



Republic of Indonesia
Strengthening Policy Synergy to Maintain Stability and Preserve Recovery
Momentum amid Heightened Global Uncertainty and Increasing Inflation
Pressure

November 2022

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

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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

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Prudent Pandemic Management and Continued Economic Recovery



**Big but measured steps
including a strong
vaccination program**



**Synergy between
institutions nationwide**



**Responsive and flexible
Government Budget**



**Resilient economic
performance**

Continued National economic recovery momentum, reflected by 5.72% (yoy) economic growth in Q3-2022, endured on the back of stronger domestic demand and persistently solid exports.

Affirmation of Investment Grade Sovereign Credit Rating

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
Moody's	Baa2 (Stable)
S&P Global	BBB (Stable)

Sources: Fitch, Moody's, S&P

Investment grade ratings affirmed by Fitch on 28 June 2022 recognizing macro stability and optimism on the growth prospect, as well as policy credibility in handling COVID-19 pandemic.

Overview



1

Economic Recovery Program and Its Updates

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Fiscal Performance and Flexibility:
Strong Commitment in Maintaining
Fiscal Credibility

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Infrastructure Development

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3

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

7

Commitment to Sustainability and
Preserving the Environment

4

External Factor:
Improved External Resilience



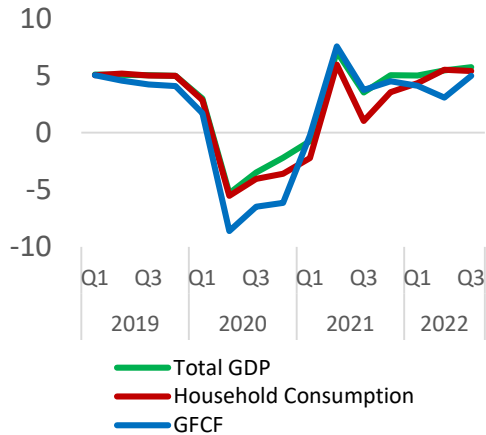
Section 1

Economic Recovery Program and Its Updates

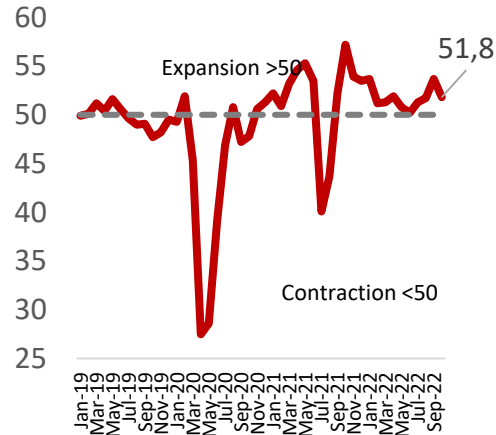
Indonesia's Economic Improvement Trend Continues



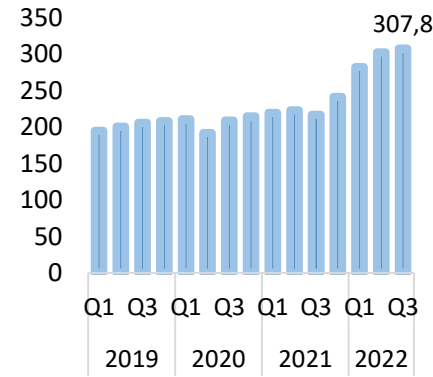
GDP Growth (%YoY)



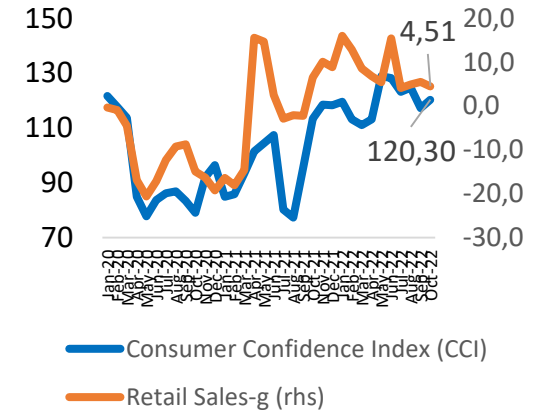
PMI Market Indonesia



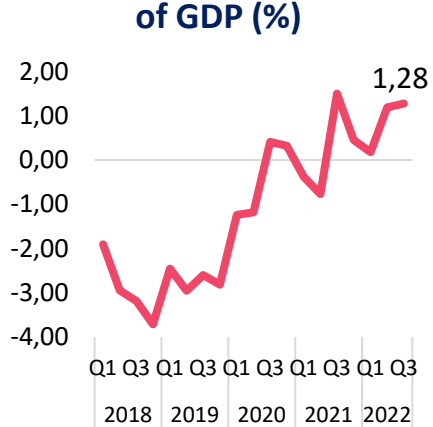
Total Investment (DDI+FDI) Rp Trillion



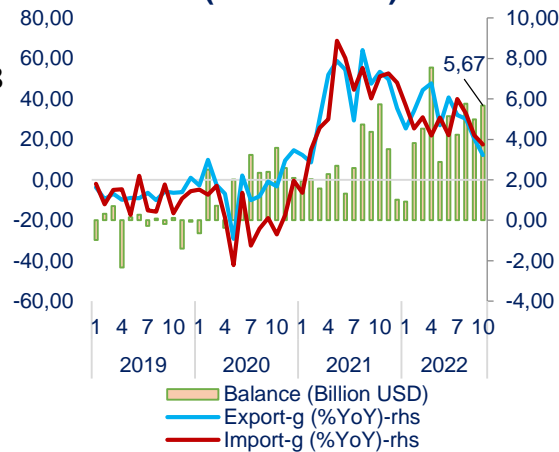
CCI & Retail Sales



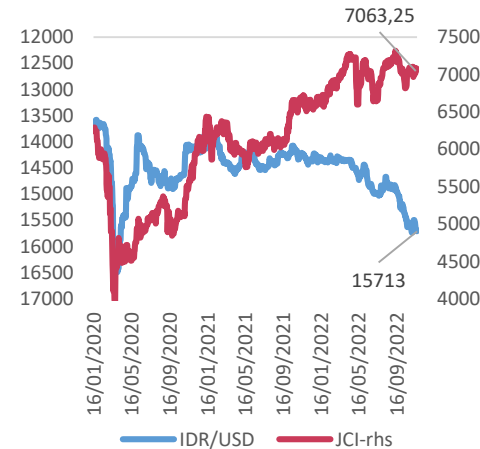
Current Account of GDP (%)



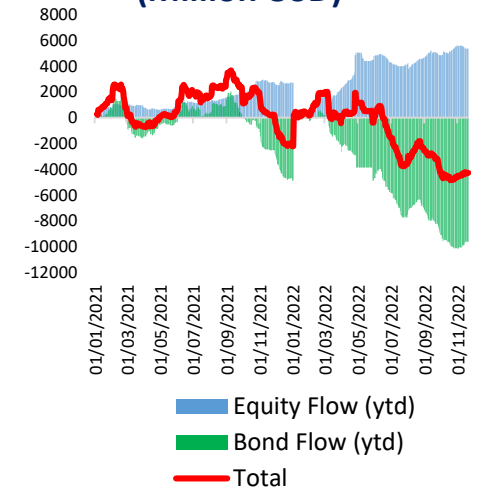
Trade Balance (Billion USD)



The Indonesian Rupiah and JCI



Net Capital flow (Million USD)

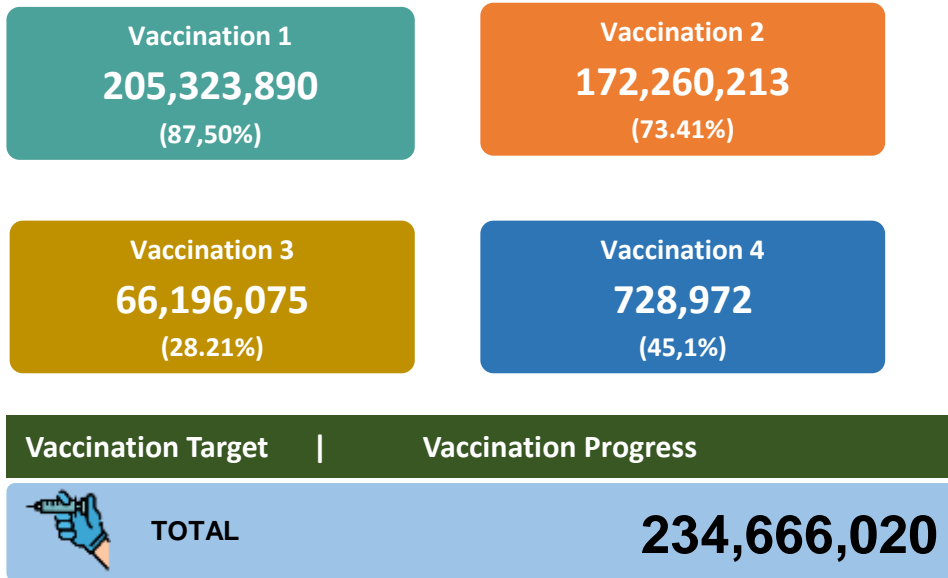


Progress of Vaccination Implementation

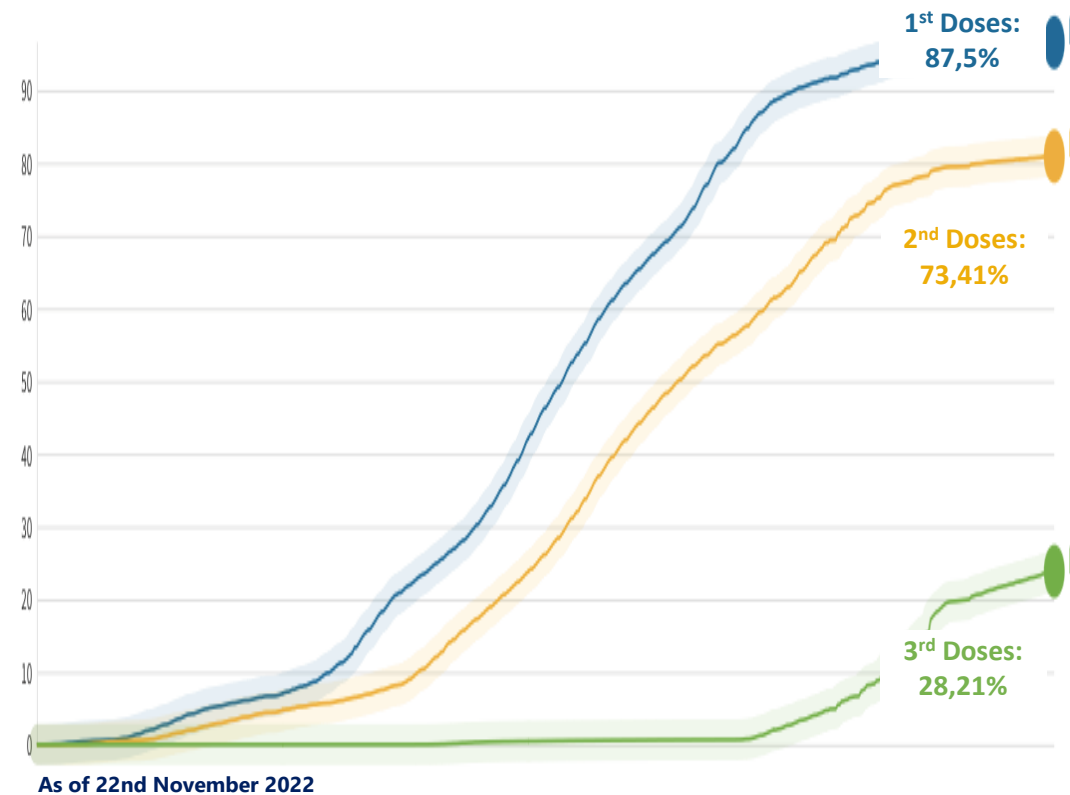


Indonesia government commits to provide full dose of COVID-19 vaccines for Indonesian citizens aged 6 years old and above. The government aims at 70% of population to be fully vaccinated.

As of November 22nd, more than 440 million doses of COVID-19 vaccines have been given as primary doses and boosters. The vaccines are given as homologous and heterologous depending on EUA issued by the Indonesia FDA.



Coverage of Covid Vaccination Doses 1, 2 and 3



Government and Society Preparation to Live With COVID-19

COVID-19 is a new disease that needs to be faced and prepared for its sustainable handling



Strategy on COVID-19 control and prevention

Intense **intersectoral collaborations** under the supervision of President Joko Widodo and coordination of the committee of national economic recovery and COVID-19 control (KPCPEN)

Case **detection**: Intensifying screening and epidemiological tests; Contact tracing; Genomic surveillance; Screening at country entry and exit points

Therapeutics: conversion of 30-40% of hospital beds for COVID-19, ensuring adequate logistics and human resources, tightening criteria of hospital admission, establishing a center for isolation

Vaccination: allocate more vaccines for high-risk areas, the establishment of vaccination centers, vaccination certificates as entry requirement of the public regions; rate acceleration on elderly and people with comorbidities

Public health measures: micro-scale of social activity restriction, implementation of digital tech in public health measures

Updates

Only people with moderate and severe COVID-19 symptoms are suggested to be hospitalized

Drug package delivery for COVID-19 confirmed positive individuals with asymptomatic or mild symptoms based on NAR database

Mandatory mask use in only for indoor activities and crowded areas

NAAT test (PCR and antigen) are not required for international and domestic traveller with COVID-19 boosters

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



The purpose of PPKM is to suppress positive cases of covid-19 as a precondition for success for handling Covid-19 and for national economic recovery. As of April 26th, there is no district or city at level 4.

Large – Scale Social Restriction (PSBB)

April 2020

PSBB Transition

October 2020

Community Activities Restriction Enforcement (PPKM)

11 Jan – 8 Feb 2021

Micro-Scale PPKM

9 Feb – 2 Jul 2021

The Emergency PPKM

3 Jul – 20 Jul 2021

PPKM Level 1 to 4

21 Jul 2021 – 22 Nov 2022

Assessment of the Covid-19 Pandemic Situation Level

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

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

National Economic Recovery (PEN) Program Is Directed For Jobs-stimulating Recovery



2020



2022

ENABLING FACTOR

Extraordinary Measures:

- ☐ Handling Covid
- ☐ Social Protection
- ☐ Business Protection

Job Stimulating Recovery:

- ☐ Handling Covid
- ☐ Vaccination Program
- ☐ Social Protection
- ☐ Business Protection

Health System
Strengthening
(Vaccinations, 3T
and 5M Health
Protocols)

Financial System
Support
Improved
Intermediary
Role

Structural
Reform
Job Creation Law
HPP Law

Strengthening Economic Structure and Competitiveness,
for Medium-Long-Term Growth

2021



Direct Support to the Community

- Job Creation
- Labor Intensive Program
 - PreEmployment Card

- Social Protection
- PKH
 - Village Fund
 - BLT
 - Grocery Card

Stimulasi Kinerja UMKM dan Koperasi

- Business Incentive
- Targeted Tax Incentives
 - Business Ease Support

- Financing Support
- KUR Interest Subsidy
 - Credit Guarantee

Strengthening
Expenditure Side

Strengthening
Production Side

EMPLOYMENT

GDP GROWTH

STABILITY

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



During 2021
(Reached IDR658,6 T or 88,4% of IDR744.77 T)

HEALTH

Budget **IDR.214.96 T**

Realization **IDR.198.5 T (78.8%)**

SOCIAL PROTECTION

Budget **IDR.186.64 T**

Realization **IDR.171.0T (91,6%)**

SUPPORT FOR MSME AND CORPORTATION

Budget **IDR.162.40 T**

Realization **IDR.116.2T (71,5%)**

PRIORITY PROGRAM

Budget **IDR.117.94 T**

Realization **IDR.105.4 T (89,3%)**

BUSINESS INCENTIVE

Budget **IDR.62.83 T**

Realization **IDR. 67.7 T (107,7%)**

2022

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

— Increased testing, tracing, dan treatment

— Increased Patient Claims as the number of cases increases

— Expansion of community protection



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

TOTAL:
IDR455,6 T

Realization: 56,2 % as of
October, 28th 2022

HEALTH:
IDR122.54 T

Realization: 35,2 %

**SOCIAL
PROTECTION:**
IDR154.76 T

Realization: 73,6 %

**STRENGTHENING
ECONOMIC RECOVERY:**
IDR178.32 T

Realization: 55,6 %

National Economic Recovery (NER) Program in 2022



*With intensive monitoring, the current allocation reaches **IDR455.62 T***
(Realization: IDR 256,28 T or 56.2%) as of October 28th, 2022

Health Treatment

- Patient claims
- Health Workers Incentive
- Health tax incentives
- Village fund for handling covid

IDR122.54 T

(Realization: IDR43,2 T or 35.2%)

Social Protection

- Family Hope Program (PKH)
- Non-cash food aid recipients (Sembako Card)
- Cash Direct Assistance of cooking oil
- Village Fund Direct Cash Assistance
- Cash Assistance to Street Vendors, Stalls, and Fishermen (BT-PKLWN) Program
- Pre-Employment Card

IDR154.76 T

(Realization: IDR 113,9 T or 73.6%)

Strengthening Economic Recovery

- Tourism program
- ICT
- MSME Support
- Tax incentives
- Food Security

IDR178.3 T

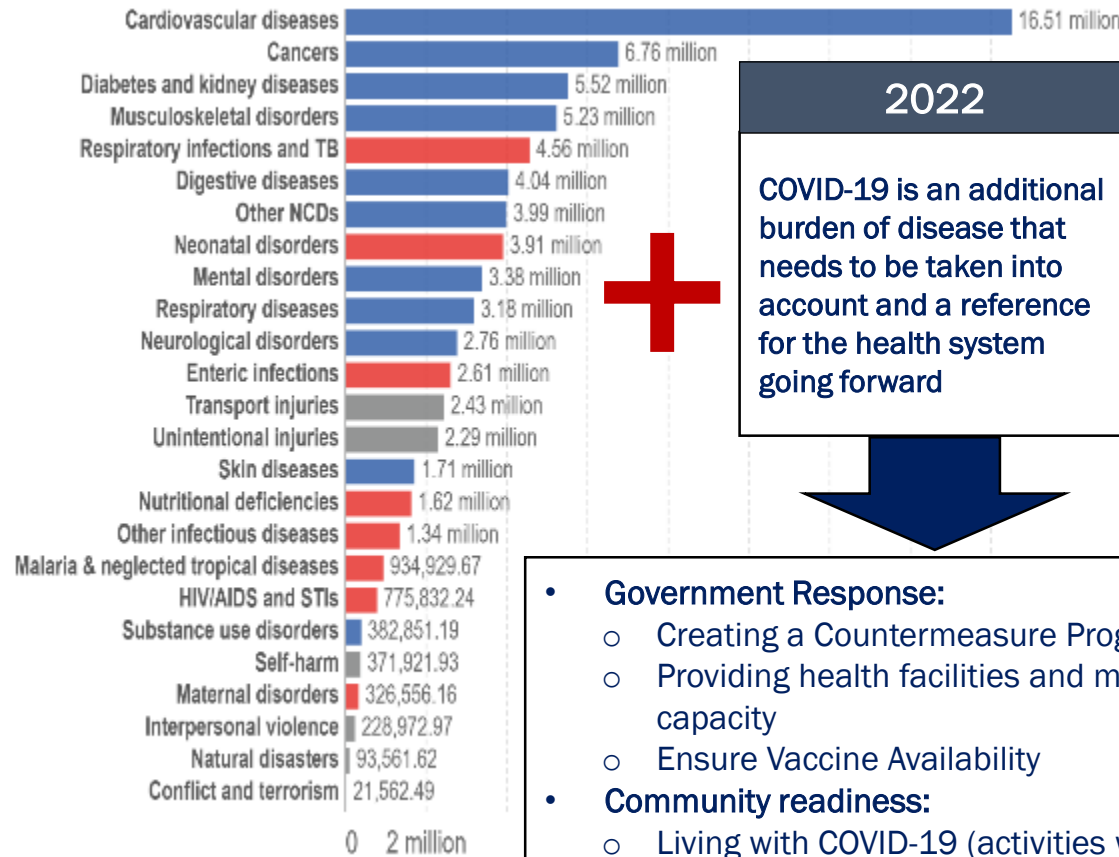
(Realization: IDR 99,2 T or 55.6%)

Government And Society Prepare To Live With Covid-19

COVID-19 is a new disease that needs to be faced and prepared for its sustainable handling



Burden of Disease in Indonesia (2019)



- **Government Response:**
 - Creating a Countermeasure Program
 - Providing health facilities and medicine capacity
 - Ensure Vaccine Availability
- **Community readiness:**
 - Living with COVID-19 (activities with vigilance)
 - Managing individual risk factors

Living With Covid-19

1. Health Monitor independently;
2. Testing/screening is done by yourself;
3. Managing your own health (knowing when to go to the hospital, when to go to the doctor, also the type of medicine you need), including a healthy lifestyle and strengthening the immune system.
4. The community is given a guideline for the protocol for daily living with Covid-19, as people live with the previous disease which is shown in the graph below.

IN THE NEW NORMAL LIFE, COVID 19 IS INCLUDED IN THE CATEGORY OF RESPIRATORY INFECTIONS, INCLUDING INFLUENS AND OTHER RESPIRATORY DISEASES



Increasing The Productivity And Competence Of The Workforce Through The Pre-Employment Card Program

Number of Registration

>96 Millions Registrants on the Pre-Employment Card site from ALL Regencies and Cities

34 Provinces

514 Regent/City

Statistic of Recipients 2022

5.023.213

Total Pre-Employment Card Recipients (Batch 23-47)**

Rp8,61 Triliun

Incentives has distributes (Batch 1-22)

Statistics & Data Recipient Pre-Employment until 2021

11.440.629 Pre Employment Card Recipient(Batch 1-22)

Rp27,74 Triliun Incentives has distributes (Batch 1-22)

 **51%***

 **49%***

57% Between 18-35*

68% Senior High School or more*

87% Unemployment

74% From those who work (Employees/Labour/ Freelance Employee) is in the Informal Sector

Pre-Employment Card Ecosystem

• 6 Payment Method:

BNI, BCA, GOPAY, DANA, LinkAja, OVO

• 6 Digital Platform:

SISNAKER, Pijar Mahir, Tokopedia, Pintaria, Karier.mu, Bukalapak

• 185 Training Course:

1.083 training course, example: Skill Academy, Baking World, Baba Studio, Cakap, Cariilmu, Arkademi

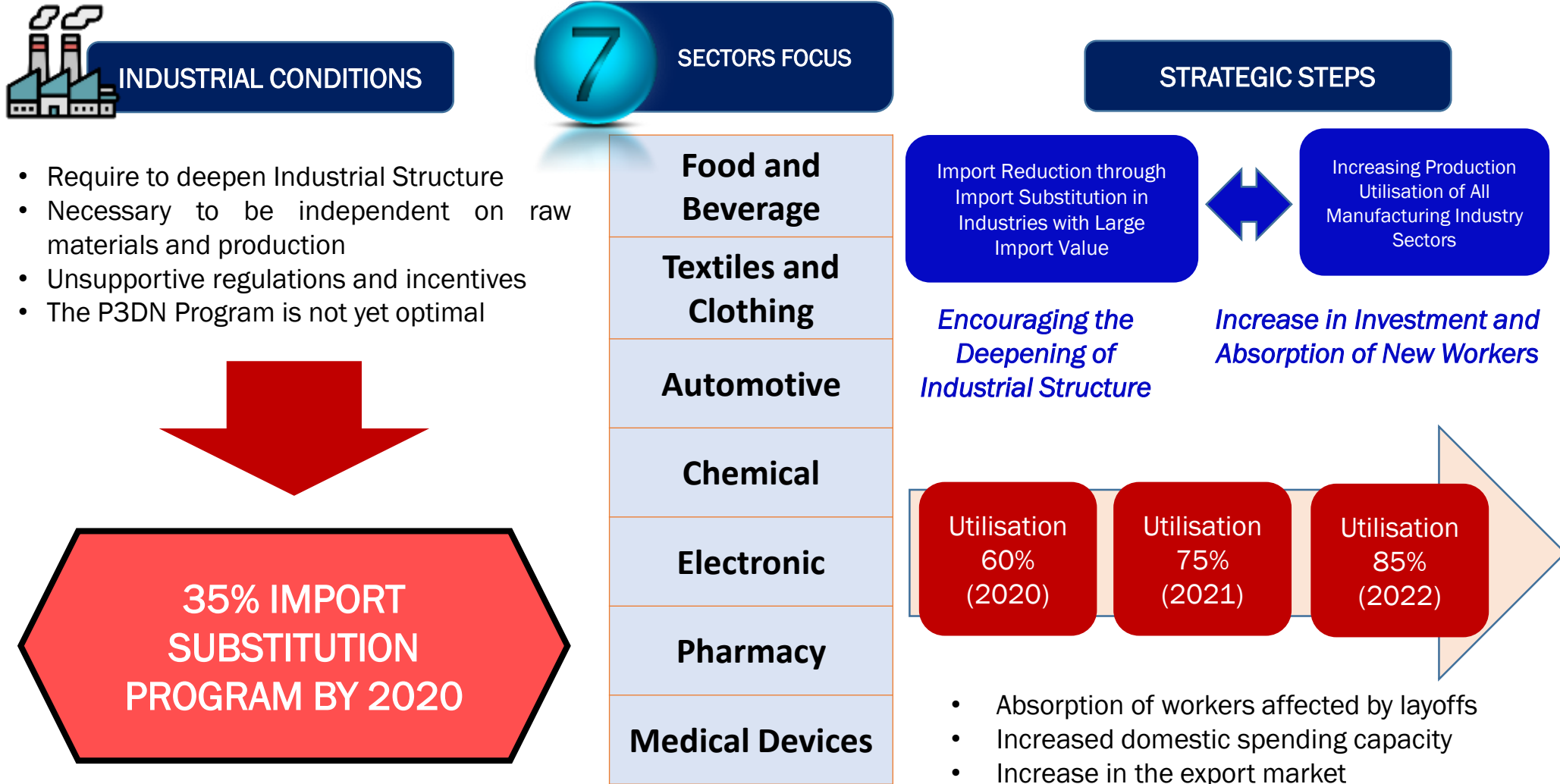
• 8 Educational Institution:

Universitas Indonesia, Universitas Atma Jaya, Indonesia Mengajar, UGM, UNAIR, Institut Pertanian Bogor, UMM dan Universitas NU Indonesia (UNUSIA)

• Job Portal:

Jobs.id, JobStreet.com, Top Karir, karir.com

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



Fiscal Incentives Policy to Boost the Economy



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

TAX HOLIDAY

- The criteria are new investment, taxpayers including pioneer industries, and income received from the main business activities carried out.
- 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.

As of September 2022 (year to date):

- Total Investment: Rp116 Trillion
- Tax Payer: 16 Tax Payer
- Location: 7 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: Rp13.4 Trillion
 - Tax Payer: 13 Tax Payer
 - Approval: 16 Minister of Finance Decree
- Source: OSS September 2022

INVESTMENT ALLOWANCE

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

- Total Investment: Rp363 Billion
 - Investment: 2 activities
 - Tax payer: 2 tax payers
- Source: OSS September 2022

SUPER DEDUCTION TAX

Super Deduction Vocational

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

R & D Super Deduction

- Increase the role of industry in fostering innovation and the use of the latest technology in the production process
- Maximum gross income deduction of 300% over R&D costs carried out in Indonesia
- As per September 2022, there are 13 proposal for research and development activities (ytd), with estimated RnD cost up to Rp97.5 billions



Government Support for MSMEs During the Covid-19 Pandemic

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

MSMEs CREDIT RESTRUCTURING

1 ASSET QUALITY ASSESSMENT

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

Asset Quality Arrangement:

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

Restructurisation:

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

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

2 POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES

KUR Super Mikro : Loan up to IDR 10 million

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

KUR MKM (SMEs):

Loan up to IDR 10 million up to IDR 500 million

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

KUR MSME Credit, non-KUR:

Loan > IDR 500 million up to IDR 10 billion

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

UMi, Mekaar, Pegadaian (Pawnshop)

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

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

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

WORKING CAPITAL CREDIT

3 LOW INTEREST

Placement of IDR30 Trillion Government Funds at Bank Himbara

4 GUARANTEE

Government support in the form of guarantees by Askrindo and Jamkrindo

OTHER SUPPORT

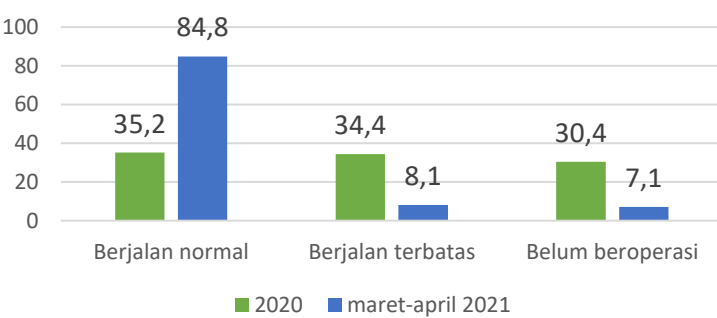
5 Income Tax for MSMEs is borne by Government

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

6 MICRO BUSINESS PRODUCTIVE PRESIDENT ASSISTANCE

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

Digitization of MSMEs: MSMEs Level Up



84,8%

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

(Source: Mandiri Institute Survey, June 2021)



During the pandemic, MSMEs used various marketplace networks to sell their products, 40% of MSMEs used social media, and the rest used instant messaging (38%), e-commerce (13%), and ride-hailing (5%).
(Source: Mandiri Institute, 30 June 2021)

MSME Market Access and Empowerment Support



8 out of 10 UMKM get to know finance/ banking products

84%

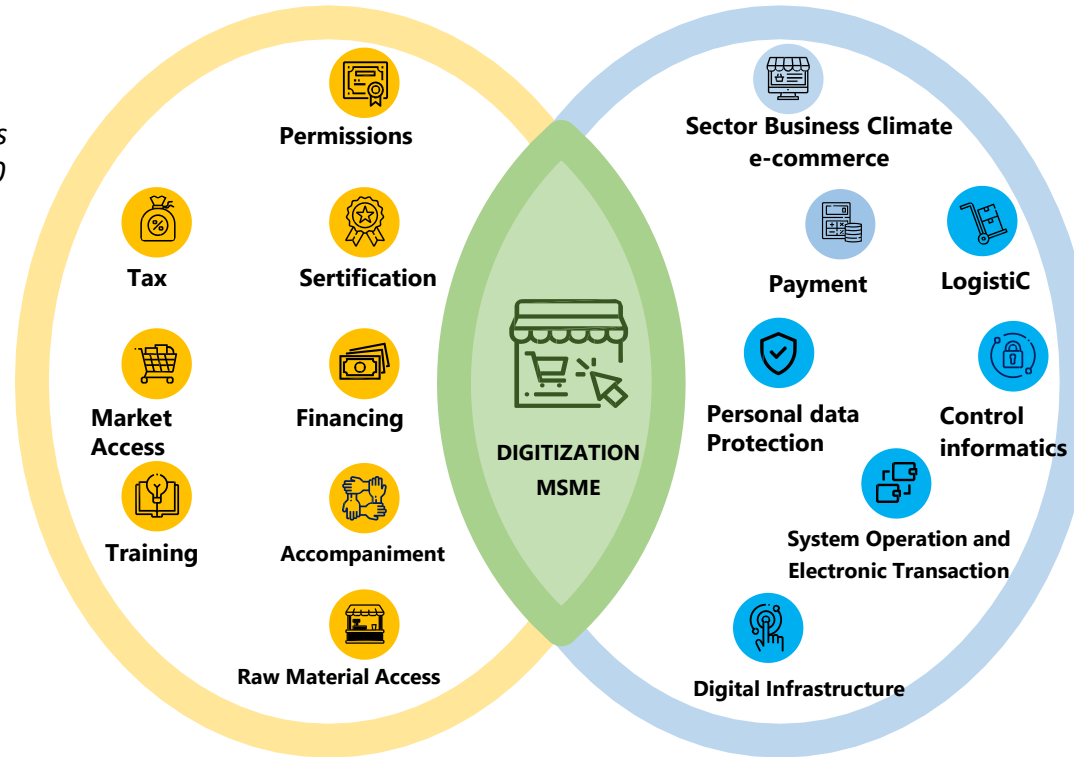
70%

71%

Get help during the pandemic
Experiencing an increase in transactions per day
Get to know digital finance

STRENGTHENING THE MSME ECOSYSTEM

STRENGTHENING E-COMMERCE ECOSYSTEMS



Source: Kominfo, 2021.

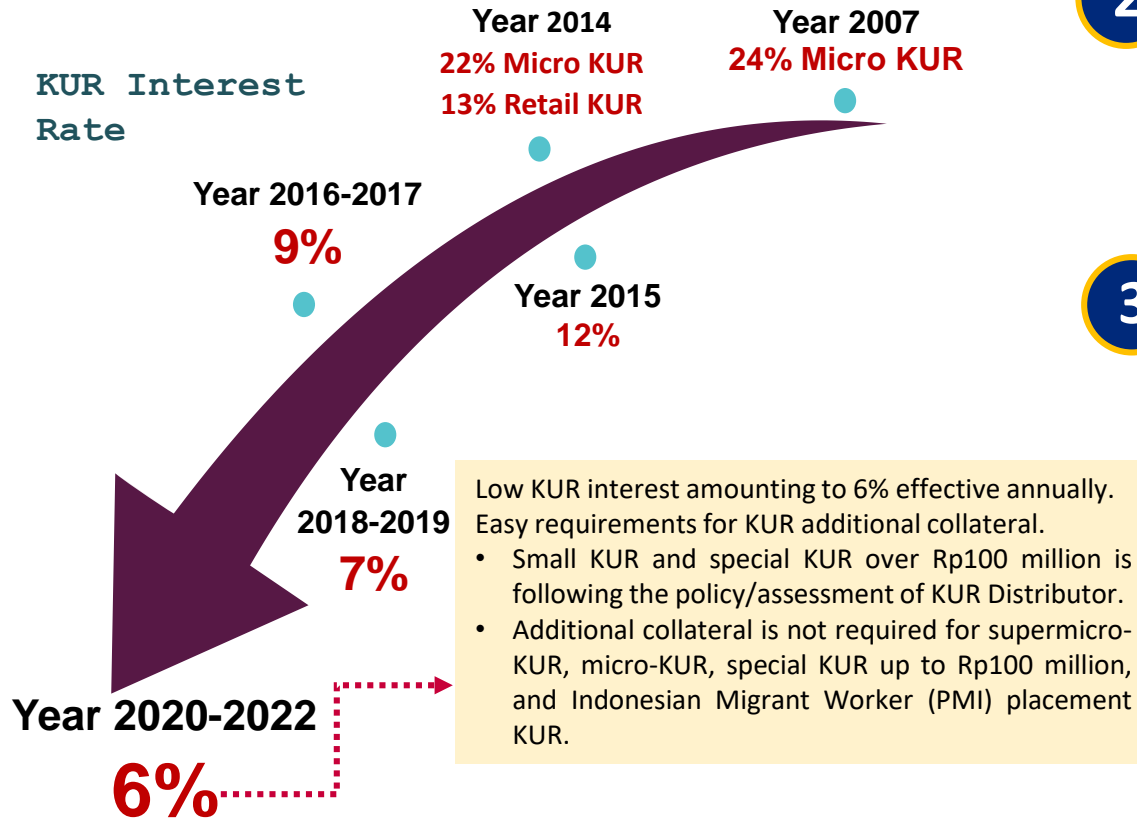
The Pre-Employment Card Program to Increase Access to Finance for Entrepreneurs and SMEs



2022 KUR POLICY



People's Business Credit (KUR) is a credit/financing for working capital and/or investment to a productive and feasible individual, business entity, and/or business group debtor that does not have additional collateral or does not have sufficient collateral. KUR is entirely sourced from the financial institution fund that distributed KUR loans.



1

Increase of KUR ceiling to Rp373,17 Trillion

- 2022 KUR ceiling was initially stipulated at Rp250 trillion.
- Coordination Meeting of Committee of Financing Policy for MSMEs on 29 December 2021 has decided to add 2022 KUR ceiling from Rp250 trillion to Rp373.17 trillion and will be evaluated on the 1st semester of 2022.

2

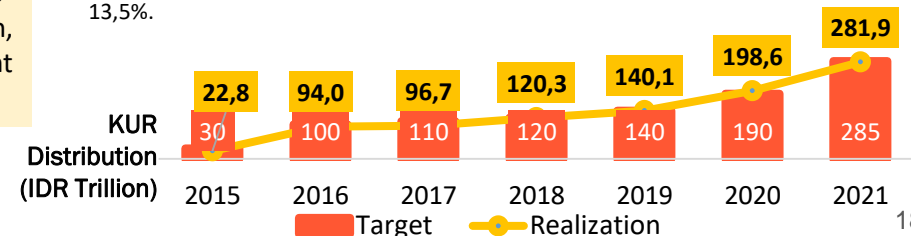
KUR Policy Relaxation during Covid-19 Period

- Small KUR is without limitation in the loan ceiling accumulation until 31 December 2022
- Postponement of the production sector target until 31 December 2022 or by the consideration of the Committee of Financing Policy for MSMEs
- Follow-up incentive provision in the form of KUR restructuring extension
- Provision of administrative relaxation for prospective KUR debtor during Covid-19 pandemic period based on the objective assessment of KUR Distributor
- Provision of additional KUR interest subsidy of 3% until 31 December 2022

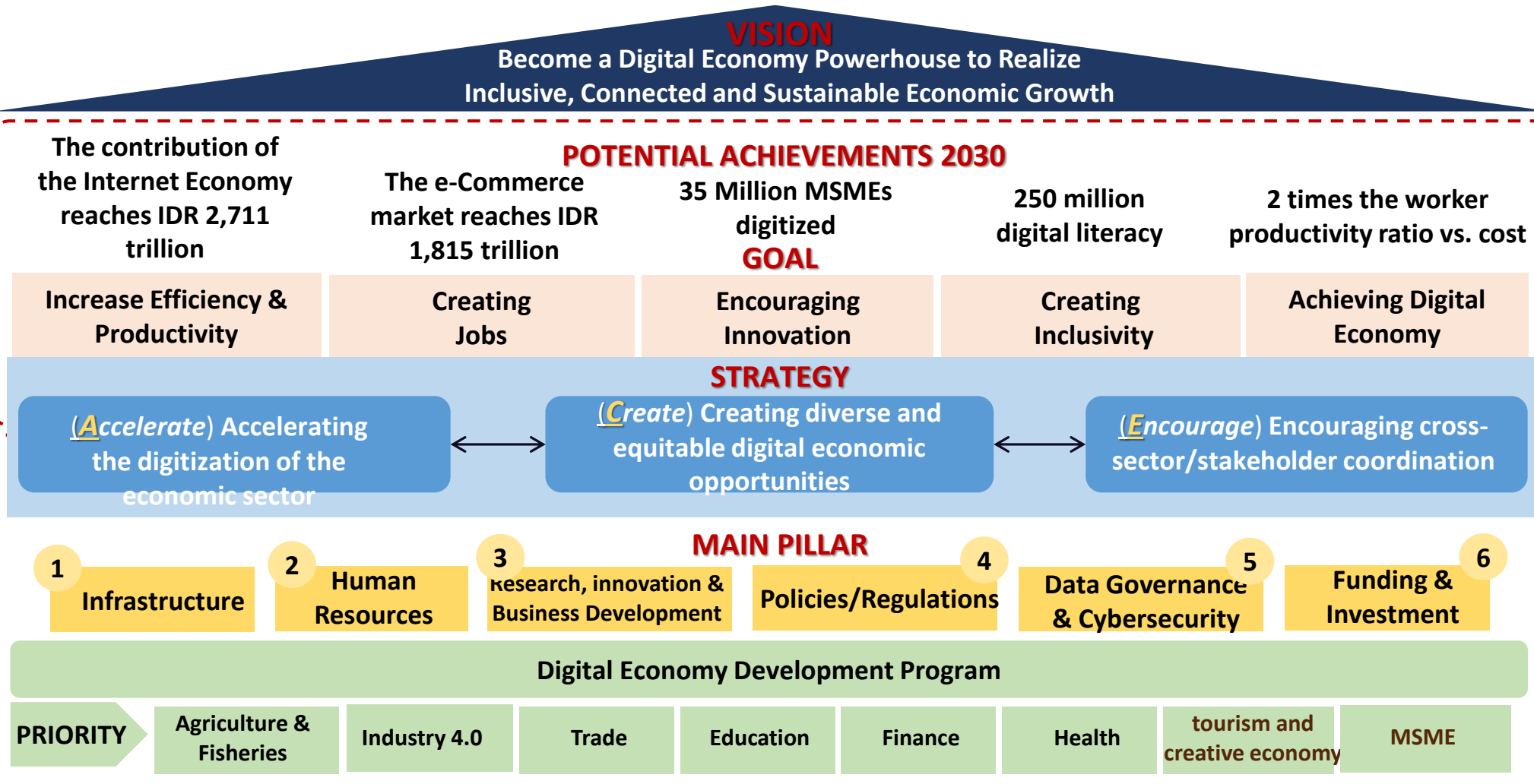
3

Change of KUR Policy to Expand and Increase KUR Distribution

- Change of Micro KUR ceiling (without additional collateral), starting from Rp10 million to Rp50 million to be beginning from Rp10 million to Rp100 million.
- Change of Special/Cluster KUR without KUR ceiling accumulation limitation for the production sector (non-trade) and interest subsidy by KUR type
- Increase PMI KUR ceiling, starting from Rp25 million to starting from Rp100 million, withdrawal (KUR disbursement) by the need of PMI and simplification of KUR distribution.
- Reduction of KUR interest subsidy/margin subsidy for Super Micro KUR by 1% to be amounting to 12%; Micro KUR is reduced by 0,5% to 10%; Small KUR interest subsidy remains at 5,5%, and PMI Placement KUR interest subsidy is reduced by 0,5% to 13,5%.



