







"Strengthening Policy Synergy to Maintain Stability while Advancing the Economy amid Escalating Global Economy Uncertainty"

October 2023

About Investor Relations Unit of the Republic of Indonesia



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

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

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

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

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

Highlight of the Month



What's New



Economic Recovery Program and Its Updates

...page 5-8

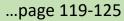
Fiscal & Financing Policy Update ... page 87-112



Bank Indonesia Board of

Meeting Decision
...page 81,82, 116, 118

Banking & Non-Banking Performance





Preserved Economic Resilience Amidst Global Uncertainty



Effective pandemic policy management: Containment, Treatment, and Vaccination



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



Responsive and Flexible, but Prudent Government Budget



Robust Economic Recovery

Continued National economic recovery momentum, reflected by 5.17% (yoy) economic growth in the second quarter of 2023, driven by strong domestic demand.

Affirmation of Investment Grade Sovereign Credit Rating

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
Moody's	Baa2 (Stable)
S&P Global	BBB (Stable)
R&I Rating and Investment Information, Inc.	BBB+ (Positive)

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

Overview



Economic Recovery Program and Its Updates

Exte Impr

External Factor: Improved External Resilience

Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development

5

Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

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

6

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

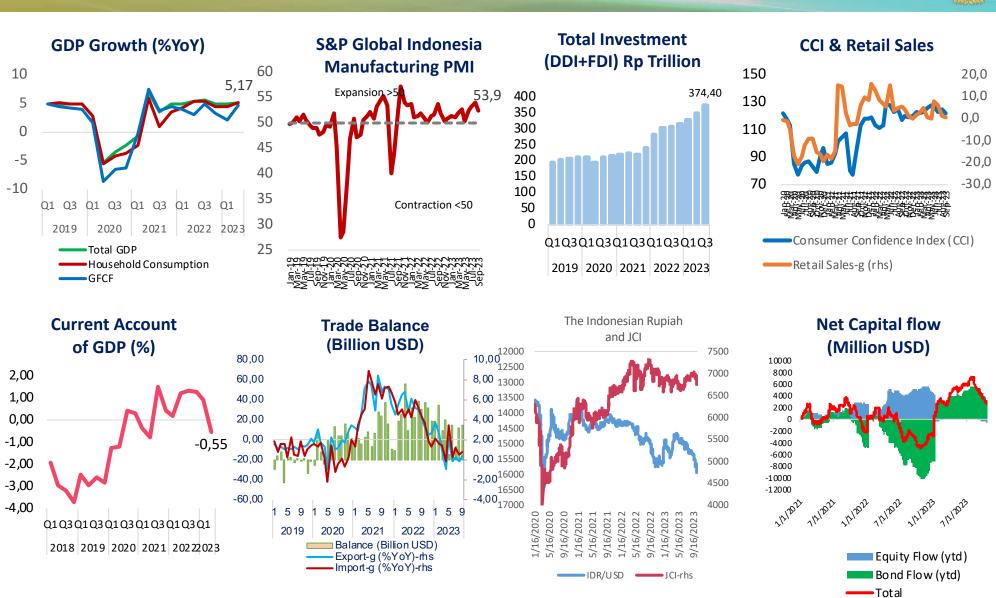


Section 1

Economic Recovery Program and Its Updates

INDONESIA'S ECONOMIC GROWTH WITH IMPROVED QUALITY



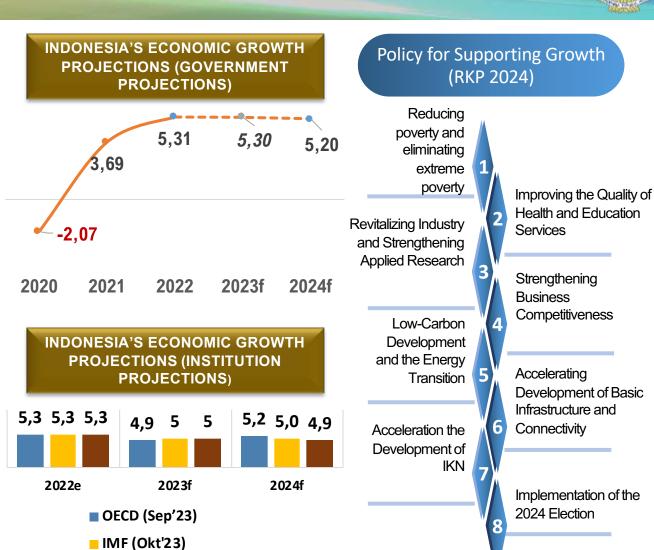


GLOBAL CONDITIONS STILL FACING A NUMBER OF CHALLENGES AHEAD



Global Economic Risks

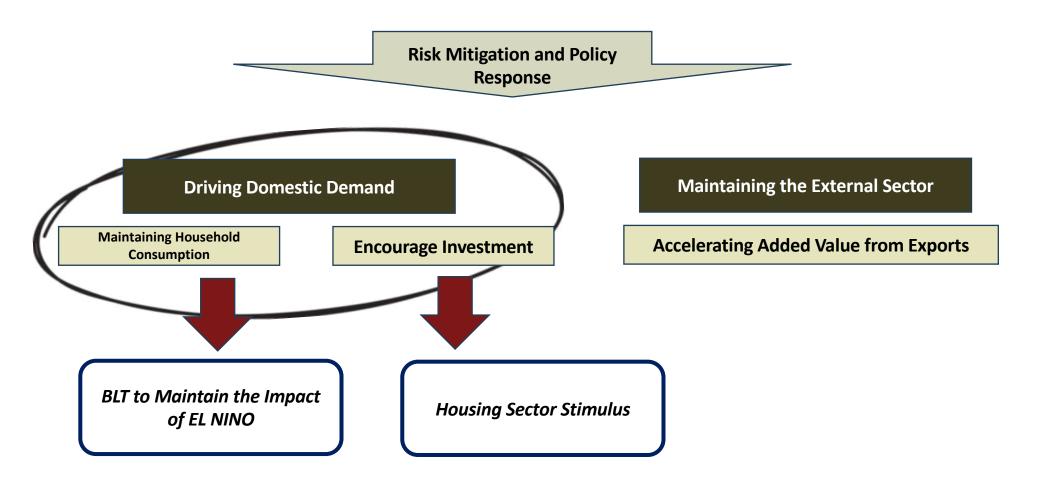
- Real Estate Crisis in China has important risk for the global economy.
- Commodity Prices more volatile under renewed geopolitical tensions and disruptions linked to climate change.
- Debt Pressure on developing country
- Tightening of Financial Global
- Fiscal buffers have eroded in many countries



■ World Bank EAP (Oct'23)

MITIGATION AND POLICY RESPONSE AMIDST WEAKENING PROSPECTS FOR GLOBAL ECONOMIC GROWTH

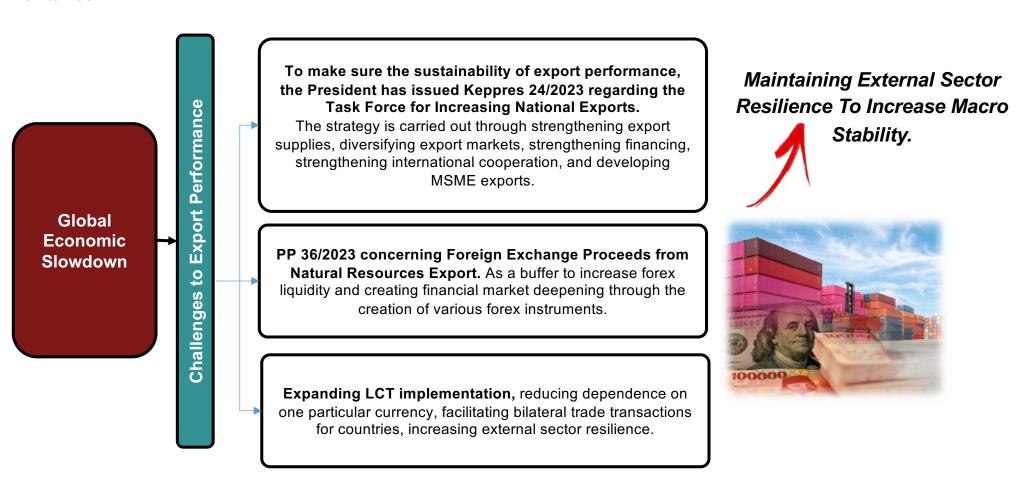




STRATEGY TO BOOST EXPORTS AND INCREASE THE RESILIENCE OF THE EXTERNAL SECTOR



The government keeps working on ensuring that foreign exchange reserves is ample and foreign exchange liquidity are maintained.



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



PEN 2020 575.9 Trilion

PEN PROGRAM

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



SOCIAL **PROTECTION** 216.6 Trilion





BUSINESS INCENTIVES

173.0 Trilion



58.4 Trilion





PEN 2021

655.14

Trilion

BUSINESS INCENTIVES

67.6 Trilion



SUPPORT MSMEs AND CORPORATE

116.1 Trilion



PRIORITY PROGRAM

105.6 Trilion



SOCIAL **PROTECTION** 167.7 Trilion



HANDLING **HEALTH**

198.1 Trilion



PEN 2021 BUDGET

Initially lower than in 2020. However, as the covid-19 cases escalated due to the Delta variant, PEN was again strengthened for social protection and hospital costs

PEN 2022 455,62 Trilion

HANDLING HEALTH 122,5 Trilion



SOCIAL **SAFETY NET**

154,8 Trilion



STRENGTHENING **ECONOMIC RECOVERY**

178,3 Trilion



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

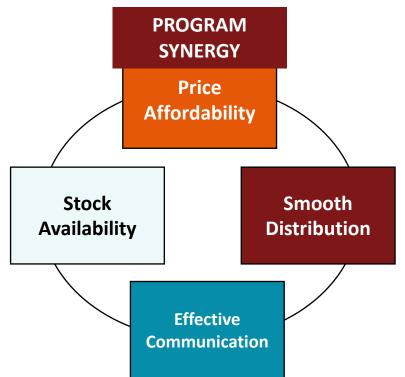
Focus: maintaining the purchasing power of the poor and vulnerable, as well as tackling extreme poverty

Focus: Job Creation and Increased Productivity

Boosting Consumption:

Maintaining Purchasing Power Through Inflation Control And Price Stabilization Policy





EXTRA-EFFORT POLICY



FISCAL POLICY

MONETARY POLICY



State Budget is optimized as a shock absorber

- Energy Subsidies and Compensation
- Food Security Budget
- Mandatory Social Protection from Unexpected Expenditure (BTT APBD)
- Food aid (rice)

Pro-stability monetary policy support

- Front-loaded, preemptive, and forward-looking interest rate policies.
- Rupiah exchange rate stabilization policy.
- Sale/purchase of Securities in the secondary market (twist operation).



The Supply and Food Price Stabilization Program (SPHP)/ Market

Operation



Facilitating the Distribution of Food Commodities from surplus to deficit areas



Expanding Inter-Regional Cooperation (KAD)



Increased Production (such as yard planting programs and urban farming)



The National Movement for Food Inflation Control (GNPIP) Program to accelerate the stabilization of food prices in the regions



Detailed Data Monitoring and Strengthening Supply and price data per region



Market Monitoring with the Food Task Force

Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY & MINI TAX HOLIDAY

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

As of Mei 2023 (year to date):
Total Investment: Rp116.24 Trillion
Tax Payer: 7 Tax Payer
Location: 5 provinces
Origin of investment: domestic and 5 countries

TAX ALLOWANCE

- To increase direct investment activities for certain business fields and / or in certain areas.
- The facilities include a reduction in net income of 30% of the total investment for six years, accelerated depreciation and amortization, imposition of income tax on dividends paid to foreign tax subjects of 10% or lower and compensation for losses of up to 10 years.
- The criteria are having a high investment value or for export, a large absorption of labor; or have a high local content.
- Total Investment: Rp9.9Trillion
- Tax Payer: 7 Tax Payer
- Approval: 7 Minister of Finance Decree
- Source: OSS July 2023

INVESTMENT ALLOWANCE

- To encourage investment in labor-intensive industries, support programs for job creation and absorption of Indonesian workers.
- Deduction from net income, of 60% of the amount invested in tangible fixed assets, including land, that are used for the taxpayer's main business activities. The deduction is spread over six years (10% annually), starting from the fiscal year the commercial production commences
- There are 45 labor-intensive industrial sectors and employ an average of 300 workers in 1 tax year.
- Total Investment: Rp455 Billion
- Investment: 1 activities
- Tax payer: 1 tax payers
- Source: OSS July 2023

SUPER DEDUCTION TAX



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

R & D Super Deduction

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

Source: Coordinating Ministry for Economic Affairs 11

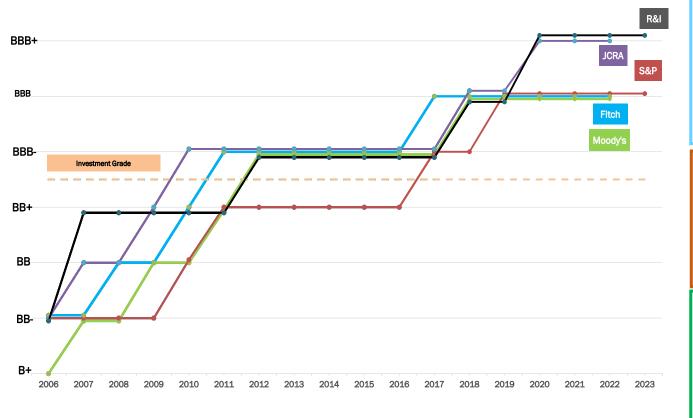


Section 2

Accelerated Reforms Agenda Supported by Institutional Improvement and Progressive Infrastructure Development

Improved Outlook and A Well Maintained of Indonesia's Sovereign Credit Rating Amid Global Economy Uncertainties





FitchRatings

BBB / Stable

September 2023, Rating Affirmed at BBB/Stable

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

S&P Global Ratings

BBB / Stable

July 2023, Rating Affirmed at BBB/Stable

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

Moody's

Baa2 / Stable

March 2023, Rating Affirmed at Baa2/Stable

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



BBB+ / Positive

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

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



BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

INDONESIA'S COMPETITIVENESS RANK IMPROVED IN 2023

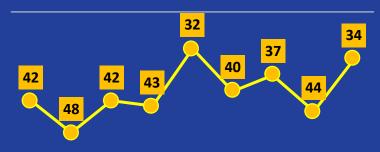


Based on the IMD (Institute for Management Development) World Competitiveness Yearbook 2023 report, Indonesia's competitiveness ranking in 2023 will be in 34th position out of a total of 64 countries. This ranking has increased from 2022 (No. 44).

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

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

IMD World Competitiveness Index 2015-2023 2015 2016 2017 2018 2019 2020 2021 2022 2023



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

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



INDONESIA GOLD VISION 2025-2045



5 GOLD VISION TARGETS OF INDONESIA



8
DEVELOPMENT
MISSIONS



17
DEVELOPMENT
DIRECTIONS



45 MAIN INDICATORS OF DEVELOPMENT

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

Development Phase

First Phase (2025-2029)

Strengthening the foundation of transformation

Second Phase (2030-2034)

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

Third Phase (2035-2039)

Indonesia started steps to expand globally

Fourth Phase (2040-2045)

Indonesia succeeded in realizing Indonesia Gold 2045

TRANSFORMATION

- 1. Social
- 2. Economy
- 3. Governance

FOUNDATION OF TRANSFORMATION

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

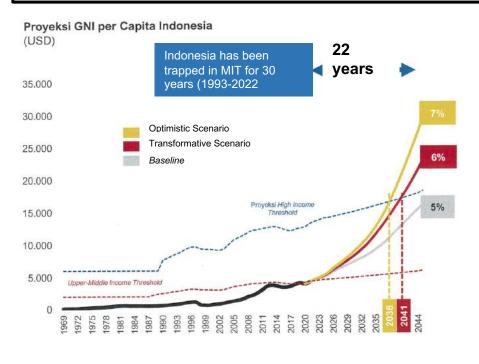
TRANSFORMATION IMPLEMENTATION FRAMEWORK

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

TARGETS OF ECONOMIC TRANSFORMATION FOR INDONESIA GOLD 2045



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



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

Economic Transformation

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



First Phase (2025-2029)

Second Phase (2030-2034)

Third Phase (2035-2039)

Fourth Phase (2040-2045)

Downstream natural resources and strengthening innovation research and labor productivity

Massive increase in productivity and expansion of sources of economic growth

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

High income country

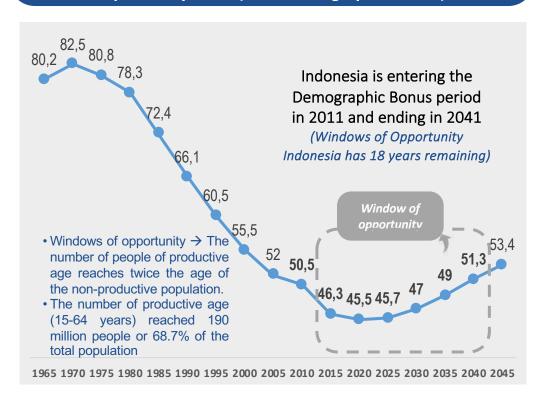
DEMOGRAPHIC BONUS MOMENTUM TO BOOST HUMAN RESOURCES PRODUCTIVITY



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

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

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



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

STRATEGIES FOR INCREASING HUMAN RESOURCES PRODUCTIVITY



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

Long Term



Improved TVET Governance

TVET Implementation Reform Increasing the role of the business world and industry in TVET

EDUCATION AND TRAINING PROGRAMS

Short Term

- a. Pre-Employment Card Program;
- b. Digital Talent Scholarship;
- **Training at Job Training Centers;**
- d. Development of human resource quality through LPDP scholarships;
- e. Other programs

Acceleration and Equalization of Digital Infrastructure



Palapa Ring 🕍









Program Kartu Pra Kerja

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



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



Digitalization of MSMEs

Innovation and



Financing and Marketing



Ccatalogue







PLUT-KUMKM

HR Literacy and Development



Legality and Licensing





Standardization and Certification



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



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

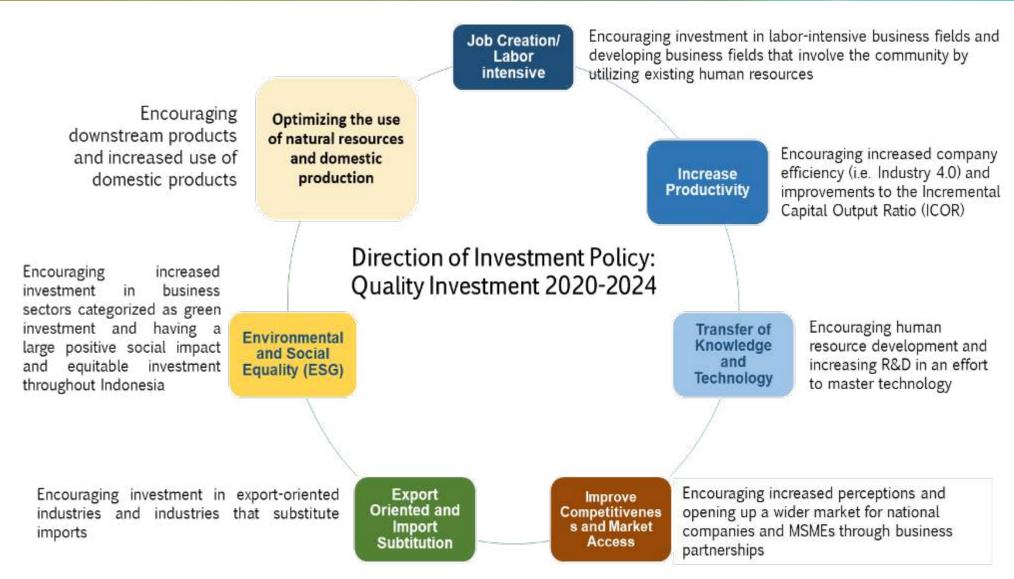


Register SNI online SIMPKTN

Investment Policy Direction 2020-2024:







Indonesia's strategy prioritizes investment with multiplier effects: downstream, green economy, digitization, and HR development



6 Main Strategies for Economic Transformation:



Green and low carbon economy



Increasing economic productivity



Relocation of the nation's capital



Digital transformation



Domestic economic integration



HR development

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

Priority Investment Sector



Labor Intensive Industry



Export Oriented Industry



New Renewable Energy



Infrastructure



Digital Economy



Value Added Industry (Downstream)

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





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



Job Creation Law 186 Article
dan 15 chapter





Investment Ecosystem and Business Activities









Research and Innovation









Government Investment & National Strategic Project (PSN)



Public Administration



Imposition of Sanctions

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



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

Constitutional Court Decision

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

Follow-up

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

Emergency Regulation

It is urgently needed to anticipate global and domestic conditions.



