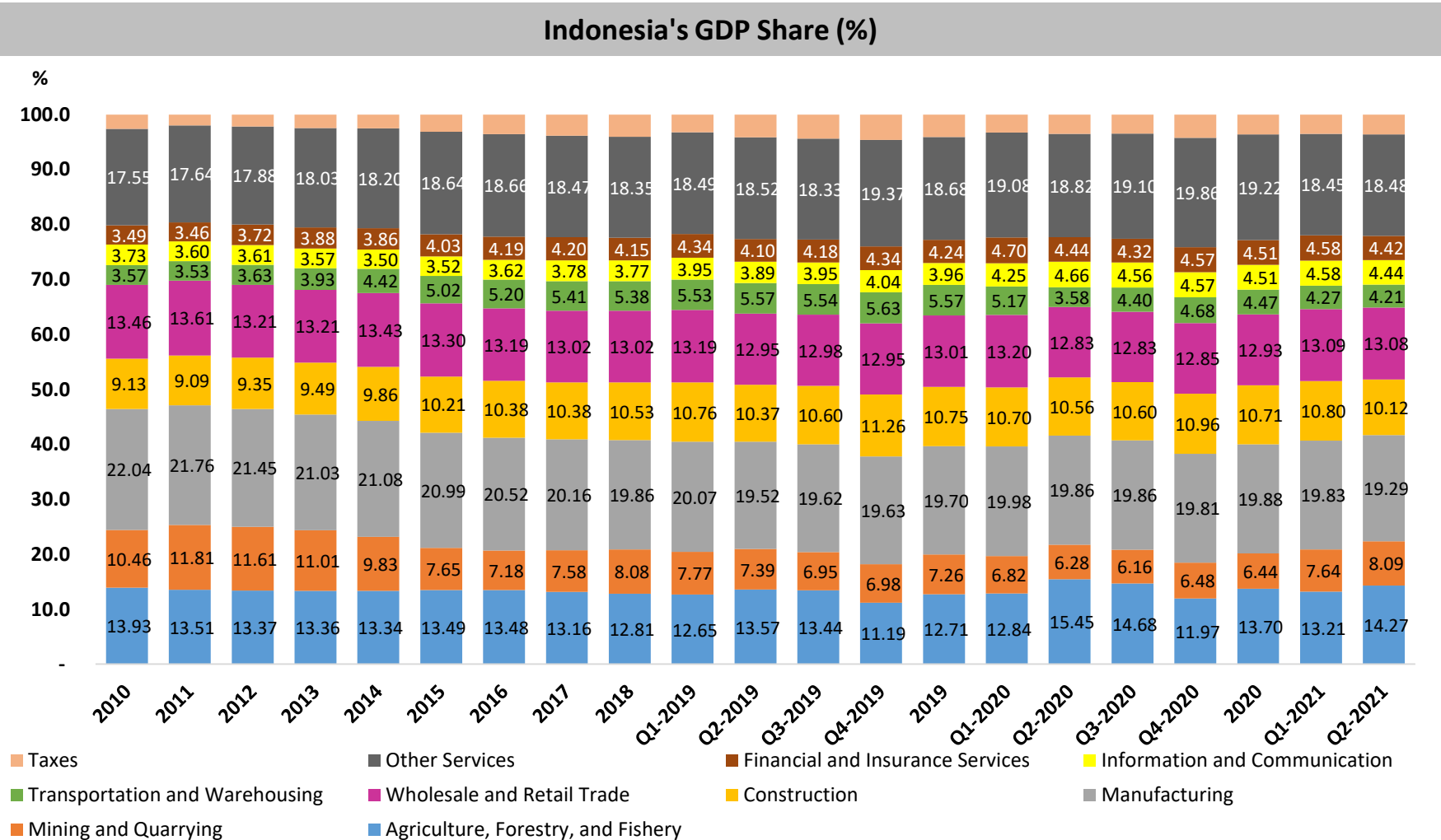
Source: BPS, calculated

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

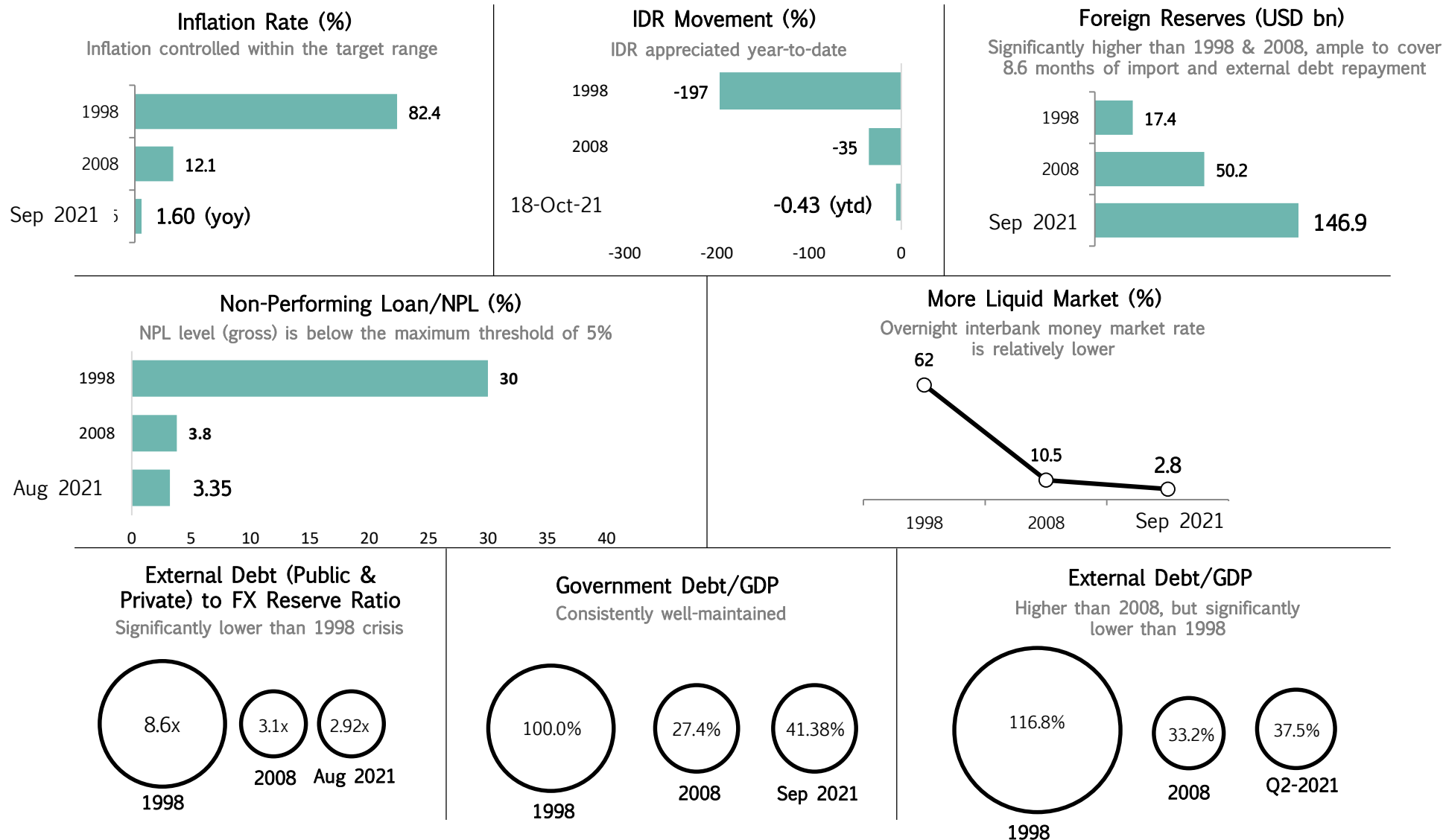
# Economic Performance in Most Sectors Starting to Improve



Most economic sectors are seeing improvements and back to positive zone, led by manufacturing industry, trade, as well as transportation and warehousing. In addition, accommodation and food service activities, and also health and business services continue to improve inline with the increasing of people mobility.



# Stronger Fundamentals Facing the Headwinds






# Outlook of Domestic Economy Remains Robust

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



## 2021 Economic Outlook

- Bank Indonesia projects economic growth in 2021 at the range 3.5-4.3%.
- Bank Indonesia projects Inflation in 2021 and 2022 to remain under control and within the 3.0%±1% target corridor.
- Bank Indonesia projects a lower current account deficit in the 0.0-0.8% of GDP range in 2021 and a manageable current account deficit in 2022.
- Bank Indonesia projects credit growth in 2021 will be around 4.0-6.0%

	 Economic Growth	$\pi$ Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021	3.5-4.3%	3.0±1%	0.0-0.8%	4.0-6.0%





# Section 4

---

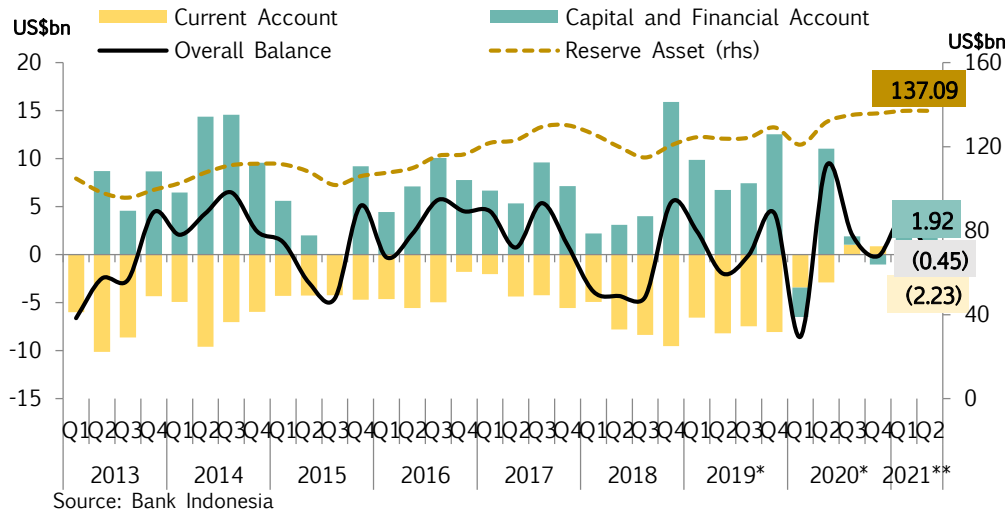
External Factor:  
Improved External Resilience

# External Sector Remains Resilient

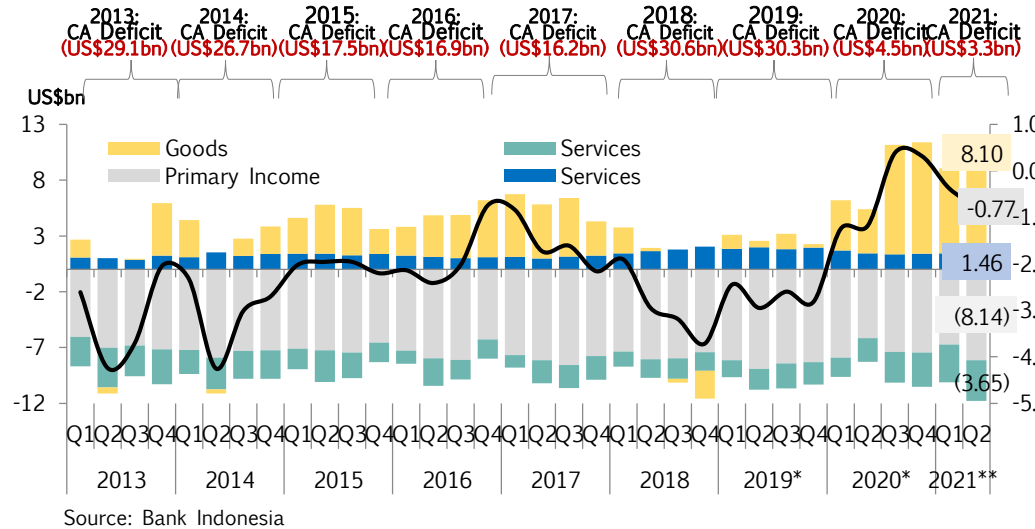
... Supported by Adequate Reserves and Sound Balance of Payments



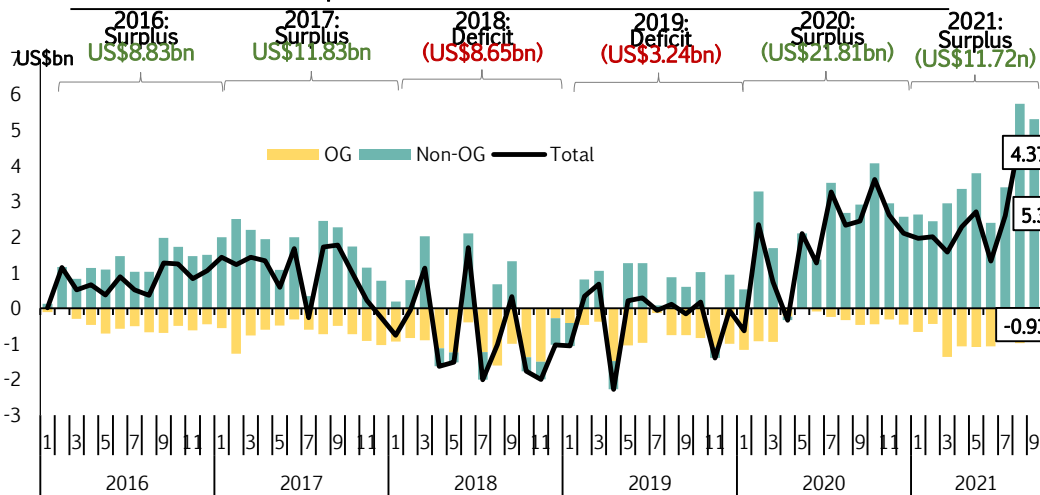
## Balance Of Payment Remains Solid



## Current Account Recorded Deficit in Q2-2021

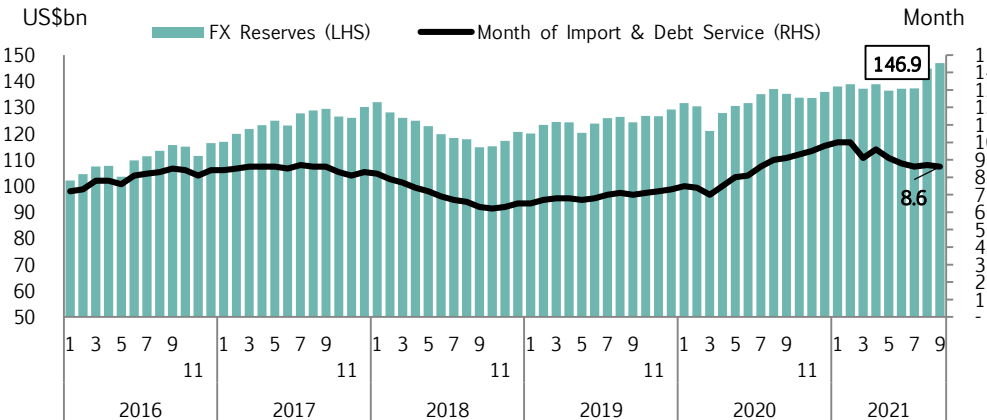


## Trade Balance Surplus Continues



## Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of September 2021: US\$146.9 bn  
(Equiv. to 8.6 months of imports + servicing of government debt)



\* Preliminary Figure \*\* Very Preliminary Figure

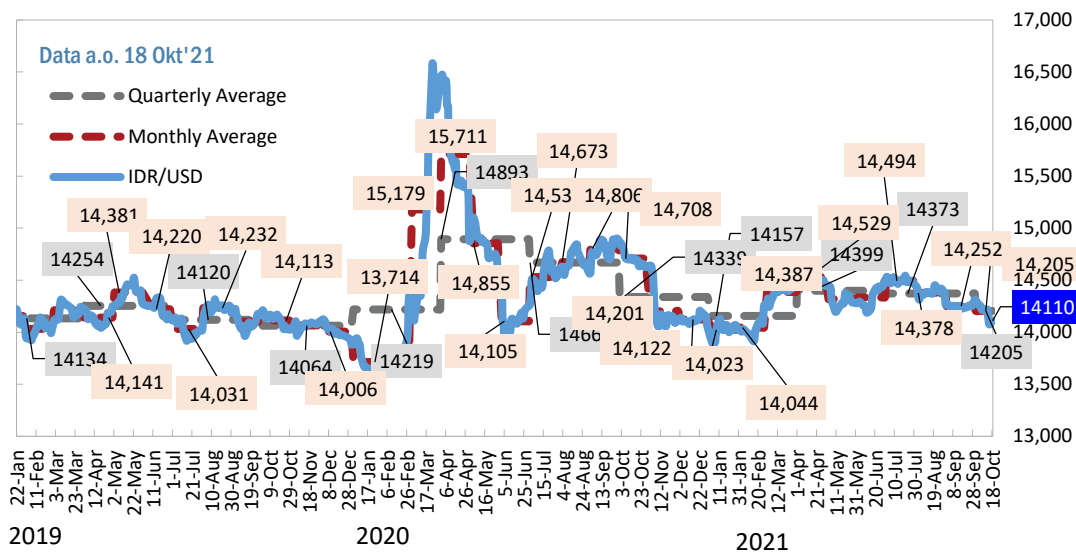
Source: BPS

Source: Bank Indonesia

# Exchange Rate In Line with Fundamentals

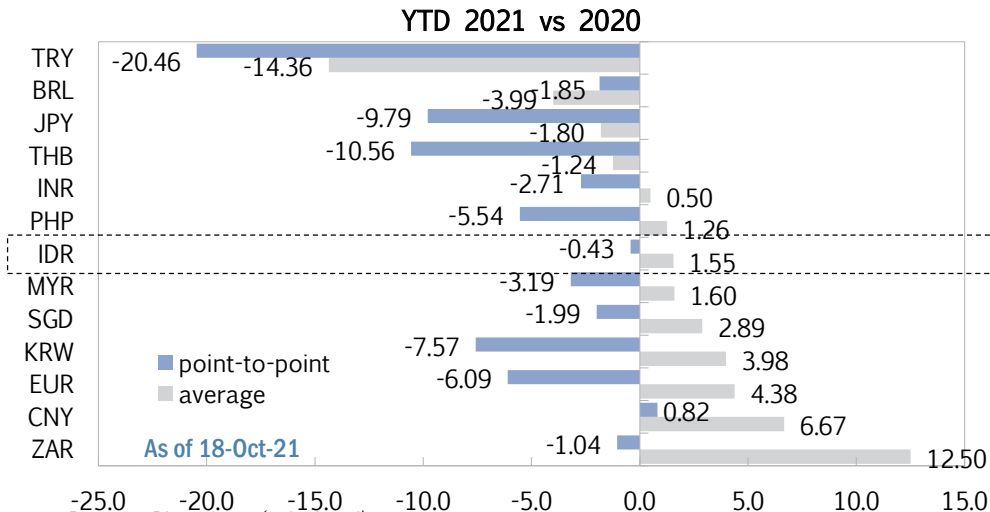


## Movement of Rupiah

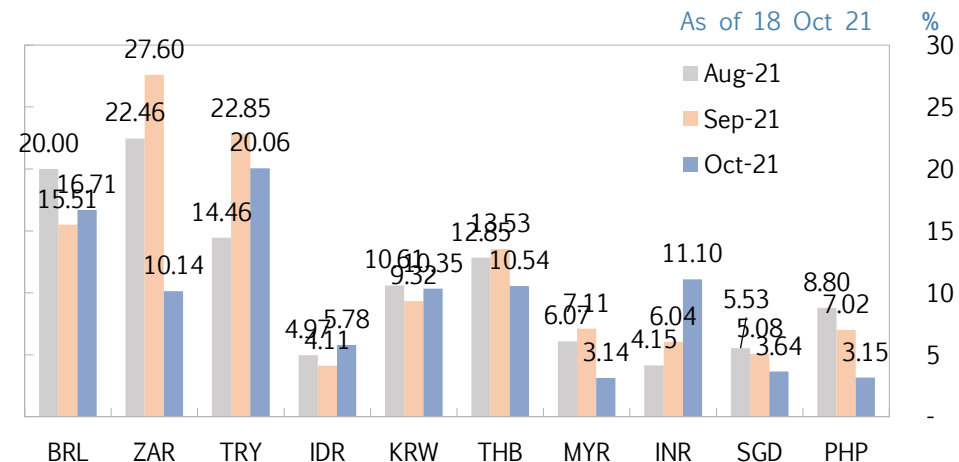


Slightly lower global financial market uncertainty fed through to a stronger rupiah. As of 18th October 2021, the rupiah appreciated 1.44% (ptp) and 0.33% on average compared with the September 2021 level. Rupiah appreciation is supported by ongoing foreign capital inflows in line with the positive perception of investors concerning the domestic economic recovery, attractive domestic financial assets for investment, maintained foreign exchange supply domestically and stabilisation measures implemented by Bank Indonesia. Compared with the level at the end of 2020, therefore, the rupiah has depreciated by just 0.43% (ytd) in 2021 (as of 18th October), which is relatively lower than the depreciation experienced in several other peer countries, including India, Malaysia and the Philippines. Bank Indonesia continues to strengthen rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

## Rupiah Exchange Rate Fared Relatively Well Compared to Peers



## Rupiah Exchange Rate Volatility



# 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 September 2021: **US\$146.9 bn**

## Swap Arrangement

### Bilateral

#### Japan

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

#### Singapore

- Renewed a one year SGD/IDR swap arrangement with the size up to USD7 bn (equivalent) in November 2020

#### China

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

#### Malaysia

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

### Regional

#### ASEAN Swap Arrangement (ASA)

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

#### Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

### Global

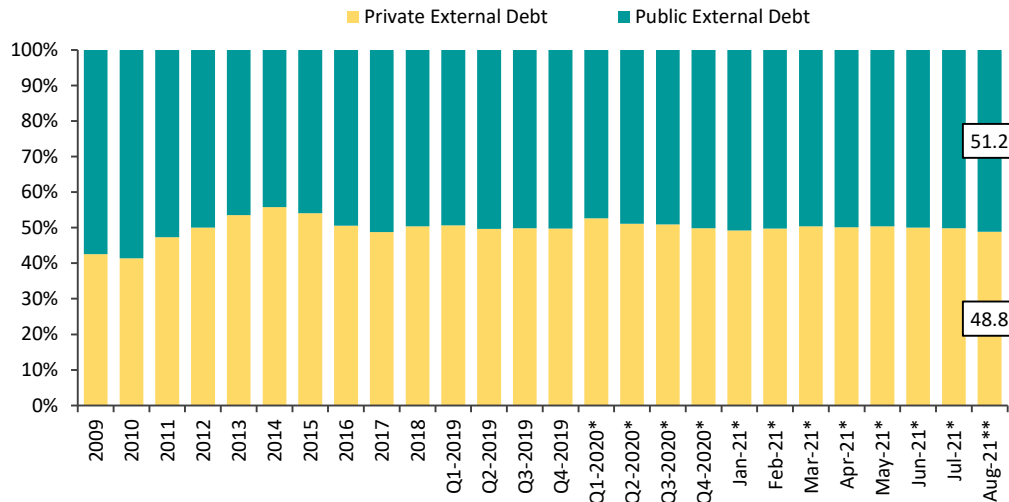
#### IMF Global Financial Safety Net - GSFN

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

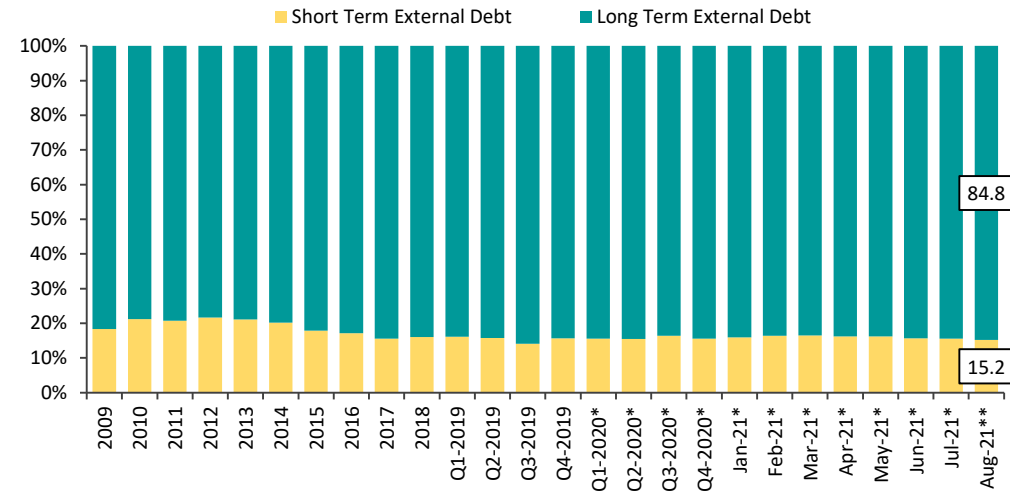
# Healthy External Debt Profile



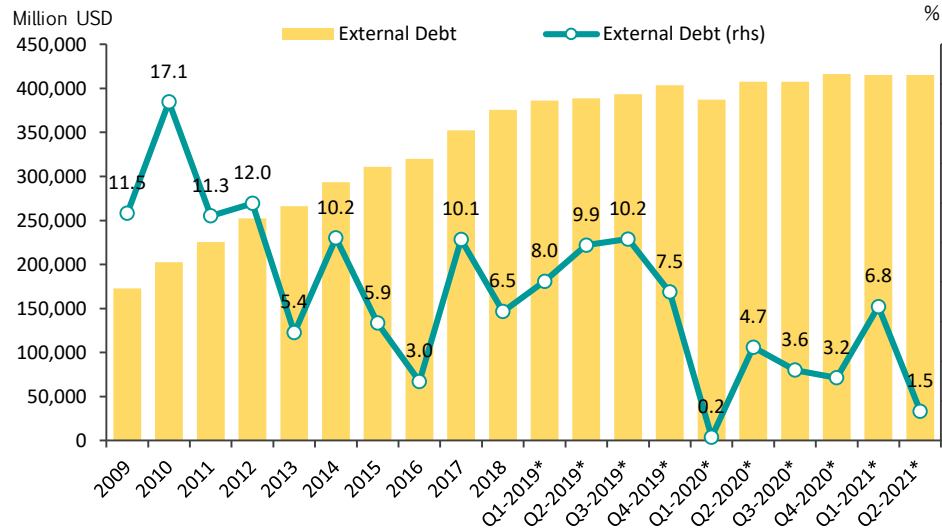
## External Debt Structure



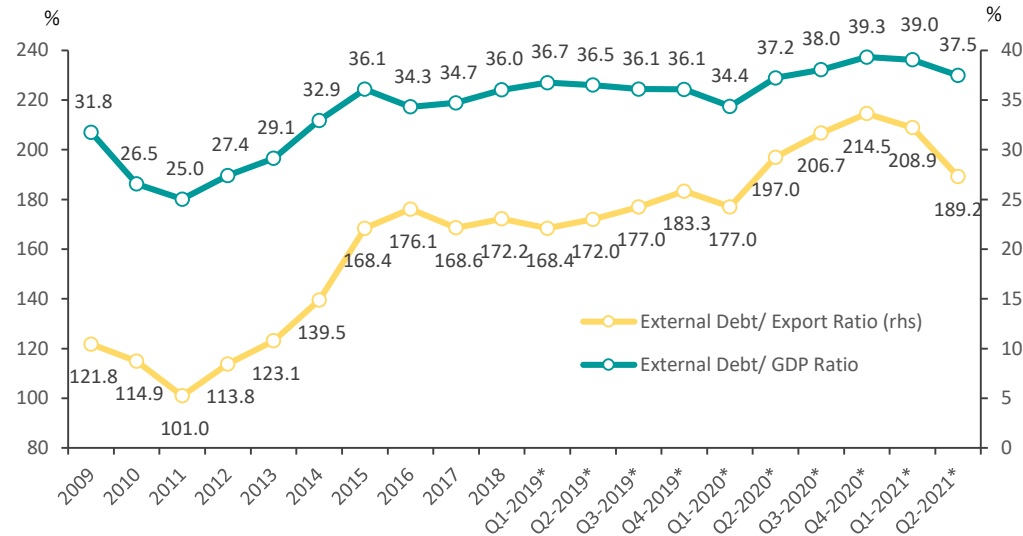
## The Structure of External Debt is Dominated by Long-Term Debt



## External Debt Remains Manageable



## External Debt to GDP Ratio & Debt to Export Ratio



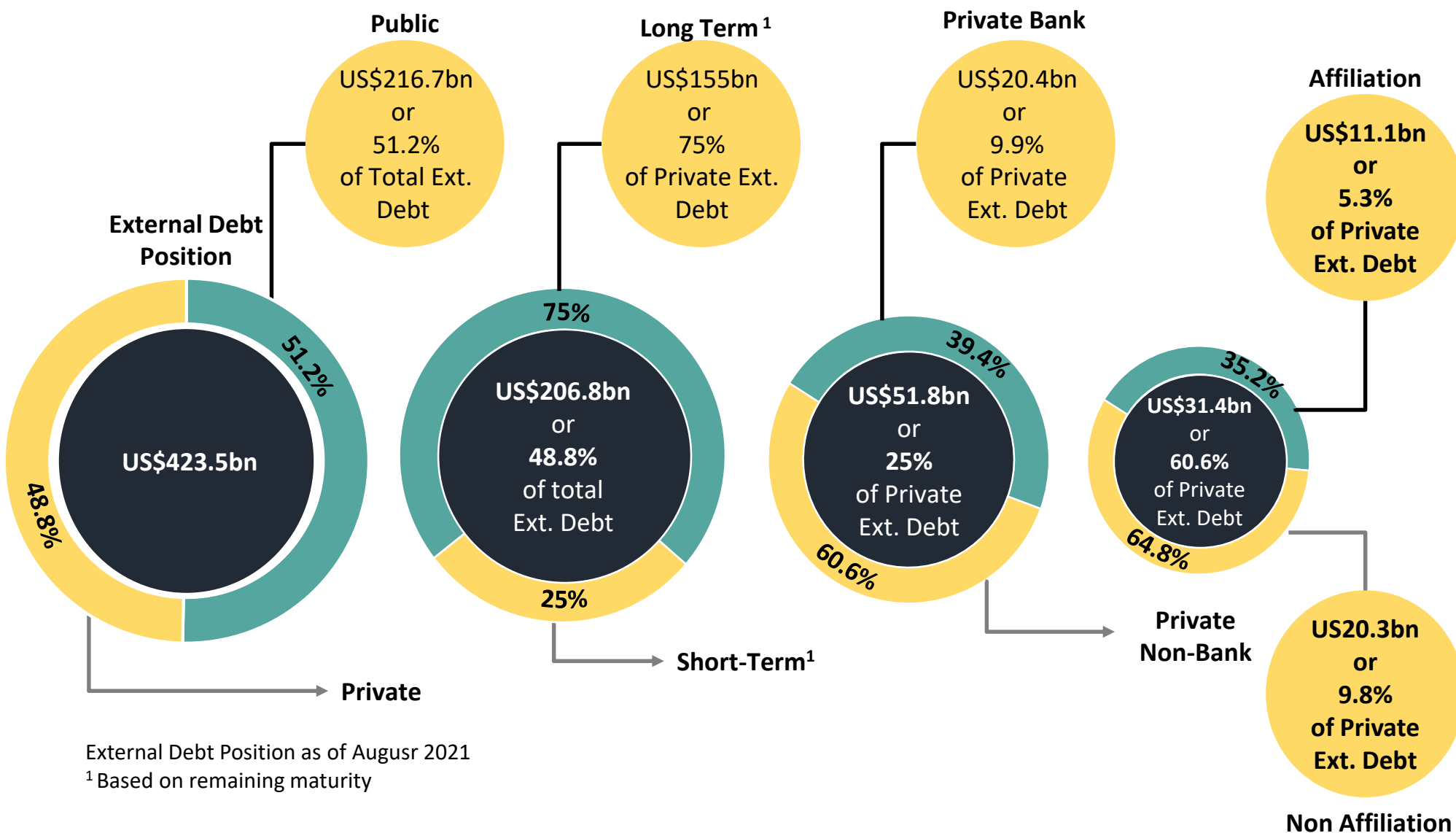
Source: Bank Indonesia, External Debt Statistics of Indonesia

\*Provisional Figures

\*\*Very Provisional Figures



Short term non-bank corporate debt (non affiliation) represents only 4.8% of total external debt



## External Debt Position as of August 2021

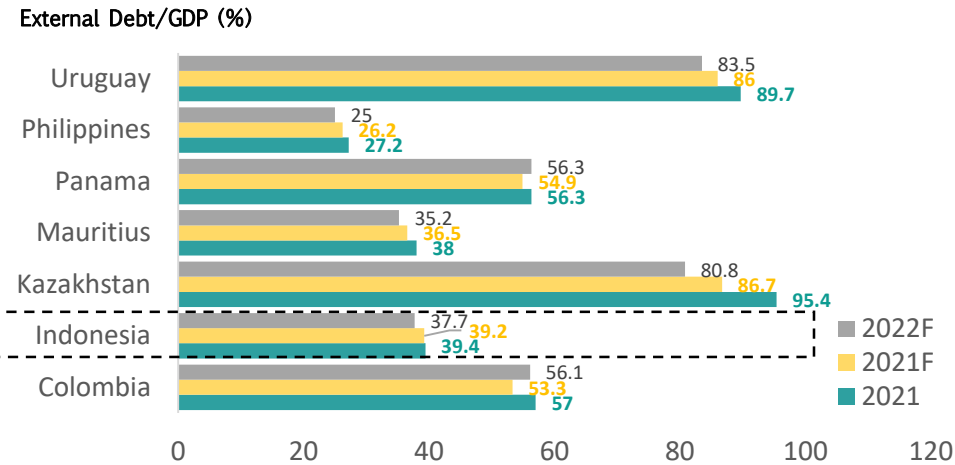
<sup>1</sup> Based on remaining maturity

**Source:** External Debt Statistics of Indonesia, October 2021

# Strengthened Private External Debt Risk Management



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



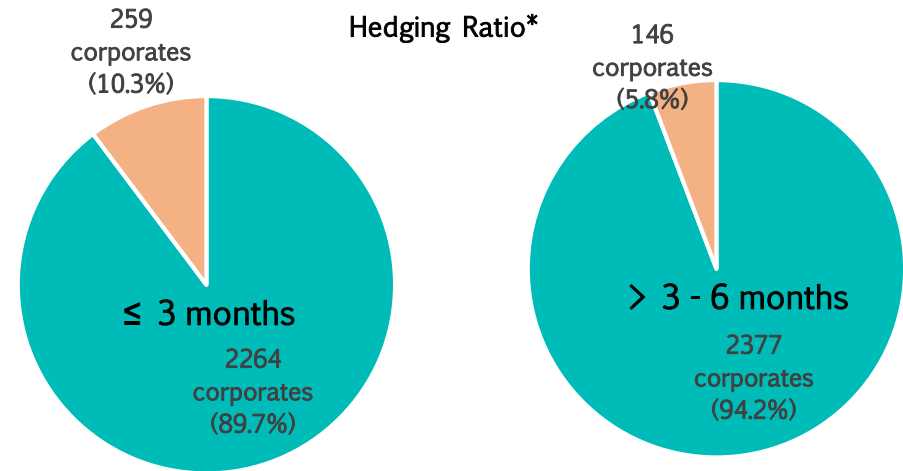
Source: Moody's Credit View Fundamental Data, August 2021

## Regulation on Prudential Principle in Managing External Debt

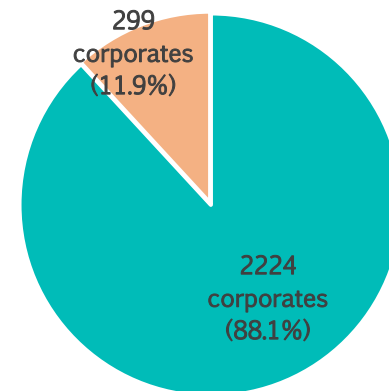
Regulation Key Points	1 Jan 17 & beyond
<b>Object of Regulation</b>	Governs all foreign currency Debt
<b>Hedging Ratio</b>	
≤ 3 months	25%
> 3 – 6 months	25%
<b>Liquidity Ratio (≤ 3 months)</b>	70%
<b>Credit Rating</b>	Minimum rating of BB- (State-owned Enterprises)
<b>Hedging transaction to meet hedge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

Source: Bank Indonesia

## Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



## Liquidity Ratio\*



■ Comply ■ Not Comply

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

Source: Bank Indonesia

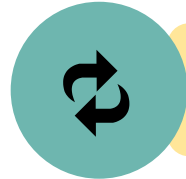
# Solid Policy Coordination In Managing Financial Markets Volatility



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



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



Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)



Implementing Bond Stabilization Framework (BSF)

## Gov't Securities Crisis Management Protocol (CMP)

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

## Bond Stabilization Framework

### First Line of Defense

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

### Second Line of Defense

State's Budget	State General Treasury Account (Rekening KUN) (min. level Alert)
	Accumulated cash surplus (SAL) (min. Level Crisis)