Indonesian Digital Economy Development Framework Concept (2021-2030)





Section 2

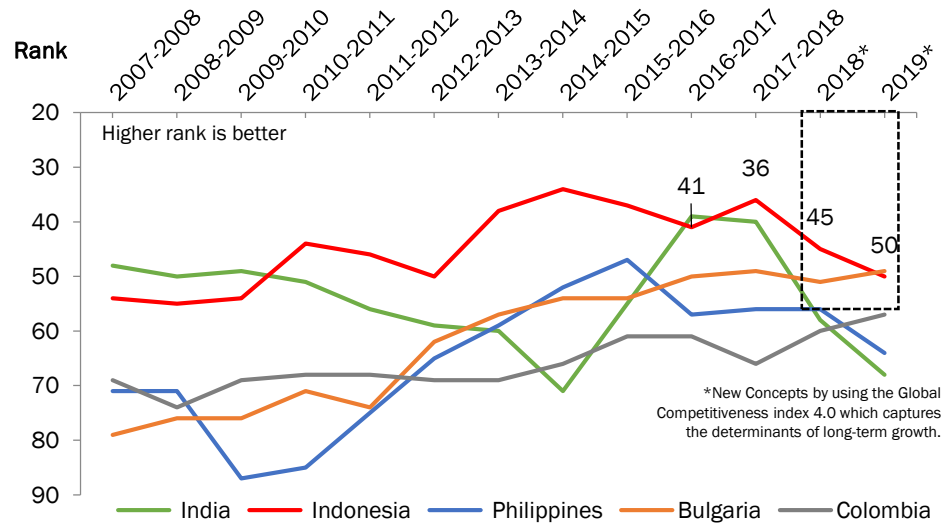
**Accelerated Reforms Agenda Supported by
Institutional Improvement and Progressive
Infrastructure Development**

Improving Global Perception

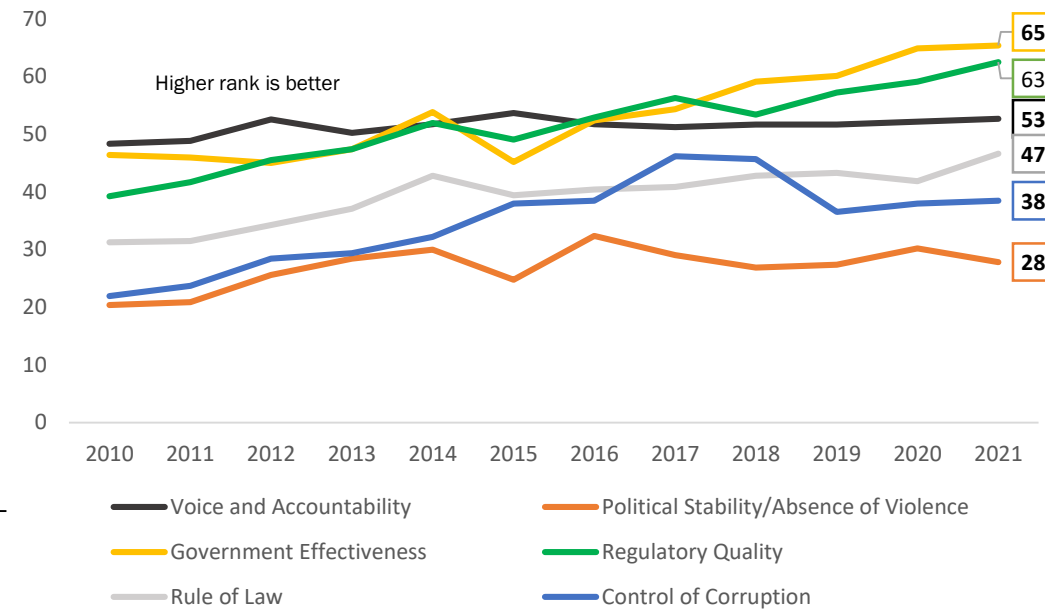
...with recent improvements on governance effectiveness



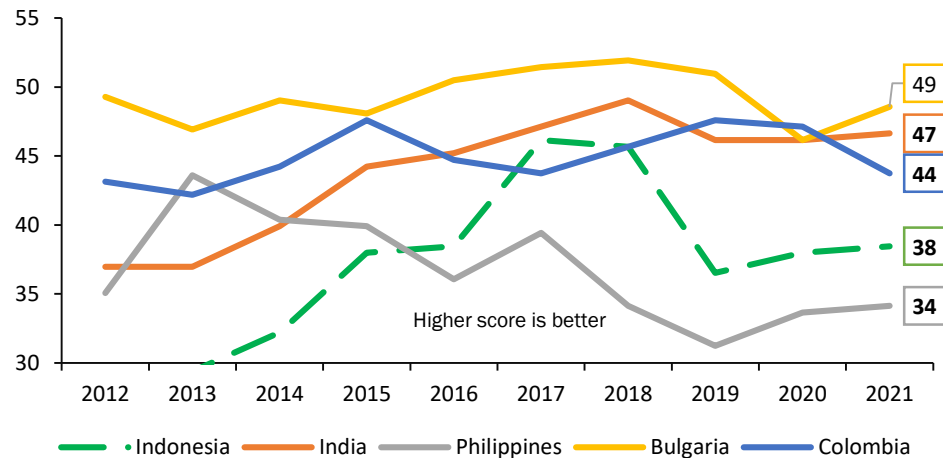
Global Competitiveness Index¹



Worldwide Governance Indicators²

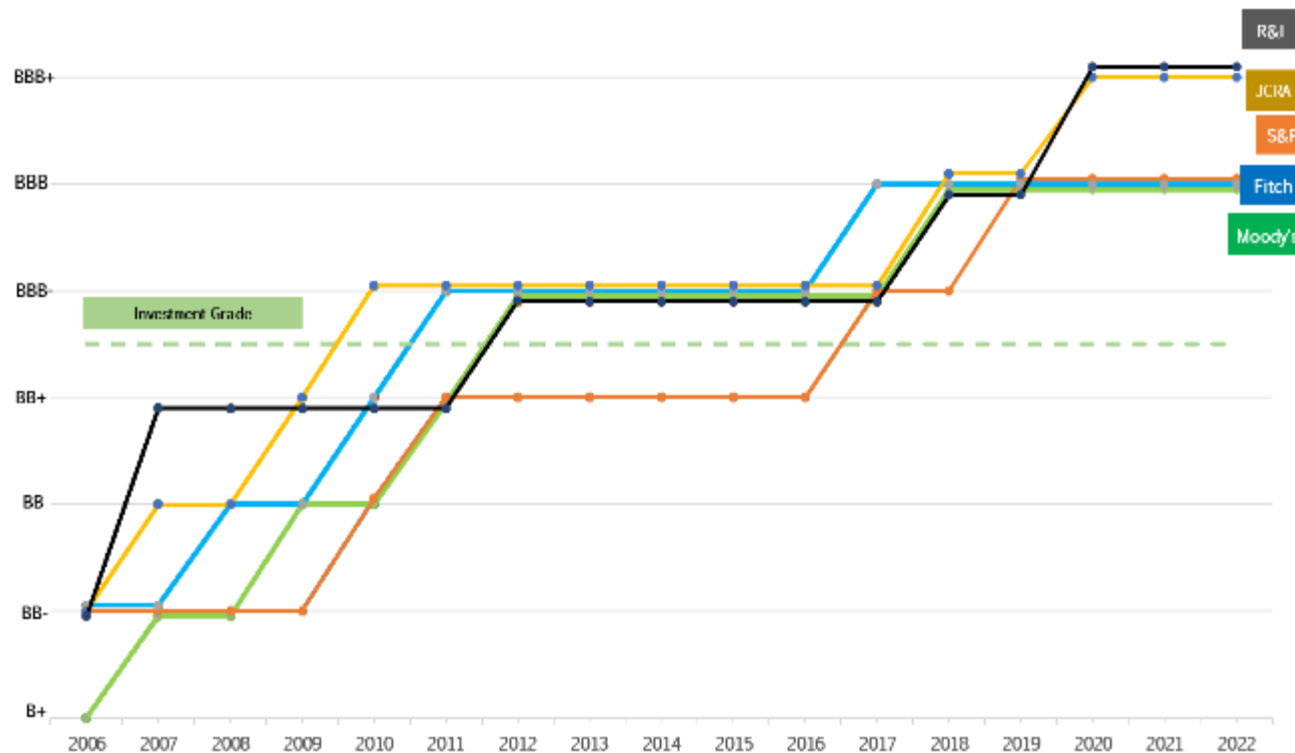


Corruption Perception Index³



- Source: World Economic Forum – The Global Competitiveness Report 2019;
- Source: World Bank – The Worldwide Governance Indicators 2022 Update
- Source: Transparency International – Corruption Perceptions Index 2022 Report

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



FitchRatings

BBB / Stable

June 2022, Rating Affirmed at BBB/Stable

"Indonesia's rating balances a favorable medium-term growth outlook and a still low government debt/GDP ratio against government revenue, sovereign external debt to GDP and structural features such as governance indicators and GDP per capita that are weak compared with that of 'BBB' category peers."

S&P Global Ratings

BBB / Stable

April 2022, Outlook Revised To Stable; BBB Ratings Affirmed

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

Moody's

Baa2 / Stable

February 2022, Rating Affirmed at Baa2/Stable

"The affirmation of the rating is supported by continued economic resiliency and Moody's expectations that monetary and macroeconomic policy effectiveness will be maintained, containing risks as global interest rates rise. Moody's expects economic activity to revert to its historical average in 2023, with growth sustaining at those rates thereafter."

R&I

BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

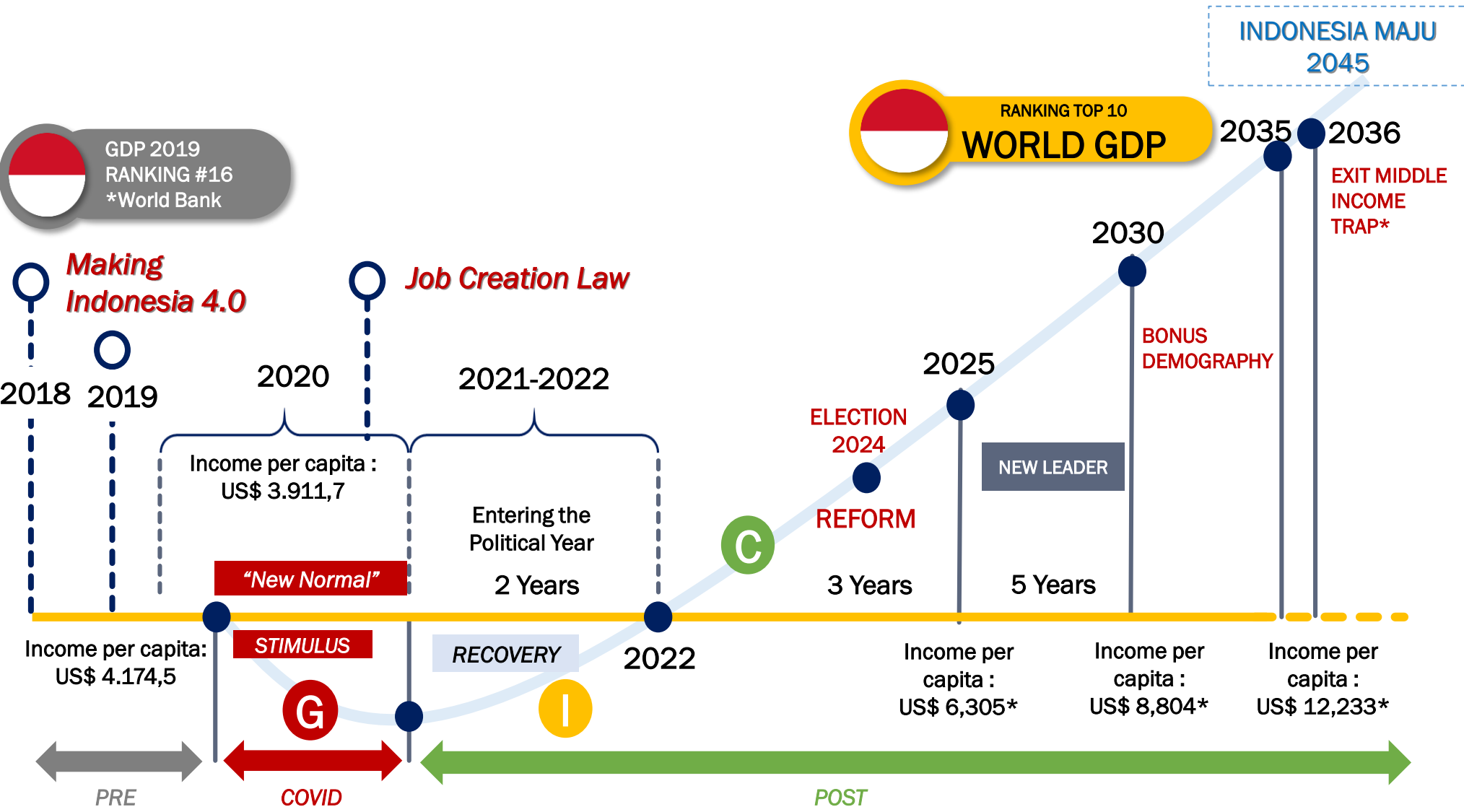
JCR

BBB+ / Stable

July 2022, Rating Affirmed at BBB+/Stable

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

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



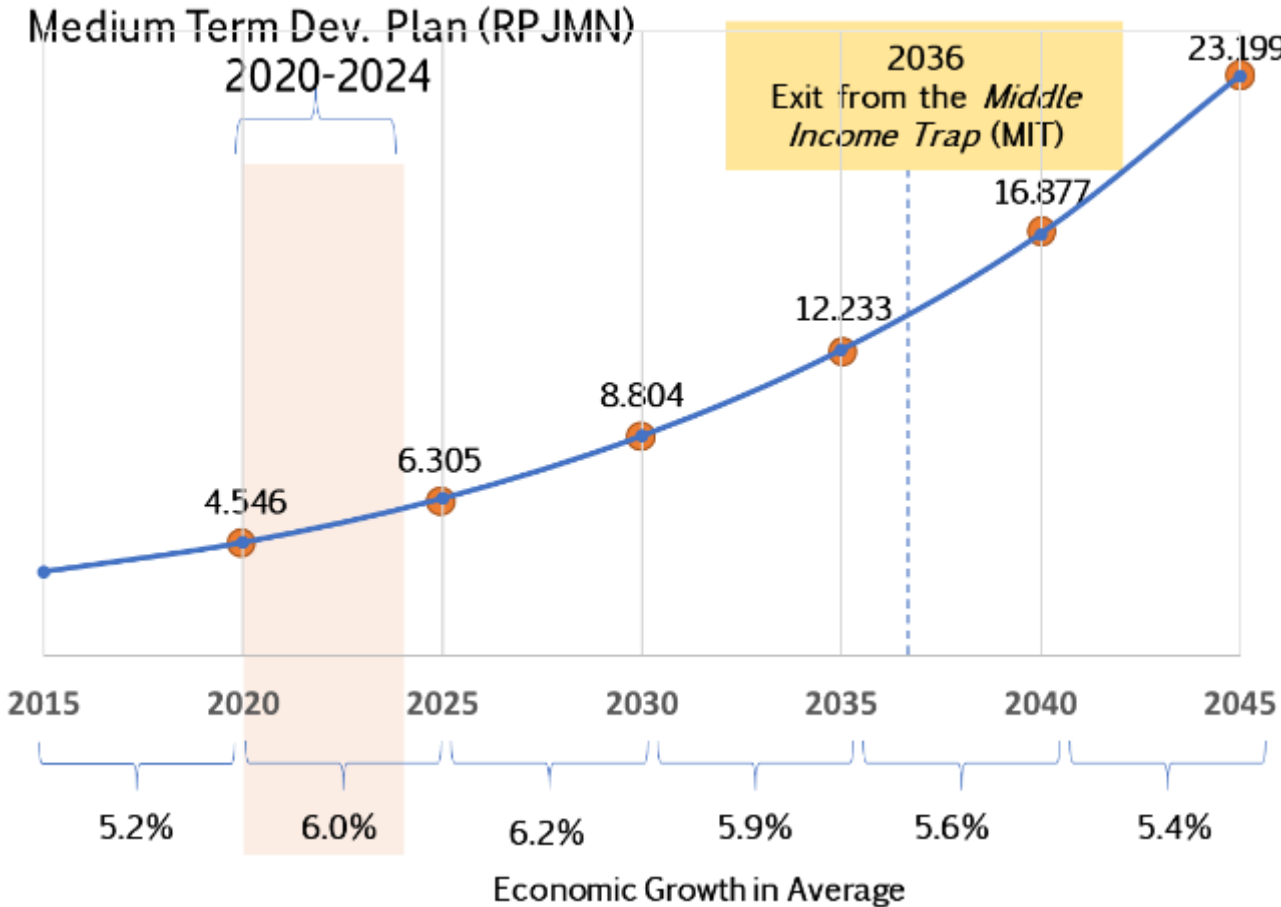
Source: Coordinating Ministry for Economic Affairs

*Based on the 2020-2024 National Medium Term Development Plan

Indonesia Vision 2045: “Indonesia Maju” A Developed Country



GDP Per capita (USD)



GDP Real

5.7%

GDP Real
/Capita

5.0%

Year 2045 Target

Developed
economy and
largest GDP

rank-5
(USD 7,4 Trillion)

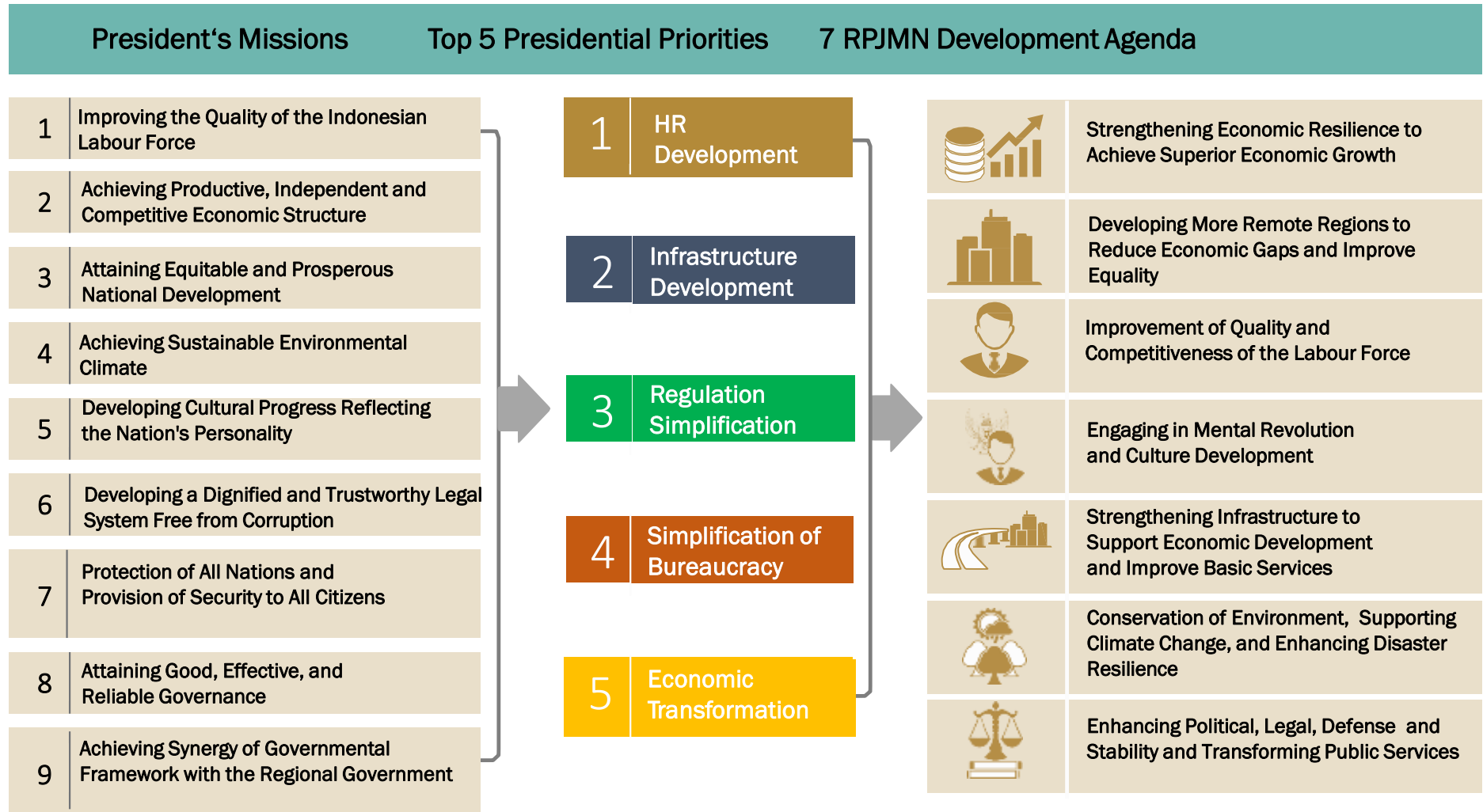
Contribution
from eastern
part of
Indonesia

25%

Economic Transformation must start in
2020-2024 to provide a foundation for an
Advanced Indonesia (Indonesia Maju)

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

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



Indonesia's Grand Strategy in Encouraging Sustainable Economic Growth



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

Current Conditions: Solid Economic Fundamentals

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

Grand Strategy



- ❑ Government and Society Prepare to Live With COVID-19



- ❑ Fiscal Policy as Shock-Absorber



- ❑ Price Stabilisation



- ❑ Omnibus Law on the Job Creation Act, including IKN development



- ❑ Downstreaming and industrialization of natural resources



- ❑ Optimization of clean energy sources and green economy



- ❑ Legal, social, political and economic protection for the people



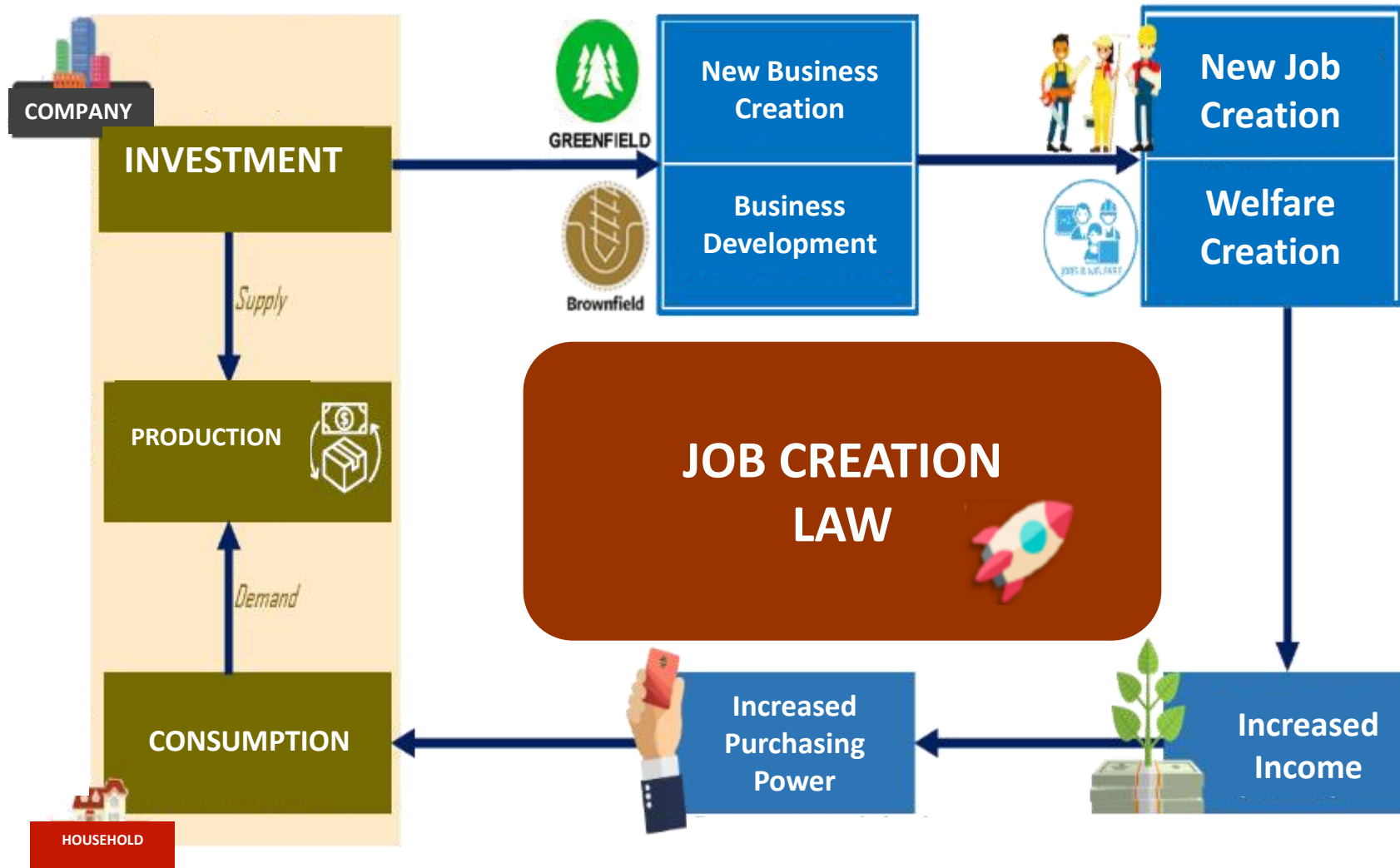
- ❑ MSME'S LEVEL UP



Goal

Achieving
Sustainable
Economic
Development

The Framework of Job Creation Law



Job Creation Law As A Tool For Long-term Structural Reform



PROGRESS OF THE JOB CREATION LAW

With the Omnibus Law method, 79 laws were revised and simplified to become the Job Creation Law (Law Number 11 2020) was promulgated on November 2, 2020

Derivative regulations of 54 Government Regulations/Presidential Regulations

The decision of the Constitutional Court on November 25, 2021

On June 16, 2022, Law No. 13 of 2022 concerning Amendments to Law No. 12 of 2011 concerning the Establishment of Legislation

- The government prepares improvements to the job creation law following the decision of the Constitutional Court, which involves the technical formation of the job creation law but does not change its substance.
- Preparation of academic manuscripts and draft law manuscripts
- It has expected to be completed in 2022.

Clusters in the Job Creation Law

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

- a) Revising Law 12/2011 to accommodate the Omnibus Law method
- b) Change the Job Creation Law based on the revision of Law 12/2011 within two years
- c) Review the substances that objection to the community

The subject matter in the revision includes:

- a) Omnibus method;
- b) Strengthen community involvement and meaningful participation;
- c) Regulatory digitalization
- d) Improve the technical error of writing in the draft law either that has been agreed upon or after the President receives the bill

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

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



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

Has simplified into



186 Article
dan **15 chapter**

11 Cluster



Investment Ecosystem and Business Activities



Business Licensing



Employment



SME and Cooperatives



Research and Innovation



Land Acquisition



Economic Zones



Ease of Doing Business



Government Investment & National Strategic Project (PSN)



Public Administration



Imposition of Sanctions

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



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



Encouraging the Development
of Priority Business Fields

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

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**

145 Business Fields/KBLI



**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

Investment Focus Sectors



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

BKPM Promotion Strategy

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



Encouraging investment through priority sectors that have added value



Export Oriented – Labor Intensive industries



Pharmaceutical and Health Equipment



Automotive Industries



Electronic Industries



Infrastructure



Energy, especially renewable energy

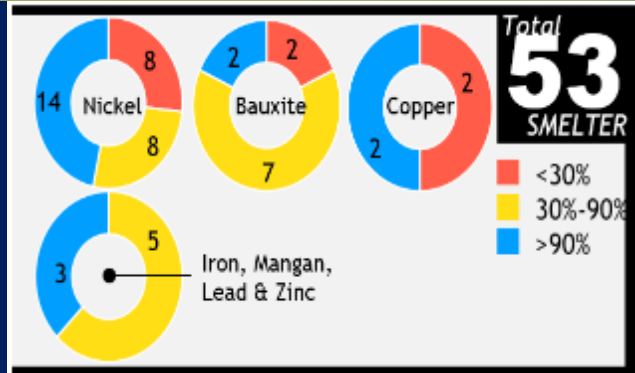


Mining,
That creates added value products

Government Continues to Support the Development of Downstream Industries



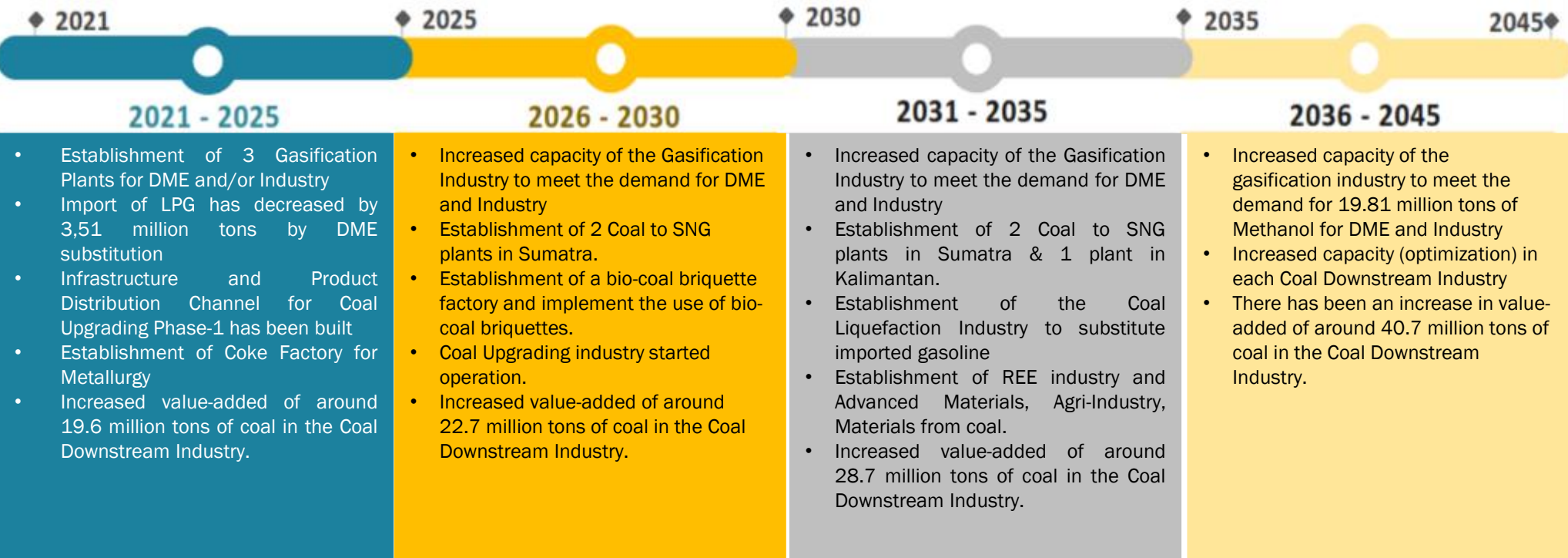
Smelter Development



Total Number and Investment Smelter 2021-2024

Commodity	Number of Smelter			Total Investment (Mio \$)
	Existing	Plan	TOTAL	
Nickel	13	17	30	8.006,5
Bauxite	2	9	11	8.647,2
Iron	1	3	4	193,9
Copper	2	2	4	4.693,2
Mangan	1	1	2	23,9
Lead and Zinc	0	2	2	28,8
TOTAL	19	34	53	21.593,6

Indonesia's Coal Gasification Roadmap until 2045



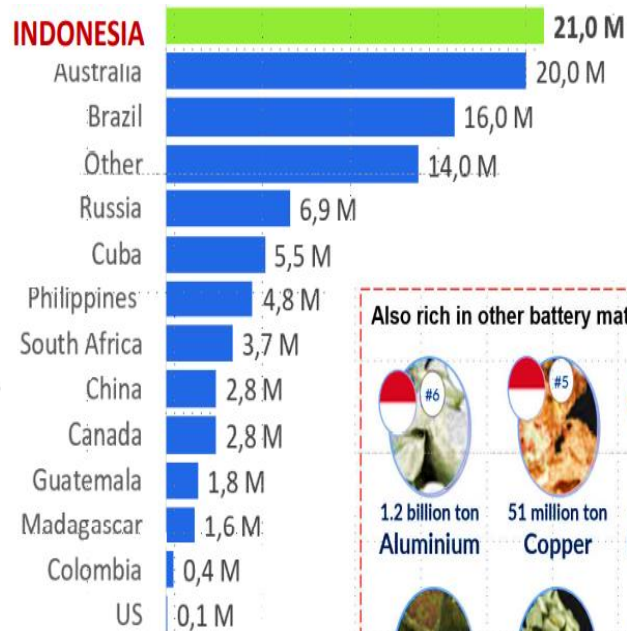
Indonesia Encourages Downstreaming of Commodities

One of which is Encouraging the Development of Nickel-Based Industries to Become a Global Battery and EV Supplier



1. Potential: Indonesia's Nickel Reserves Are Abundant

Global Nickel Reserve



Also rich in other battery materials reserve



Indonesia's nickel reserves are the largest reserves in the world reaching **21 million nickel ore** or with a share of **23.7% of all world reserves**.

Source: Coordinating Ministry for Economic Affairs

2. Strategies

A. The ban on nickel ore exports maintains the availability of raw materials for downstream industries

Commodity	Export Value (Million USD)			Indonesia and the Main Exporting Country
	2019	2020	2021	
Nickel Ore (HS 2604)	1.097	Prohibited → 0	Prohibited → 0	  1 st
	600	1.056		

B. Invest in End-to-end EV Battery value chain development

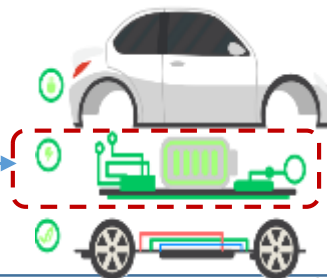
- Estimated total investment of USD 15.3 Billion*) to build End-to-end value chain EV Batteries with a capacity of 140 GWh

C. Supporting Regulation

- Presidential Decree No. 55 of 2019 to Accelerate the Use of Battery Electric Vehicles (BEV) on the Road & Government Regulation No. 74/2021 - Accelerated Development of BEV

3. Benefits and Added Value of Nickel Downstream

Value added process



Economic transformation from primary sector industry to value added (downstream) based industry



Transformation is needed to increase the added value of a product which will later have an impact on national economic growth



Raw Materials Export Ban



Nickel (2020)



Bauxite (2022)

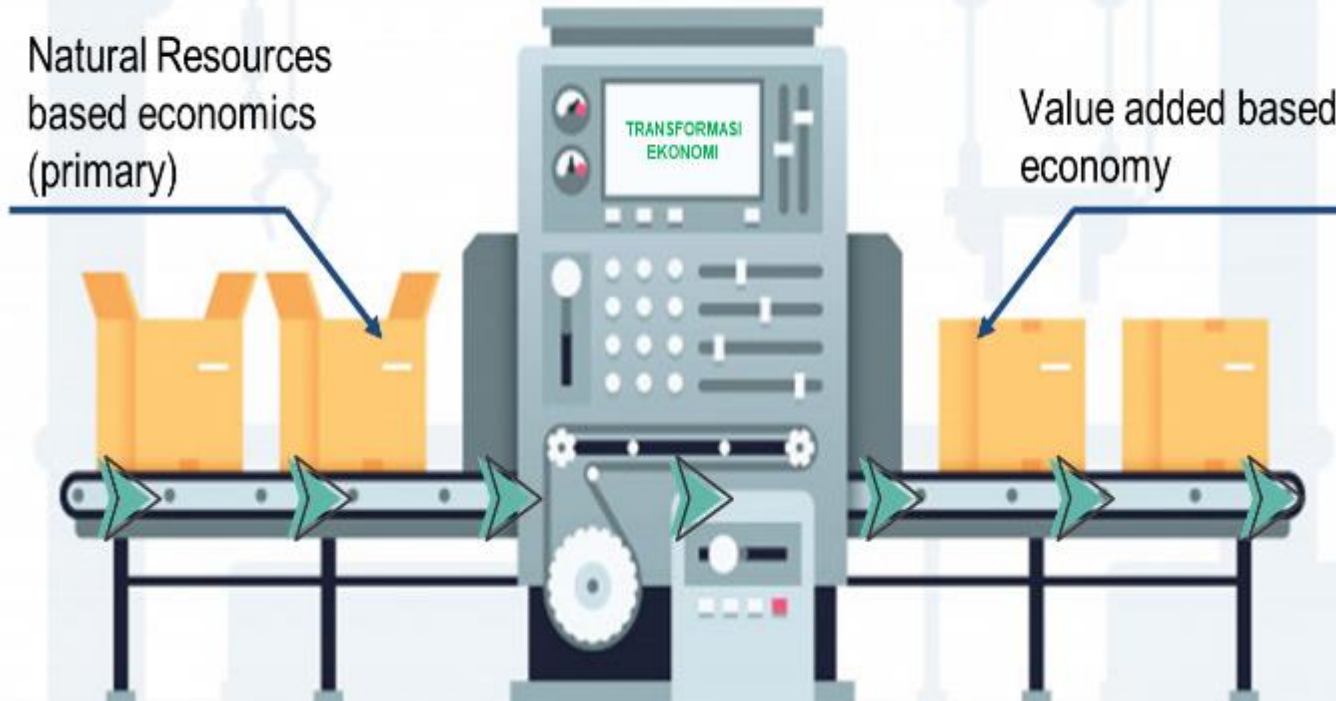


Copper (2023)



Focus on natural resources which are Indonesia's advantages compared to other countries, ex: nickel

Natural Resources based economics (primary)



Value added based economy



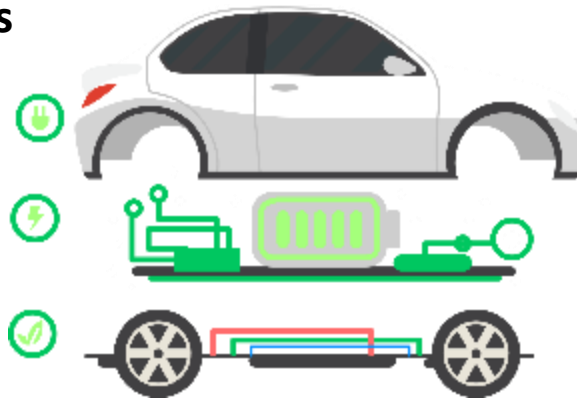
Focus on downstream industry

Downstream of Nickel Makes Indonesia the World Electric Car Production Center



Electric Car Components Based on Cost

1. **35% Battery**
2. 15% Electric Motor
3. 50% Other components



Battery components in widely used electric cars

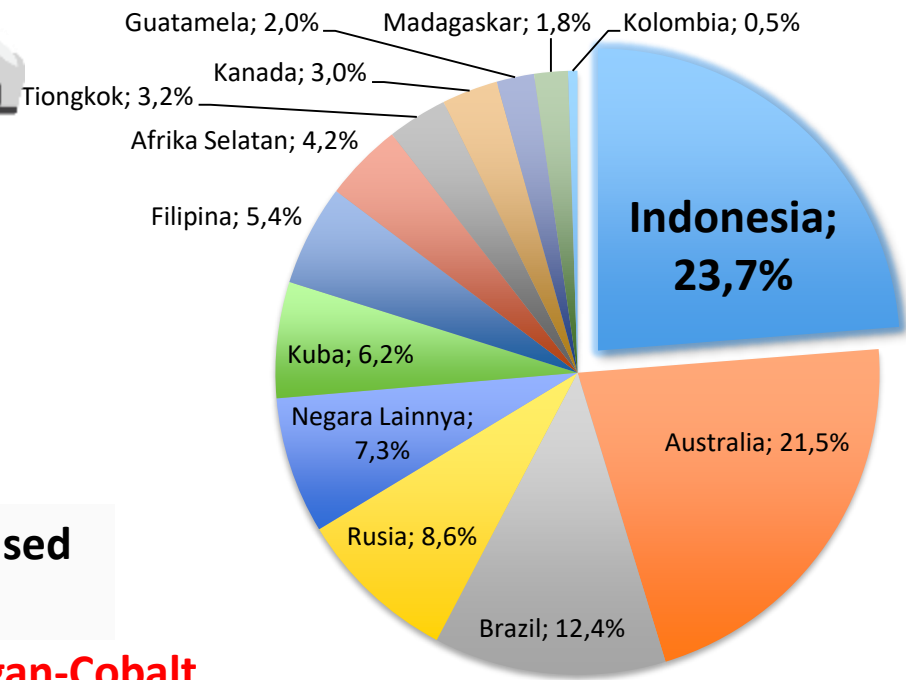
Nickel-Cobalt-Aluminium (NCA)

1. **80% Nickel**
2. 15% Cobalt
3. 5% Aluminum

Nickel-Mangan-Cobalt (NMC811)

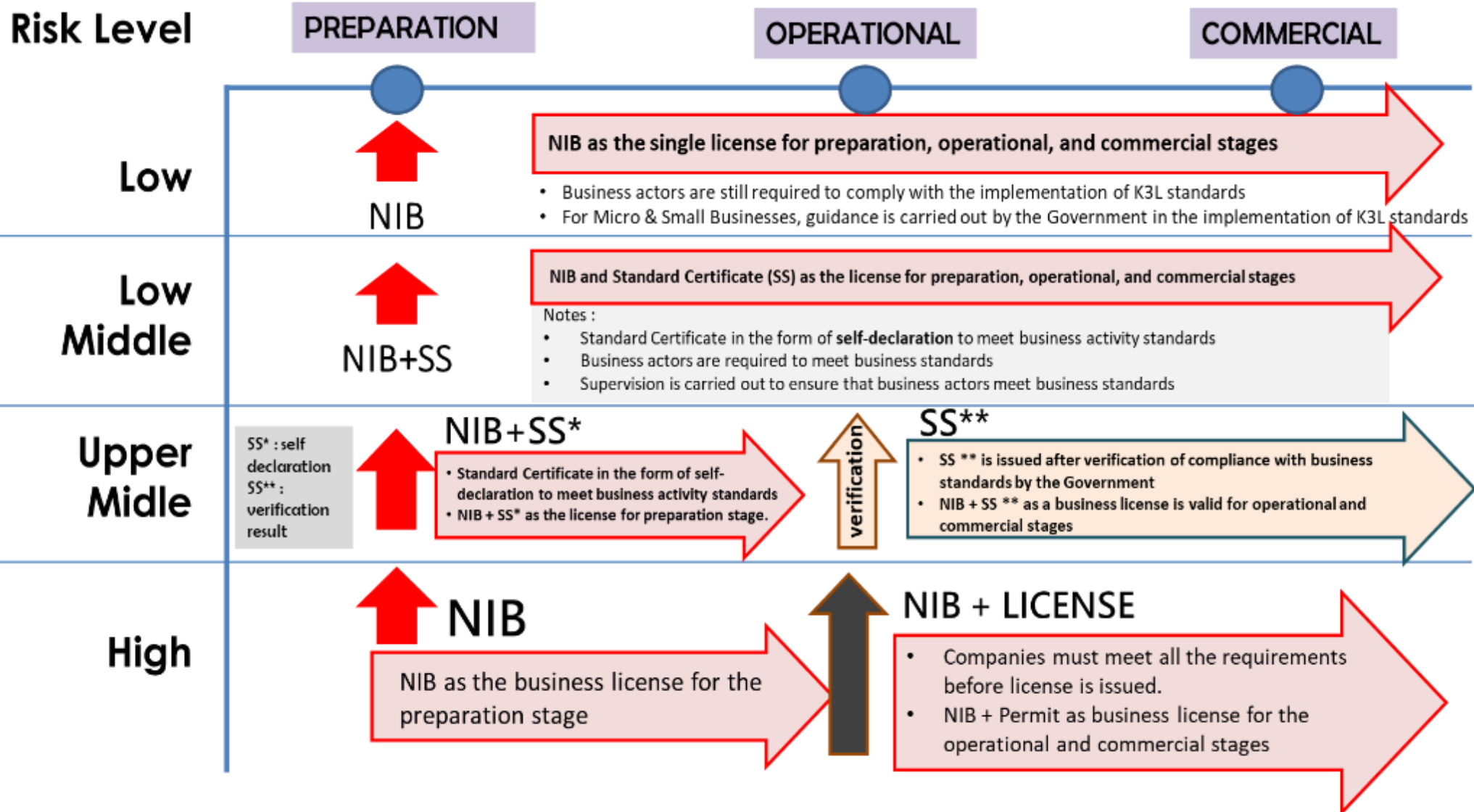
1. **80% Nickel**
2. 10% Mangan
3. 10% Cobalt

World Nickel Ore Reserve Comparison



Indonesia's nickel ore reserves are the largest reserves in the world, accounting for 23.7% of the world's reserves.