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



Employment Regulation

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

Halal Product Assurance (Halal Certification)

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

Management of Water Resources

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

Boosting Investment: Implementation Of Job Creation Law To Provide Legal Certainty And Improve Investment Climate



Constitutional Court Decision (25 Nov 2021)



Follow-up (Jan-Dec 2022)



Emergency Regulation (30 Dec 2022)



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

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

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

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

Identification of Revision of Law Number 6 of 2023

Implementing Regulations of

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

PRE-EMPLOYMENT CARD PROGRAM FOR HUMAN RESOURCES DEVELOPMENT



Total Registered and Recipient

> 47 Million

Registrants on the Pre-**Employment Card site** (verified Email, NIK, KK, & Phone Number)

18.201.870

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

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

17.425.419

38 Provinces 514 Reg/City

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

16.425.419

Recipient (Batch 1-47)*

Rp40,17 Triliun

Incentives has been distributed

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

Normal Scheme Implemented in 2023

RECIPIENT



1.000.000

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

739.061

Recipient Completed **Training**

703.925

Recipients get incentives



Rp452 Bio

Incentives have been disbursed

Training Progress

Training Institute

1.183 Active Training

15.1 hours

Rp 1.464.960

Average training duration

The average price of the training purchased by Participants



14%



86% N=1019



Online

^{*} The number of effective beneficiaries, namely defined beneficiaries (1.073.428 people) minus beneficiaries whose membership has been revoked is 103.577 people)

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



18 SEZs and Main Activities

Aceh Utara & Lhokseumawe, Aceh

IPP No. 5/2017 - Februari 2017) Beroperasi Desember 2018

Kegiatan Utama

Industri Energi

Inclustri Petrokimia dan Kimia Lainnya

Industri Pengolahan Kelapa Sawit Industri Pengolahan Kayu

Logistik

2. KEK Sei Mangkei

Kab, Simalungun, Sumatera Utara PP No. 29/2012 - Februari 2012i Beroperasi Januari 2015

Kegiatan Utama:

Industri Pengolahan Kelapa Sawit Industri Pengolahan Karef

Pariwisata.

Lagistik

KEK Ratam Apro Tachnic Kota Batam, Kepulauan Riau

(PP No. 67/2021 - Juni 2021) Industri MRO (Maintenance, Repair Overhauf Pesswat

Kota Batam, Kepulauan Riau (PP No. 68/2021 - Juni 2021) Kagialan Utama IT-digital Panwisata

Kab. Bintan, Kepulauan Riau

PP No. 42/2017 - Oktober 2017) Beroperasi Desember 2018 Keglatan Utama:

Industri Pengolahan Bauksit Logistik

Kab. Malang, Jawa Timur

(PP No. 68/2019 - September

Keglatan Utama - Pariwisata

- Pengembangan Teknologi

SLoC Malacca

Kab, Lombok Tengah, NTB IPP No. 5972014 - Juni 2014

Beroperasi Oktober 2017 Beroperasi April 2019 Kegiatan Utama: Par Misata

Kegistan Utama:

Industri Pengolahan Kelapa Sawil

Kab, Kutai Timur, Kalimantan Timur

IPP No. 85/2014 - Oktober 2014)

Industri Energi Logistik

Kota Palu, Sulawesi Tengah

PP No. 31/2014 - Me: 2014 Beroperasi September 2017

Keglatan Utama - Industri Logam Dasar

Logistik

Kota Bitung, Sulawesi Utara (PP No. 32/2014 - Nel 2014) Beroperasi April 2019

Kab. Minahasa Utara,

(PP No. 84/2019 - Desember 2019)

Sulawesi Utara

Kediatan Utama:

Pariwisata

Kegjatan Utama Industri Pengolahan Kelapa

industri Pengolahan Perikanan Logistik

Kab. Pulau Morotai, Maluku Utara (PP No. 50/2014 - Juni 2014 Beroperasi April 2019

Kegiatan Utama: Industri Pengolahan Perikanan

- Pariwisala

- Logistik

Sorong, Papua Barat

(PF No. 31/2016 - Agustus 2016) Beroperasi Oktober 2019 Kedatan Utama:

Industri Pengolahan Nikel

- Industri Pengolahan Kelapa Sawit

- Industri Hasil Hutan dan

Perkebunan (Sagui)

Logistik

IPP No. 71/2021 - Juni 2021

- Industri Metal:

Investment Commitment USD 9.3 B

SUMMARY OF THE 18 SPECIAL ECONOMIC ZONES PERFORMANCE

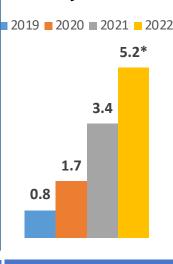


Ratio of Foreign and **Domestic Investment**

(72%)



Investment Realization by Tenant (USD Billion) 2019 - 2022



Kab. Belitung, Bangka Belitung (PP No. 6/2016 - Maret 2016) Beroperasi Maret 2019 Keelatan Utama: Pariwisata

7. KEK Tenjung Lesung 2

Kab, Pandeglang, Banten (PP No. 26/2012 - Februari 2012) Beroperasi Februari 2015

Kegiatan Utama: Pariwisata

Bogor, Jawa Barat (PP No. 69/2021 - Juni 2021) Kegiatan Utama:

Parkvisata Industri Kresti

Kab, Kendal, Jawa Tengah (PP No. B5/2019 - Desember 2019) Beroperasi Mei 2021

Kegistan Utama:

Industri Tekstil dan Busana

- Industri Furnitur den Alat Permainan - Industri Makaran dan minuman

- Industri Otomotif

- Industri Elektronik Logistik

Kab, Grasik, Jawa Timur

Kegiatan Utama:

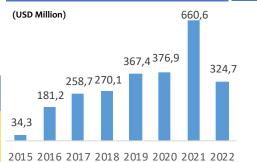
Industri Elektronik

Industri Kimia

Industri Energi - Lagistik

Export Performance (Sept 2022) **USD 324.7 Million**





*) up to October 2023 USD1 = Rp15,569.05

MAIN TARGET OF SEZS

Kanadati 🤰 GA Stabba

Import Substitution & Export Promotion industrialization

Industry 4.0 Acceleration

Regional Development **Services Industry** Development

Improve Trade Balance

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



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

Streamlining Administrative Procedures and a Positive Investment Climate

Ease of Doing Business Policy

Latest update

Impact on ease of doing business



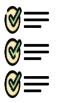
Law No. 11 of 2020 About Job Creation



PERPPU 2 of 2022 concerning Job Creation has been issued



Providing legal certainty to business actors



Government Regulation No 5 of 2021



Revision of the Legal Draft and Appendix I/II



Improving riskbased licensing procedures (NSPK) and harmonization with other PPs



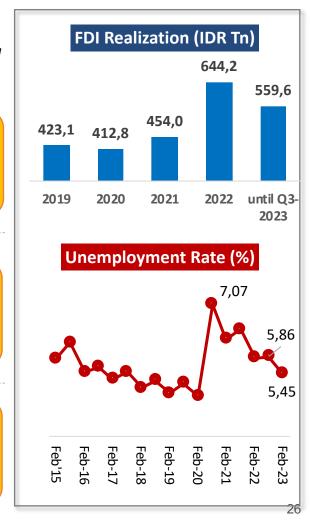
OSS RBA System



Assistance in conformity evaluation between Regulation and System



Better and smoother Business Licensing Services



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" List of Business Fields

Presidential Regulation No. 49 of 2021 (PR 49/2021), which amends PR 10/2021 "Investment Business Field"

List of Business Fields
Closed to Investment
20 business activities

Priority Business
Activities

246 business activities

Business Activities
Allocated for or Requiring
Partnership with
Cooperatives and MSMEs

Business Activities
Allocated for or Requiring
Partnership with
Cooperatives and MSMEs
182 business activities

145 business activities

Business Activities that are Open with Certain Requirements

are Open with Certain Requirements

Business Activities that

350 business activities

37 business activities

Usul untuk dihapus, sudah tercakup di slide selanjutnya

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

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

Fiscal Incentives

- 1. 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

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

More Business Fields Are Open for Foreign Investment





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



Pres. Regulation 44/2016

"Investment Negative List"

Pres. Regulation 10/2021 Jo. 49/2021

"Investment Business Fields"



Business Restriction oriented



More
Attractive
and
Competitive

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

Encouraging the Development of Priority Business Fields

Mandate of law number 11 of 2020 concerning job creation article 77 number 2 (amending law number 25 of 2007 concerning investment article 12)

The Latest Investment Business Field Arrangements



Presidential Regulation No. 44/2016 "Investment Negative List"

Presidential Regulation No. 10/2021 Jo. 49/2021

"Investment Business Fields"

Attachment I



Business Fields Closed for Investment 20 Business Fields



Priority Business Fields*

246 Business Fields

*Equipped with *Tax Holiday, Tax Allowance*, and *Investment Allowance*

Attachment II



Business Lines Reserved for or Required for Partnerships With Cooperatives and SME





Business Lines Allocated for or Required for Partnerships With Cooperatives and SME

182 KBLI in 106 Business Groups

Attachment III



Business Fields Opened with Conditions

350 Business Fields



Business Fields Opened with Conditions

37 Business Fields

Boosting Investment through Priority Sectors with Value Added





Export Oriented – Labor Intensive industries



Pharmaceutical and Heath Equipment



Automotive Industries



Electronic Indutries



Infrastructure



Energy, especially renewable energy



Mining, That creates added value products

RISK-BASED BUSINESS LICENSING DEREGULATION MEASURES TO ENCOURAGE FDI



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

Starting a Business



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

Low Risk

Medium Risk

High Risk

NIB Issued = 6.141.363 Period August 4, 2021 – Oktober 26, 2023

Based on Business Actor:

- Business Entity= 716.319
- Individual = 5.425.044

Based on Investment Type:

- FDI = 21.940
- DDI =

6.119.423

Based on Business Scale:

- Micro = 5.899.545
- Small = 176.177
- Medium = 21.877
- Large = 43.764

Action Plans

Short - Medium-term

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

Long-term

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

Doing Business

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

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

INSPECTION:

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

The Progress of Development Monitoring/Inspection Subsystem

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

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

Implementation of Risk-Based Business Licensing

Government Regulation Number 5 of 2021



To Start and Carry Out Business Activity

Basic Requirement for Business Licensing

Prior to Law 11/2020	After Law 11/2020
Location Permit	Suitability of Space Utilization Activities (KKPR)
Environmental Permit	Environmental approval
Building Permit (IMB) and Building Function Certificate (SLF)	Building Approval (PBG) and SLF

Risk Based Business Licensing (KBLI)

- Risk-Based Business Licensing based on KBLI regulated in PP 5/2021.
- The fulfillment of provisions, requirements and obligations is based on the Sector PP, Presidential Regulation, and Permen/Perban* derivatives of PP 5/2021.

Business Licensing to Support Business Activity (PB UMKU)

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

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

Risk Based OSS System: Users and Features







OSS System is Mandatory

Business/ Investor

Line Ministries

Regional Government

SEZ

KPBPB

SME

18 Line Ministries

34 Province

19 SEZ

5 KPBPB

Non SME

416 Regency

98 City

Features in OSS

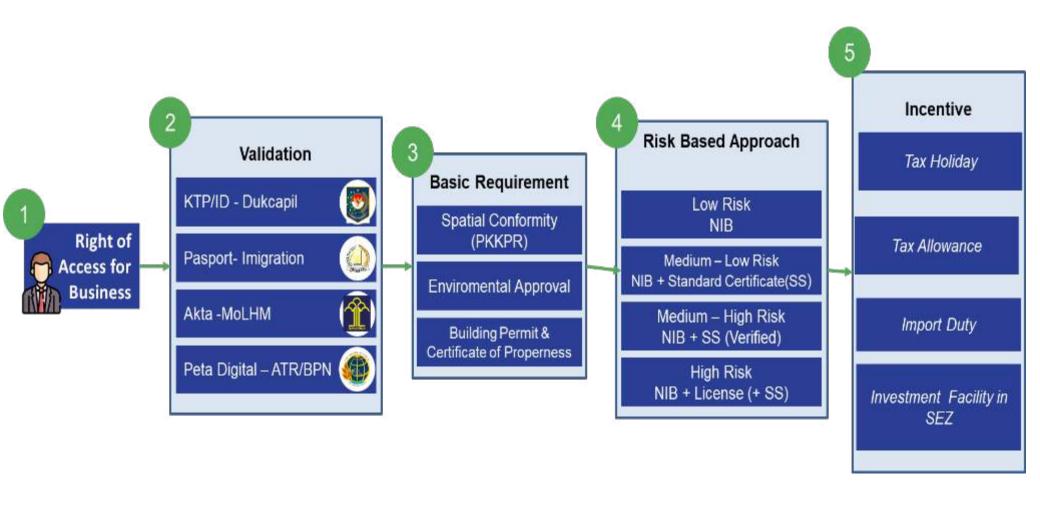
Information

Business License and Facility

Monitoring

Ease of Business Licensing and Investment Facility through the OSS System





Tax Incentives and Reform



Lower Tax Rate for the Corporate Income Tax

Investment Facilities through OSS System 25% 22% 2020-2021

Tax Holiday and Mini Tax Holiday

Corporate income tax exemption of 50-100% for 5-20 years for investments in pioneer industries.

Tax Allowance

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

Import Duty Facility

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

Other improvements:

PP 30/2020

E-filing for CIT, VAT, worker income tax (payroll)

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

Faster VAT Restitution

20%

2022 dst



Investment Facility in SEZ

Tax Holiday for Main Activities, Tax Allowance for Other Activities, for investors investing in Special Economic Zones.

* Import Duty, Excise and Tax facilities related to Import do not go through OSS.

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



Legal basis

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



Update on Progress

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

☐ Current cooperation agreements secured are:

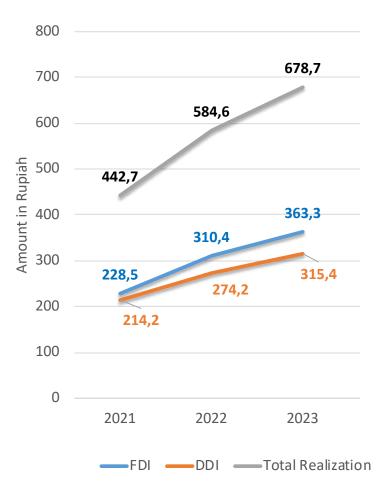
- **Toll Road**: Investment platform with ADIA, CDPQ, and APG for USD 3.75 billion. The Hutama Karya opportunity is expected to close in June 2023, while a Waskita Karya opportunity is envisioned to be completed in early 2023.
- **Seaports**: Alliance agreement with DP World for developing container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

Source: INA, as of May 30, 2023

Investment Realization in January - June 2023



Indonesia Investment Trend 2021- up to 1st Sem. 2023





FDI Rp 177,0 T (53,8%)

DDI Rp 151, 9 T (46,2%) Outside Java Rp 172,9 T (52,6%)

Java Rp 156,0 T (47,4%)

Investment Realization Trend in Java and Outside Java



2020

Total: Rp826,3 T

Labor Absorb: 1.156.361 Secondary Sector: Rp272,9 T

DDI: Rp413,5 T (50,04%) FDI: Rp412,8 T (49,96%)

> Outside Java Rp417,5 T (50,5%)

Java Rp408,8 T (49,5 %)

2021

Total: Rp901 T

Labor Absorb: 1.207.893 Secondary Sector: Rp 325.4 T DDI: Rp447 T (49,62%) FDI: Rp454 T(50,38%)

Outside Java Rp468,2 T (52,0%)

Java Rp432.8 T (48,0%)

2022

Total: Rp1.207,2 T

Labor Absorb: 1.305.0001 Secondary Sector: Rp497,7 T DDI: Rp552,8 T (45,79%)

FDI: Rp654,4 T (54,21%)

Outside Java Rp 636,3 T (52,7%)

Java Rp570,9 T (47,3%)

Jan-June 2023

Total: Rp678,7 T

Labor Absorb: 849.,181 Secondary Sector: Rp270,3 T DDI: Rp315,4 T (46,5%)

FDI: Rp363,3 T (53,5%)

Outside Java Rp 354,9 T (52,3%)

Java Rp323,8T (47,7%)

Top 5 Sector (FDI & DDI) January - June 2023



(#1)

Metal, Metal Goods, Except Machinery, and Equipment Industry

Rp 89.0 T



(#3)

Mining

Rp 71.4 T



(#5)

Chemical and Pharmaceutical Industry

Rp 48.1 T



Transportation, Warehouse dan Telecommunication

Rp 79.1 T



(#4)

Housing, Industrial Estate, and Office Building

Rp 58.3 T

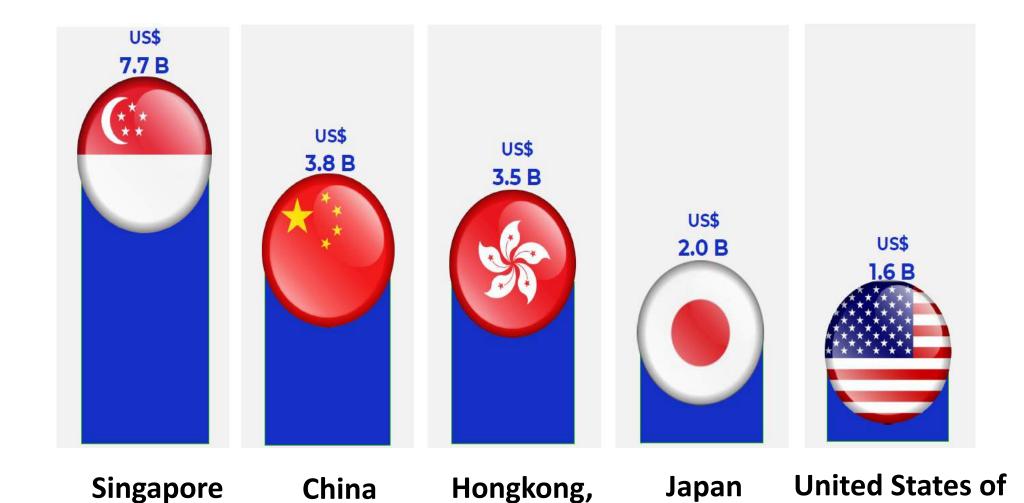




Investment Realization Trend Based on Countries



America



Source: Ministry of Investment (BKPM) 40

PRC

Top 5 Sector January - June 2023



FDI



Metal, Metal Goods, Except Machinery, and Equipment Industry

US\$ 5.4 B - (22.1%)