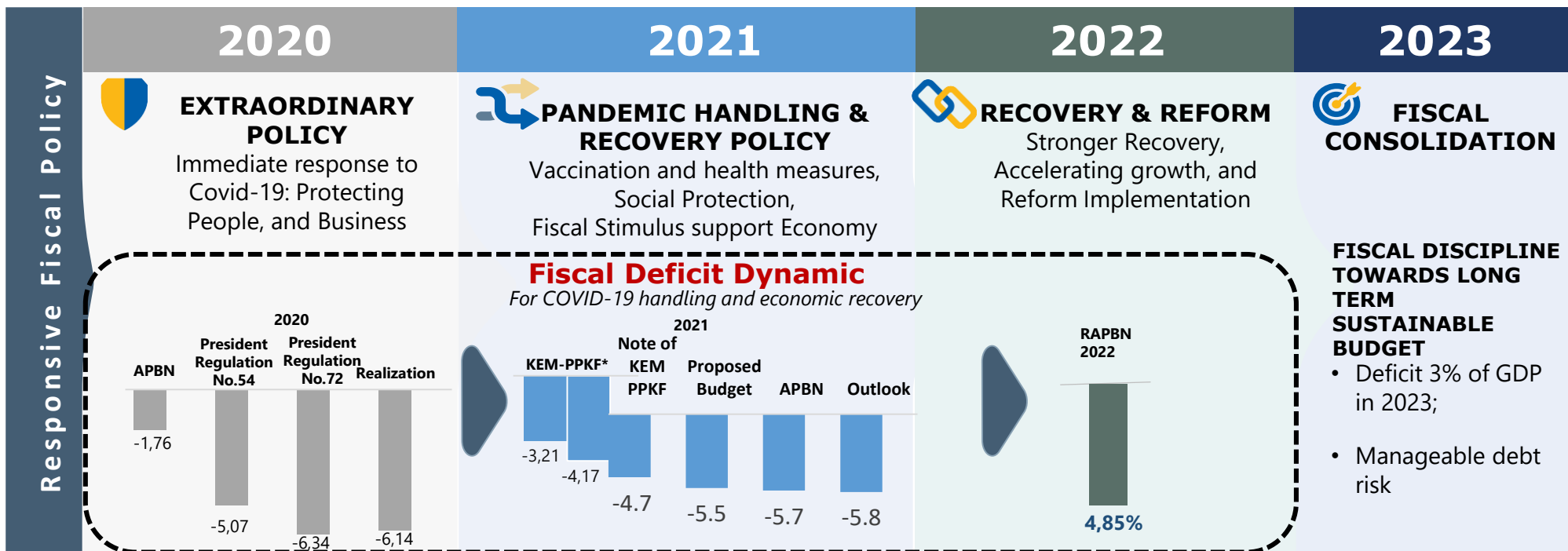
# Section 5

---

Fiscal Performance and Flexibility:  
Strong Commitment in Maintaining Fiscal Credibility

# Indonesia Quick and Responsive Policy During COVID-19 Pandemic

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



**STRONG AND CONTINUOUS ECONOMIC RECOVERY**

- EFFECTIVE COVID-19 PANDEMIC HANDLING**
- Mass Vaccination
  - 5M Internalization
  - 3T Implementation

- ECONOMIC JUMP START**
- Tax Incentives
  - Financing and Guarantee Program
  - Integrated Policy Packaged from Financial Sector Stability Committee

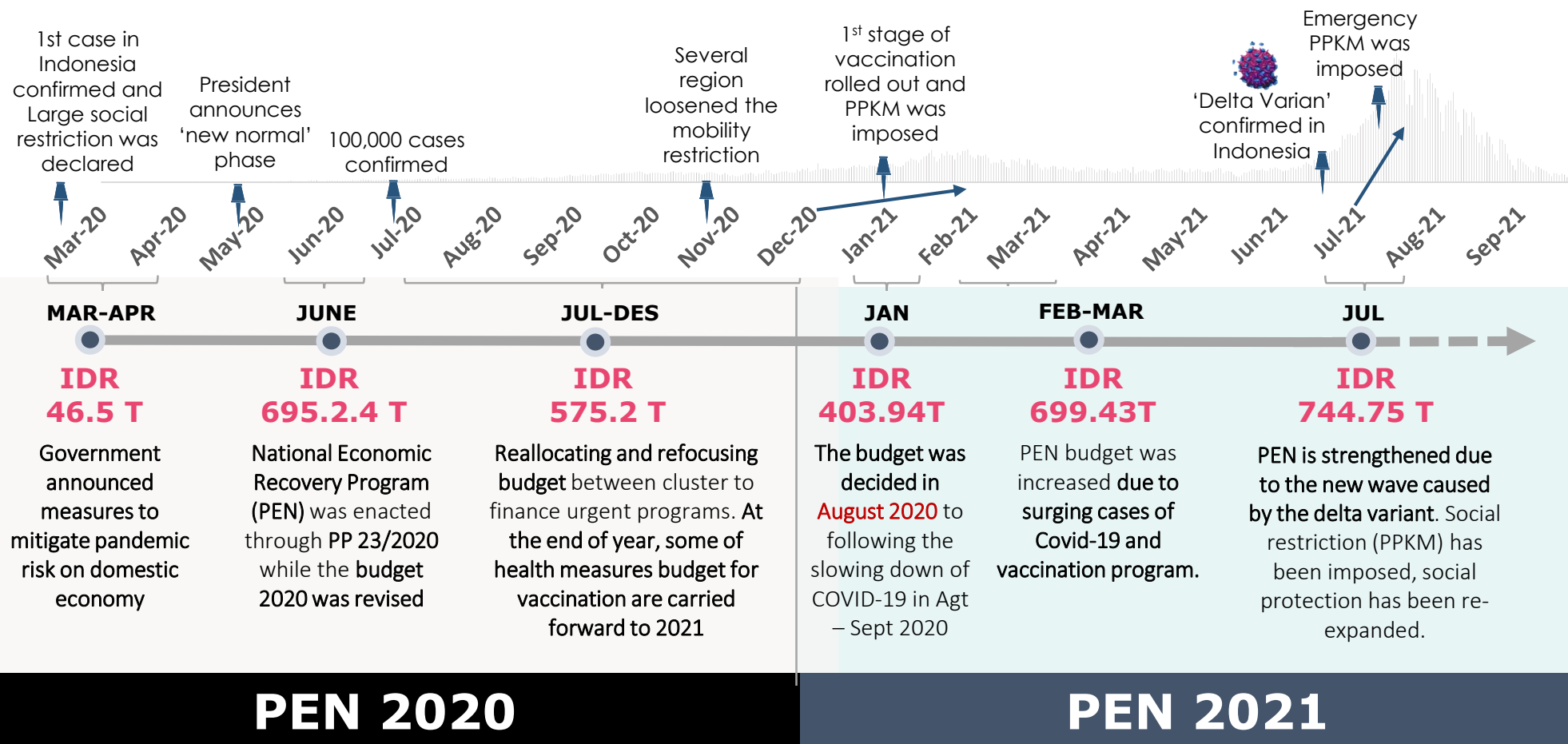
- STRUCTURAL REFORM**
- Omnibus law on job creation (including INA, OSS)
  - Fiscal Reform
  - Financial Sector Reform





# Flexible State Budget to Respond The Uncertainty

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





# Strong Economic Recovery Combined With Social Protection Program to Reduce Unemployment and Poverty

**The Social Protection Policy** since 2020 and expanded today, has been playing a very important role in **protecting the poor and vulnerable**

Hardship Relief	<b>Conditional Cash Transfer (PKH)</b> 10 million families <b>Cash Transfer</b> 10 million families <b>Village Funds Cash Transfers</b> 8 million families <b>Electricity Discount</b> 32.6 million beneficiaries
Food and Education Support	<b>Staple Food Card</b> 24.7 million families <b>Food Assistance</b> 28.8 million families <b>Internet Quota Subsidy for Online Learning</b> 38.1 million people
Support to the Workforce	<b>Pre-Employment Card</b> 5.9 million people <b>Wage Subsidy</b> 8.8 million workers

**The impact of the pandemic** on people's welfare **can be restrained** and begin to **gradually recover**

## OPEN UNEMPLOYMENT RATE (TPT)

February 2021

**6.26% (TPT)**

8.75 million ppl

The economic recovery has created 2.61 million new jobs in the period Sept 20 – Feb 21

Declining rate on Feb 21 compare to Aug 20



**0,81 p.p**  
**1.02 million ppl**

## POVERTY RATE

March 2021

**10.14%**

27.54 million ppl

Declining rate on Mar 21 compare to Sept 20



**0,05 p.p**  
**0,01 million ppl**

Meanwhile, **The quality of human resources as reflected in Human Development Index is maintained** amid the pandemic through the provision of **health services and adequate education** even during the pandemic

Note: the figure above is the 2021 target as of July 2021, the number of basic food card recipients is a combination of 18.8 million regular staple food card recipients and an additional 5.9 million recipients during the restriction mobility period

source: Statistic Indonesia, Ministry of Finance



# Macroeconomic Indicators Development

INDICATOR	2020	2021	
	Realization	State Budget	Up to September
Economic Growth	-2.07	5.0	3.10 (ytd)
(%, yoy)			
Inflation	1.6	3.0	0.80 (ytd)
(%, yoy)			1.60 (yoy)
Exchange Rates	14,578	14,600	14,210(eop)*
(Rp/US\$)			14,325(ytd)*
10-years treasury bond yield	n/a	7.2	6.21 (eop)**
(%)			6.36 (ytd)**
ICP (Oil Price)	40.4	45	72.2(eop)
(US\$/Barrel)			65.2 (ytd)
Oil Lifting	706	705	652.6(eop)***
(thousand barrel per day)			660 (ytd)
Gas lifting	975	1,007	1,039 (eop)***
(thousand barrel – equal oil per day)			1,010 (ytd)

\*as of Oct 11, 2021 \*\*the latest auction was in Sept 12<sup>th</sup>, 2021 \*\*\* as of Aug 2021

## Economic Indicator Development 2021

- **Economic growth:** Second Quarter 2021 GDP grew by 7.07%. The 2021 GDP outlook figure is in the range of 3.7 - 4.5%
- **Inflation rate:** inflation in September was recorded at 0.04% (mtm) driven by the deflation on volatile food group and slower inflation on core inflation, while the administered prices group increased.
- **Rupiah Exchange Rate:** The rupiah was steady in early October 2021, and the average was recorded at IDR14,325(ytd). Up to October 11, 2021, the Rupiah (ytd) depreciated by 2.26% compared to the initial exchange rate in 2021.
- **SBN 10 Years:** The weighted average yield of 10-Year Government Securities is 6.36% (ytd). The last auction was on October 12, 2021, with a yield of 6.21%.
- **Indonesian Crude Oil Prices:** The ICP price increased compared to previous month, due to decreased global oil supply.
- **Oil and Gas Lifting:** Oil and gas lifting up to August 2021 is 652.6 thousand bpd and 1,039 thousand bpd, respectively



# As of September 2021, State Budget Continues its Good Performance

Revenue and Expenditure signaled that economic recovery continue to take place

Account (IDR T)	2020				2021			
	Budget t <sup>1</sup>	Realized As of Sep	% of Budget	YoY (%)	Budget	Realized As of Sep	% of Budget	YoY (%)
<b>Revenue</b>	<b>1,700.0</b>	<b>1,160</b>	<b>68.2</b>	<b>(13.6)</b>	<b>1,743.6</b>	<b>1,354.8</b>	<b>77.7</b>	<b>16.8</b>
Tax Revenue	1,198.8	750.6	<b>62.6</b>	(16.9)	1,229.6	850.1	69.1	13.2
Customs & Excise	205.7	141.8	<b>68.9</b>	3.8	215.0	182.9	85.1	29.0
Non Tax Revenue	294.1	261.8	<b>89.0</b>	(13.2)	298.2	320.8	107.6	22.5
<b>Expenditure</b>	<b>2,739.2</b>	<b>1,841.3</b>	<b>67.2</b>	<b>15.5</b>	<b>2,750.0</b>	<b>1,806.8</b>	<b>65.7</b>	<b>(1.9)</b>
Central Government Expenditure	1,975.2	1,211.6	<b>61.3</b>	21.2	1,954.5	1,265.3	64.7	4.4
Regional Transfer & Village Funds	764	629.7	<b>82.4</b>	5.8	795.5	541.5	68.1	(14.0)
<b>Primary Balance</b>	<b>-700.4</b>	<b>(446.5)</b>	<b>63.8</b>	<b>931.6</b>	<b>(633.1)</b>	<b>(198.3)</b>	<b>31.3</b>	<b>(55.6)</b>
<b>Surplus (Deficit)</b>	<b>-1,039.2</b>	<b>(681.4)</b>	<b>65.6</b>	<b>169.9</b>	<b>(1,006.4)</b>	<b>(452.0)</b>	<b>44.9</b>	<b>(33.7)</b>
<i>% to GDP</i>	<b>(6.34)</b>	<b>(4.41)</b>			<b>(5.70)</b>	<b>(2.74)</b>		
<b>Financing</b>	<b>1,039.2</b>	<b>784.6</b>	<b>75.5</b>	<b>154.9</b>	<b>1,006.4</b>	<b>621.9</b>	<b>61.8</b>	<b>(20.7)</b>

Note  
(1) Presidential Regulation 72/2020

## Revenue

- As of September 2021, State revenue keeps to perform strongly with a positive growth of 16.8% and represents 77.7% from the budget, reconfirming a strong recovery in economic activity.
- This realization is in line with improving economic activity and international trade and getting closed to the pre-pandemic level.
- An increase in Non-tax revenue is supported by receipt on natural resources and increasing commodity prices.

## Expenditures

- Government spending grew by minus 1.9% in September 2021, lower compared to 2020 due to smaller social protection spending. However, the level of spending has normalized, even higher than 2019 level.
- Government spending continuous to support COVID-19 handling and national economic recovery at the central and regional levels.

## Financing

- The Budget Deficit and the Primary Balance deficit run on-track.
- Debt financing was maintained, supported by a conducive financial market, although market volatility continued to be monitored.
- Investment Financing proceeds according to government strategies, in line with the regulatory preparation process





# State Budget Remains Flexible and Responsive to The Dynamics of COVID-19

As of Oct 22, the realization of the National Economic Recovery program amounted IDR433.91 T (58.3% of the budget)

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



## HEALTH SECTOR

Budget: **IDR214.96 T**  
Realization: **IDR116.82T**  
(54.3%) of budget

- Vaccine Procurement (121.41m Doses)
- Medical Facilities and Infrastructure
- Treatment costs (580.29 thousand patients)
- Incentives (1.26 million) & death compensation for 446 health workers
- Health Insurance Aid for Non-Wage Workers (34.71m people)



## SOCIAL PROTECTION

Budget: **IDR186.64 T**  
Realization: **IDR125.10T**  
(67%) of budget

- Conditional Cash Transfer (10m families)
- Staple Food Assistance (17.3m Families)
- Pre-Employment Card (5.91m People)
- Cash Transfer (9.99m Families) & Village Fund Cash Transfer (5.62m Families)
- Internet Subsidy (60.46m recipient)
- Electricity Bill Discount (32.6m Beneficiary)
- Wage subsidy (6.65m Workers)



## MSMEs AND FIRMS SUPPORT

Budget: **IDR162.40 T**  
Realization: **IDR63.20T**  
(38.9%) of budget

- Ultra-Micro business assistance (12.71m businesses)
- Guarantee Fee subsidy for MSMEs (2.24 M recipient) and for firms (36 recipient)
- Liquidity support for the banking sector (IDR 442.19T for 5.43M Debtors)
- Interest subsidy for MSMEs credit (6.02m businesses) and non MSMEs credit (7.2M businesses)
- Capital Injection to HK, Pelindo III and KIW IDR8.39T
- Street vendors support (554.1 th businesses)



## PRIORITY PROGRAMMES

Budget: **IDR117.94T**  
Realization: **IDR68.07T**  
(57.7%) of budget

- Tourism Supports
- Food Security/Food Estate
- Loan Facility for Regional Govt IDR10T through PT. SMI
- Labor Intensive Program (1.23m workers)
- Other Priority Programs



## BUSINESS INCENTIVES

Budget: **IDR62.83T**  
Realization: **IDR60.73T**  
(96.7%) of budget

- Income Tax subsidy for employers (81.980) and MSMEs (124,209)
- Income Tax Exemption on Import (9,490 taxpayers)
- VAT Refund (2.419 taxpayers)
- Tax discount for Automotive (6 sellers)
- VAT discount for property sector (768 sellers)
- Subsidy on Import Duty (IDR0.15T)





# 2022 Proposed Budget Posture

Deficit of 4.85% of GDP with flexibility to anticipate the uncertainty

Account (IDR T)	2019	2020		2021		2022	
	Audited	Audited	Growth(%)	Outlook	Growth(%)	Proposed Budget	Growth(%)
<b>State Revenue*</b>	<b>1,960.6</b>	<b>1,647.8</b>	<b>(16.0)</b>	<b>1,735.7</b>	<b>5.3</b>	<b>1,840.7</b>	<b>6.0</b>
Tax Revenue	1,546.1	1,285.1	(16.9)	1,375.8	7.1	1,506.9	9.5
Non Tax Revenue	409.0	343.8	(15.9)	357.2	3.9	333.2	(6.7)
<b>State Expenditure</b>	<b>2,309.3</b>	<b>2,595.5</b>	<b>12.4</b>	<b>2,697.2</b>	<b>3.9</b>	<b>2,708.7</b>	<b>0.4</b>
Central Government Expenditure	1,496.3	1,833.0	22.5	1,927.0	5.1	1,938.3	0.6
Regional Transfer & Village Funds	813.0	762.5	(6.2)	770.3	1.0	770.4	0.02
<b>Primary Balance</b>	<b>(73.1)</b>	<b>(633.6)</b>	<b>766.8</b>	<b>(595.3)</b>	<b>(6.0)</b>	<b>(462.2)</b>	<b>(22.4)</b>
<b>Surplus (Deficit)</b>	<b>(348.7)</b>	<b>(947.7)</b>	<b>171.8</b>	<b>(961.5)</b>	<b>1.5</b>	<b>(868.0)</b>	<b>(9.7)</b>
<i>% to GDP</i>	<i>(2.20)</i>	<i>(6.14)</i>		<i>(5.82)</i>		<i>(4.85)</i>	
<b>Financing</b>	<b>402.1</b>	<b>1,193.3</b>	<b>196.8</b>	<b>961.5</b>	<b>(19.4)</b>	<b>868.0</b>	<b>(9.7)</b>

MACROECONOMIC ASSUMPTIONS							
	Economic Growth	Inflation	Exchange Rate	10-year T-Bonds Rate	ICP (USD/barrel)	Oil Lifting ('000 barrels per day)	Gas Lifting ('000 barrels oil equivalent per day)
<b>2021 Outlook</b>	3.7 – 4.5%	1.8–2.5%	14,200–14,600	6.34–7.24%	55–65	680–705	987–1,007
<b>2022 As agreed with Parliament</b>	5.2%	3%	14,350	6.80%	63	703	1,036

## State Revenue IDR 1,840.7 T

- Tax Revenue is projected at IDR 1,506.9 T supported by recovery and optimization policies.
- Non-tax revenue IDR 333.2 T due to not recurring non-service revenue and optimization government share of oil and gas revenue.

## State Expenditure IDR 2,708.7 T

Directed to support policies synergies in health care, community protection and economic recovery

- Central government expenditure IDR 1,938.3 T include:
  - Expenditure reserves IDR 61.8 T
  - Health spending and vaccination in PEN Programme IDR 44.0T
- Transfer to Region and Village Funds IDR 770.4 T

## Deficit and Budget Financing IDR 868.0 T (decreased by 9.7%)

- Fiscal deficit ratio 4.85% of GDP
- With efficient and prudent financing sources, including the use of budget surplus (SAL)

# In the Medium-term, Tax Revenue is Expected to Increase along with the Tax Reforms

Tax Regulation Harmonization Bill (HPP) strengthens tax reform



## Policy Changes in the HPP Bill

### 1. KUP (General Provisions and Procedures on Tax)

- a) NPWP (Tax Number Identification ) using NIK (National ID Number)
- b) Appointment of third parties as withholding, collecting, depositing and/or reporting tax (including e-commerce)

### 2. PPh (Income Tax)

- a) PPh OP (Personal Income Tax) bracket adjustment
- b) Corporate Income Tax in 2022 remains at 22%
- c) PPh rate at 0.5% for MSME-OP (threshold IDR 500 million)
- d) Natura (Employee non-cash benefits) becomes tax object

### 3. PPN (Value-Added Tax)

- a) VAT rate increased from 10% to 11% (1 April 2022) and maximum to 12% in 2025
- b) Non BKP (Non-Taxable goods) and non JKP (Non-Taxable services) are moved to BKP/JKP category. Specifically for Health Services, certain medical health services are included in the JKN program system

### 4. Taxpayer Voluntary Disclosure Program

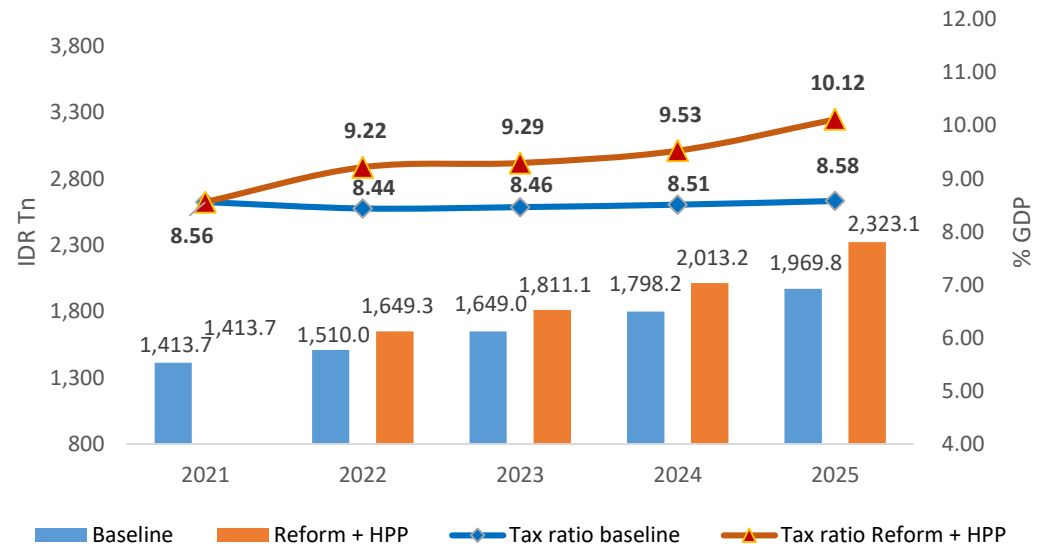
### 5. Carbon Tax

Note:

1. The ratio of tax, excise and custom revenues (exclude non-tax revenue) to gross domestic product.

Source: Ministry of Finance

## Expected Tax Revenue and Tax ratio 2021-2025



- The 2021 tax outlook is estimated at IDR 1,413.7 Trillion.
- Ongoing tax reforms will increase tax revenue in 2021.
- Tax revenue on 2022 state budget is projected to IDR 1,510.0 T.(tax ratio<sup>1</sup> of 8.44% of GDP); without the HPP Bill.
- Without the tax reform and HPP Bill, the tax ratio for 2021-2025 is expected to stagnate in the range of 8.4-8.6% of GDP.
- With the tax reform and implementation of the HPP Bill, the tax ratio in 2022 is estimated to reach 9.22% of GDP and 10.12% of GDP in 2025.

# Regulatory Points of The Bill on Harmonization of Taxation Laws



A fair, healthy, effective, and accountable tax system

## 1. REVISION ON GENERAL PROVISION LAW

- Using ID Number as Tax number
- Fine on audit and legal action, among others

Action	Old	New
Objection	50%	30%
Appeal	100%	60%
Judicial Review	100%	60%

## 2. REVISION ON VALUE ADDED TAX

- Reducing exemptions and facilities for fairness and effectiveness, while keep the society and business interest intact.
- Tariff Revision

### General Tariff

Old		New	
Tariff	Period	Tariff	Period
10%	Till March 2022	11%	Since April 2022
		12%	The latest on January 2025

### Specific tariff

Final Tariff 1%, 2%, 3% of Business Turnover

## 3. REVISION ON INCOME TAX

- Personal Income Tax Tariff

Brackets	Old		New	
	Income Range	Tariff	Income Range	Tariff
I	0 - IDR50 million	5%	0 - IDR60 million	5%
II	>IDR50 - 250 million	15%	>IDR60 - 250 million	15%
III	>IDR250-500 million	25%	>IDR250-500 million	25%
IV	>IDR500 million	30%	>IDR500 million-5 billion	30%
V			>IDR5 billion	35%

- Corporate Income Tax Tariff

Old		New	
Year	Tariff	Year	Tariff
2020 and 2021	22%		
2022 onwards	20%	2022 onwards	22%



# Regulatory Points of The Bill on Harmonization of Taxation Laws

A fair, healthy, effective, and accountable tax system

## 4. VOLUNTARY DISCLOSURE PROGRAM

1. Providing opportunities for Taxpayers to report or disclose voluntarily their tax obligations that have not been fulfilled through:
  - 1) payment of Income Tax based on the disclosure of assets that were not or have not been fully reported by the participants in the Tax Amnesty program; and
  - 2) payment of Income Tax based on the disclosure of assets that have not been reported in the 2020 Annual Tax Return
2. The program is implemented for 6 months (1 January 2022 to 30 June 2022)
3. Consists of 2 policies:

Details	Policy I	Policy II
<b>Subjects</b>	Individual and Corporate Taxpayers Participated in Tax Amnesty	Individual Taxpayers
<b>Asset Base</b>	Asset as of 31 December 2015 which has not been disclosed in tax amnesty program	Assets required in 2016-2020 which has not been reported in 2020 tax return (SPT)
<b>Final Rate</b>	<ul style="list-style-type: none"><li>• <b>11%</b> for declaration</li><li>• <b>8%</b> for domestic assets and repatriated foreign assets</li><li>• <b>6%</b> for domestic assets and repatriated foreign assets which is invested in gov. securities/downstream/renewable energy</li></ul>	<ul style="list-style-type: none"><li>• <b>18%</b> for declaration</li><li>• <b>14%</b> for domestic assets and repatriated foreign assets</li><li>• <b>12%</b> for for repatriated foreign assets and domestic assets which is invested in gov. securities/downstream/renewable energy</li></ul>

## 5. CARBON TAX

- a. Carbon tax is imposed on the purchase of carbon-containing goods or carbon-emitting activities.
- b. The law mandates the establishment of a carbon tax roadmap.
- c. The carbon tax rate is set at minimum of IDR 30,000 (USD 2) per tonne CO2 equivalent (CO2e).
- d. The first implementation is April 1, 2022, on coal-fired power plants.

## 6. CHANGES IN LAW ON EXCISE

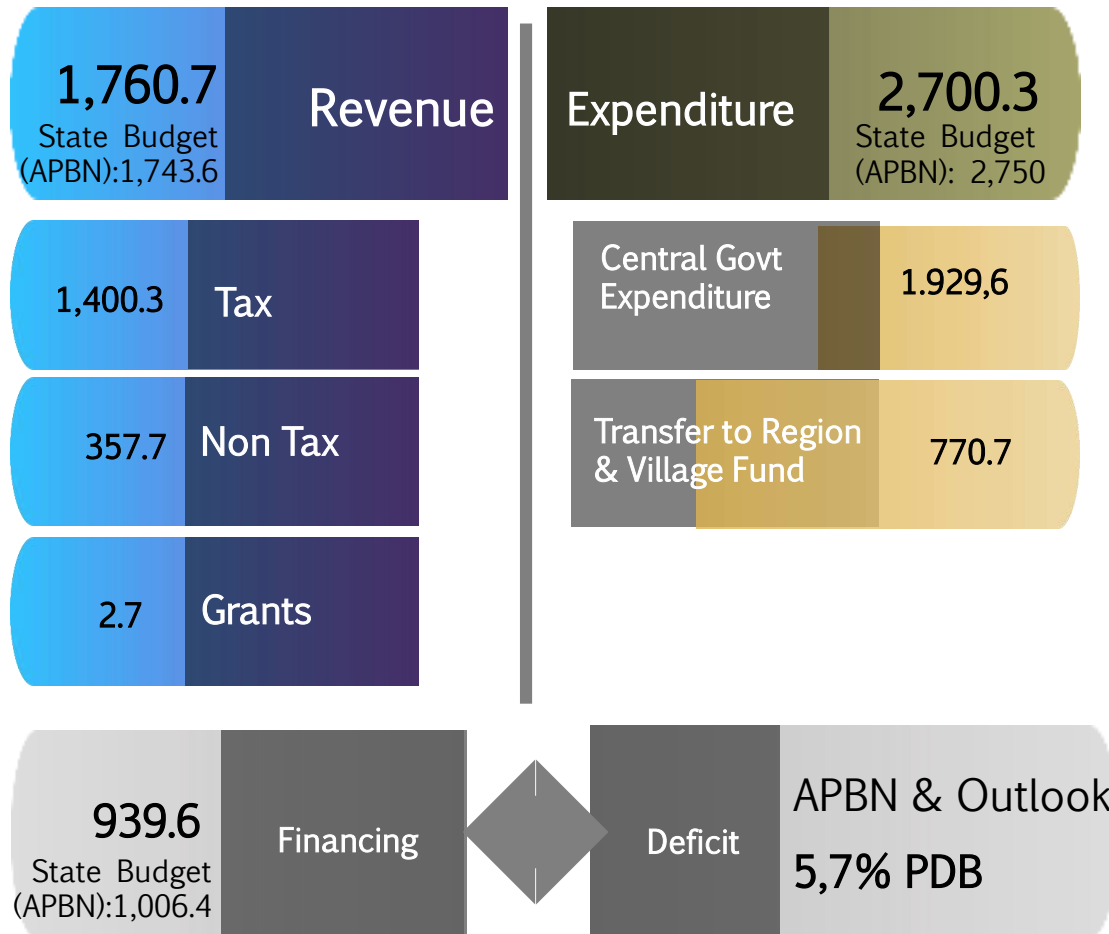
- a. Adding electronic cigarettes as excisable goods for tobacco products.
- b. Change the procedure for adding and subtracting types of excisable goods.
- c. Enforcement of Excise Criminal Law by prioritizing recovery of state revenue loss.
- d. Payers are given the opportunity to return losses to state revenues by paying sanctions:

Recovery Loss of State Revenue	Law on Excise	Newly Proposed Law
During preliminary investigation	Has not been regulated	Paying a fine of 3x of the excise value that should have been paid
During full investigation	Paying the principal Excise + 4X fine of underpaid excise	Paying a fine of 4x of the excise value that should have been paid

# 2021 Budget Financing



Macroeconomic Assumption for 2021 Budget	Economic Growth	Inflation	Exchange Rate	10 years T-Bills Rate	ICP	Oil Lifting	Gas Lifting
	5%	3%	14.600 IDR/USD	7.29%	US\$ 45 per barrel	705 thousand barrel/day	1.007 thousand barrel of oil equivalent/day



## STATE REVENUE POLICY

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

## EXPENDITURE FOCUS

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

## FINANCING STRATEGY

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



# 2021 Financing Needs

Include National Economic Recovery (PEN) program funding



Budget Deficit 2021

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

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



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

## Government Securities (GS)

Domestic GS	80 – 85%
Foreign Denominated Bonds	12-15%
Retail GS	3-6%

## GS Policy:



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



Foreign GS as a complement to avoid the crowding out effect



Retail GS to increase participation public in financing development



Measurable private placements, consider needs financing and state treasury conditions



Coordination with BI in fulfillment GS issuance target

## Loan

Domestic Loan	IDR2.7 T
Foreign Loan - Project	e.q US\$ 2 bio
Foreign Loan - Program	e.q US\$ 5 - 6 bio

## Loan Policy:



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



USD2 billion project loan according to implementing capacity project



Flexibility of use program loan with target issuance of foreign GS

# 2021 Financing Strategy

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



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

## Debt Policy

1

Manage debt by maintaining the debt over GDP ratio within the safe limit

2

To adopt a flexible debt management which is responsive in supporting the countercyclical policy, while prudently manage the cost and risk

3

To achieve an efficient debt cost, by doing market deepening exercises:

- investor base widening
- improving the infrastructure in the SBN market
- debt instrument diversification eg. SDG bond issuance and municipal bond/sukuk issuance

4

To maintain macro stability by managing debt portfolio composition optimally.

## Overall Funding Strategy

1

Non-debt funding source optimization, including SAL utilization

2

Targeting Loan Program from Development Partners, for both bilateral and multilaterals, i.e. World Bank, ADB, KfW, JICA, EDFC, and AIIB

3

A well targeted SBN (Government Bond) issuance by optimizing all available sources

- Targeting domestic/onshore bond issuance (including retail bond) for up to IDR 80 tn
- Targeting Foreign Currency/Global Bond issuance amount at 12-15% from total SBN funding (subject to market conditions)
- Private Placement from specific institutions

4

Support from Bank Indonesia as the funding of the last resort / back stop

# Strengthened Synergy Between Monetary and Fiscal Policy



## Background



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

## Principles



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



# Strengthened Synergy Between Monetary and Fiscal Policy

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



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

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

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

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

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

### GOVERNMENT SECURITIES (SBN) ISSUANCE AND BI CONTRIBUTION SCHEME

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

#### Cluster A

2021 → IDR58 T  
2022 → IDR40 T

#### Cluster A :

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

Interest rate BI 3M-RR  
Covered by



**BANK INDONESIA**

- Issuance specifically to BI through **private placement** which will reduce SBN auction target and manage cost of debt

#### Cluster B

2021 → IDR157 T  
2022 → IDR184 T

#### Cluster B :

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

Interest rate BI 3M-RR  
Covered by



**GOVERNMENT**

- All SBN issued on variable rate using BI 3M-Reverse Repo
- Tradable and marketable**

# Government Securities Financing Realisation

(a.o Sep 30, 2021)



	(Trillion IDR)
	Realization (ao. September 30, 2021)
Government Securities (GS)	1,036.65
Government Debt Securities (GDS)	733.63
IDR Denominated GDS	618.37
- Coupon GDS	510.03
- Conventional T-Bills	51.35
- Private Placement	23.50
- Retail Bonds	33.50
Foreign Denominated Bonds	115.25
- SEC USD-EUR REG SHELF TAKE-DOWN	92.41
- Samurai Bond	13.18
- SDG Bonds	8.36
- SEC USD REG SHELF TAKE-DOWN	1.30
- USD Onshore Bonds	0.00
Sovereign Sharia Securities (Sukuk)	303.02
Domestic Sovereign Sharia Securitoes	260.23
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	205.25
- Retail Sukuk	43.73
- Private Placement	11.25
Global Sukuk	42.79
BI Purchase (SKB III)	0.00

Note:  
including GSO transaction



# Republic of Indonesia - Dual Currency USD3bn and EUR1bn



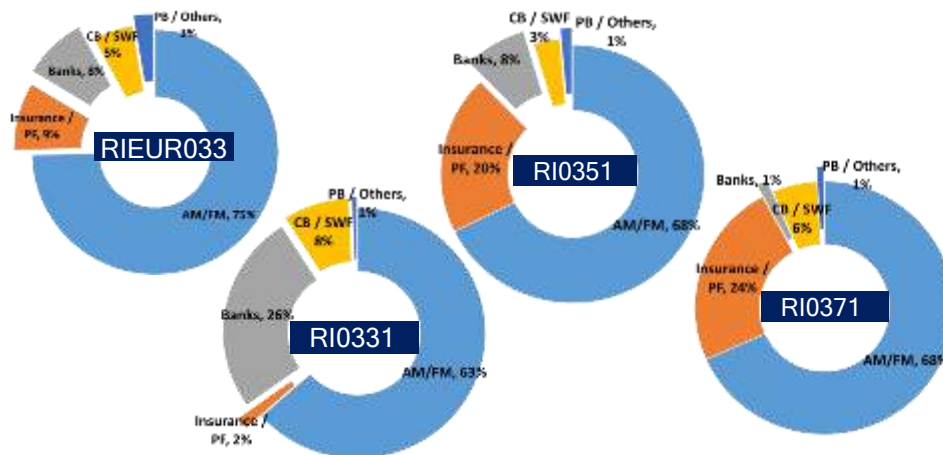
Issuer	Republic of Indonesia			
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)			
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	SEC Registered			
Issue	Senior unsecured fixed rate notes off US SEC Shelf			
Pricing Date	January 5, 2021			
Settlement Date	January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

## Transaction Highlights

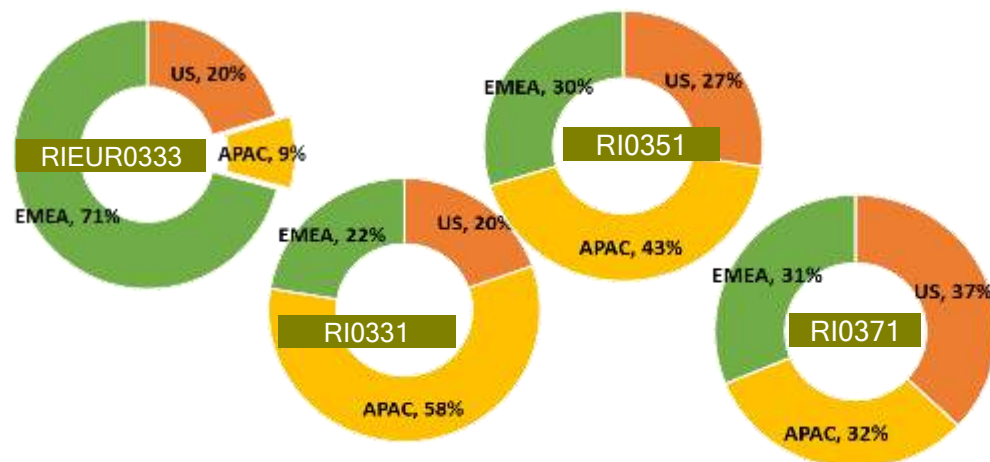
- The lowest yields and coupons throughout the issuance of Indonesian Global Bonds for all tenors and currencies
- All tranches priced inside of the Republic's existing credit curve with negative new issue premium and at the tightest levels for every one of the tranches
- The transaction was well-executed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