Risk-Based Licensing Approach



Risk-based Business Licensing Deregulation Measures To Encourage FDI



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

Starting a Business



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

Low Risk

Medium Risk

High Risk

NIB Issued = 2.774.093

Period August 4, 2021 – November 22, 2022

Based on Business Actor:

- **Business Entity** = 343.107
- **Individual** = 2.430.986

Based on Investment Type:

- **FDI** = 9.381
- **DDI** = 2.764.712

Based on Business Scale:

- **Micro** = 2.622.294
- **Small** = 110.918
- **Medium** = 16.123
- **Large** = 24.758

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



1

The Risk Based Business Licensing SOP (NSPK) in OSS is a single reference for the Central Government, Local Government and Business Actors.



2

The OSS system must be used by Ministries / Agencies, Local Governments, SEZ, FTZ and Business Actors. The business licensing process is carried out in the OSS system provided by BKPM.



3

The OSS system is divided into 3 subsystems, namely: 1) Information Service Subsystem; 2) Business Licensing Subsystem; 3) Supervision Subsystem

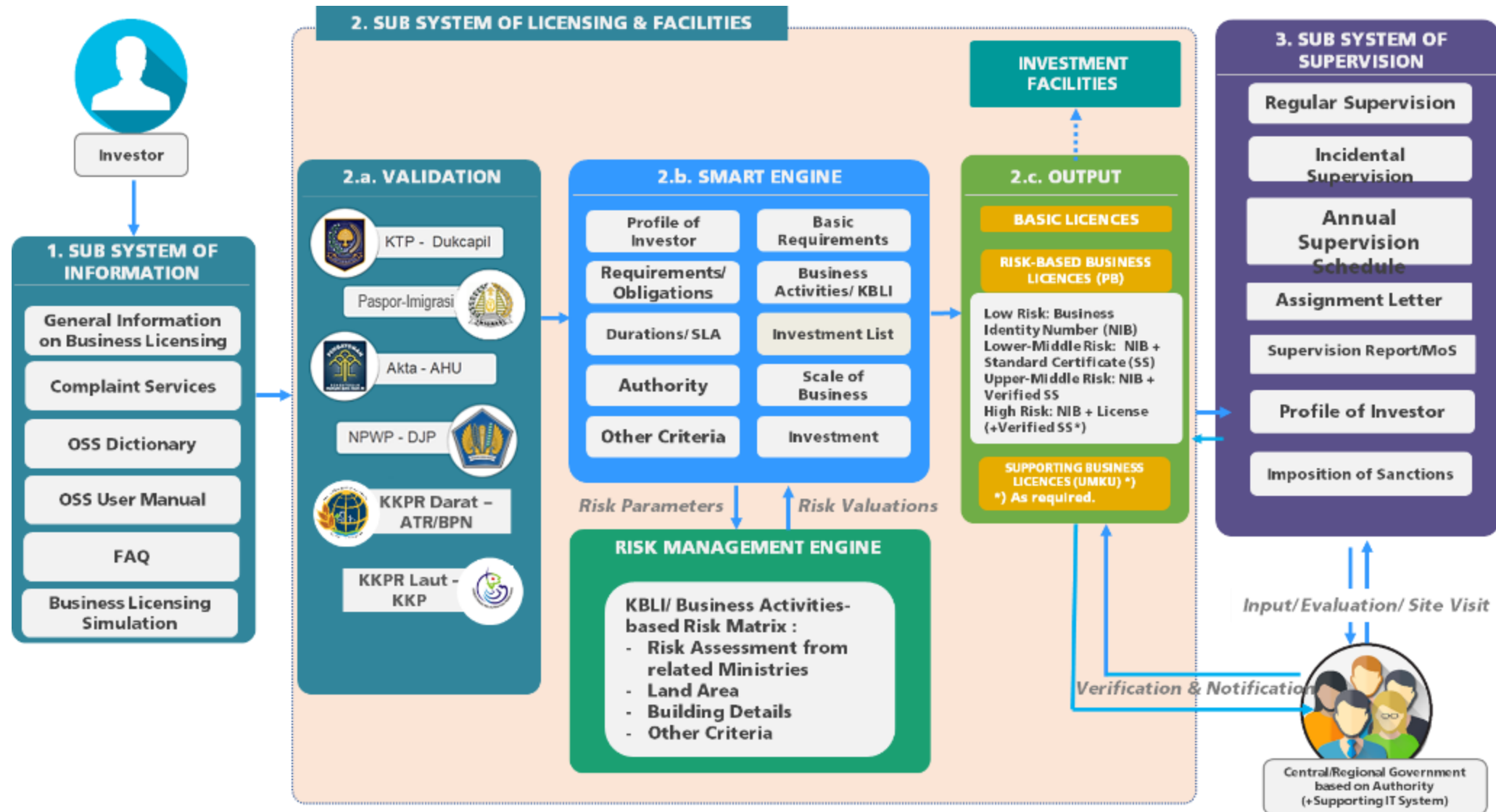


4

Supervision in an integrated and coordinated between Ministries/Agencies, local government, KEK, KPBPB through the OSS System.



Architecture of OSS System



Investment Policy Direction 2020 -2024:

Improving Investment Quality To Promote Inclusive and Sustainable Economic Growth





Investment Realization Target 2020 to 2024

With the direction of President Jokowi to improve the economic growth, the investment realization target will be increased from IDR900T in 2021 to IDR1,200T in 2022

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

Total Investment Realization
Year 2015 to 2019
Rp. 3,381.9 T



Investment Realization Target
Year 2020 to 2024
Rp. 4,983.2 T

The increase in investment targets from President Jokowi is expected to come from quality investments, such as processing industries that provide added value



Investment Realization in Q3-2022

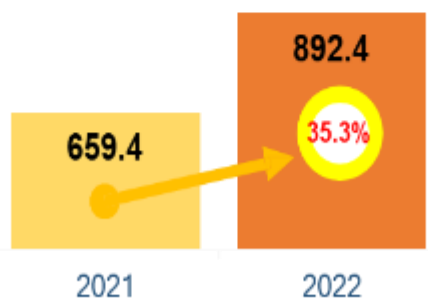
QUARTER III

y-o-y
In Trillion Rupiah



JANUARY - SEPTEMBER

y-o-y
In Trillion Rupiah



	2021			2022		
	Q-I	Q-II	Q-III	Q-I	Q-II	Q-III
DDI	108.0	106.2	113.5	135.2	139.0	138.9
FDI	111.7	116.8	103.2	147.2	163.2	168.9
TOTAL	219.7	223.0	216.7	282.4	302.2	307.8
	JANUARY – SEPTEMBER 2021			JANUARY – SEPTEMBER 2022		
DDI	327.7			413.1		
FDI	331.7			479.3		
TOTAL	659.4			892.4		

Q-III 2022		TARGET **	ACHIEVEMENT ***
Y-o-Y	Q-o-Q	2022	
22.5%	-0.05%	572.4	72.2%
63.6%	3.5%	627.6	76.4%
42.1%	1.9%	1,200.0	74.4%
JANUARY – SEPTEMBER 2022 Y-O-Y		Indonesian Labor Absorption Q III 2021 : 288,687 Indonesian Labor Absorption Q III 2022 : 325,575 (12.8% y-o-y)	
		26.1%	44.5%
		35.3%	

*) The achievement of investment realization in January - September 2022 period is a rounded number.

**) 2022 Investment Realization Target: Rp 968.4 T (Strategic Plan)
As regulated in BKPM Regulation Number 2 of 2020 concerning BKPM Strategic Plan 2020-2024
The adjustment of investment realization target for 2022: Rp 1,200 T (President's Instruction)

***) Towards the 2022 investment realization target according to the President's Instruction

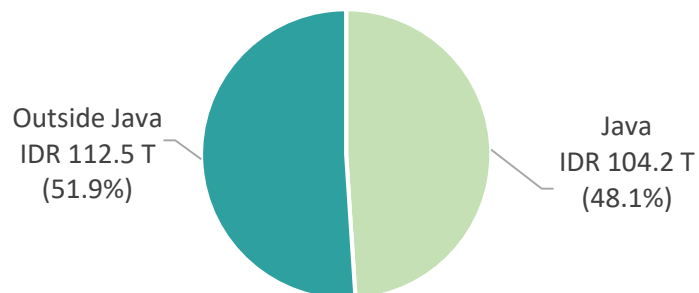
Investment Realization in Q3-2022

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



Q3-2021

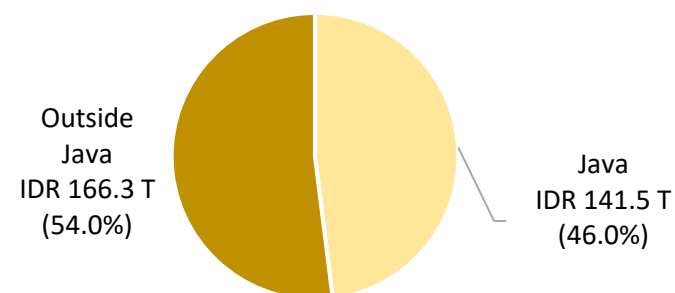
Total : IDR 216.7 T



Realization	y-o-y
Java	47.9%
Outside Java	35.8%
TOTAL	42.1%

Q3-2022

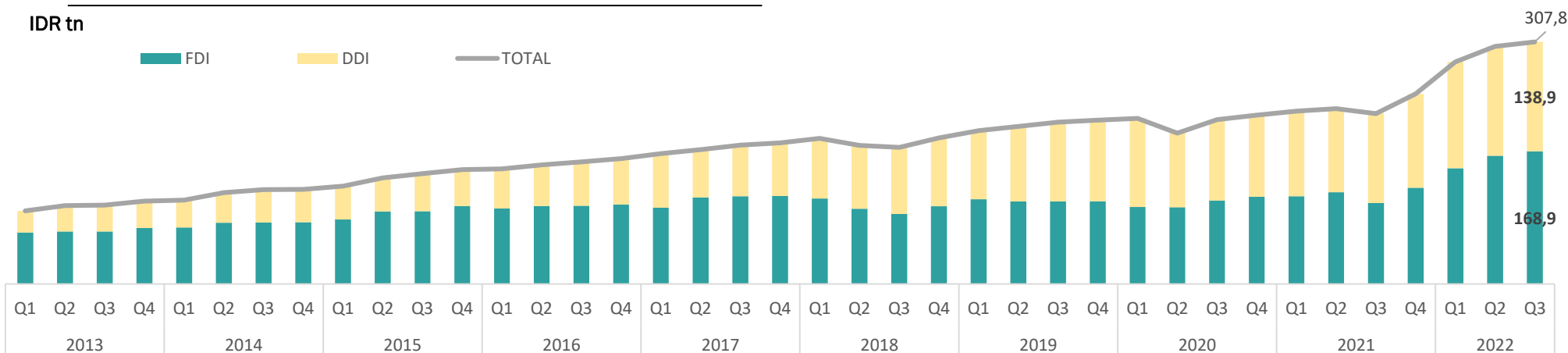
Total : IDR 307.8 T



Direct Investments

IDR tn

FDI DDI TOTAL



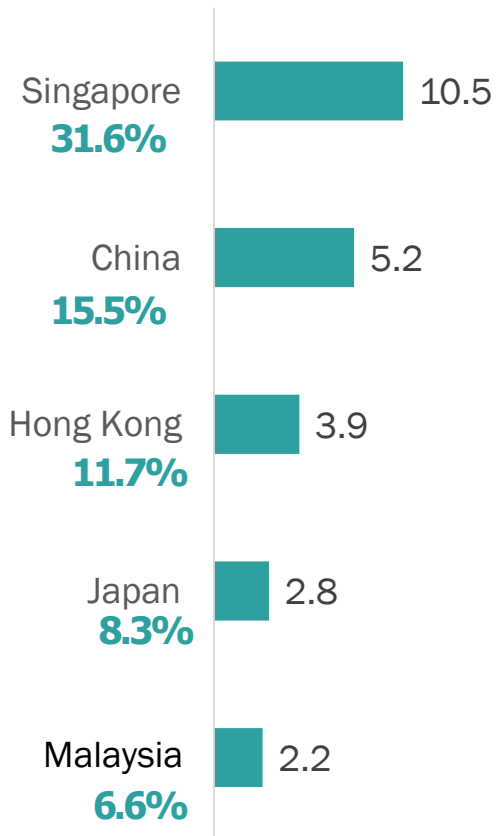
Investment Realization in January-September 2022

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



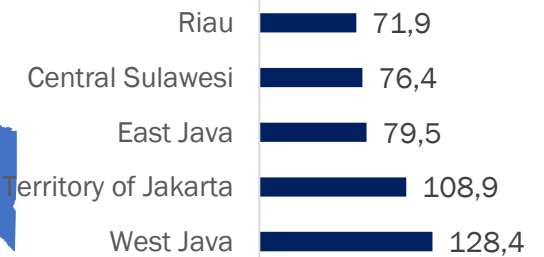
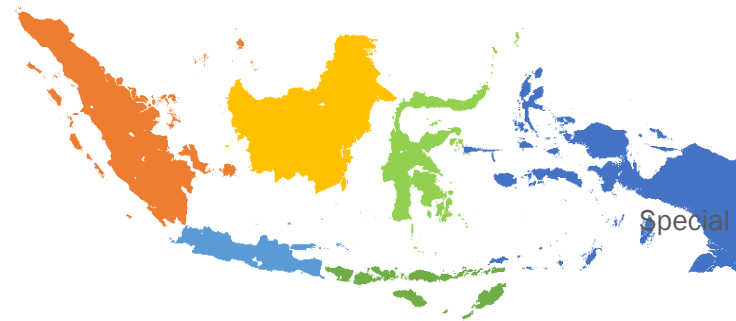
Top 5 Investors (by country)

(in USD billion)



By Region

in IDR Trillion



By Sector

in IDR Trillion



All National Strategic Projects have been given a special facility to ease each of the project's implementation as stipulated in the Pres. Regulation No. 109 /2020



PSN Facility

Land transfer fee waiver for PSN

Local content utilization

Debottlenecking

Electronic permit licensing

Government guarantee

Procurement acceleration

Spatial planning

IT Monitoring system by KPPIP

Law settlement assistance

Land aquisition

SOE appointment

Project acceleration for private investment



Existing

New norm on Presidential Regulation No. 109/2020

National Strategic Project (PSN) list is established in 2016, and have undergone several amendments until recently stipulated*





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

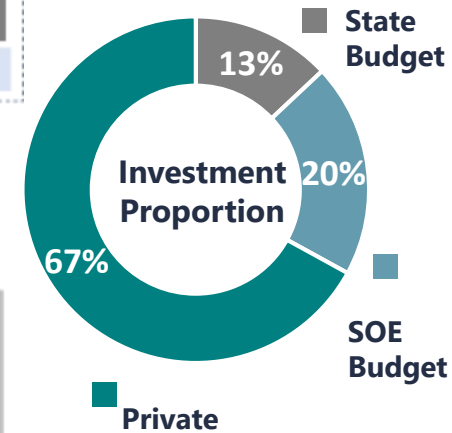
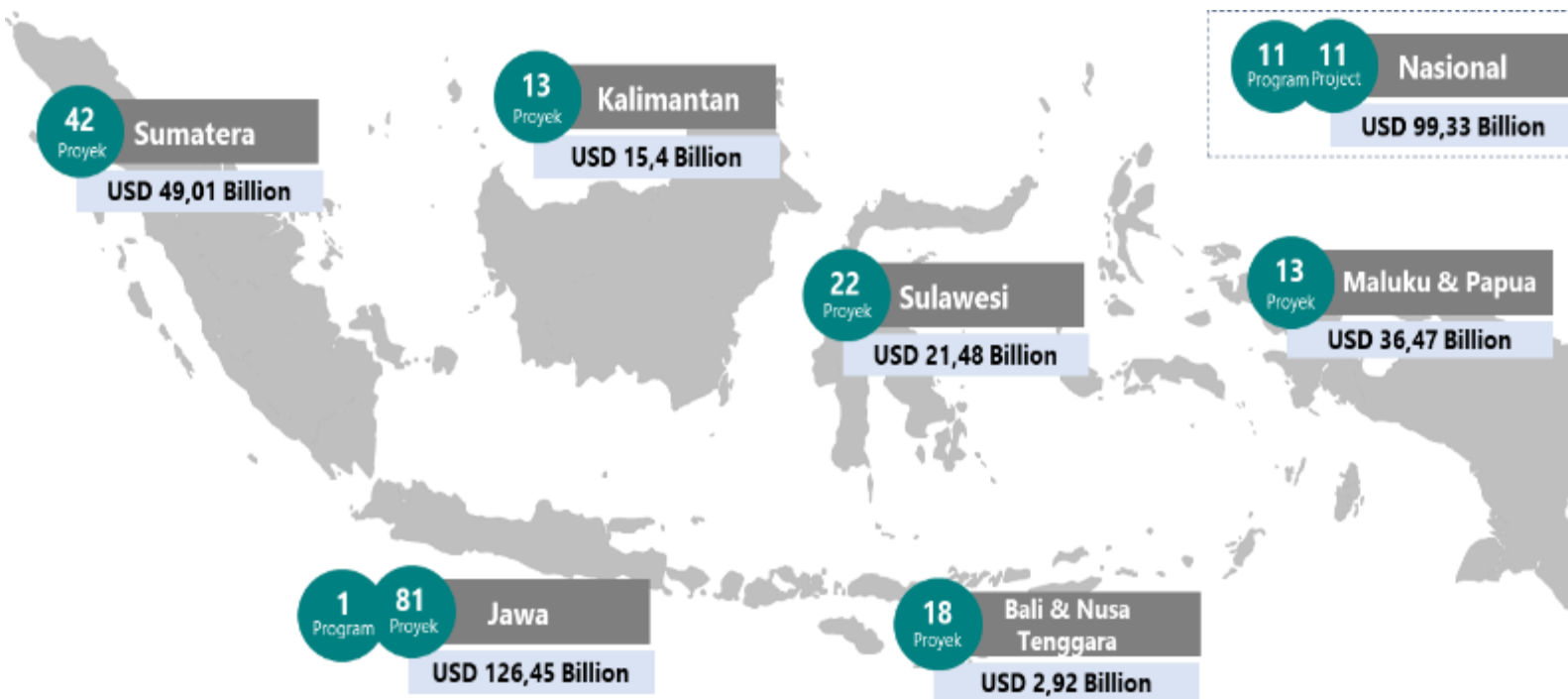


Project excluded from the PSN List

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

* under Coordinating Minister Regulation No.9 / 2022

National Strategic Project (PSN) consists of 200 Projects and 12 Programs with estimated investment value of USD 351.22 Billion*



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



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

Electricity Program with focus on Renewables



1

**Electricity Infrastructure Development (PIK)
(which contains projects listed in RUPTL 2021-2030);**

2

National Rooftop Solar Power Plant

3

Large-scale Solar Power Plant in Riau Islands

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

EV Battery end-to-end Development Plant

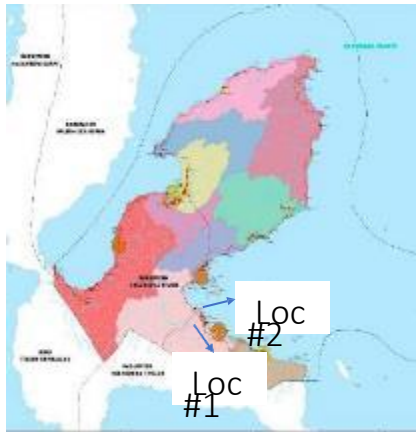


The Electric Vehicle Battery Industry is one of the Government's priorities

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

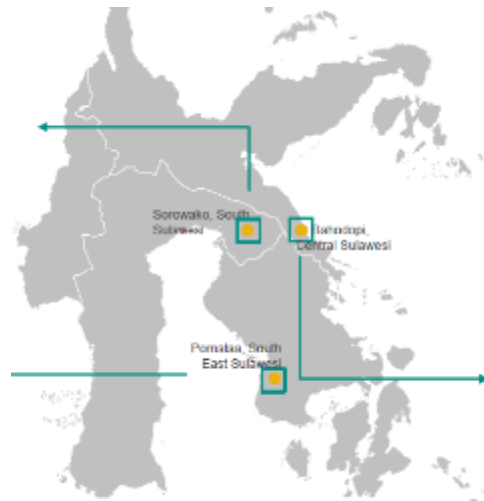


Electric Battery Development Program as part of new PSN List in 2022



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

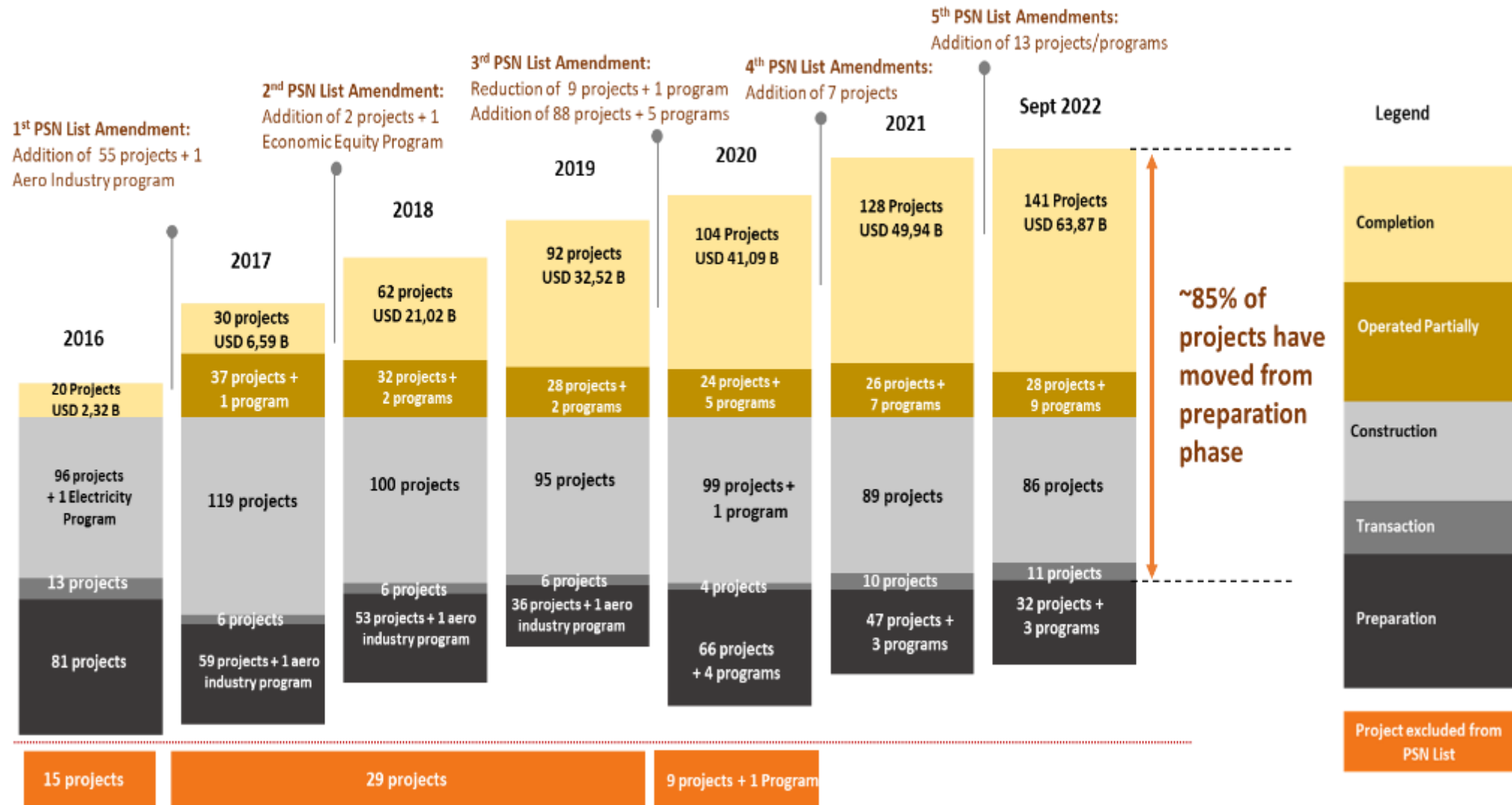
A joint venture project with the LGES consortium to support the supply of nickel for the electric vehicle battery industry in Indonesia at the Batang Integrated Industrial Estate



2. PT Vale Indonesia Integrated Smelter Development Project in Pomala

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

Since 2016, 141 National Strategic Projects have been fully operational, and most of the projects have been expedited to move from preparation phase



Government of Indonesia has set various initiatives

to drive private sector participation in Infrastructure sector especially for National Strategic Projects



1



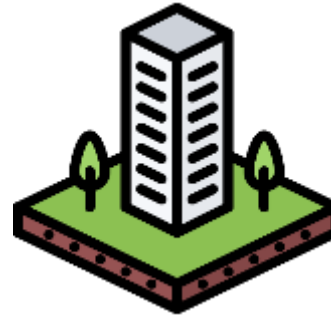
**Public Private
Partnership
(PPP)**

2



**Limited
Concession
Scheme (LCS)**

3



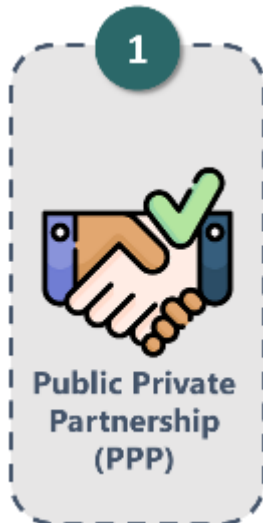
***Land Value
Capture (LVC)***

4



***Other Creative
Financing for
Infrastructure***

Government of Indonesia has conducted institutional reforms to establish a conducive PPP ecosystem...



Institutional Reforms for PPP Implementation



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



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



Indonesia Infrastructure Guarantee Fund: Provides guarantee and supports project preparation



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

PPP Guarantee

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

Presidential Regulation 78/2010;
MoF Regulation 8/2016

National Strategic Project (PSN) Guarantee

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

MoF Regulation 30/2021

SOE Credit Guarantee

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

MoF Regulation 101/2018

PPP Project Development Facility

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

MoF Regulation 180/2020

Corporate Credit Guarantee

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







MoF Regulation 98/2021

National Economic Recovery Program

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

MoF Regulation 211/2021

Government Commitment through Fiscal Support

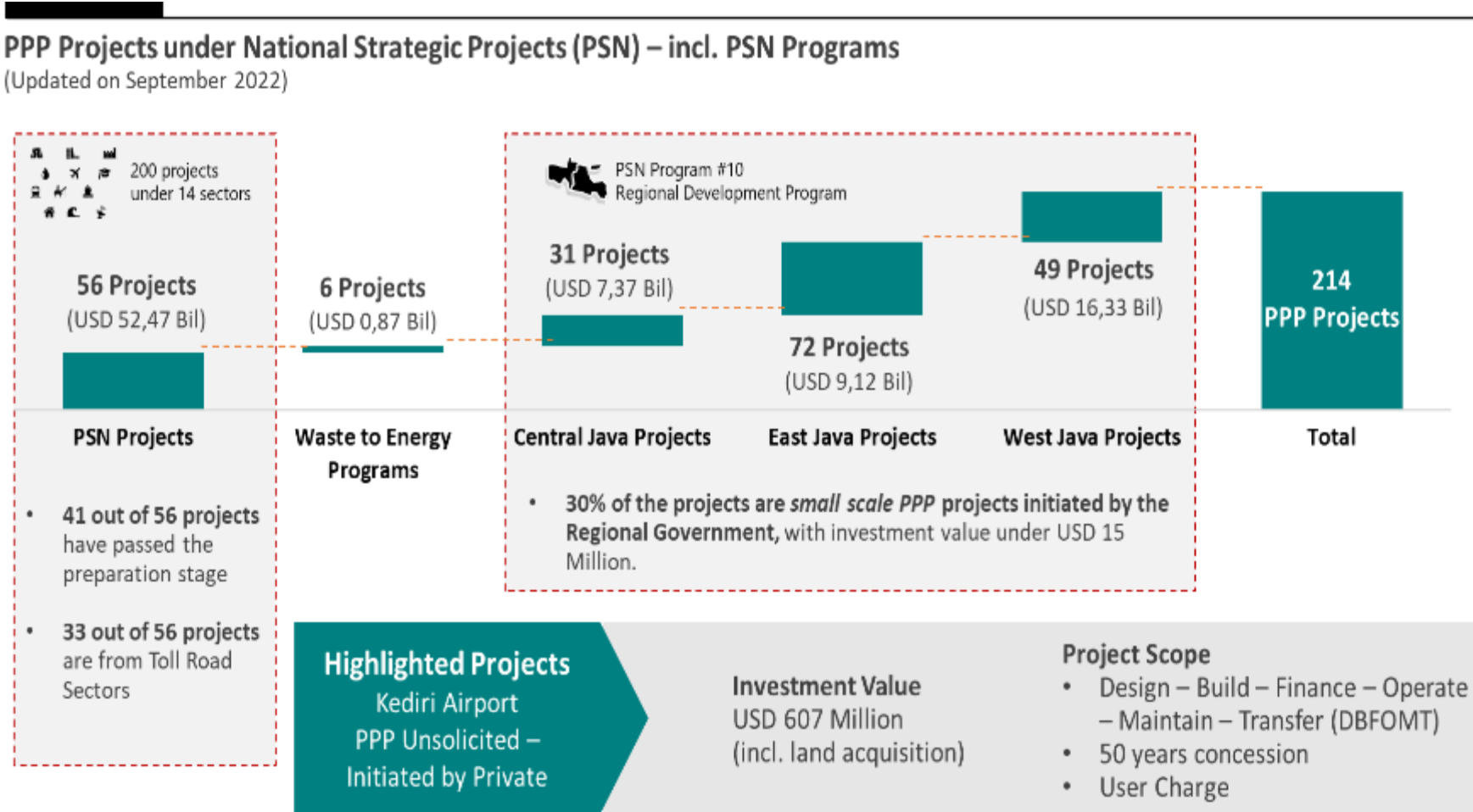
Project Preparation	Commitment	Viability of Project	Bankability	Land Support
 <p>Project Development Facility (PDF)</p> <p>MoF assigns SOE to assist CA in PPP project preparation and transaction</p>	 <p>Contracting Agency (CA) Commitment</p> <p>Through conversion from State Budget to PPP financing scheme</p>	 <p>Viability Gap Fund (VGF)</p> <p>MoF provides support resulting a more viable project to be offered to market</p>	 <p>Availability Payment (AP)</p> <p>MoF provides periodic payment scheme for non-commercial projects that greatly needed by public</p>	 <p>Sovereign Guarantee and Long-Term Financing</p> <p>MoF established SOE in order to provide sovereign guarantee and long-term financing support</p>
				 <p>Land Support</p> <p>MoF established dedicated unit that settle land acquisition payment to be used for strategic infrastructure projects</p>

Under National Strategic Project (PSN) there are 214 projects identified to be delivered through Public Private Partnership (PPP) with various project' scales and sectors



1

Public Private Partnership (PPP)



Government of Indonesia has stipulated Limited Concession Scheme as an asset recycling scheme for brownfield infrastructure asset



2



Limited
Concession
Scheme (LCS)

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

LCS Concept

Government can get:

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

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

Government guarantees the issuance of permits and licenses

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

LCS Principles

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

Technical Criteria for the LCS assets

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

Government of Indonesia try to implement LVC Scheme in order to alleviate government burden on infrastructure development



3



Land Value
Capture (LVC)

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



Tax based LVC

Land and Property Tax

Betterment Levies and
Special Assessment

Tax Increment Financing
(TIF)

Development Based LVC

Land Sale and Rent

Air Right Sale

Joint Development

Land Readjustment

LVC Benefit

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

Triple Win LVC

Better
Urban
Mobility

Reducing
Subsidy

Creating
Fiscal
Space

Source: KPPIP, Kemenko Perekonomian, Desember 2020

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



MRT Station
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 Levy**

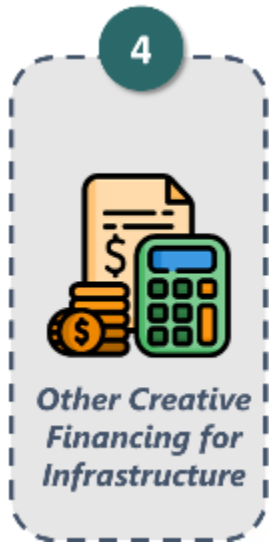


Sekanak - Lambidaro
Area Development,
Palembang,
Sumatera Selatan

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.



Source: PT SMI, 2019



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



4



*Other Creative
Financing for
Infrastructure*

Legal basis

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

Development

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

Main Sectors of Investment



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

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



4



Other Creative
Financing for
Infrastructure

Limited Mutual Fund

(RDPT – Reksadana Penyertaan Terbatas)

Recent Progress

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

Waskita Toll Road Raih Rp550 M dari Emisi RDPT Infrastruktur

MARKET - Donald Banjarnahor, CNBC Indonesia

18 November 2019 12:00

1

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").

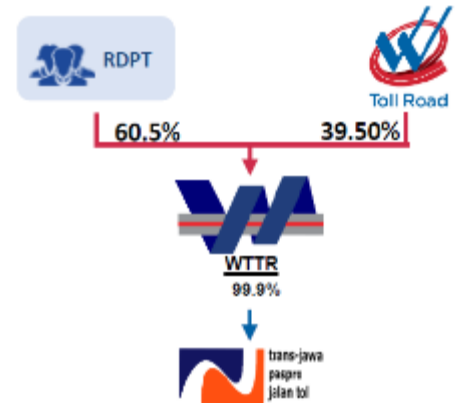
Location: East Java

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



Ownership Structure



Indonesia's Special Economic Zone (SEZs)

Encourage Economic Growth, Equitable Development, and Increase Competitiveness.



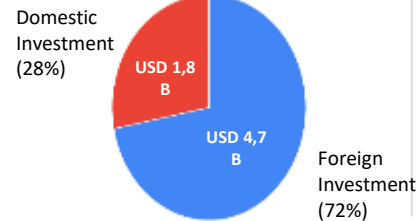
SUMMARY OF THE 18 SPECIAL ECONOMIC ZONES PERFORMANCE



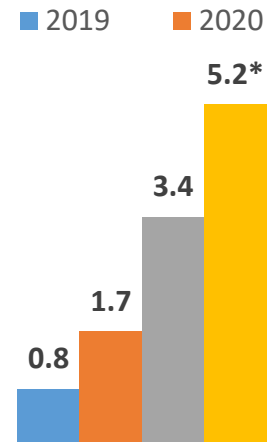
Investment Commitment USD 9.3 B

Investment Realization (Tenant & Developer) USD 6.5 B

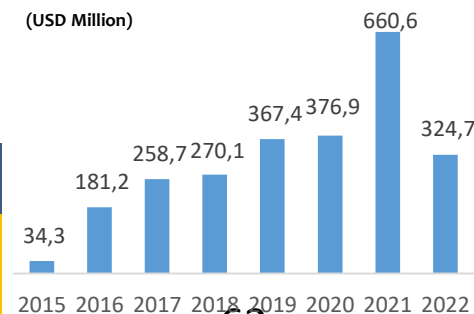
Ratio of Foreign and Domestic Investment



Investment Realization by Tenant (USD Billion) 2019 - 2022



Export Performance (Sept 2022) USD 324.7 Million



Number of Employment 47,287



MAIN TARGET OF SEZS

Import Substitution
& Export Promotion
Industrialization

Industry 4.0
Acceleration

Regional
Development

Services Industry
Development

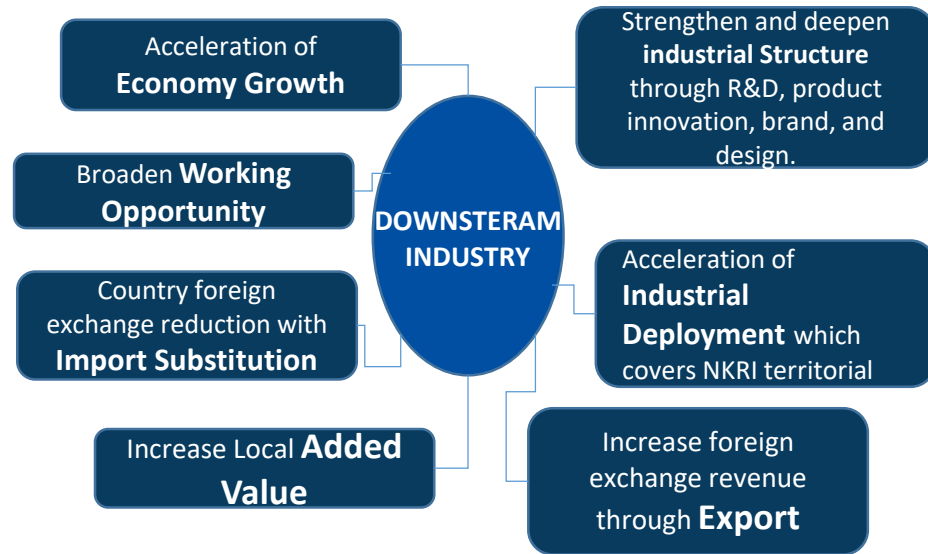
Improve Trade
Balance

*) up to September 2022
USD1 = Rp15,569.05

Encourage The Industry Downstream To Increase Value-added Commodities



Downstream Industry Policy



Supporting Policy For Downstream Industry

Provide Industrial Infrastructure / Development of sufficient Industry Area or SEZ (port, energy, land, natural gas, etc.)

Create a conducive industrial business environment (Job Creation Law, risk-based business licensing, OSS, etc.)

Fiscal incentive and disincentive

Technology provision, building advanced human resources, and industrial machinery.

Total Number and Investment Smelter 2021-2024

Commodity	Number of Smelter			Total Investment (mn \$)	Investment Realization (mn \$)
	Existing	Plan	TOTAL		
Nickel	11	19	30	7619.3	5508.4
Bauxite	2	6	8	7138.9	2979.5
Iron	1	1	2	53.7	47.2
Copper	2	2	4	4693.3	1046.9
Mangan	1	1	2	23.9	12.5
Lead and Zinc	0	2	2	28.8	22.0
TOTAL	17	31	48	19557.9	9616.6

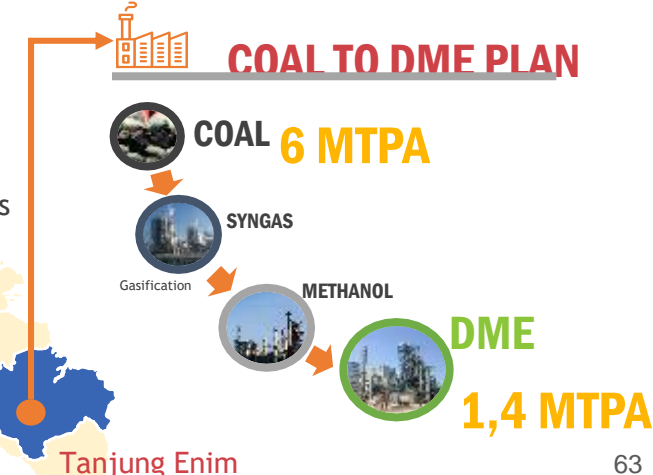
Coal Development Project

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



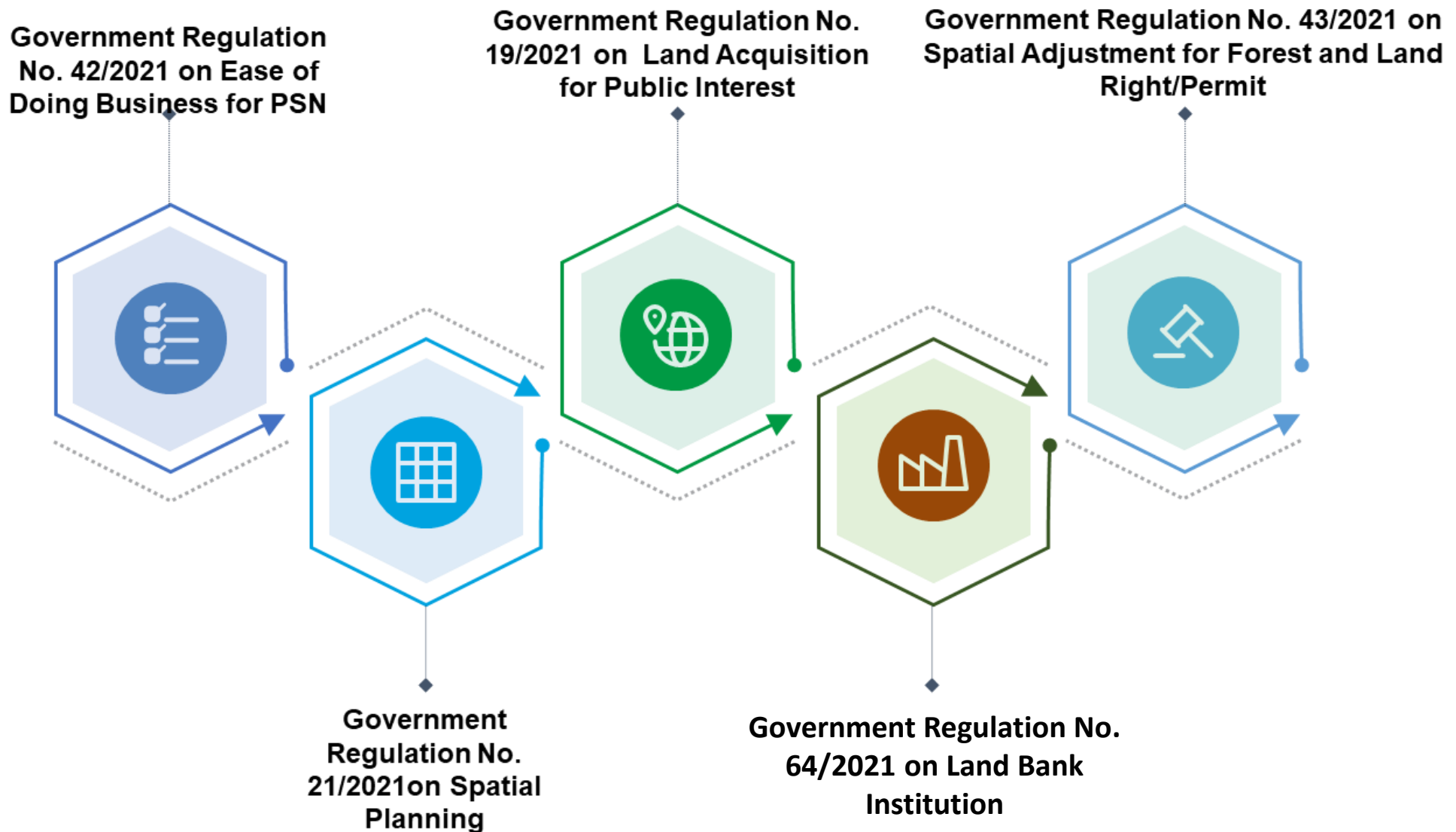
The project in Tanjung Enim will become a Special Economic Zone (SEZ) so that facilities and incentives will support it.