Transportation, Warehouse, and Telecommunication

US\$ 3.2 B - (12.8%)



Chemical and Pharmaceutical Industry

US\$ 2.3 B - (9.5%)



Mining

US\$ 2.2 B - (8.8%)



Electricity, Gas, Water Supply US\$ 1.4 B - (5.8%)

DDI



Mining

Rp 39.4 T - (12.5%)



Housing, Industrial Estate, and Office Building

Rp 37.9 T - (12.0%)



Transportation, Warehouse, and Telecommunication

Rp 32.4 T - (10.3%)



Food Industry

Rp 26.7 T - (8.5%)



Other Services

Rp 24.6 T - (7.8%)

Top 5 Location January - June 2023



42

FDI



West Java

US\$ 4.5 B - (18.3%)



Central Sulawesi

US\$ 3.7 B - (14.9%)



Special Capital Region of Jakarta US\$ 2.6 B - (10.7%)



Banten

US\$ 2.2 B - (9.1%)



East Java

US\$ 2.0 B - (8.2%)

DDI



Special Capital Region of Jakarta Rp 40.6 T - (12.9%)



West Java

Rp 37.2 T - (11.8%)



East Java

Rp 31.5 T - (10.0%)



Riau

Rp 28.5 T - (9.0%)



East Kalimantan Rp 22.4 T - (7.1%)

National Strategic Project (PSN) list was established in 2016, and have undergone several amendments



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



Project included in the PSN List

Proposed project is evaluated by KPPIP and approved through High level Limited Meeting (Ratas)

Ongoing project from the previous list and being pushed by the government

The project has been declared Complete and there are no issues that need to be resolved

The project no longer requires PSN facilities



excluded from the PSN List

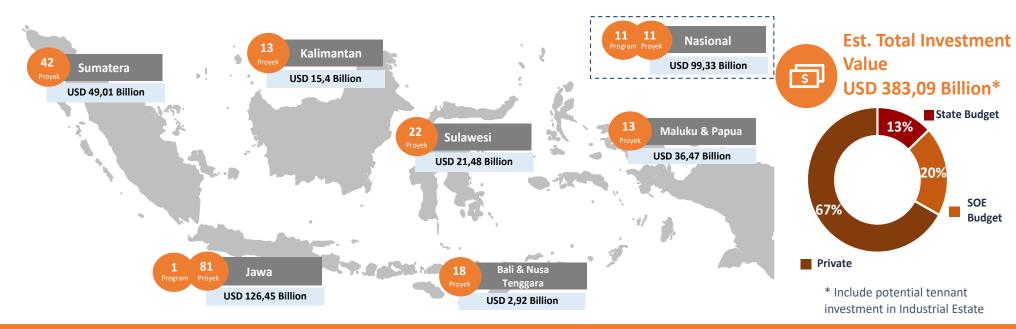
Project



As of now, there are 210 Projects and 12 Programs under the National **Strategic Project list**



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



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







































Road 53 Projects

Dams 47 Projects







Railway 14 Projects 1 Project





14 Projects 15 Projects

Ports

Sea Wall 14 Projects

Airport 6 Projects

Tourism 1 Project



6 Provek



Housing 2 Proyek

Program

Sugar & Palm **Program**

















Waste to Energy **Program**

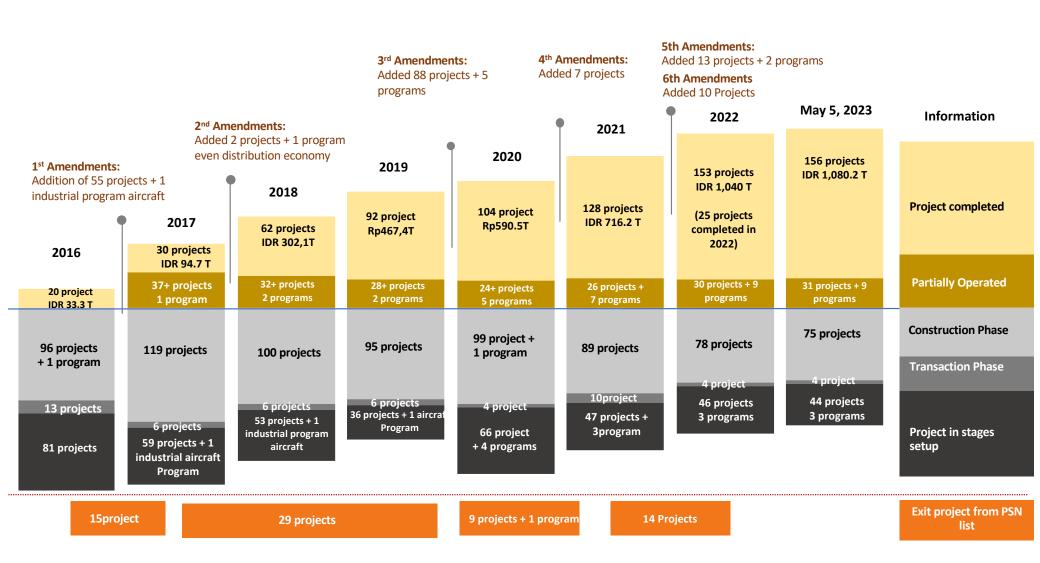




Since 2016, 156 PSN have been expedited towards completion with investment value of USD 69,48 Billion



and most of the projects have passed preparation stage

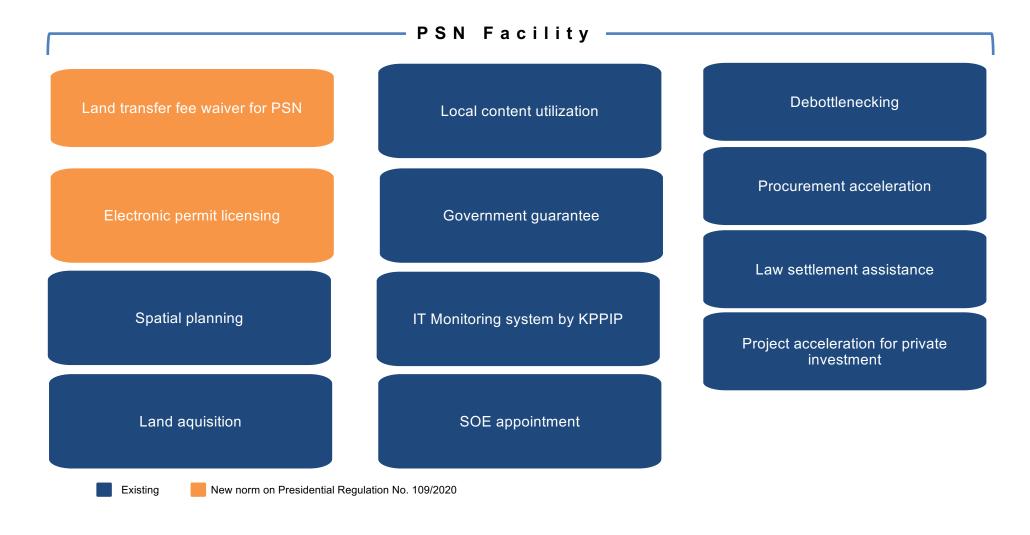


All National Strategic Projects have been given a special facility to ease

each of the project's implementation

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

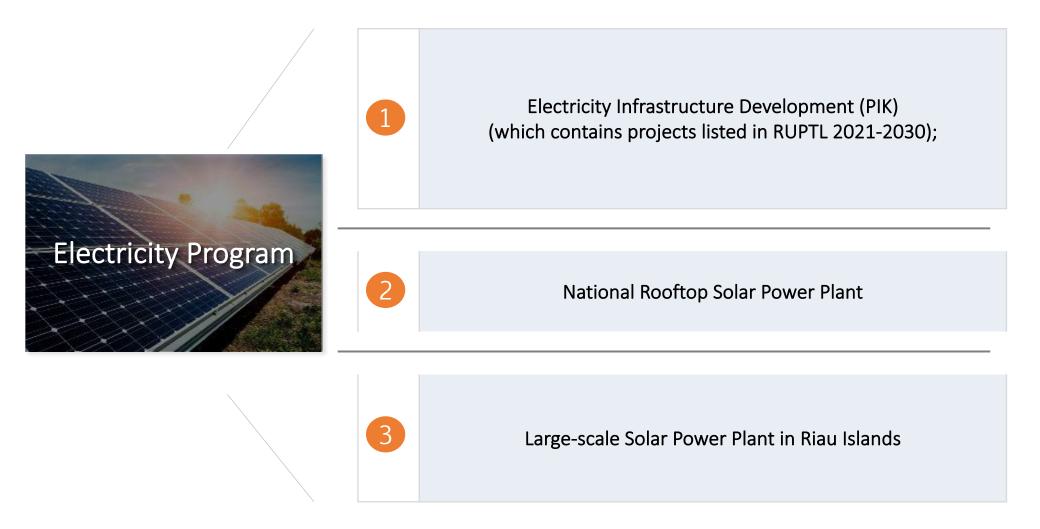




Highlighted PSN Projects which aligned with recent National ESG (Environment – Social – Governance) Agenda (1/2)



Electricity Program with focus on Renewables



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

EV Battery end-to-end Development Plant

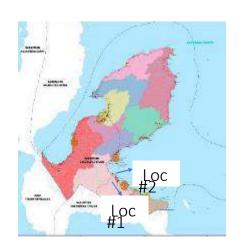


The Electric Vehicle Battery Industry is one of the Government's priorities

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

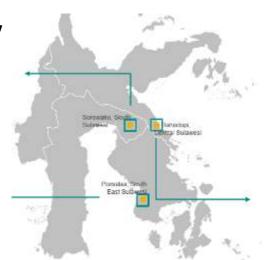


Electric Battery Development Program as part of new PSN List in 2022



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

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

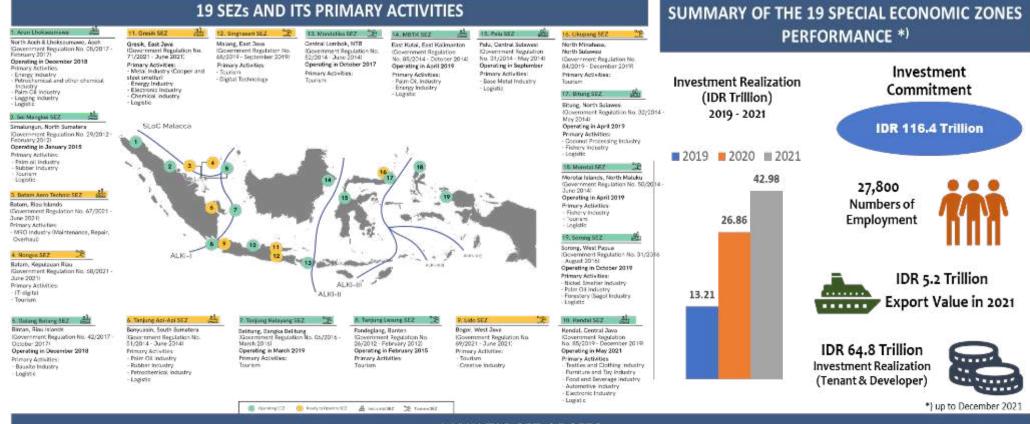


2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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

Highlighted PSN Projects which provide substantial benefit to private investor

- Special Economic Zones Development (KEK) on 18 Location in Indonesia



MAIN TARGET OF SEZS

Increasing Export

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

Speed Up Development of Industry 4.0 Focusing on industry with automation

Developing Under-**Developed Regions**

Giving added value to raw materials such as mining or farming

Develop Potential Service Industry

Development industry in the field of IT, financial services, education & healthcare

Improve Indonesia Balance of Trade

Import substitution Industries, such as chemical, pharmaceutical, machinery & electronics

Highlighted PSN Projects which provide substantial benefit to private investor

Various facilities and Modalities for SEZ investors



Investment Opportunities as Tenant

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

One-Stop-Services



Investment Opportunities as Developer

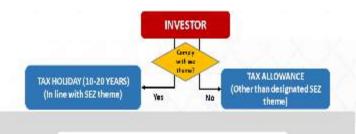
Joint Venture with the SEZ Developer in operating and managing SEZ



Investment Opportunities as Infrastructure Provider

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





Foreign ownership limitation not applied

Import duty exemption for machinery & capital goods (up to 5 yrs)

Transaction inside the SEZ: value added tax (VAT) and luxury sales tax* (LST) are not collected

INCOMING GOODS

IMPORT:

- Deferred import duty
- VAT & LST not collected.

FROM DOMESTIC TARRIFAREA:

VAT & LST not collected

OUTGOING PRODUCTS EXPORT:

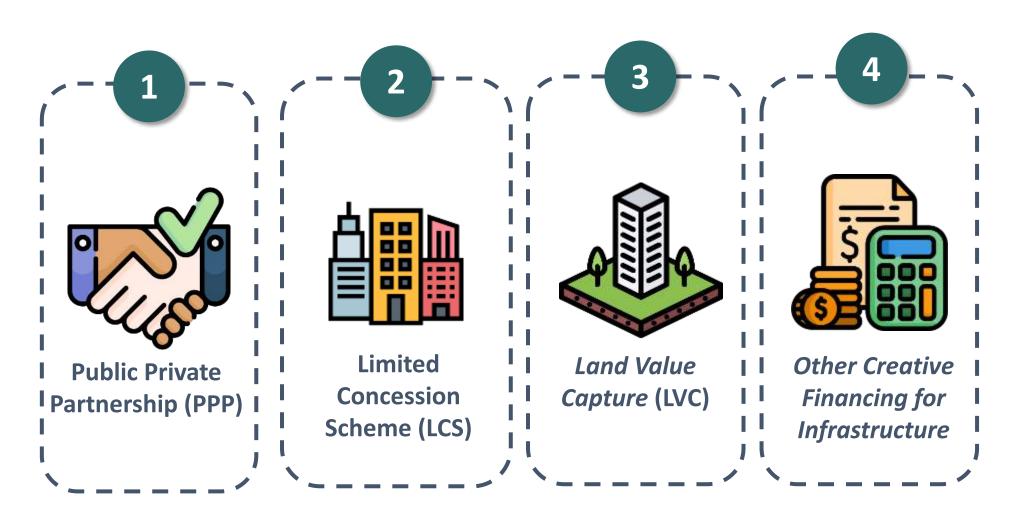
Normal Regulation

TO DOMESTIC TARRIE AREA

 If Local Content > 40%, Import Duty are exempted

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





Institutional reforms to establish a conducive PPP ecosystem...





Institutional Reforms for PPP Implementation



IIGF

KPPIP:

Indonesia

Guarantee

preparation

Infrastructure

Fund: Provides

supports project

guarantee and

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

Sarana Multi

Infrastruktur:

infrastructure

financing, preparing

project, and serving

Facilitating

advisory



PPP Project Development Facility

PPP Guarantee

As a Single Window Institution to

provide Government guarantee for

PPP infrastructure projects.

Presidential Regulation 78/2010;

MoF Regulation 8/2016

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

MoF Regulation 180/2020

National Strategic Project (PSN) Guarantee

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

MoF Regulation 30/2021

SOE Credit Guarantee

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

MoF Regulation 101/2018

National Economic Recovery Program

Corporate Credit Guarantee

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

MoF Regulation 98/2021

Credit Guarantee for Stateowned Enterprises/SOE involved in National Economic Recovery Program

MoF Regulation 211/2021



Government Commitment through Fiscal Support



Project Preparation

Project Development Facility (PDF)

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



Commitment

Contracting Agency (CA) Commitment

Through conversion from State Budget to PPP financing scheme



Viability of Project

Viability Gap Fund (VGF)

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

Availability Payment (AP)

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



Bankability

Sovereign Guarantee and Long-Term Financing

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



Land Support

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

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





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



Kediri Airport
PPP Unsolicited –

PPP Unsolicited – Initiated by Private Investment Value
USD 607 Million
(incl. land acquisition)

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

Limited Concession Scheme Stipulation

as an asset recycling scheme for brownfield infrastructure asset





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

LCS Concept





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



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



Government guarantees the issuance of permits and licenses



Flexible operations allow private sector to innovate and increase revenue



- LCS 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

- 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

LVC Scheme implementation to ease the government burden on infrastructure development





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



Tax based LVC Land and Property Tax Betterment Levies and **Special Assessment** Tax Increment Financing (TIF)



LVC Benefit

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

Triple Win LVC

Better Urban Mobility

Reducing Subsidy

Creating Fiscal Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

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



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



Harmoni, DKI Jakarta

Value Capture Instrument:

- FAR (Floor Area Ratio)
 Compensation
- * Betterment Levy



TOD Jurangmangu, Tangerang, Banten

Value Capture Instrument:

- Concession Fee
- Betterment Levy



Gedebage Area, Bandung, Jawa Barat

> Value Capture Instrument:

Betterment Levy



TOD Tawang Station, Semarang, Jawa Tengah

> Value Capture Instrument:

- Concession Fee
- Betterment Lev



Sekanak – Lambidaro Area Development, Palembang, Sumatera Selatan

> Value Capture Instrument:

Betterment Levy

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





Profile of PT SMI

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

SDGs Initiative

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

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





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

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





Legal basis

Development

- PP Number 73 of 2020 concerning Initial Capital for indonesia Investment Authority
- PP Number 74 of 2020 concerning Indonesia Investment Authority
- PP Number 49 of 2021 concerning Tax Treatment of Transactions Involving Indonesia Investment Authority and/or Entities Owned
- •PP Numbers 110 and 111 of 2021 concerning the Addition of PMN to the Capital of Investment Management Institutions
- The Supervisory Board has been formed based on Presidential Decree No. 6/P of 2021
- The Board of Directors has been formed based on the Decree of the INA Council Number 1 of 2021
- An initial capital of IDR 15 T has been allocated in 2020, and an additional capital of IDR 15 T from PMN and from the transfer of shares amounting to IDR 45 T
- There have been discussions with more than 50 companies to become strategic partners, and several countries have expressed a desire to partner with INA

Main Sectors of Investment



Toll Road



Airport



Health Services



Industrial Area



Seaports



Digital Infrastructure



Renewable Energy



Traditional Energy



Plantation

Development of INA's Progress

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

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





Example on RDPT Financing

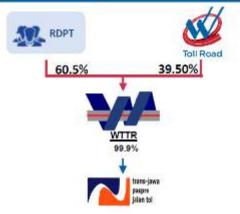
Summary of TPJT

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

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

Location: East Java

Ownership Structure



Limited Mutual Fund (RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

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

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

Summary of KKDM

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

Location: Greater Jakarta

Ownership Structure



MARKET - Donald Banjamahor, CNBC Indonesia

The Domestic Component Level (TKDN) Implementation





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

TKDN Value (goods) consist of:

- Raw materials;
 Direct Labor;
- Factory overhead

TKDN Value (services) consist of:

- Labor:
- Working Facility/Machinery;
- General Services

- The Domestic Component Level (TKDN)
- Electronics
- ICT
- Medical Devices



Government Procurement

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

Non Government Procurement





WTO Rules (Compliance)

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



Non-governmental procurement is not prioritizing product's TKDN

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



P3DN Team tasks:

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

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



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



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

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

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

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

Commodity-based improvement framework

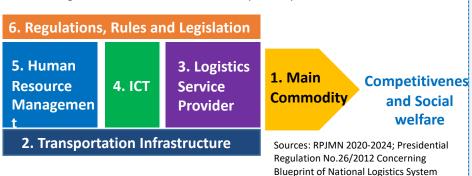
- 1. Specify a specific commodity.
- 2. Identify demand patterns, supply patterns and logistics costs.
- 3. Set logistics efficiency targets for these commodities, for example:
 - a. Lead time for domestic goods delivery;
 - b. Lead time at the port for import-export goods.