Source: Ministry of Finance

## Investor Breakdown by Investor Type



## Investor Breakdown by Geography

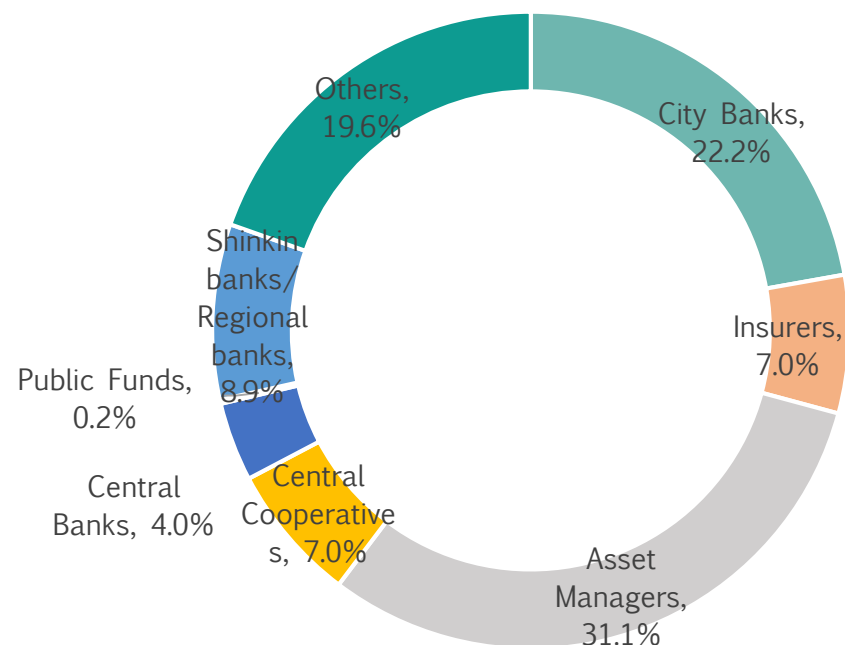


# Republic of Indonesia – Samurai Bond JPY100bn



Issuer	Republic of Indonesia					
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Neg) BBB Fitch (Stable)					
Exp. Issue Rating	Baa2 Moody's / BBB S&P / BBB Fitch					
Format	Samurai Bond (Public Offering)					
Pricing Date	May 21, 2021					
Settlement Date	May 27, 2021					
Deal Size	JPY100bn					
Size	JPY29.0bn	JPY46.8bn	JPY1.2bn	JPY18.2bn	JPY2.5bn	JPY2.3bn
Tenor	3-year	5-year	7-year	10-year	15-year	20-year
Maturity	May 27, 2024	May 27, 2026	May 26, 2028	May 27, 2031	May 27, 2036	May 27, 2041
Coupon	0.33%	0.57%	0.70%	0.89%	1.17%	1.44%
Re-offer Spread over Yen Mid Swap (YMS)	YMS+35	YMS+56	YMS+65	YMS+76	YMS+90	YMS+105
Joint Lead Managers	Daiwa/Mizuho/Nomura/SMBC					

## Investor Breakdown by Investor Type



## Transaction Highlights

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

# Republic of Indonesia – Global Sukuk USD3bn



Issuer	Republic of Indonesia		
Issue Format	144A/Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate ("Sukuk") issued under a USD\$25billion Trust Certificate Issuance Program		
Issuer Rating	Baa2 Moody's (Stable) / BBB S&P (Neg) / BBB Fitch (Stable)		
Pricing Date	02 June 2021		
Issue Date	09 June 2021 (T+5)		
Tenor	5-year Sukuk	10-year Sukuk	30-year Green Sukuk
Maturity	9-Jun-26	9-Jun-31	9-Jun-51
Tranche Size	USD1.25B	USD1.00B	USD750M
Profit Rate	1.5% fixed, semiannual, 30/360	2.55% fixed, semiannual, 30./360	3.55% fixed, semiannual, 30/360
Re-Offer Price	100.00%	100.00%	100.00%
Re-Offer Spread	UST +70.4bps	UST +95.7bps	UST +125.5bps
Listing	SGX-ST and Nasdaq Dubai		
Joint Bookrunners	CIMB, Citigroup, Dubai Islamic Bank, HSBC, SCB (B&D)		
Co-Managers	PT BRI Dana Sekuritas, PT Trimegah Sekuritas Indonesia Tbk		

## Transaction Highlights

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

Source: Ministry of Finance

## Investor Breakdown by Investor Type



## Investor Breakdown by Geography



## Achievement

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

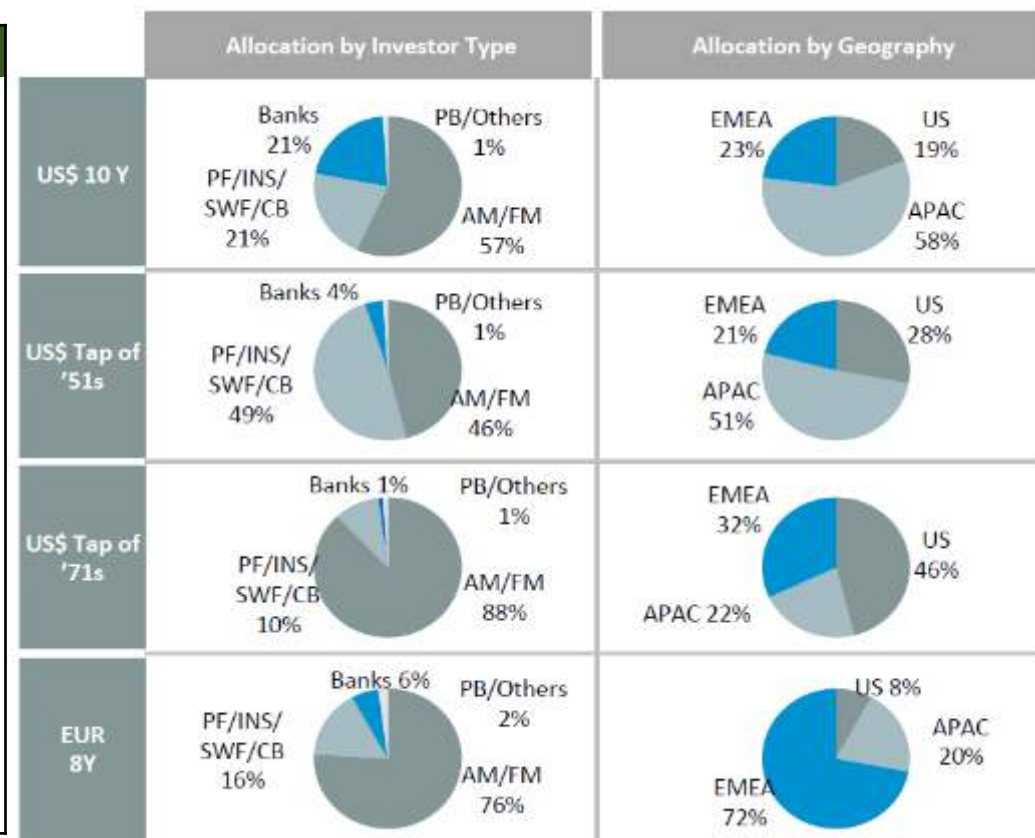
## Challenges

- Global financial market conditions are very volatile and still affected by the Covid 19 pandemic
- Performed under WFH conditions
- No roadshow.

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



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



## Transaction Highlights

- Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date (Implied spread of +90.8bps over 10Y UST)
- Tightest ever spread and yield achieved by ROI for a EUR 8Y transaction
- Achieved negative new issue concessions across all 4 tranches despite UST volatility and a crowded primary market on the day of bookbuild
- For the USD tranches, garnered total orders of >US\$4.7 bn at reoffer – representing oversubscription of 2.8x. For EUR, garnered orders of >€1.2bn at reoffer – representing oversubscription of 2.4x
- The transaction marks one of the larger global offering by the Republic and as such demonstrates the Republic's ability to respond swiftly to markets and capture favorable issuance windows



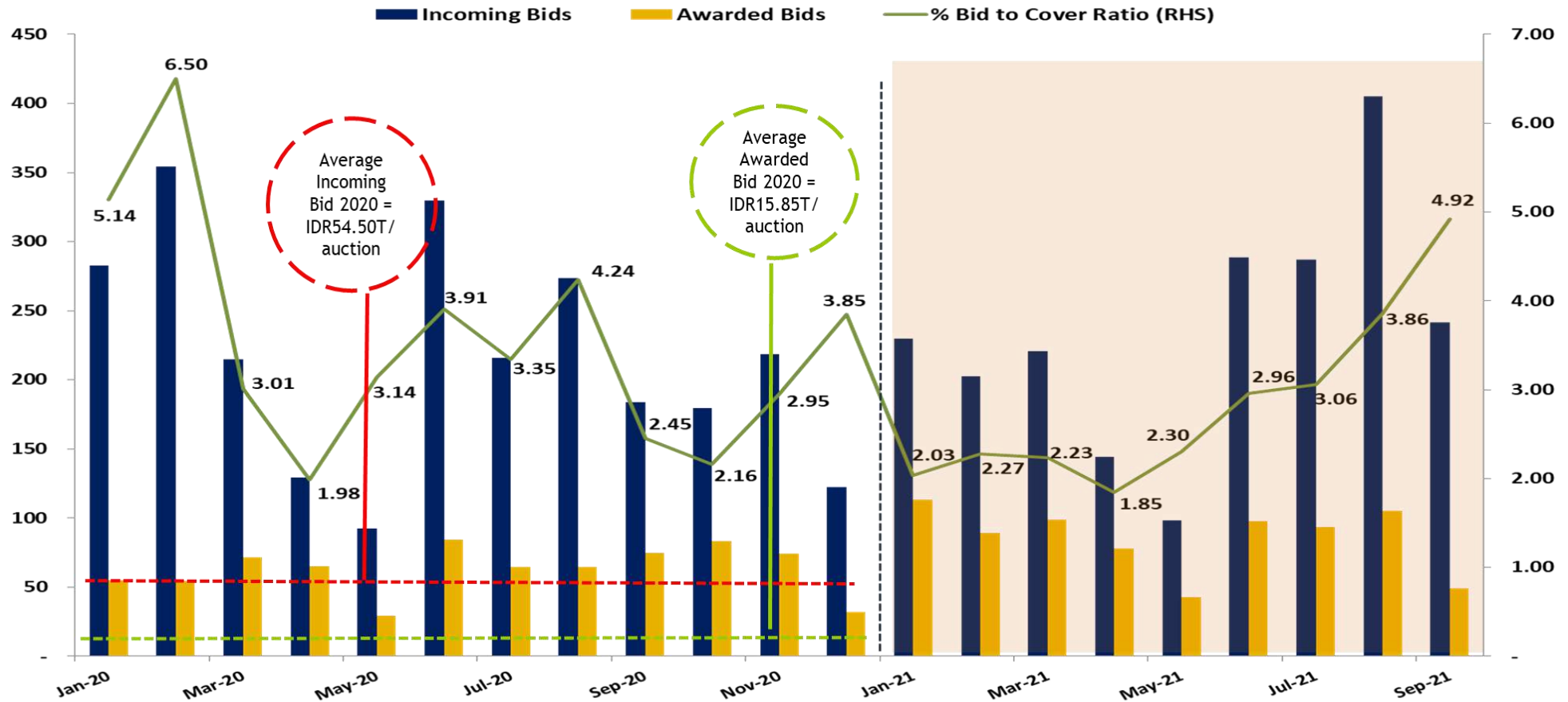
# GS Primary Market Performance 2020 - 2021

## Through Auction



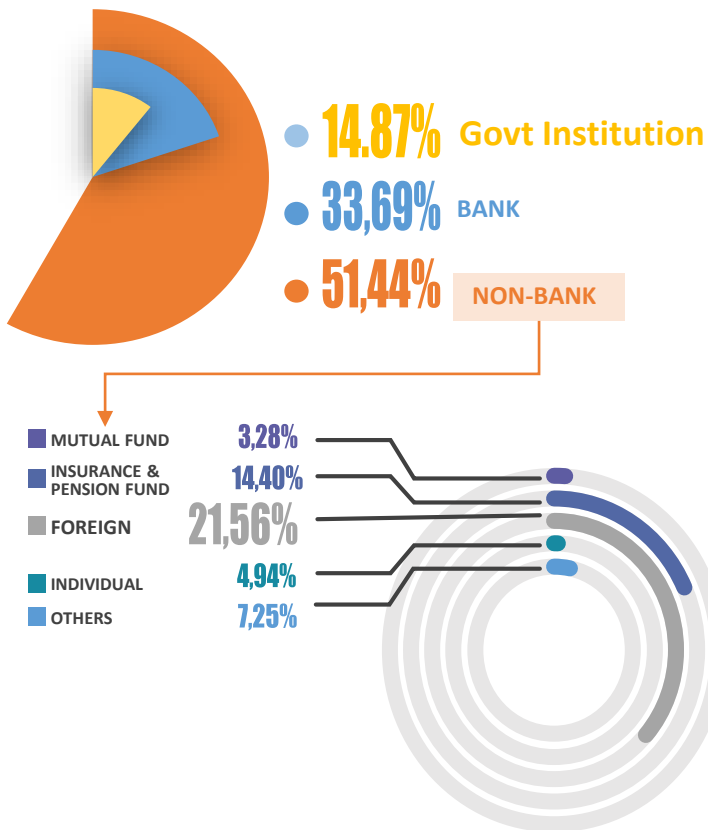
In 2021, average incoming bid = IDR57.21 tn/auction while average awarded bid = IDR20.72 tn/auction

[IDR Trillion]





# Ownership of IDR Tradable Government Securities (a.o Sep 30, 2021)



(IDR tn)										
Description	Dec-17		Dec-18		Dec-19		Dec-20		September 30, 2021	
Banks*	491.61	23.41%	481.33	20.32%	581.37	21.12%	1,375.57	35.54%	1,502.91	33.69%
Govt Institutions (Bank Indonesia**)	141.83	6.75%	253.47	10.70%	262.49	9.54%	454.36	11.74%	663.15	14.87%
Bank Indonesia (gross)	179.84	8.56%	217.36	9.18%	273.21	9.93%	874.88	22.60%	1,003.74	22.50%
GS used for Monetary Operation	38.01	1.81%	-36.11	-1.52%	10.72	0.39%	420.51	10.86%	340.59	7.64%
Non-Banks	1,466.33	69.83%	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%	2,294.40	51.44%
Mutual Funds	104	4.95%	118.63	5.01%	130.86	4.75%	161.32	4.17%	146.24	3.28%
Insurance Company and Pension Fund	348.86	16.61%	414.47	17.50%	471.67	17.13%	542.82	14.02%	642.47	14.40%
<b>Foreign Holders</b>	<b>836.15</b>	<b>39.82%</b>	<b>893.25</b>	<b>37.71%</b>	<b>1,061.86</b>	<b>38.57%</b>	<b>973.91</b>	<b>25.16%</b>	<b>961.78</b>	<b>21.56%</b>
Foreign Gov't & Central Banks	146.88	6.99%	163.76	6.91%	194.45	7.06%	178.31	4.61%	244.13	5.47%
Individual	59.84	2.85%	73.07	3.09%	81.17	2.95%	131.21	3.39%	220.37	4.94%
Others	117.48	5.60%	134.22	5.67%	163.32	5.93%	231.57	5.98%	323.53	7.25%
<b>Total</b>	<b>2,099.77</b>	<b>100%</b>	<b>2,368.45</b>	<b>100%</b>	<b>2,752.74</b>	<b>100%</b>	<b>3,870.76</b>	<b>100%</b>	<b>4,460.46</b>	<b>100%</b>

**IDR  
1.092,02T**

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

**66,53%**

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

## Note:

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

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

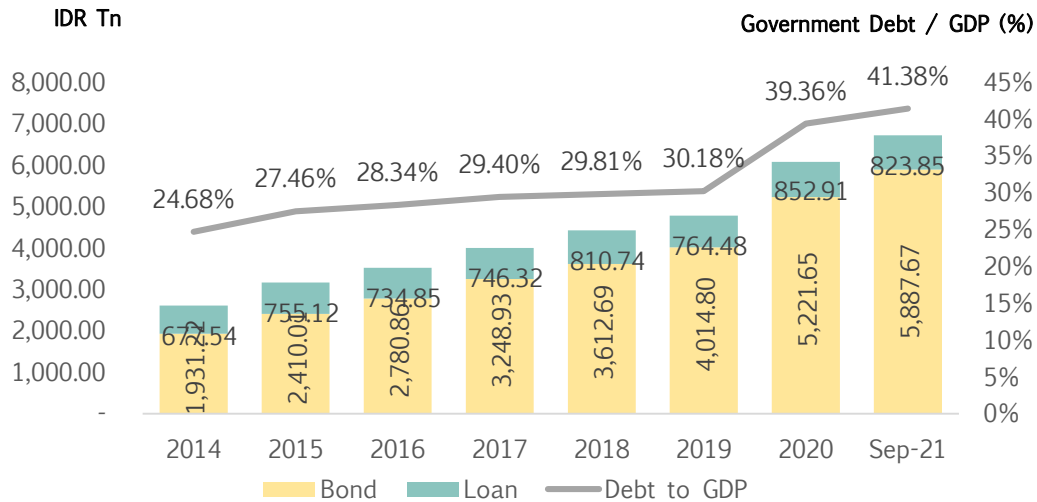
\*) Including the Government Securities used in monetary operation with Bank Indonesia.

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

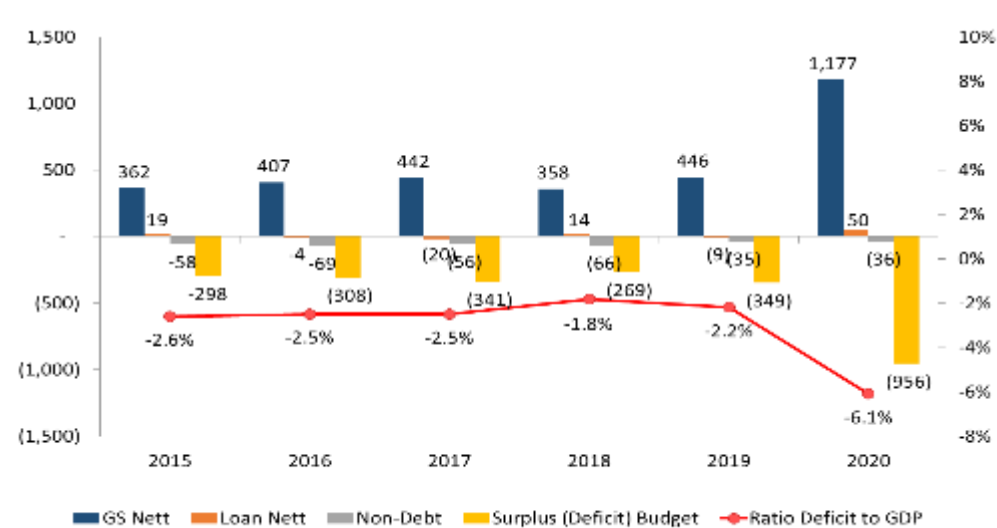
# Disciplined and Advanced Debt Portfolio Management



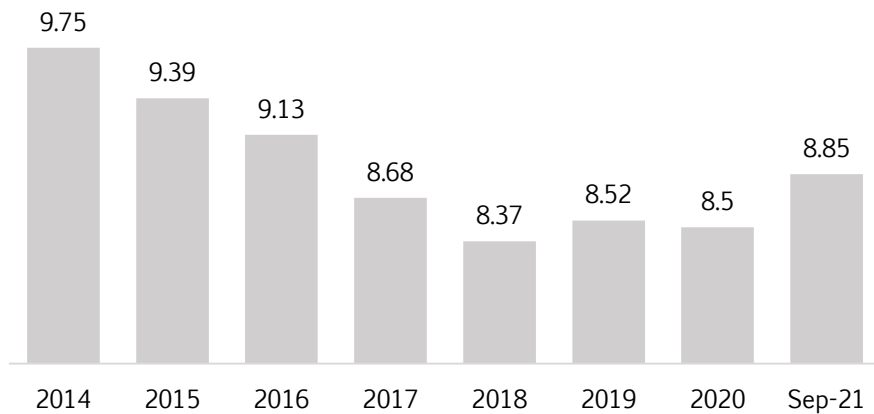
## Stable Debt to GDP Ratio Over the Years



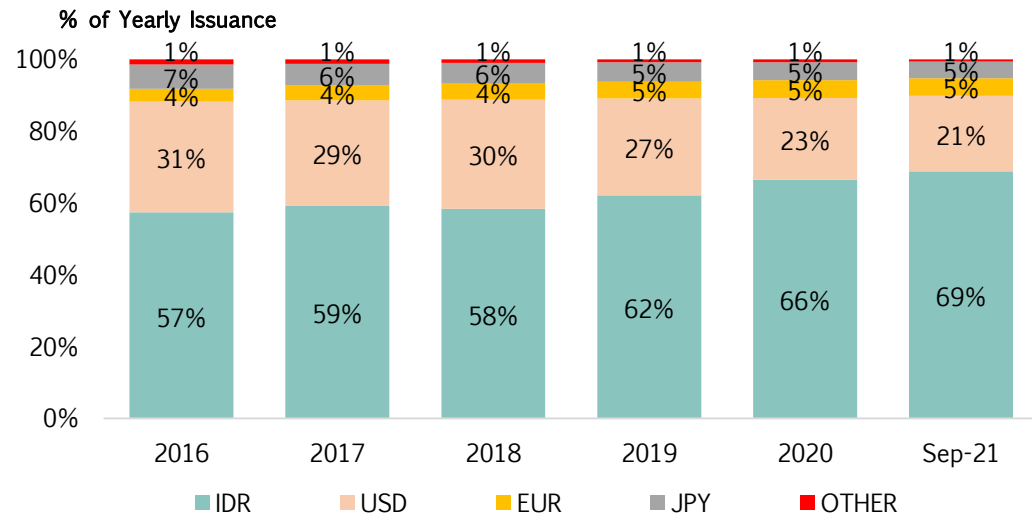
## Prudent Fiscal Deficit



## Weighted Average Debt Maturity of ~8.85 Years



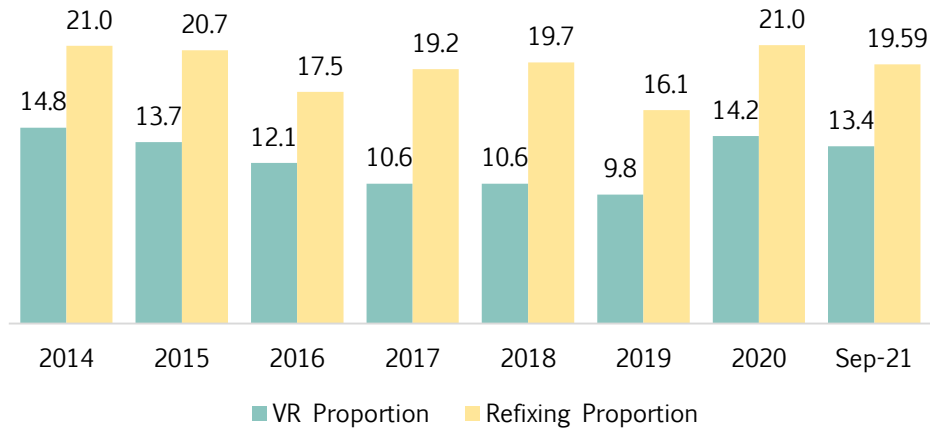
## Well Diversified Across Different Currencies



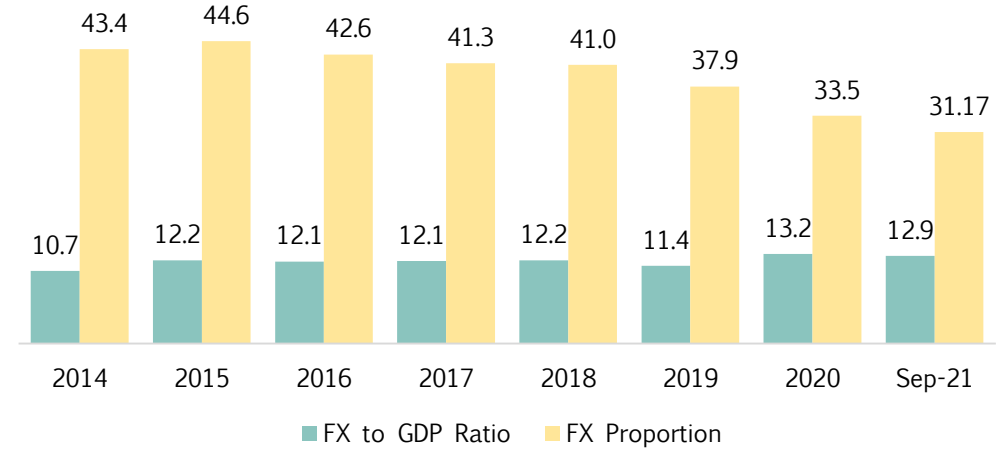
# Well Balanced Maturity Profile with Strong Resilience Against External Shocks



## Interest Rate Risks (%)

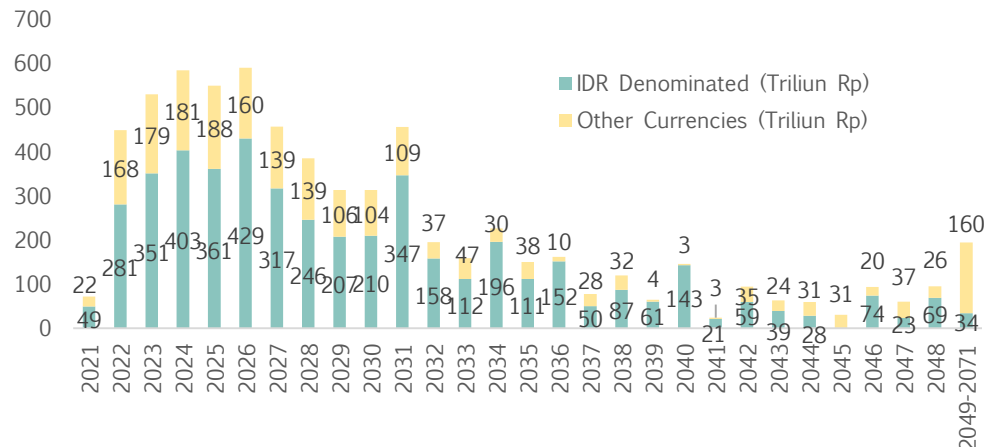


## Declining Exchange Rate Risks (%)

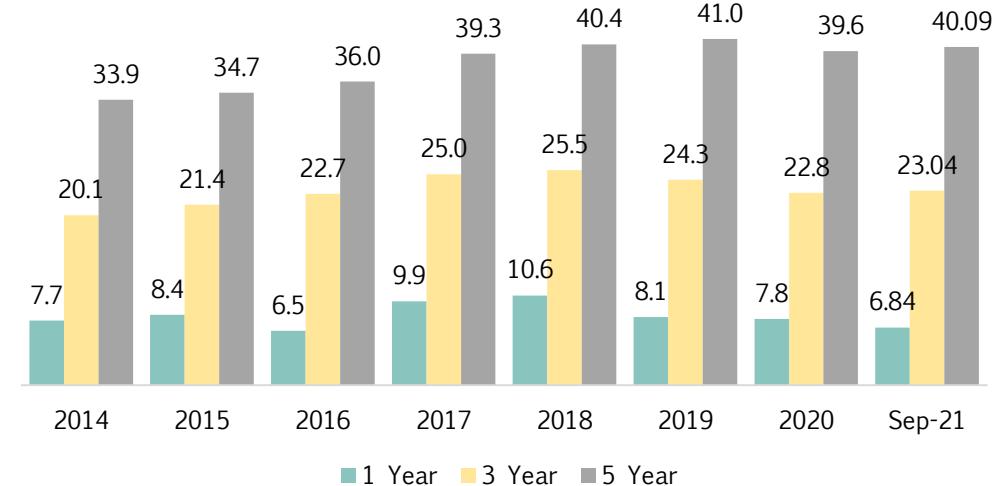


## Debt Maturity Profile

IDR tn

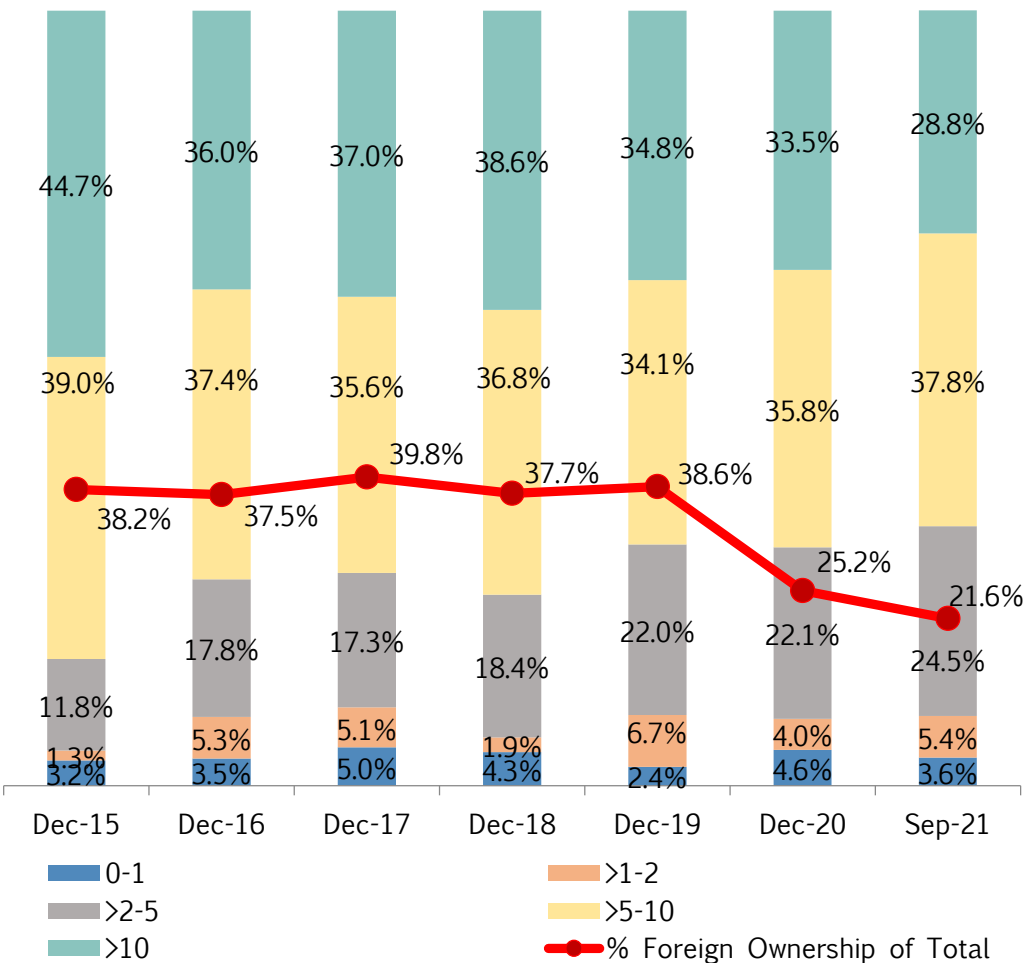
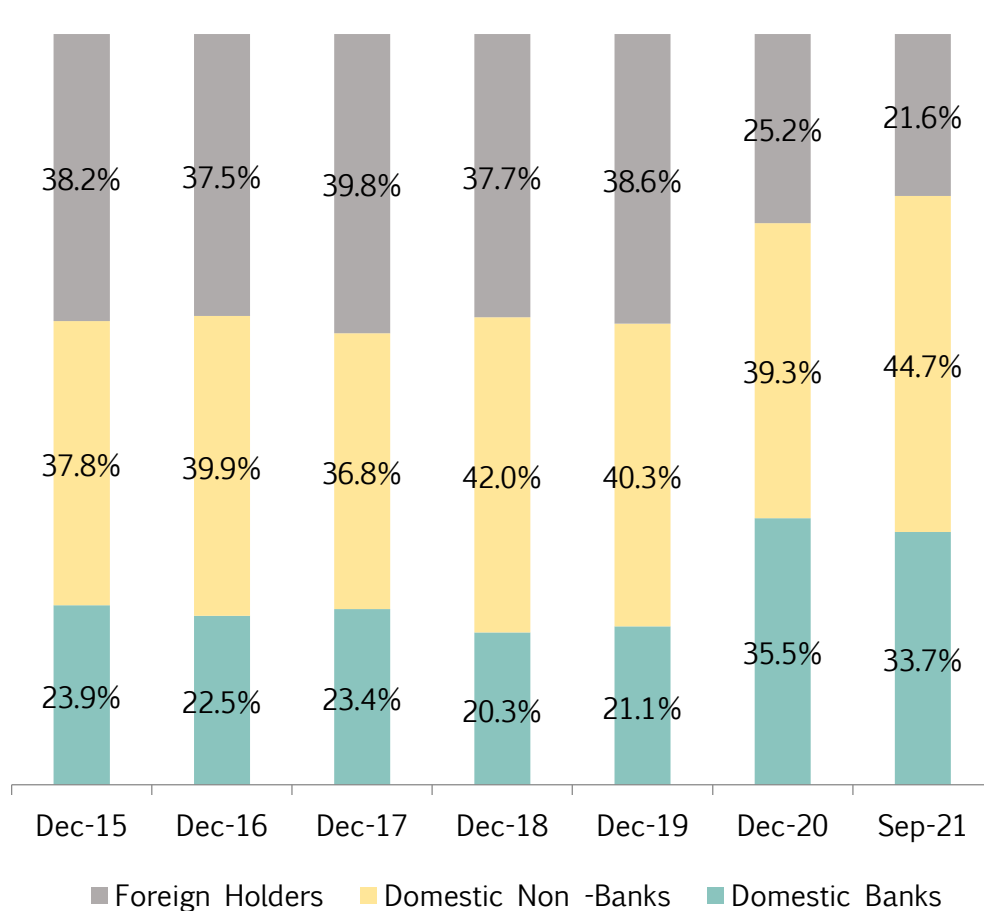


## Upcoming Maturities (Next 5 Years)



# 

Balanced Ownership In Terms of Holders and Tenors





# Section 6

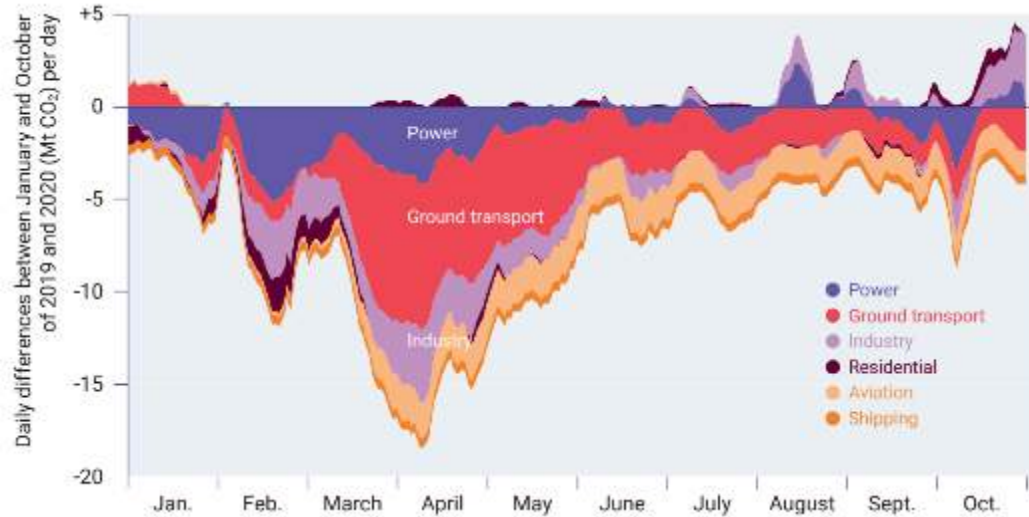
---

Commitment to Sustainability and  
Preserving the Environment



# Anticipating the Rise of Emissions After the COVID-19 Pandemic

As global economy recovered, the emissions is predicted to increase



- During the COVID-19 pandemic, global CO<sub>2</sub> emissions have contracted due to a decrease in economic activity and human mobility. However, slowly emissions are crawling up as human mobility policies loosen in some countries.
- It should be of mutual concern that, in the midst of the challenges facing the COVID-19 pandemic that has not yet ended, the economy is slowly starting to enter the recovery phase and it is pushing back the level of global carbon emissions.
- Therefore, the government should not be off guard because the risk of rising carbon emissions can threaten economic sustainability and people's well-being through the impacts of climate change.