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



Government of Indonesia has ratified a number of significant implementing regulation

as part of regulatory reform to ease infrastructure investment



Government Guarantee For Basic Infrastructure Development

Reflects strong commitment to national development planning



Government Guarantee Program

Credit Guarantee	<ul style="list-style-type: none"> ● Power (Electricity) – Full credit guarantee for PT PLN's debt payment obligation under FTP 1 10,000MW and 35GW programs*. ● Clean Water – Guarantee for 70% of PDAM's debt principal payment obligations. ● Toll road – Full credit guarantee for PT Hutama Karya's debt payment obligations for the development of Sumatra Toll Roads. ● Infrastructure - Full credit guarantee on SOE's borrowing from international financial institution & guarantee for PT SMI's local infrastructure financing. ● Public Transportation (Light Rail Transit) – Full credit guarantee for PT Kereta Api Indonesia's debt payment obligations for the development of LRT Jabodebek.
Business Viability Guarantee (BVG)	<ul style="list-style-type: none"> ● Power (Electricity) – Guarantee for PT PLN's obligations under Power Purchase Agreements with IPPs (off-take and political risk) under FTP-2 10.000MW and 35GW programs*
PPP Guarantee	<ul style="list-style-type: none"> ● Infrastructure – Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements
Political Risk Guarantee	<ul style="list-style-type: none"> ● Infrastructure – Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees

Contingent Liabilities from Government Guarantee as of Q2 2022**

No.	Central Government Guarantee for Infrastructure Programs	Guarantee Document	Credit Outstanding /Investment Exposure (billion)*
1	Coal Power Plant 10,000MW Fast Track Program (FTP 1)	5	USD 0.37
2	Clean Water Supply Program	6	USD 0.00
3	Direct Lending from International Financial Institution to SOEs	11	USD 2.32
4	Sumatra Toll Road	10	USD 2.99
5	Renewable energy, Coals & Gas Power Plant 10,000 MW (FTP 2)	7	USD 4.00
6	Public-Private Partnerships (PPP)	7	USD 6.34
7	Regional infrastructure financing	1	USD 0.20
8	Public Transportation (Light Rail Transit)	2	USD 0.91
9	Electricity Infrastructure Fast Track Program (35 GW)	5	USD 6.27
Total		54	USD 23.40

- From 2008 to Q2-2022**, the government has issued 94 guarantee documents with total value of USD42.07 billion, there were 40 guarantee documents worth USD9.26 billion have been expired.
- The Maximum Guarantee Limit for the period 2022-2025 is set at 6% of GDP.
- Starting from 2008 the Government has allocated a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

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

**) Currency conversion of IDR14,848.00/USD1 and IDR15,609.72/EUR1 (as of end June 2022)

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 fulfil the community's basic needs and increase the competitiveness of national products.



LOGISTICS PROGRAM FOR 2022-2024

Increasing national logistics efficiency, focusing on food and health products

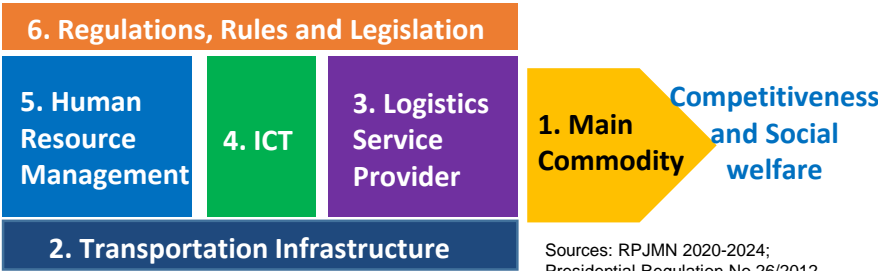
This focus aims to ensure the availability and reliability of logistics services to support the smooth distribution of goods at the district and city levels.

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

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

- 1 Commodity-based improvement framework**
 - Specify a specific commodity.
 - Identify demand patterns, supply patterns and logistics costs.
 - Set logistics efficiency targets for these commodities, for example:
 - Lead time for domestic goods delivery;
 - Lead time at the port for import-export goods.
- 2 Strengthen Key-Enabler**
 - Mapping and collaborating stakeholders and off-takers to implement the action plans.
 - Establish a responsible organization to ensure the implementation of action plans to support the achievement of logistics efficiency targets.
- 3 Organizing action plans based on 6 key drivers**

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



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

Key Drivers: Logistic Action Plan

Transportation Infrastructure →

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

Logistics Service Provider →

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

ICT →

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

Human Resource Management →

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

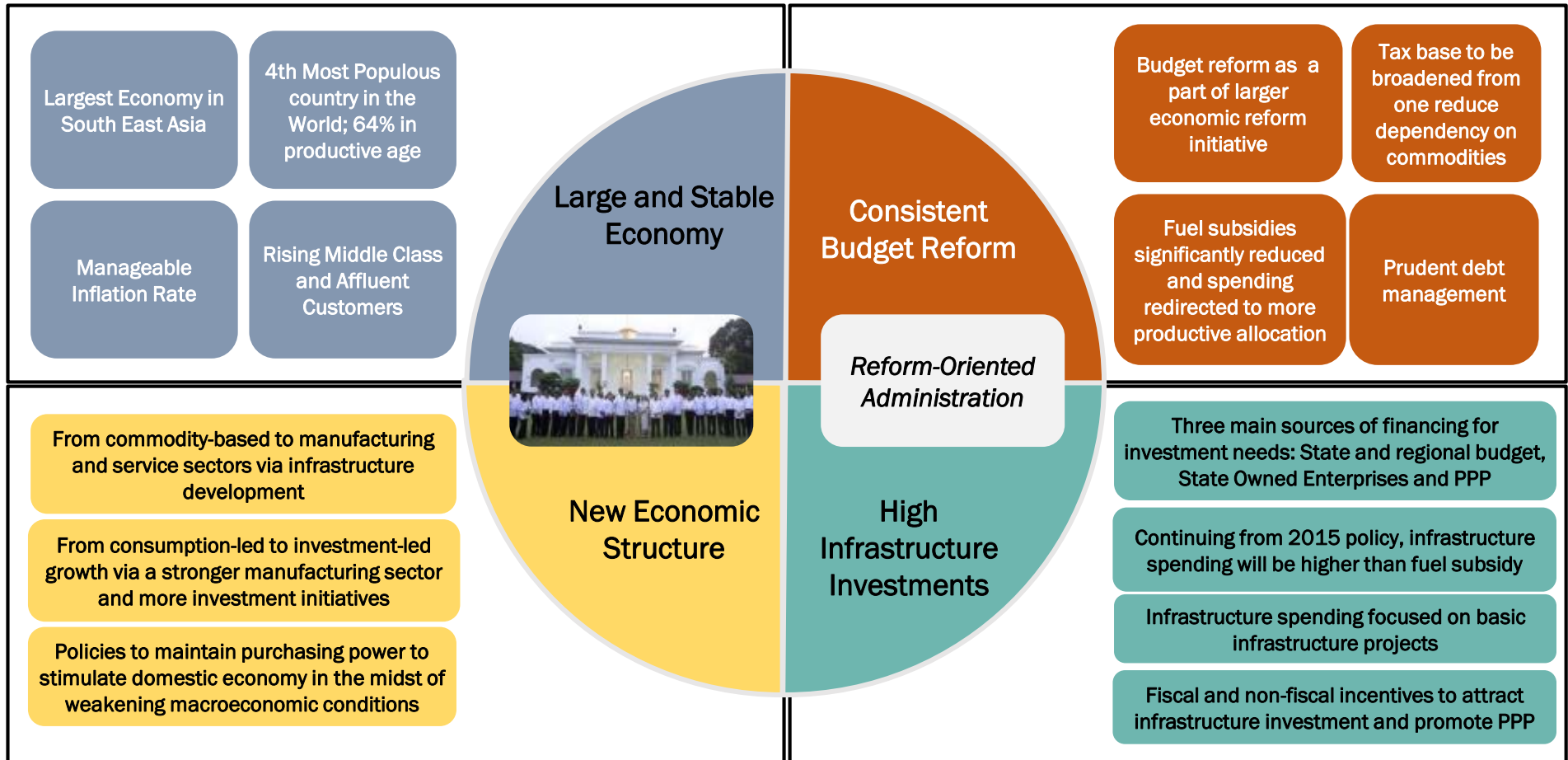


Section 3

**Economic Factor:
Stable Growth Prospects Supported by
Continued Economic Recovery
Momentum**

Conducive Environment

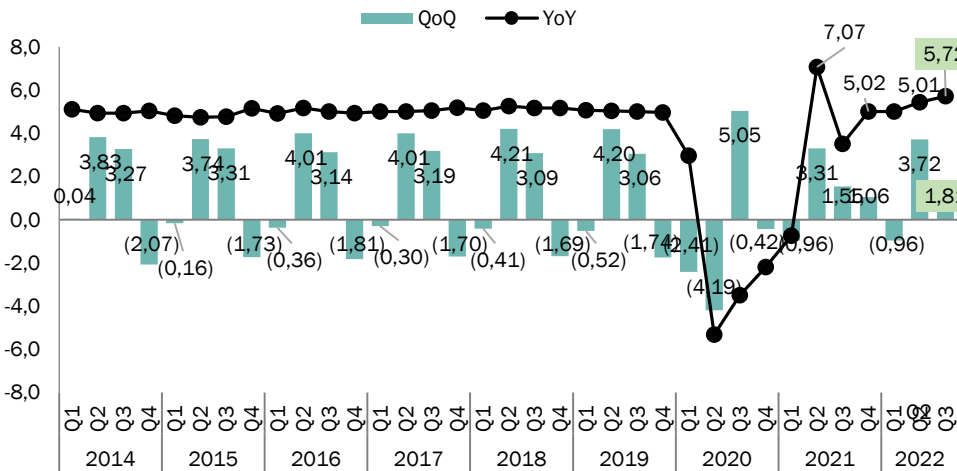
Underpinning Stable Growth Fundamentals Amid Temporary Moderation



National Economic Recovery Continue to Accelerate



Strong GDP Growth¹

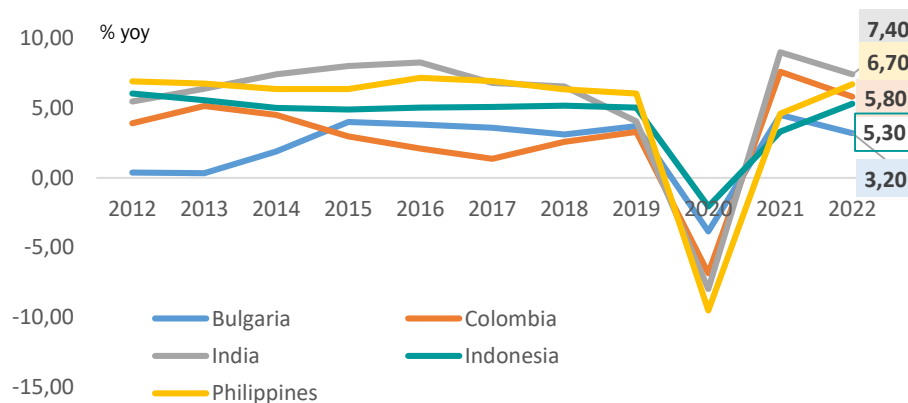


National economic performance in Indonesia continued to gain momentum in Q3-2022 despite global economic moderation and rising inflation at home. This was confirmed by domestic economic growth accelerating to 5.72% (yoy) in the reporting period from 5.45% (yoy) in the second quarter of 2022. Solid economic performance was supported by ongoing improvements in terms of domestic demand, coupled with persistently strong exports. National economic improvements were also reflected by the sound performance of various economic sectors and all regions of the archipelago. Moving forward, economic growth is expected to remain intact on the back of domestic demand in line with improving mobility and the ongoing completion of national strategic projects (PSN). Notwithstanding, the impact of global economic moderation on export performance and potentially restrained household consumption due to rising inflation demand vigilance.

In terms of spending, nearly all components recorded positive growth in the reporting period. Household consumption expanded 5.39% (yoy) despite moderating from 5.51% (yoy) in the previous period. Strong growth was consistent with increasing public mobility, the limited impact of fuel price adjustments as well as disbursements of social assistance (bansos) and energy subsidies. Investment improved to 4.96% (yoy), primarily driven by non-building investment in machinery and equipment. Meanwhile, government consumption experienced a 2.88% (yoy) contraction due to lower procurement spending for Covid-19 handling and the national economic recovery program. Exports continued to increase, with growth reaching 21.64% (yoy), underpinned by persistently strong demand in Indonesia's main trading partners, together with policy to accelerate exports of crude palm oil (CPO). Import growth was also high at 22.98% (yoy) in the reporting period to meet solid domestic and export demand.

Nearly all economic sectors expanded in the third quarter of 2022, primarily driven by the Manufacturing Industry, Mining, Agriculture as well as Wholesale and Retail Trade. Furthermore, Transportation and Storage as well as Accommodation and Food Service Activities also posted strong growth on greater public mobility and a surge of arrivals by international travellers. Regionally, economic improvements were bolstered by growth in all regions of Indonesia, led by Sulawesi-Maluku-Papua (Sulampua), followed by Bali-Nusa Tenggara (Balinusra), Java, Kalimantan and Sumatra.

Favourable GDP Growth Compared to Peers²



2022 Growth Projection *)

Institutions	GDP growth
2022 Budget	4.8-5.5
Bank Indonesia	4.5-5.3
IMF (WEO, October 2022)	5.3
Consensus Forecast (November 2022)	5.3
World Bank (GEP, June 2022)	5.1
ADB (ADO, September 2022)	5.4

1. Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
 2. Source: World Economic Outlook Database - July 2022; * indicates estimated figure

*) Consensus Forecast number will be given later

GDP Growth Breakdown



GDP Growth Based on Expenditures (% YoY)¹

By expenditure	2017					2018					2019					2020					2021					2022		
	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
HH. Consumption	4.9	5.0	4.9	5.0	4.9	5.0	5.2	5.0	5.1	5.1	5.0	5.2	5.0	5.0	5.0	2.8	-5.5	-4.0	-3.6	-2.6	-2.2	6.0	1.0	3.6	2.0	4.3	5.5	5.4
Non profit HH. consumption	8.1	8.5	6.0	5.3	6.9	8.1	8.8	8.7	10.9	9.1	17.0	15.3	7.4	3.5	10.6	-5.0	-7.8	-1.9	-2.1	-4.2	-3.7	4.0	2.8	3.3	1.6	5.8	5.0	6.1
Government consumption	2.7	(1.9)	3.5	3.8	2.1	2.7	5.2	6.3	4.6	4.8	5.3	8.2	1.0	0.5	3.3	3.8	-6.9	9.8	1.8	2.0	2.5	8.1	0.6	5.2	4.2	-6.9	-4.9	-2.9
Gross Fixed Cap. Formation	4.8	5.3	7.1	7.3	6.2	7.9	5.8	6.9	6.1	6.7	5.0	4.6	4.2	4.1	4.5	1.7	-8.6	-6.5	-6.2	-5.0	-0.2	7.5	3.8	4.5	3.8	4.1	3.1	5.0
Exports	8.4	2.7	16.5	8.4	8.9	5.8	7.4	8.3	4.6	6.5	-1.1	-1.2	0.9	-0.6	-0.5	0.2	-12.4	-13.0	-6.9	-8.1	6.9	31.5	29.2	29.8	24.0	16.7	20.0	21.6
Imports	4.8	0.2	15.4	11.9	8.1	12.5	15.2	14.2	7.4	12.1	-5.8	-5.9	-8.5	-8.1	-7.1	-5.4	-20.7	-24.5	-15.8	-16.7	4.4	31.8	29.9	29.6	23.3	15.9	12.4	23.0
GDP	5.0	5.0	5.1	5.2	5.1	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0	3.0	-5.3	-3.5	-2.2	-2.1	-0.7	7.1	3.5	5.0	3.7	5.0	5.4	5.7

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

GDP Growth by Sector (% YoY)

By sectors	2017					2018					2019					2020					2021					2022		
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3	Q4	Tot	Q1	Q2	Q3
Agriculture, forestry, and fishery	7.1	3.3	2.8	2.4	3.9	3.3	4.7	3.6	3.8	3.9	1.8	5.3	3.1	4.2	3.6	0.0	2.2	2.2	2.6	1.8	3.4	0.5	1.4	2.3	1.8	1.2	1.4	1.6
Mining and Quarrying	(1.3)	2.1	1.8	0.0	0.7	1.1	2.6	2.7	2.2	2.2	2.3	-0.7	2.3	0.9	1.2	0.4	-2.7	-4.3	-1.2	-2.0	-2.0	5.2	7.8	5.2	4.0	3.8	4.0	3.2
Manufacturing	4.3	3.5	4.9	4.5	4.3	4.6	3.9	4.4	4.2	4.3	3.9	3.5	4.1	3.7	3.8	2.1	-6.2	-4.3	-3.1	-2.9	-1.4	6.6	3.7	4.9	3.4	5.1	4.0	4.8
Construction	6.0	7.0	7.0	7.2	6.8	7.4	5.7	5.8	5.6	6.1	5.9	5.7	5.6	5.8	5.8	2.9	-5.4	-4.5	-5.7	-3.3	-0.8	4.4	3.8	3.9	2.8	4.8	1.0	0.6
Wholesale and Retail Trade, Repair of Car and Motorcycle	4.6	3.5	5.2	4.5	4.5	5.0	5.2	5.3	4.4	5	5.2	4.6	4.4	4.2	4.6	1.5	-7.7	-5.1	-3.7	-3.8	-1.3	9.5	5.2	5.6	4.7	5.7	4.4	5.3
Transportation and Storage	8.1	8.8	8.9	8.2	8.5	8.5	8.7	5.7	5.5	7	5.4	5.8	6.7	7.6	6.4	1.3	-30.8	-16.7	-13.4	-15.0	-13.1	25.1	-0.7	7.9	3.2	15.8	21.3	25.8
Information and communication	10.5	11.1	8.8	8.3	9.6	7.8	5.1	8.1	7.1	7	9.1	9.6	9.2	9.8	9.4	9.8	10.8	10.7	11.0	10.6	8.7	6.9	5.5	6.2	6.8	7.2	8.1	6.9
Financial service	6.0	5.9	6.1	3.8	5.5	4.3	3.1	3.1	6.2	4.2	7.2	4.5	6.2	8.5	6.6	10.6	1.1	-0.9	2.4	3.2	-3.0	8.3	4.3	-2.6	1.6	1.6	1.5	0.9
Other Services*	4.2	3.5	4.8	6.0	4.6	5.4	6.2	6.7	6.4	6.2	6.8	7.3	6.4	6.2	6.7	4.6	-6.3	-1.4	-1.7	-1.2	-2.5	9.8	-0.8	3.4	2.4	3.3	4.0	7.9
GDP	5.0	5.0	5.1	5.2	5.1	5.1	5.3	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0	3.0	-5.3	-3.5	-2.2	-2.1	-0.7	7.1	3.5	5.0	3.7	5.0	5.4	5.7

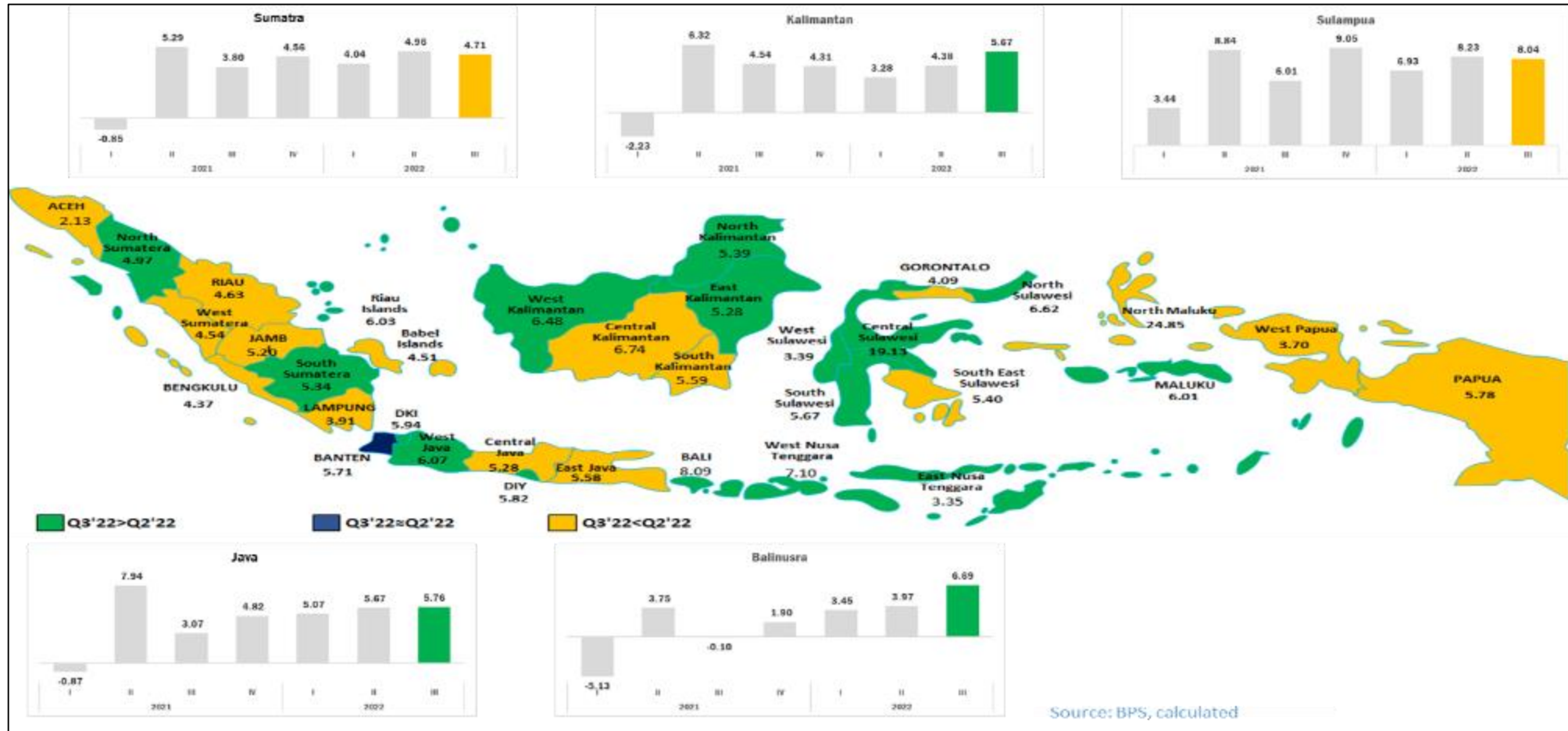
Source: Central Bureau of Statistics of Indonesia (BPS)

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

Economic Performance Improved In Almost All Regions



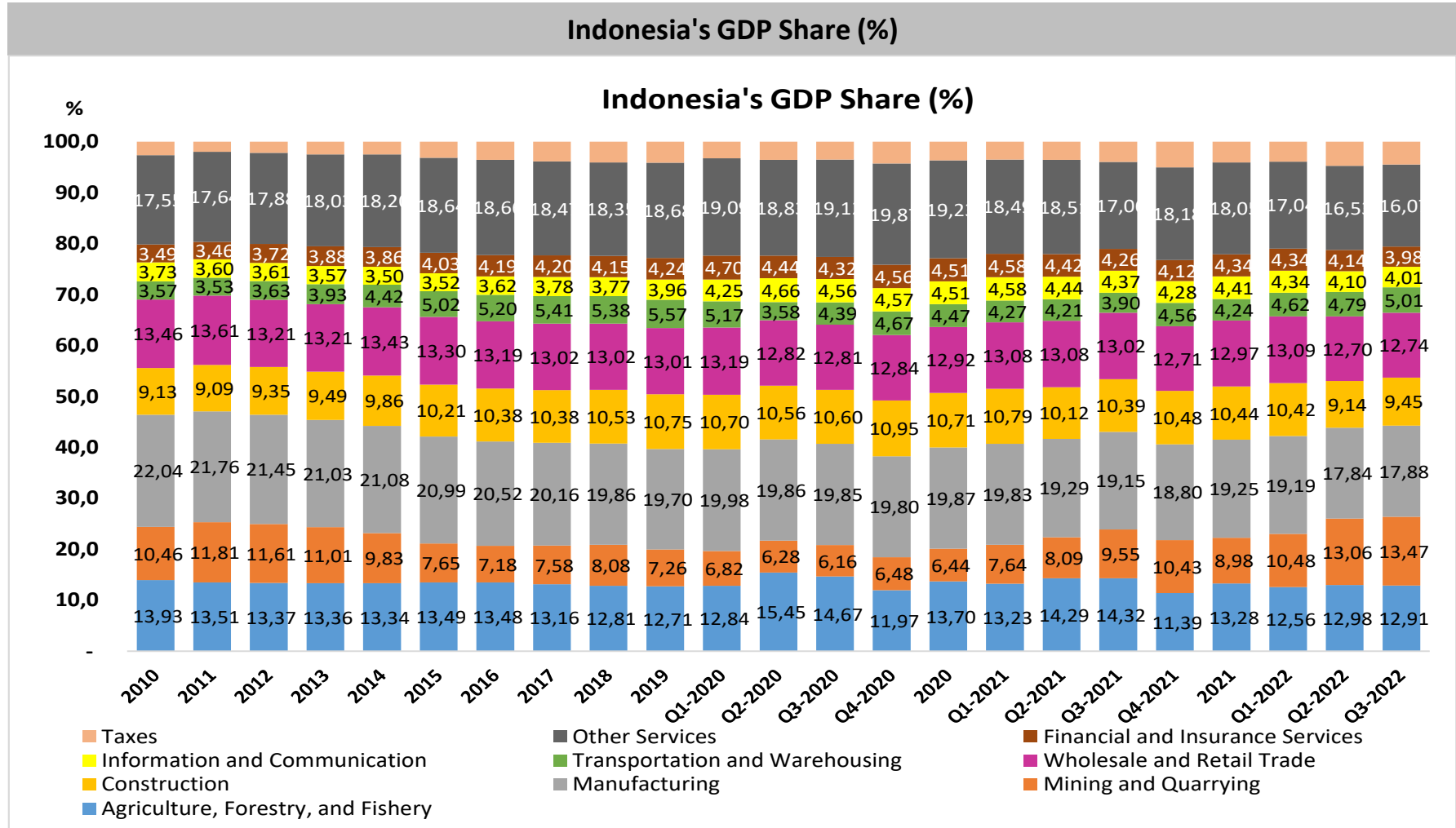
Growth of Regional Economic (GDRP) of the Third Quarter of 2022 (% , yoy)



Economic Performance in Most Sectors Continue to Improve



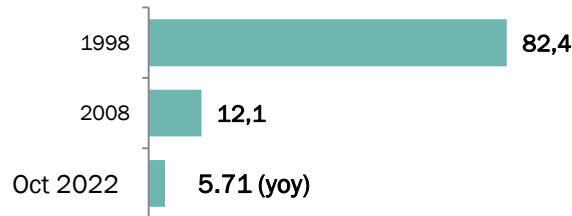
Strong national economic growth is driven by increasing domestic demand, particularly household consumption, amid persistently solid export performance. National economic improvements were also reflected in the main economic sectors, namely the manufacturing industry, transportation and storage as well as wholesale and retail trade..



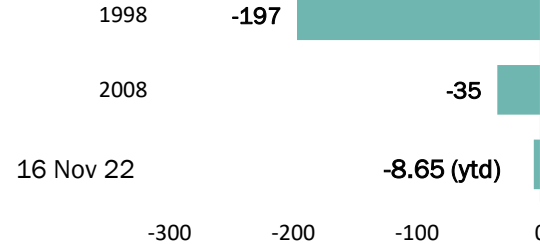
Stronger Fundamentals Facing the Headwinds



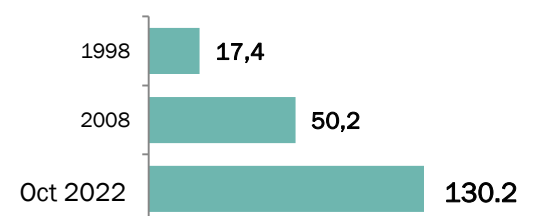
Inflation Rate (%)
Inflation above the target range, but below the projection



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

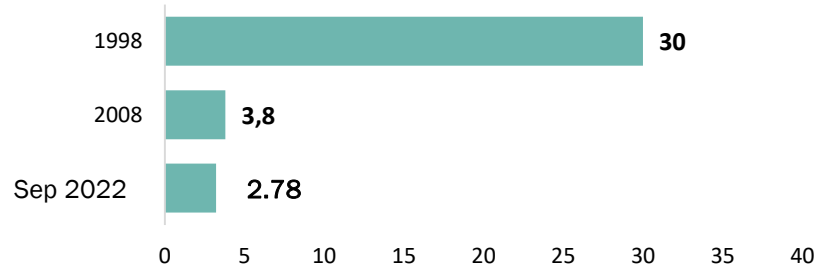


Foreign Reserves (USD bn)
Significantly higher than 1998 & 2008, ample to cover 5.60 months of import and external debt repayment



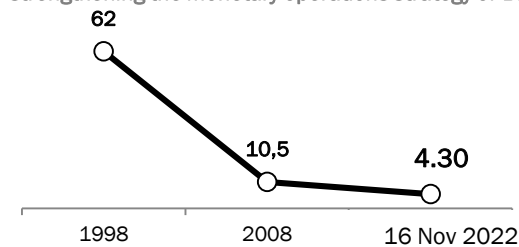
Non-Performing Loan/NPL (%)

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



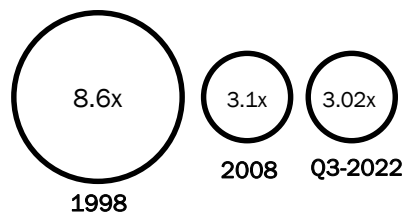
More Liquid Market (%)

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



External Debt (Public & Private) to FX Reserve Ratio

Significantly lower than 1998 crisis



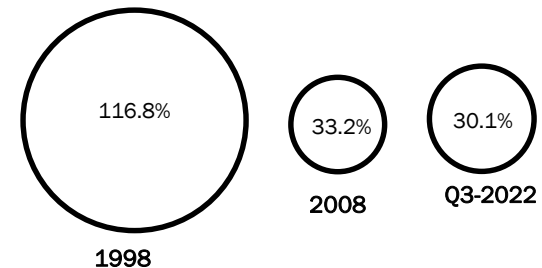
Government Debt/GDP

Consistently well-maintained



External Debt/GDP

Significantly lower than 1998 crisis






Outlook of Domestic Economy Remains Robust

...the domestic economic recovery is continued to strengthen in 2023



2023 Economic Outlook

- Bank Indonesia projects economic growth in 2023 continue to accelerate to the range of 4.5-5.3% in 2023.
- Bank Indonesia projects inflation in 2023 back to within the range of 3.0%±1% target. Inflation is expected to return to the target corridor in the first half of 2023.
- Bank Indonesia projects current account will post a surplus of 0.4% - deficit 0.4% of GDP in 2023.
- Bank Indonesia projects credit growth in 2023 will be accelerate to 10.0-12.0%

	 Economic Growth	π Inflation	 CAD (% of GDP)	 Credit Growth
2018 Realisation	5.17%	3.13%	2.98%	11.75%
2019 Realisation	5.02%	2.72%	2.71%	6.08%
2020 Realisation	-2.07%	1.68%	0.4%	-2.4%
2021 Realisation	3.69%	1.87%	surplus 0.3%	5.24%
2022	4.5-5.3%	> 3.0±1%	surplus 0.4% -1.2%	9-11%
2023	4.5-5.3%	3.0±1%	surplus 0.4% - deficit 0.4%	10-12%



Section 4

External Factor:
Improved External Resilience

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



US\$bn

Current Account

Capital and Financial Account

Overall Balance

Reserve Asset (rhs)

US\$bn

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3

2015 2016 2017 2018 2019* 2020* 2021** 2022**

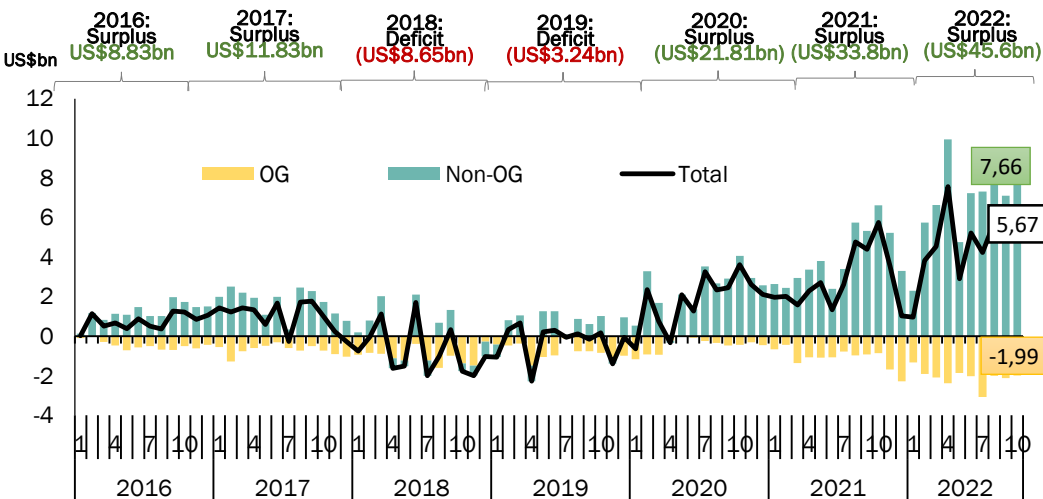
130,78

4,38

((1,30))

((6,07))

Trade Balance Surplus Continues

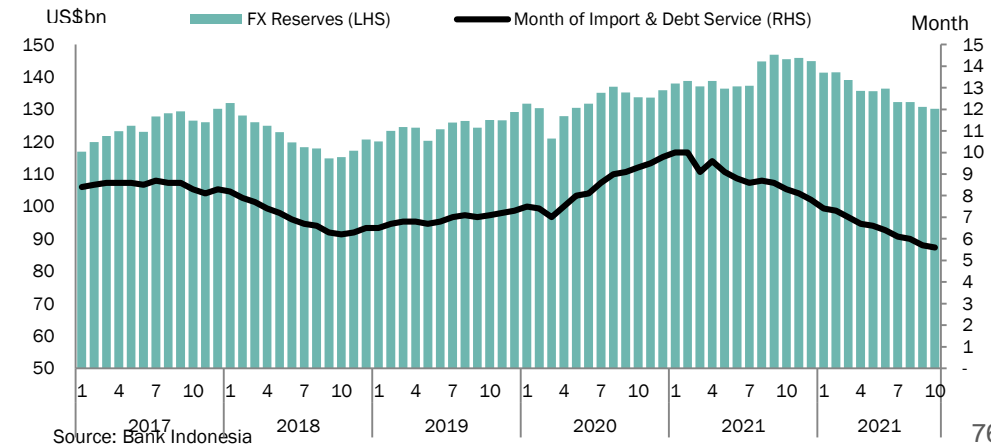


The chart displays the Current Account as a percentage of GDP (black line) and its components (Goods, Services, Primary Income, Secondary Income) as stacked bars from 2015 to 2022. The left Y-axis represents the percentage of GDP, with values ranging from (12) to 23. The right Y-axis represents US\$bn, with values ranging from (4,00) to 2,00. The X-axis shows the years from 2015 to 2022, with quarterly data points (Q1, Q2, Q3, Q4). The components are stacked as follows: Goods (yellow), Services (teal), Primary Income (grey), and Secondary Income (blue). The Current Account (%GDP) is shown as a black line. The chart also includes annual totals for the Current Account (CA) deficit or surplus in US\$bn for each year.

Year	CA Deficit / Surplus (US\$bn)
2015	CA Deficit (US\$17.5bn)
2016	CA Deficit (US\$16.9bn)
2017	CA Deficit (US\$16.2bn)
2018	CA Deficit (US\$30.6bn)
2019	CA Deficit (US\$30.3bn)
2020	CA Surplus (US\$4.4bn)
2021	CA Surplus (US\$3.5bn)
2022	CA Surplus (US\$8.9bn)

Official Reserve Assets Increased to Reinforce External Sector Resilience

FX Reserves as of October 2022: US\$130.2bn
(Equiv. to 5.6 months of imports + servicing of government debt)

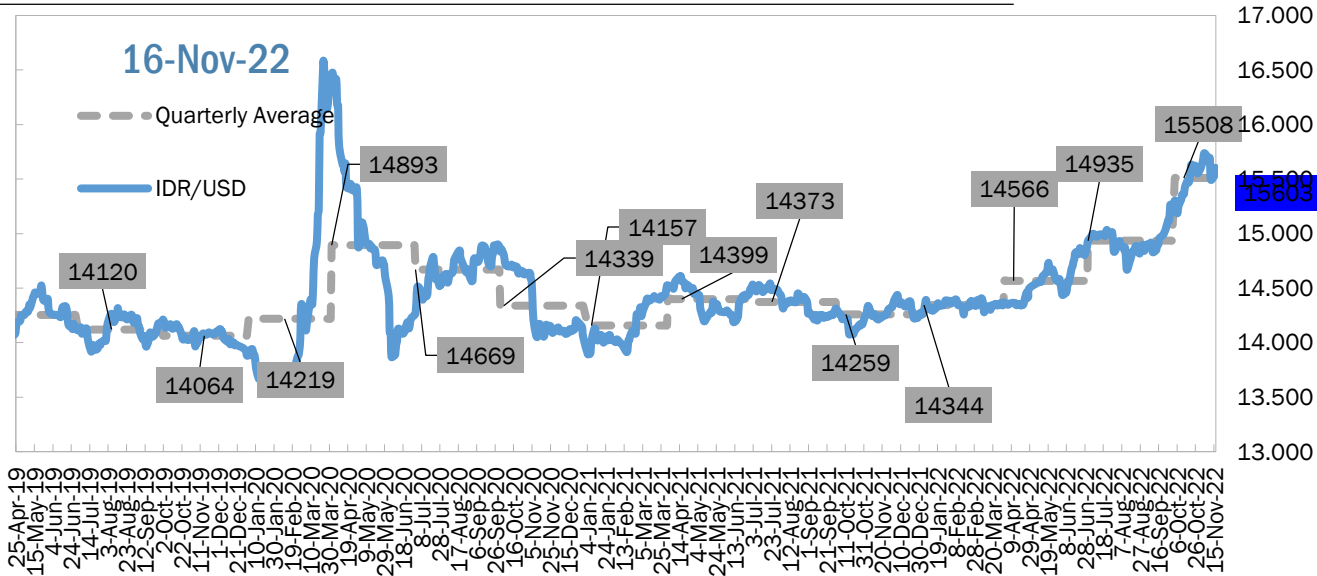


Source: Bank Indonesia

Exchange Rate In Line with Fundamentals

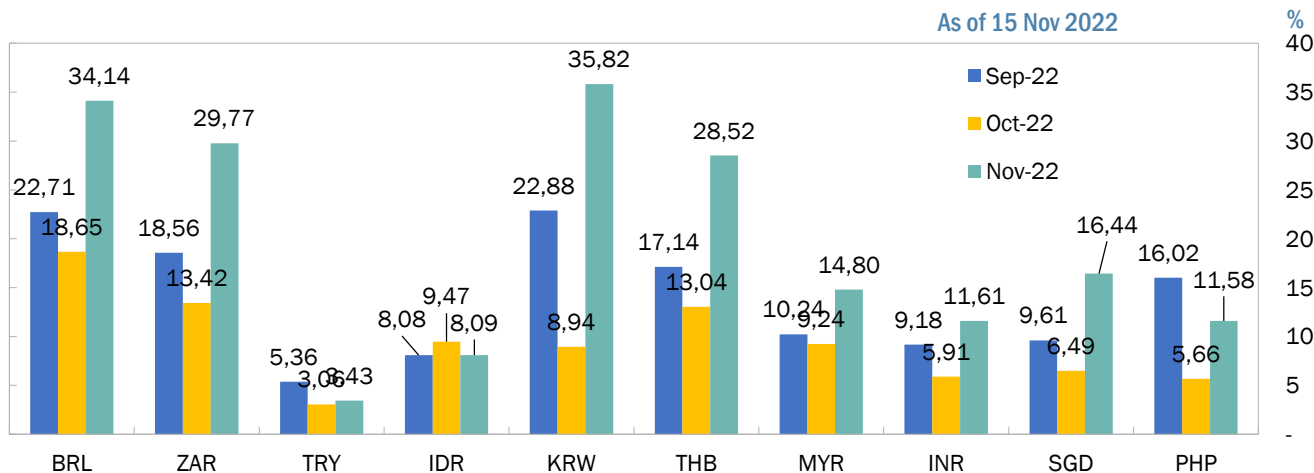


Movement of Rupiah



The strong US dollar and elevated global financial market uncertainty are intensifying broad-based depreciatory pressures on all currencies globally, including the rupiah. The US dollar (DXY) Index stood at 106.28 on 16th November 2022, increasing 11.09% (ytd) in 2022. Meanwhile, thanks to the stabilisation measures implemented by Bank Indonesia, the rupiah depreciated just 8.65% (ytd) as of 16th November 2022 compared with the level recorded at the end of 2021, which is comparatively lower than the currency depreciation experienced in neighbouring countries, such as South Korea 10.30% (ytd) and the Philippines 11.10% (ytd). The strong US dollar stems from aggressive monetary policy tightening in the US and a rebalancing of capital from various jurisdictions to the US amid economic moderation and soaring inflation in Europe. At the same time, elevated global financial market uncertainty persists. Moving forward, Bank Indonesia will continue to strengthen rupiah stabilisation policy in line with market mechanisms and the currency's fundamental value in order to support measures to manage inflation and maintain macroeconomic stability.