Strengthen Key-Enabler

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

Organizing action plans based on 6 key drivers

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



Development

Key Drivers: Logistic Action Plan

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

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

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

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

Government Continues to Support the Development of Downstream Industries



Indonesia's Coal Gasification Roadmap until 2045



2021 - 2025

- Establishment of 3
 Gasification Plants for DME and/or Industry
- Import of LPG has decreased by 3,51 million tons by DME substitution
- Infrastructure and Product Distribution Channel for Coal Upgrading Phase-1 has been built
- Establishment of Coke Factory for Metallurgy
- Increased value-added of around 19.6 million tons of coal in the Coal Downstream Industry.

2026 - 2030

- Increased capacity of the Gasification Industry to meet the demand for DME and Industry
- Establishment of 2 Coal to SNG plants in Sumatra.
- Establishment of a bio-coal briquette factory and implement the use of bio-coal briquettes.
- Coal Upgrading industry started operation.
- Increased value-added of around 22.7 million tons of coal in the Coal Downstream Industry.

2031 - 2035

- Increased capacity of the Gasification Industry to meet the demand for DME and Industry
- Establishment of 2 Coal to SNG plants in Sumatra & 1 plant in Kalimantan.
- Establishment of the Coal Liquefaction Industry to substitute imported gasoline
- Establishment of REE industry and Advanced Materials, Agri-Industry, Materials from coal.
- Increased value-added of around 28.7 million tons of coal in the Coal Downstream Industry.

2036 - 2045

- Increased capacity of the gasification industry to meet the demand for 19.81 million tons of Methanol for DME and Industry
- Increased capacity

 (optimization) in each Coal
 Downstream Industry
- There has been an increase in value-added of around 40.7 million tons of coal in the Coal Downstream Industry.

Source: Ministry of Energy and Mineral Resources

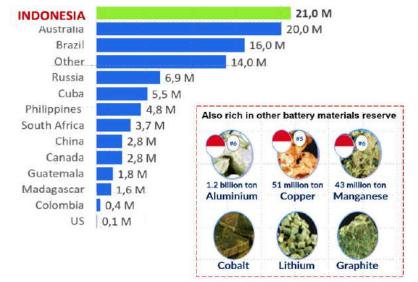
Promoting The Development Of Nickel-based Industries To Become A Global Battery And EV Supplier



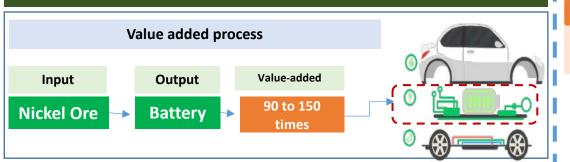
Government Issues Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021. In order to strengthen the ecosystem of Battery-Based Electric Motorized Vehicles, the Government provides Incentive Support in the form of Government-borne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

Potential: Indonesia's Nickel Reserves Are Abundant

Global Nickel Reserve



Benefits and Added Value of Nickel Downstream



Amount of Incentive for Battery-Based Electric Motorized Vehicles



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



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

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

Supporting Regulation

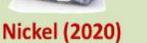
□ Regulation Of The Minister Of Finance Of The Republic Of Indonesia 38/2023

Economic Transformation from Primary Sector Industries to Value-Added Industries



Export Ban of unprocessed minerals



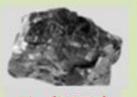




Bauxite (2022)



Copper (2023)



Tin (2023)



Focus on Natural Resources, such as nickel



The Benefit of Nickel Downstreaming



Export of Nickel Derivative Products

2017

USD 3,3 Billion Nickel Export Ban (2020)

Export of Nickel Derivative Products

2021

USD 20,9 Billion

PANDEMIC CONTROL IS KEY TO STRONG

Added Value of Nickel Derivative Products









Precursor



Cathode



Battery Cells

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





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

Investment Plan:

LG : Integrated Battery Industry US\$9,8 Billion CATL : Integrated Battery Industry US\$5,2 Billion

Foxconn : Electric Battery Industry, Electric Vehicle Industry

(4wheel, 2wheel, E-Bus), and Supporting Industry

(including charging station, R&D, and training) US\$8 Billion

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

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

Indonesia will become an exporter of high value-added commodities









Natural Resource Downstreaming As a Value-Added Commodity



Processing of Nickel to make the battery for electric vehicles

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

Location:

Central Sulawesi, North Maluku, Central Java

Commodity:



Gasification of Coal into Dimethyl Ether (DME)

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

Location:

Tanjung Enim, South
Sumatra

Commodity:



Processing natural gas into methanol and Fertilizer

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

Location:

West Papua and East Java

Commodity:



Natural gas

Industrialization Downstreaming for Food Sector

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

Location:

Eastern Indonesia

Commodity:



Development Stages of the National Capital City



2020-2024

Initial transfer to IKN

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

2025-2035

Building KN as a Resilient Area

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

2035-2045

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

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

2045-onwards

Strengthening reputation as a "World City for All"

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



Source: Coordinating Ministry for Economic Affairs

Visioning Nusantara – New Capital City Of Indonesia



Vision

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

Recent Progress

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

New Capital City Planning Scheme



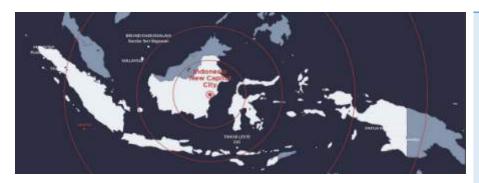
- The IKN proposal as National Strategic Project (NSP) is approved and included in the Regional Development Program as a Subprogram.
- The inclusion of IKN as NSP will refer to the Presidential Decree No.63/2022 and the draft One Map - One Planning - One

The Progress of New Capital City "Nusantara" Development



The Important Role of Establishment of IKN

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



Indonesia's **New Economic Driver**

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

Composition of Financing for the Capital of the **Archipelago**

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

Private Investment Cooperation

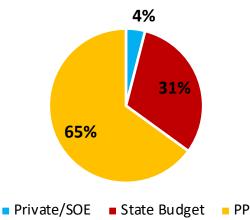
- Government buildings and Government worker housing
- Education and Health Facilities (Hospitals, Schools)
- Commercial area (café and restaurant, hotel)
- Tourism area, industrial area, innovation and technology center
- Smart city
- Area operational

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

State Budget

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

Composition of Financing schemes



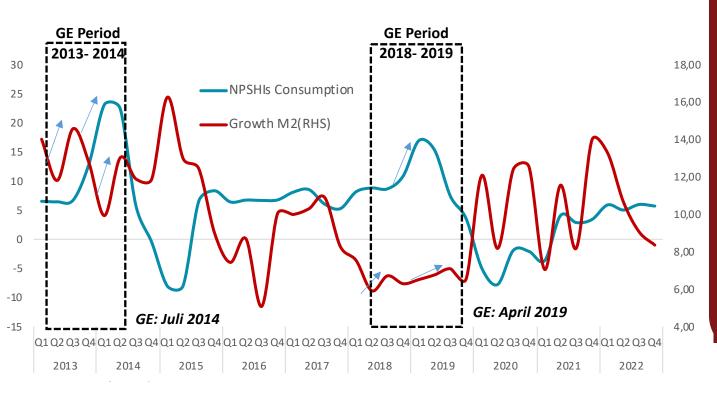
The General Election Period Will Boost Economic Activity



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

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

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



Elections will drive the national and regional economy through:

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



Section 3

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

Conducive Environment

Underpinning Improved Growth Fundamentals Amid Temporary Moderation



Largest Economy in South East Asia

4th Most Populous country in the World; 64% in productive age

Manageable Inflation Rate Rising Middle Class and Affluent Customers

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

From consumption-led to investment-led growth via a stronger manufacturing sector and more investment initiatives

Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening macroeconomic conditions

Stable Economy



New Economic Structure Consistent Budget Reform

Reform-Oriented Administration

High Infrastructure Investments

Budget reform as a part of larger economic reform initiative

Fuel subsidies significantly reduced and spending redirected to more productive allocation Tax base to be broadened from one reduce dependency on commodities

Prudent debt management

Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and PPP

Continuing from 2015 policy, infrastructure spending will be higher than fuel subsidy

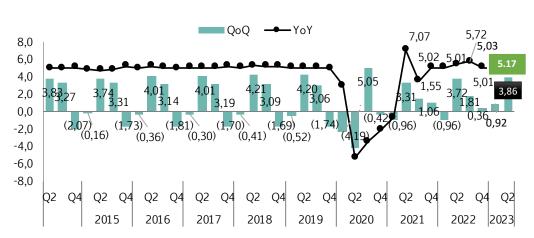
Infrastructure spending focused on basic infrastructure projects

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

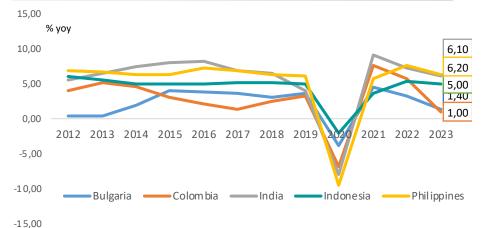
Indonesia's Economic Growth Projected to Remains Solid and Resilient to Global Spillovers



Strong GDP Growth¹



Favourable GDP Growth Compared to Peers²



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

Economic growth in the second quarter of 2023 was recorded at 5.17% (yoy), up from 5.04% (yoy) in the previous period

The main sources of growth are strong domestic demand in line with higher household and government consumption growth, coupled with increasing investment, despite declining export performance due to global economic headwinds and softer international commodity prices.

All economic sectors are enjoying positive growth, with high growth recorded in the services sector, such as Transportation and Logistics, Accommodation and Food Service Activities, as well as Wholesale and Retail Trade.

Spatially, most regions are recording higher growth, particularly in the Sulawesi-Maluku-Papua region.

2023 Growth Projection *)

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

^{2.} Source: World Economic Outlook Database – JULY 2023; * indicates estimated figure

GDP Growth Breakdown



GDP Growth Based on Expenditures (%, YoY)¹

The second secon	2018	2019	2020	2021			2022			20	23	Share
Economic Growth by Expenditure	Total	Total	Total	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023**	Q2-2023***	(%)
GDP Growth (% yoy)	5,17	5,02	(2,07)	3,70	5,02	5,46	5,73	5,01	5,31	5,04	5,17	
Private Consumption	5,14	5,16	(2,67)	2,01	4,37	5,49	5,40	4,50	4,94	4,58	5,30	54,55
Household Consumption	5,05	5,04	(2,63)	2,02	4,34	5,51	5,39	4,48	4,93	4,54	5,23	53,31
NPI Serving Household's Consumption	9,15	10,62	(4,21)	1,62	5,90	5,02	5,97	5,70	5,64	6,17	8,62	1,24
Government Expenditure	4,82	3,27	2,12	4,24	(6,62)	(4,63)	(2,55)	(4,77)	(4,51)	3,45	10,62	7,51
Gross Fixed Capital Formation	6,68	4,45	(4,96)	3,80	4,08	3,09	4,98	3,33	3,87	2,11	4,63	27,90
Building	5,41	5,37	(3,78)	2,32	2,58	0,92	0,07	0,11	0,91	0,08	3,32	20,77
Nonbuilding	10,44	1,83	(8,44)	8,42	8,63	9,71	19,32	12,11	12,53	7,93	8,30	7,13
Export	6,51	(0,48)	(8,42)	17,95	14,22	16,40	19,41	14,93	16,28	12,17	(2,75)	20,25
Import	12,14	(7,13)	(17,60)	24,87	16,04	12,72	25,37	6,25	14,75	3,80	(3,08)	(18,54

GDP Growth by Sector (%, YoY)

		2020	2021			2022			20	23	Share
Total	Total	Total	Total	Q1-2022**	Q2-2022**	Q3-2022**	Q4-2022**	Total	Q1-2023***	Q2-2023***	(%)
5,17	5,02	(2,07)	3,70	5,02	5,46	5,73	5,01	5,31	5,04	5,17	
3,88	3,61	1,77	1,87	1,16	1,68	1,95	4,51	2,25	0,43	2,02	13,35
2,16	1,22	(1,95)	4,00	3,82	4,01	3,22	6,46	4,38	4,92	5,01	10,48
4,27	3,80	(2,93)	3,39	5,07	4,01	4,83	5,64	4,89	4,43	4,88	18,25
6,09	5,76	(3,26)	2,81	4,83	1,02	0,63	1,61	2,01	0,32	5,23	9,43
4,97	4,60	(3,79)	4,63	5,73	4,43	5,37	6,55	5,52	4,92	5,25	12,85
7,05	6,38	(15,05)	3,24	15,79	21,27	25,80	16,99	19,87	15,93	15,28	5,87
7,02	9,42	10,61	6,82	7,15	8,06	6,95	8,75	7,74	7,13	8,02	4,21
4,17	6,61	3,25	1,56	1,64	1,50	0,87	3,76	1,93	4,48	2,88	4,10
6,18	6,66	(1,24)	2,35	3,33	4,03	7,88	4,95	5,04	4,55	7,08	17,14
	5,17 3,88 2,16 4,27 6,09 4,97 7,05 7,02 4,17	5,17 5,02 3,88 3,61 2,16 1,22 4,27 3,80 6,09 5,76 4,97 4,60 7,05 6,38 7,02 9,42 4,17 6,61	5,17 5,02 (2,07) 3,88 3,61 1,77 2,16 1,22 (1,95) 4,27 3,80 (2,93) 6,09 5,76 (3,26) 4,97 4,60 (3,79) 7,05 6,38 (15,05) 7,02 9,42 10,61 4,17 6,61 3,25	5,17 5,02 (2,07) 3,70 3,88 3,61 1,77 1,87 2,16 1,22 (1,95) 4,00 4,27 3,80 (2,93) 3,39 6,09 5,76 (3,26) 2,81 4,97 4,60 (3,79) 4,63 7,05 6,38 (15,05) 3,24 7,02 9,42 10,61 6,82 4,17 6,61 3,25 1,56	5,17 5,02 (2,07) 3,70 5,02 3,88 3,61 1,77 1,87 1,16 2,16 1,22 (1,95) 4,00 3,82 4,27 3,80 (2,93) 3,39 5,07 6,09 5,76 (3,26) 2,81 4,83 4,97 4,60 (3,79) 4,63 5,73 7,05 6,38 (15,05) 3,24 15,79 7,02 9,42 10,61 6,82 7,15 4,17 6,61 3,25 1,56 1,64	5,17 5,02 (2,07) 3,70 5,02 5,46 3,88 3,61 1,77 1,87 1,16 1,68 2,16 1,22 (1,95) 4,00 3,82 4,01 4,27 3,80 (2,93) 3,39 5,07 4,01 6,09 5,76 (3,26) 2,81 4,83 1,02 4,97 4,60 (3,79) 4,63 5,73 4,43 7,05 6,38 (15,05) 3,24 15,79 21,27 7,02 9,42 10,61 6,82 7,15 8,06 4,17 6,61 3,25 1,56 1,64 1,50	5,17 5,02 (2,07) 3,70 5,02 5,46 5,73 3,88 3,61 1,77 1,87 1,16 1,68 1,95 2,16 1,22 (1,95) 4,00 3,82 4,01 3,22 4,27 3,80 (2,93) 3,39 5,07 4,01 4,83 6,09 5,76 (3,26) 2,81 4,83 1,02 0,63 4,97 4,60 (3,79) 4,63 5,73 4,43 5,37 7,05 6,38 (15,05) 3,24 15,79 21,27 25,80 7,02 9,42 10,61 6,82 7,15 8,06 6,95 4,17 6,61 3,25 1,56 1,64 1,50 0,87	5,17 5,02 (2,07) 3,70 5,02 5,46 5,73 5,01 3,88 3,61 1,77 1,87 1,16 1,68 1,95 4,51 2,16 1,22 (1,95) 4,00 3,82 4,01 3,22 6,46 4,27 3,80 (2,93) 3,39 5,07 4,01 4,83 5,64 6,09 5,76 (3,26) 2,81 4,83 1,02 0,63 1,61 4,97 4,60 (3,79) 4,63 5,73 4,43 5,37 6,55 7,05 6,38 (15,05) 3,24 15,79 21,27 25,80 16,99 7,02 9,42 10,61 6,82 7,15 8,06 6,95 8,75 4,17 6,61 3,25 1,56 1,64 1,50 0,87 3,76	5,17 5,02 (2,07) 3,70 5,02 5,46 5,73 5,01 5,31 3,88 3,61 1,77 1,87 1,16 1,68 1,95 4,51 2,25 2,16 1,22 (1,95) 4,00 3,82 4,01 3,22 6,46 4,38 4,27 3,80 (2,93) 3,39 5,07 4,01 4,83 5,64 4,89 6,09 5,76 (3,26) 2,81 4,83 1,02 0,63 1,61 2,01 4,97 4,60 (3,79) 4,63 5,73 4,43 5,37 6,55 5,52 7,05 6,38 (15,05) 3,24 15,79 21,27 25,80 16,99 19,87 7,02 9,42 10,61 6,82 7,15 8,06 6,95 8,75 7,74 4,17 6,61 3,25 1,56 1,64 1,50 0,87 3,76 1,93	5,17 5,02 (2,07) 3,70 5,02 5,46 5,73 5,01 5,31 5,04 3,88 3,61 1,77 1,87 1,16 1,68 1,95 4,51 2,25 0,43 2,16 1,22 (1,95) 4,00 3,82 4,01 3,22 6,46 4,38 4,92 4,27 3,80 (2,93) 3,39 5,07 4,01 4,83 5,64 4,89 4,43 6,09 5,76 (3,26) 2,81 4,83 1,02 0,63 1,61 2,01 0,32 4,97 4,60 (3,79) 4,63 5,73 4,43 5,37 6,55 5,52 4,92 7,05 6,38 (15,05) 3,24 15,79 21,27 25,80 16,99 19,87 15,93 7,02 9,42 10,61 6,82 7,15 8,06 6,95 8,75 7,74 7,13 4,17 6,61 3,25 1,56 1,6	5,17 5,02 (2,07) 3,70 5,02 5,46 5,73 5,01 5,31 5,04 5,17 3,88 3,61 1,77 1,87 1,16 1,68 1,95 4,51 2,25 0,43 2,02 2,16 1,22 (1,95) 4,00 3,82 4,01 3,22 6,46 4,38 4,92 5,01 4,27 3,80 (2,93) 3,39 5,07 4,01 4,83 5,64 4,89 4,43 4,88 6,09 5,76 (3,26) 2,81 4,83 1,02 0,63 1,61 2,01 0,32 5,23 4,97 4,60 (3,79) 4,63 5,73 4,43 5,37 6,55 5,52 4,92 5,25 7,05 6,38 (15,05) 3,24 15,79 21,27 25,80 16,99 19,87 15,93 15,28 7,02 9,42 10,61 6,82 7,15 8,06 6,95 8,75 <td< td=""></td<>

Source: Central Bureau of Statistics of Indonesia (BPS)