Photo: kanalkalimantan.com & BPBD Prov. Kalsel



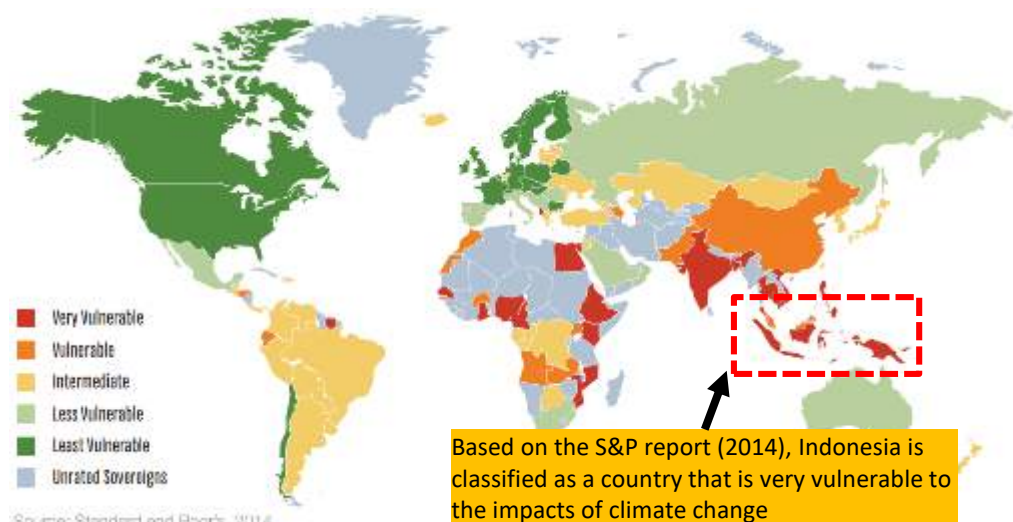
Photo: Bayu Pratama

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



# Climate Change Risk on Indonesia

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



Source: Standard and Poor's, 2014

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

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

source Data: KLHK (2020), data diolah

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

source: Bappenas (2021)

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

source: BMKG (2020)

## ESTIMATED COST LOSS and MITIGATION COST

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

## CLIMATE CHANGE RISK



### WATER SECURITY

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



### FOOD SECURITY

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



### HEALTH

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



### DESTRUCTION OF LAND, SEA, AND COASTAL ECOSYSTEMS

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



# Global Trends Strengthening Attention to Climate Change

## UNFCCC-COP26 GOALS

01



Secure global net zero by mid-century and keep 1.5 degrees within reach

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

02



Adapt to protect communities and natural habitats

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

03



Mobilise finance

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

04



Work together to deliver

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

## G20 FORUM

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

## EUROPEAN UNION

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

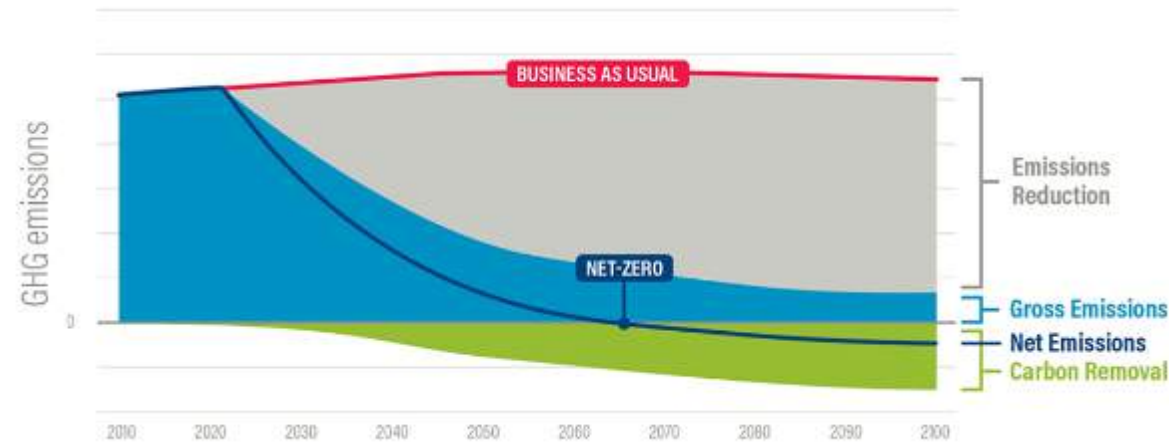
## INTERNATIONAL FINANCE INSTITUTIONS

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

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



# Net Zero Emission (NZE)



Source: World Resource Institute



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



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



Source: Ministry of Finance

## 10 Key Solutions to Achieve NZE 2050

- 1. PHASE OUT** coal plants
- 2. INVEST** in clean energy & efficiency
- 3. RETROFIT** buildings
- 4. DECARBONIZE** cement, steel & plastics
- 5. SHIFT** to electric vehicles
- 6. INCREASE** public transport
- 7. DECARBONIZE** aviation and shipping
- 8. HALT** deforestation & **RESTORE** degraded lands
- 9. REDUCE** food loss and waste
- 10. EAT** more plants & less meat

Sumber: World Resource Institute

**Long Term Strategy was mandated in Paris Agreement Article 4.19**

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

# Indonesia's Net Zero Emission



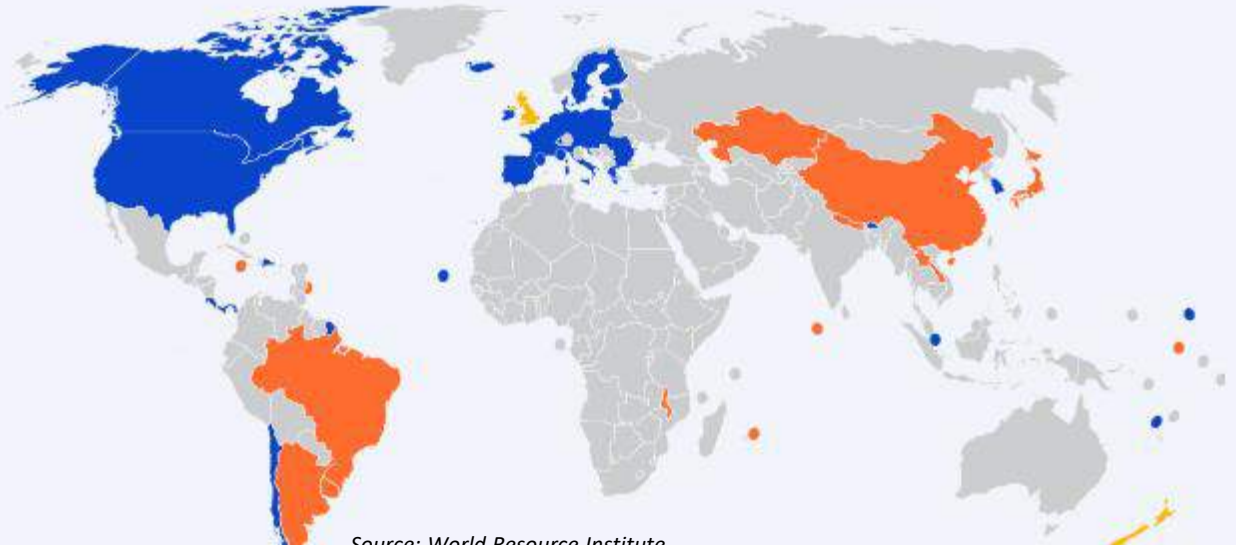
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



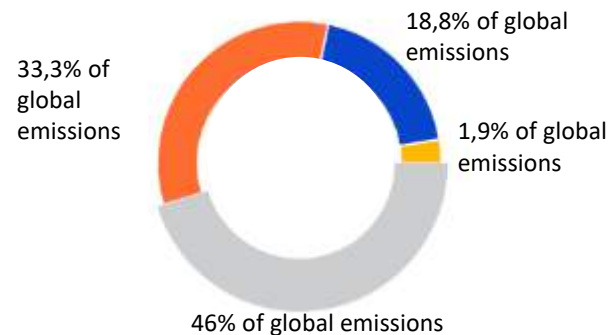
Indonesia and 148 other Parties (with a global emission share of 46%) have not submitted the document



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



Source: World Resource Institute

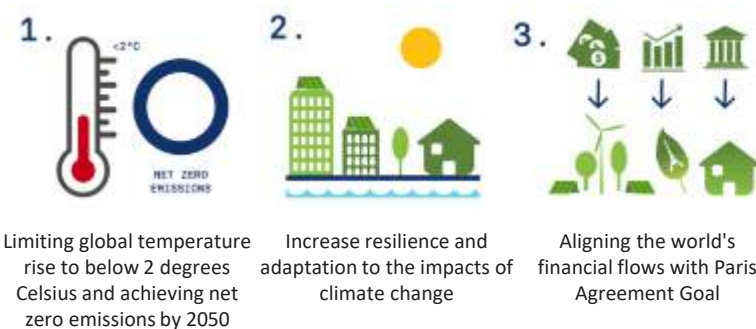




# Paris Agreement & NDC Indonesia



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

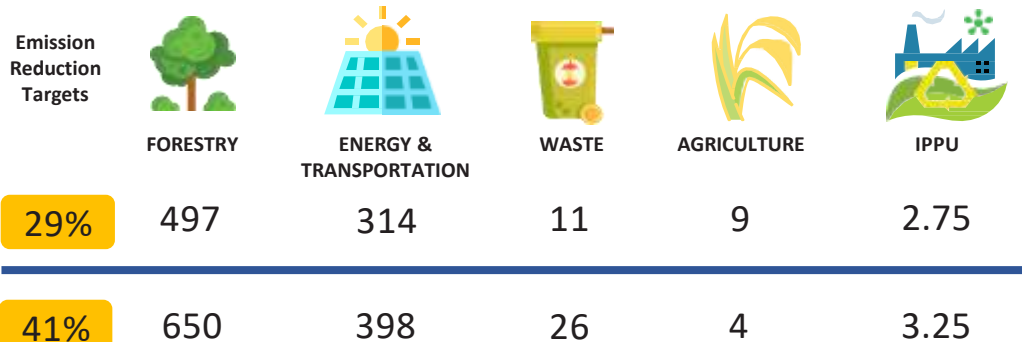


## Submission of Nationally Determined Contribution (NDC) to UNFCCC

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

**29%** through national efforts  
and  
**41%** with International Support

## Emission Reduction Targets by Sector (MTon CO<sub>2</sub>e)



source: NDC Indonesia, KLHK (2016)

## Climate Change Mitigation Financing Needs

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

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

# Commitment to Sustainability and Climate Change Mitigation

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



### Background of Commitment

#### Commitment to Sustainability

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

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

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

#### The President's *Nawacita* Programme

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



### Environment Commitment and Objectives

#### Mitigation

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

#### Adaptation

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

#### Biodiversity

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

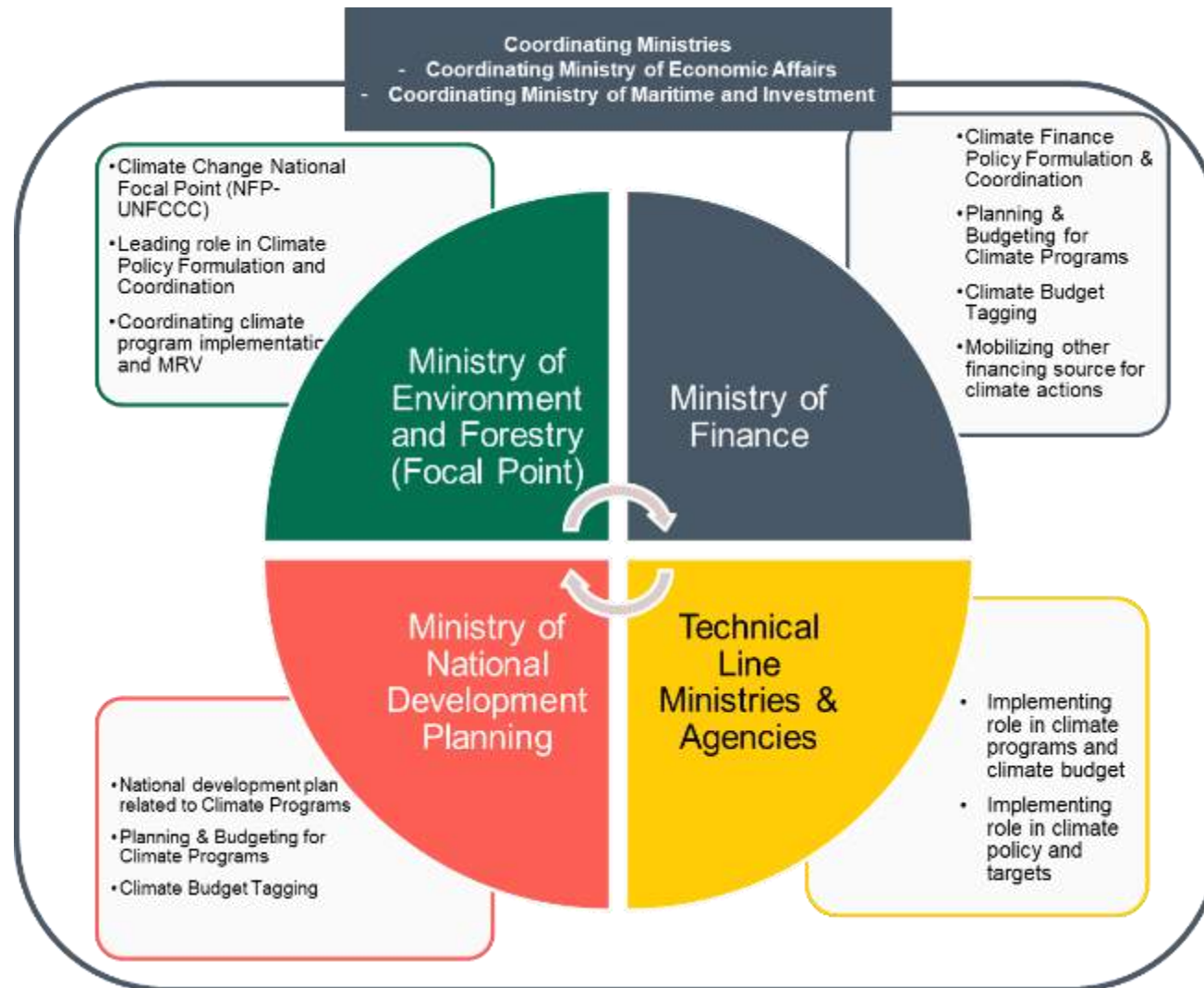
Note: <sup>(1)</sup> SDG Indonesia One, PT Sarana Multi Infrastruktur

# Climate Governance in Indonesia



## Ministry of Finance is responsible for climate fiscal policy

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



## Central Bank and Financial Sector Authority

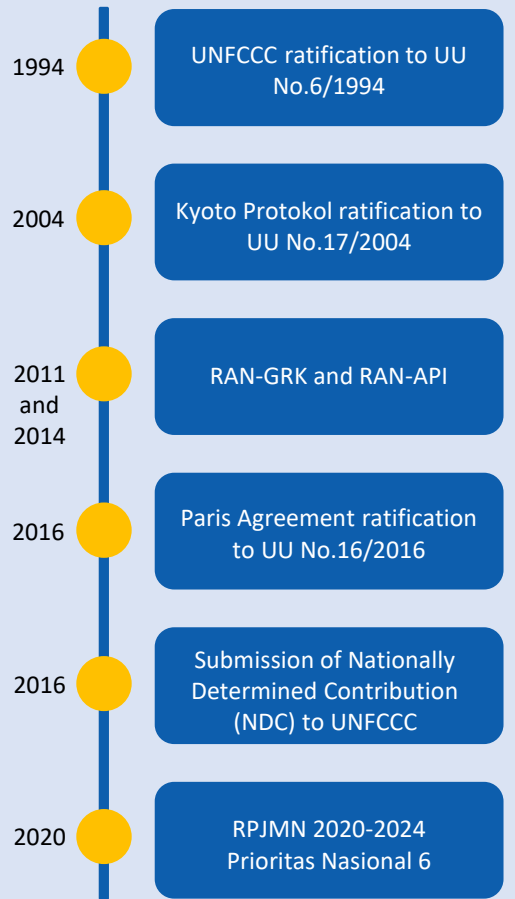
Also coordinating with Central Bank (BI) and FSA (OJK) to promote green and resilience development through fiscal, monetary, and financial policy mix



# Commitment to Handling Climate Change



## NATIONAL CLIMATE CHANGE POLICY TIMELINE



## FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

- Mitigation Fiscal Framework
- Tax Incentives for NRE and clean technology development
- Revocation of Fuel Subsidy
- Implementaion of Climate Budget Tagging
- Indonesia's Green Bond/Sukuk Framework
- Mainstreaming Climate Budget Tagging in local government budget
- Ecology-based Fiscal Transfer

## NEXT STEP OF CLIMATE RELATED FISCAL POLICY



Preparation of fiscal instruments related to Carbon Tax and Carbon Trading



updating Mitigation Fiscal Framework



Integration of Climate Change Planning, Budgeting and MRV Systems



Preparation of SDGs Government Securities Framework

## AGENDA PERUBAHAN IKLIM NASIONAL DAN GLOBAL



Nationally Determined Contribution (NDC)



SDGs 13: Climate Action



Low Carbon Development Planning in RPJMN 2020-2024



Agenda Net-Zero Emission

# National Climate Financing



Funding support to achieve the targets of the climate agenda can come from the public, private and international sectors towards “a *just and affordable transition*”

## SOURCE OF FINANCING

### DOMESTIC

#### STATE BUDGET

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

#### NON-STATE BUDGET

- Carbon Trading
- Private Investment and CSR
- BPD LH
- SDG Indonesia One
- ICCTF

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

### INTERNASIONAL

#### BILATERAL

- Government
- Private

#### MULTILATERAL

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

## CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



### Limited fiscal space

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



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



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



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



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



# State Expenditure for Climate Change



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

**IDR102.65 trillion** per year

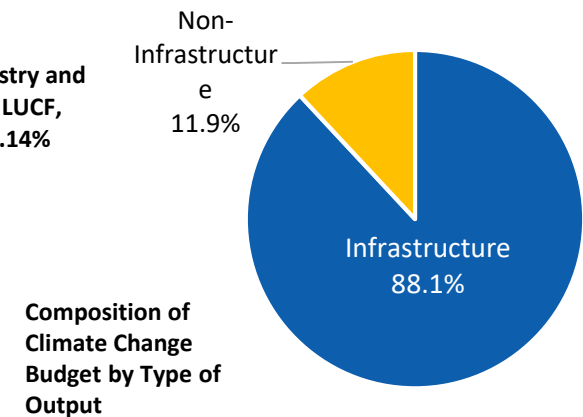
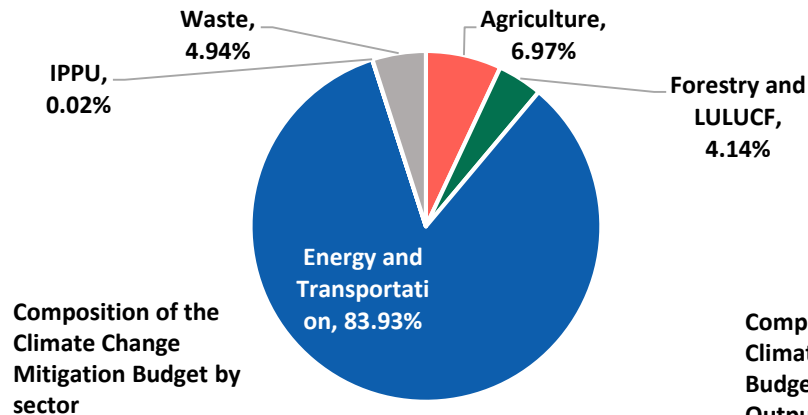
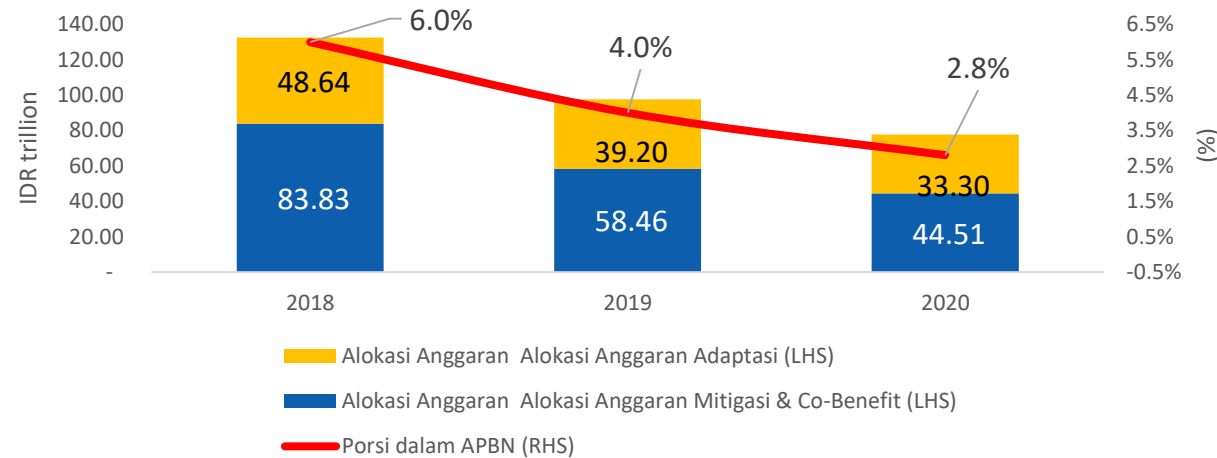
the average mitigation and co-benefit budget reached

**IDR 62.7 trillion** per year

the average adaptation budget reaches

**IDR 40.4 trillion** per year

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



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



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



- SDG Indonesia One is an integrated funding cooperation platform managed by PT. SMI by combining public funds and private funds through a blended finance scheme to be channeled into infrastructure projects in Indonesia related to the achievement of the SDGs.
- SDG Indonesia One funding sources come from the private sector, donors/philanthropy, financial institutions, institutional investors, and bilateral and multilateral institutions.



- BLU BPDH or Indonesia Environment Fund (IEF) is a merger between the BLU of the Center for Forest Development Financing and the environmental conservation program of the Ministry of Environment and Forestry.
- IEF manages and provides the funds needed for environmental and forestry protection, preservation and conservation, biodiversity management, and climate change mitigation and adaptation.
- IEF not only manages funds in the environmental & forestry sector, but also in the fields of energy, agriculture, transportation, marine & fisheries, and industry.

# GCF Approved Indonesian Projects/Programs



1

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



Grants :  
Readiness I USD850.000  
Readiness II USD998.000

2

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



Grant :  
USD788.000

3

**Result-based Payment (RBP) REDD+ Indonesia (2014-2016)**



RBP :  
USD103,8 m

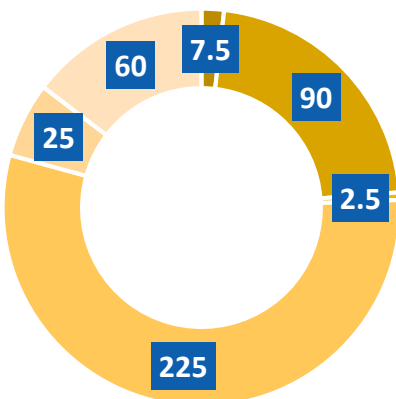
4

**Geothermal Resource Risk Mitigation Facility (GREM)**

Funding Scheme (in million USD)



- GCF - Loan
- GCF - Reimbursable Grant
- GCF - Grant
- IBRD - Loan
- Ministry of Finance/ PT. Sarana Multi Infrastruktur



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

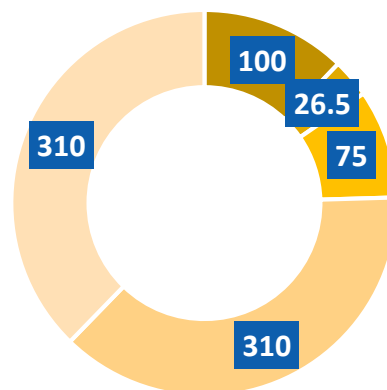
5

**Climate Investor One (CIO)**

Funding Scheme (in million USD)



- GCF - Reimbursable Grant
- Co-Financing - Development Fund (Grant)
- Co-Financing - CEF Tier 1 (Grant)
- Co-Financing - CEF Tier 2 (Equity)



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

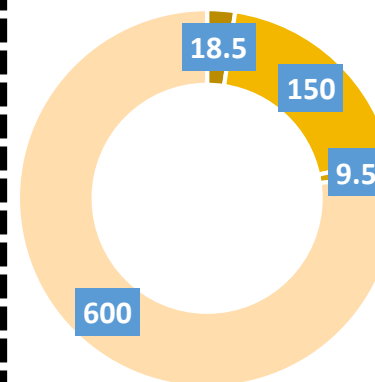
6

**Global Subnational Climate Finance (SnCF)**

Funding Scheme (in million USD)



- GCF - Grant
- GCF - Equity
- IUCN - Grant
- Pegasus Capital Advisors - Equity



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

# Achievements of SDG Indonesia One



## Achievement of SDG Indonesia One Quarter 1 2021

### Blended Finance Project (Indicative)

**19 Projects**

consists of 4 financing projects and 15 project development activities

### Ecosystem Enabler

**9 Activities**

Consists of capacity building activities and sharing sessions

### Funds Mobilization

**USD791 m**

Support for grants, de-risking and loans as stated in the agreement with the donor

### Sustainability Promotor



PLN

Technical Assistance on Green Finance Facility



Technical Assistance on Global Green Bond Issuance

### On-Going Programs



Solar Rooftop Program



Clean Water Program



Renewable Energy Program

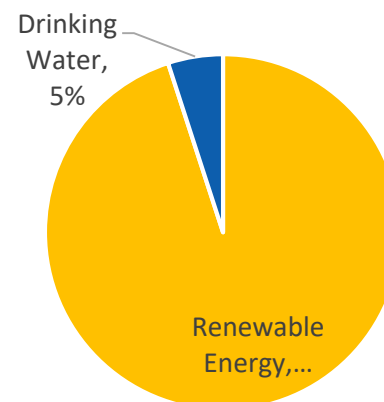


Urban Infrastructure Program

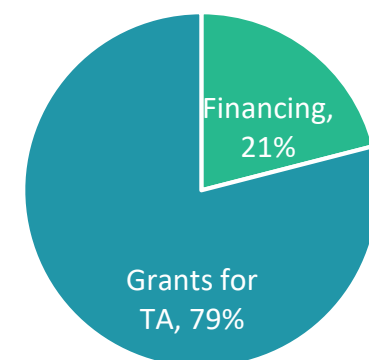


Disaster Area Rehabilitation Program

### Sectors



### Supports



**Indonesian SDG Performance One had been supporting the following SDGs Target**





# Indonesia Environment Fund /BPD LH

## 13 PRIORITY PROGRAMS

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



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



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



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



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



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



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



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



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



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



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



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



13. Other environmental protection and management activities



# Climate Change Fiscal Framework (CCFF) Indonesia



## What is CCFF?

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

## The Urgency of CCFF



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



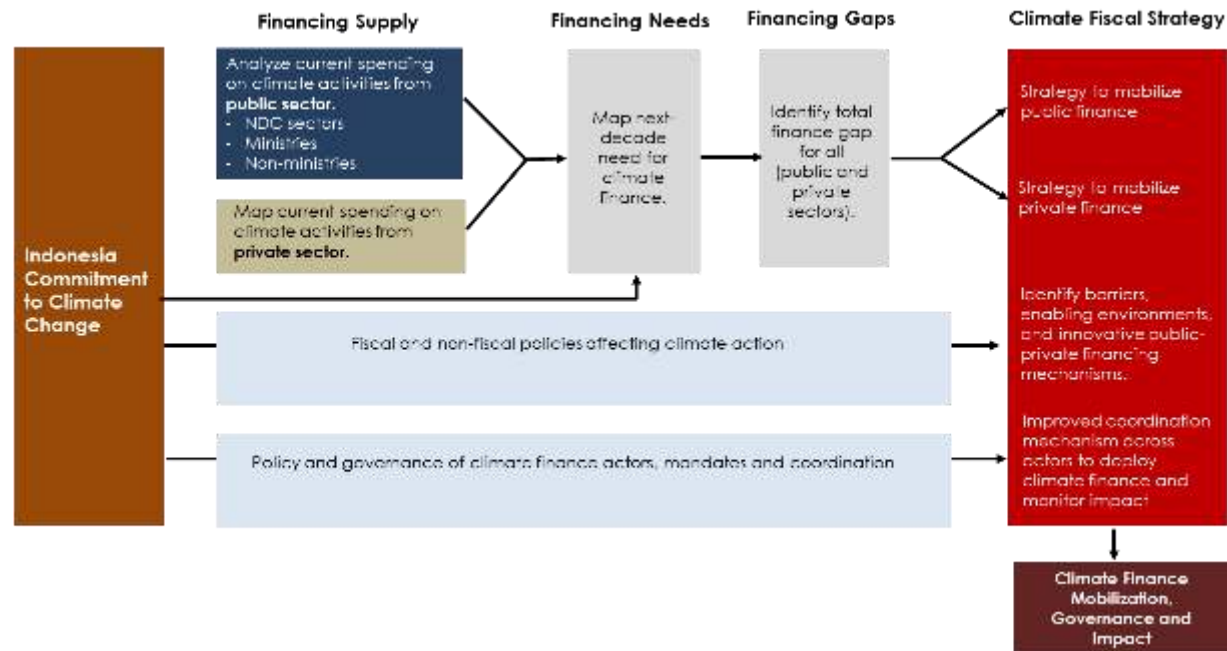
Support national commitments related to climate change (NDC, SDGs, RPJMN)



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



Strengthening the institutional framework for national climate change funding



## Strategic Partners



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

## Technical Advisor

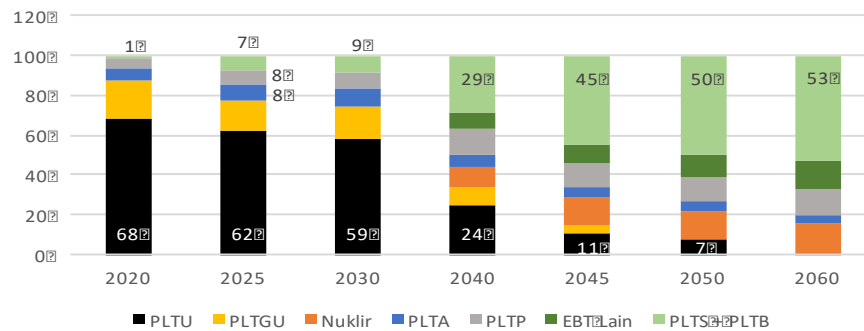


CLIMATE  
POLICY  
INITIATIVE

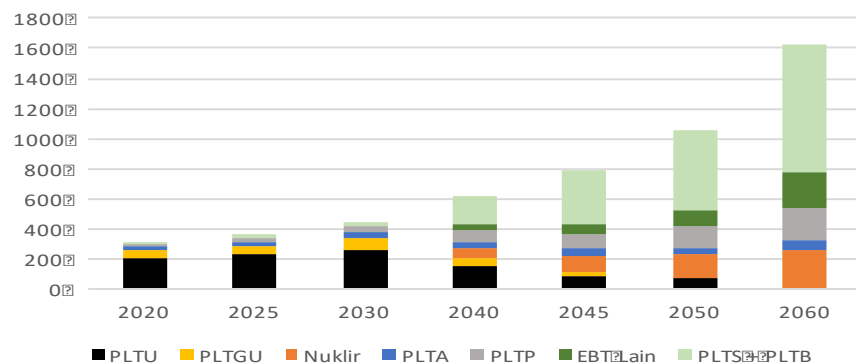
# Phasing Out Coal Scenario



Skenario Zero Carbon 2060 (%)



Skenario Zero Carbon 2060 (TWh)

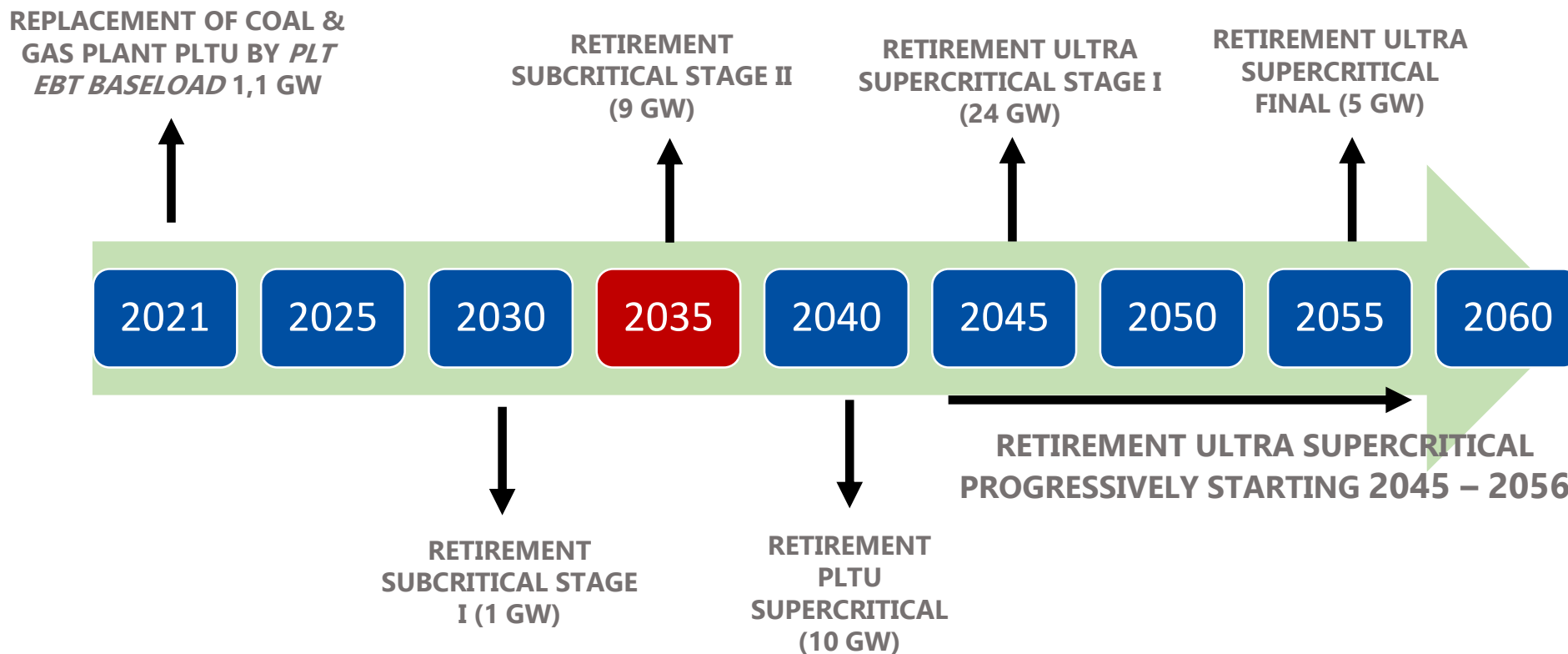


## In 2060 All Power Plants in Indonesia are Using Clean Energy

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



# Roadmap Moving Towards Decarbonization and Coal Phase Out



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

# Carbon Pricing Policy



## CARBON PRICING POLICY UNDER DISCUSSION

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

## Carbon Pricing Instruments

1

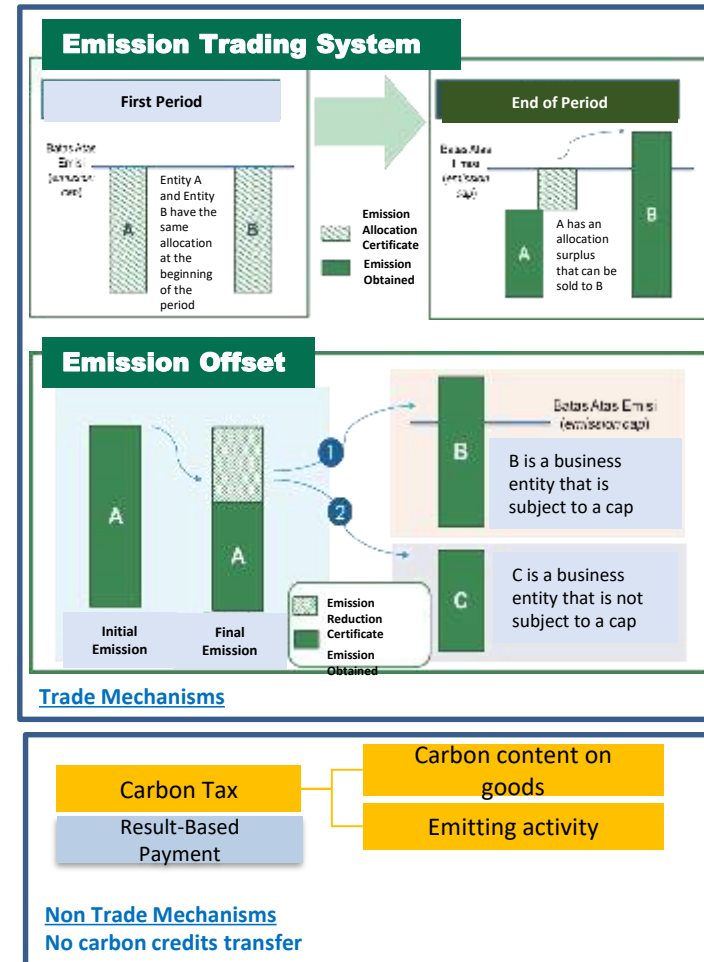
### Trading Instruments

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

2

### Non-Trade Instruments

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





# Indonesia's Green Project Priority Sector

- ❑ Indonesia realizes that investment in green and sustainable infrastructure is becoming increasingly important in post-pandemic.
- ❑ Regarding the NDC targets in reducing carbon emission, Indonesia has outlined the PPP priority sectors of 2020-2024, in which two sectors are related to climate issue, respectively:
  - Urban Transport, and
  - Waste Management

- ❑ Environmental quality aspects of projects are considered since the beginning of PPP project cycle, notably in planning and preparation stage, such as climate change issues and promoting green financing.
- ❑ The Project Development Facility (PDF) from MoF is focused to assist those priority sectors while considering environmental and other quality aspects during project preparation and its implementation.
- ❑ Additionally, GOI also initiate the development of ESG framework to be implemented to projects which involve private financing and at the same time obtain government supports.