Rupiah Exchange Rate Volatility



Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of October 2022: **US\$130.2 bn**

Swap Arrangement

Bilateral

Japan

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

Singapore

- Renewed a 1 year SGD/IDR swap arrangement with the size up to SGD 9.5 bn / IDR 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 October 2022

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

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

Global

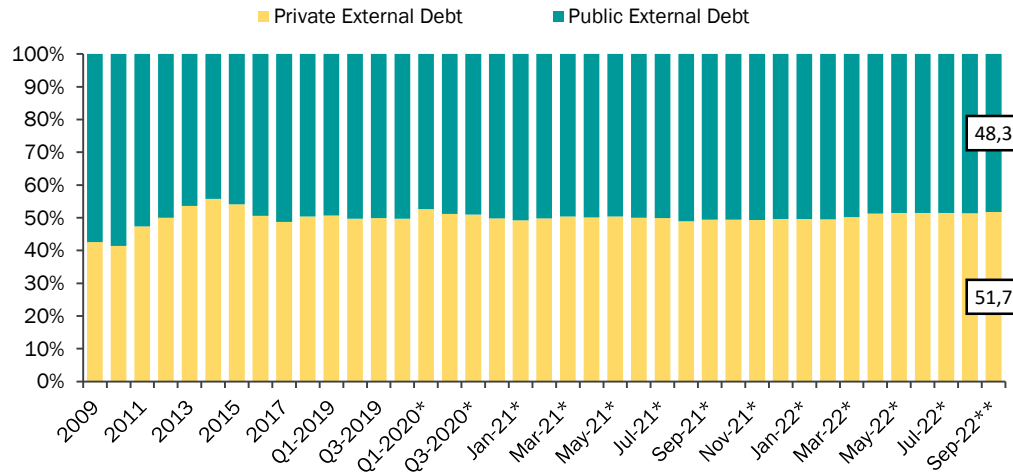
IMF Global Financial Safety Net - GSFN

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

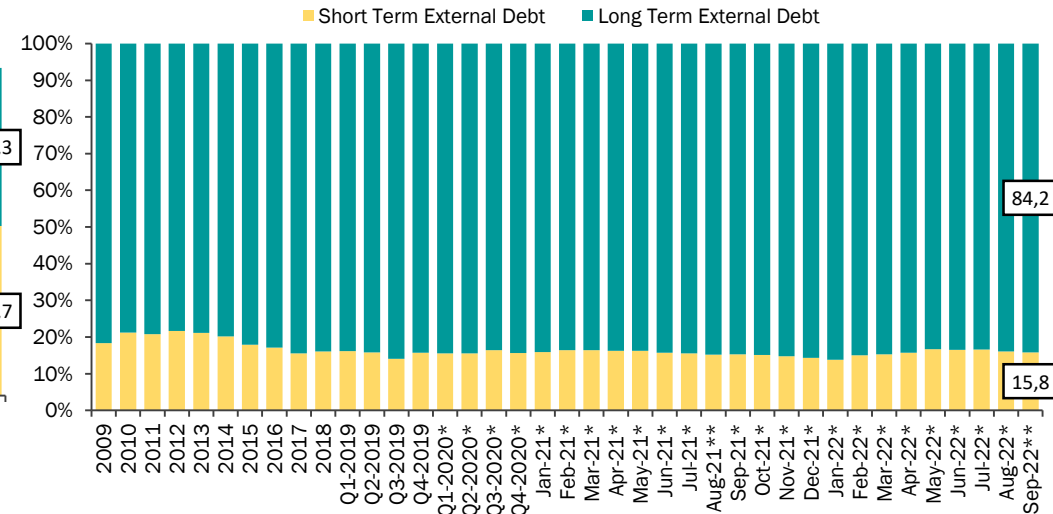
Healthy External Debt Profile



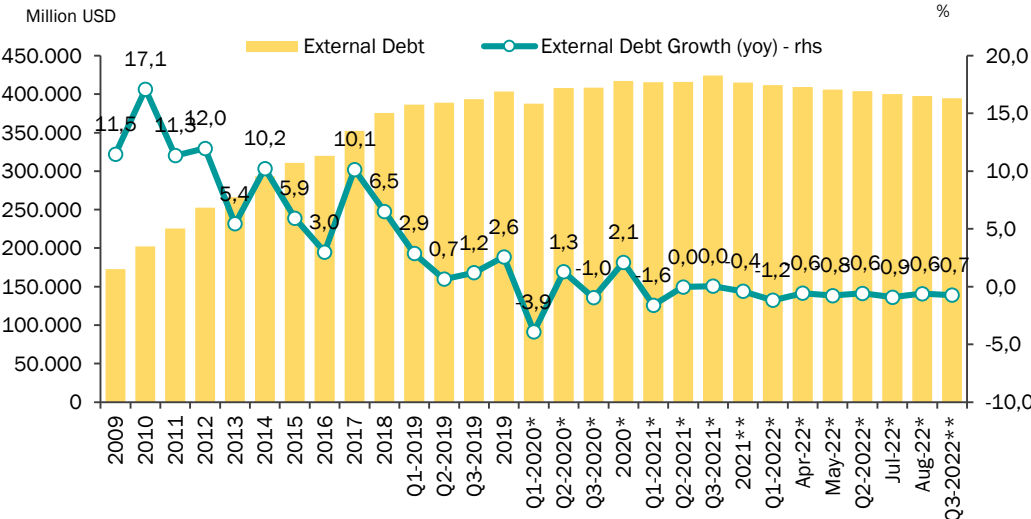
External Debt Structure



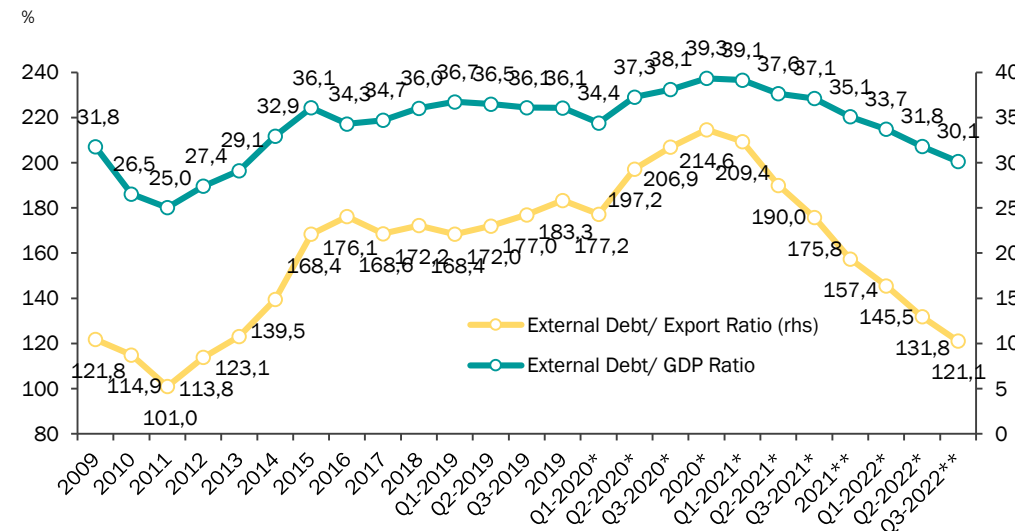
The Structure of External Debt is Dominated by Long-Term Debt



External Debt Remains Manageable



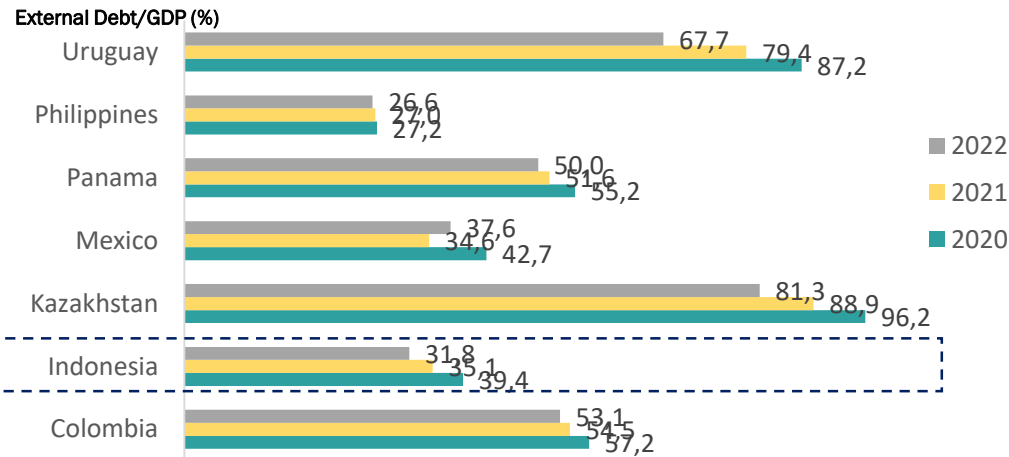
External Debt to GDP Ratio & Debt to Export Ratio



Strengthened Private External Debt Risk Management



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



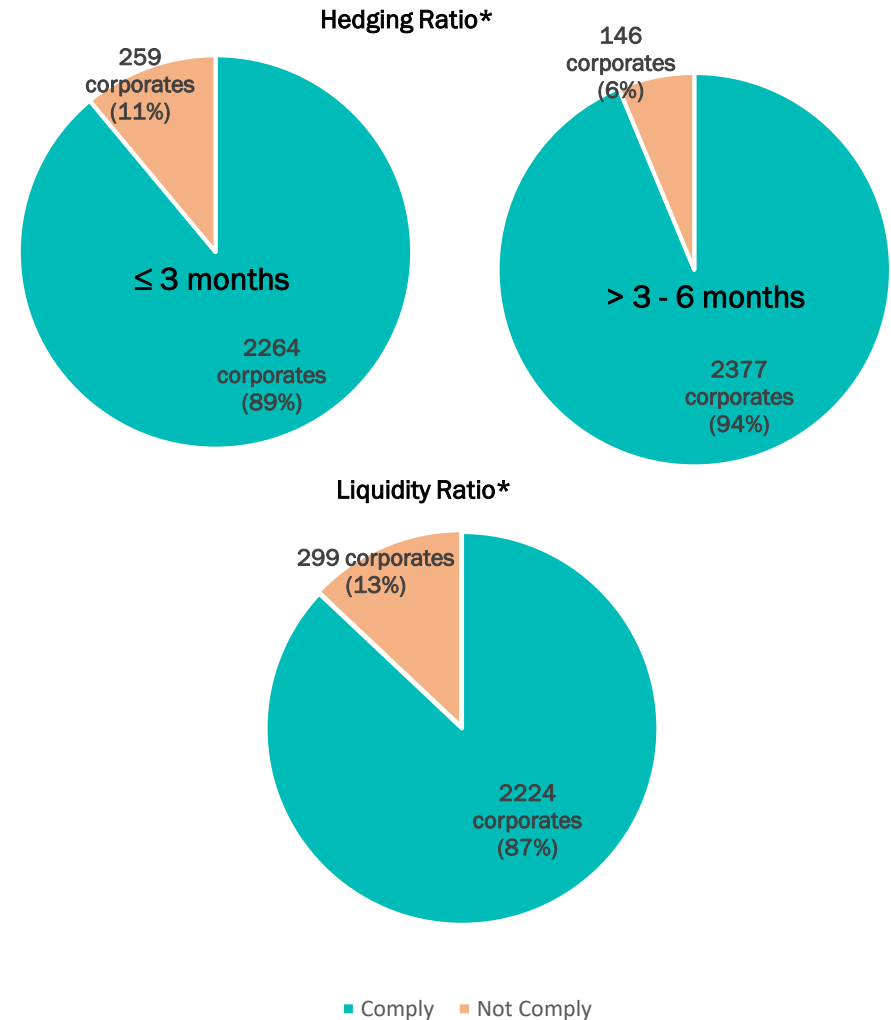
Source: Moody's Credit View Fundamental Data, September 2022

Regulation on Prudential Principle in Managing External Debt

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

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio



*Data as of Q1-2022, with total population 2,534 corporates

Source: Bank Indonesia

Solid Policy Coordination

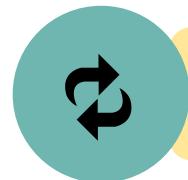
In Managing Financial Markets Volatility



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



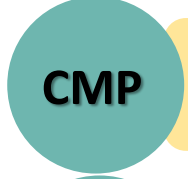
KSSK members: the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the Deposit Insurance Corporation



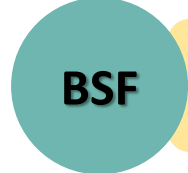
Swap facility arrangements based on international cooperation



Enhancing coordination between government institutions and continuous dialogue with market participants



Implementing Crisis Management Protocol (CMP)



Implementing Bond Stabilization Framework (BSF)

Gov't Securities Crisis Management Protocol (CMP)

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

Bond Stabilization Framework

First Line of Defense

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

Second Line of Defense

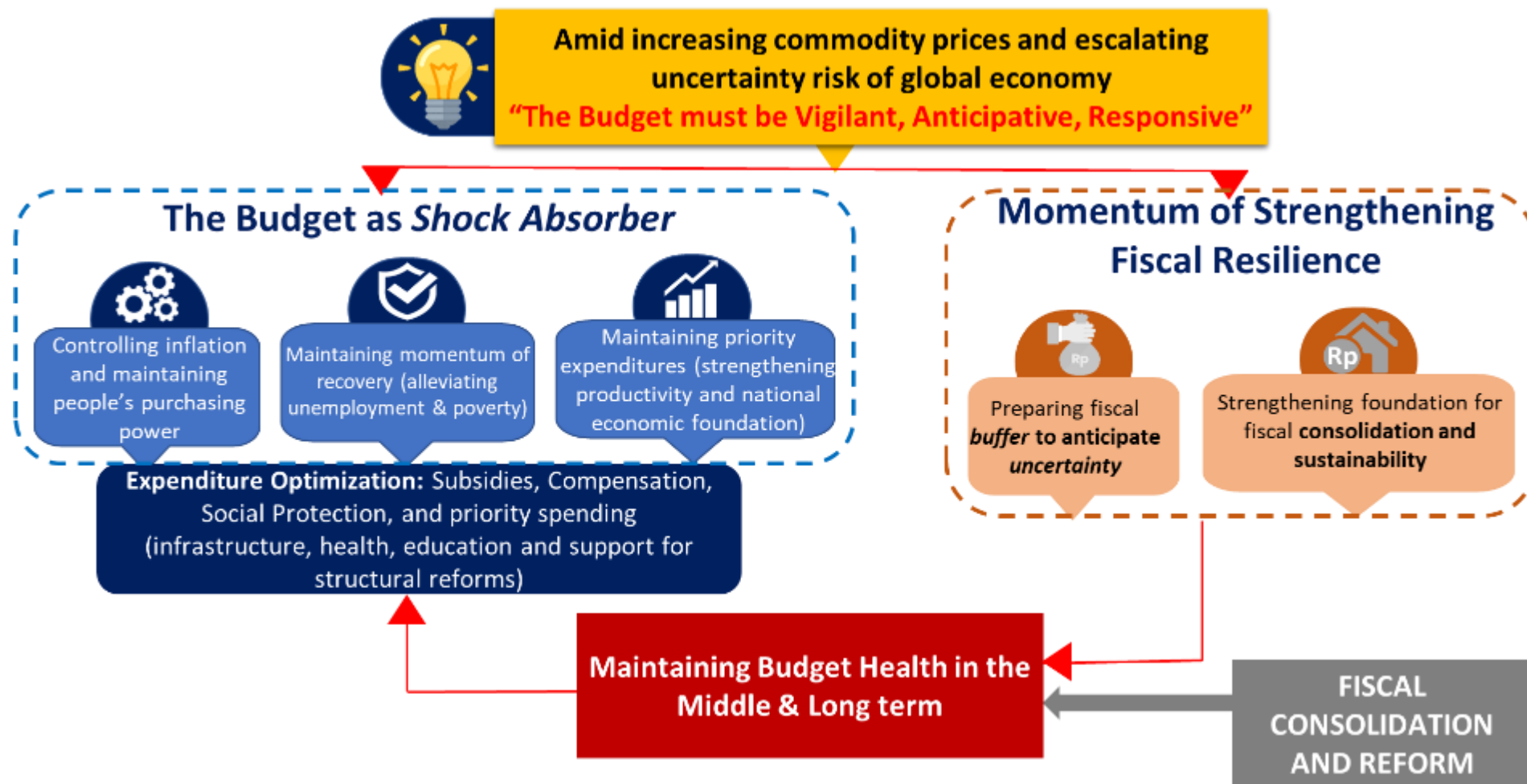
State's Budget	State General Treasury Account (Rekening KUN) (min. level Alert)
	Accumulated cash surplus (SAL) (min. Level Crisis)



Section 5

**Fiscal Performance and Flexibility:
Strong Commitment in Maintaining Fiscal Credibility**

Amidst Escalating Uncertainty Risk Of Global Economy, Budget Will Be Optimized As Shock Absorber



Strong Budget Performance Continued In 2022

Revenue is very strong supported by the economic recovery and global commodity prices, while higher expenditure aims to anticipate the increasing of energy subsidy and compensation



Account (IDR T)	2021			2022			
	Audited Budget	% of Budget	Growth (%)	Revised Budget (Perpres 98/2022)	YTD 30 Sept 2022	% of Perpres 98/2022	Growth (%)
A. Revenue	2,011.3	115.4	22.1	2,266.2	1,974.7	87.1	45.7
I. Tax Revenue	1,547.8	107.2	20.4	1,784.0	1,542.6	86.5	49.3
1. Tax	1,278.6	104.0	19.3	1,485.0	1,310.5	88.2	54.1
2. Custom & Excise	269.2	125.2	26.4	299.0	232.1	77.6	26.9
II. Non-Tax Revenue	458.5	153.8	33.4	481.6	431.5	89.6	34.4
B. Expenditure	2,786.4	101.3	7.4	3,106.4	1,913.9	61.6	5.9
I. Central Government	2,000.7	102.4	9.1	2,301.6	1,361.2	59.1	7.6
II. Regional Transfer & Village Funds	785.7	98.8	3.0	804.8	552.7	68.7	2.1
C. Primary Balance	(431.6)	68.2	(31.9)	(434.4)	339.4	(78.1)	271.2
D. Surplus (Deficit)	(775.1)	77.0	(18.2)	(840.2)	60.9	(7.2)	113.5
<i>% to GDP</i>	(4.57)	80.2	(5.6)	(4.50)	0.33		
E. Financing	872	86.6	(27.0)	840.2	429.8	51.2	(30.9)
F. Financing Surplus	96.67				490.7		

The Government revenues grew significantly, supported by increased economic activity, the impact of the implementation of the Law on Intergovernmental Transfer, and rising commodity prices.

The government expenditures are directed towards the distribution of various social assistance & subsidies, funding for national strategic projects, as well as economic recovery programs, including Transfers to Regions.

The Budget Surplus and Primary Balance are still within the responsive corridor to face market pressures and the dynamics of the budget

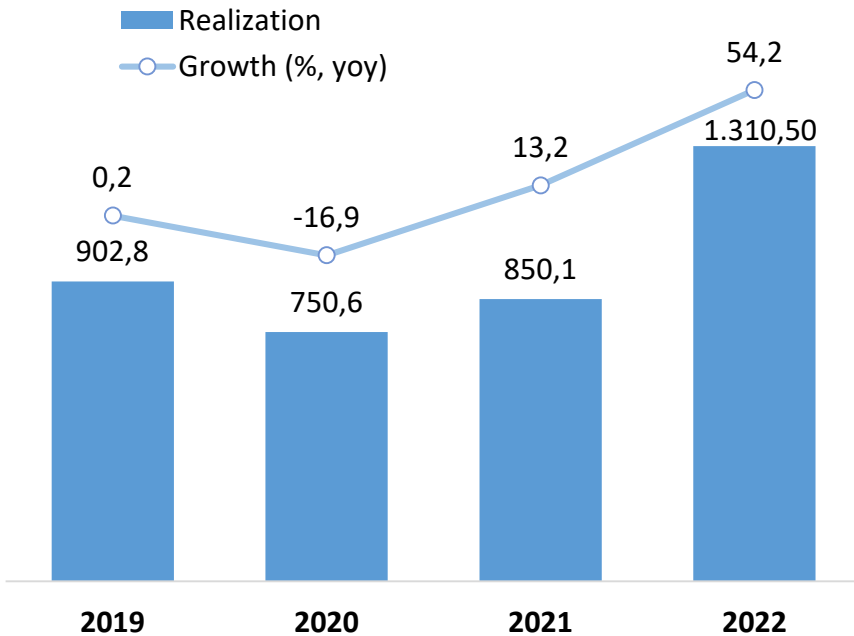
Budget Financing is managed efficiently and carefully amidst global economic uncertainty.

Revenue Collection Continued To Strengthen

Supported By High Commodity Prices, Stronger Economic Activity And Gain From The Recent Tax Reforms



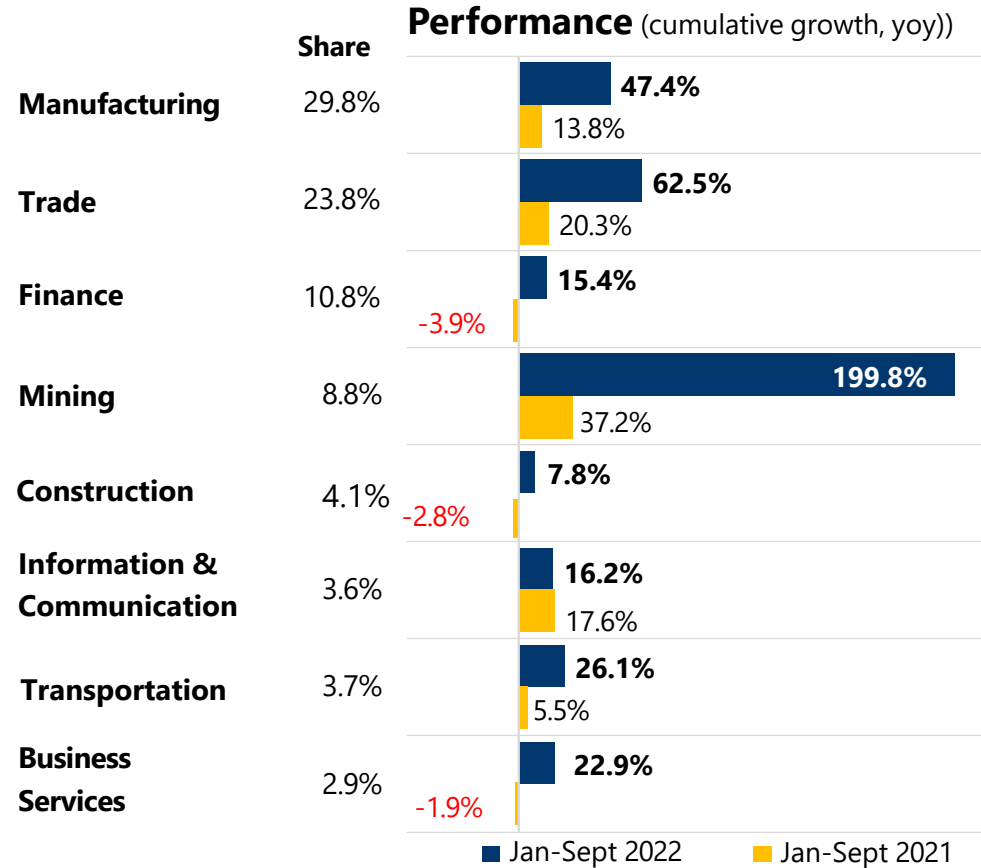
Tax Revenue January-September (IDR Trillion)



The outstanding tax revenue collection in **January-September 2022** was driven by:

- The trend of **increasing commodity prices**;
- Expansive **economic growth**;
- **Low base in 2021** due to **fiscal incentives**;
- Impact of the implementation of **the HPP Law**.

Source: Ministry of Finance as of end of September

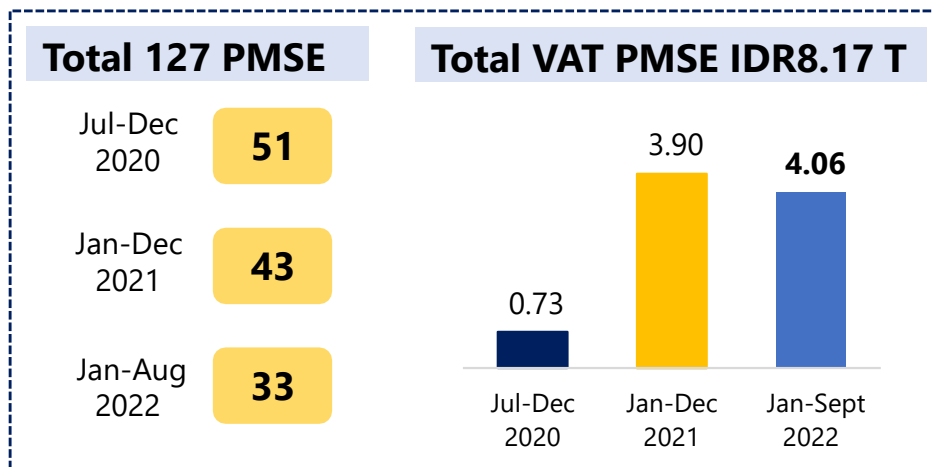


- The best performing sectors in the economy (i.e. manufacturing, trade, and mining) **are also translated into the tax revenue** and recorded the highest growth among sectors.
- **Much improved economic recovery** and activities **are also reflected in all sectors** of tax receipts, which significantly grew higher compared to the same period last year.

Implementation Of The Tax Reform (The HPP Law No.7/2021)

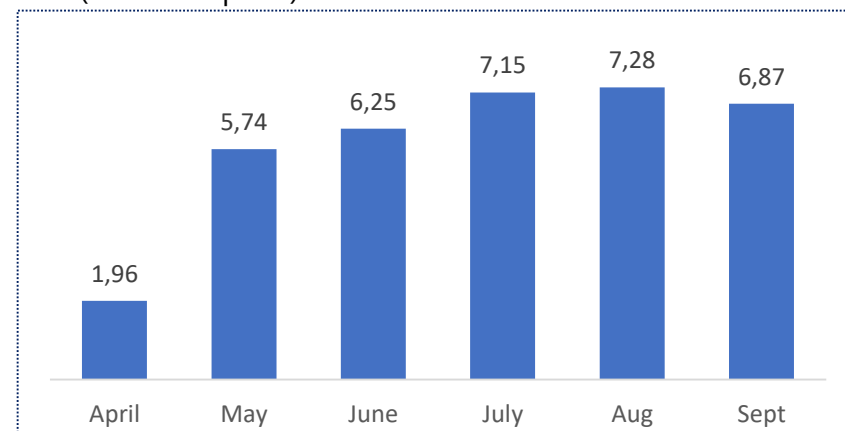


1 VAT Trading Through Electronic System (PPN PMSE)



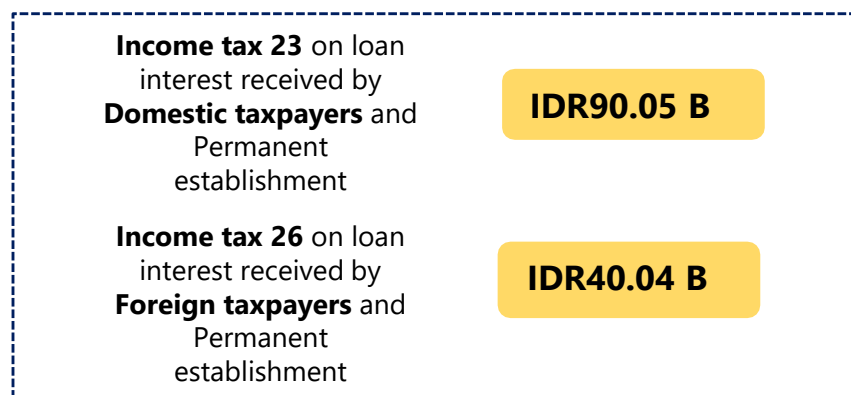
2 Impact of VAT Rate Adjustment

(valid on April 1)



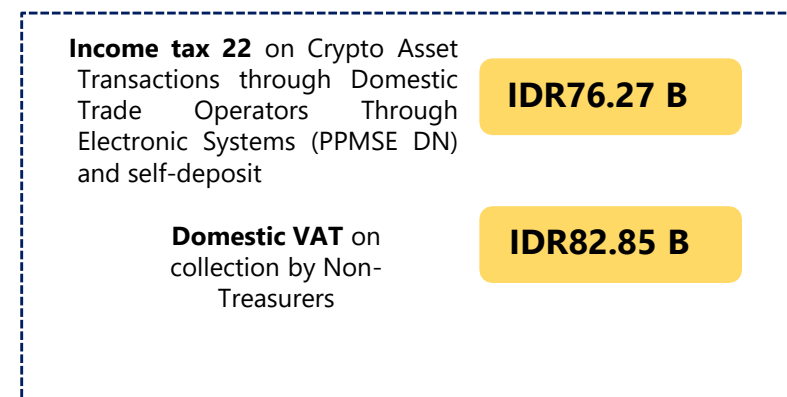
3 Fintech Tax - P2P Lending

(valid on May 1, starting to be paid and reported in June)



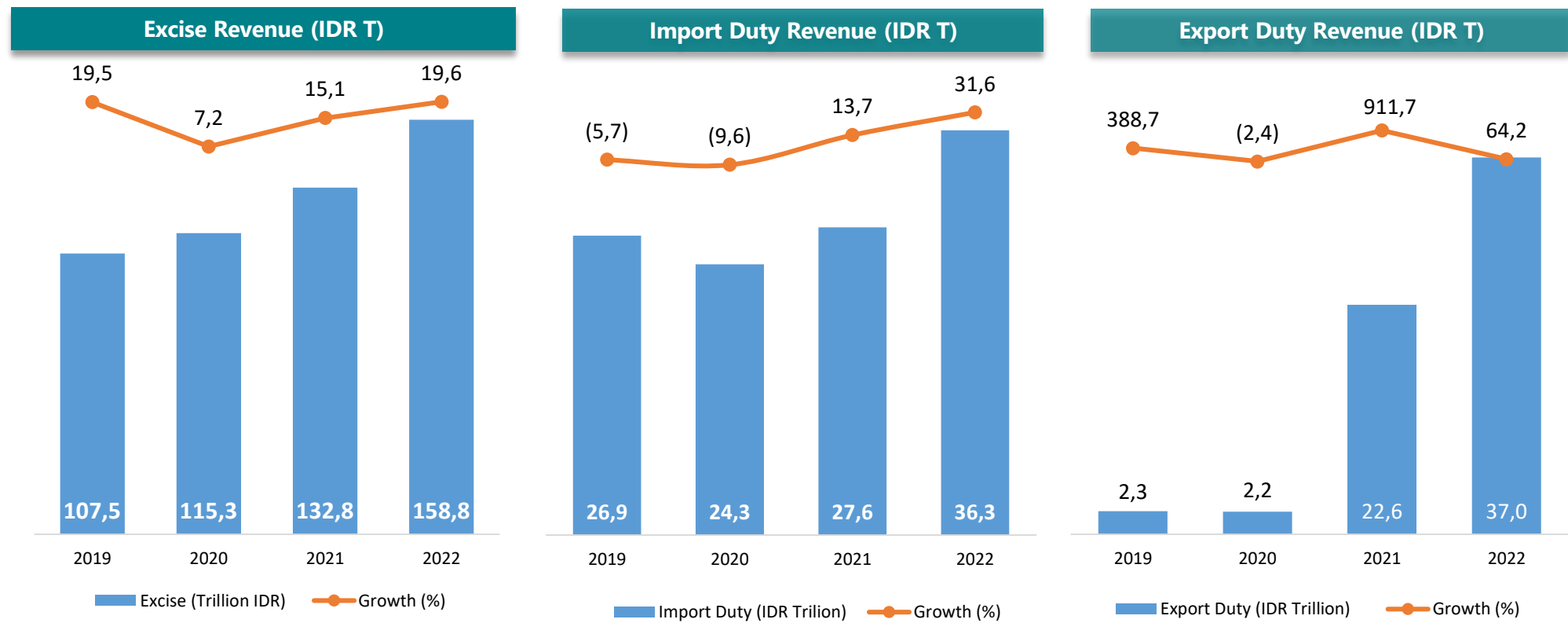
4 Crypto Tax

(valid on May 1, starting to be paid and reported in June)



Custom and Excise Revenue Realization Significantly Grew

Driven by the trend of improving national import performance, high commodity prices, increasing export volume, and the effectiveness of tariff policies



Influenced by the effectiveness of the tariff policy, the surge in production in March (the effect of the increase in VAT rates) and the effectiveness of supervision.

Affected by the improved import performance and underpinned by trade and manufacturing sectors.

Driven by high commodity prices, the increase in export duty tariffs for palm oil products, and the Flush Out policy.

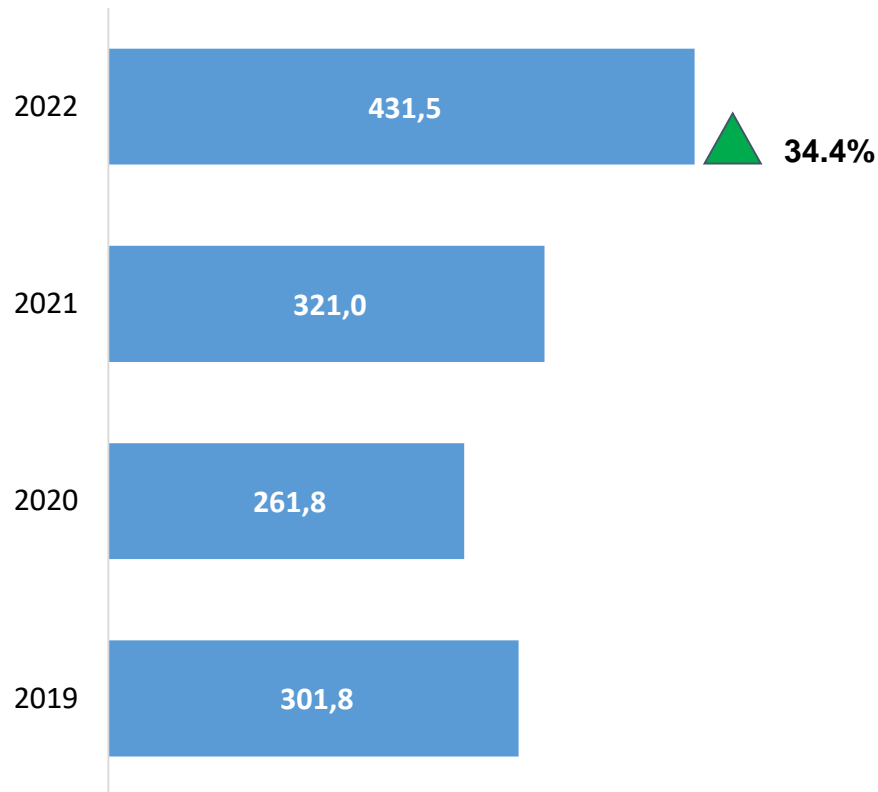
Source: Ministry of Finance
Notes: Realization up to YTD September

Non-tax Revenue Grew Strongly Supported By An Increase Almost In All Components

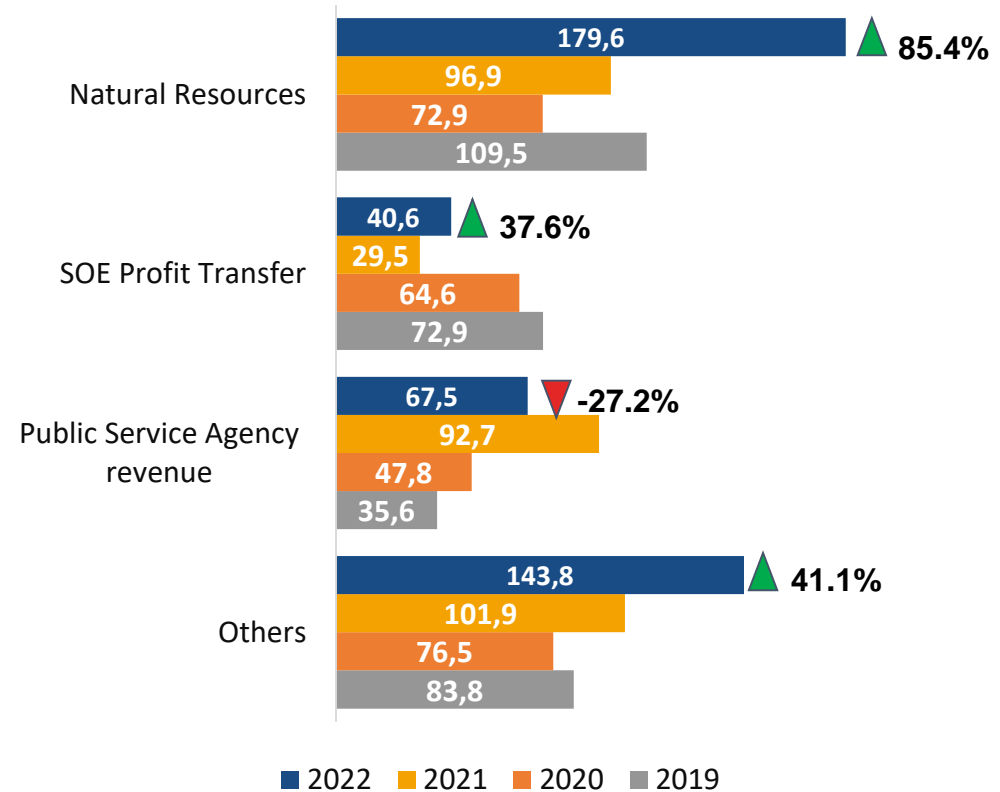
Driven by the increase in commodity prices, good performance SOEs, and improvement of public services



Non-Tax Revenue (IDR T)



Non-Tax Revenue by Component (IDR T)



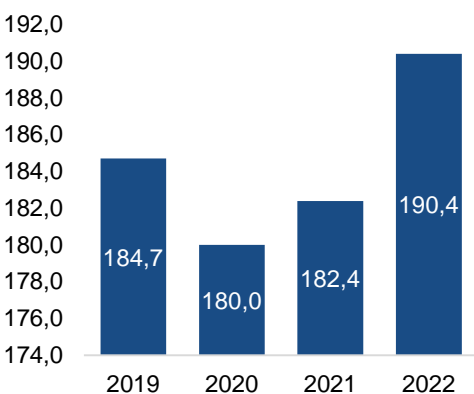
Source: Ministry of Finance
Notes: Realization up to YTD September



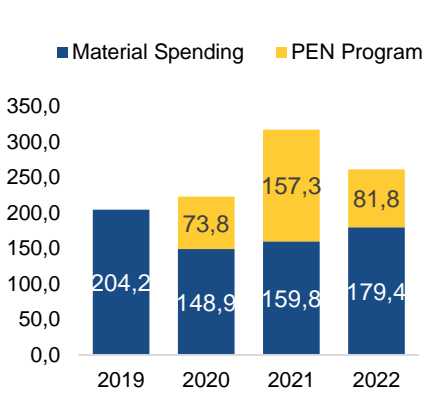
Maintained Acceleration of Government Spending

The success of controlling Covid-19 reduces overall costs and increases capacity for other government spending

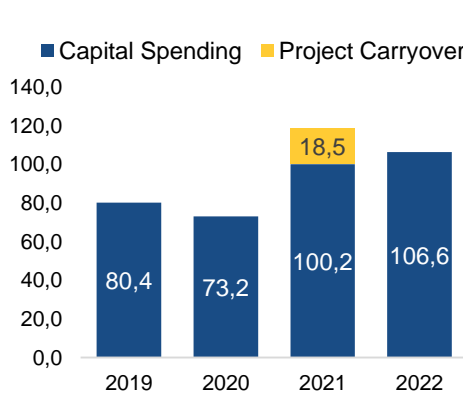
Personnel Spending (IDR T)¹



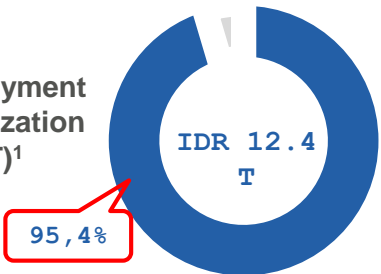
Material Spending (IDR T)¹



Capital Spending (IDR T)¹



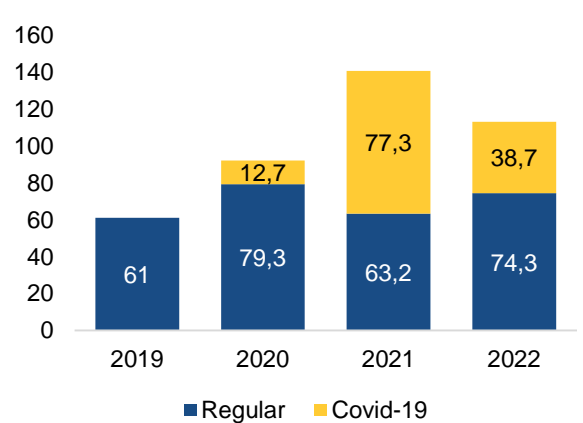
Pre-Employment Card Realization (IDR T)¹



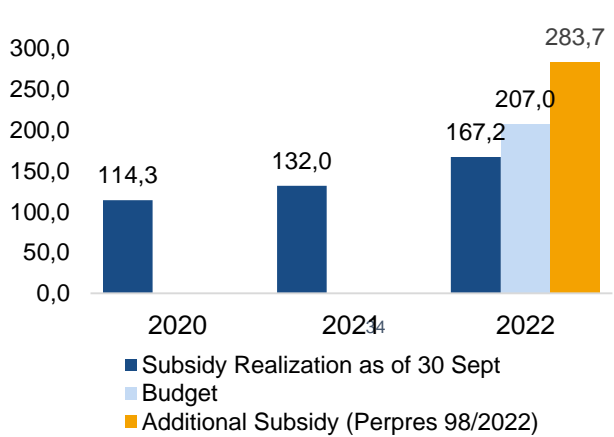
Realization Social Assistance¹
IDR 307.1 T

Realization (30 Sept 22) Cash Transfer **IDR6.4 T**
Wage Subsidy **IDR4.2T**

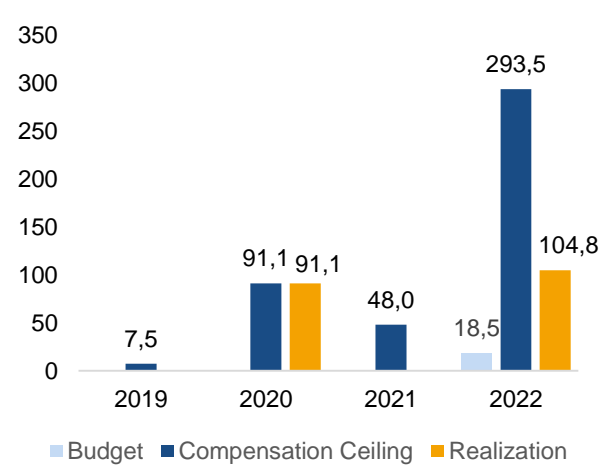
Health Spending (IDR T)¹



Subsidy Spending (IDR T)¹



Compensation (IDR T)¹



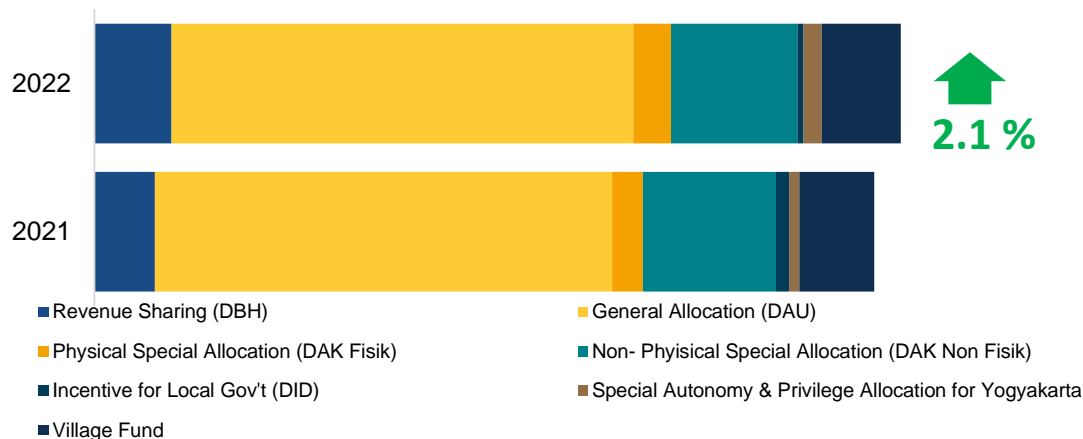
Source: Ministry of Finance
Notes: ¹ Realization up to YTD Sept

Up To Sept 2022, Transfer To Region Performance Was Improved

Local Government Budget performance needs to be optimized, as the local gov't saving remains higher



Transfer to Region Fund (January – September)

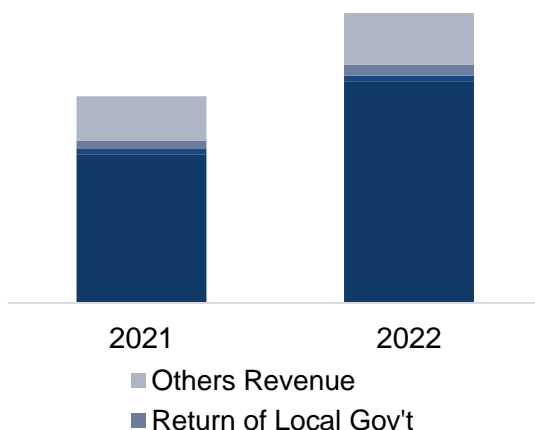


- Local government compliance on meeting administrative requirements have improved, driving higher realization on various items of transfer
- Several items of transfer realization, such as DID was lower compared to previous year, mainly due to lower budget allocation

Local Government Performance

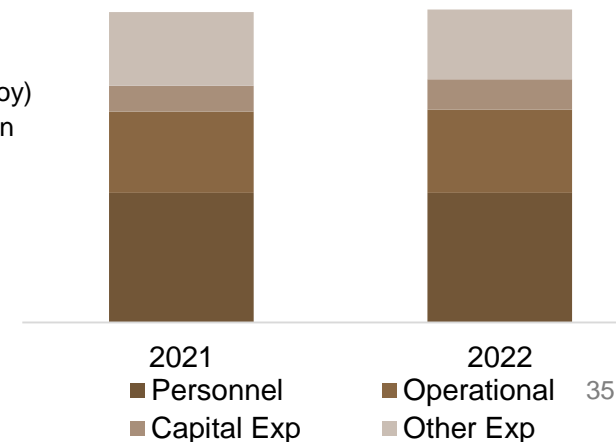
REVENUE

- Local Gov't revenue was dominated by local tax (76.3%)
- Local tax performance was improved and grew high return to pre-pandemic level. Tax on consumption goods booked excellence performance along with economic recovery



SPENDING

- Up to Sept, local Gov't spending grew by 0.1% (yoy) contributed by increasing in capital and operational spending.
- The spending reached 53.4% to local budget

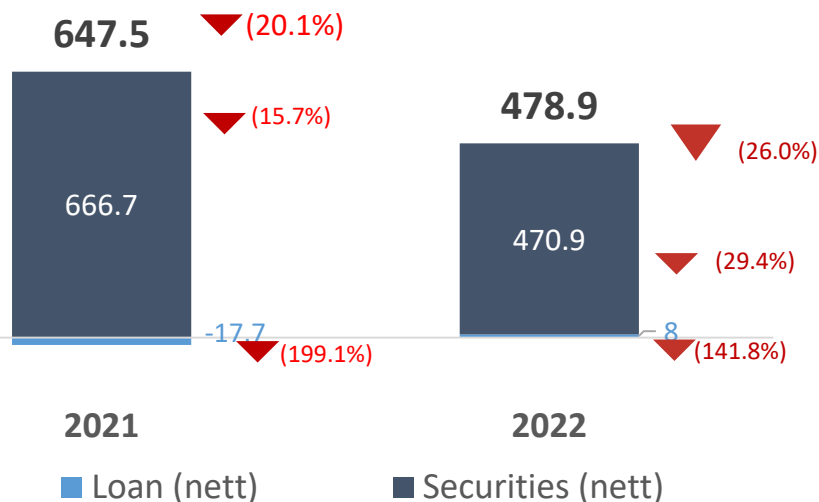


Budget Financing Apply Prudent, Flexible, And Opportunistic Principle

Financing anticipating the ongoing volatility



Financing Realization Up To 30 September



Government Securities (Net)

IDR 470.9 T

Loan (Net)

IDR 8.0 T

Domestic Loan (Nett)

IDR 2.6 T

- Domestic Loan Withdrawal (Gross) **IDR 4.0T**
- Domestic loan principal installment financing **IDR (1.4T)**

Foreign Loan (Nett)

IDR 5.5 T

- Foreign Loan Withdrawal (Gross) **IDR 63.0T**
- Foreign loan principal installment financing **IDR (57.5T)**

INVESTMENT FINANCING REALIZATION:

IDR 60.0 T*

*up to 30 Sept 2022



State Asset Management Agency (LMAN) IDR20T



International Development Fund Cooperation Agency (FLPP) IDR 1 T



Housing Finance Liquidity Facility (FLPP) IDR 14T



Education Fund Management Agency (LPDP) IDR 20 T



Sarana Multigriya Finansial IDR 2T



Governance is improved with the **Key Performance Indicator (KPI)** of Investment Financing



Disbursement of Investment Financing allocation is based on **performance and priority analysis**

Transforming Subsidy From Commodities Based Into Targeted People In 2023

The policy will be taken gradually and very carefully, depend on the updated social and economic recovery.