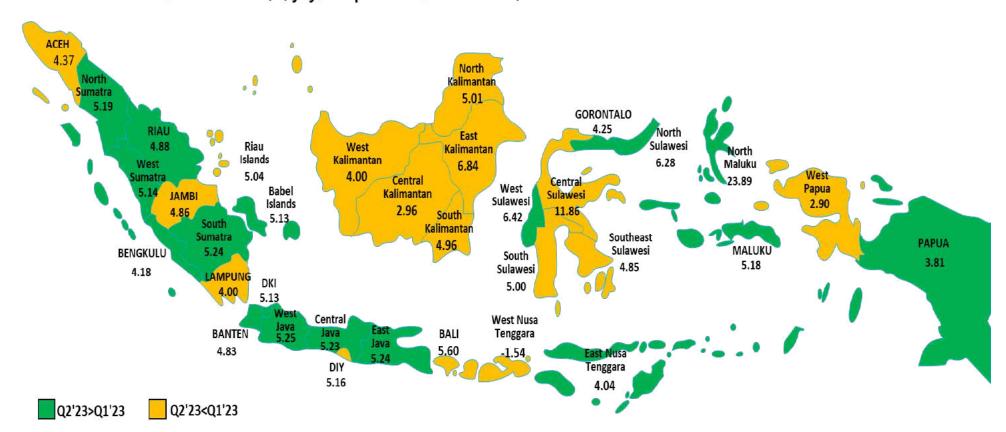
^{*}Other services consist of 10 sectors (according to Standard National 2008)

Economic Performance In All Regions Remains Solid



Economic growth in the second quarter of 2023 was recorded at 5.17% (yoy), up from 5.04% (yoy) in the previous period

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

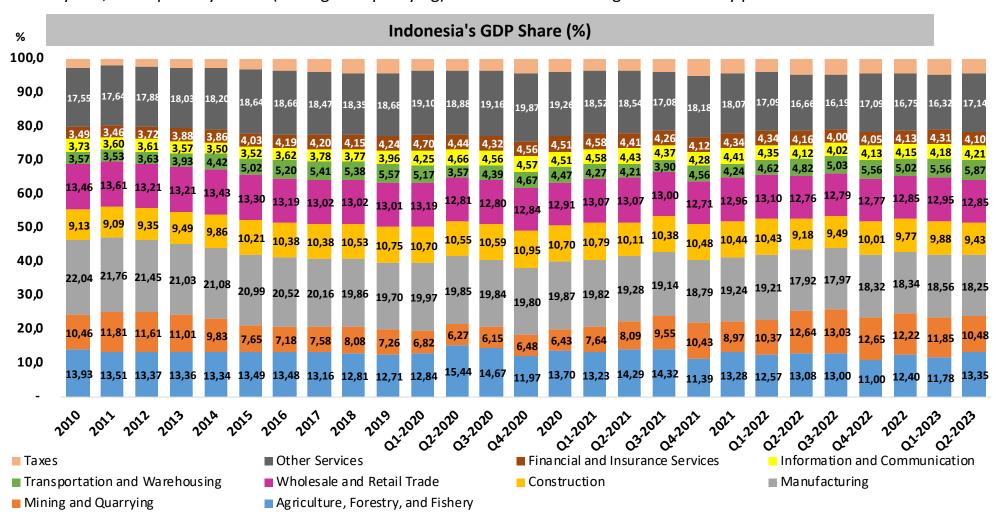


Source: BPS, calculated

Economic Performance in Most Sectors Continue to Improve

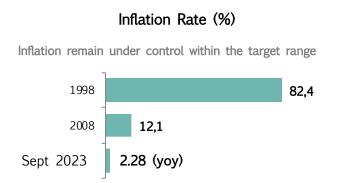


In terms of production, Indonesia's economy is mainly supported by services sector, manufacturing, and primary sector. Services sector (wholesale and retail trade, transportation and warehousing, information and communication,) has expanded the last five years, while primary sector (mining and quarrying)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



Solid Fundamentals Facing the Headwinds

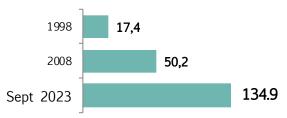


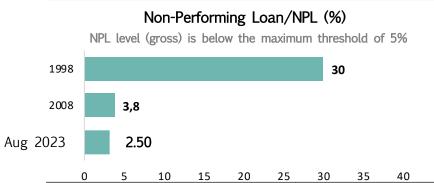




Foreign Reserves (USD bn)

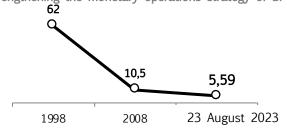
Significantly higher than 1998 & 2008, ample to cover 6.0 months of import and external debt repayment



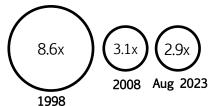


More Liquid Market (%)

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

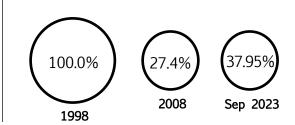


External Debt (Public & Private) to FX Reserve Ratio Significantly lower than 1998 crisis



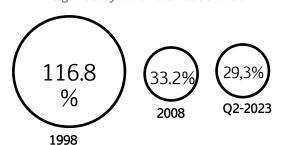
Government Debt*/GDP

Consistently well-maintained



External Debt/GDP

Significantly lower than 1998 crisis



*) Domestic & Forex

78

Outlook of Domestic Economy Remains Solid

...strong economic growth projected to continue in 2023 amid global uncertainty



2023 Economic Outlook

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

	Economic Growth	$oldsymbol{\pi}$ Inflation	CAD (% of GDP)	Credit Growth
2018 Realization	5.17%	3.13%	2.98%	11.75%
2019 Realization	5.02%	2.72%	2.71%	6.08%
2020 Realization	-2.07%	1.68%	0.4%	-2.4%
2021 Realization	3.69%	1.87%	surplus 0.3%	5.24%
2022 Realization	5.31%	5.51%	surplus 1.0%	11.35%
2023	4.5-5.3%	3.0 ± 1%	surplus 0.4% - deficit 0.4%	9-11%

Source : Bank Indonesia 79



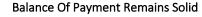
Section 4

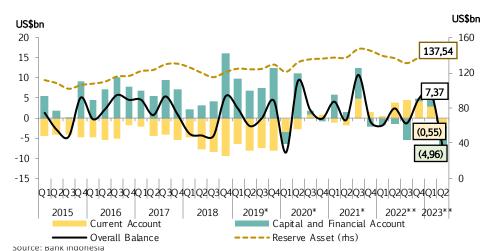
External Factor: Improved External Resilience

External Sector Remains Resilient

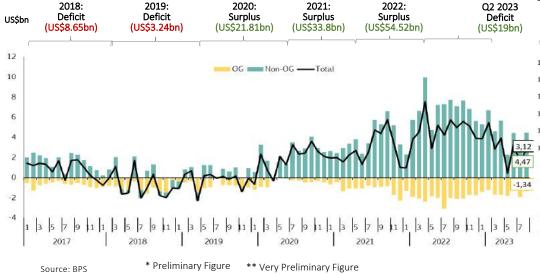
... Supported by Adequate Reserves and Sound Balance of Payments



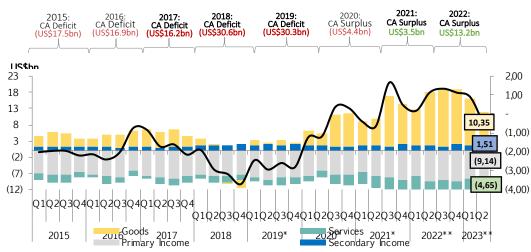




Trade Balance Surplus Continues



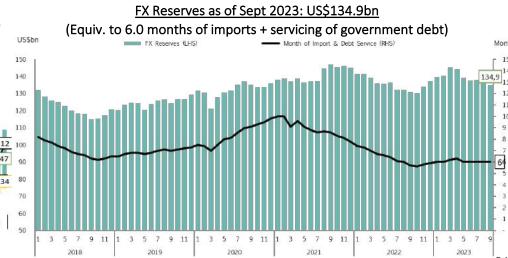
Current Account Recorded Deficit



Source: Bank Indonesia

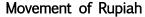
Source: Bank Indonesia

Official Reserve Assets Increased to Reinforce External Sector Resilience



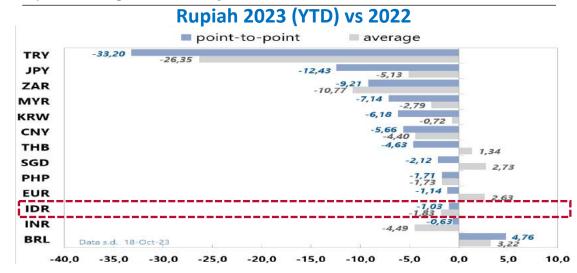
Exchange Rate Movement In Line With BI Stabilization Measures







Rupiah Exchange Rate Volatilty



The strong US dollar triggered broad-based depreciatory pressures on other currencies, including the rupiah. Compared with conditions at the end of 2022, the DXY Index gained 2.60% (ytd) to reach a level of 106.21 recorded on 18th October 2023. The strong US dollar triggered broad-based depreciatory pressures on nearly all global currencies, with the Japanese yen, Australian dollar and euro losing 12.44%, 6.61% and 1.40% (ytd) in value, accompanied by 7.23%, 4.64% and 1.73% (ytd) depreciation of the Malaysian ringgit, Thai baht and Philippine peso respectively. In the same period, the rupiah outperformed several regional and global currencies, losing just 1.03% (ytd) in value as a corollary of the stabilisation measures taken by Bank Indonesia. Moving forward, in response to persistent global financial market uncertainty, Bank Indonesia will continue strengthening rupiah stabilisation policy in line with the currency's fundamental value to control imported inflation. In addition to foreign exchange market intervention, Bank Indonesia is accelerating rupiah money market and foreign exchange market deepening efforts, which include optimising SRBI and issuing other instruments to increase market mechanisms for liquidity management at domestic financial institutions as well as attract foreign portfolio inflows from abroad. Coordination with the Government, banking industry and business community will be increased and expanded to effectively implement instruments that retain the proceeds of natural resources exports in accordance with Government Regulation Number 36 of 2023 (PP DHE SDA).

Source: Reuters, Bloomberg (calculated)

Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of of September 2023: US\$134.9 bn

Swap Arrangement

Japan

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

Singapore

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

China

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

Malaysia

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

Australia

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

Regional

Bilateral

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

IMF Global Financial Safety Net - GSFN

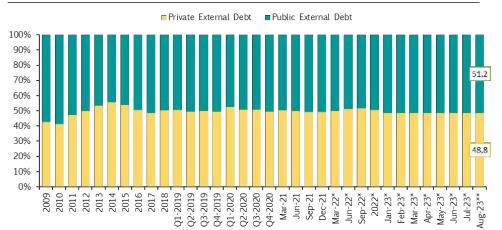
- Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem
- Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

Source: Bank Indonesia 83

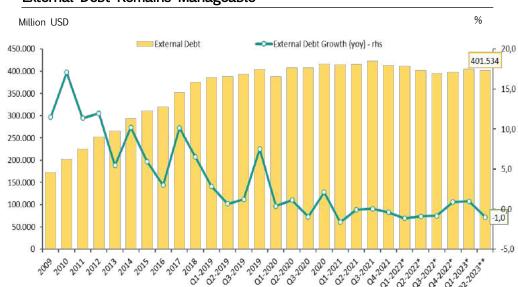
Healthy External Debt Profile



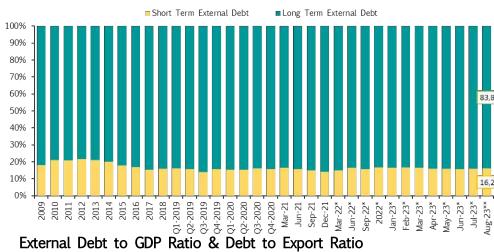
External Debt Structure

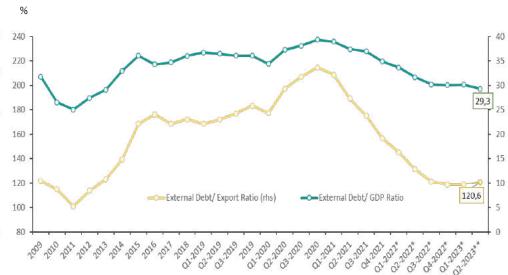


External Debt Remains Manageable



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



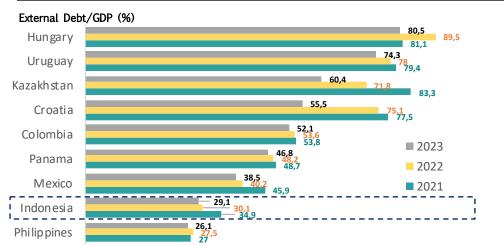


Strengthened Private External Debt Risk Management



85

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

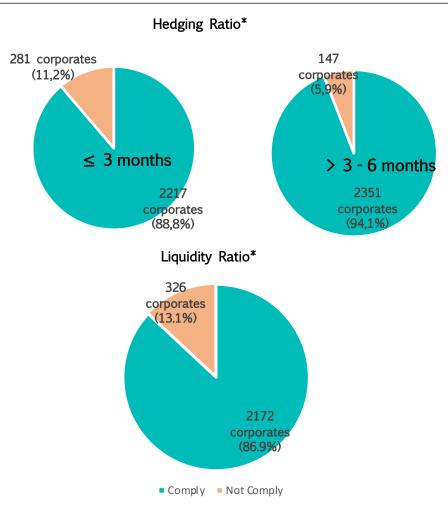


Source: Moody's Credit View Fundamental Data, September 2023

Regulation on Prudential Principle in Managing External Debt

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

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



^{*}Data as of Q1-2023, with total population 2,498 corporates Source: Bank Indonesia

Source: Bank Indonesia



Section 5

Fiscal Performance and Flexibility: Strong Commitment in Maintaining Fiscal Credibility

SOLID BUDGET PERFORMANCE CONTINUES



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

	202	22			2023		
Account (IDR Tn)	Audited	Growth¹ (%)	Budget	Growth ² (%)	Real. 31 st Sept	% to Budget	Growth (%)
Revenue	2,635,8	30.6	2,463.6	(6.2)	2,035.6	82.6	3.1
Tax Revenue	2,034.6	31.4	2,021.2	(0.7)	1,583.3	78.3	2.6
Non Tax Revenue	595.6	28.3	441.4	(25.0)	451.5	102.3	4.6
Expenditure	3,096.3	10.9	3,061.2	(1.0)	1,967.9	64.3	2.8
Central Government Expenditure	2,280.0	13.7	2,246.5	(1.2)	1,396.9	62.2	2.6
Transfer to Region	816.2	3.9	814.7	(0.2)	571.0	70.1	3.3
Primary Balance	(74.1)	(81.9)	(156.8)	(101.0)	389.7	(248.6)	14.7
Surplus (Deficit)	(460.4)	(40.1)	(598.2)	(28.8)	67.7	(11.3)	10.6
% to GDP	(2.35)		(2.84)		0.32		
Financing	591.0	(33.1)	598.2	2.5	163.0	27.2	(62.3)

Government Revenue

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

Government Expenditure

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

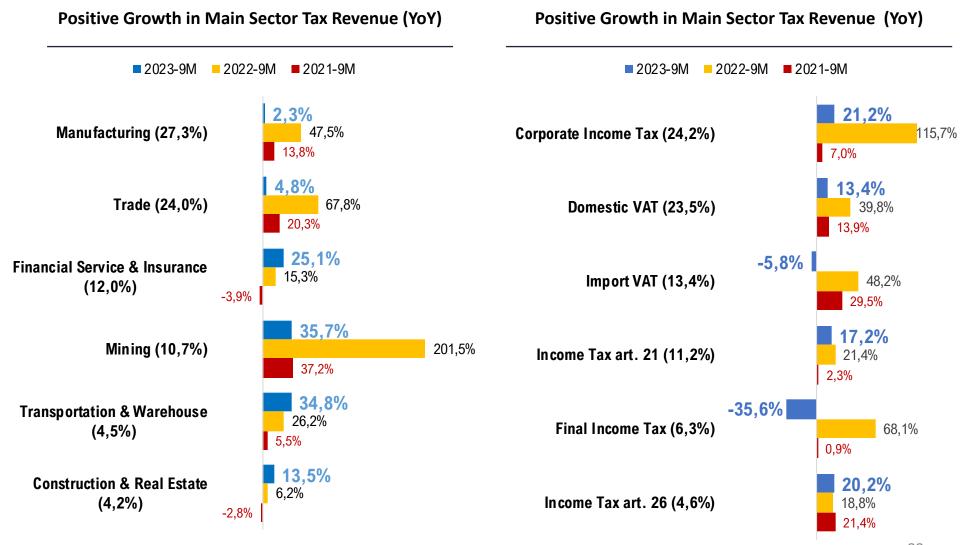
Government Financing

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

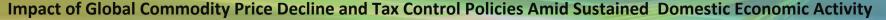
SOLID BUDGET PERFORMANCE SUPPORTED BY SUSTAINED REVENUE COLLECTION



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



CUSTOMS AND EXCISE REVENUE CONTRACTION





IMPORT DUTY IDR 36.9T

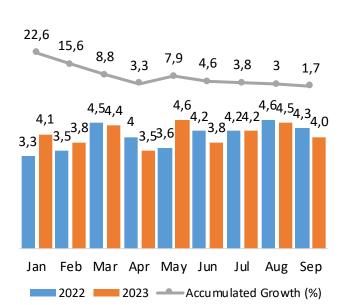
77.6% of Budget

IDR Trillion

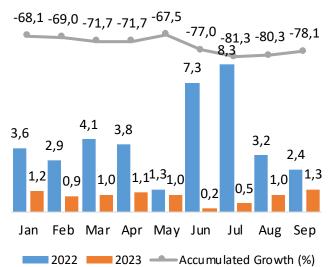
EXPORT DUTY IDR 8.1T

79.4% of Budget

IDR Trillion

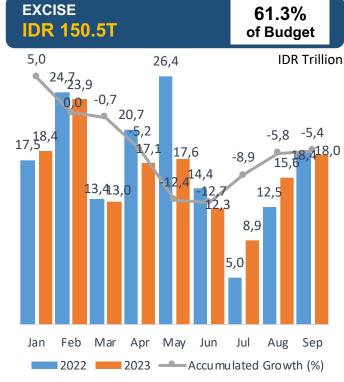


Import Duty performance in September grew 1.7% year-on-year, despite slowing import activity (-8.3% year-on-year). This increase is due to a 1.44% effective tariff rise from the growth of high-duty imports, supported by stable domestic economic activity and a 3.7% year-on-year USD exchange rate boost.



Export Duty through September 2023 fell by 78.1% year-on-year, driven by:

- An 82.1% drop in palm oil product revenue due to lower CPO prices, despite increased export volume.
- A 54.3% decline in copper revenue, primarily from a 13.5% drop in copper export volume year-on-year.