## PPP Focused Sectors 2020-2024



## PPP Green Project

 1 City Street Lighting, Surakarta, Central Java

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

 2 Waste Management, Legok Nangka, West Java

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

 3 Waste Management, Jatibarang, Central Java

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



# The Role of Fiscal Policy in Green Economic Transformation



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

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

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

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



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

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





**Several tax incentives to promote green private investment.**

## Instruments

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

## Fiscal Transfer

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

### Profit Sharing Fund on Natural Resources (DBH SDA)

- DBH SDA Forestry
- DBH SDA Geothermal

### Special Allocation Fund for Physical Development (DAK Fisik):

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

### Non Physical Special Allocation Fund (DAK Non Fisik)

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

### Incentive Fund (DID)

- DID on Waste Management

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



KEMENTERIAN KEUANGAN  
REPUBLIK INDONESIA

## Fiscal Policy:

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



BANK INDONESIA  
BANK SENTRAL REPUBLIK INDONESIA

## Central Bank Policy:

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



OTORITAS  
JASA  
KEUANGAN

## Financial Sector Authority Policy:

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



# Sustainable Finance Roadmap (2021-2025)

## 7 components of Indonesia Sustainable Finance Ecosystem



## OJK Strategic Initiative on Sustainable Finance

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



# Innovative Financing: Sovereign Green Sukuk and SDGs Bond



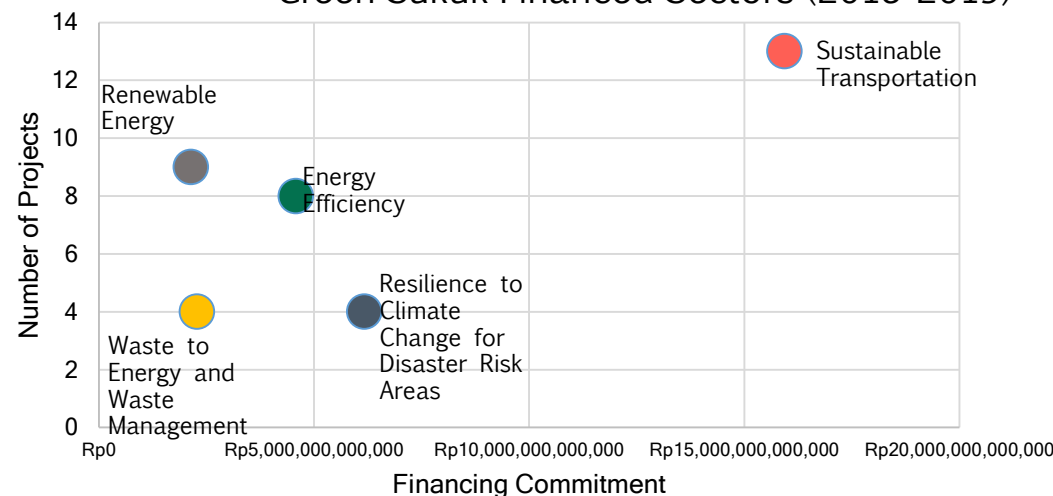
## Sovereign Green Sukuk and SDG Bond

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

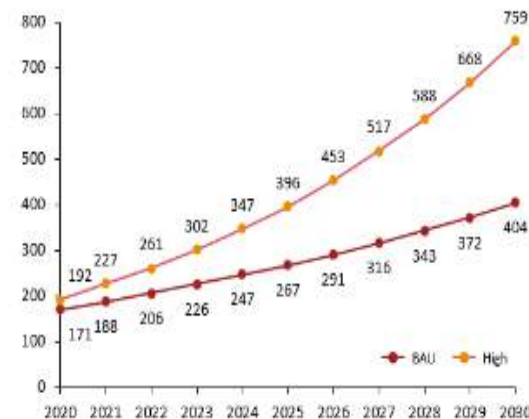
- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: **USD 3.5 billion**
- Total green sukuk retail financing: **IDR 6.88 trillion**
- Green sukuk has financed various projects in 5 sectors and mostly for transportation projects.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

Source: Ministry of Finance

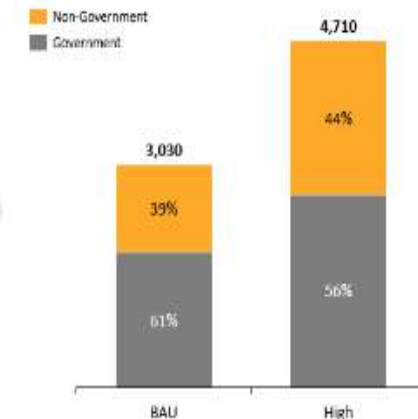
Green Sukuk Financed Sectors (2016-2019)



SDGs Financing Needs in Indonesia  
In USD Billion, 2020 – 2030



Est. SDGs Financing Distribution  
In USD Billion, 2020-2030



Source: BAPPENAS, SDGs Roadmap, 2018



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



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

## Transaction Highlights

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



# Indonesia's Existing Green Bond and Sukuk Framework

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

1

## Use of proceeds of Green Bond and Green Sukuk

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

2

## Project Evaluation and Selection

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

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

3

## Management of Proceeds Management – Ministry of Finance

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

### Line Ministries

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

4

## Reporting

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



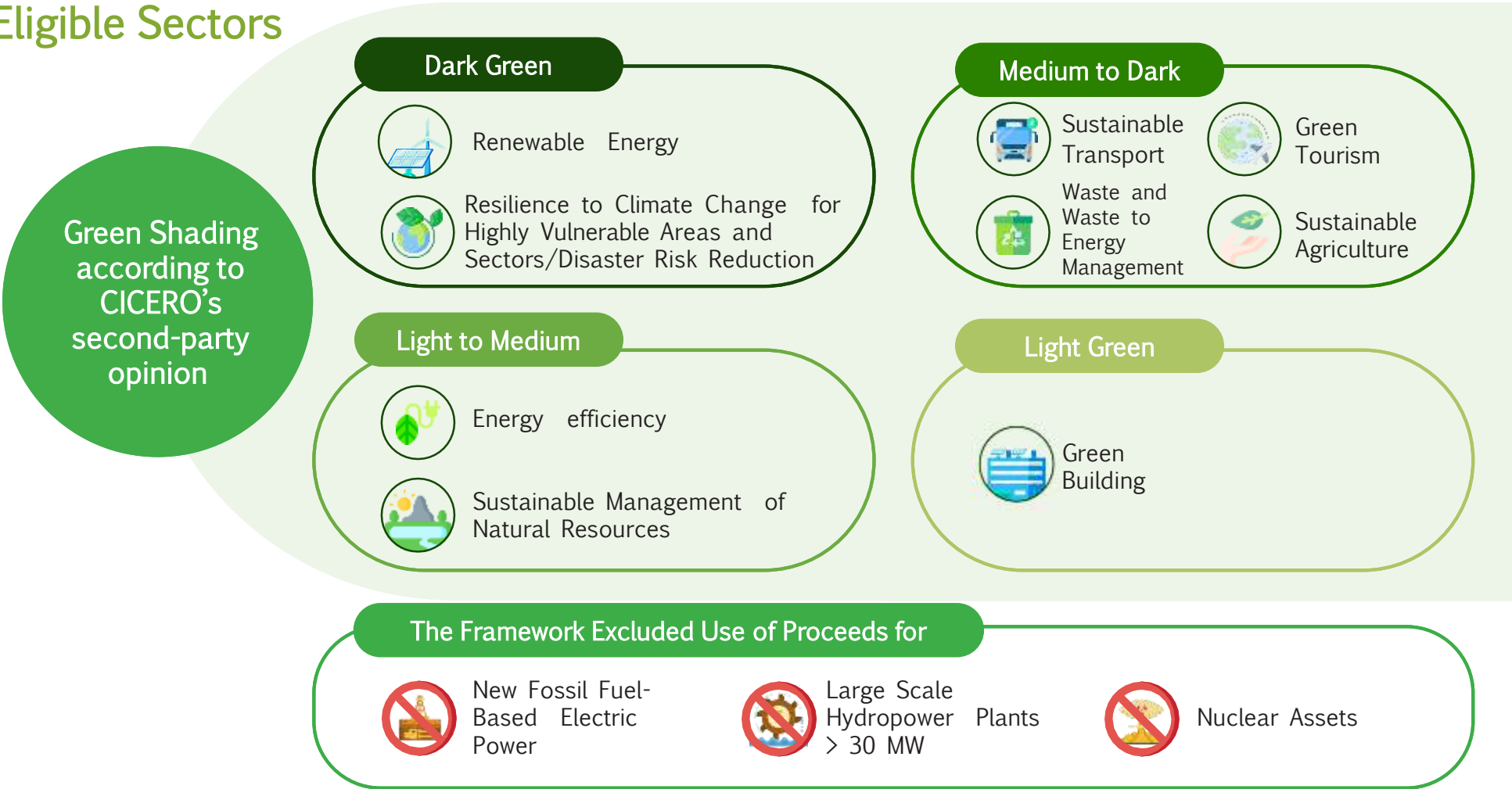
The Framework has received a second opinion from the Centre for International Climate Research (CICERO) and is awarded medium green shading, which allows the possibility of light, medium and dark green project types. This shade also shows that eligible listed projects are representing the country ongoing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



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

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

## Eligible Sectors





# Overview of the Indonesia SDGs Government Securities Framework

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



Source: Republic of Indonesia SDGs Government Securities Framework





# External Review of Indonesia SDGs Government Securities Framework

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

## Joint Second Party Opinion from CICERO Shades of Green<sup>1</sup> and IISD<sup>2</sup>



### Extracts of Republic of Indonesia SDGs Framework Second Opinion

“In alignment with the **green bond principles**, **social bond principles**, and **sustainability bond guidelines**.”

“**CICERO Shades of Green** governance procedures in the Republic of Indonesia’s framework to be **Good**.”

“**Eligible social projects** credibly aim for enabling **sustainable development** that will be supported by proposed **comprehensive reporting of impacts**”

“We rated Republic of Indonesia’s green bond and sukuk issuances under this framework **CICERO Medium Green**”.

The Green Bond Principles

The Social Bond Principles

The Sustainability Bond Guidelines



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

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

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

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





# Indonesia's Green Initiatives: Financing Green Projects

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

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

2021 Issuance	2020 Issuance	2019 Issuance	2018 Issuance
USD 750 million	USD 750 million	USD 750 million	USD 1.25 billion

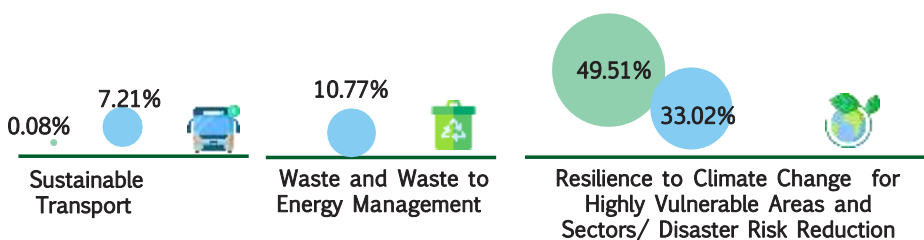
In 2019-2020, the Government of Indonesia issued two retail green sukuk in November 2019 and November 2020, with the total amount of **USD 490.1 million** (IDR 6.86 trillion)

### Use of Proceeds

#### 2020 Global Green Sukuk Issuance

The 2020 Global Green Sukuk Issuance comprised of

51% refinancing existing projects and 49% financing new projects

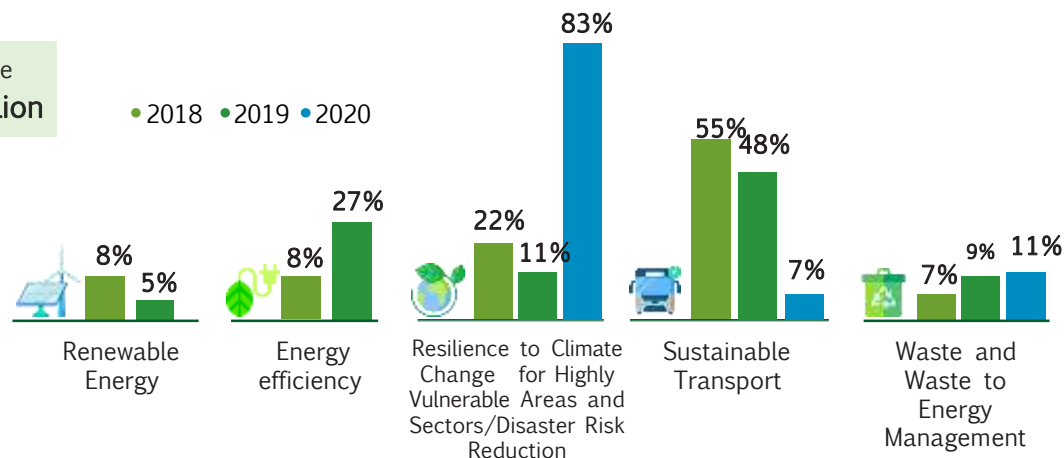


#### Project Owner

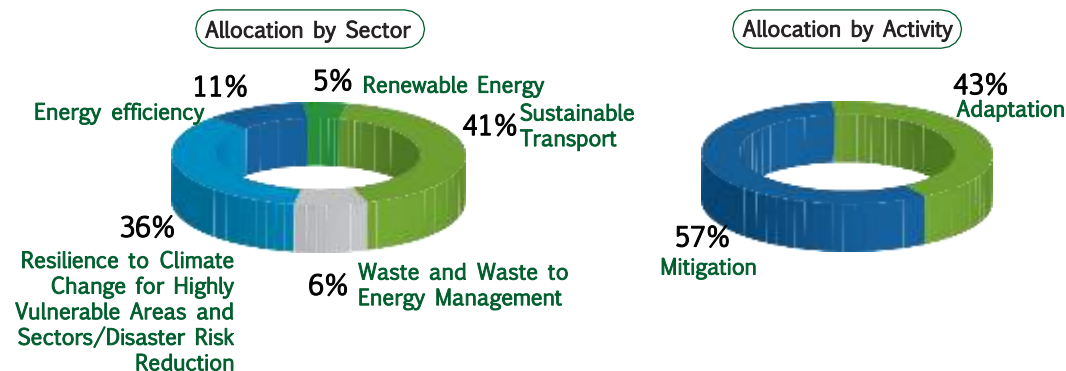
Financing of 2020 new projects  
Refinancing of 2018 projects



#### Global Green Sukuk Proceeds Allocation by Sector (in percentage)



#### Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



Note:

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

Source: Ministry of Finance



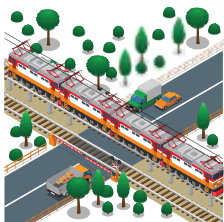
# Indonesia's Green Initiatives: Projected Environmental and Social Impacts

## Environmental Benefits Arising from 2020 Global Green Sukuk

### Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

#### Sustainable Transport



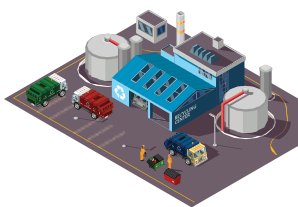
- Expected to:
- Reduce **1,415,718 tCO<sub>2</sub>e** of GHG emission
  - Reduce travel time by **30 minutes on average**
  - Increase passengers-km by **1.3 times** (over 2.5 billion passengers are expected to shift from private mode of transportation)

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

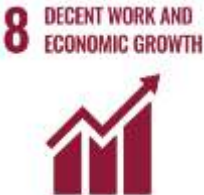


- Expected to:
- Fulfill raw water supply needs for drinking water of **275.5 m<sup>3</sup>**
  - Protect **1,920.4 Ha** of areas from flooding
  - Rehabilitate **134,700 Ha** of tertiary irrigation network
  - Develop **1,071 units** of other water source
  - Benefit **1,236,000 people**
  - Create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

#### Waste to Energy and Waste Management



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







# Tangible Results from Indonesia's Green Sukuk Initiatives

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

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

	 <b>Resilience to Climate Change</b>	 <b>Sustainable Transport</b>	 <b>Waste and Waste to Energy Management</b>
<b>Locations</b>	Across the country	Jakarta, Java, Banten	All provinces except Banten
<b>Amount Committed to Finance 2020 New Projects</b>	USD 371.3 million	USD 0.6 million	-
<b>Amount Committed to Refinance 2020 Projects</b>	USD 247.7 million	USD 54.1 million	USD 80.8 million
<b>Impacts Social / SDGs</b>	      	   	 
<b>Project Examples Financed / Refinanced</b>	<b>Management of Dam, Lake and Other Water Retention Facilities (Financing)</b> <ul style="list-style-type: none"> <li>Development of water retention units, i.e. water retention basins (<i>embung</i>), dams, and lakes in 22 provinces across Indonesia. These projects provided solutions for the local community to access the groundwater.</li> <li>Locations: 22 provinces across Indonesia</li> </ul> <b>Expansion and Preservation of Agricultural Lands (Refinancing)</b> <ul style="list-style-type: none"> <li>Implementation of rice-field opening and revitalization project in areas highly vulnerable to climate change impacts which may threaten food security.</li> <li>Locations: Potangoan Village of Buol Regency in Central Sulawesi</li> </ul>	<b>Development and Management of Railway Transport and Supporting Facilities (Refinancing)</b> <ul style="list-style-type: none"> <li>Upgrade of South Line Java Railways Network from single to double track connecting Cirebon City in West Java Province to Jombang Regency in East Java Province. The upgrade of double-track lines becomes a significant part in the effort to improve the role and efficiency of the railroad mode in Java, minimizing the transport burden of road networks. Furthermore, the goal is to improve interregional connectivity to reduce the regional disparity.</li> </ul>	<b>Supervision and Development of Settlement Sanitation (Refinancing)</b> <ul style="list-style-type: none"> <li>While municipal solid waste management focuses to reduce number of waste disposed to landfill by applying 3R principles, the Ministry of Public Works and Housing priorities to develop regional landfill for 3-4 cities, and improve the carrying capacity and management from open dumping to sanitary landfills</li> <li>Locations: All provinces except Banten</li> </ul>

Note:  
 \*Micro-hydro is of <100 kW and mini-hydro is of 100 kW-10 MW  
 Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (May 2021), which has obtained a limited assurance statement from EY  
 Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2020 budget year of IDR 14,400 per USD.



# Government Support for New and Renewable Energy

## PISP Fund & Government Guarantee for Electricity Projects

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

### PISP Fund Exploration Financing Facilities (MOF Regulation 62/2017)

Goal	Financing exploration, exploitation and PLTP
Fund Manager	PT Sarana Multi Infrastruktur (SMI)
Total Funds	IDR 3,1 Trillion (revolving fund)
Fund Distribution	Loans, capital injections, and data provisions
Main feature	<ul style="list-style-type: none"><li>▪ De-risking facility for exploration stage</li></ul>
Governance	<ul style="list-style-type: none"><li>▪ Minister of Finance's Assignment Letter (SK) to PT SMI to finance exploration project.</li><li>▪ Monitoring and supervision by The Joint Committee between MoF and MEMR.</li><li>▪ Engage academic experts to receive technical knowledge.</li></ul>

### PISP Co-financing (Collaboration with international funding)

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



# Section 7

---

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





# Bank Indonesia's Policy Mix

## Synergy to Build Economic Recovery Optimism

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

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



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

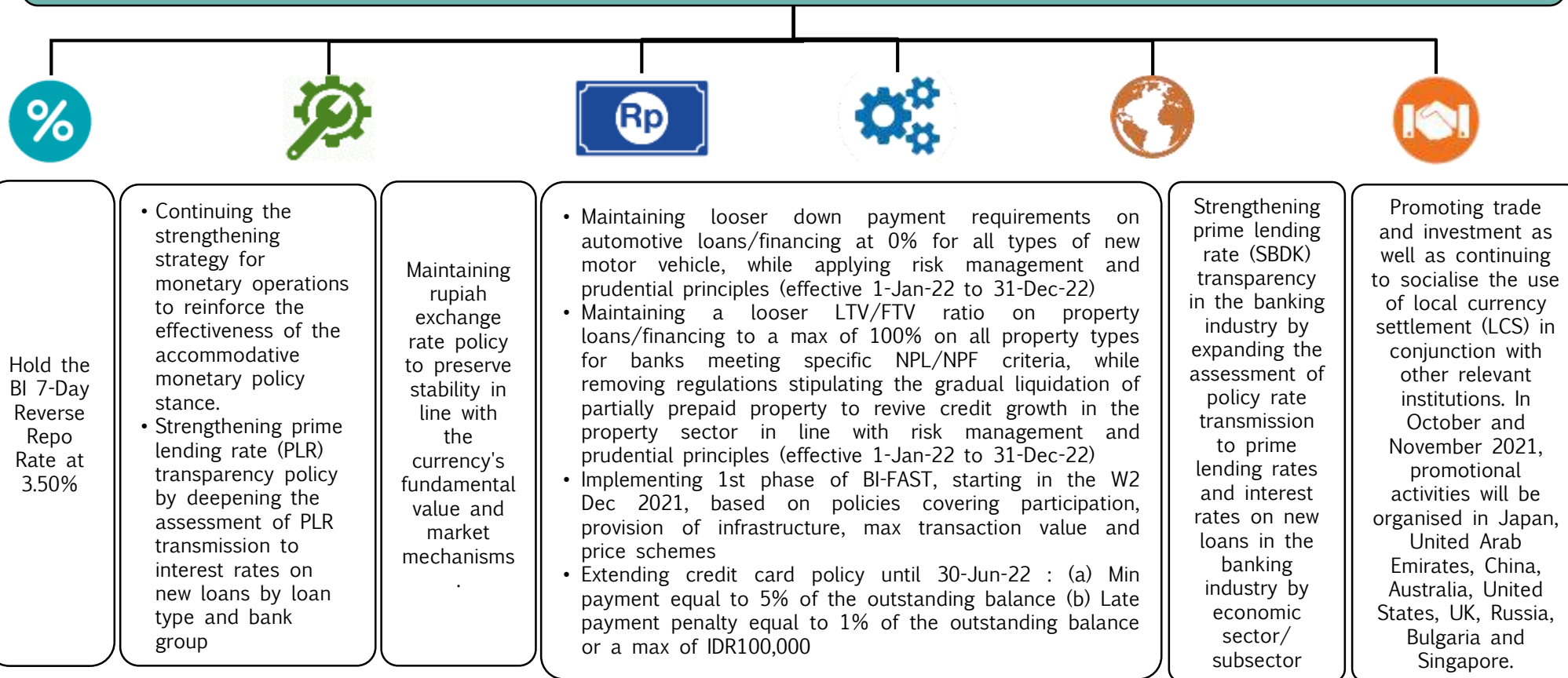
- Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the forex market
- Accelerating infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
- Developing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

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

# Bank Indonesia Policy Mix: October 2021



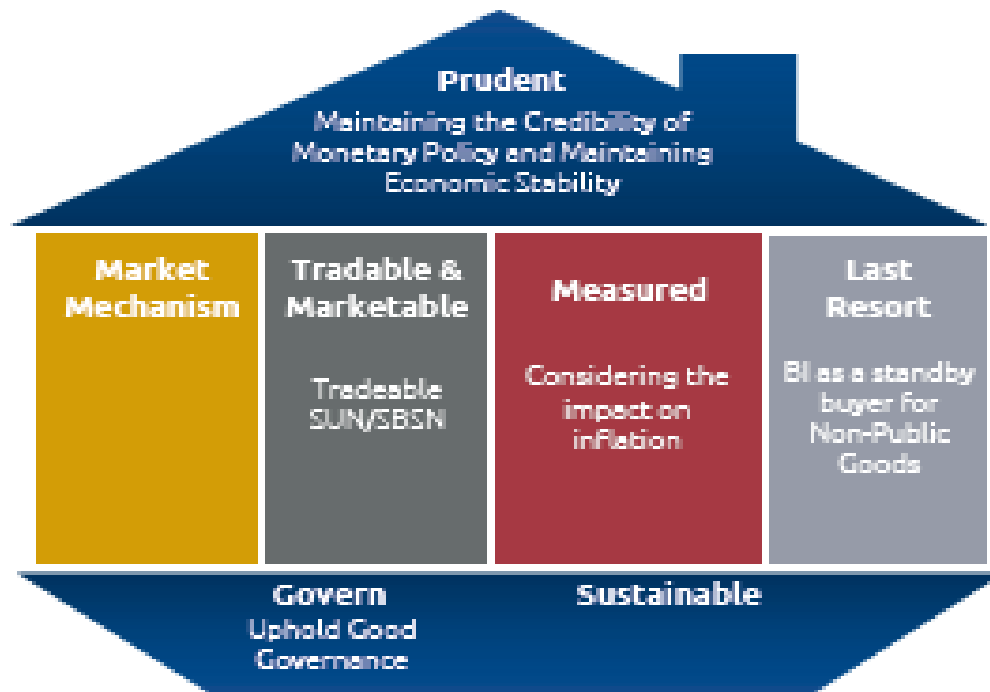
The BI Board of Governors agreed on 18th and 19th October 2021 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%.



# Liquidity Remain Loose In Line with Accommodative Monetary Policy Stance to Support the Economic Recovery



## Principles for Long Term Government Bond Purchasing by Bank Indonesia in the Primary Market



- Bank Indonesia has injected liquidity through quantitative easing (QE) to the banking industry totalling IDR129.92 trillion in 2021 (as of 15th October 2021). In addition, Bank Indonesia continues to purchase SBN in the primary market to fund the 2021 State Revenue and Expenditure Budget (APBN), totalling IDR142.54 trillion (as of 15th October 2021), with IDR67.08 trillion through primary auction and IDR75.46 trillion through Greenshoe Option (GSO)
- The expansive monetary policy stance supports very loose liquidity conditions in the banking industry, as reflected in September 2021 by a high ratio of liquid assets to deposits of 33.53%
- On the other hand, deposit growth has moderated to 7.69% (yoy), impacted by recoveries of business activity and private consumption
- Liquidity in the economy has increased, as indicated by narrow (M1) and broad (M2) money supply aggregates, which grew 11.2% (yoy) and 8.0% (yoy) respectively in the reporting period, primarily driven by bank lending to finance the national economic recovery

# Further Strengthening of an Accommodative Bank Indonesia's Policy Mix



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

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

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

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

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

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

Lower/Hold  
dBI 7-day  
Reverse  
Repo Rate

Stabilization  
Of The  
Rupiah

Money  
Market &  
Foreign  
Exchange

Quantitative  
Easing

Macro-  
Prudential  
Policy

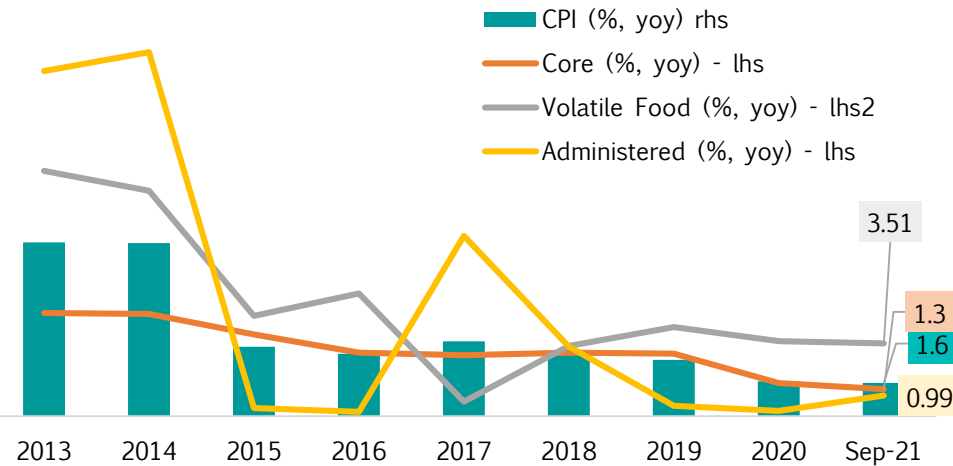
Payment  
System  
Policy



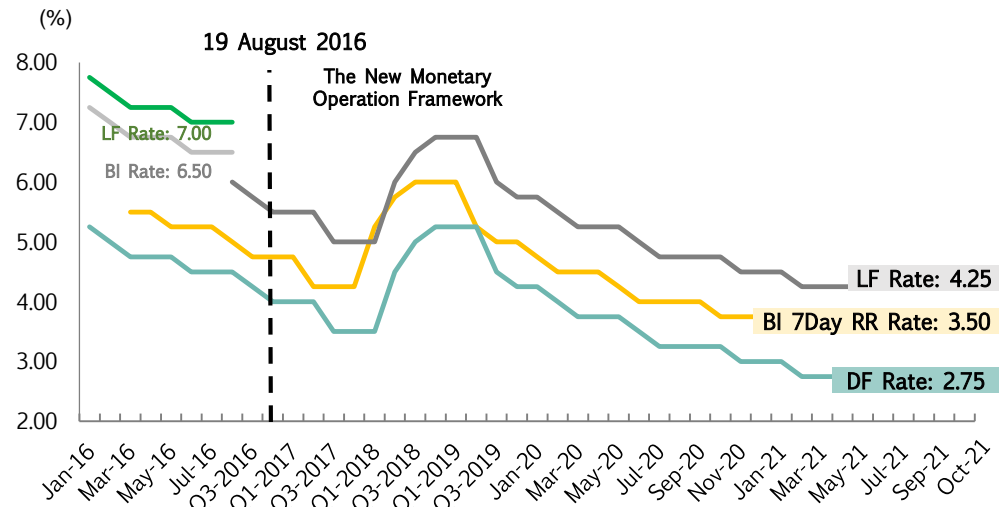
# Stable Monetary Environment Despite Challenges



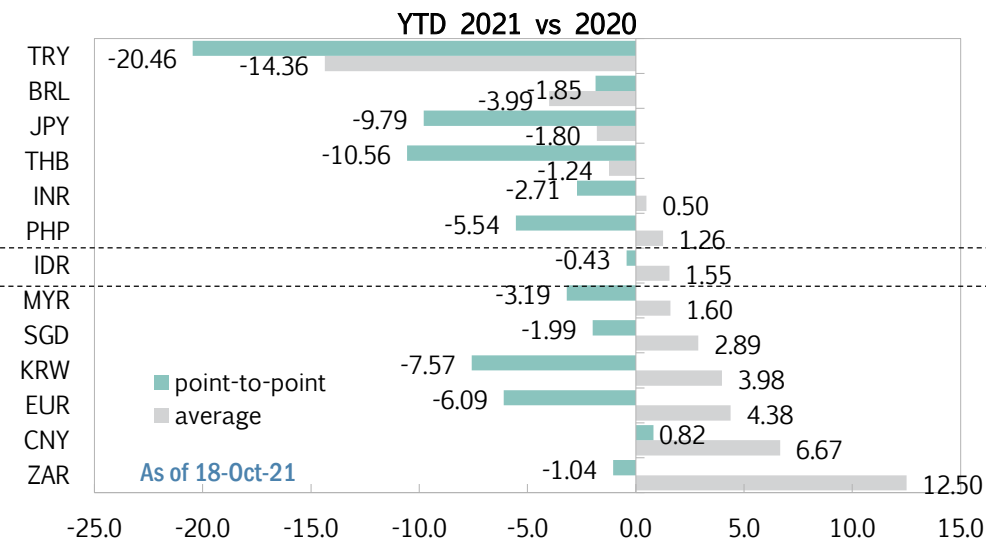
## Well Maintained Inflation Ensured Price Stability



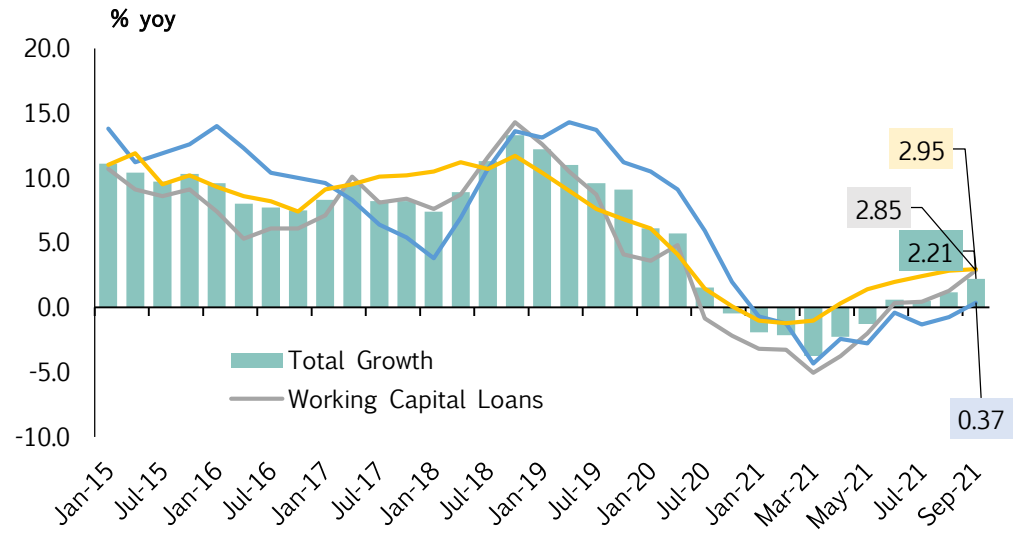
## Strengthened Monetary Policy Framework



## Rupiah Exchange Rate Fared Relatively Well Compared to Peers



## Credit Growth Profile



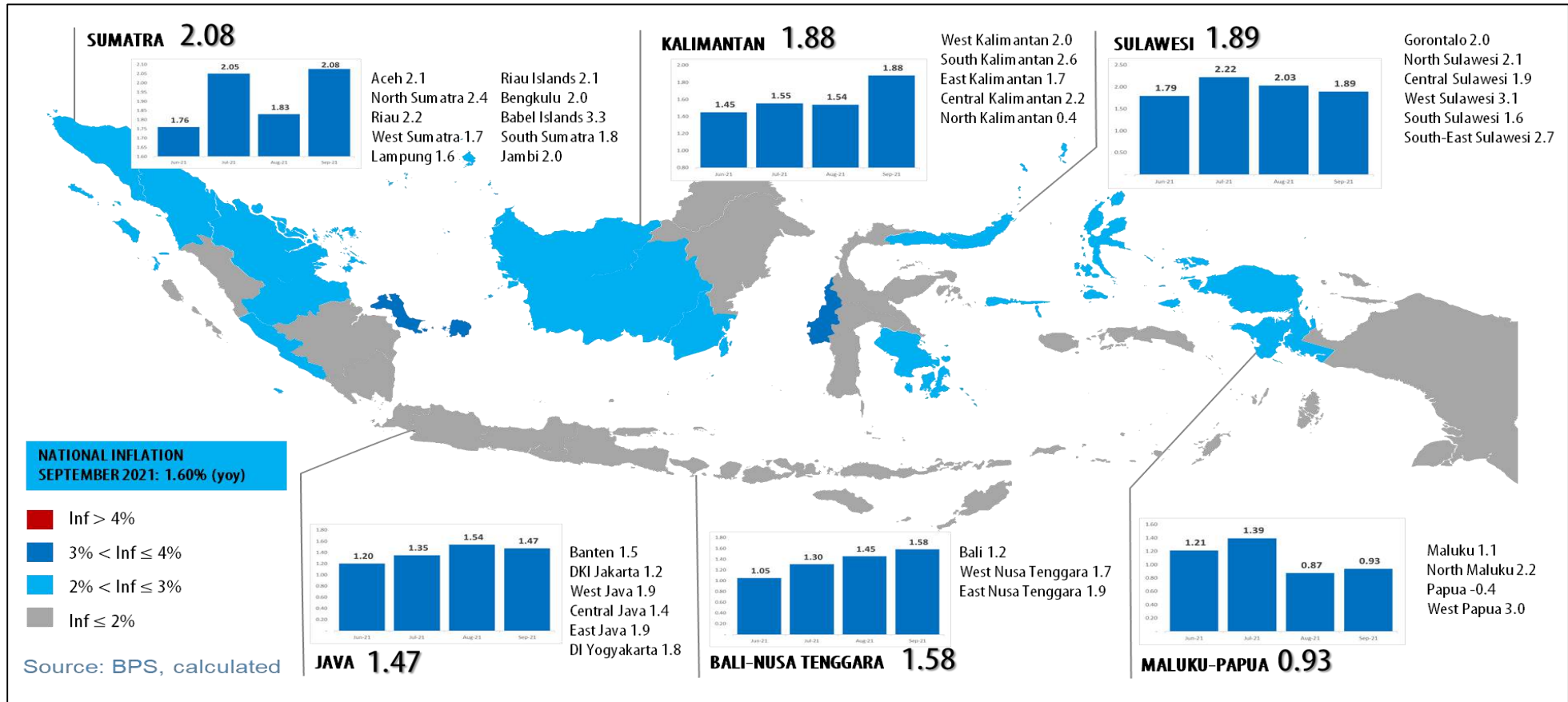


# Regional Inflation Remains Under Control

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



## Regional Inflation, September 2021



# 4 Strategies to Achieve the Inflation Target



## 2020-2021 Target

Achieving inflation at 3,0%±1%

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

## 4 Strategies

### 1. Price Affordability

Stabilizing the price

Managing demand side

### 2. Supply Availability

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

Strengthening institution

### 3. Well Managed Distribution

Encouraging trade cooperation between regions

Improving trade infrastructure

### 4. Effective Communication

Improving data quality

Strengthening central-regional coordination

# Principles of Average Reserve Requirement Ratios Improvement



## Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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

# Relaxing Reserve Requirement Ratios



## Lower reserve requirements, effective 1<sup>st</sup> May 2020

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

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



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

1

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

2

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

3

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

4

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



# Principles of Macroprudential Intermediation Ratio (MIR)\*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
1	MIR Accounting Formula	$\frac{\text{Credit} + \text{Owned Bond}}{\text{Deposit} + \text{Issued Bond}}$	$\frac{\text{Financing} + \text{Owned Sharia Bond}}{\text{Deposit} + \text{Issued Sharia Bond}}$
2	Rate and Parameters	<ul style="list-style-type: none"> <li>• Ceiling 94%</li> <li>• Floor 84%</li> <li>• Minimum Capital Adequacy Requirement 14%</li> <li>• Upper disincentive parameter 0.2</li> <li>• Lower disincentive parameter 0.1</li> </ul>	<ul style="list-style-type: none"> <li>• Ceiling 94%</li> <li>• Floor 84%</li> <li>• Minimum Capital Adequacy Requirement 14%</li> <li>• For Sharia business units, the Minimum Capital Adequacy Requirement is the same as that of the parent conventional commercial bank</li> <li>• Upper disincentive parameter 0.2</li> <li>• Lower disincentive parameter 0.1</li> </ul>
3	Scope of credit/financing and deposits to calculate MIR / MIR Sharia	<ul style="list-style-type: none"> <li>• Credit: rupiah and foreign currency</li> <li>• Deposits in rupiah and a foreign currency: (i) demand deposits, (ii) savings deposits; and (iii) term deposits, excluding interbank funds</li> </ul>	<ul style="list-style-type: none"> <li>• Financing: rupiah and foreign currency</li> <li>• Deposits in rupiah and a foreign currency: (i) wadiah savings; and (ii) unrestricted investment funds, excluding interbank funds</li> </ul>
4	Source of Data	Monthly Commercial Bank Reports	Monthly Sharia Bank Reports
5	Criteria for securities held	<ul style="list-style-type: none"> <li>• Corporate bonds and/or corporate sukuk</li> <li>• Issued by a nonbank corporation and by a resident</li> <li>• Offered to the public through a public offering</li> <li>• Equivalent to investment grade rating affirmed by a rating agency</li> <li>• Administrated by an authorised securities institution</li> </ul>	Corporate bonds and/or corporate sukuk

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

# Principles of Macprudential Intermediation Ratio (MIR)\*



	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
6	Percentage of the securities held	100%	
7	Criteria for securities issued	<ul style="list-style-type: none"> <li>• medium-term notes (MTN), floating rate notes (FRN) and/or bonds other than subordinated bonds</li> </ul>	<ul style="list-style-type: none"> <li>• sharia-compliant medium-term notes (MTN) and/or sukuk other than subordinated sukuk</li> </ul>
		<ul style="list-style-type: none"> <li>• Issued by a nonbank corporation and by a resident</li> <li>• Offered to the public through a public offering</li> <li>• Equivalent to investment grade rating affirmed by a rating agency</li> <li>• Administrated by an authorised securities institution</li> </ul>	
8	Securities Reporting	Offline delivery mechanism (email)	
9	Scope of deposits to meet DD MIR /DD MIR Sharia	<ul style="list-style-type: none"> <li>• Average daily total deposits in rupiah at all branch offices in Indonesia</li> <li>• Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Average daily total deposits in rupiah at all branch offices and sharia business units in Indonesia</li> <li>• Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities</li> </ul>
10	Relaxation of DD MIR/Sharia DD MIR	<ul style="list-style-type: none"> <li>• Bank Indonesia may relax the provisions of the DD MIR/Sharia DD MIR based on credit/financing disbursement and fund accumulation</li> <li>• The provisions may be relaxed based on a request from a conventional commercial bank, Sharia bank or Sharia business unit or a recommendation from the Financial Services Authority (OJK)</li> <li>• Conventional commercial banks, Sharia banks or Sharia business units that receive the relaxed policy are exempt from sanctions</li> </ul>	

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

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



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

## Policy Backgrounds

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

## Main Regulatory Points

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

**Credit + Owned Bond**

**Deposit + Issued Bond + Loan/Financing Received**

Lower disincentive parameter			Upper disincentive parameter	
MIR/sharia MIR RR=			MIR/sharia MIR RR=	
Lower Disincentives Parameter x (Lower Bound of MIR/Sharia MIR Target – Bank's MIR/Sharia MIR) x Deposit			0.2 x (Bank's MIR/sharia MIR - Upper Bound of MIR/Sharia MIR Target - ) x Deposit	
NPL	CAR	Lower Disincentives Parameter	*This disincentive applies for banks with CAR below 14%.	
≥ 5%	-	0.00		
< 5%	KPMM ≤ 14%	0.00		
	14% < KPMM ≤ 19%	0.10		
	KPMM > 19%	0.15		

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

\*This adjustment will be effective from December 2<sup>nd</sup>, 2019



# Strengthened MIR and Sharia MIR to accelerate economic recovery

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

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

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

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



# Principles of Macprudential Liquidity Buffer (MLB)



	Regulation	MLB (Conventional Commercial Bank)	MLB Sharia (Sharia Banks)
1	Rate	4% of rupiah deposits (including Sharia Business Units deposits)	4% of rupiah deposits
2	Components	<ul style="list-style-type: none"> <li>Securities denominated in rupiah held by a conventional commercial bank that may be used for monetary operations (including SBI/SDBI/SBN); and</li> <li>Sharia-complaint securities denominated in rupiah held by an Sharia business unit that may be used for sharia-compliant monetary operations (including SBIS/SBSN)</li> </ul>	<ul style="list-style-type: none"> <li>Sharia-complaint securities denominated in rupiah held by an Sharia bank that may be used for sharia-compliant monetary operations (including SBIS/SBSN)</li> </ul>
3	Calculation Formula	Percentage of rupiah securities held by a conventional commercial bank to rupiah deposits	Percentage of sharia-compliant rupiah securities held by an Sharia bank to rupiah deposits
4	Flexibility	Under certain conditions, the securities used to meet the MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits	Under certain conditions, the securities used to meet the sharia MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits
5	Sources of Data on Deposits	<ul style="list-style-type: none"> <li>Monthly Commercial Bank Reports</li> <li>Rupiah deposits to calculate MLB are the average daily total deposits at all branches in Indonesia</li> <li>Rupiah deposits include: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Monthly Sharia Bank Reports</li> <li>Rupiah deposits to calculate sharia MLB are the average daily total deposits at all branches in Indonesia</li> <li>Rupiah deposits include: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities</li> </ul>



# Macroprudential Liquidity Buffer (MLB) Policy and Credit card policy



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

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

Credit card policy, effective 1<sup>st</sup> May 2020.