Transformation Concept

Getting the Price Right

Applying an efficient market price on LPG and electricity for the beginning step.

Protect the Poor

Certain amount of assistance is provided for the targeted beneficiaries. The amount is given in fix value that is enough to maintain their energy consumption level.

Existing Condition



Not targeted subsidy benefits the higher income household thus considered regressive (inclusion error);



Social assistance program mechanism reduces the inclusion error, thus considered more effective at alleviating the poverty and inequality.

Exit Strategy

Transforming energy subsidy from commodity based into targeted subsidy or social assistance program



Transforming LPG subsidy from commodity based into targeted subsidy or social assistance program for the poor and vulnerable households.



Implementing targeted electricity subsidies for R1 450 VA, accompanied by a tariff adjustment policy for non-subsidized customers



Transforming LPG and electricity subsidies that are integrated with the social assistance gradually, in line with the readiness of data and infrastructure.

Source: Ministry of Finance

2023 Budget Was Prepared With Optimism And Remaining Vigilant

Aiming to increase productivity for an inclusive and sustainable economic transformation



Fiscal Policy Focus in 2023



Strengthening Budget Role For Quality Fiscal Consolidation

REVENUE MOBILIZATION

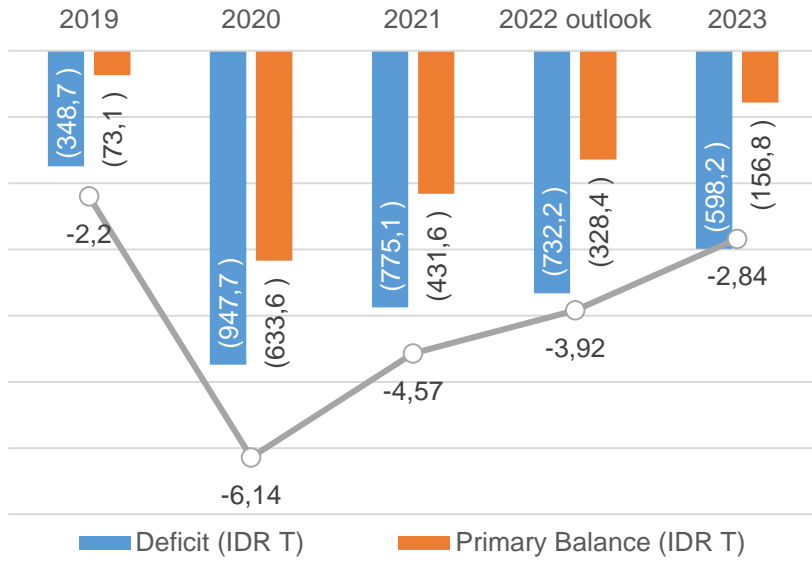
- Maintaining the effectiveness of the implementation of tax reform law
- Strengthening tax base and increasing taxpayer compliance
- Anticipating economic downturn and commodity prices moderation in 2023

SPENDING BETTER

- Efficient, effective, priority, transparent, and accountable
- Focusing on human capital, physical capital, and institutional reform
- Anticipating uncertainty

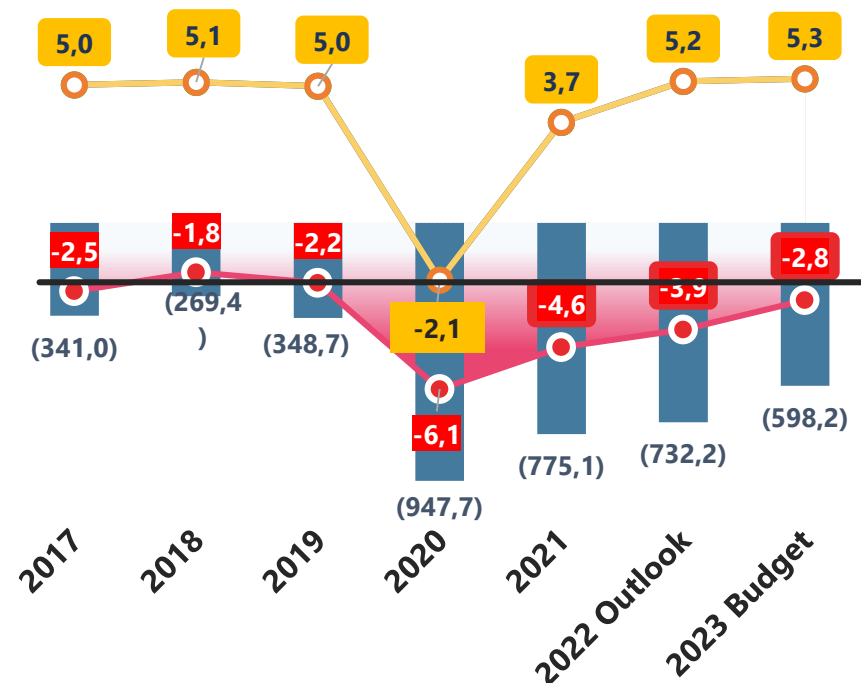
INNOVATIVE AND SUSTAINABLE FINANCING

- Well-managed debt risk
- Increasing the involvement of private sector, SOEs, public service agency, innovative financing agency



2023 Government Budget To Increase Productivity And Respond To Risks Of Global Economic Uncertainty

The budget deficit is back below 3 percent and for the first time the tax target is above IDR 2 thousand trillion



■ Deficit (IDR Triliun) ● Economic Growth (%) — Deficit to GDP (%)

Account (IDR T)	2020	2021	2022			2023	
	Audited	Audited	Budget	Perpres 98/2022	Outlook	Budget	Growth* (%)
State Revenue*	1,647.8	2,011.4	1,846.1	2,266.2	2,436.9	2,463.6	1.1
Tax Revenue	1,285.1	1,547.9	1,510.0	1,784.0	1,924.9	2,021.2	5.0
Non Tax Revenue	343.8	458.5	335.6	481.6	510.9	441.4	(13.6)
State Expenditure	2,595.5	2,786.4	2,714.2	3,106.4	3,169.1	3,061.2	(3.4)
Central Government Expenditure	1,833.0	2,000.7	1,944.5	2,301.6	2,370.0	2,246.5	(5.2)
Regional Transfer & Village Funds	762.5	785.7	769.6	804.8	799.1	814.7	2.0
Primary Balance	(633.6)	(431.6)	(462.2)	(434.4)	(328.4)	(156.8)	(52.3)
Surplus (Deficit)	(947.7)	(775.1)	(868.0)	(840.8)	(732.2)	(598.2)	(18.3)
<i>% to GDP</i>	<i>(6.14)</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(3.92)</i>	<i>(2.84)</i>	
Financing	1,193.3	871.7	868.0	840.2	732.2	598.2	(18.3)



Economic Growth
5.3%



Inflation
3.6%



Exchange Rate
IDR 14,800/USD



10Y T-Bonds Rate
7.9 %



ICP
90
USD/Barrel



Oil Lifting
660
Thousand bpd



Gas Lifting
1,100
million bpd

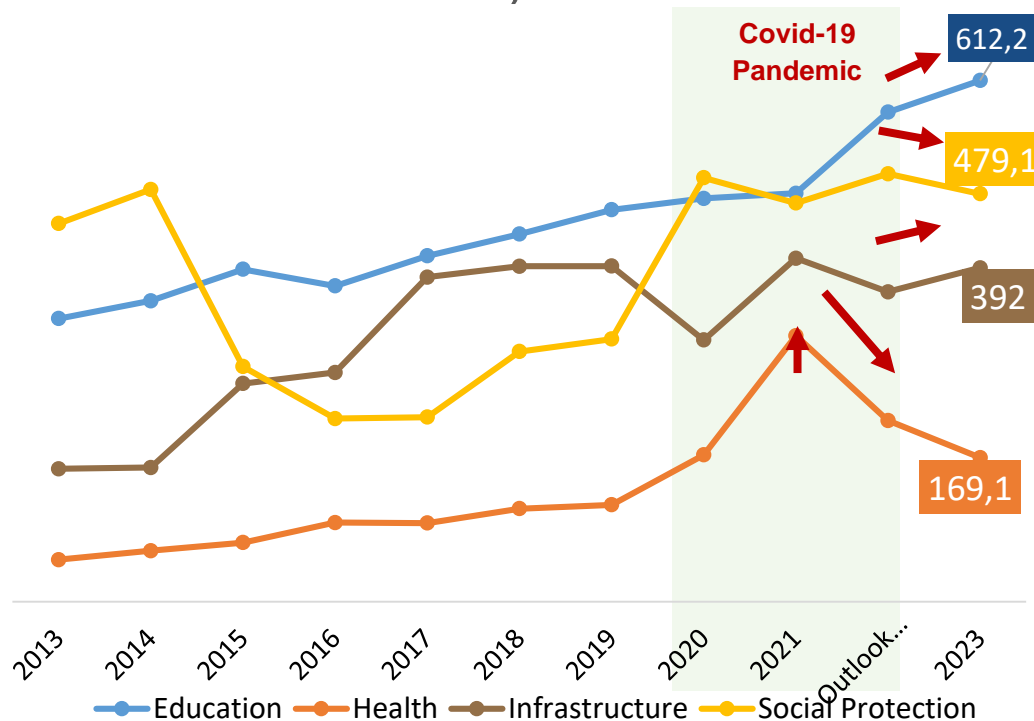
Source: Ministry of Finance

Note: *% Growth of 2022 Budget Outlook



2023 Budget Priority To Support Structural Reform

BUDGET DEVELOPMENT ON PRIORITY PROGRAM (IDR TRILLION)



% to total budget (avg 2013-2023)	20%	5%	14%	14%
-----------------------------------	-----	----	-----	-----

Source: Ministry of Finance



EDUCATION

- ✓ To create competitive human capital
- ✓ Increasing access by strengthening compulsory study and expanding access to underdeveloped regions
- ✓ Levelling the quality of education across region
- ✓ Renovation and revitalization education infrastructure
- ✓ Improving teaching factory model



SOCIAL PROTECTION

- ✓ Improving data and targeting system on social protection and subsidy distribution
- ✓ Empowering the poor to escape from poverty
- ✓ Strengthening social protection for all age
- ✓ Strengthening adaptive social protection



INFRASTRUCTURE

- ✓ Acceleration on basic infrastructure project
- ✓ Infrastructure and IT access equal distribution
- ✓ Developing infrastructure to support economic transformation
- ✓ Integrating financing between government and PPP scheme
- ✓ Supporting the strategic national project



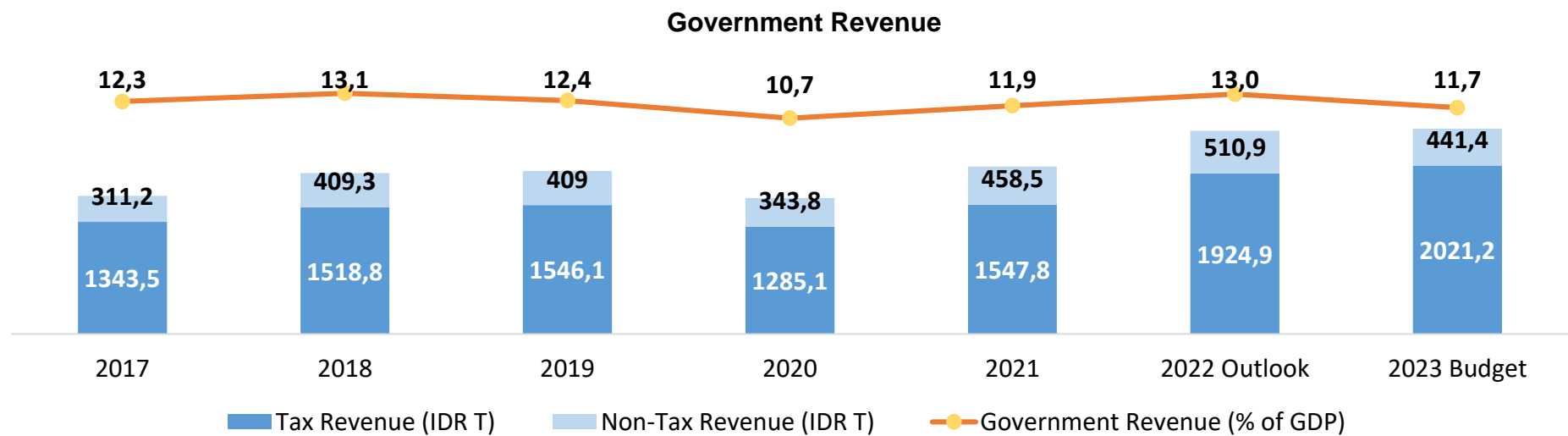
HEALTH

- ✓ To support health system transformation: focusing on preventive measures
- ✓ Strengthening universal health insurance and premium subsidy (PBI) for the poor
- ✓ Acceleration reducing stunting prevalence program
- ✓ increasing the vigilance of health services



Optimizing Government Revenue And Maintaining The Investment Climate

Continuing tax reform, service innovation, and optimizing asset management



2023 Tax Policies

1. Maintaining the effectiveness of the tax reform (HPP Law) implementation.
2. Increasing taxpayer compliance by providing fiscal incentives for strategic economic activities that have a strong multiplier for the economy.
3. Tax extensification and intensification to strengthen the tax base and increase taxpayer compliance.
4. Optimization of customs & excise through extensification, strengthened supervision, and law enforcement.

2023 Non-Tax Revenue Policies

1. Increasing service innovation, strengthening governance, and optimizing productive asset management.
2. Optimizing the management of revenue from natural resources by considering the moderated commodity prices.
3. Improving the performance of SOEs.
4. Expansion of digitization, integration, and service synergy as well as innovation of public services investment funding.

Source: Ministry of Finance

2022 Budget Financing



Economic Recovery and Structural Reform

Description (IDR Trillion)		Budget 2022	Perpres 98/2022
A. State Revenue		1,846.1	2,266.2
1.	Tax Revenue	1,510.0	1,784.0
2.	Non-tax Revenue	335.5	481.6
3.	Grants	0.6	0.6
B. State Expenditure		2,714.2	3,106.4
1.	Central Government Expenditure	1,944.5	2,301.6
2.	Regional Transfer & Village Fund	769.6	804.8
C. Primary Balance		(462.2)	(434.4)
D. Surplus (Deficit)		(868.0)	(840.2)
% of GDP		(4.85)	(4.50)
E. Financing		868.0	840.2

Macroeconomic Assumption for 2022 Budget



Economic Growth
5.2%



Inflation
3.0%



Exchange Rate
14.350
IDR/USD



10 years T-Bonds
Rate
6.80%



ICP
US\$ 63
per barrel



Oil Lifting
703
thousand
barrel/day

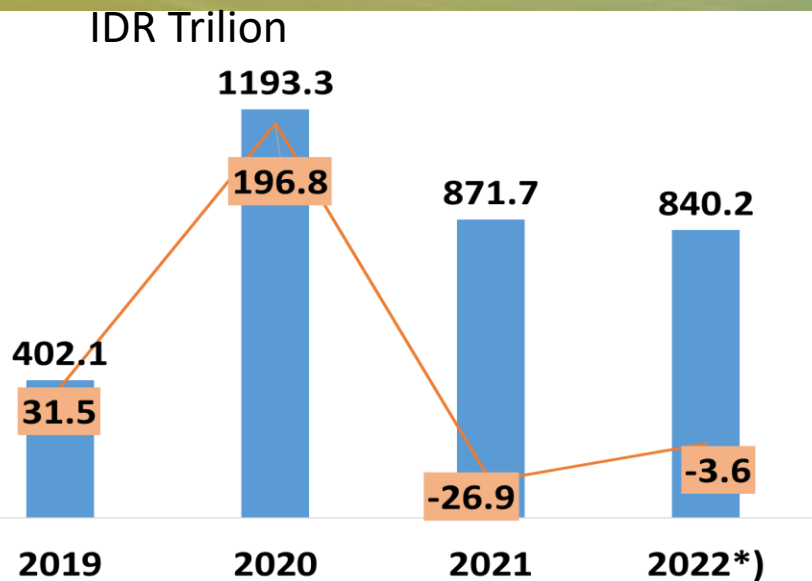


Gas Lifting
1.036
thousand barrel of
oil equivalent/day

The main points of fiscal policy :

1. Consolidating economic recovery while still prioritizing the handling of the health sector as the key to economic recovery;
2. Social protection programs that strengthen the foundations of social welfare, alleviate poverty and vulnerability, including strengthening the leverage of MSMEs and the business world to be able to rise again stronger and more resilient;
3. Supporting increased competitiveness and productivity by implementing structural reforms (UU Cipta Kerja) and fiscal reforms; and
4. Optimizing revenue and strengthening spending better, both in the Central Government and in regional governments, as well as financing innovations in the context of equitable and sustainable fiscal consolidation.

Budget Financing Growth



■ Financing

— Growth (%)

*) Perpres 98/2022

2019

Consistently implementing expansionary fiscal policy, but always controlling the budget deficit within safe limits and within the level of risk appetite.

Prior to the Covid-19 pandemic, budget financing had been successfully reduced by IDR 402.1 trillion

2020

There was a widening of the budget deficit above 3% of GDP along extraordinary steps in dealing with the Covid-19 pandemic in 2020

Budget financing increased to finance the widening of the deficit related to spending on the Covid-19 pandemic

2021

The 2021 Outlook budget deficit continue gradually decrease, through the implementation of fiscal consolidation and budget refocusing

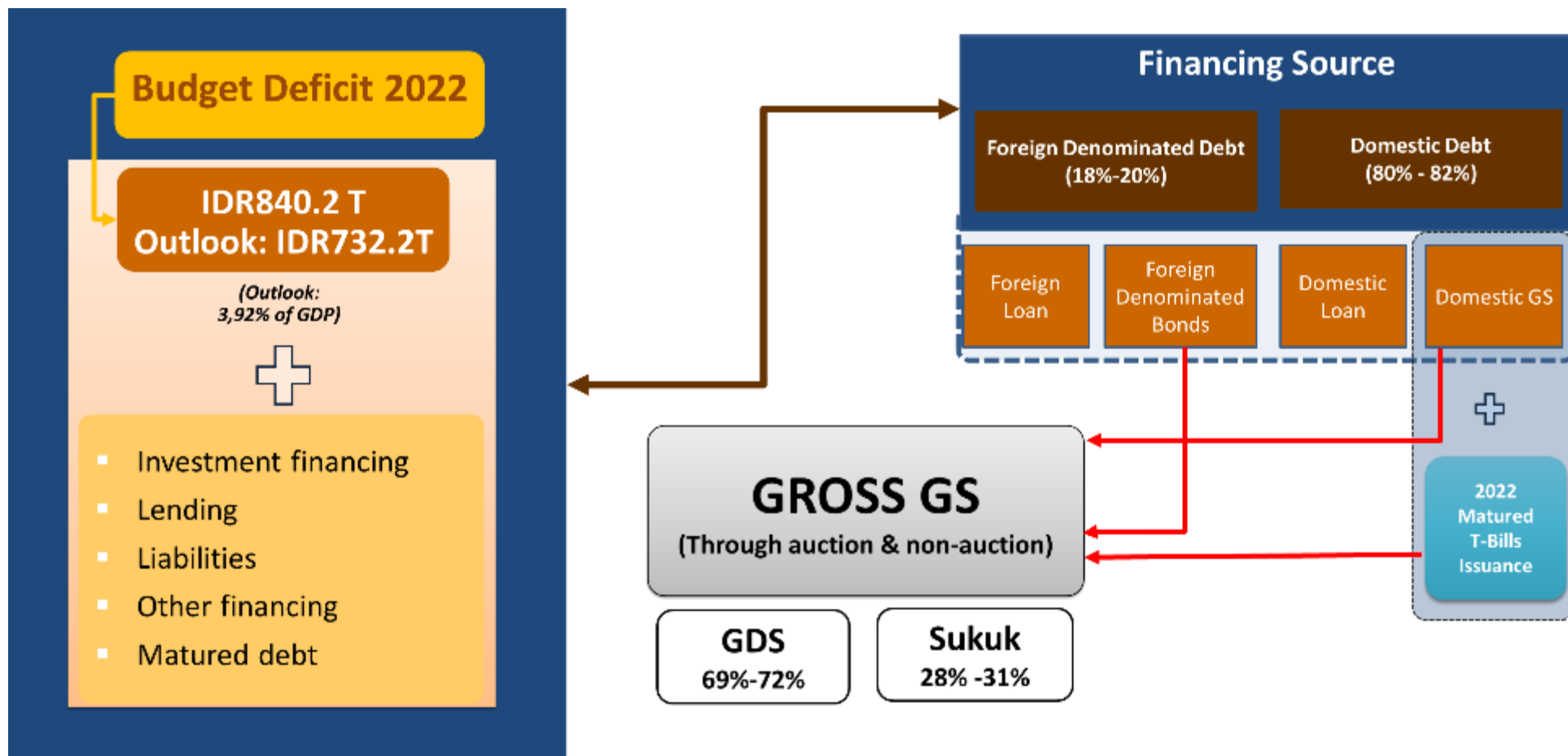
2022

Debt financing targets to be under control and decline with fiscal consolidation and budget refocusing

Continuing coordination with Bank Indonesia in fulfilling financing

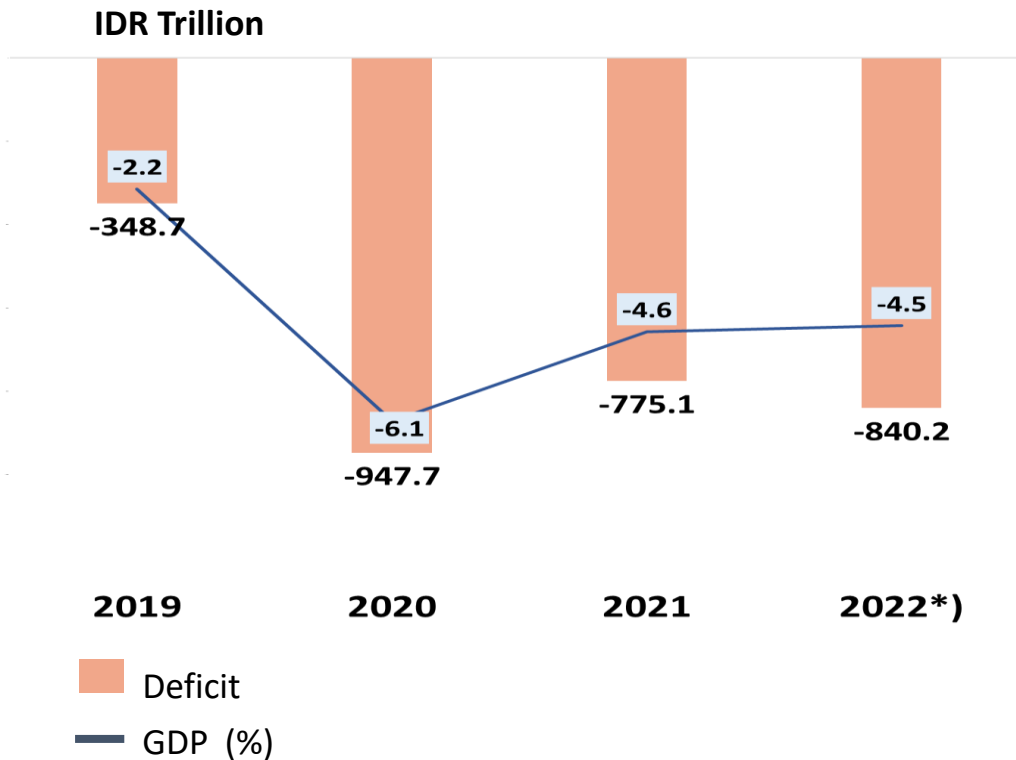
2022 Financing Needs

President Regulation no.98/2022



Deficit Financing 2022

Through Net SBN Issuance



*) President Regulation no.98/2022

Debt Management Strategy

- **Prudent**
Controlling debt risk and managing debt carefully and prudently to support fiscal consolidation and APBN sustainability
- **Portfolio balance**
Priority for issuance of SBN in the domestic market to control risk
- **Flexibility**
Optimizing non-debt sources Utilizing cash loans within the framework of flexibility
- **Efficient**
Market development and deepening (including supporting the issuance of regional bonds/ sukuk) coordination with BI in financing fulfillment

Debt Financing

As of Oct 31, 2022



Budget Financing continues to prioritize prudent, flexible, and opportunistic principles

Debt Financing Realization

Rp 506.0 (53.6%)

Government Securities Rp 500.3 (52.0%)
(Net)

Loan Rp 5.7 (-32.3%)
(Net)

• **Domestic loan (Net)**
Rp 3.1 (175.4%)

• **Foreign Loan (Net)**
Rp 2.6 (-13.6%)

Note :

1. all numbers in triliun Rupiah
2. The percentage is the percentage of budget ceiling from Presidential Decree Number 98 year 2022

GS Financing Realization 2022

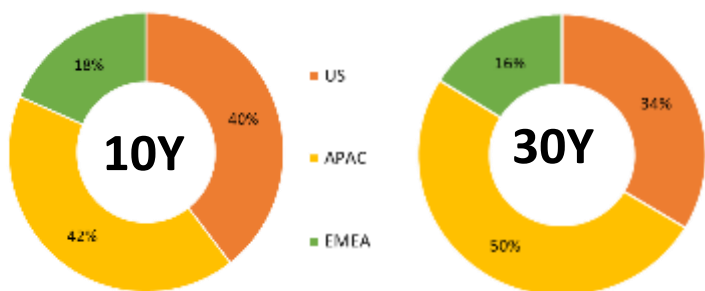


	(Trillion IDR)
	Realization (ao. Oct 31, 2022)
Government Securities (GS) Gross	856.13
Government Debt Securities (GDS)	502.26
IDR Denominated GDS	439.31
- Coupon GDS	312.46
- Conventional T-Bills	62.66
- Private Placement (+ Voluntary Disclosure Program)	12.20
- Retail Bonds	52.00
Foreign Denominated Bonds	62.95
- SEC USD-EUR (- Buyback LM)	53.23
- Samurai Bond	8.76
- SDG Bonds	0.00
- Valas Voluntary Disclosure Program	0.95
Sovereign Sharia Securities (Sukuk)	258.45
Domestic Sovereign Sharia Securitoes	208.94
- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rate Bond/Project Based Sukuk)	153.82
- Retail Sukuk	45.42
- Private Placement	9.69
Global Sukuk	49.51
BI Purchase (SKB III)	95.42

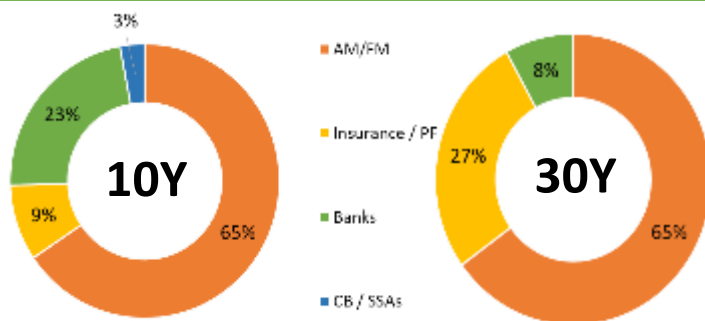
Republic of Indonesia USD1.75 Bn Global Bonds Issuance & Liability Management USD1.57bn



Investor Breakdown by Region



Investor Breakdown by Investor Type



Transaction Highlights

- Skillfully navigated through the challenging market backdrop and a 30-year tranche represents the longest tenor issued by an Asian Sovereign in 2022YTD.
- Strong orderbook allowing significant price tightening from IPG

Issuer	Republic of Indonesia	
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Negative) BBB Fitch (Stable)	
Format	SEC-Registered Shelf Take-Down	
Pricing Date	March 22, 2022	
Settlement Date	March 31, 2022	
Issue Size	USD1,75 bn	
Tenor	10year	30year
Maturity	March 31, 2032	March 31, 2052
Tranche Size	USD1,0 bn	USD750 million
Coupon (p.a.)	3.550%	4.300%
Price	99.583	99.167
Yield (p.a.)	3.600%	4.350%
Listing	Singapore, Frankfurt Stock Exchange	
Use of Proceeds	To repurchase certain of the Republic's outstanding global bonds pursuant to its tender offer separately announced on March 22, 2022, including related costs and expenses thereof, and any remaining net proceeds for the general purposes of the Republic	

Tender Offer Result

- On March 29, 2022, Republic of Indonesia announced the results of its second Tender Offer Exercise (the "Tender Offer" or "Liability Management Exercise") launched on nine series of Notes (the "Old Bonds").
- The Republic repurchased a total nominal amount of USD 467,485,000, accepting in full instructions received on its 5.375% Global Bonds due 2023, 5.875% Global Bonds due 2024, and 4.450% Global Bonds due 2024, while applying a pro-ration factor of 21.06% on its 4.750% Global Bonds due 2026. The Republic did not accept instructions received on the other series of the Old Bonds. The total cash consideration amounted to USD 499,999,756.
- The table below sets forth, for each series of Old Bonds accepted for purchase, the principal amount accepted for purchase, and where applicable, the proration factor:

Old Bonds	Principal Amount Accepted for Purchase	Proration Factor
2.350% due 2023	U.S. \$0	N/A
3.375% due 2023	U.S. \$0	N/A
5.375% due 2023	U.S. \$51,448,000	100%
5.875% due 2024	U.S. \$273,815,000	100%
4.450% due 2024	U.S. \$52,152,000	100%
4.125% due 2025	U.S. \$0	N/A
4.750% due 2026	U.S. \$90,268,000	21.05%
4.350% due 2027	U.S. \$0	N/A
3.550% due 2027	U.S. \$0	N/A

- This Liability Management Exercise is a part of the Republic's general cash management program and its broader program to manage its external liabilities. This is the second buyback exercise by the Republic in the past 12 months following the first Liability Management Exercise conducted in September 2021 and is in line with the Republic's goals of extending its debt maturity profile and achieving cost savings through the reduction of interest expense.

Republic of Indonesia Global Sukuk US\$3.25bn



Summary of Terms & Conditions

Issuer	Republic of Indonesia through Perusahaan Penerbit SBSN Indonesia III	
Issue Format	144A / Reg S, Senior, Unsecured, Wakala US\$ Trust Certificate ("Sukuk") issued under a USD\$35 billion Trust Certificate Issuance Programme	
Country of Transaction	Indonesia	
Issuer Ratings (M/S/F)	Baa2 stable (Moody's) / BBB stable (S&P) / BBB stable (Fitch)	
Issue Ratings (M/S/F)	Baa2 (Moody's) / BBB (S&P) / BBB (Fitch)	
Pricing Date	24 May 2022	
Settlement Date	06 June 2022 (T+8)	
Tenor	5Y Sukuk	10Y Green Sukuk
Maturity Date	6-Jun-27	6-Jun-32
Tranche Size	USD1.75 billion	USD1.50 billion
Profit Rate	4.40% Fixed, Semiannual, 30/360	4.70% Fixed, Semi-annual, 30/360
Re-Offer Price	100.00%	100.00%
Reoffer Spread	UST + 164.4bps	UST + 193.3bps
144A ISIN	US71567PAU49	US71567PAU22
Reg S ISIN	US71567RAU05	US71567RAU87
Use of Proceeds	General financing requirements	In line with ROI's SDGs Government Securities Framework
Other Details	USD200k/1k denoms., English / Indonesian Law	
Listing	SGX-ST and Nasdaq Dubai	
Joint Bookrunners	CIMB, Deutsche Bank (B&D), Dubai Islamic Bank, HSBC, and Standard Chartered Bank	
Co-Managers	PT BRI Danareksa Sekuritas and PT Trimegah Sekuritas Indonesia Tbk	

Achievement

- The largest ever Global USD Sukuk transaction from the Republic
- The largest Green Sukuk tranche ever printed by the Republic
- The largest issuance from Indonesia year to date
- The first Green Sukuk tranche in 10 year maturity by the Republic

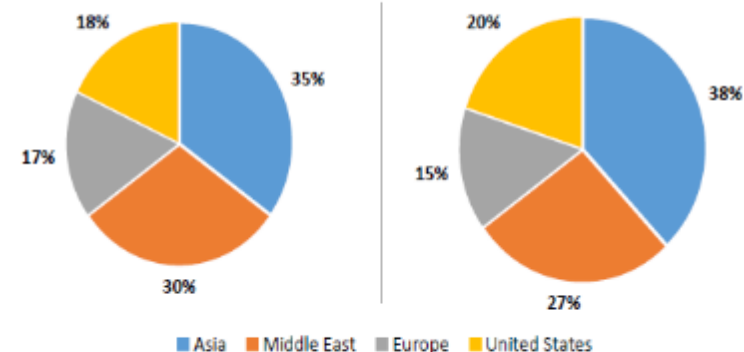
Transaction Highlights

- The final order size amounted to US\$10.8 bn combined, or an oversubscription rate of more
- The green tranche was issued under the 10 year tenor, which is also the largest green tranche ever issued by the Republic.
- This aptly demonstrates the Republic's dedication and commitment to Green and sustainable finance, as well as diversifying financing methods in the effort against climate change.

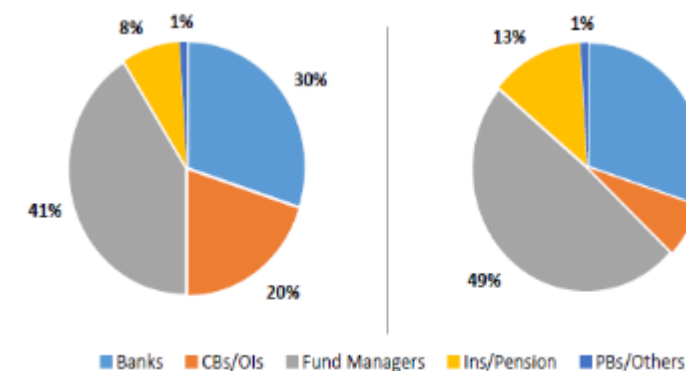
Orderbook Distribution

5-Year USD	10-Year USD
US\$ 5.7bn+ From 241 accounts	US\$ 5.1bn+ From 225 accounts

Investors by Geography



Investors by Type



Republic of Indonesia Samurai Bond JPY 81.0bn



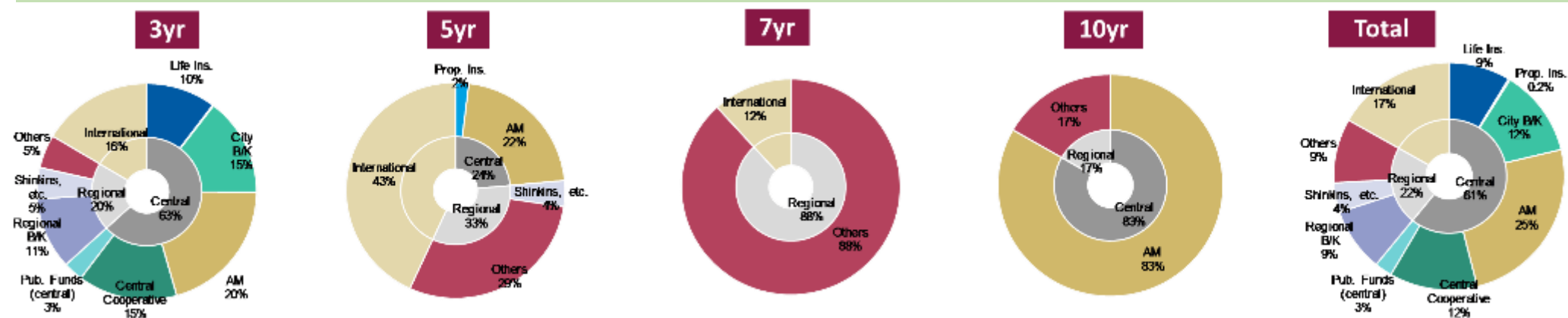
Summary of Terms & Conditions

Issuer	Republic of Indonesia			
Expected. Bond Rating	Baa2 Moody's / BBB S&P / BBB Fitch			
Format	Samurai			
Pricing Date	June 2, 2022			
Settlement Date	June 9, 2022			
Deal Size	JPY 81.0bn			
Series	RIJPY0625	RIJPY0627	RIJPY0629	RIJPY0632
Tenor	3-year	5-year	7-year	10-year
Coupon	0.96%	1.13%	1.27%	1.45%
Tranche Size	JPY 68.2bn	JPY 5.1bn	JPY 1.7bn	JPY 6.0bn
Re-offer Spread over TONA Yen Mid Swap	YMS+90	YMS+100	YMS+105	YMS+110
Joint Lead Arrangers	Daiwa/Mizuho/Nomura/Morgan Stanley			

Transaction Highlight

- The largest Samurai bond transaction issued in 2022 so far. This deal represents Rol's eighth consecutive year accessing the Samurai market with benchmark sized transaction since 2015
- With the global market volatility being high on the back of tightening monetary policies and heightened geopolitical risk, Rol took the strategy to swiftly access to the market by shortening the marketing period
- Even with the shortened 2-day official marketing period compared to previous issuance, Japanese investors were ready to invest in Rol Samurai and giving order from early stage of the marketing. Orderbook grew solidly during the marketing; the final order book exceeding the issuance size

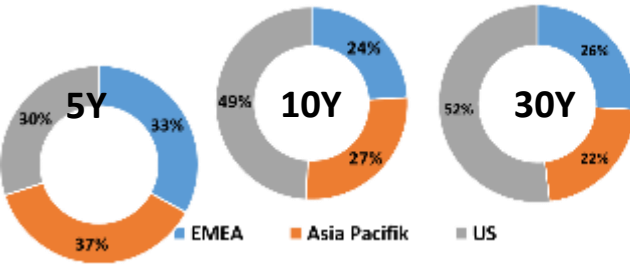
Investor Breakdown by Amount



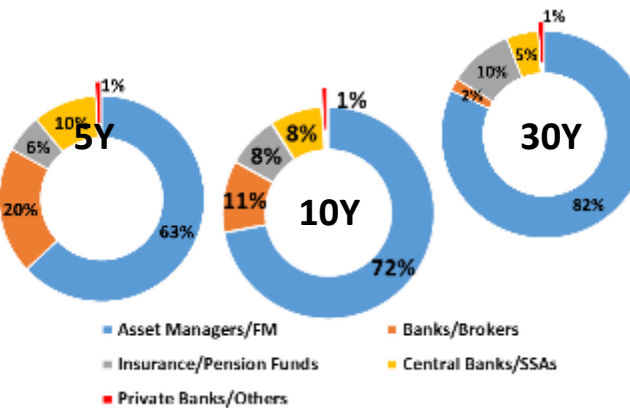
Switch And Cash Tender Offer & Republic Of Indonesia USD2.65 bn Global Bonds Issuance



Investor Breakdown by Region



Investor Breakdown by Investor Type



Transaction Highlights

- The transaction marks the Republic's twelfth SEC-registered issuance in USD, a milestone solidifying its status as one of the most active global issuers in the region.
- Final orderbooks for the Notes Offering exceeded USD2.5bn for the 5-year tranche from 146 accounts (representing a 3.3x oversubscription), USD3.5bn for the 10-year tranche from 160 accounts (representing a 2.5x oversubscription) and USD3.0bn for the 30-year tranche from 139 accounts (representing a 6.0x oversubscription).