- Tobacco Product Excise revenue down 5.4% through September, linked to a 3.6% production drop until July and a 0.5% tariff reduction.
- Beverage Containing Ethyl Alcohol excise revenue dropped 1.2% due to a 1.6% production decrease.
- Ethyl Alcohol excise revenue fell 7.5% due to a 7.7% production decrease

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

Jan Feb Mar Apr May Jun Jul

non-banking sectors

The increase is contributed by the

dividend payments from state-owned

enterprises in both the banking and



164.4%

of Budget

79.1%

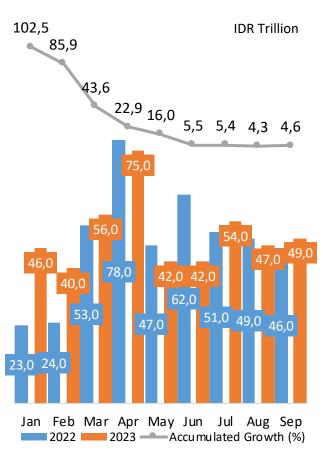
11,7

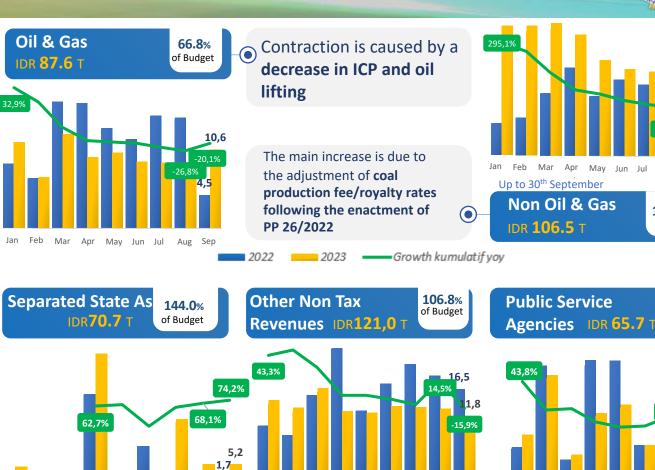
-2.8%

of Budget

-5.8%

As of the end of September, Non-Tax Revenue has reached 102.3% of the budget target. This accomplishment is primarily attributed to the increase in Non-Oil Natural Resource Revenue and Separated State Wealth Revenue.





Mar Apr May Jun Jul

Contraction is caused by a decrease

in non-tax revenue and crude oil

revenue (Domestic Market

Obligation or DMO)

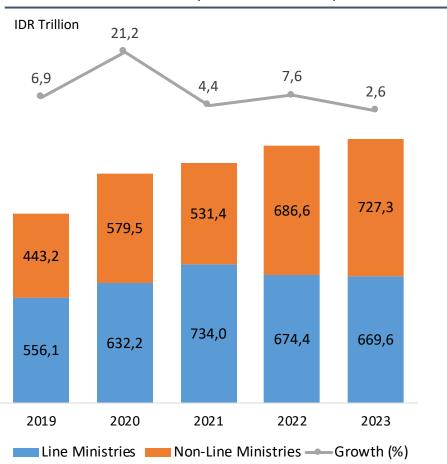
Jan Feb Mar Apr May Jun Jul Aug Sep

The main contraction comes from a

CENTRAL GOVERNMENT EXPENDITURE PERFORMANCE



Central Government Expenditure as of September 2023



Central government spending until September 2023 has been realized at IDR 1,396.9 trillion (62.2% of the allocation), comprising:

1 Line Ministries Spending IDR669.6 T*

(66.9% of Budget)

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

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

2. Non- Line Ministries Spending IDR727.3 T (58.4% of Budget)

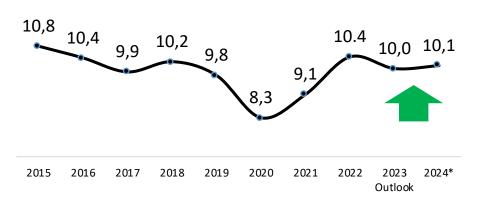
Realization of subsidies and compensations (for fuel and electricity), the Pre-Employment program, as well as fertilizer subsidies.

STRONGER BUDGET PERFORMANCE HAS EASED FISCAL PRESSURES

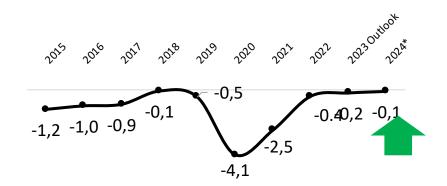


Fiscal position has continued to improve

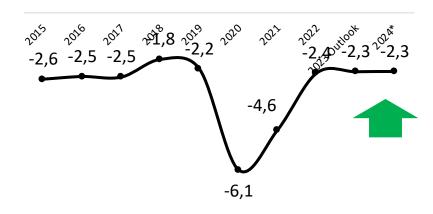
Tax ratio increases in line with stronger recovery (% GDP)



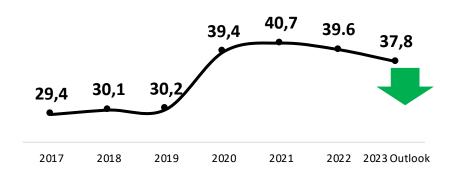
Primary Balance is trending up (% GDP)



Overall budget position improved significantly (% GDP)



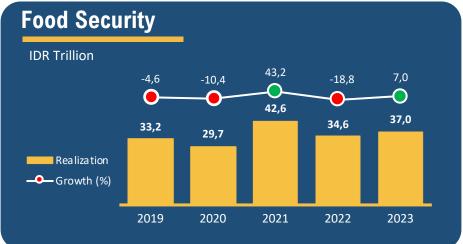
Fiscal pressures has eased (% of GDP)



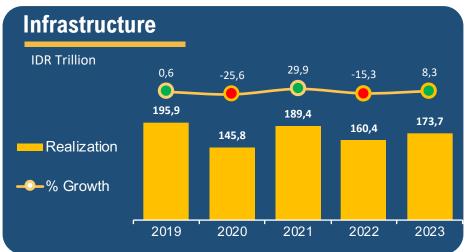
STRATEGIC FOCUS FOR 2023: PRIORITIZING HEALTH, FOOD SECURITY, HUMAN CAPITAL, AND INFRASTRUCTURE DEVELOPMENT







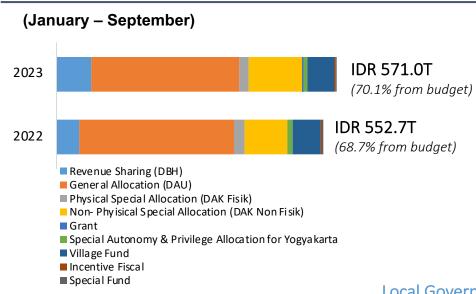




INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE



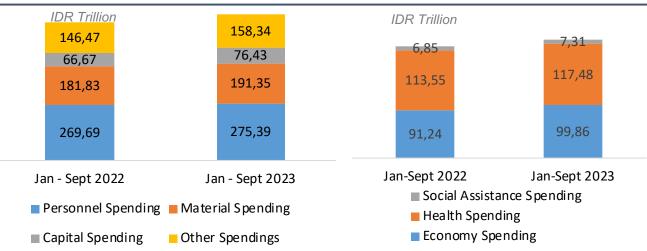
Transfer to Region Fund



- Increased DBH, particularly driven by the rise in DBH allocation, especially in Tobacco Excise, Mining, and Oil & Gas.
- Elevated Non-Physical DAK, primarily due to enhanced compliance in meeting distribution requirements.
- (70.1% from budget) Reduced Fiscal Incentives owing to an earlier disbursement schedule in 2022 compared to the current year.
 - Decreased DAU, as the utilization of DAU for P3K Payroll awaits local government compliance.
 - Lower Special Autonomy allocation resulting from the reduction of Aceh's Special Autonomy allocation from 2% to 1% of National DAU, with several regions yet to fulfill distribution criteria.
 - In nominal terms, a reduced Physical DAK allocation due to a lower budget compared to the previous year. Nonetheless, the disbursement has increased proportionally.
 - Diminished Village Fund disbursement owing to the delayed allocation of additional funds

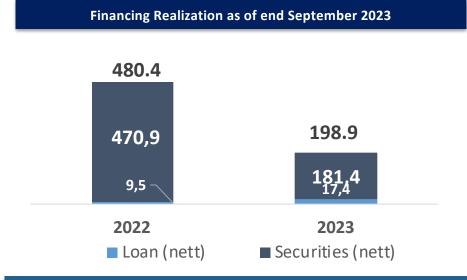
Local Government Performance

Local Government spending realization has grown by 5.5% year-on-year, driven by improved absorption of personnel, operational, capital, and other expenses. Regions need to maintain their good realization performance through the end of the year.



UP TO SEPTEMBER 2023, BUDGET FINANCING CONTROLLED AMID GLOBAL MARKET VOLATILITY & GOVERNMENT LIQUIDITY





Domestic Loan (Net)
IDR 3.69 T

- Domestic Loan Withdrawal (Gross) IDR 5.71T
- Domestic loan principal installment financing
 IDR (2.02T)

Foreign Loan (Net)
IDR 13.76 T

- Foreign Loan Withdrawal (Gross) IDR 70.74T
- Foreign loan principal installment financing IDR (56.98T)

Accelerate Investment in Priority Sectors for The Welfare of The Society



Housing Financing Liquidity Facility IDR 97.78T (Total Fund from 2010 to September 2023)

As of Sept 31, 2023, a total of 166,833 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 392 cities/regencies



State Asset Management Agency
Total Fund Allocation: 144.46 trillion
(from 2016 to September 2023)

- The total fund allocation for LMAN in 2023 is 25.4 trillion IDR. As of September 2023, 12.3 trillion IDR has been disbursed.
- Up to September 2023, National Strategic Projects with a total value of 117.99 trillion IDR have been funded.



Education Fund Management Agency (LPDP) IDR 8T (2023 Funding Target)

Total Endowment Fund as of Dec 2023 IDR 139.11T



International Development Cooperation Fund (LDKPI)
Grant disbursement as of Sept 2023 amounting IDR IDR137.6B to many countries in Latin America and Caribbean, Africa, Asia, and Pacific.

FISCAL POLICY DIRECTED TO SUPPORT ACCELERATION OF ECONOMIC TRANSFORMATION



Fiscal Policy Theme 2024: Accelerating Inclusive and Sustainable Economic Transformation



Short-term Policy Focus

Inflation control (price stability)

Eradication of extreme poverty

Reduction of stunting prevalence

Increased investment

The role of the budget policy:

Stabilization and addressing urgent issues (Stunting, extreme poverty)

Medium – Long Policy Focus

Human Capital Gap

Infrastructure Gap

Institutional Gap

The role of the budget policy:
Accelerating Structural Reforms

Transformasi Ekonomi

Productivity

Low → High

Value Added

Low → High

Environmental

Brown → clean & green

Economic Base

Narrow → Broad-based & inklusif



2024 BUDGET POSTURES

Focused on expediting inclusive and sustainable economic transformation



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

MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

3	X	=	1	
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Economic 5.2% (yoy)



Inflation 2.8% (yoy)



Exchange rate IDR15.000/US\$



Oil Price/ICP

USD82/barrel



10Y T-Bonds Rate

6.7%



Oil Lifting

635 Thousand bpd



Gas Lifting

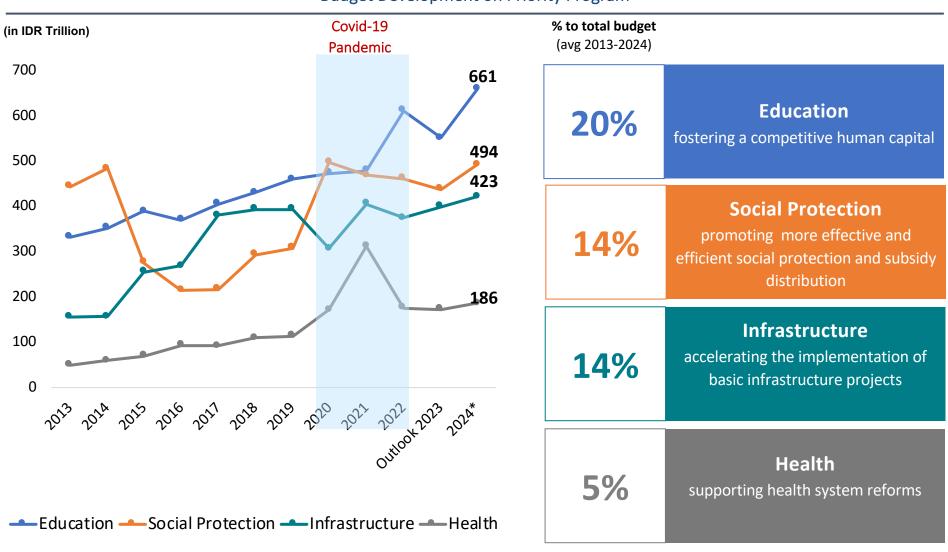
1,033 Thousand bsmpd

BUDGET SUPPORTS FOR STRUCTURAL REFORM AGENDA WELL MAINTAINED

Budget allocation for prioritized sectors on the upward trend



Budget Development on Priority Program



BUDGET PRIORITIES 2024 TO SUPPORT ECONOMIC TRANSFORMATION













Education

(IDR660.8 T)

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

Health

(IDR186.4 T)

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

Social Protection (IDR493.5 T)

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

Infrastructure

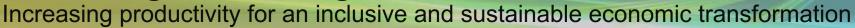
(IDR422.7 T)

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

Food Security (IDR108.8 T)

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

2023 Budget Financing





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

Macroeconomic Assumption for 2023 Budget



Economic Growth 5.3%



Inflation 3.6%



Exchange Rate IDR14,800/USD



10Y T-Bonds Rate 7.90%



US\$90/barrel



Oil Lifting 660 thousand barrel/day



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

2023 Development Target



Unemployment rate 5.3-6.0



Human Development Index 73.31 - 73.49



Gini Ratio 0.375 - 0.378





Peasant Exchnage Rate 105 - 107



Poverty Level 7.5-8.5



Fisherman Exchnage Rate 107 - 108

2023 Fiscal Policy Focus













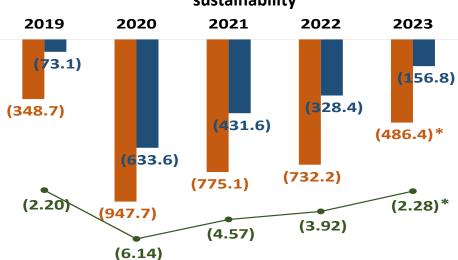
Human Resources Infrastructure

Bureaucratic Reform

Industrial Revitalization

Green Economy

The 2023 State Budget supports consolidation to maintain fiscal sustainability



Deficit (trillion rupiah)

Primary Balance (trillion rupiah)

Deficit of GDP (%)

* 1st Semester Report Outlook

Strengthening the Role of the APBN and Continuing Quality Fiscal Consolidation

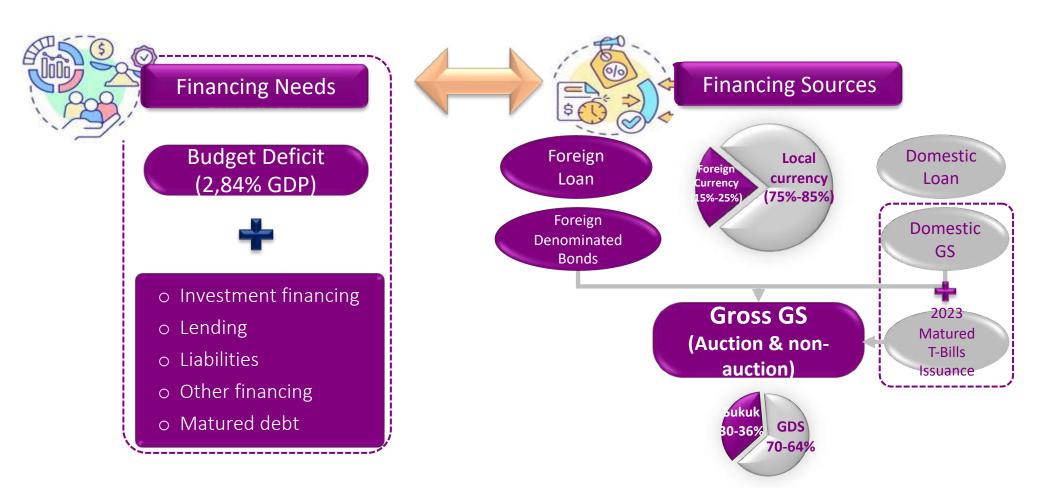
Revenue Mobilization

Quality Expenditure

Innovative Financing

2023 Financing Needs





2023 Financing Policies



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

General debt policy direction



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



Prioritizing domestic sources of financing to increase financial independence



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



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



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

DEBT FINANCING

As of August 31st, 2023



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

Debt Financing Realization

Rp 198.9 (28.6%)

Government Securities

(Net)

Loan

(Net)

Rp**181.4**

Rp**17.5**

Disbursed Foreign Loan Rp70.7

Note:

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

GS Financing Realization 2023



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

Republic of Indonesia USD3 bn Global Bonds Issuance



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

Transaction Highlight

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





■EMEA



Asset Managers / Fund Managers Central Banks / SWFs

Private Bank

US

Insurance / Pension Fund

Republic of Indonesia JPY104,8 bn Samurai Bonds Issuance

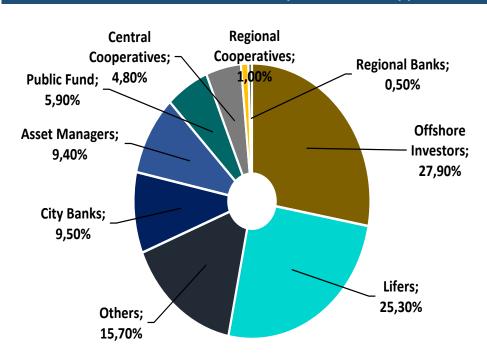


Series	RIJPY0526B	RIJPY0528B	RIJPY0530 (<i>Blue SB</i>)	RIJPY0533 (Blue SB)	
Tenor	3 Years	5 Years	7 Years	10 Years	
Maturity Date	May 26, 2026	May 26, 2028	May 24, 2030	May 26, 2033	
Pricing Date		19 M	ei 2023		
Settlement Date	26 Mei 2023				
Size	JPY46.9 Bio	JPY37.2 Bio	JPY14.7 Bio	JPY6 Bio	
Yield/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

Transaction Highlight

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

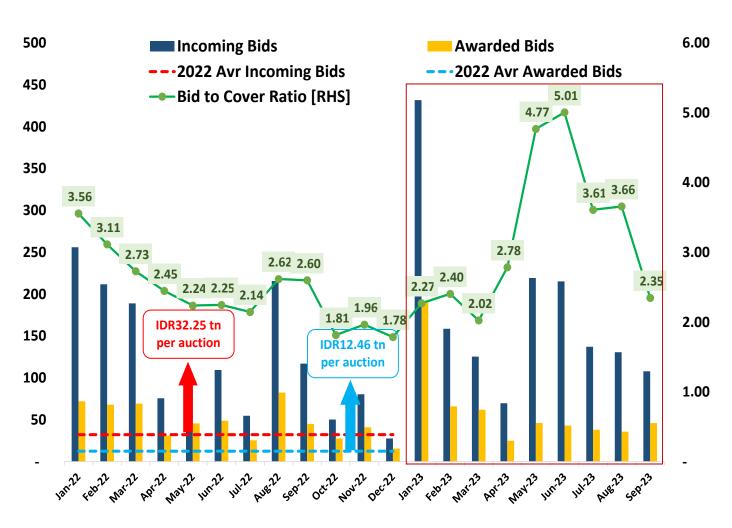
Investor breakdown by Investor Type



Primary Market Performance 2022 – 2023



Government Securities (GS)



In 2023:

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

Source: Ministry of Finance 108

Ownership Of Tradable Domestic Government Securities



Description	Dec-1	9	Dec-20)	Dec-2	1	Dec-2	2	Sep-2	3
Banks*	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,697.43	31.97%	1,636.21	29.73%
Govt Institutions (Bank Indonesia**)	262.49	9.54%	454.36	11.74%	801.46	17.13%	1,020.02	19.21%	930.61	16.91%
Bank Indonesia (gross)	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,453.58	27.38%	1,359.05	24.69%
GSused for Monetary Operation	10.72	0.39%	420.51	10.86%	419.27	8.96%	433.57	8.17%	428.44	7.78%
Non-Banks	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,591.98	48.82%	2,937.58	53.37%
Mutual Funds	130.86	4.75%	161.32	4.17%	157.93	3.38%	145.82	2.75%	182.04	3.31%
Insurance Company and Pension Fund	471.67	17.13%	542.82	14.02%	655.24	14.00%	873.03	16.44%	1,010.16	18.35%
Foreign Holders	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	762.19	14.36%	823.00	14.95%
Foreign Govt's & Central Banks	194.45	7.06%	178.31	4.61%	233.45	4.99%	203.11	3.83%	234.14	4.25%
Individual	81.17	2.95%	131.21	3.39%	221.41	4.73%	344.30	6.48%	406.32	7.38%
Others	163.32	5.93%	231.57	5.98%	360.47	7.70%	466.65	8.79%	516.05	9.38%
Total	2,752.74	100%	3,870.76	100%	4,678.98	100%	5,309.43	100%	5,425.54	100%

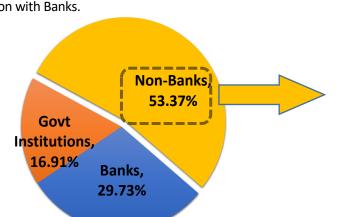
68.24%

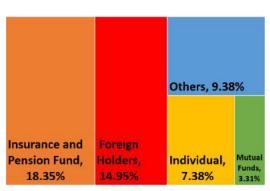
Portion of foreign ownership in the mid & long term sector (≥ 5 years)

IDR 1,092.02T

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

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





Source: Ministry of Finance 109

Holders of Tradable Central Government Securities

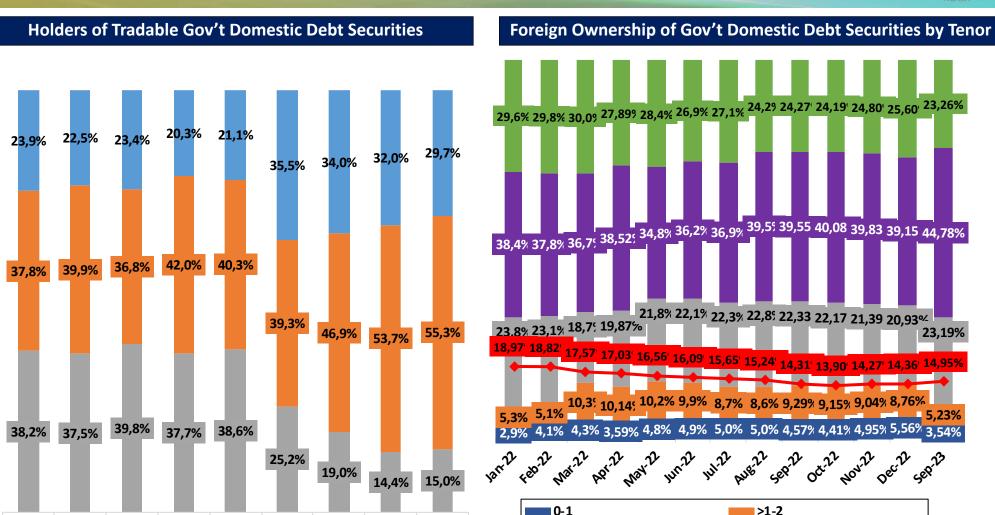
Domestic Banks

Balanced Ownership In Terms of Holders and Tenors

Dec-15 Dec-16 Dec-17 Dec-18 Dec-19 Dec-20 Dec-21 Dec-22 Sep-23

Domestic Non Banks





>2-5

=>10

>5-10

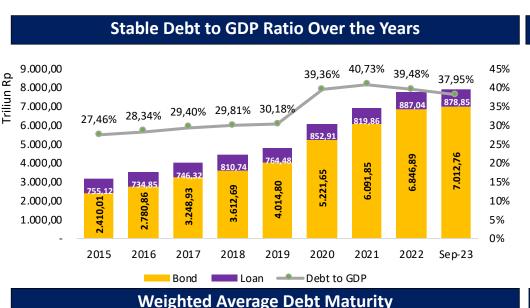
→ % Foreign Ownership of Total

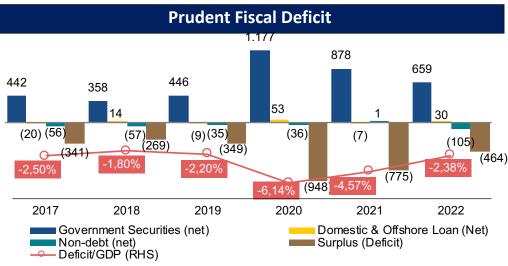
Source: Ministry of Finance

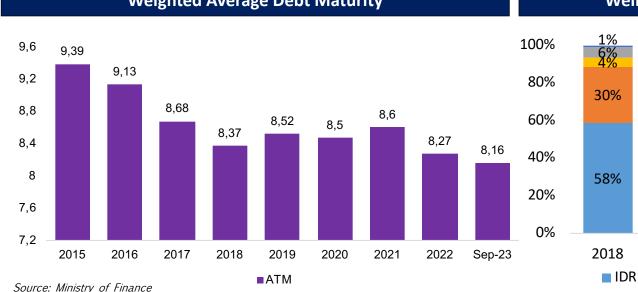
■ Foreign Holders

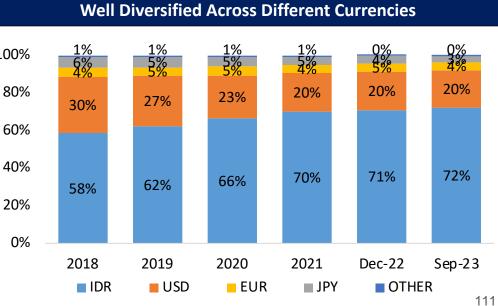
Disciplined and Advanced Debt Portfolio Management





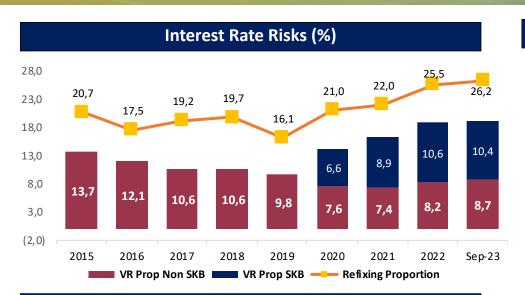


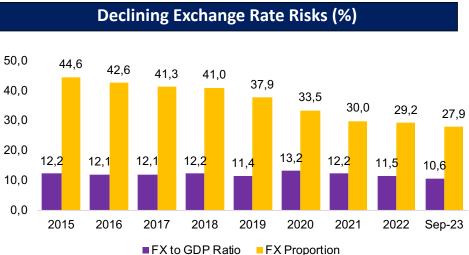




Well Balanced Maturity Profile with Strong Resilience Against External Shocks

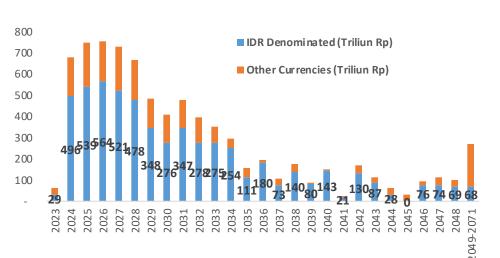


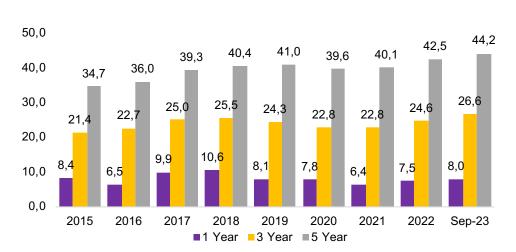




Debt Maturity Profile

Upcoming Maturities (Next 5 Years) (%)





Source: Ministry of Finance

GOVERNMENT GUARANTEE FOR BASIC INFRASTRUCTURE DEVELOPMENT



Reflects strong commitment to national development planning

Government Guarantee Program

Credit Guarantee

Business Viability Guarantee (BVG)

PPP Guarantee

Political Risk Guarantee

Source: Ministry of Finance

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

Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligations under FTP 1 10.000MW and 35GW programs*

 Clean water – Guarantee for 70% of PDAM's debt principal payment obligations

- Toll road Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads
- Infrastructure Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing
- Public Transportation (Light Rail Transit) Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek

Power (Electricity) — Guarantee for PT PLN's obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*

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

Contingent Liabilities from Government Guarantee as of Q4 2022**

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

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

113

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

^{**)} Currency conversion of IDR15,731/USD1 and IDR16,712/EUR1 (30 Dec 2022)



Section 6

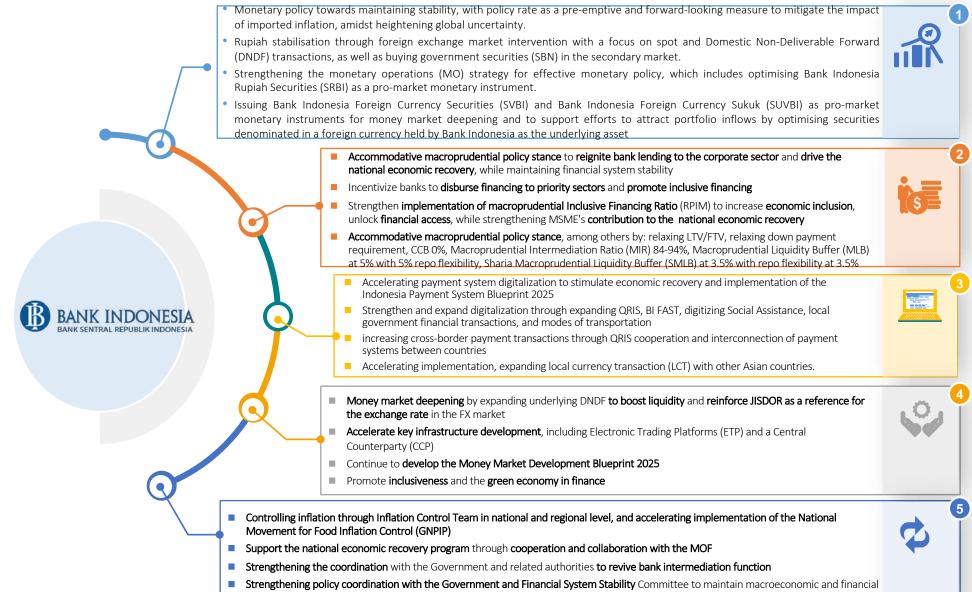
Monetary and Financial Factor: Credible Monetary Policy Track Record and Favourable Financial Sector

Bank Indonesia's Policy Mix Direction in 2023

Maintaining Stability, Reviving Economic Growth

system stability





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





The BI Board of Governors Meeting agreed on 18-19th October 2023 to raise the BI 7-Day Reverse Repo Rate (BI7DRR) by 25bps to 6.00%, while also raising the Deposit Facility (DF) rate and Lending Facility (LF) rate by 25bps to 5.25% and 6.75% respectively.















Raise the BI 7-Day Reverse Repo Rate (BI7DRR) by 25bps to 6.00%

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

Strengthening the monetary operations (MO) strategy for effective monetary policy, which includes optimising Bank Indonesia Rupiah Securities (SRBI) as a promarket monetary instrument.

Issuing Bank Indonesia Foreign Currency Securities (SVBI) and Bank Indonesia Foreign Currency Sukuk (SUVBI) as pro-market monetary instruments for money market deepening and to support efforts to attract portfolio inflows by optimising securities denominated in a foreign currency held by Bank Indonesia as the underlying asset

Strengthening the implementation of accommodative macroprudential policy to revive sustainable economic growth by:

- implementing the Macroprudential Liquidity Policy Incentives (KLM) effectively to revive bank lending/financing to priority sectors, including downstream sectors (mineral and coal mining, agriculture, plantation crops and fishing), housing (including public housing), tourism and the creative economy, MSMEs, People's Business Loans (KUR), microloans and green loans, effective from 1st October 2023,
- holding the: (a) Countercyclical Capital Buffer (CCyB) at 0%, and (b) Macroprudential Intermediation Ratio (MIR) in the 84-94% range.
- maintaining a loose Loan/Financing-to-Value (LTV/FTV)
 Ratio on property loans/financing up to a maximum of
 100% for all property types (landed house, apartment, and
 home store/home office) for banks meeting specific
 NPL/NPF criteria, to revive credit growth in the property
 sector while upholding risk management and prudential
 principles, effective from 1st January 31st December
 2024, and
- maintaining loose downpayment requirements on automotive loans/financing down to 0% for purchases of all new cars to revive credit growth in the automotive sector while upholding risk management and prudential principles, effective from 1st January - 31st December 2024.

Releasing liquidity by lowering the Macroprudential Liquidity Buffer (MPLB) 100bps from 6% to 5% for conventional commercial banks,

MPLB by 100bps from 4.5% to 3.5% for sharia commercial banks/sharia business units, with repo flexibility of 3.5%. This aims to provide greater flexibility in terms of liquidity management in the

with repo flexibility of

5%, and the sharia

increase loan
disbursements and
advanced financial
market deepening,
effective from 1st
December 2023.

banking industry to

Deepening prime lending rate (PLR) transparency policy with a focus on interest rates by sector Accelerating payment system digitalisation towards greater transaction efficiency and expanding the digital economy and finance ecosystem to support sustainable economic growth by:

- expanding cross-border QRIS cooperation and implementation, which includes launching the cross-border QRIS payment linkage between Indonesia and Singapore,
- expanding the acceptance of the Indonesia Credit Card (Kartu Kredit Indonesia - KKI) in the government segment through a more intensive education and socialisation program with greater outreach, and
- monitoring and achieving the QRIS targets for 2023, while preparing for implementation of QRIS Withdrawal, Transfer and Deposit (TUNTAS) and the merchant discount rate (MDR) for micro enterprises.

Monetary Policy will focus on stability

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



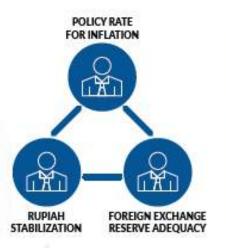
MITIGATING THE IMPACT OF GLOBAL SHOCK SPILLOVER

STAGNATION - RECESSION -HIGH INFLATION GLOBAL POLICY RATE "HIGHER FOR LONGER" STRONG US DOLLAR AND WEAKENING CURRENCY ACROSS THE WORLD HIGH RISK PERCEPTION AND "CASH IS THE KING"

Monetary Policy "Pro Stability":

Front Loaded, Pre-emptive, Forward Looking

MONETARY POLICY TRILEMMA





TARGET CORE INFLATION WITHIN TARGET 3±1% ON THE FIRST HALF OF 2023 AND RUPIAH EXCHANGE RATE STABILIZATION POLICY

On a front loaded, pre-emptive and forward looking basis to lower inflation expectation and core inflation ealier, in the first half of 2023

Exchange Rate
Stabilization of Rupish exchange rate to control inflation, particularly imported inflation, through spot intervention, DNDF, and SBN transaction in secondary market

SBN sale/purchase in secondary market to maintain the attractiveness of SBN yield to draw foreign portfolio investment in order to strengthen the stabilization of Rupiah exchange rate 2

COORDINATION WITH GOVERNMENT

- 1. Inflation control with TPIP/TPID and GNPIP
- 2. Fiscal-Monetary coordination
- 3. Development of priority sector





STRENGTHEN THE STRATEGY OF INTEGRATED MONETARY POLICY MANAGEMENT

OPTIMIZATION OF FOREIGN EXCHANGE RESERVE MANAGEMENT

Policy Rate

BI7DRR

Twist

Operation

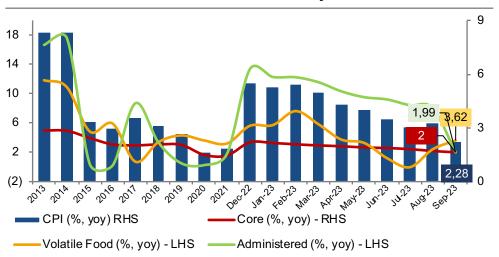
RUPIAH AND FOREIGN CURRENCY MONEY MARKET DEEPENING

SYNERGY AND COORDINATION

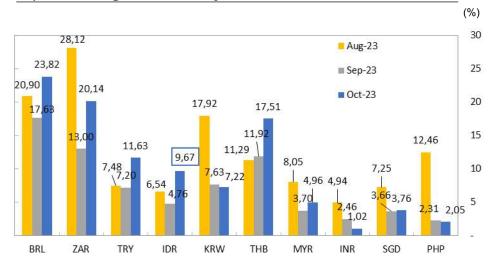
Manageable Monetary Environment amid Heightened Global Uncertainty



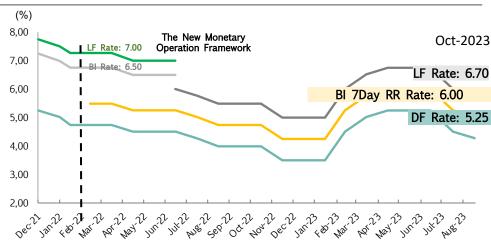
Well Maintained Inflation Ensured Price Stability



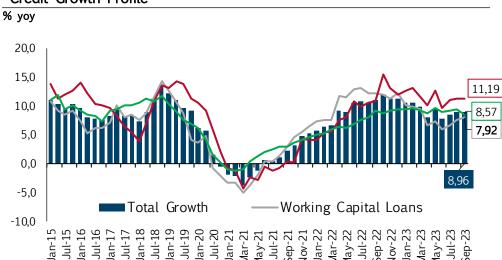
Rupiah Exchange Rate Volatilty



Strengthened Monetary Policy Framework



Credit Growth Profile



Source: Reuters, Bloomberg (calculated)

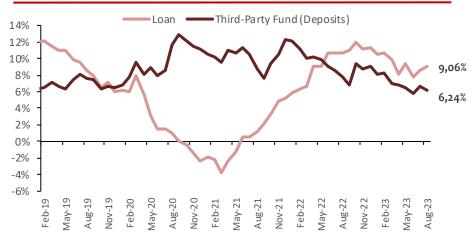
Banking Intermediation

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



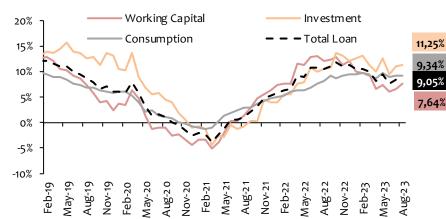


In August 2023, bank loans and third-party funds (total deposits) grew by 9.06% (yoy) and 6.24% (yoy), respectively.





All types of loans maintained their positive trend in **August 2023**, with **investment** loans, in particular, grew by **11.25%** (yoy).