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

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



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

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

## LTV / FTV Exemptions

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

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



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

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

## Policy Objectives and Background

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

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

## Current Regulation

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

### Notes:

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

## New Regulation

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

### \* NPL/NPF Criteria:

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

Notes:

1. '-' denotes LTV ratio policy at bank discretion

2. Based on PB No. 21/13/PBI/2019

\*) NPL/NPF Criteria:

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


2. Net NPL/NPF ratio on property loans/financing < 5%





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

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



NPL/NPF Criteria Met

Property Loans/Financing based on Murabahah and Istishna Contracts

Property Financing based on MMQ and IMBT Contracts

NPL/NPF Criteria Not Met\*


Property Loans/Financing based on Murabahah and Istishna Contracts

Property Financing based on MMQ and IMBT Contracts

Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Type ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%
Shop House/Office House	-	95%	-	95%	-	90%	80%	-	90%	80%

Notes:

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



NPL/NPF Criteria Met

Property Loans/Financing based on Murabahah and Istishna Contracts

Property Financing based on MMQ and IMBT Contracts

NPL/NPF Criteria Not Met\*

Property Loans/Financing based on Murabahah and Istishna Contracts

PP Bdsr Akad MMQ & Akad IMBT

Facility	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Apartment										
Type >70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type >21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%

\*) NPL/NPF Criteria:

- Gross NPL/NPF ratio < 5%; and
- Net NPL/NPF ratio on property loans/financing <5%

## c. Changes to Indent Regulations

Current Regulation			New Regulation	
Maximum cumulative liquidation	up to 30% of ceiling	upon completion of loan contract	<ol style="list-style-type: none"> <li>1. Repeals regulations concerning the gradual liquidation of indent and the maximum cumulative liquidation of property loans or property financing.</li> <li>2. Banks are required to maintain prudential principles and risk management when liquidating property loans/financing on indent.</li> </ol>	
Maximum cumulative liquidation	up to 50%	upon completion of foundations		
Maximum cumulative liquidation	up to 90% of ceiling	upon completion of roof		
Maximum cumulative liquidation	up to 100% of ceiling	upon signing of BAST, accompanied by AJB and a cover note.		

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



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

## Main Regulatory Points

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

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

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

## Requirements:

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





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

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

## Policy Objectives and Background

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

## Changes to Down payment Requirements on Automotive Loans/Financing

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

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

\*\*) Requirements as follows:

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

Notes:

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



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

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

**Key Takeaways**

- The banking industry continued to lower prime lending rates (PLR) in August 2021, despite ongoing rigidity. The cost of loanable funds (CoLF) remains the primary contributor to lower prime lending rates, while profit margins have stabilised.
- Increasing economic activity and public mobility have improved risk perception in the banking industry, thus leading to lower interest rates on new loans across all bank groups, except national private commercial banks.

**Prime Lending Rate and Deposit Rate Response to BI7DRR <sup>1</sup>**

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

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

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

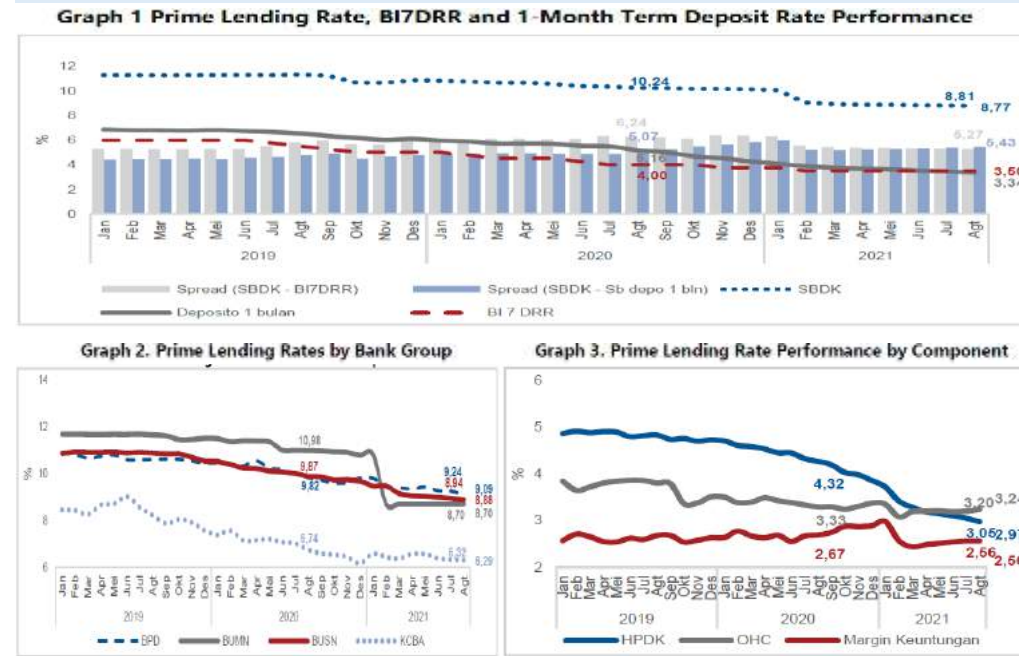
- By bank group, the lower PLR was primarily driven by regional government banks, followed by national private commercial banks and foreign bank branches.
- By component, the cost of loanable funds (CoLF) was still the main driver of the lower PLR, contrasting higher overhead costs (OHC).

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

i. the cost of loanable funds (CoLF), incl. the cost of funds, cost of services, regulatory costs and other costs;

ii. overhead costs (OHC), incl. labour costs, education and training costs, R&D costs, rental costs, promotion and marketing costs, maintenance and repair costs, fixed asset and inventory depreciation costs as well as other overhead costs; and

iii. profit margin, which is determined by the respective bank for lending activity.

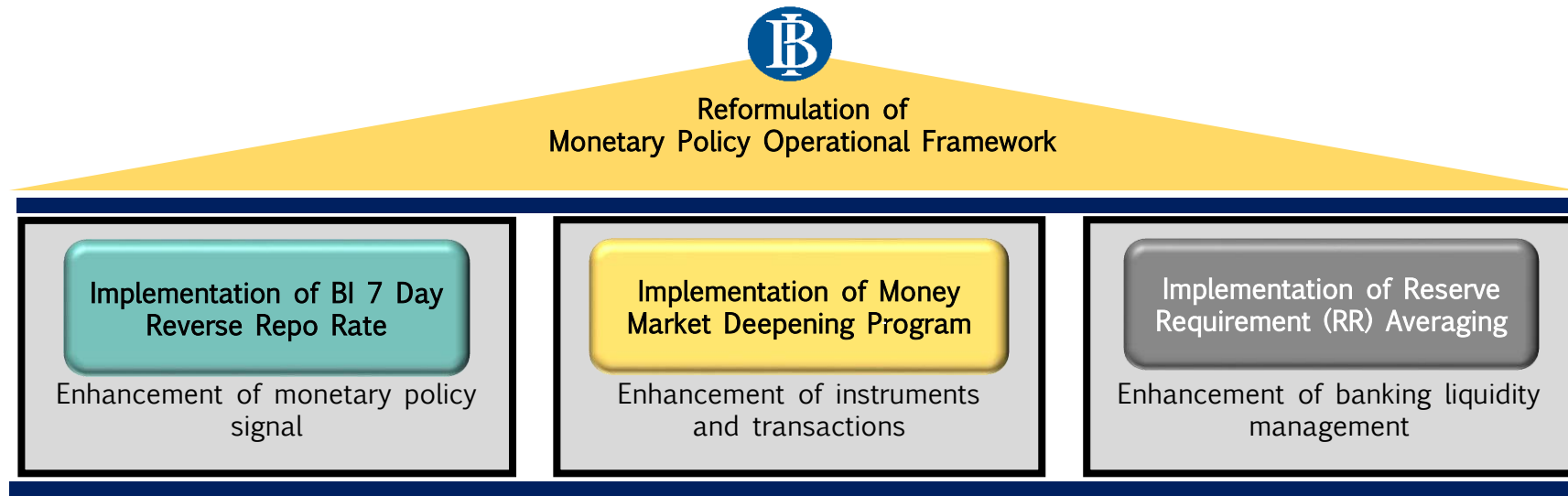


<sup>1</sup> Assessment period until August 2021.

# Improving the Effectiveness of Monetary Policy Transmission



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



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

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

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

# Principles of Domestic Non Deliverable Forward (DNDF) Transaction



## Purposes

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

## General Provisions

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



# Principles of Domestic Non Deliverable Forward (DNDF) Transaction



Bank can perform DNDF Transactions as follows:

Transaction between:



Bank – Customer



Bank – Foreign Party



Bank – Bank

Can only be performed to hedge rupiah exchange rate risk.

1. Must have *Underlying Transactions*:

Including all following activities :



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

Excluding following activities:



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

2. Nominal of DNDF Transactions  $\leq$  Nominal of Underlying Transactions

3. Tenor of DNDF Transactions  $\leq$  Tenor of Underlying Transactions



# Principles of Domestic Non Deliverable Forward (DNDF) Transaction



## Transaction Settlement

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



## Roll over and early termination for DNDF is prohibited

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



## Cover Hedging

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

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



## Notes:

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

# Amendment on DNDF Regulation

\*to provide more flexibility in DNDF transaction

\*to increase liquidity and efficiency in domestic foreign exchange market



## BI Regulation No. 20/10/PBI/2018

AMENDMENT

## BI Regulation No. 21/7/PBI/2019

### Article 3

1. DNDF transactions must have Underlying

### Article 6

2. Not Regulated;

### Article 11

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

### Article 11

4. Not Regulated;

### Article 3

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

### Article 6

2. DNDF can be terminated (unwind);

### Article 11

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

### Article 11

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

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

# Strengthening Jakarta Interbank Spot Dollar Rate (JISDOR)

To accelerate money market deepening



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

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

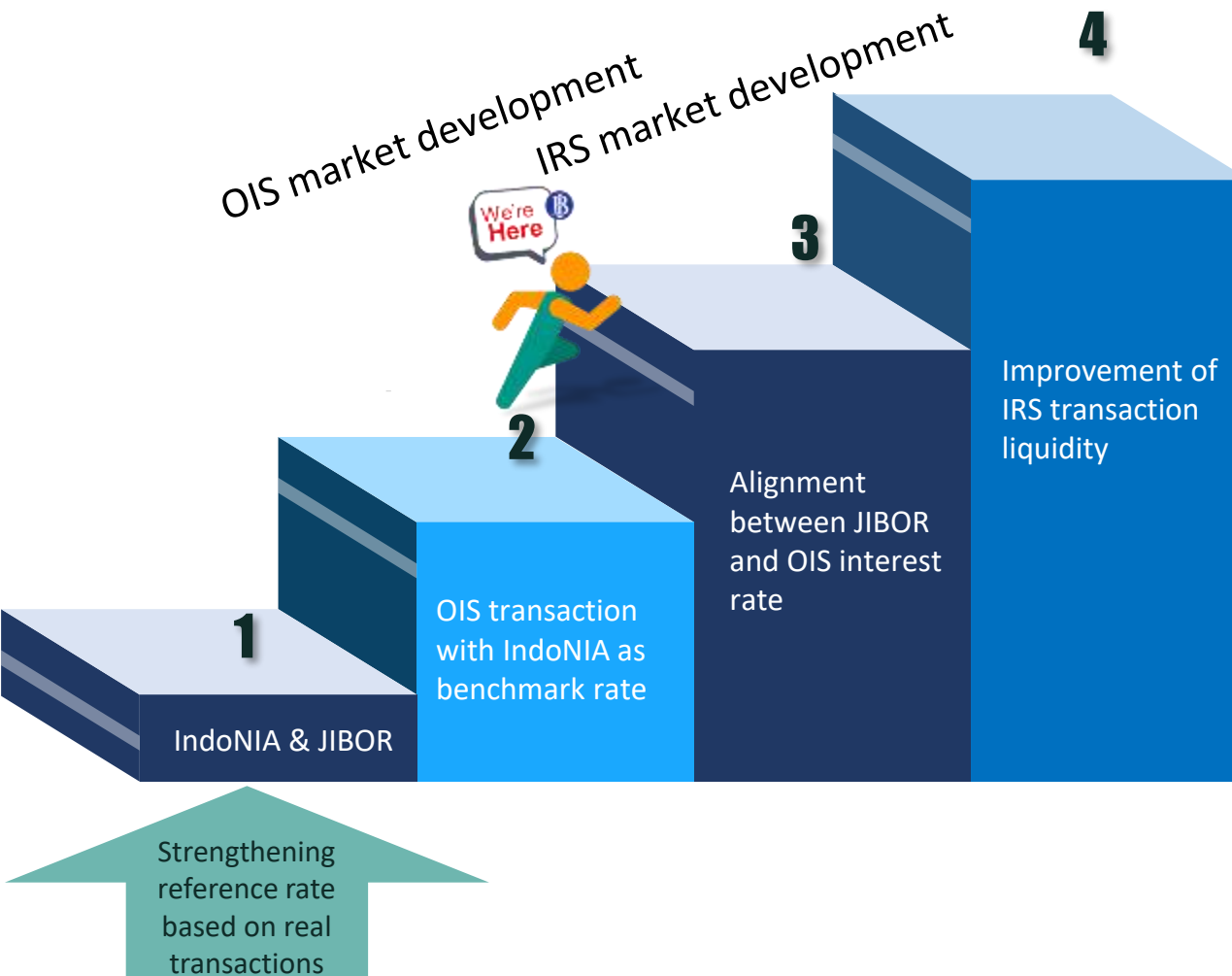
\* Adjustment of the operational time for the domestic FX Market operating hours during The COVID-19 Pandemic: Monitoring Period JISDOR ranges: 09.00 - 15.00, JISDOR published at 15.15 Jakarta Time.

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

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



As hedging instruments against Rupiah interest rate changes



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

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

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

# OIS and IRS Transactions: General Provisions



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

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

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

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



Calculation  
Base  
ACT/360

Interest Payment  
based on Netting

OIS Quotation rates  
based on 2  
decimals

IndONIA  
Index  
with 5  
decimals

Notional of Net  
interest payment in  
IDR with 0  
decimals

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

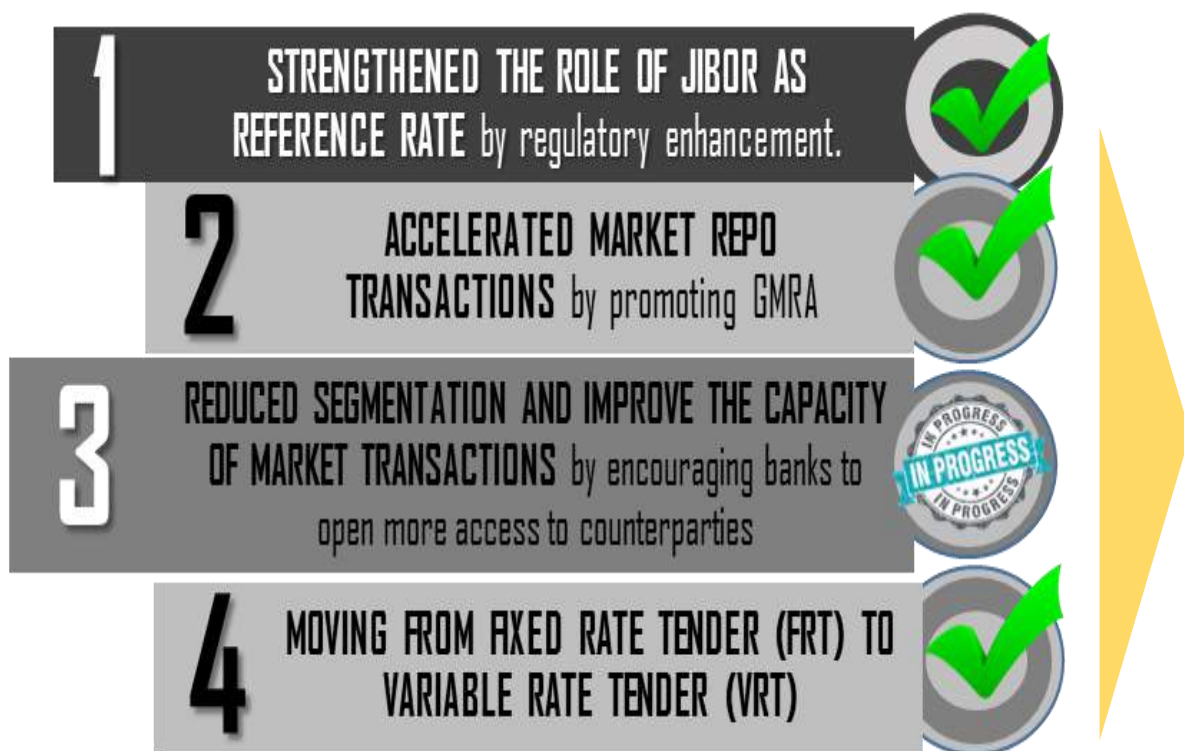
Compound  
Floating Rates  
(CFR) based  
on 5  
decimals

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

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



# Enhancement of Monetary Operations Framework



## PREVIOUS JIBOR

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



## CURRENT JIBOR (as per June 1<sup>st</sup>, 2016)

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

# Signs of Recovery in Financial Intermediations



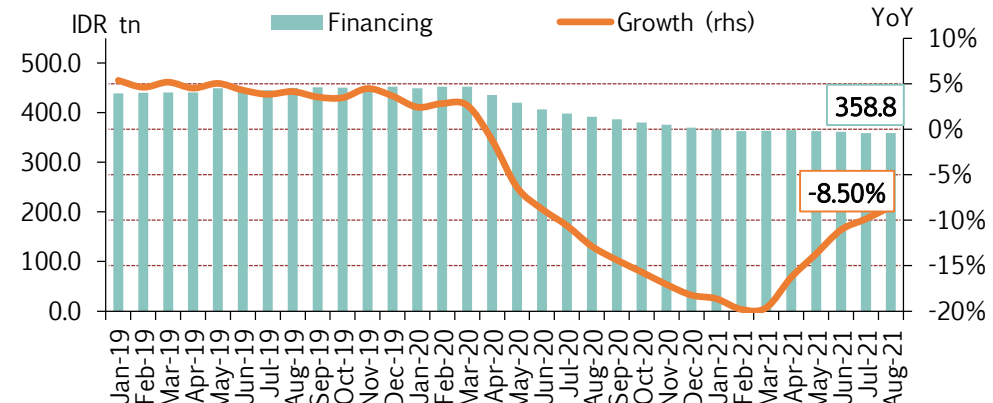
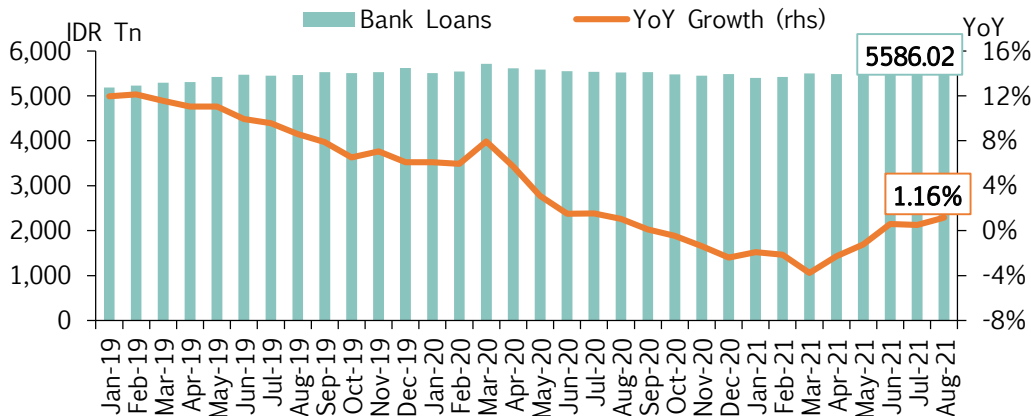
Bank loans continue to grow, supported by consumer and MSME loans while financing is still in the contraction zone despite already showing an upward trend...



In August 2021, Bank Loans Growth continued to grow by 1.16% (YoY) and 0.40% (MoM), higher than the previous month's of 0.50% (YoY) and -0.32 (MoM).



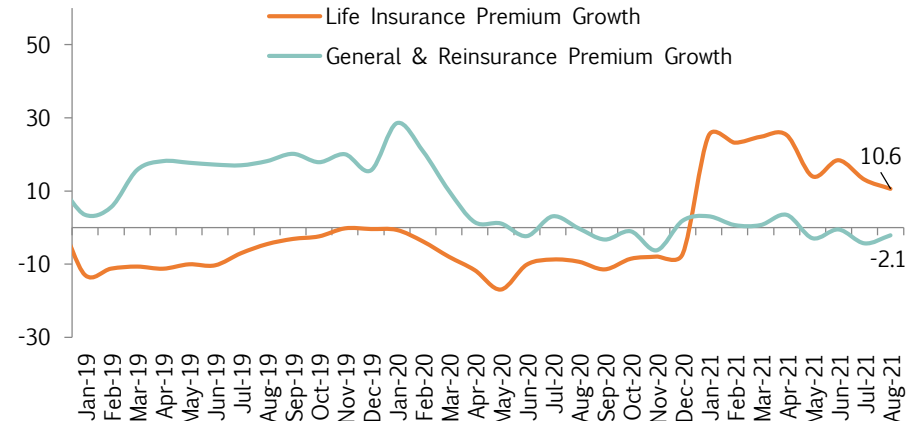
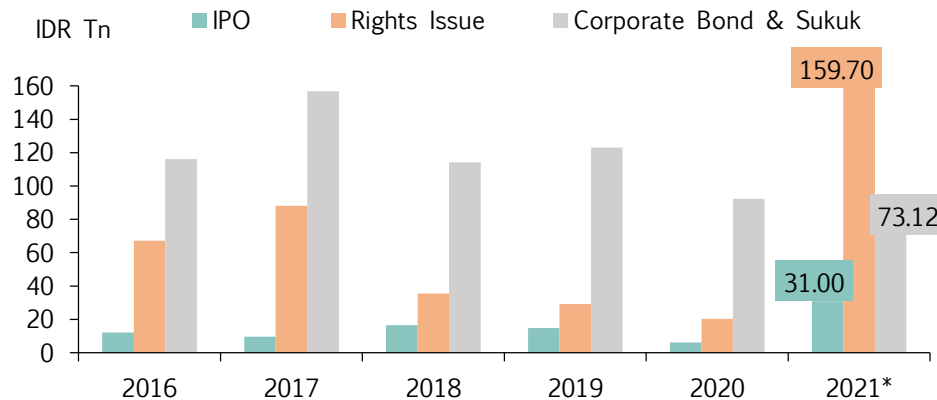
Financing growth was contracted by -8.50% (YoY) in August 2021 although it has experienced an improving trend in the last six months.



Capital raising through securities issuance reached IDR 263.82 Tn as of 12th October 2021 (YTD), indicating a more optimistic signal to economic recovery.



Life insurance premium recorded a 10.6% growth (YoY) while General & Reinsurance premium growth was still contracting at -2.1% (YoY) as of August 2021.



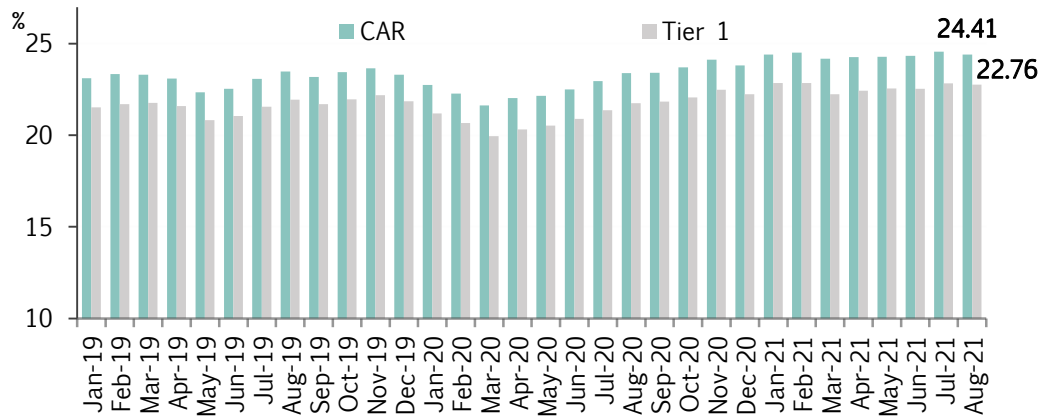
# Resilient Financial Institutions



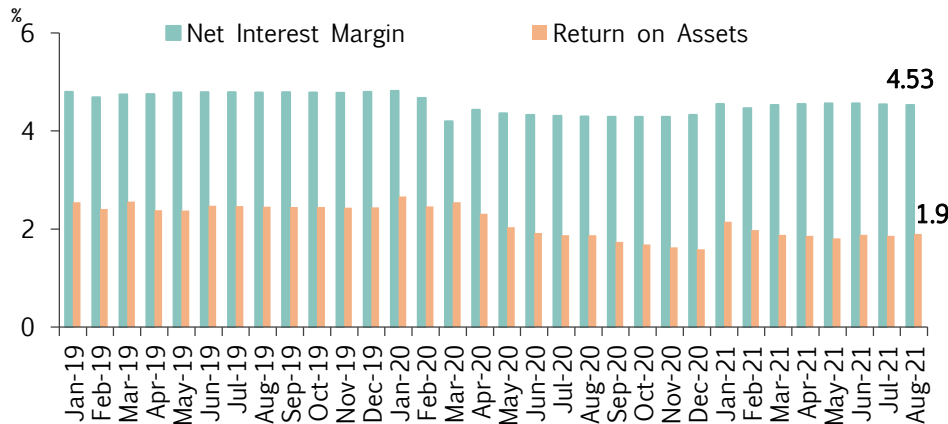
*Domestic financial institutions remain sound and stable, supported by strong capitals and leverage amidst hurdles due to the pandemic...*



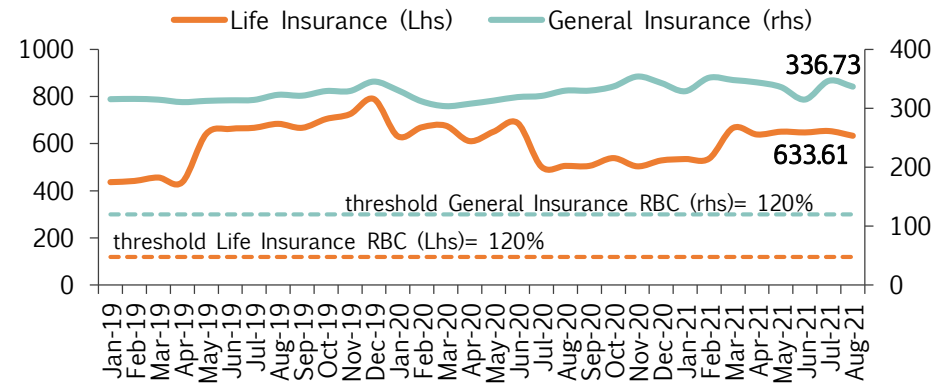
CAR of the banking sector was steadily high and stable with a value of 24.41% and Tier-1 capital at 22.76% as of August 2021.\*)



Net Interest Margin and Return on Assets of the banking industry remained stable at 4.53% and 1.9% respectively in August 2021.



RBC of the insurance industry remained high and well above the minimum threshold (120%) with Life Insurance RBC at 633.61% and General Insurance RBC at 336.73% as of August 2021.



Gearing ratio of multi-finance companies was maintained below the threshold with a ratio of 1.96 times as of August 2021.



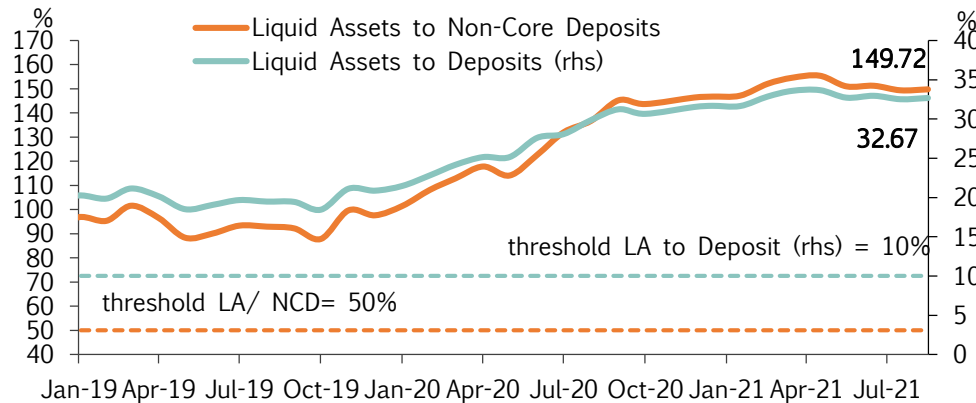
# Manageable Credit Risks with Adequate Liquidity



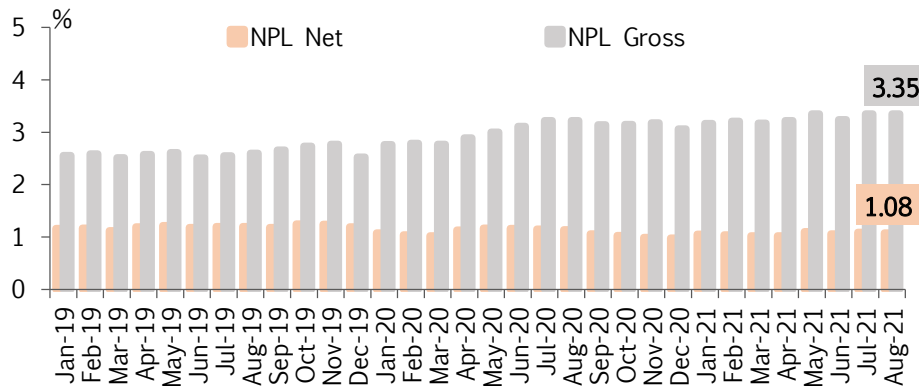
*Financial institutions are equipped with ample liquidity while credit risks are maintained at a low level and remain below the threshold...*



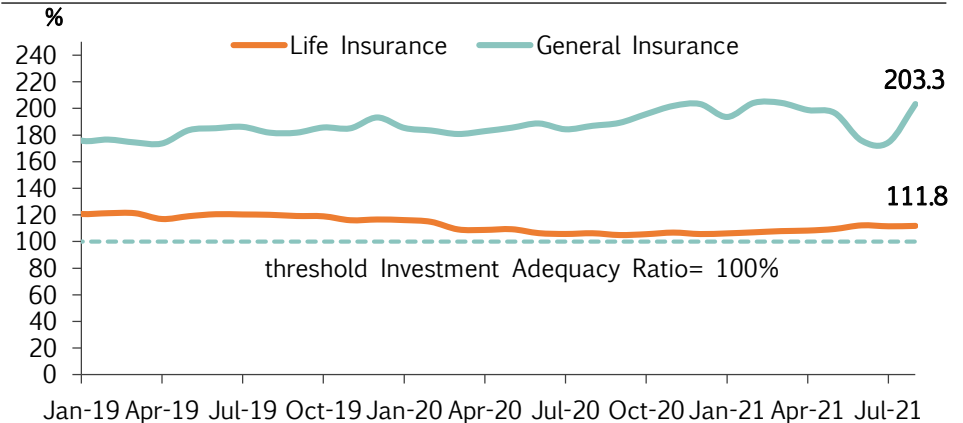
**Liquid Assets to Non-Core Deposits and Liquid Assets to Deposits remain well-above the thresholds, following banks' cautious appetite for lending. \*)**



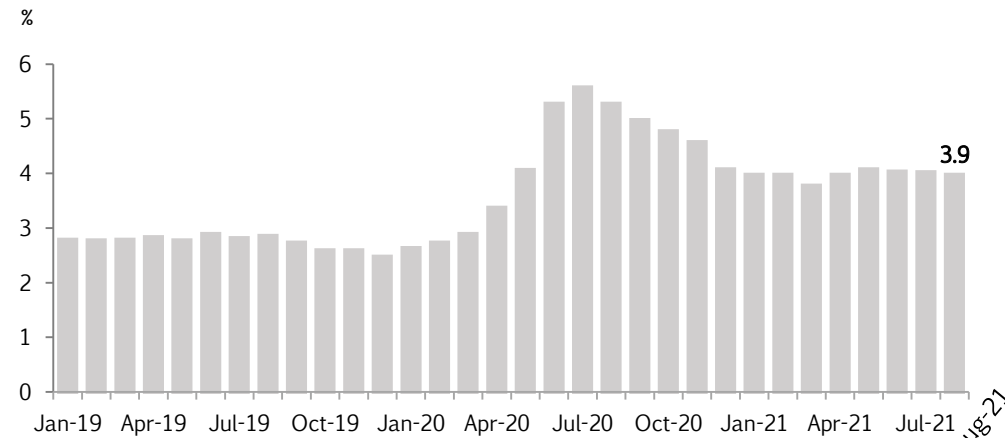
**Banking NPL ratios slightly moderated and remained below the threshold at 3.35% gross and 1.08% net as of August 2021.**



**General Insurance Investment Adequacy Ratio improved while Life Insurance Investment Adequacy Ratio was steadily above the threshold.**



**NPF of multi-finance companies remained below the 5% threshold and stood at 3.9% as of August 2021, lower than the previous month. \*)**



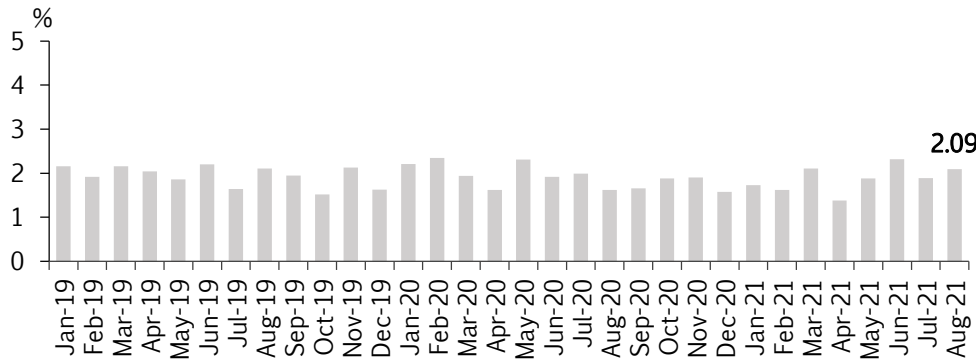
# Manageable Market Risks



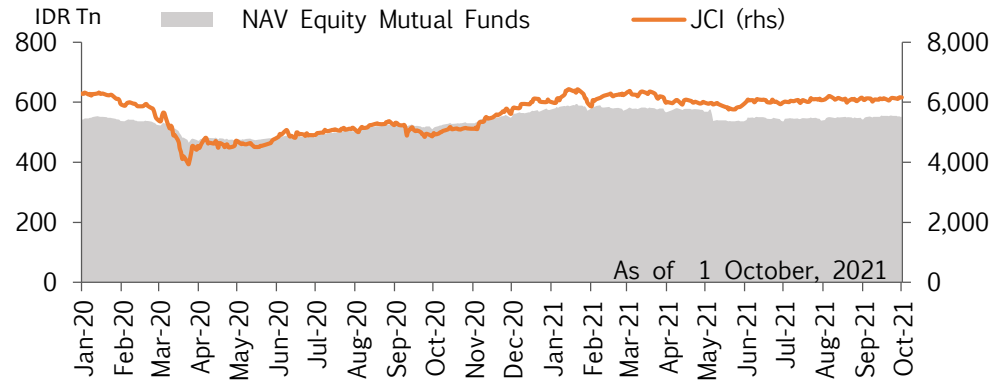
Several market risks indicators still show an adequate performance..