Issuer	Republic of Indonesia		
Issuer Rating	Baa2 Moody's (Stable) BBB S&P (Negative) BBB Fitch (Stable)		
Format	SEC-Registered Shelf Registered		
Pricing Date	September 7, 2022		
Settlement Date	September 20, 2022		
Issue Size	USD2.65 bn		
Tenor	5year	10year	30year
Maturity	Sep 20, 2027	Sep 20, 2032	Sep 20, 2052
Tranche Size	USD750 million	USD1.4 bn	USD500 million
Coupon (p.a.)	4.150%	4.650%	5.450%
Price	98.889%	98.820%	98.547%
Yield (p.a.)	4.400%	4.800%	5.550%
Listing	Singapore, Frankfurt Stock Exchange		
Use of Proceeds	Repurchase certain of its outstanding global bonds pursuant to the Switch Tender Offer, including related costs and expenses thereof, and any remaining net proceeds for the general purposes of the Republic		

Tender Offer Result

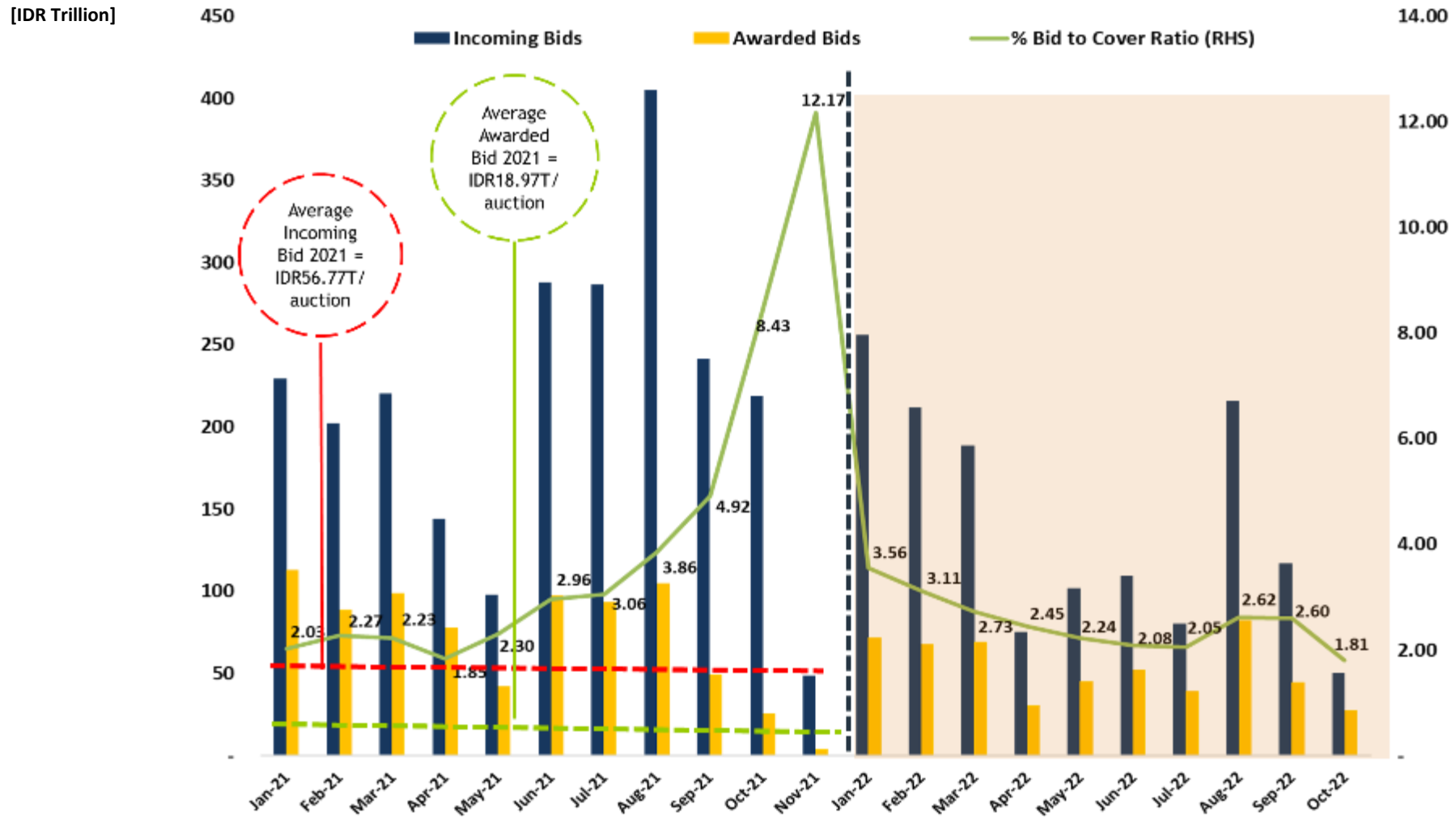
Old Bonds	Aggregate Principal Amount of Preferred Tenders	Aggregate Principal Amount of Preferred Tenders Accepted	Proration Factor	Aggregate Principal Amount of Non-Preferred Tenders	Aggregate Principal Amount of Non-Preferred Tenders Accepted	Proration Factor	Aggregate Principal Amount to be Acquired
Group 1 Bonds							
5.375% Global Bonds due Oct 17, 2023	U.S.\$ 11,408,000	U.S.\$ 11,408,000	100%	U.S.\$0	U.S.\$0	N/A	U.S.\$ 11,408,000
5.875% Global Bonds due Jan 15, 2024	U.S.\$ 45,559,000	U.S.\$ 45,559,000	100%	U.S.\$ 5,300,000	U.S.\$ 5,300,000	100%	U.S.\$ 50,859,000
Group 2 Bonds							
4.750% Global Bonds due Jan 8, 2026	U.S.\$ 77,043,000	U.S.\$ 77,043,000	100%	U.S.\$ 21,725,000	U.S.\$ 21,725,000	100%	U.S.\$ 98,768,000
8.500% Global Bonds due Oct 12, 2035	U.S.\$ 33,004,000	U.S.\$ 33,004,000	100%	U.S.\$ 4,335,000	U.S.\$ 4,335,000	100%	U.S.\$ 37,339,000
6.625% Global Bonds due Feb 17, 2037	U.S.\$ 58,267,000	U.S.\$ 58,267,000	100%	U.S.\$ 13,971,000	U.S.\$ 13,971,000	100%	U.S.\$ 72,238,000
7.750% Global Bonds due Jan 17, 2038	U.S.\$ 38,441,000	U.S.\$ 38,441,000	100%	U.S.\$ 16,161,000	U.S.\$ 16,161,000	100%	U.S.\$ 54,602,000

GS Primary Market Performance 2021 - 2022

Through Auction



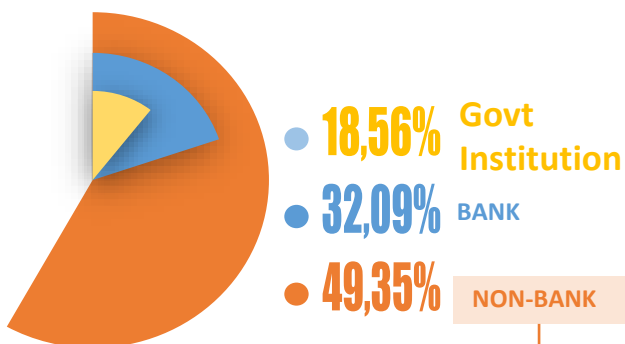
In 2022, average incoming bid = **IDR34.33 tn/auction** while average awarded bid = **IDR12.90 tn/auction**



Ownership of IDR Tradable Government Securities

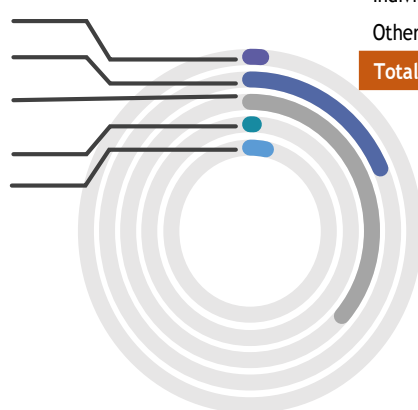


(IDR tn)



■ MUTUAL FUND
■ INSURANCE & PENSION FUND
■ FOREIGN
■ INDIVIDUAL
■ OTHERS

2,98%
16,81%
13,90%
6,64%
9,03%



Description	Dec-18		Dec-19		Dec-20		Dec-21		Oct-22	
Banks*	481.33	20.32%	581.37	21.12%	1,375.57	35.54%	1,591.12	34.01%	1,646.54	32.09%
Govt Institutions (Bank Indonesia**)	253.47	10.70%	262.49	9.54%	454.36	11.74%	801.46	17.13%	952.09	18.56%
Bank Indonesia (gross)	217.36	9.18%	273.21	9.93%	874.88	22.60%	1,220.73	26.09%	1,324.16	25.81%
GS used for Monetary Operation	-36.11	-1.52%	10.72	0.39%	420.51	10.86%	419.27	8.96%	372.07	7.25%
Non-Banks	1,633.65	68.98%	1,908.88	69.34%	2,040.83	52.72%	2,286.40	48.87%	2,532.40	49.35%
Mutual Funds	118.63	5.01%	130.86	4.75%	161.32	4.17%	157.93	3.38%	152.74	2.98%
Insurance Company and Pension Fund	414.47	17.50%	471.67	17.13%	542.82	14.02%	655.24	14.00%	862.40	16.81%
Foreign Holders	893.25	37.71%	1,061.86	38.57%	973.91	25.16%	891.34	19.05%	713.23	13.90%
Foreign Govt's & Central Banks	163.76	6.91%	194.45	7.06%	178.31	4.61%	233.45	4.99%	206.45	4.02%
Individual	73.07	3.09%	81.17	2.95%	131.21	3.39%	221.41	4.73%	340.92	6.64%
Others	134.22	5.67%	163.32	5.93%	231.57	5.98%	360.47	7.70%	463.10	9.03%
Total	2,368.45	100%	2,752.74	100%	3,870.76	100%	4,678.98	100%	5,131.04	100%

**IDR
1.092,02T**

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

64,27%

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

Note:

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

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

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

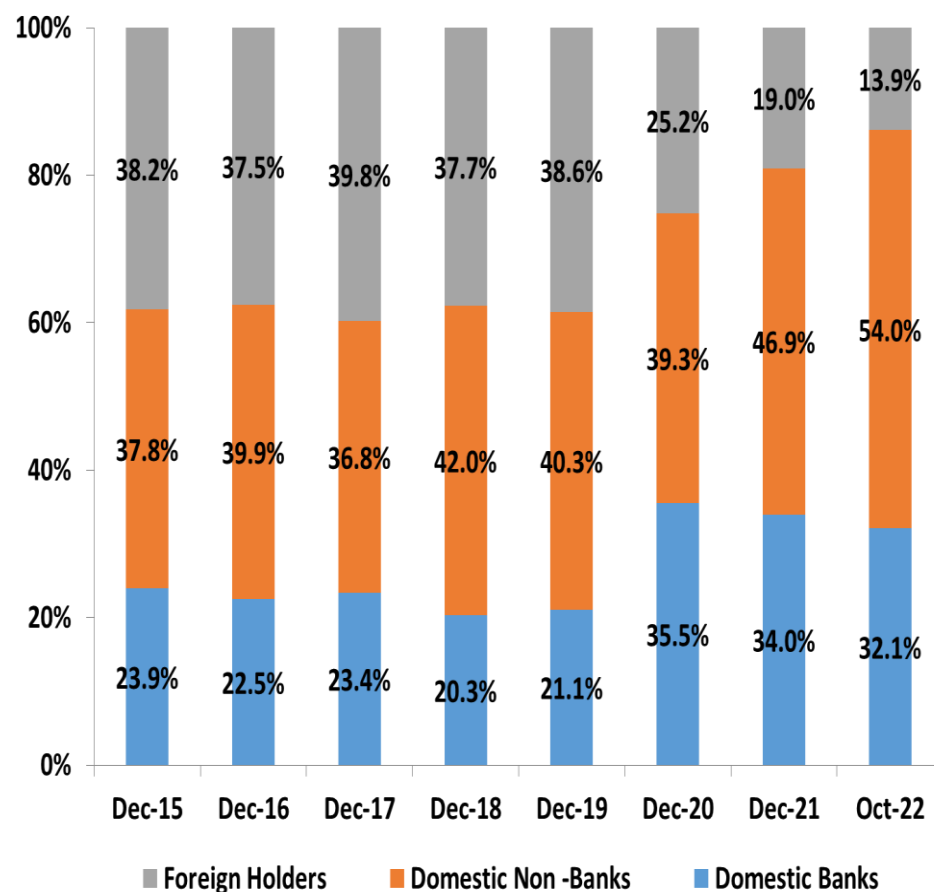
**) net, excluding Government Securities used in monetary operation with Banks.

Holders of Tradable Central Government Securities

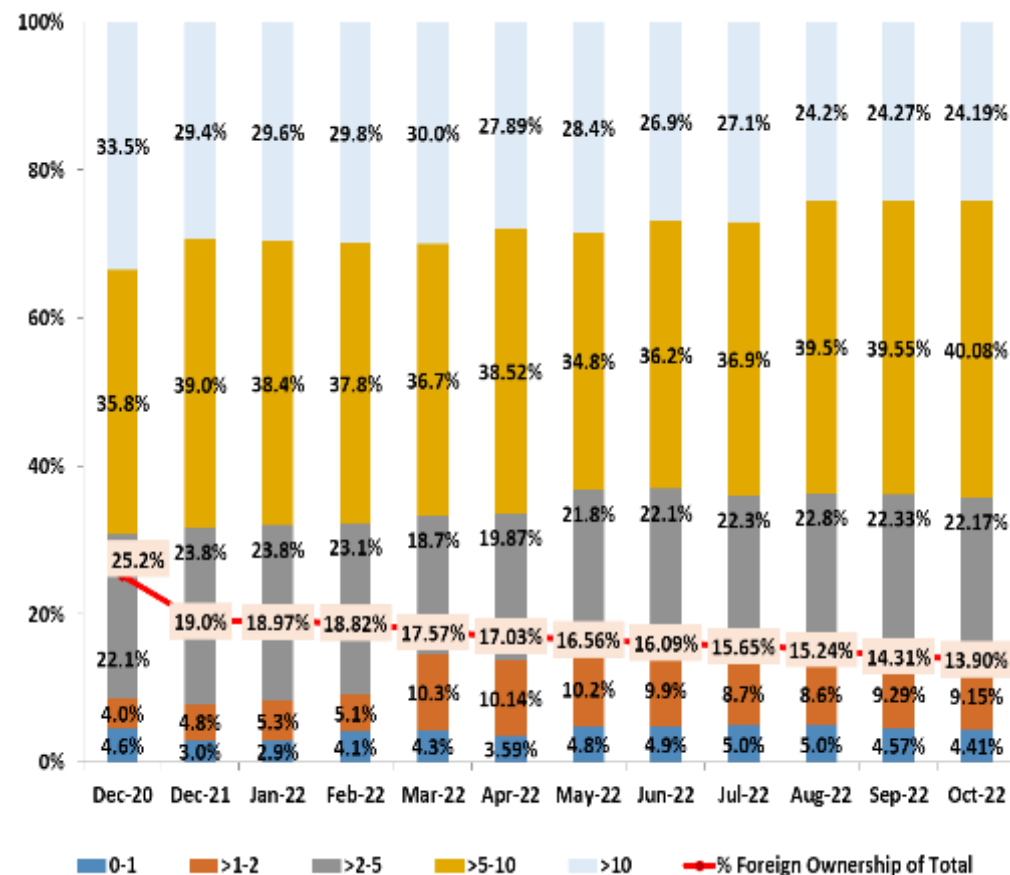
Balanced Ownership In Terms of Holders and Tenors



Holders of Tradable Gov't Domestic Debt Securities



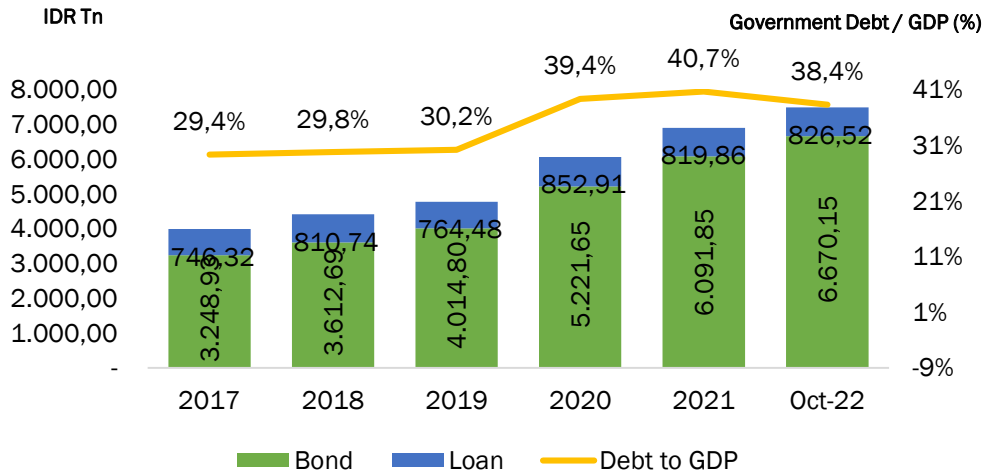
Foreign Ownership of Gov't Domestic Debt Securities by Tenor



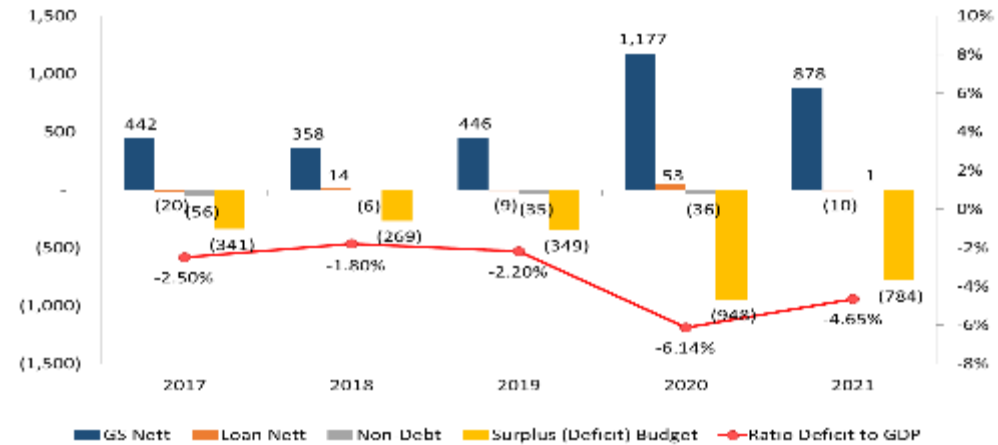
Disciplined and Advanced Debt Portfolio Management



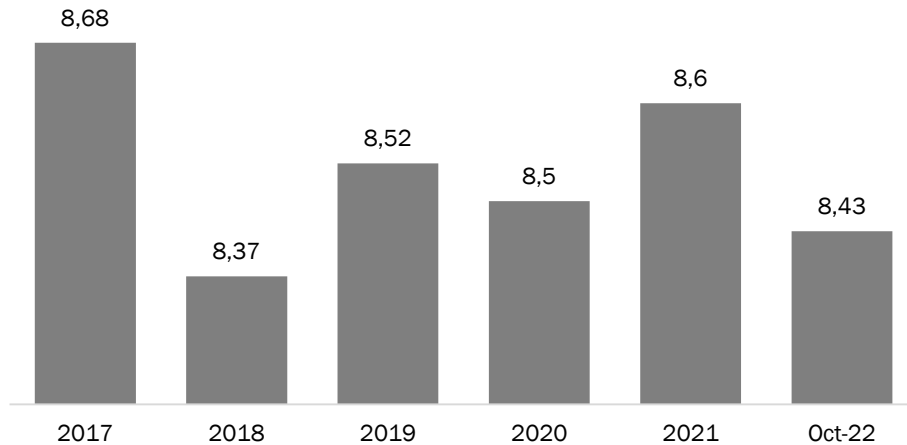
Stable Debt to GDP Ratio Over the Years



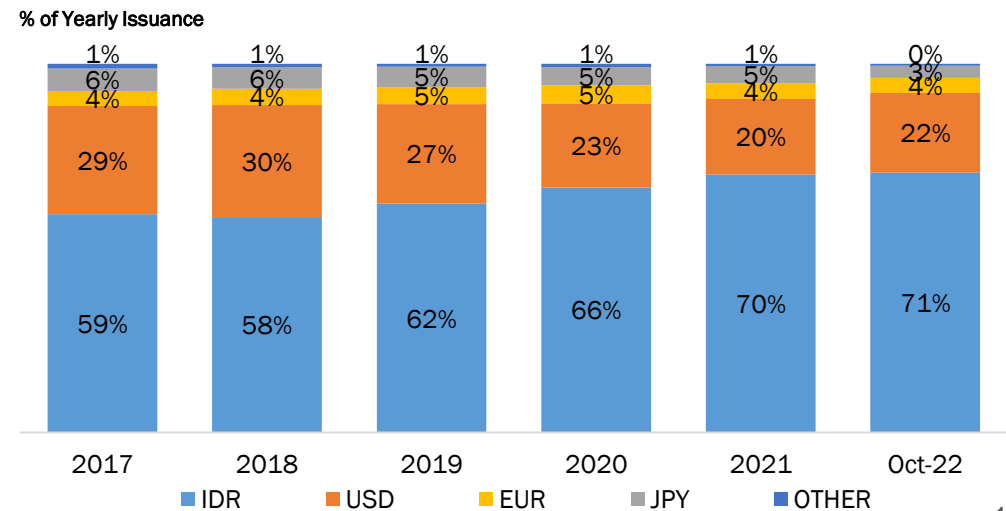
Prudent Fiscal Deficit



Weighted Average Debt Maturity of ~8.58 years



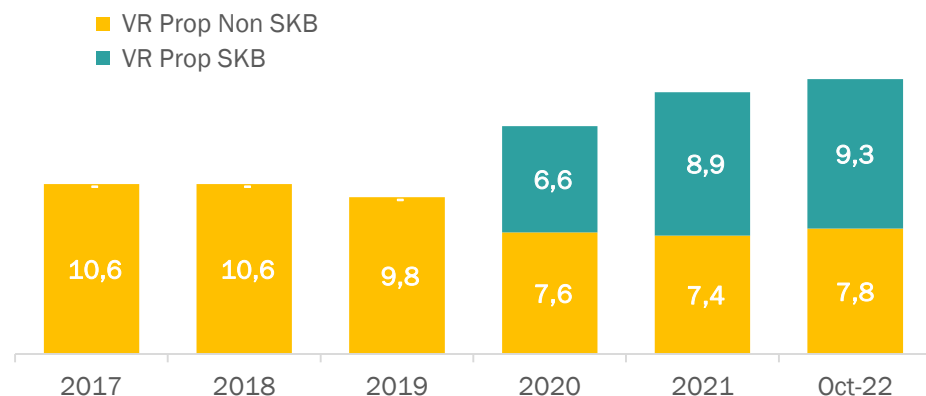
Well Diversified Across Different Currencies



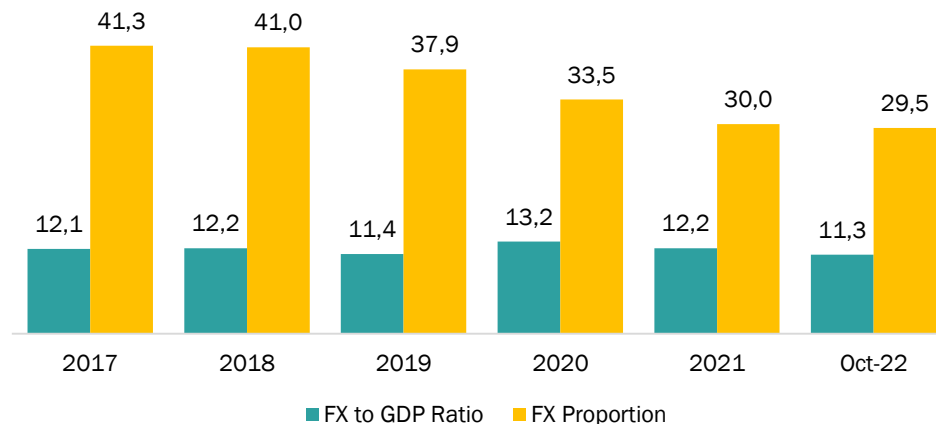
Well Balanced Maturity Profile with Strong Resilience Against External Shocks



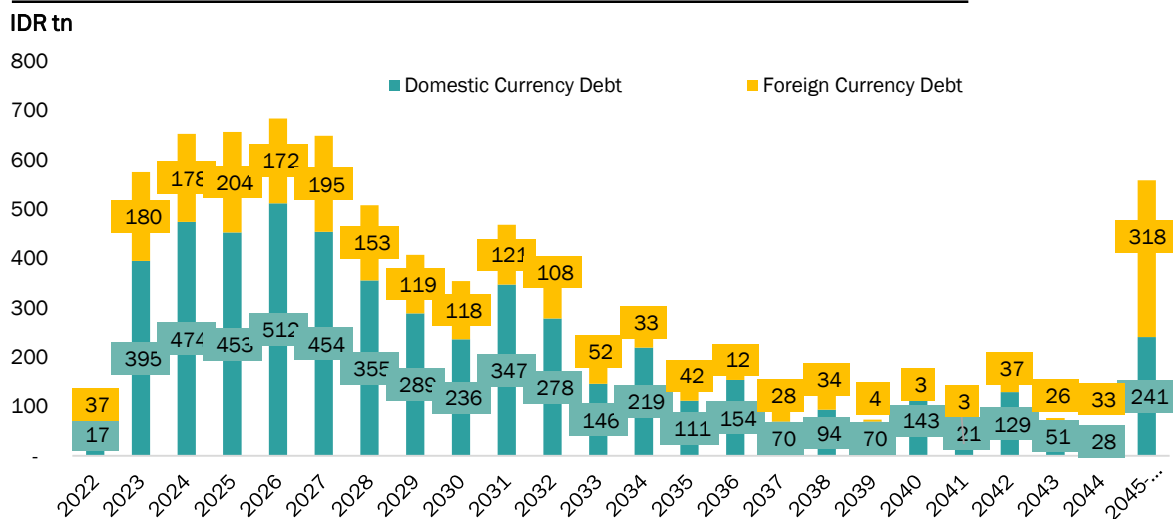
Interest Rate Risks (%)



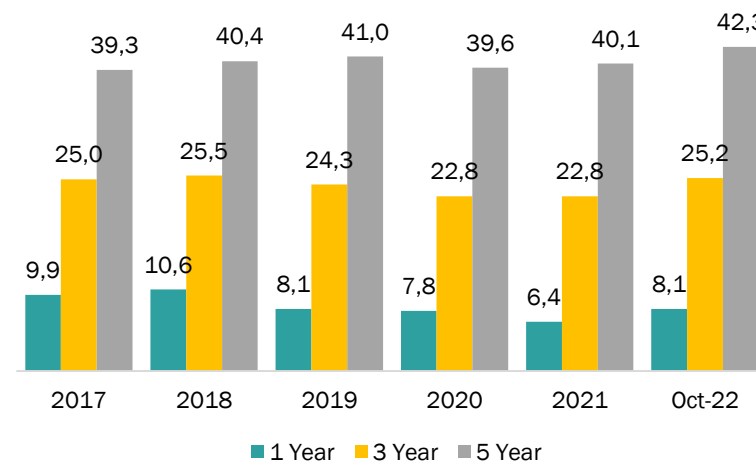
Declining Exchange Rate Risks (%)



Debt Maturity Profile



Upcoming Maturities (Next 5 Years)



Strengthened Synergy Between Monetary and Fiscal Policy



Background



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

Principles



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

Strengthened Synergy Between Monetary and Fiscal Policy

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



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

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

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

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

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

GOVERNMENT SECURITIES (SBN) ISSUANCE AND BI CONTRIBUTION SCHEME

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

Cluster A

2021 → IDR58 T
2022 → IDR40 T

Cluster A :

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

Interest Rate
BI reverse repo
3 Months Tenor



BANK INDONESIA

Cluster B

2021 → IDR157 T
2022 → IDR184 T

Cluster B :

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

Interest Rate
BI reverse repo
3 Months Tenor



GOVERNMENT

- The issuance of Government Securities is done **through a private placement**: reducing the target for SBN auction and manage cost of debt
- All Government Securities are issued at variable rate using BI 3-month Reverse Repo Interest Rate.
- SBN is **tradable and marketable**



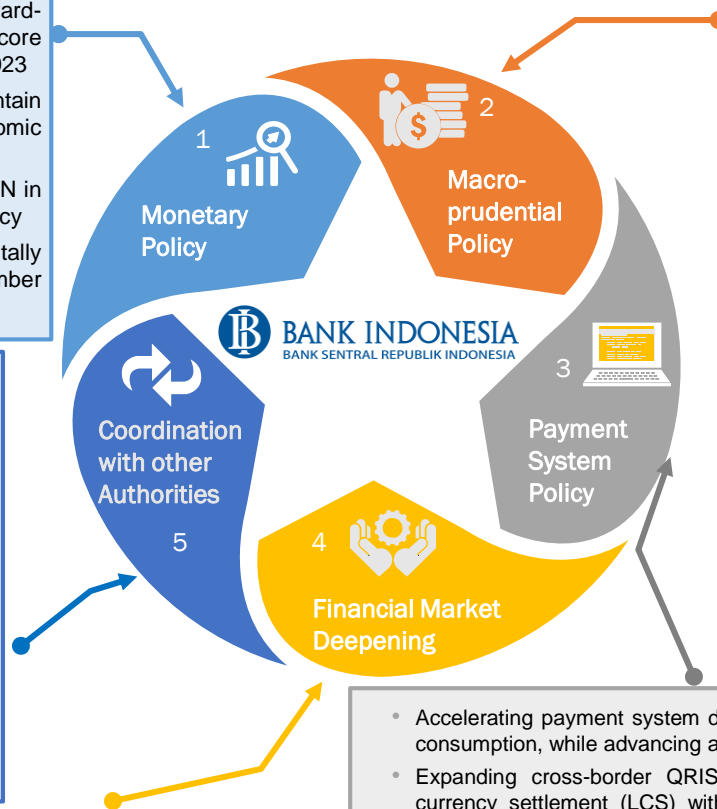
Section 6

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



Bank Indonesia's Policy Mix

Synergy Maintaining Stability and Strengthening National Economic Recovery



- Monetary policy towards maintaining stability
- Policy rate increase as a front-loaded, pre-emptive and forward-looking measure to lower inflation expectations and return core inflation to the 3.0%±1% target corridor in the latter half of 2023
- Simultaneously strengthening exchange rate policy to maintain Rupiah stability in line with market mechanism and economic fundamental
 - Continuing operation twist through the buying/selling of SBN in the secondary market to strengthen rupiah stabilisation policy
- Accelerating liquidity policy normalization by incrementally raising Rupiah reserve requirements to 9% on 1st September 2022

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

- Accelerating foreign exchange market deepening to support rupiah exchange rate stability, while expanding the availability of hedging instruments and promoting international trade and investment.
- Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the forex market
- Accelerating infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
- Developing Money Market Development Blueprint 2025
- Promoting inclusive and green economy and finance

- Strengthening the accommodative macroprudential policy stance in 2022 to revive bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability
- Increasing incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or meeting the target Macroprudential Inclusive Financing Ratio (RPIM) from 1st September 2022
- Strengthening implementation of the RPIM, primarily through bank commitment to the RPIM target, based on the expertise and business models available
- Accommodative macroprudential policy stance by:
 - Relaxing the Loan / Financing-to-Value (LTV / FTV) ratio on housing loans / financing
 - Relaxing down payment requirements on automotive loans / financing
 - Holding the countercyclical buffer (CCB) at 0%
 - Macroprudential Intermediation Ratio (MIR) in the 84-94% range
 - Macroprudential Liquidity Buffer (MLB) at 6% with 6% repo flexibility, and the Sharia Macroprudential Liquidity Buffer (SMLB) at 4.5% with repo flexibility at 4.5%

- Accelerating payment system digitalization to stimulate economic recovery, particularly household consumption, while advancing an inclusive and efficient economy and finance
- Expanding cross-border QRIS by, among others, accelerating implementation, piloting local currency settlement (LCS) with other Asian countries and organising National QRIS Week to achieve the target of 15 million new users
- Strengthening payment system policy to reinforce economic recovery and accelerate inclusive digitalization by:
 - Extending the grace period on a min credit card payments and late fees from 30th June 2022 previously to 31st Dec 2022 to support credit card transactions while mitigating credit risk.
 - Extending the 0% QRIS merchant discount rate (MDR) for micro merchants from 30th June 2022 previously to 31st Dec 2022 to continue efforts to expand the digital ecosystem and boost transactions, particularly amongst MSMEs. .
- Strengthening and expanding electrification: Social program, e-payment for Government
- Increasing the number of participants, expanding the services and garnering greater acceptance of BI-FAST for more efficient transactions between banks and members of the public

Bank Indonesia Policy Mix: November 2022



The BI Board of Governors agreed on 16th and 17th November 2022 to raise the BI 7-Day Reverse Repo Rate (BI7DRR) by 50bps to 5.25%, while also raising the Deposit Facility (DF) and Lending Facility (LF) rates by 50bps to 4.50% and 6.00% respectively



Raise the BI 7-Day Reverse Repo Rate to 45.25%



Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI7DRR to lower inflation expectations and return core inflation to the target.



- Strengthening rupiah stabilisation policy as part of the measures to control inflation, primarily imported inflation, through foreign exchange market intervention, including spot and DNDF transactions, as well as buying/selling SBN in the secondary market.
- Continuing to buy/sell SBN in the secondary market to strengthen transmission of the higher BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen exchange rate stabilisation measures.
- Issuing Bank Indonesia Sukuk (SukBI) for use as underlying instruments in the form of inclusive financing securities (inclusive SukBI), which are recognised as SPBI (Surat Berharga Pembiayaan Inklusif), in line with BI commitment to support inclusive financing and develop the sharia economy and finance.



Maintaining prime lending rate (SBDK) transparency policy in the banking industry with a focus on the response of interest rates in the banking industry to policy rate.



Strengthening policy synergy between Bank Indonesia and government fiscal policy, as well as with the Financial System Stability Committee to maintain macroeconomic and financial system stability, while reviving lending to businesses in priority sectors to stimulate economic growth and exports, while increasing economic and financial inclusion.

Bank Indonesia has also strengthened international cooperation with other central banks and financial authorities, while promoting investment and trade in priority sectors in synergy with relevant institutions.



Fostering the use of QRIS and continuing to develop QRIS features and services, including cross-border QRIS, after achieving the target of 15 million new users in October 2022 and Fostering payment system innovation, including public acceptance of BI-FAST, by expanding participation and service channels, while maintaining effective regular public communication.

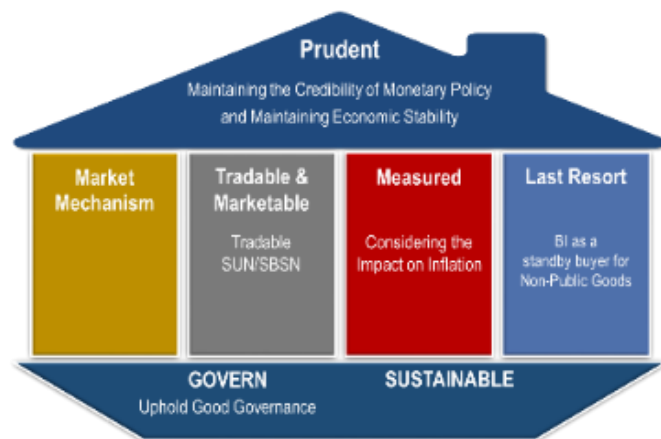


Ample Liquidity in the Banking Industry and Economy Remains

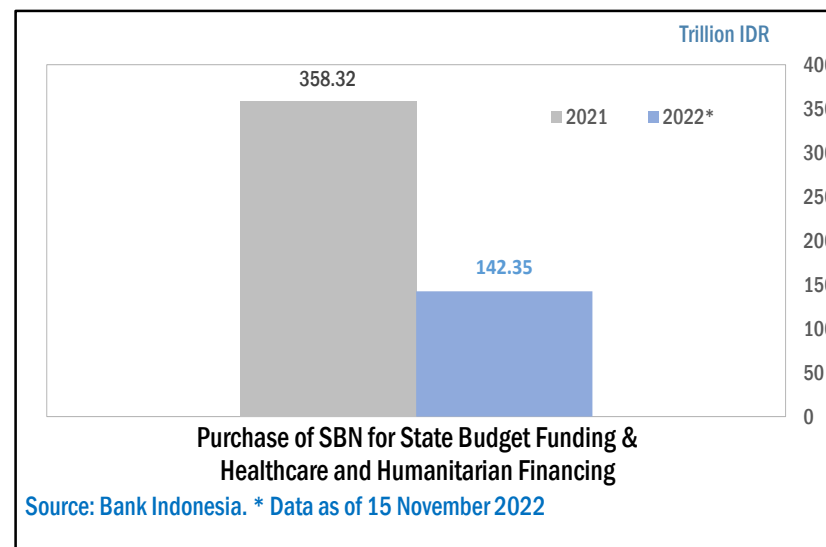
Ample liquidity is also helping to drive the economic recovery.

- In October 2022, the ratio of liquid assets to third-party funds remained high and increased to 29.46%.
- Liquidity in the economy remained loose, as reflected in the narrow (M1) and broad (M2) money supply, which grew by 14.9% (yoy) and 9.8% (yoy), respectively.
- Meanwhile, implementing the Joint Decree between Bank Indonesia and the Ministry of Finance, BI continues to purchase SBN in the primary market to fund the national economic recovery and finance the health and humanitarian aspects of the Covid-19 pandemic, totalling Rp142.35 trillion as of 15th November 2022.