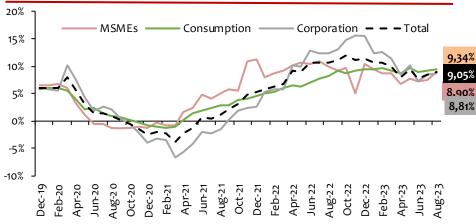


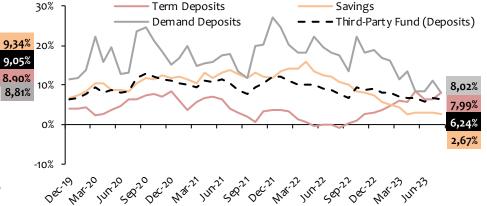


Loan growth by segmentation continued to improve in **August 2023**, with major contribution from **Consumption loans**, with **9.34% (yoy)** growth.



Third-Party Funds (Total Deposits) grew steadily in **August 2023**, driven by increased household consumption particularly in **Demand Deposits**, which increased by **8.02%** (yoy).

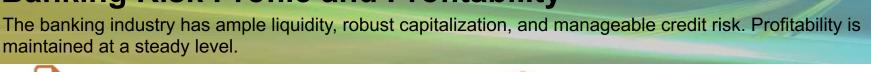




Banking Risk Profile and Profitability

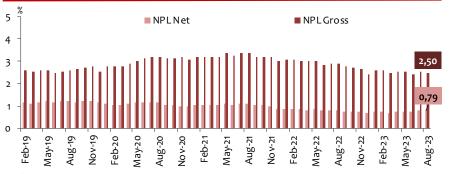


maintained at a steady level.





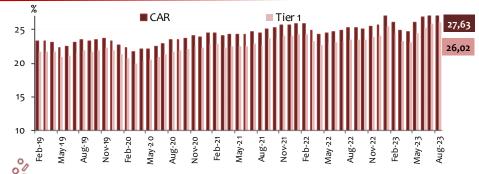
The banking NPL ratios were manageable in August 2023, recorded at 2.50% gross and 0.79% net, significantly below the threshold.



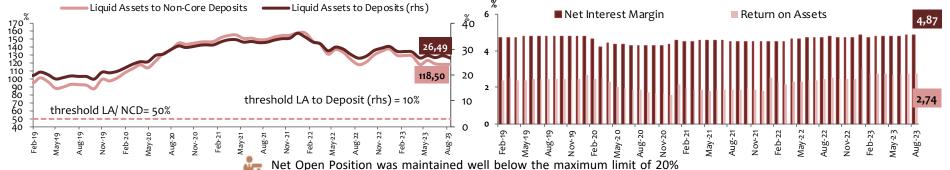
Liquid Assets to Non-Core Deposits and Liquid Assets to Third-Party Funds (Total Deposits) remained well above the thresholds.



The banking sector's Capital Adequacy Ratio (CAR) was steady with a value of 27.63% and Tier-1 capital stood at 26.02% as of August 2023.



The banking industry's profitability remained steady with NIM at 4.87% and ROA at 2.74%, as of August 2023.



and stood at 1.72% in August 2023.



Multi-finance Companies

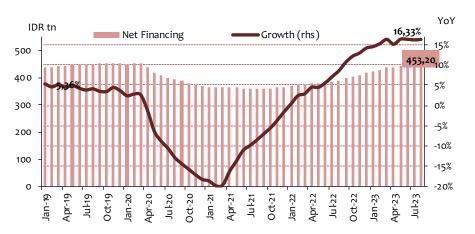


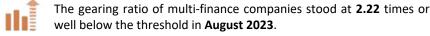
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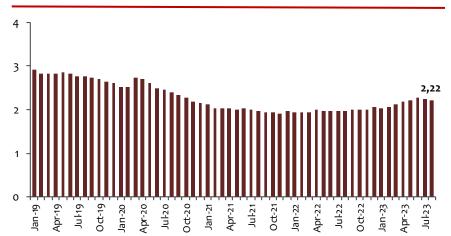
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable Non-Performing Financing (NPF) ratio, and a stable gearing ratio.



In **August 2023**, net financing continued its increasing trend and stood at **IDR453.2 Tn** or growing by **16.33%** yoy.

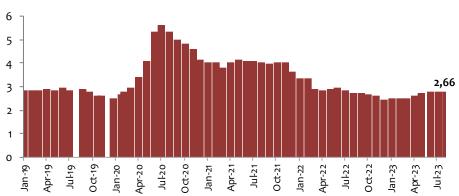






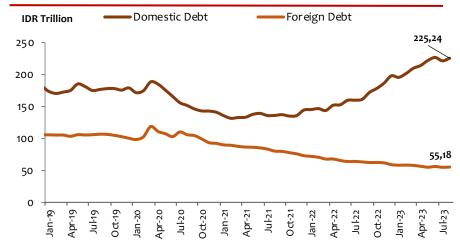


The Non-Performing Financing ratio of multi-finance companies improved as shown by a decrease from 2.69% to **2.66%** in **August 2023**, well below the 5% threshold.*)





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



Insurance and Pension Funds



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

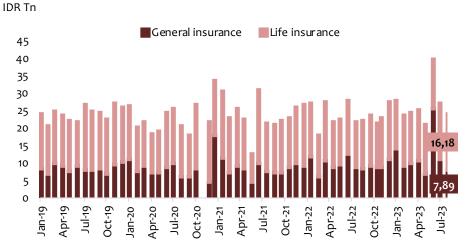


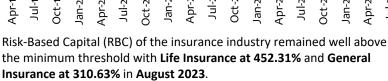
In August 2023, insurance premiums marked a total increase of IDR24.07Tn (mtm) with General and Life insurance added premiums at IDR7.89Tn and IDR16.18 Tn, respectively.

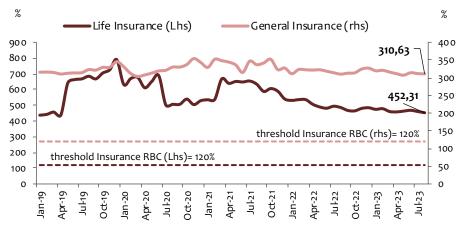


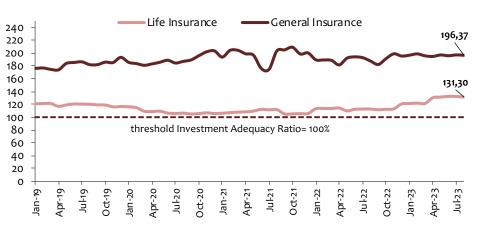
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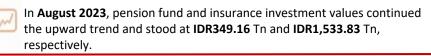
In **August 2023**, the Investment Adequacy Ratio of both Life Insurance and General Insurance stayed well above the threshold at **131.3%** and **196.37%**, respectively.

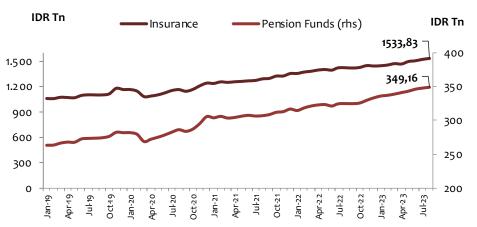












Domestic Capital Market Performance



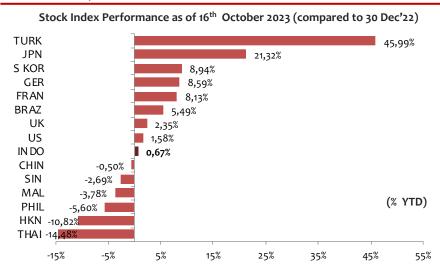
Indonesia's capital market proved to be resilient, supported by positive external performance and growing domestic demand.

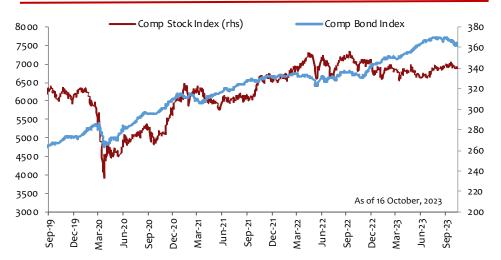
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Geopolitical risk have return to the global indices market, however major indices are still in rally while some emerging markets fell into negative territory.



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





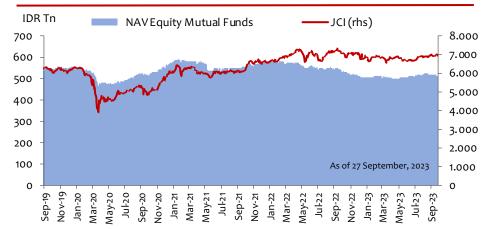


Government bond yields remained competitive, followed by a stable rupiah as the risk premium was maintained.





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



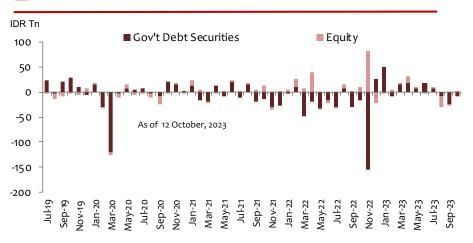
Domestic Capital Market Performance

Several capital market indicators recorded positive performance and remained stable.

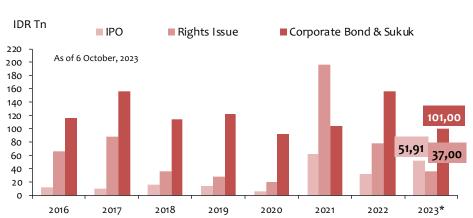




Non-resident portfolios of government bonds and equity market recorded a **YTD net buy of IDR61.93Tn** as of 12th October 2023.

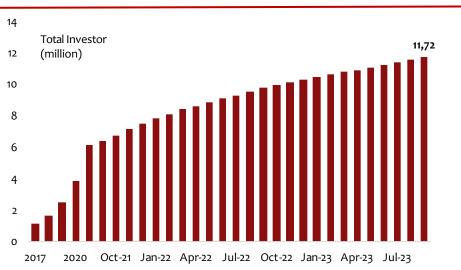


Total securities issuance reached IDR189.91 Tn (YTD) as of 6th October 2023.





Capital Market Investors continued to grow to 11.72 million by the end of September 2023, representing a **13.76% (yoy) increase.**



Fintech (Peer to Peer Lending and Securities Crowdfunding)



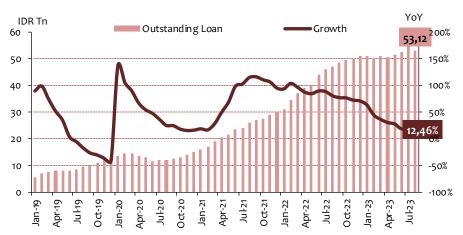
Peer to Peer Lending (P2PL) Fintech intermediation grows with an improving NPL ratio and Securities Crowdfunding fundraising continues to rise.

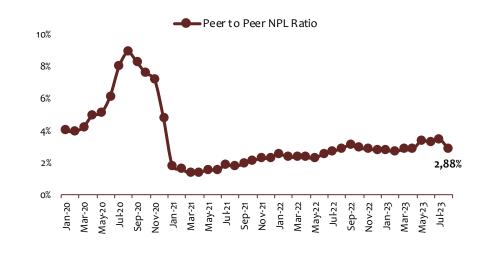


The outstanding loan of P2PL Fintech stood at **IDR53.12Tn** or grew by **12.46%** (yoy) as of **August 2023**.



The Non-Performing Loan ratio of P2PL Fintech decreased from 3.47% to 2.88% in **August 2023.**



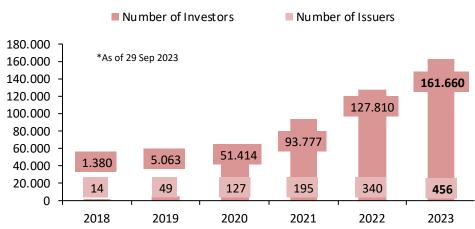


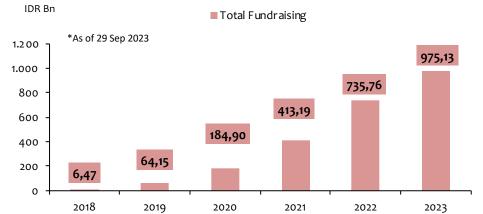


The total number of investors and issuers in Securities Crowdfunding increased to **161,660** and **456**, respectively, as of 29 September 2023.



Continuing the positive trend, the total value of SCF fundraising stood at **IDR975.13 billion** as of 29 September 2023.





OJK Policy Directions 2023

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





Strengthening the Financial Services Sector

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



Maintaining Economic Growth

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



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

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

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

OJK Policy Directions 2023

Extended Loans and Financing Restructuring Policy



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

Targeted Segments of Covid-19 Restructured Loan



MSME segment (covering all sectors)



Accommodation and food service activities



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

Act No. 4/2023 - Financial Sector Reform



FUNDAMENTAL ISSUES

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

EXTERNAL CHALLENGES

Technology Disruptions

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

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

OTORITAS JASA KEUANGAN Indonesia Financial Services Authority

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

BANK INDONESIA The Central Bank of The Republic of Indonesia

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

LEMBAGA PENJAMIN SIMPANAN Indonesia Deposit Insurance Corporation

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

KEMENTERIAN KEUANGAN The Ministry of Finance

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

Act No. 4/2023 - Substances



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

CHAP.	TFR I	General	Provisions
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CHAPTER II. Principles, Purposes, Objectives and Scope

CHAPTER III Institutional Aspect

CHAPTER IV Bank

CHAPTER V Capital Market, Money Market and Foreign Exchange Market

CHAPTER VI Insurance

CHAPTER VII Mutual Insurance

CHAPTER VIII Policy Guarantee Program

CHAPTER IX Guarantee Agencies

CHAPTER X Financing Service Business

CHAPTER XI Bullion Business Activity

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

CHAPTER XIII Cooperative in the Financial Services Sector

CHAPTER XIV Microfinance Institution

CHAPTER XV Financial Conglomerate

CHAPTER XVI Financial Sector Technology Innovation

CHAPTER XVII Sustainable Finance Implementation

CHAPTER XVIII Financial Literacy, Financial Inclusion and Consumer Protection

CHAPTER XIX Access to Micro, Small, and Medium Financing

CHAPTER XX Human Resources

CHAPTER XXI Financial System Stability

CHAPTER XXII Indonesia's Export Financing Institutions

CHAPTER XXIII Administrative Sanction

CHAPTER XXIV Criminal Provisions

CHAPTER XXV Other Provisions

CHAPTER XXVI Transition Provisions

CHAPTER XXVII Closing Provisions

Macroprudential Policy remains accommodative in 2023

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



MACRO-FINANCIAL LINKAGES: OPPORTUNITIES AND CHALLENGES

ECONOMIC GROWTH AND INFLATION-PERFORMANCE OF CORPORATE AND HOUSEHOLD

NORMALIZATION OF FISCAL AND MONETARY POLICY

TARGET

Macroprudential

Macro systemic

surveillance on financial system stability

Economic

and Financial

EXCHANGE RATE VOLATILITY AND FOREIGN DEBT

INCREASE OF SBN YIELD AND MARKED TO MARKET BALANCE SHEET

MACROPRUDENTIAL POLICY "Pro Growth"

Balanced Intermediation, Sound and Resilience Financial System, **Economic-Financial Inclusion**

MACROPRUDENTIAL POLICY TRILEMMA BALANCED INTERMEDIATION





CREDIT GROWTH AT 10-12%, MAINTAINED FINANCIAL SYSTEM STABILITY'S RESILIENCE AGAINST RISKS, AND **GROWING MSMEs**

> Loosening all instrument of macroprudential policy and providing incentive on credit/financing provision to banks

Strengthening systemic surveillance on banks' resilience against liquidity risks, market risks (exchange rate and SBN yield), and credit risks

Expanding MSMEs Go Export and Go Digital program, as well as strengthening financial literacy and consumer protection on products under Bank Indonesia's licensing



FINANCIAL SYSTEM STABILITY COMMITTEE (KSSK)

- Strengthening resilience and financial system stability risk's
- Increasing credit/financing to real sector
- Financial sector reform











MIR RR Incentive MPLB LTV & DP CCyB

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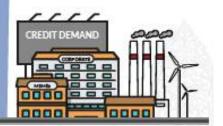
RPIM

FINANCING

Transparency of SBDK

Policy Synergy

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Bank Indonesia's Comprehensive Financial Deepening Program

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



STRENGTHENING INTEGRATED MONETARY OPERATION STRATEGY OPTIMIZATION OF FOREIGN EXCHANGE RESERVE ASSET MANAGEMENT MONEY MARKET AND FOREIGN EXCHANGE MARKET DEEPENING

SINERGY & COORDINATION

Money Market Deepening Policy "Pro-Growth":

Integrated, Modern, Efficient



INTEGRATION OF MODERN AND EFFICIENT MONEY MARKET WITH MONETARY MANAGEMENT TO IMPROVE MONETARY TARGET OPERATION TRANSMISSION AND ECONOMIC FINANCING Consolidation of monetary operation participants and market participants having classification primary dealer (PD) into PARTICIPANT systemic, critical, and general in line with SIFIs, cross-border and future "wholesalers" Accelerating the development of strategic money market PRODUCT instrument for effective monetary policy instrument, rupiah stability, hedging and short term financing Developing efficient market mechanism to support interest rate structure formation (IndONIA and Repo), exchange rate PRICING (DNDF), and hedging (interest rate swap and exchange rate) Infrastructure of monetary operation, money market and payment system which are 31 (integrated, interoperable, INFRASTRUCTURE interconnected) as pre-requisite for CBDC

NATION FOR

COORDINATION FORUM FOR DEVELOPMENT FINANCING THROUGH FINANCIAL MARKETS (FK-PPPK)

- 1. Stabilization of Financial Market
- 2. Development of Economic Financing Instruments
- Financial Literacy and Consumer Protection









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

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



NATIONAL DIGITAL FINANCE AND ECONOMY: OPPORTUNITIES AND CHALLENGES

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

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

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

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

"Pro-Growth" Payment System Policy:

National Digital Economic-Financial Integration, Digital Rupiah

POLICY TRILLEM PAYMENT SYSTEM



1

ACCELERATION OF NATIONAL DIGITAL ECONOMIC-FINANCE TARGET INTEGRATION, RUPIAH DIGITAL DEVELOPMENT. INTERNATIONAL PAYMENT COOPERATION Acceleration of regulatory reform and end-to-end consolidation Strong, Competitive, and of the payment system industry to build indonesian unicorns that Innovative of Payment are strong, competitive, innovative, and ready to become Digital System Industry Ropiah "wholesalers" 31 Payment System Development of 31 (Integrated, Interoperable, Interconnected) retall and wholesale payment system infrastructure to accolerate nutional digital economic-financial integration and Digital Rupiah Efficient, pro-business, and transparent payment system Pricing Efficient, Healthy, Policy in accordance with payment service clusters to support Transparent of Payment national interests, consumers, and industrial competitiveness System Pricing Policy nationally and regionally

Finalization of conceptual design, development of business models and wholesaler participants, development of the Digital Ruplah technology platform

2

SYNERGY AND COORDINATION

- BANK INDONESIA-GOVERNMENT: ELECTRONIPICATION OF SOCIAL ASSISTANT AND GOVERNMENT FINANCE
- BANK INDONESIA-INDUSTRI: IMPLEMENTATION OF BSPI 2023 AND RUPIAH DIGITAL DEVELOPMENT
- BANK INDONESIA-DIR: STRENGTHENING OF ITSK REGULATION AND SUPERVISION (DIGITAL FINANCIAL INNOVATION)
- BANK INDONESIA-INTERNATIONAL: INTERNATIONAL PAYMENT COOPERATION AND DEVELOPMENT OF CEDC



INFRASTRUCTURE



Digital Rupiah Design,

Process, & Technology