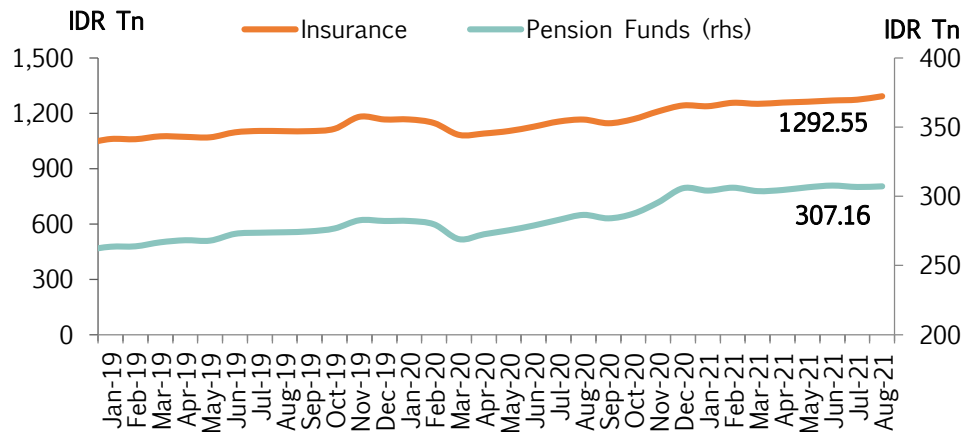
Net Open Position is maintained well below the maximum limit of 20% with a slight increase at 2.09% in August 2021. \*)



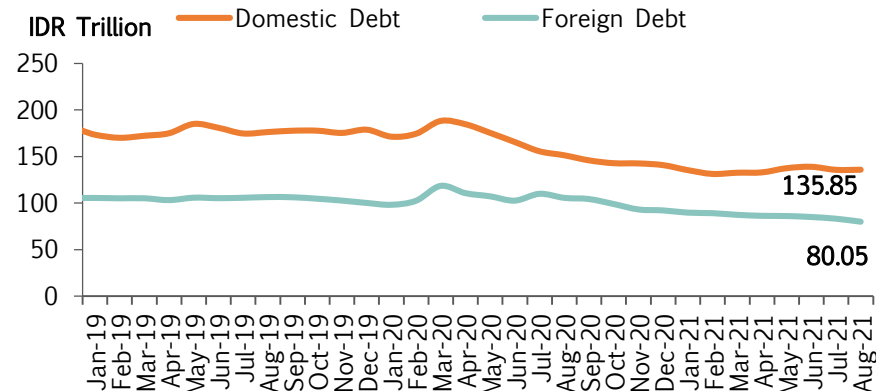
Net asset value (NAV) of equity mutual funds steadily increases with low volatility, marking optimism in the capital market.



Insurance investment value rose to IDR1,292.55 Tn and pension fund investment went up to IDR307.16 Tn in August 2021. \*)



Multi-finance companies' exposure to foreign and domestic debt remains low following financing growth slowdown. \*)







# Domestic Capital Market Performance Amid Global Challenges

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

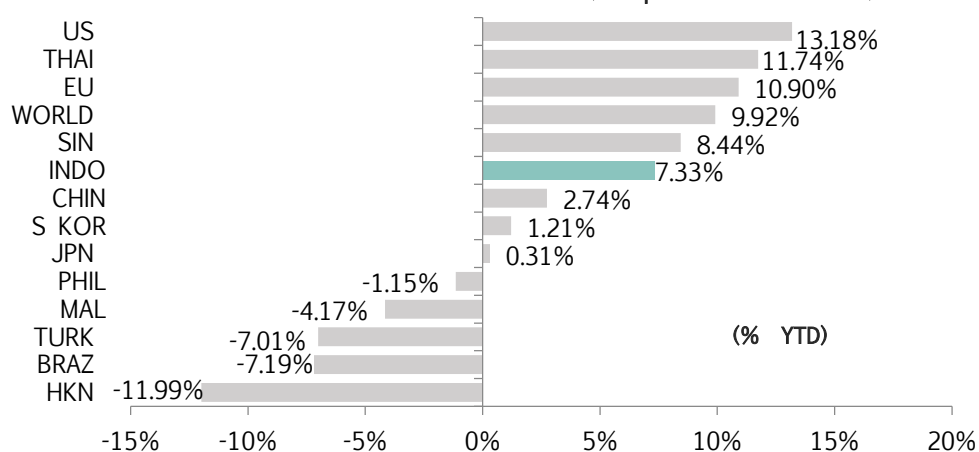


Global indices performance recorded a stable movement although few countries still face challenges to recover.

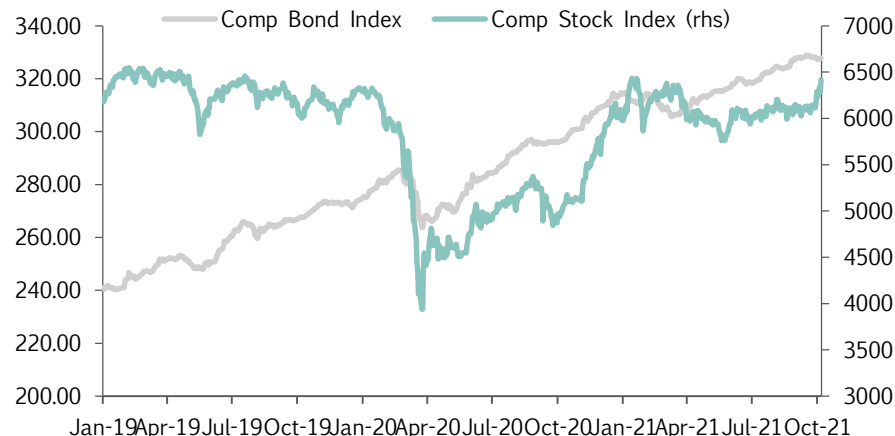
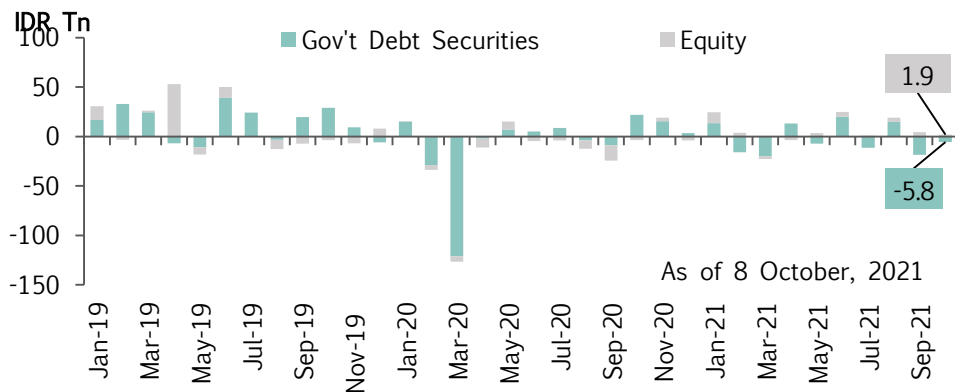


JCI's performance continues to improve and reflects positive sentiments from the market.

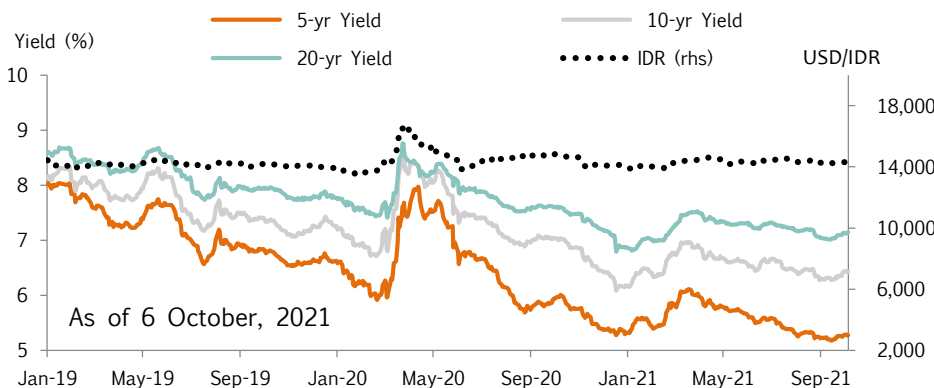
Stock Index Performance as of 6 October'21 (compared to 31 Dec'20)



Non-resident portfolios of government bonds & equity recorded a total net buy of YTD IDR11.08 Tn, although there was a net sell of IDR3.9Tn in the beginning of October 2021.



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



# Stimuli to Support Indonesia's Financial Industry

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



## 1 Maintaining business fundamental of the real sector



Bank

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

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



NBFI

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

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

## 2 Supporting National Economic Recovery

### *Continuing Capital Market Stabilization*

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



### *Mortgage Credit/Financing Policy*

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

### *Vehicle Credit/Financing Policy*

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

### *Health Sector Credit Policy*

Reducing credit RWA from 100% to 50%.

### *Digitizing MSMEs*

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

### *Support to Sovereign Wealth Fund (SWF)*

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

# Banking Regulations Way Forward in 2021



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

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



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



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



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



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



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



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



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



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

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



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



## Interest Subsidy

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



## MSME's Guarantee

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



## Corporate Guarantee

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



## Gov't Fund Placement

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

## Realization of the National Economic Recovery Program

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

### HIMBARA

Credit Disbursement \*IDR 218.36 ₮

### Regional Development Bank

Credit Disbursement \*IDR30.12 ₮

### Sharia Bank

Credit Disbursement \*IDR 5.89 ₮

\*data as of 31 Dec 2020

## OJK's Way Forward

### Continuing Restructuring Policy



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

### Regional Economic Acceleration



Accelerating regional economic to further facilitate national government spending.

### Financial Industry Optimization



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

### Acceleration of Digitalization & Integrated Finance



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

### Strengthening Integrated Supervision



Improving supervision infrastructure and technology based licensing.



# OJK's Strategic Policies in The Financial Sector 2021



## National Economic Recovery Program Stimulus Policy

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

## Digital Transformation Acceleration in the Financial Services Sector

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

Source: Financial Service Authority (OJK)

## Strengthening Resilience and Competitiveness of the Financial Services Sector

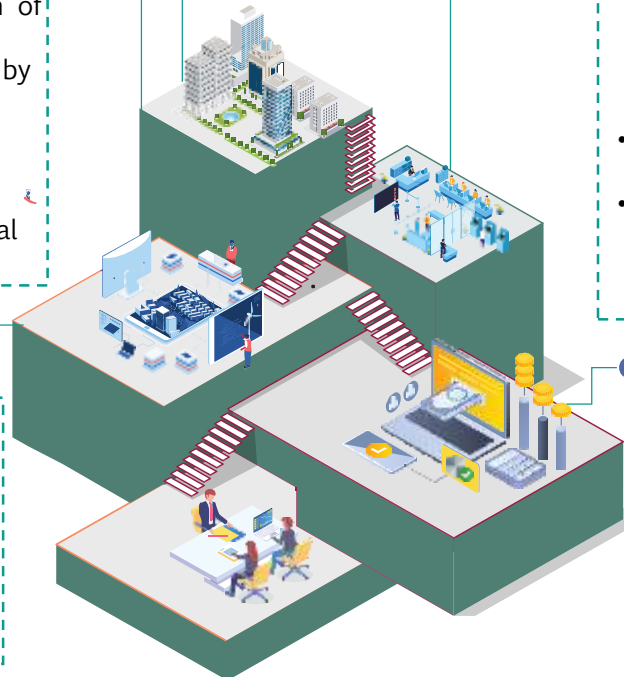
- Accelerating the consolidation of the financial services industry by gradually implementing a minimum capital policy.
- Strengthening the implementation of governance, risk management through Investment Limits and Large Fund Provision, Improvement of Capital Regulations, & Status Determination and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

## Financial Services Sector Ecosystem Development

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

## Strengthening OJK's internal capacity

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



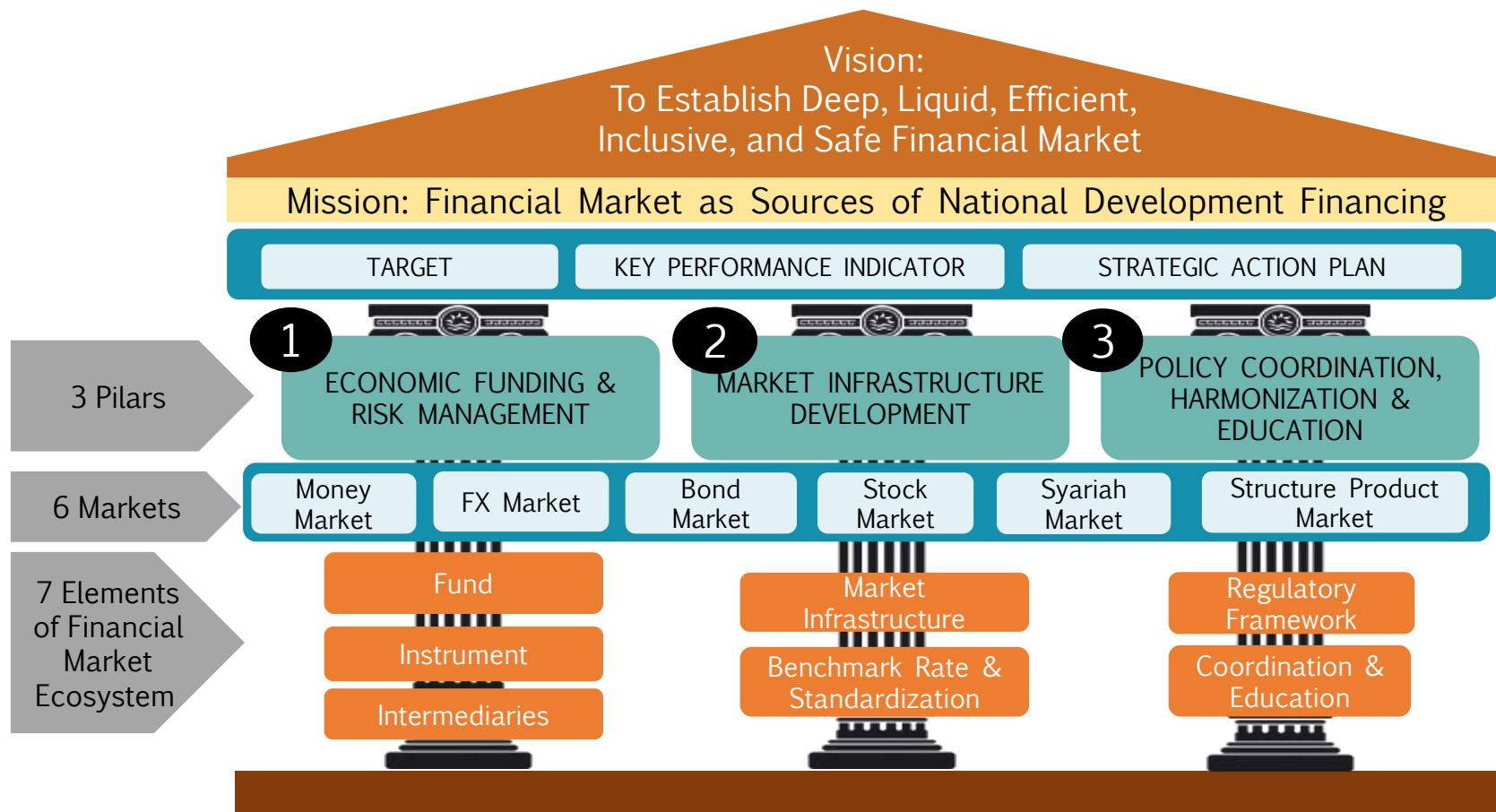


# A Comprehensive Financial Deepening Program

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



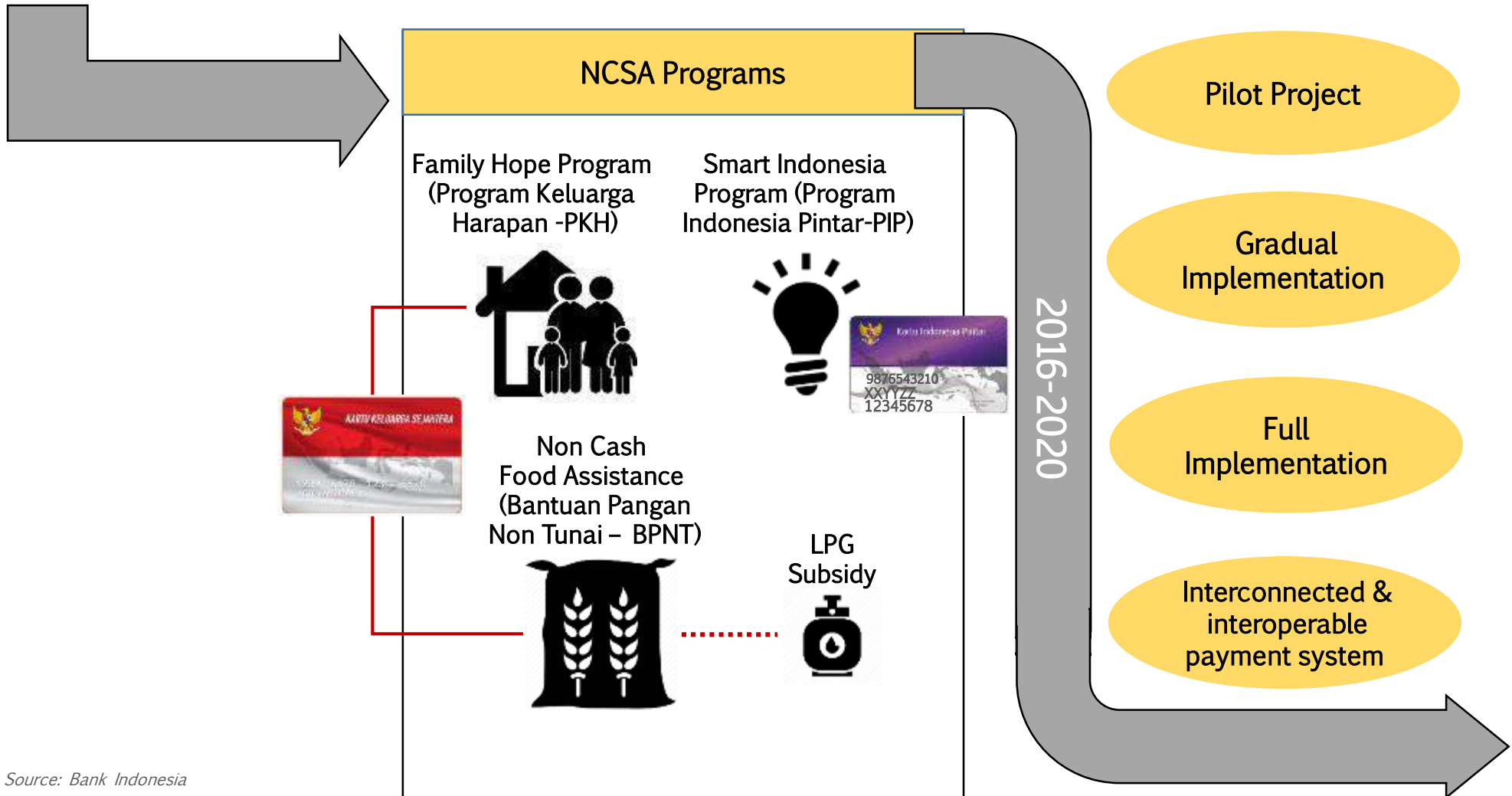
In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate “The National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



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



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



# Progress of NCSA Programs



## Family Hope Program (Program Keluarga Harapan - PKH)

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



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

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





# Section 8

---

Progressive Infrastructure Development:  
Strong Commitment on  
Acceleration of Infrastructure Provision

# Institutional Reforms to establish a conducive PPP ecosystem



## Institutional Reforms for PPP Implementation



**KPPIP:**  
Coordinating unit in 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



### Legend



Ministry of National Development Planning

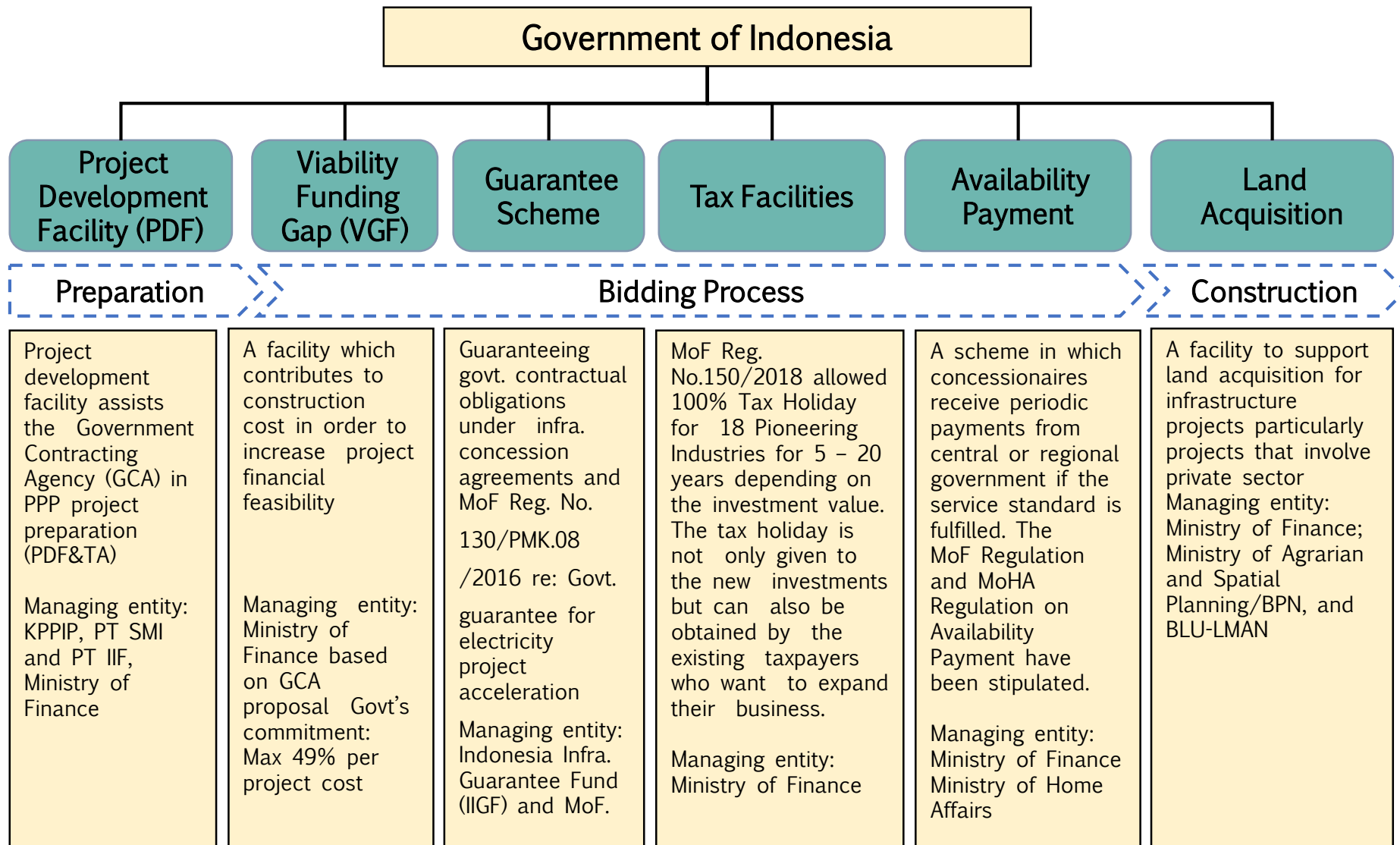


Ministry of Finance



# Reforms Along the Project's Life Cycle

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

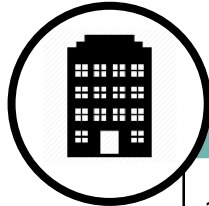


# Efforts to Accelerate Infrastructure Provision

## The establishment of Indonesia Asset Management Agency (LMAN)



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



### LMAN at a Glance

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



### Land Acquisition Budgeting Scheme

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

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

# Efforts to Accelerate Infrastructure Provision

## Limited Concession Scheme as an Alternative of Infrastructure financing



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



### Definition

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



### LCS Principles

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



### Infrastructure Financing Priority

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

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



### Technical Criteria for the LCS assets

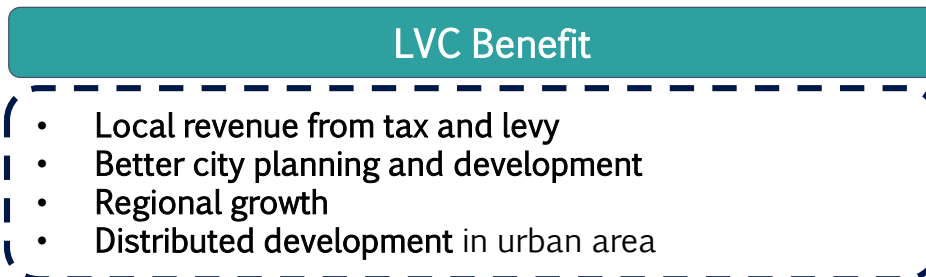
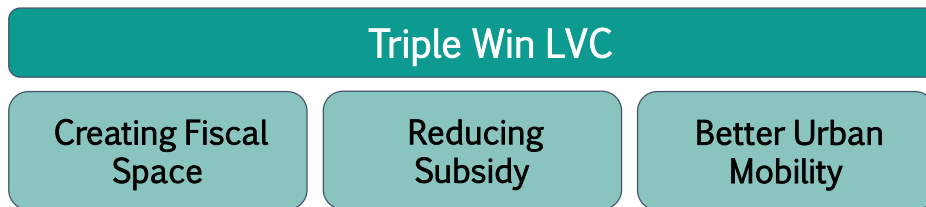
- ✓ The asset has been fully **operated** for minimum **2 years**
- ✓ The asset needs to **improve operation** efficiency based on international standard
- ✓ Asset's useful life minimum is **10 years**
- ✓ For the **SOE's asset**, the asset must have **positive cash flow** for minimum 2 years in a row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

# Efforts to Accelerate Infrastructure Provision

## Land Value Capture (LVC) Scheme

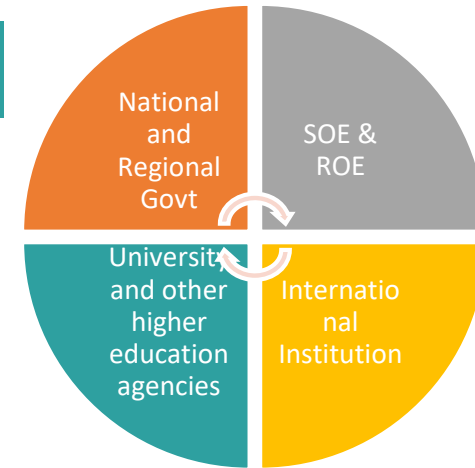


“ A policy approach that enables communities to recover and reinvest economic value increases and increases in economic productivity that result from public investment and other government actions. (Lincoln Institute of Land Policy)

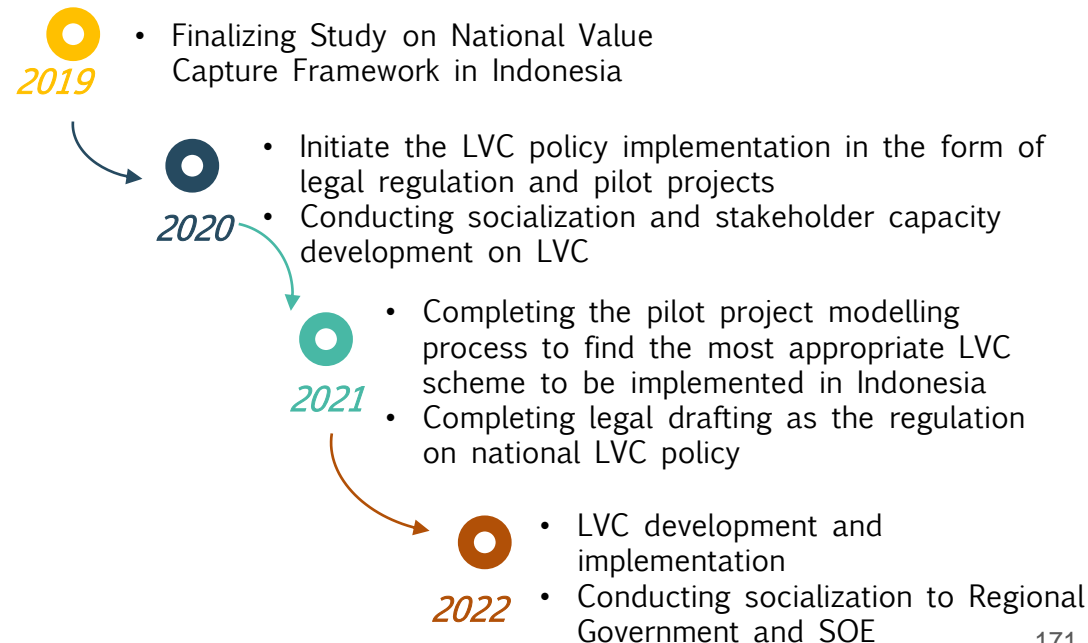


### Collaboration in the development of LVC Regulation in Indonesia

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



### LVC Policy Development Timeline



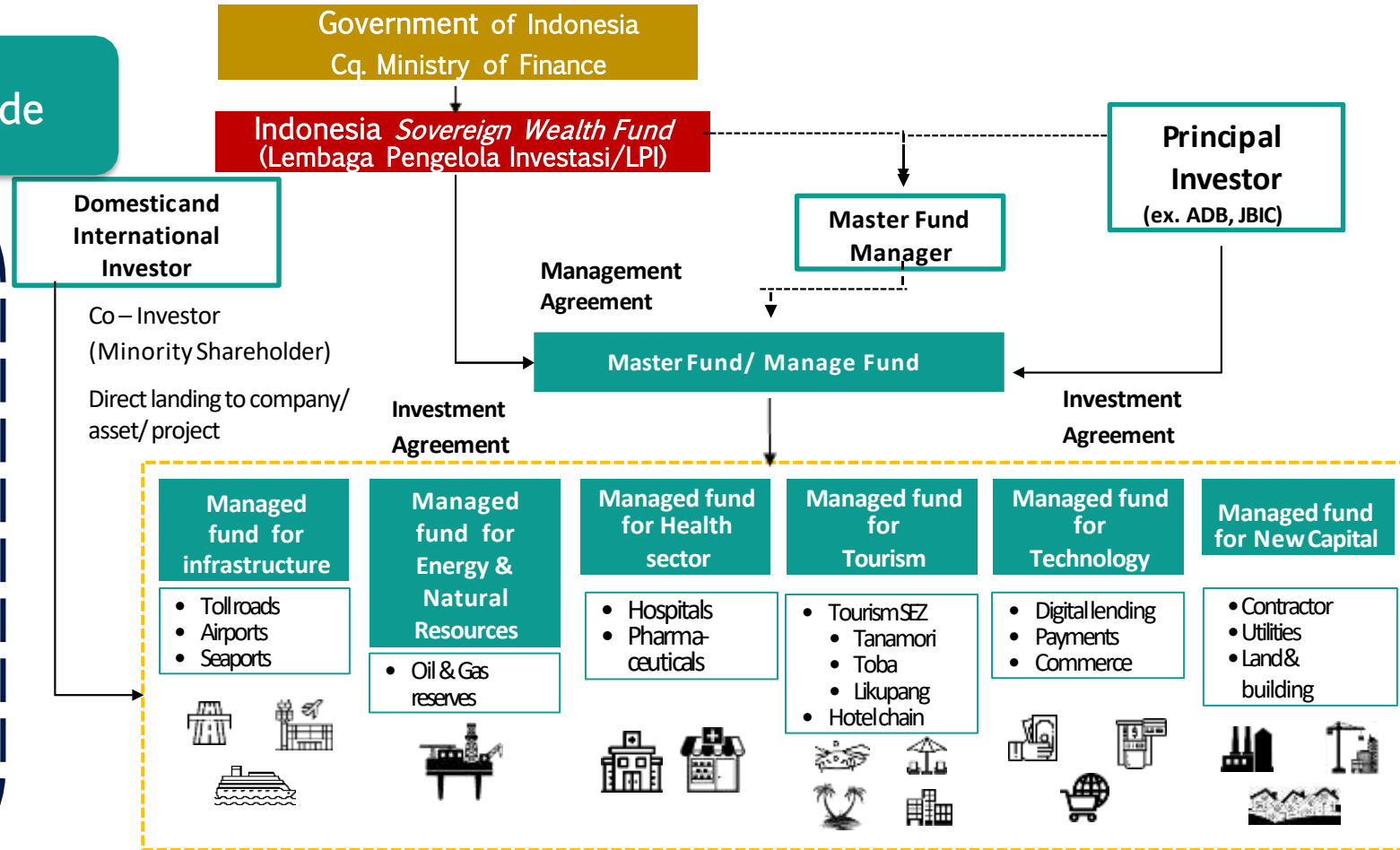
# Efforts to Accelerate Infrastructure Provision

## Sovereign Wealth Fund (SWF)



### SWF Investment Guide

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





# Fundamental Regulations Initiation

## to accelerate infrastructure projects delivery



1

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

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

2

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

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

3

### **Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN**

This Presidential Reg. allows the Executing Agency to pay land acquisition compensation to the impacted community who does not have official rights over the land required for PSN. This regulation helps to solve the land acquisition problem due to community objection over the land use.

4

### **Presidential Reg. No. 66/2020 on Land Acquisition Funding for Public Interest in Implementing PSN**

This Presidential Reg. was issued to accelerate the process of land acquisition funding for PSN as well as replacing the Presidential Reg. No. 102/2016

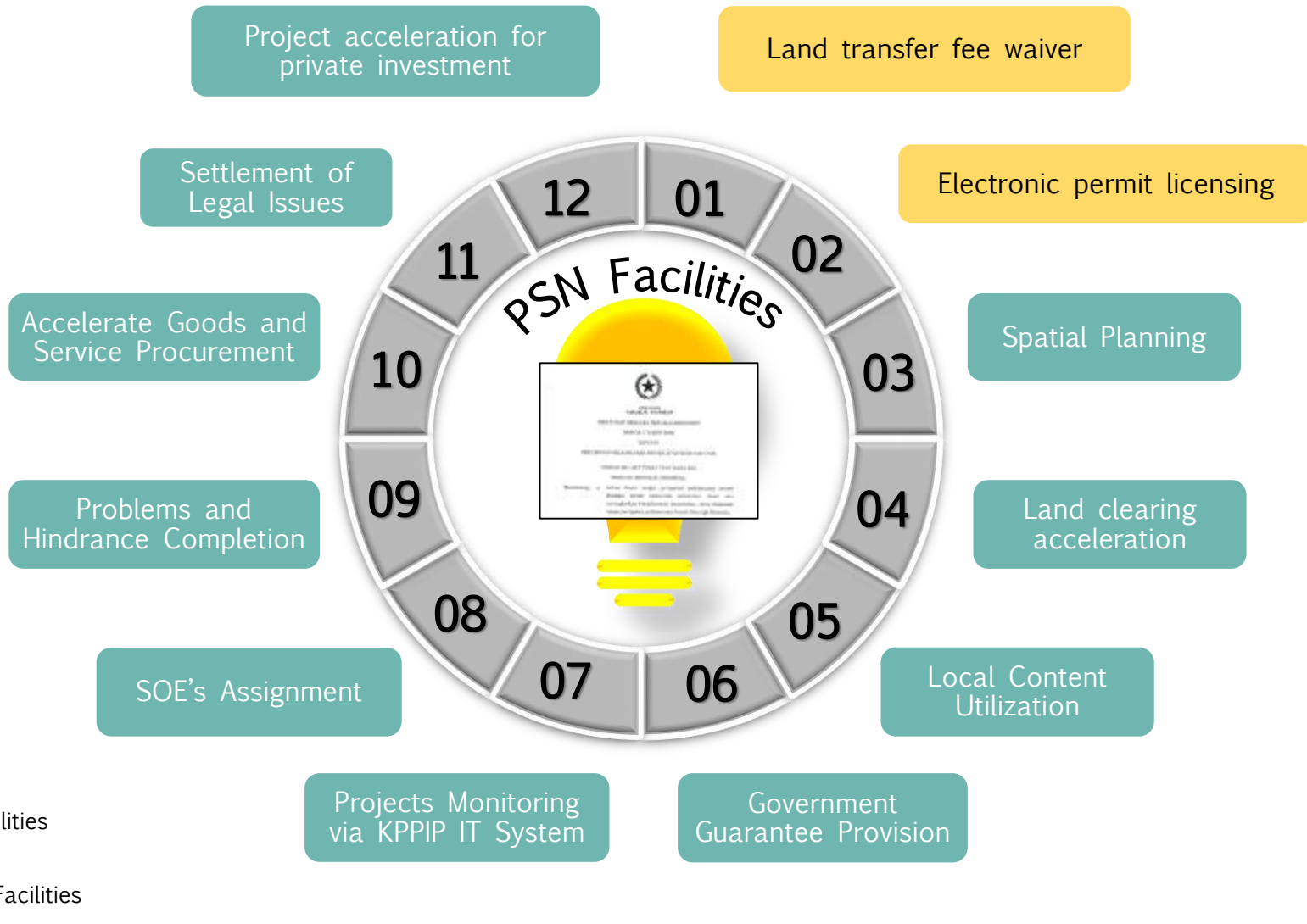
5

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

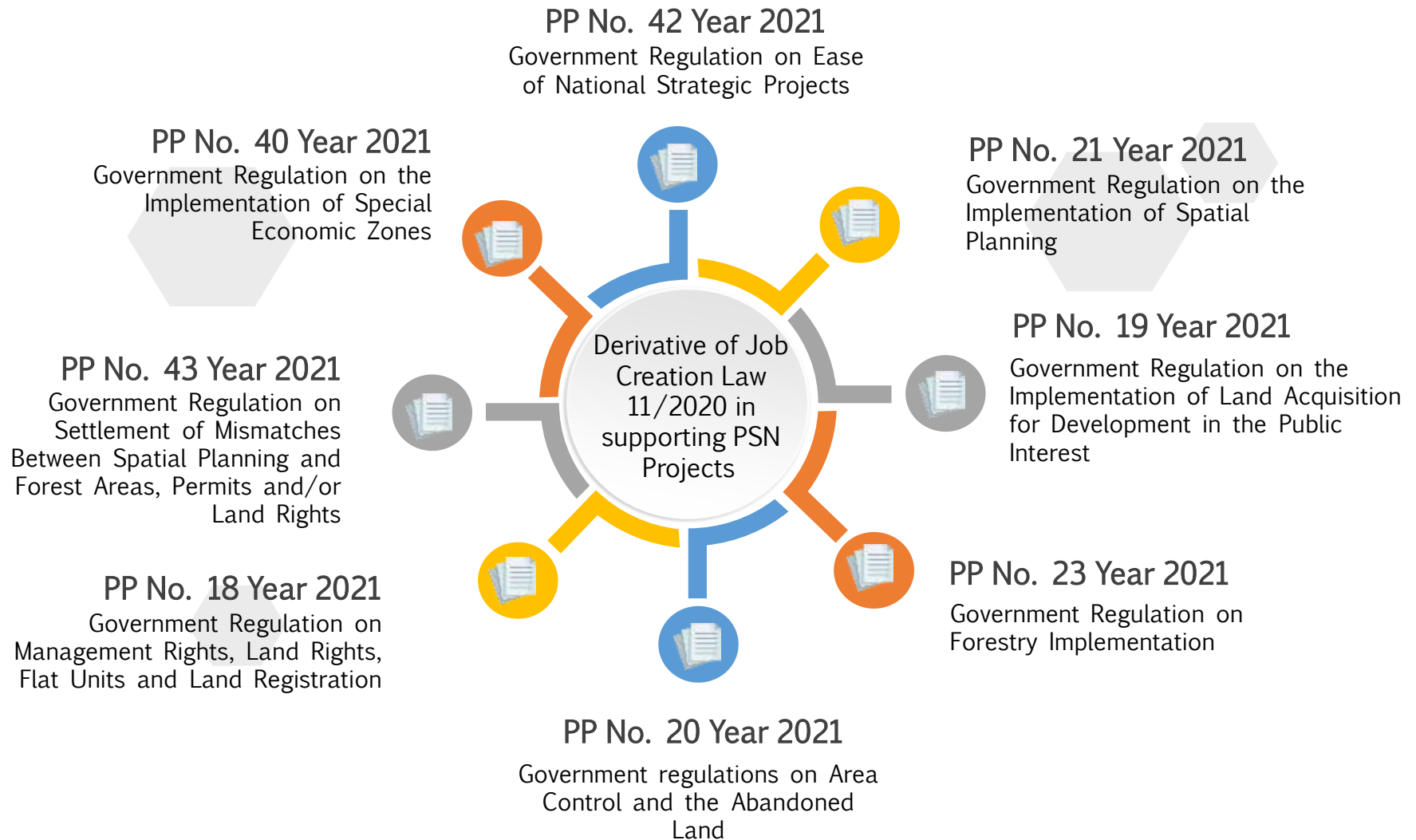
The implementing regulation of Presidential Reg. No. 102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority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

# National Strategic Projects (PSN) may receive privileges

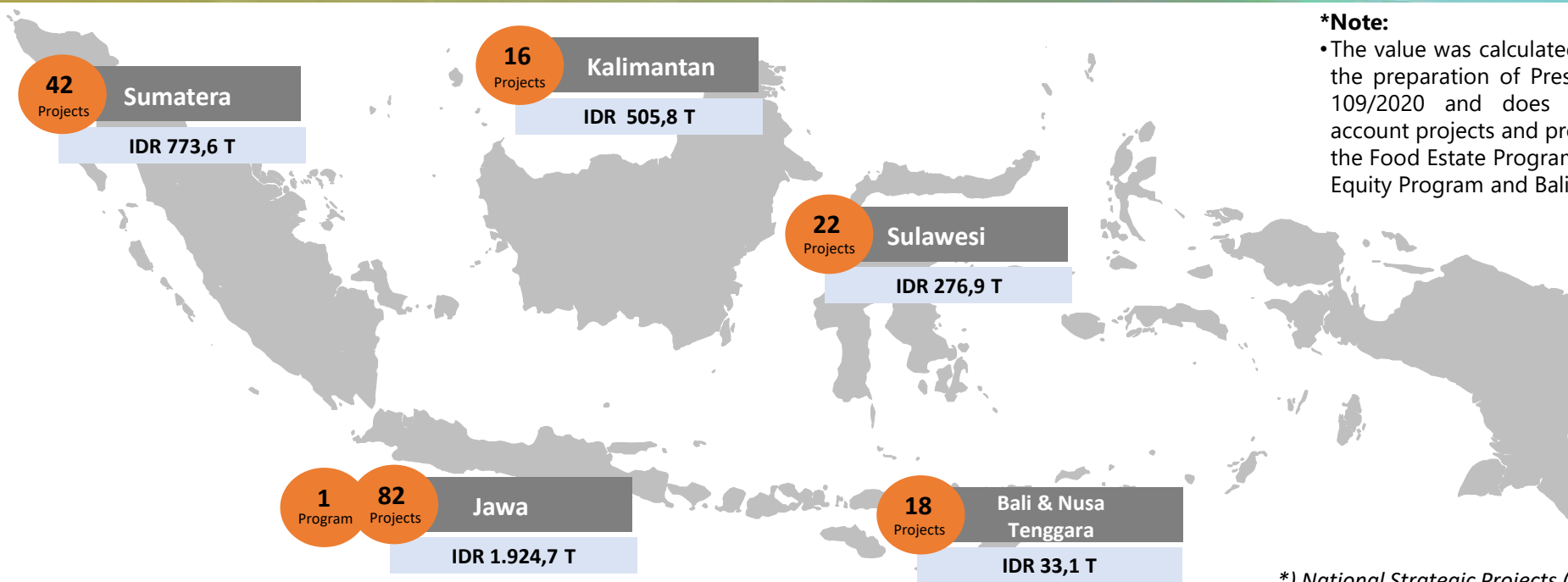
as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017  
j.o. the Presidential Reg. No. 56/2018, j.o Presidential Decree no.109/2020



# Job Creation Law's Positive Development on PSN



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



## \*Note:

- The value was calculated at the time of the preparation of Presidential Decree 109/2020 and does not take into account projects and programs, such as the Food Estate Program, the Economic Equity Program and Bali Utara Airport.

\*) National Strategic Projects (PSN)

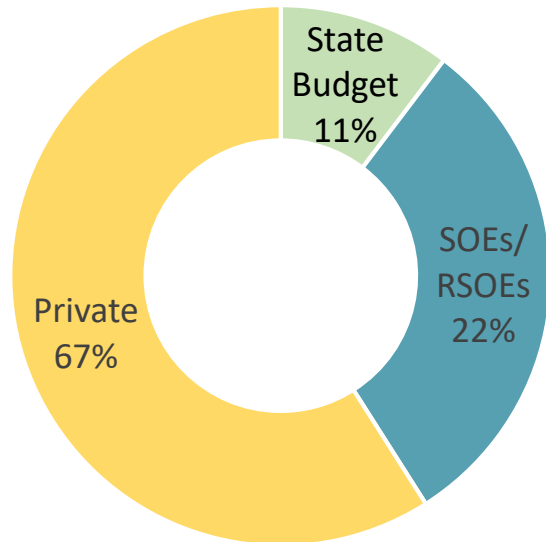
PSN includes 12 sectors at project level and 10 sectors at program level



# PSN Profile of 201 Projects + 10 Programs

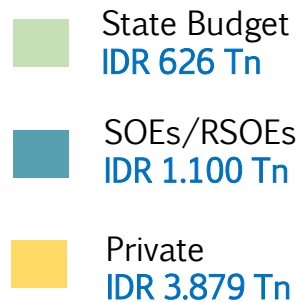


## The Estimated Investment Value for 201 Projects + 10 Programs PSN



Total Investment  
Value<sup>2</sup>

**IDR 5.607  
Trillion**



\*Exclude Food Estate Program, Regional Development Acceleration Program and Bali Utara Airports

## 5 Sectors with Highest Investment Value



**Energy**  
15 Projects  
IDR 1.556 Tn



**Electricity**  
1 Program  
IDR 915 Tn



**Roads**  
69 Projects  
IDR 919 Tn



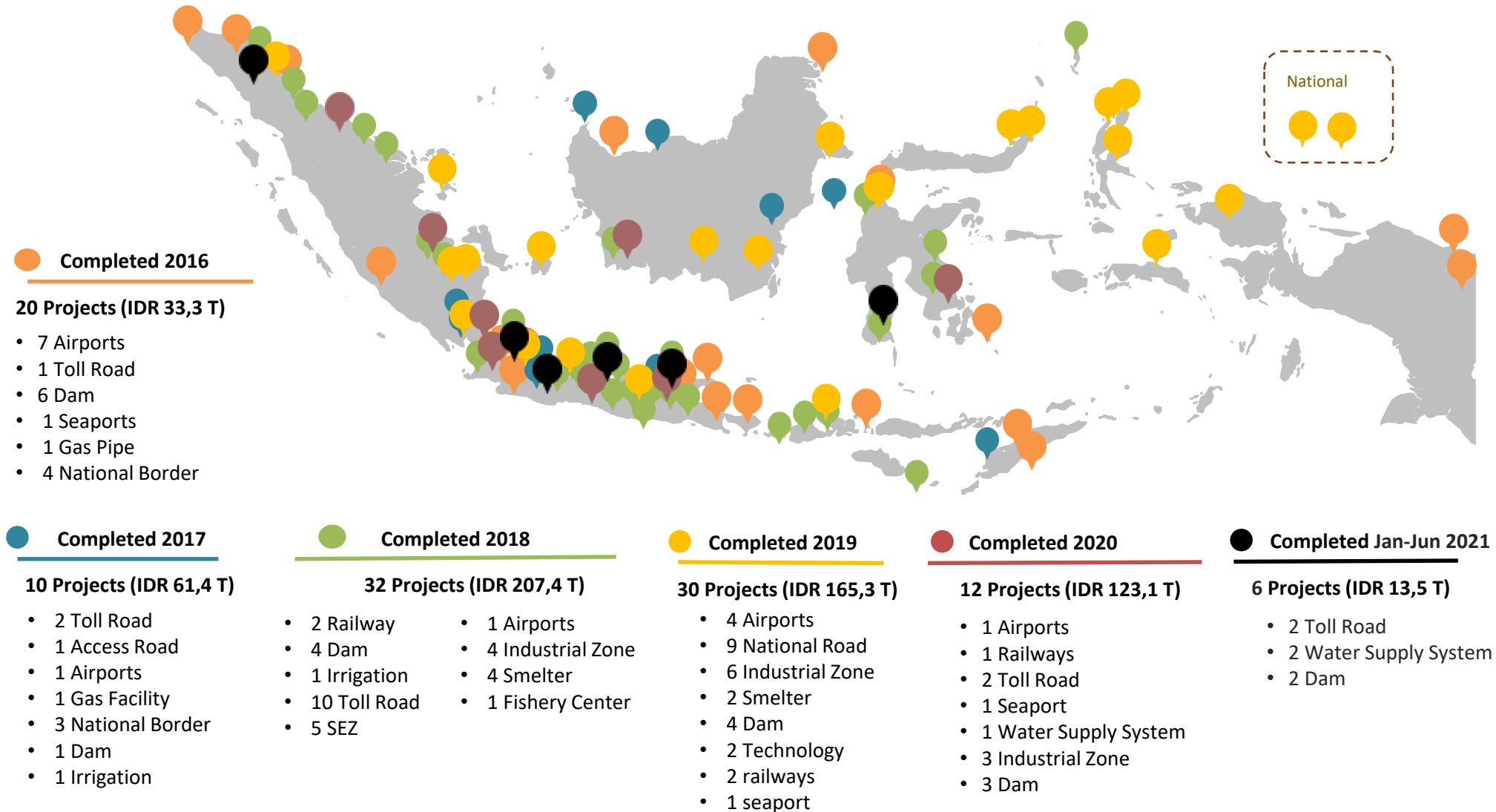
**Railways**  
15 Projects  
IDR 432 Tn



**SEZs and IEs**  
18 Projects  
IDR 485 Tn



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

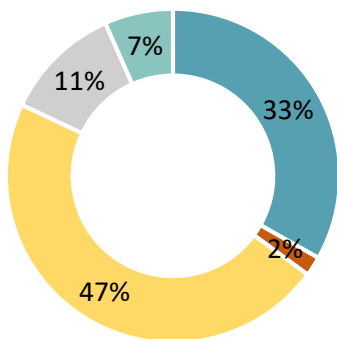


# Since January 2021, 18 PSN projects completed with 27 projects operate partially and 107 under construction



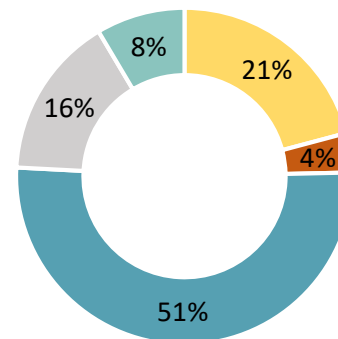
From the list of 201 Projects + 10 National Strategic Project Programs, in June 2021 there was 18 PSN Projects declared Completed, compared to 11 Projects in December 2020

December 2020



- 66 Projects + 4 Programs (*Super Hub, Food Estate, Exit Toll Road and Regional Development Program*) in the Preparation stage.
- 4 Projects in the Transaction stage.
- 98 Projects + 1 Programs (Waste Management into Electrical Energy) in the Construction stage.
- 19 Projects + 5 Programs (Electricity Facility, Economic Equality, Border Area, National Tourism Strategic Area, dan Smelter) are Operated Partially.
- 12 Projects are Completed.

June 2021



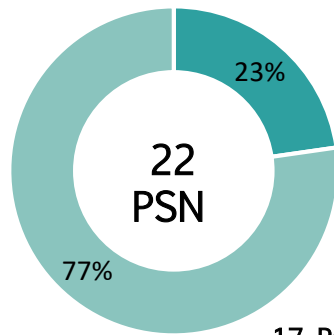
- 41 Projects + 4 Programs (*Super Hub, Food Estate, Exit Toll Road and Regional Development Program*) in the Preparation stage.
- 8 Projects in the Transaction stage.
- 107 Projects + 1 Program Programs (Waste Management into Electrical Energy) in the Construction stage.
- 27 Projects + 6 Programs (Electricity Facility, Economic Equality, Border Area, National Tourism Strategic Area, dan Smelter) are Operated Partially.
- 18 Projects are Completed.

# Progress on 37 National Strategic Project (PSN)



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

## Successfully pushed PSN Projects pass the Preparation Stage



5 Projects exit the Preparation Stage to the Transaction Stage

17 Projects out of Preparation Stage to Construction Stage

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

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

## Successfully pushed PSN Projects Start Operated Partially

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

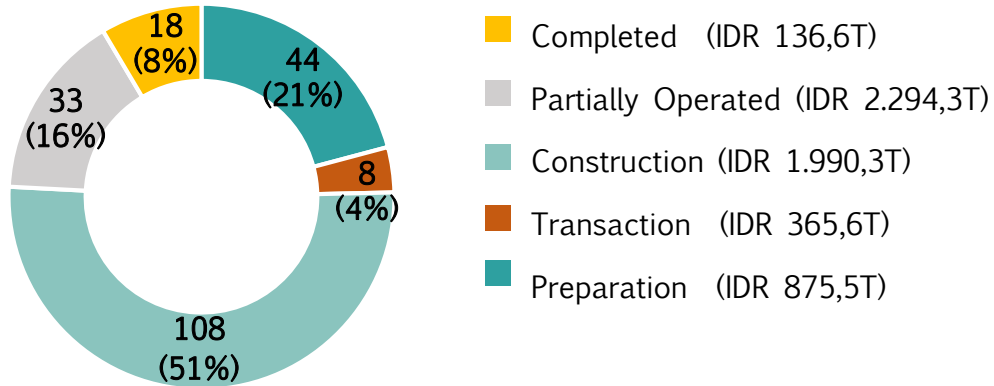
8 PSN Projects were successfully pushed to operated partially with estimated investment value IDR 100,8 Trillion

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

# National Strategic Project (PSN) Completed in Q1-2021

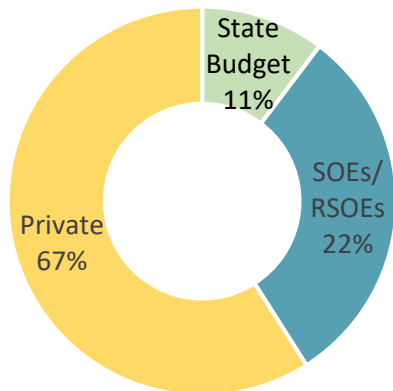


## PSN Progress Status 201 Projects + 10 Programs (January – June 2021)



## PSN Investment Contributor

Total IDR 5.607 Trillion\*



\* Exclude *Regional Development Acceleration Program (Perpres 79 an 80 / 2019)* and *Bali Utara Airports*

## 6 PSN Projects Completed in Q 1 – 2021

1	Medan – Binjai Toll Road	2	Cengkareng – Batu Ceper – Kunciran Toll Road	3	Kuningan Dam
4	Passeloreng Dam	5	Semarang Barat Water Supply System	6	Umbulan Water Supply System

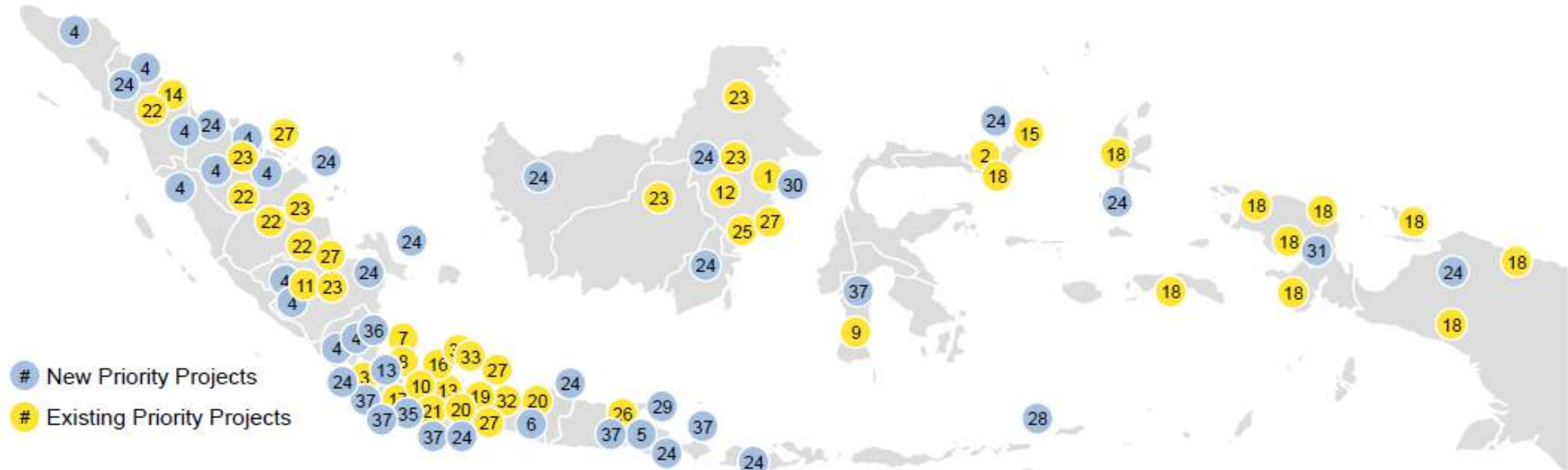


**6 PSN Projects Completed** in 1<sup>st</sup> Quarter in year 2021 with estimated investment value IDR 13,5 Trillion and 25 PSN Projects are partially operated with estimated investment value IDR 394,6 Trillion

# Progress on 37 National Strategic Project



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



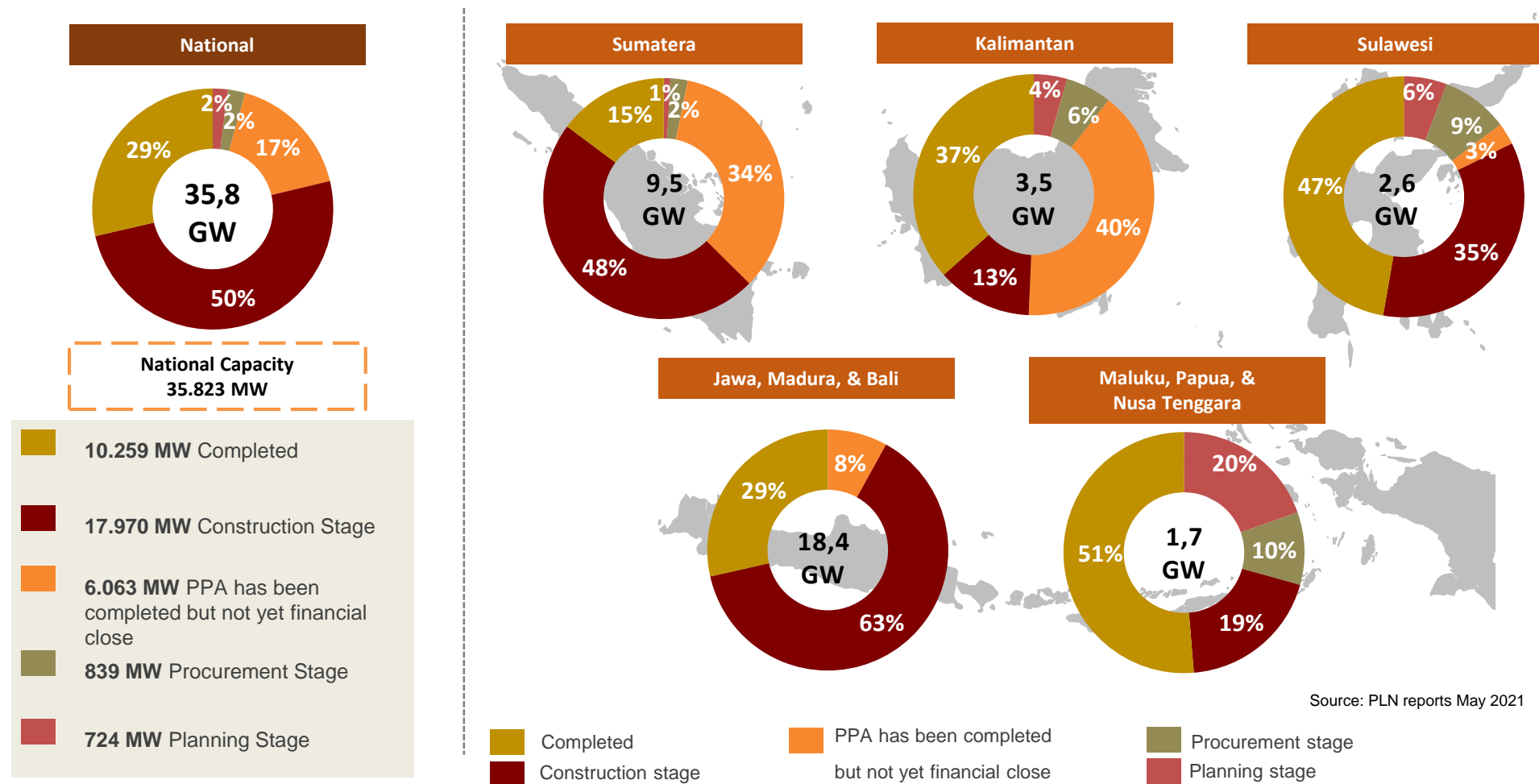
1. Balikpapan-Samarinda Toll Road
2. Manado-Bitung Toll Road
3. Panimbang-Serang Toll Road
4. 15 Segments of Trans – Sumatera Toll Road
5. Probolinggo – Banyuwangi Toll Road
6. Yogyakarta – Bawean Toll Road
7. SHIA Express Railway
8. MRT Jakarta South-North Line
9. Makassar-Parepare Railway
10. Light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



# Energy Sector: the Progress of 35.000 MW Program



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



# Energy Sector: the Progress of 35.000 MW Program

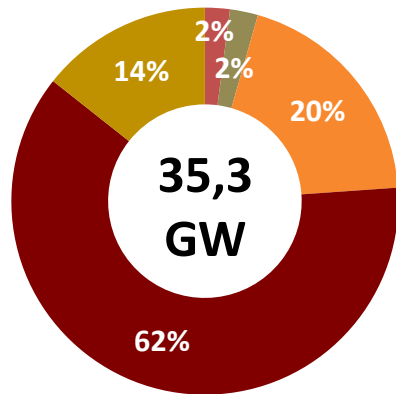


December 2019

July 2020

October 2020

May 2021



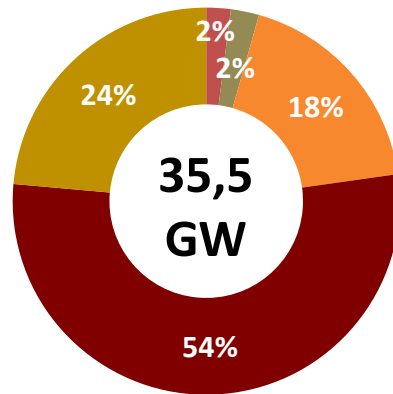
5.071 MW in COD/SLO/Commissioning Stage

21.825 MW in Construction Stage

6.878 MW in the contract/PPA stage, but not yet Construction

829 MW in Procurement stage

734 MW in Planning stage



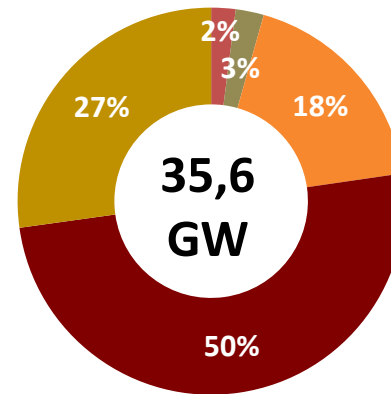
8.382 MW in COD/SLO/Commissioning Stage

19.067 MW in Construction Stage

6.528 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage



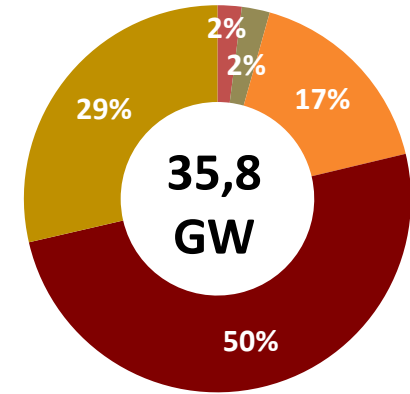
9.694 MW in COD/SLO/Commissioning Stage

17.853 MW in Construction Stage

6.528 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage



10.259 MW in COD/SLO/Commissioning Stage

17.970 MW in Construction Stage

6.063 MW in the contract/PPA stage, but not yet Construction

839 MW in Procurement stage

724 MW in Planning stage

<sup>1</sup>COD: Commercial Operation Date; <sup>2</sup>SLO: Sertifikat Laik Operasi (Commissioning Certificate)

Source: Compile from PT PLN and Ministry of Energy and Mineral Resources Reports

# Acceleration of 35.000 MW Program



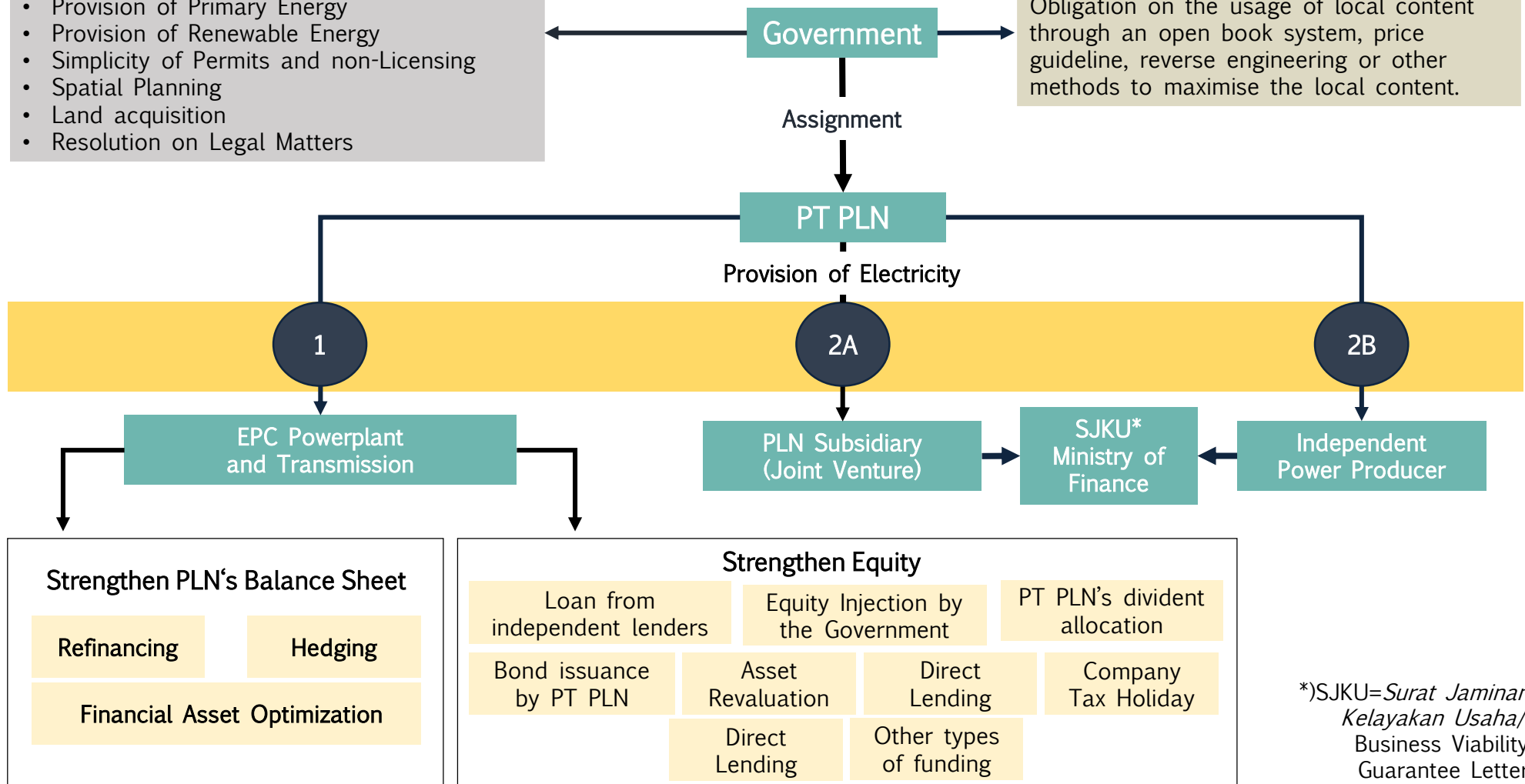
The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects

## Government Support (outside Guarantee)

- Provision of Primary Energy
- Provision of Renewable Energy
- Simplicity of Permits and non-Licensing
- Spatial Planning
- Land acquisition
- Resolution on Legal Matters

## Local Content

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



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

# Significant Progress on Infrastructure Projects



## Roads



Trans-Sumatra Toll Road



Merah Putih Bridge, Ambon

## Dams



Jatigede Dam (Operational)

## Drinking Water Processing



Umbulan Drinking Water Provision System, East Java

## Transportation



Jakarta MRT Project<sup>2</sup>



Terminal 3 Ultimate Soekarno-Hatta<sup>2</sup>



New Tanjung Priok Port Project<sup>2</sup>



Nop Goliat Dekai, Papua

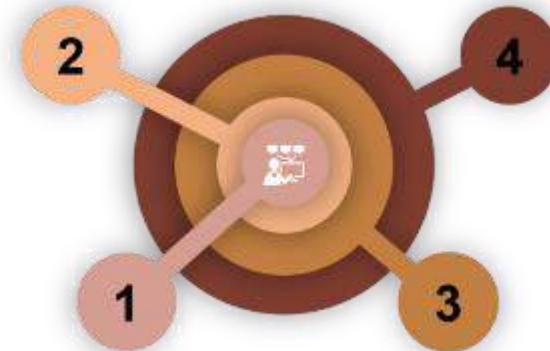
## Improving Monitoring System on Infrastructure Projects<sup>1</sup>

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

### Database

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

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



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

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

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



# Infrastructure Projects and Financing Schemes

## Promotion of Infrastructure Development to Accelerate Economic Growth



### Infrastructure Development is a Key Priority

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

### Establishment of PPP Unit

#### Broad Objective

- Champion project preparation and acceleration of the PPP agenda in Indonesia

#### Core Mandates

- Improve quality of project selection under KPPIP – OBC criteria
- Support project preparation through PDF support and highly qualified transaction advisors
- Act on behalf the Minister of Finance in providing government support and approvals for projects

#### Additional Mandates

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

### Budget

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

### Public Private Partnership

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

### SOE & Private Sector

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

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

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



# Government Guarantee For Basic Infrastructure Development

## Reflects strong commitment to national development planning



### Government Guarantee Program

<b>Credit Guarantee</b>	<ul style="list-style-type: none"> <li><b>Power (Electricity)</b> – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*.</li> <li><b>Clean Water</b> – Guarantee for 70% of PDAM's debt principal payment obligations.</li> <li><b>Toll road</b> – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads.</li> <li><b>Infrastructure</b> - Full credit guarantee on SOE's borrowing from international financial institution &amp; guarantee for PT SMI's local infrastructure financing.</li> <li><b>Public Transportation (Light Rail Transit)</b> – Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.</li> </ul>
<b>Business Viability Guarantee (BVG)</b>	<ul style="list-style-type: none"> <li><b>Power (Electricity)</b> – 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*</li> </ul>
<b>PPP Guarantee</b>	<ul style="list-style-type: none"> <li><b>Infrastructure</b> – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements</li> </ul>
<b>Political Risk Guarantee</b>	<ul style="list-style-type: none"> <li><b>Infrastructure</b> – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</li> </ul>

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

### Contingent Liabilities from Government Guarantee as of Q2 2021 \*\*

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	12	USD 0.95
2	Clean Water Supply Program	6	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	10	USD 1.86
4	Sumatra Toll Road	10	USD 3.02
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 3.98
6	Public-Private Partnerships (PPP)	7	USD 6.00
7	Regional infrastructure financing	1	USD 0.20
8	Public Transportation (Light Rail Transit)	1	USD 0.62
9	Electricity Infrastructure Fast Track Program (35 GW)	6	USD 5.01
<b>Total</b>		<b>60</b>	<b>USD 21.64</b>

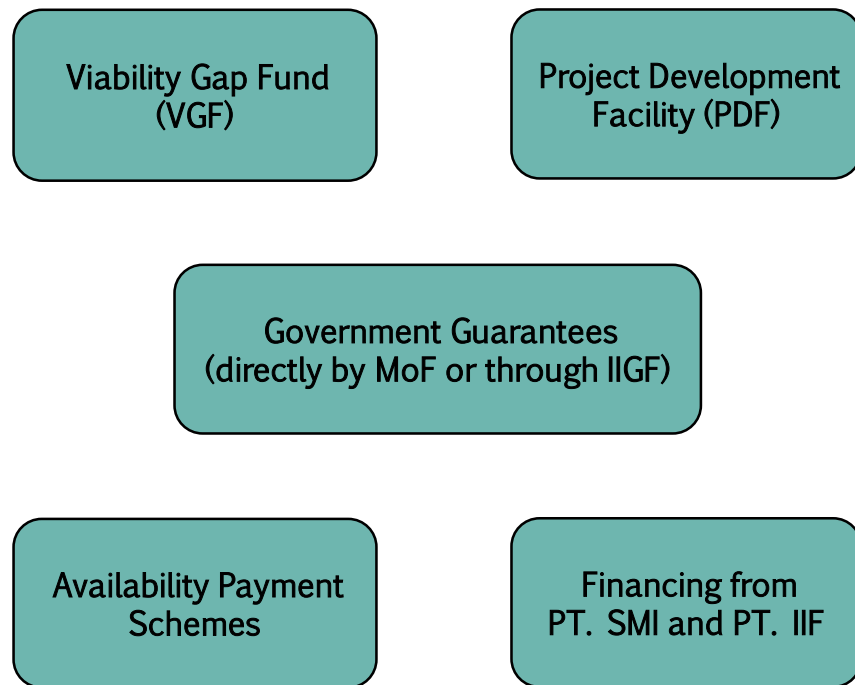
- From 2008 to Q2-2021\*\*, the government has issued 92 guarantee documents with total value of USD41.64 billion, there were 32 guarantee documents worth USD4.27 billion have been expired.
- The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

# Government Financial Facilities for PPP Projects



## Financial Facilities to Attract More Private Participation



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

## More Funding Schemes are on the Pipelines

### LCS (Limited Concession Scheme)

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

#### Scheme Characteristics

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

### PINA (Non-Government Budget Infrastructure Financing)

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

#### Scheme Characteristics

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

Source: Ministry of Finance

# New Guarantee Schemes for Non-PPP Projects



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

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

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

State finance soundness

Fiscal sustainability

Best practice of fiscal risk management

## Guarantee for Regional Infrastructure Financing Provision

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

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

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





Bintan, Riau Islans



indonesia.travel



@indtravel



indonesiatravel



@indtravel

# www.indonesia.travel