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



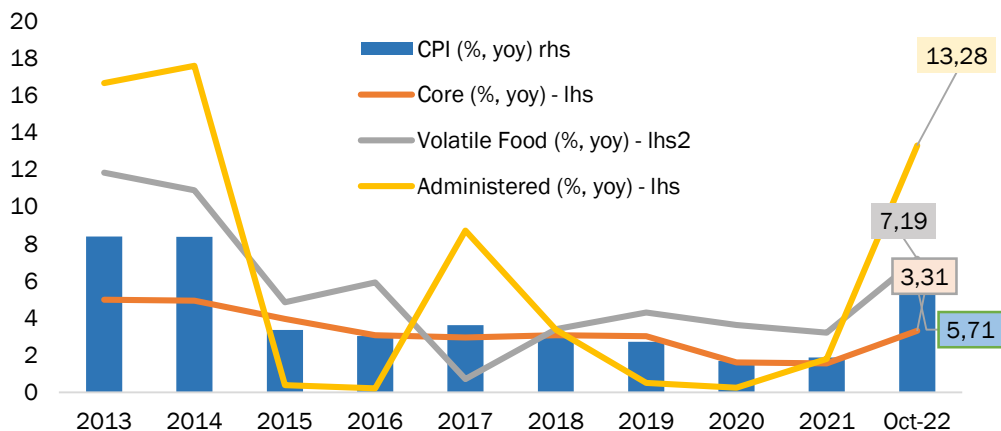
SBN Purchases by Bank Indonesia for State Budget Financing



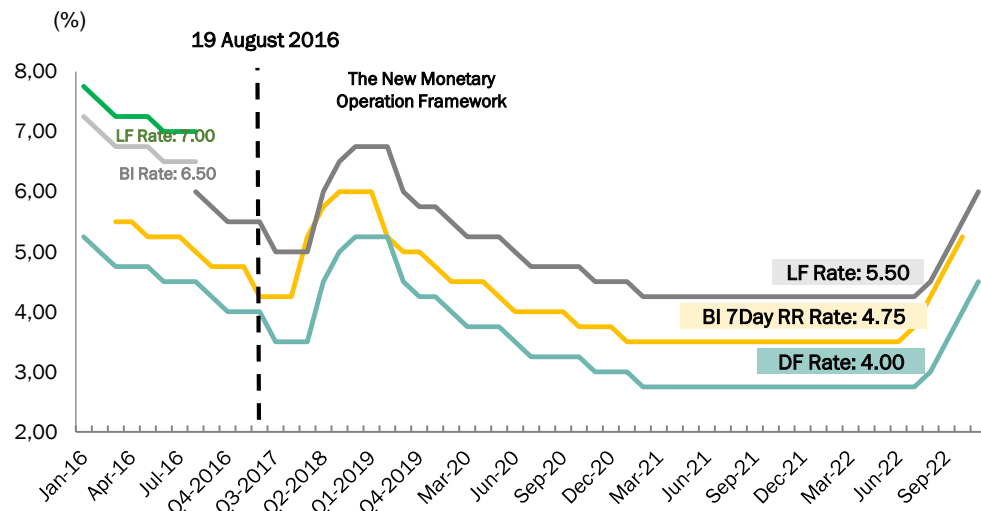


Manageable Monetary Environment amid Heightened Global Uncertainty

Well Maintained Inflation Ensured Price Stability

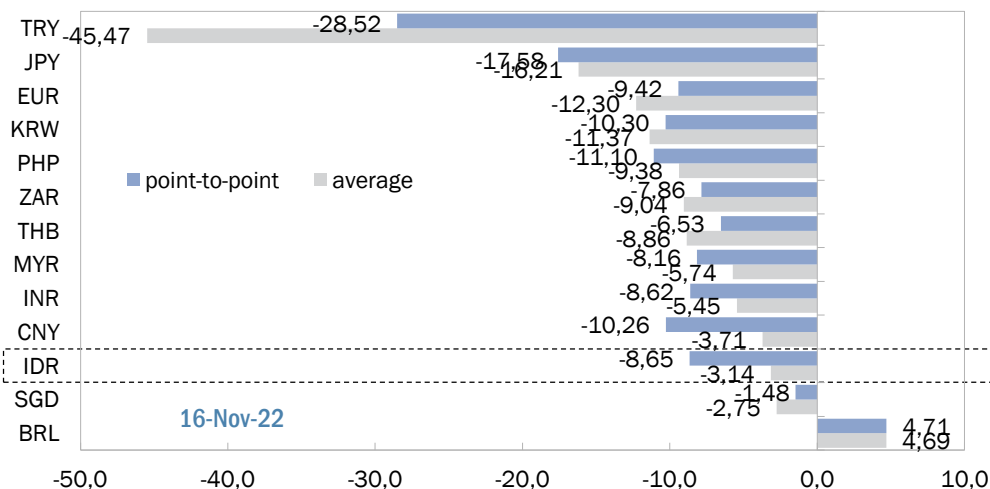


Strengthened Monetary Policy Framework

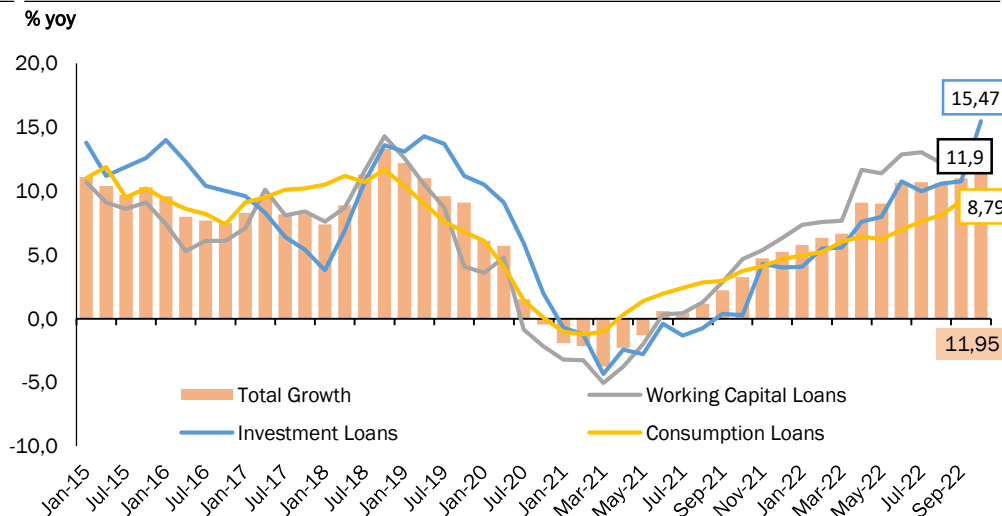


Rupiah Exchange Rate Fared Relatively Well Compared to Peers

2022 vs 2021 (YTD)



Credit Growth Profile

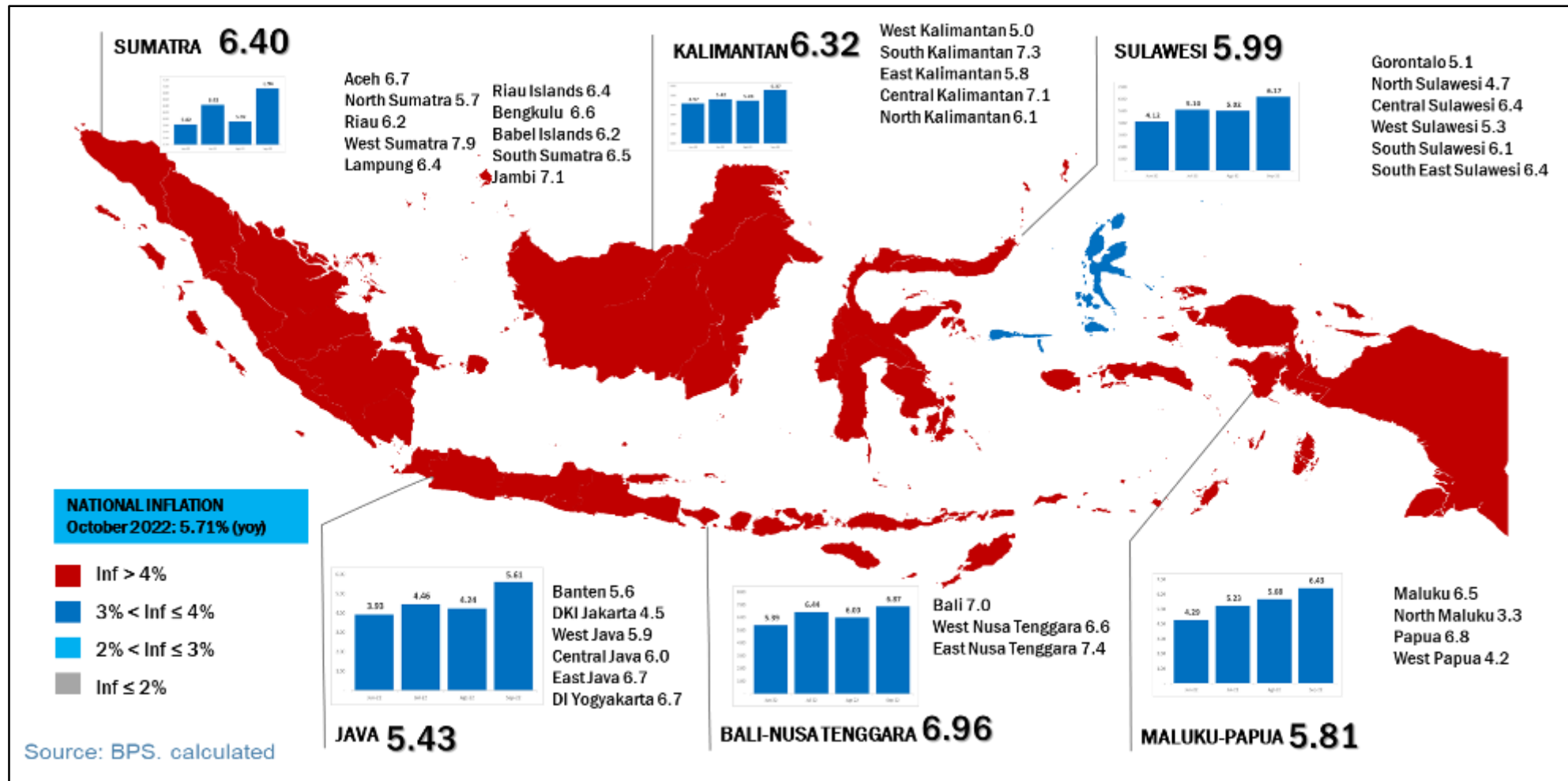


Regional Inflation Remains Under Control

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



Regional Inflation, October 2022



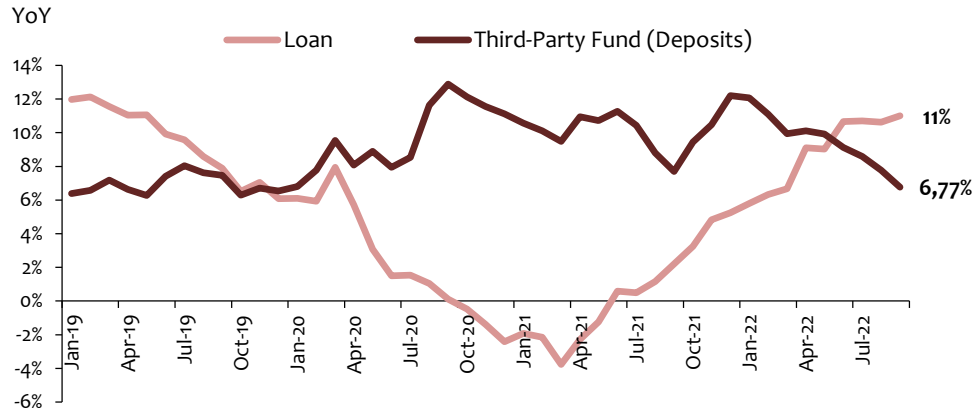
Signs of Recovery in Financial Intermediations



Amidst the slowing-down in economic recovery, bank loans continued to grow, supported by Working Capital and Corporation loans, while the funding side grows relatively steady, indicating a growing lending appetite.



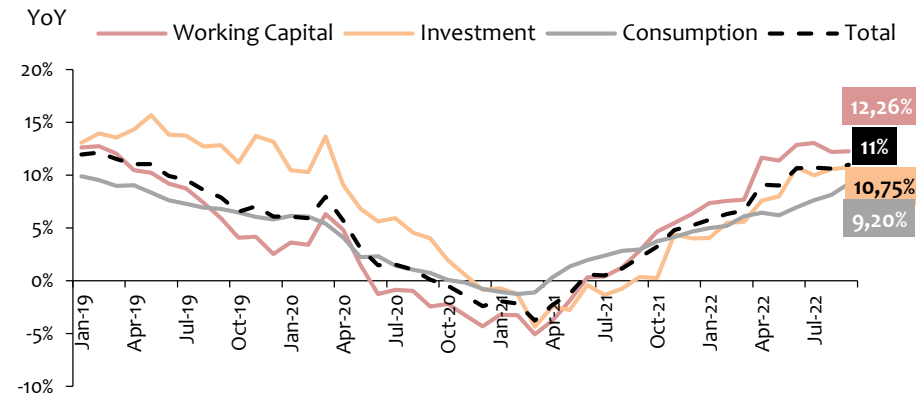
In **August 2022**, bank loans continued to grow by **10.62% (yoy)**, while Third Party Funds (Total Deposits) grew at a steady pace at **7.77% (yoy)**.



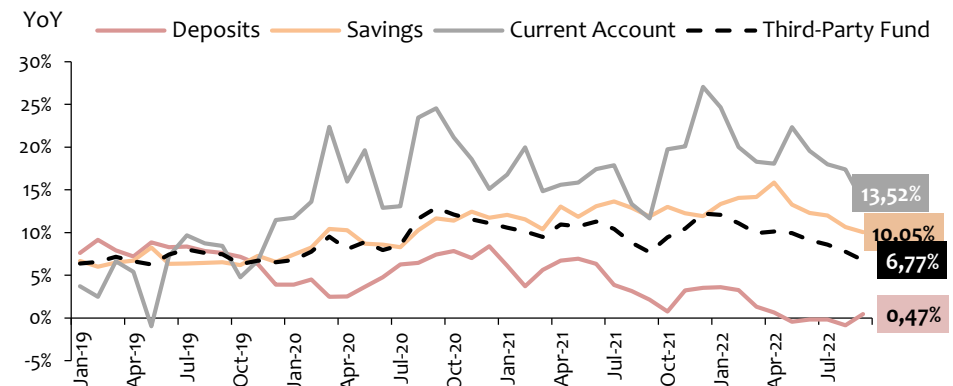
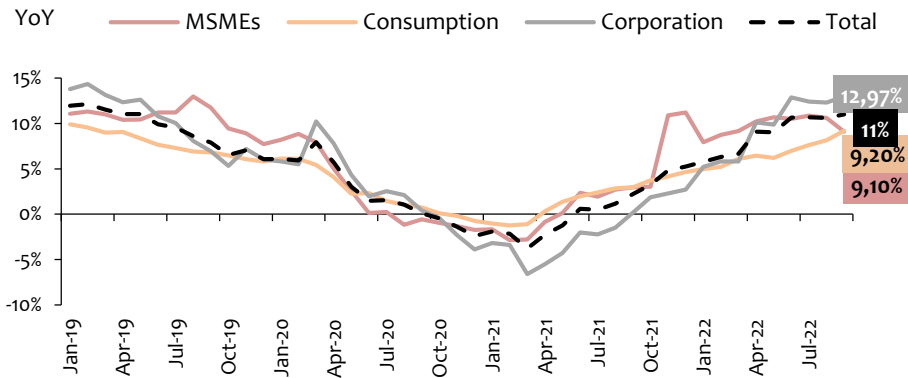
Loan growth by segmentation continued to improve in **August 2022**, driven by Corporation loans, which grew by **12.33% (yoy)**.



All types of loans continued their positive trend, particularly Working Capital loans, which grew by **12.19% (yoy)** in **August 2022**, indicating that businesses are gradually recovering.



As lending appetite started to improve, Third-Party Funds (Total Deposits) grew moderately in **August 2022**, supported by **Current Account and Savings**, which increased by **17.40%** and **10.65%** (yoy), respectively.



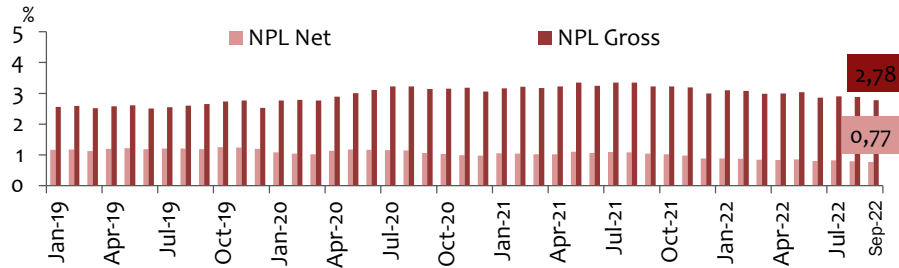
Manageable Credit Risks with Ample Liquidity



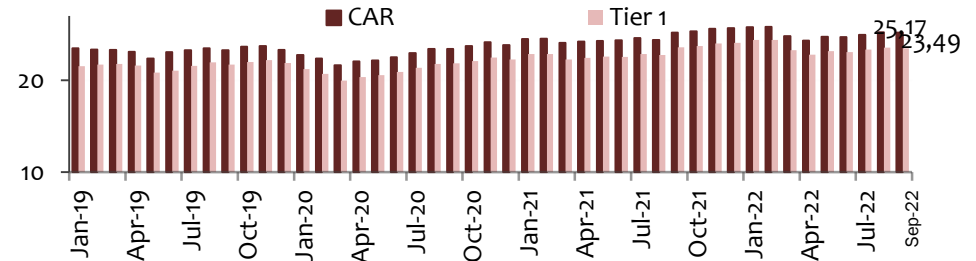
The banking industry has ample liquidity, strong capitalization, and manageable credit risk below thresholds. Profitability is also recorded at a steady level.



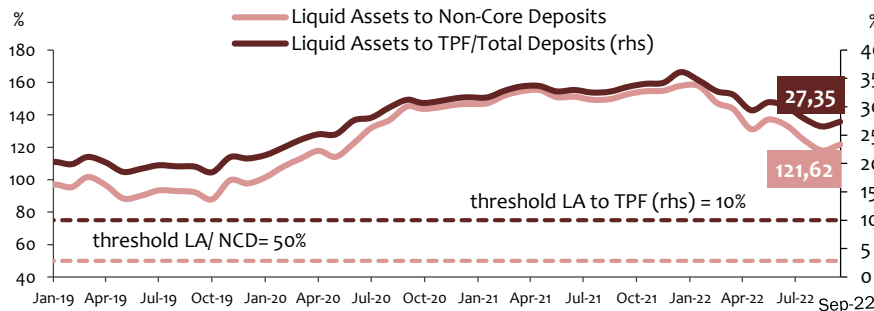
The banking NPL ratio continued to decline with the value below the threshold at **2.78% gross** and **0.77% net** as of **September 2022**.



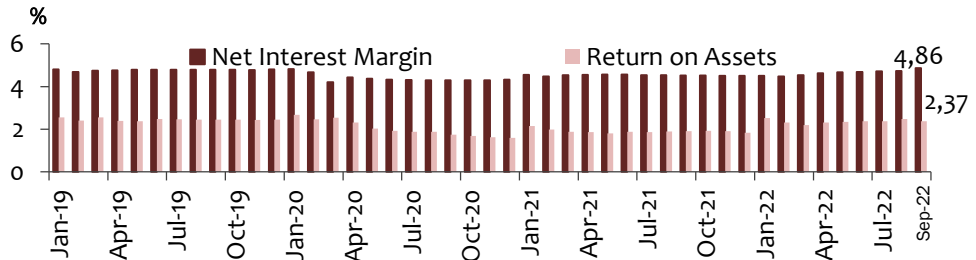
The Capital Adequacy Ratio (CAR) of the banking sector was steadily high with a value of **25.17%** and Tier-1 capital stood at **23.49%** as of **September 2022**.*)



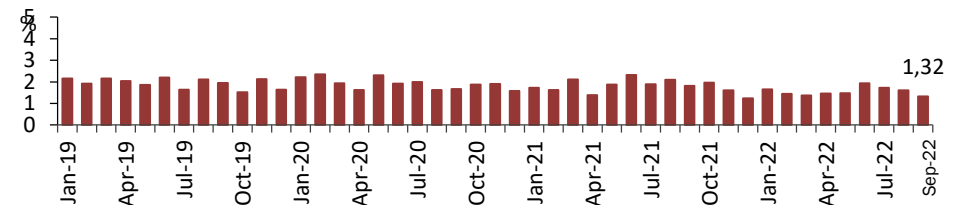
Liquid Assets to Non-Core Deposits and Liquid Assets to Third-Party Funds (Total Deposits) remained well above the thresholds. *)



Net Interest Margin and Return on Assets of the banking industry **remained stable** at **4.86%** and **2.37%**, respectively, in **September 2022**.



Net Open Position was maintained well below the maximum limit of 20% and was recorded at **1.32%** in **September 2022**.



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

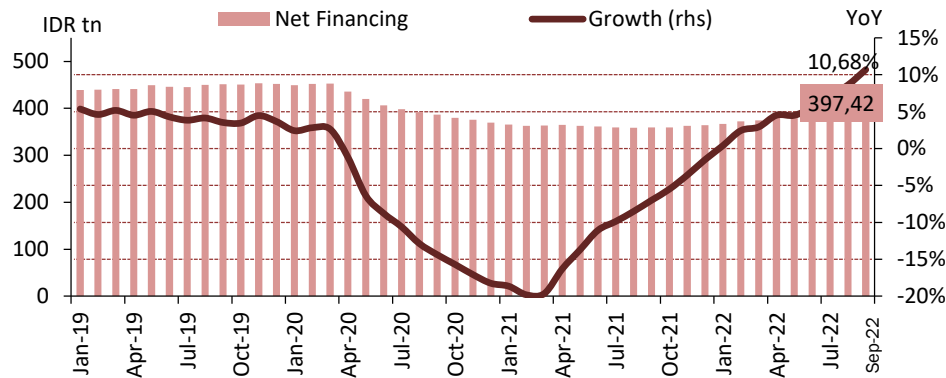
Multi-finance Companies' Performance Continues to Improve



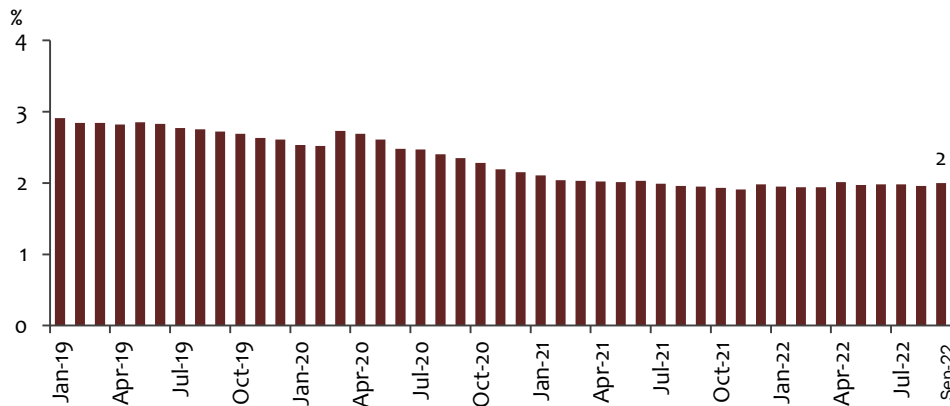
The performance of multi-finance companies continues to improve, as shown by growing financing, a manageable NPF ratio, and a stable gearing ratio.



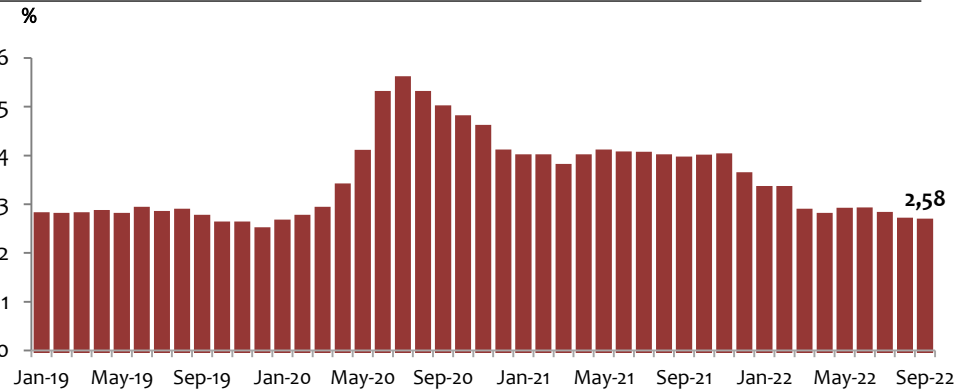
In **September 2022**, net financing increased to **IDR397.42 Tn** and continued its positive growth at 10.68% yoy.



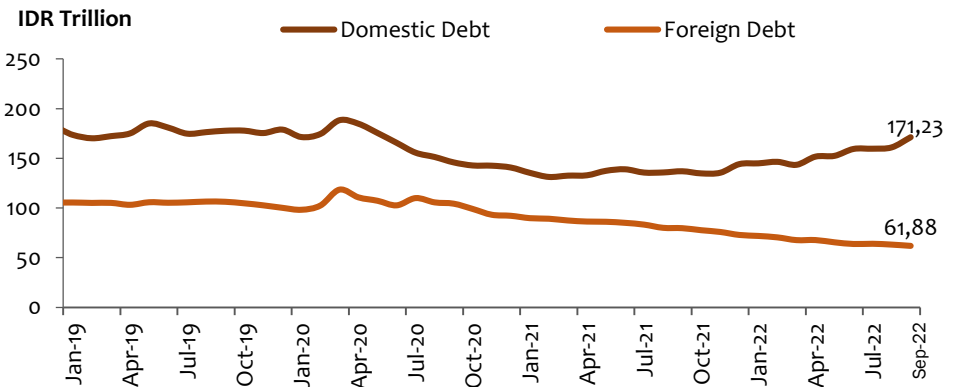
The gearing ratio of multi-finance companies stayed below the threshold and stood at **2 times** in **September 2022**.



The NPF ratio of multi-finance companies improved, as shown by a decrease from 2.60% to **2.58%** in **September 2022**, well below the 5% threshold.*)



Multi-finance companies' exposure to domestic debt slightly increased, whereas exposure to foreign debt continued to decline in **September 2022**. *)



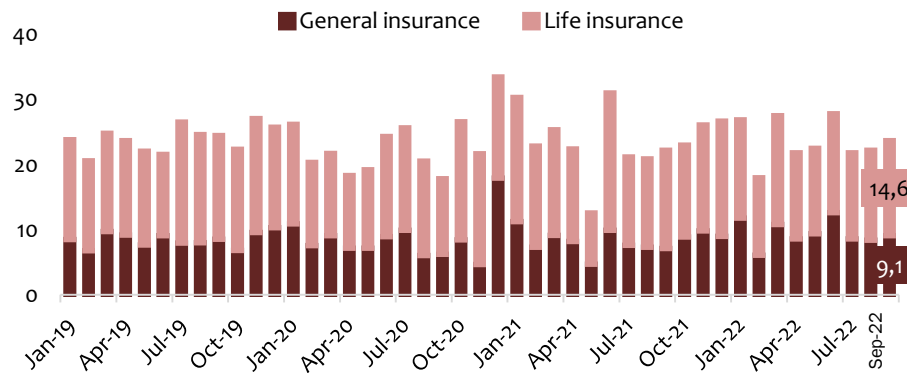
Manageable Insurance and Pension Risks with Adequate Performance



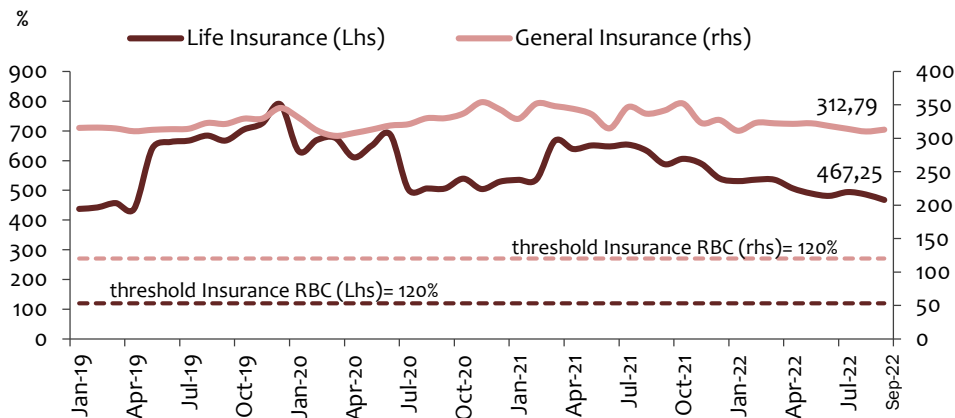
Insurance and pension funds continue to improve, shown by the adequate performance and manageable risks.



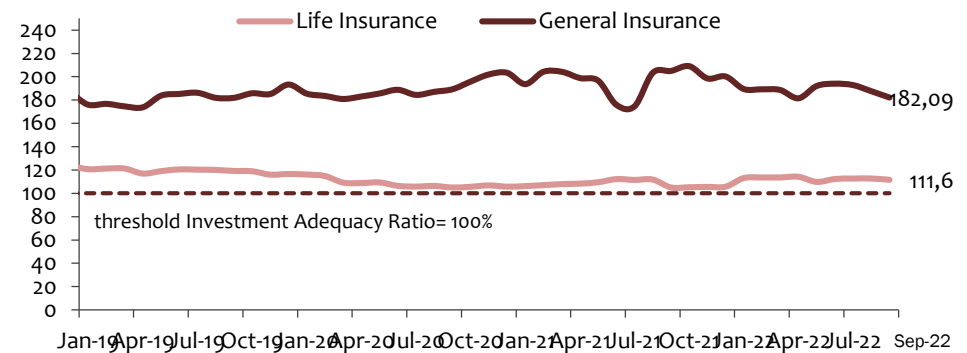
In September 2022, insurance premiums marked a total increase of **IDR23.7 Tn** (mtm) with General and Life insurance added premiums at **IDR9.1 Tn** and **IDR14.6 Tn**, respectively.



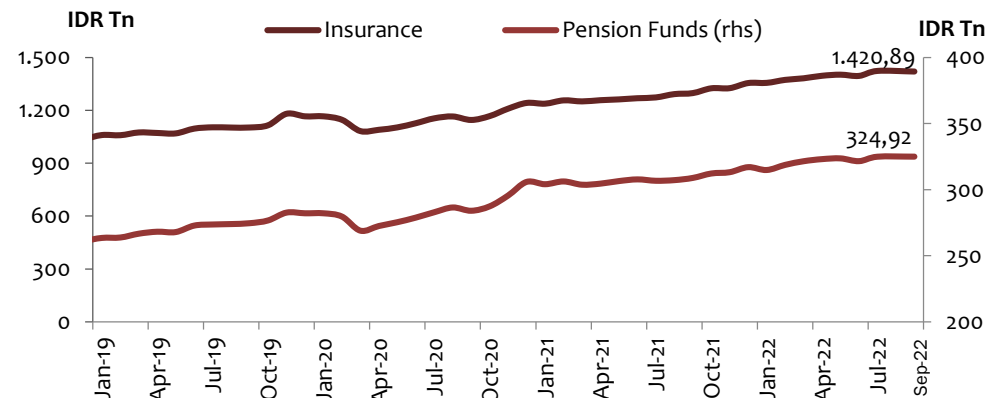
RBC of the insurance industry remained well above the minimum threshold (120%) with **Life Insurance at 467.25%** and **General Insurance at 312.79%** in **September 2022**.



In **September 2022**, the Investment Adequacy Ratio of Life Insurance marked an increase, while General Insurance's ratio was steadily kept above the threshold.



In **September 2022**, insurance and pension fund investment values continued the upward trend which stood at **IDR1,420.89 Tn** and **IDR324.92 Tn**, respectively.



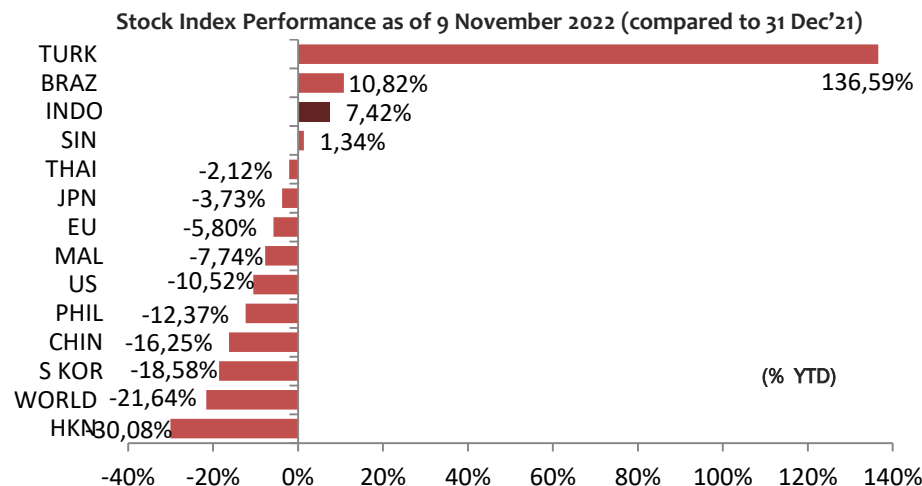


Domestic Capital Market Performance Amid Global Challenges

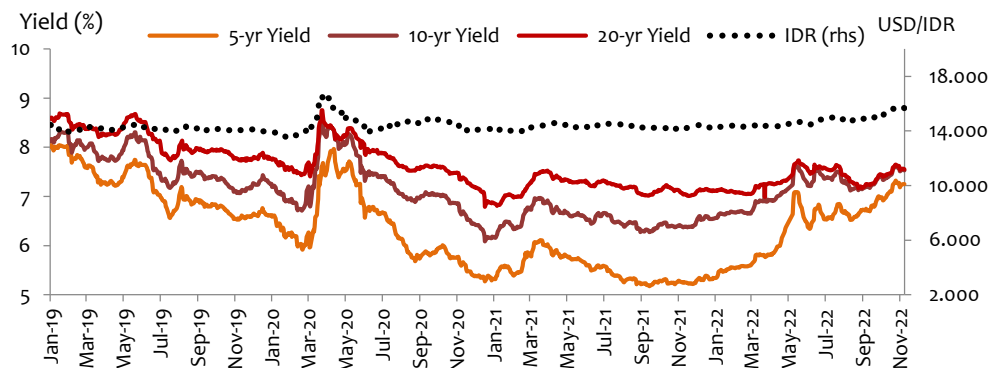
Despite the rising FFR, investors are still optimistic for steady economic recovery, supported by positive external performance and growing domestic demand.



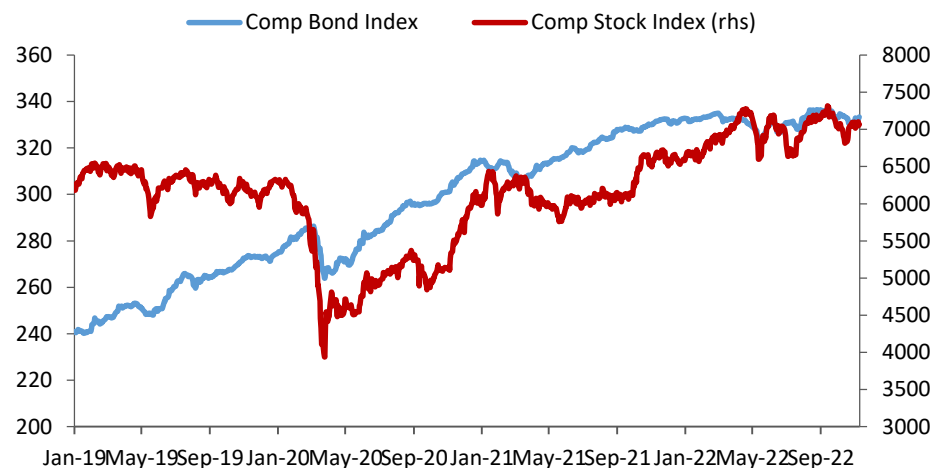
Most global stock indices remain in negative territory as the hawkish stance of major central banks is expected to continue



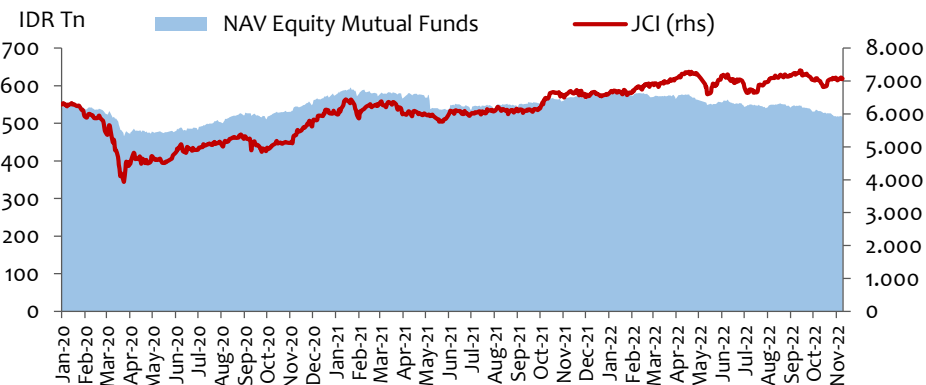
Government bond yields remained competitive, followed by a stable rupiah as the risk premium was maintained.



The performance of the Composite Bond and Stock Index moved positively in **November 2022**, supported by Indonesia's resilient economic fundamentals.



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



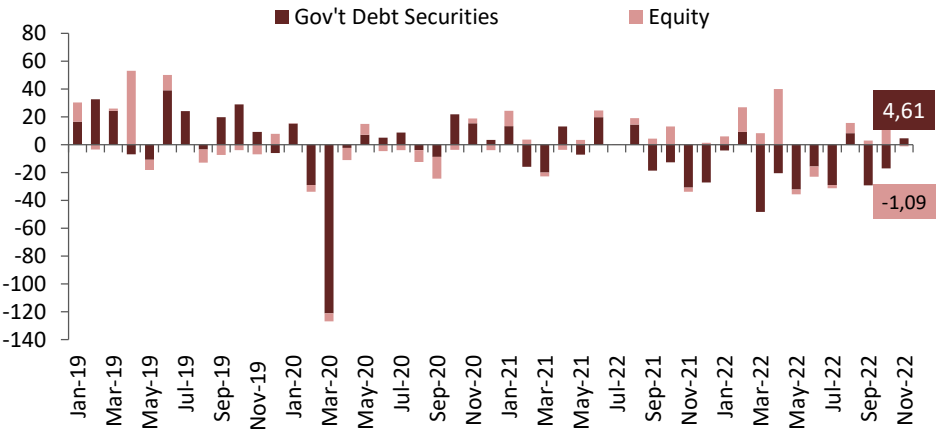


Domestic Capital Market Performance (continued)

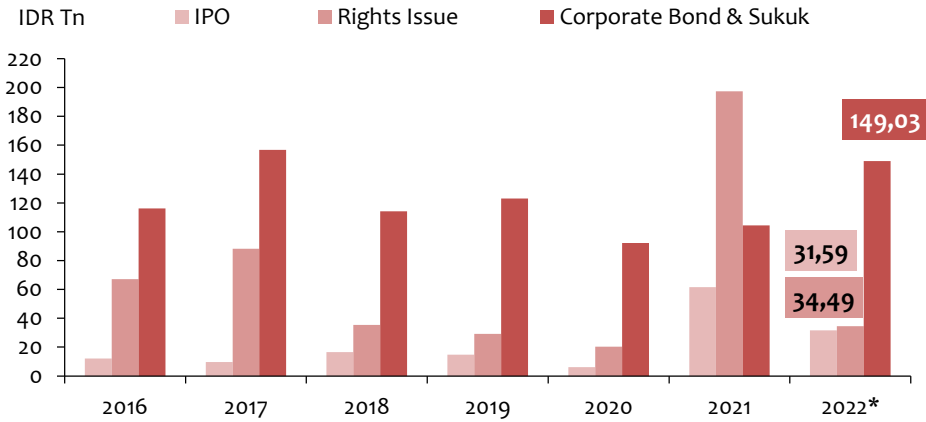
Several capital market indicators still show a favorable performance and remain stable.



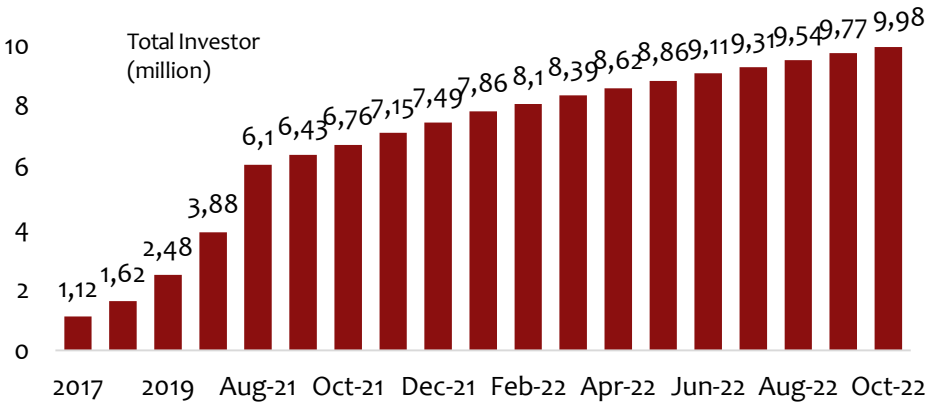
Non-resident portfolios of equity and government bonds recorded a net sell of **IDR98.83 Tn** (YTD) while Equity market recorded a YTD net buy of **IDR79.67 Tn** as of 11 November 2022.



Total securities issuance reached IDR215.11 Tn (YTD) as of **11 November 2022**, indicating maintained trust in economic recovery.



Capital Market Investors continued to grow to 9.98 million by the end of October 2022, representing a **48% (yoy) increase**.



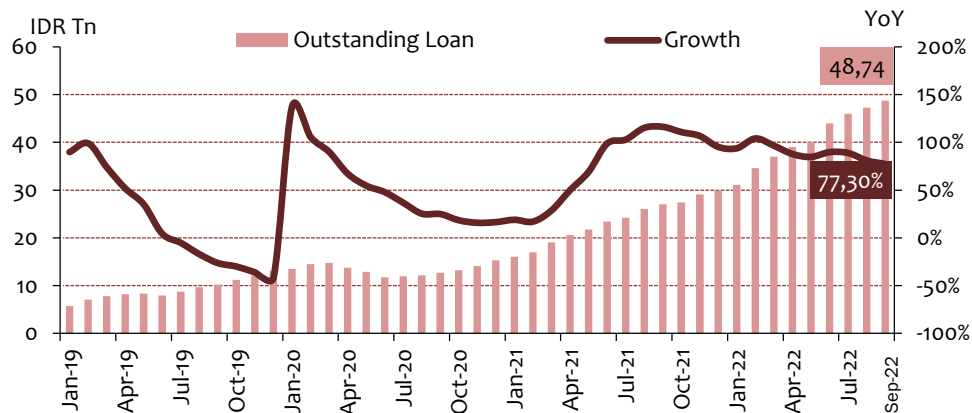


Manageable NPL within Fintech Intermediation

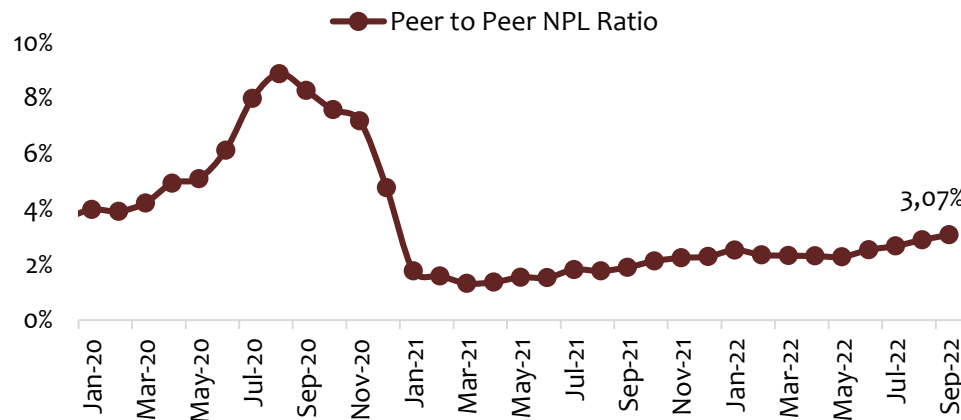
Peer to Peer Lending (P2PL) Fintech intermediation grows with a manageable NPL ratio and Securities Crowdfunding fundraising continues to rise.



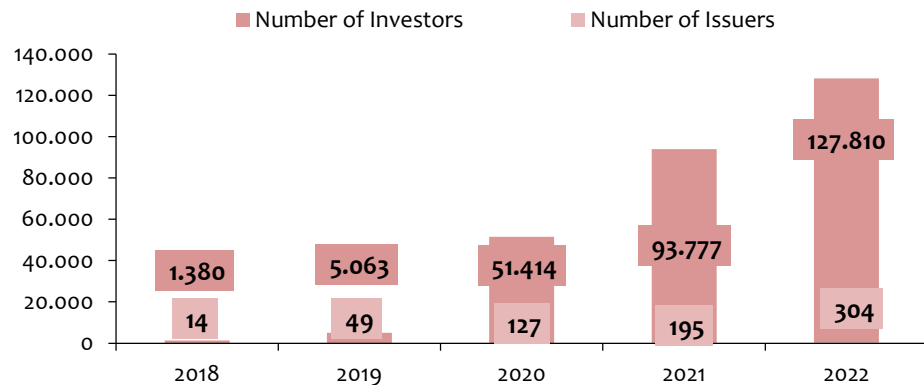
The outstanding loan of P2PL Fintech continued to increase and stood at **IDR48.74 Tn** or grew by **77.3%** (yoy) as of **September 2022**.



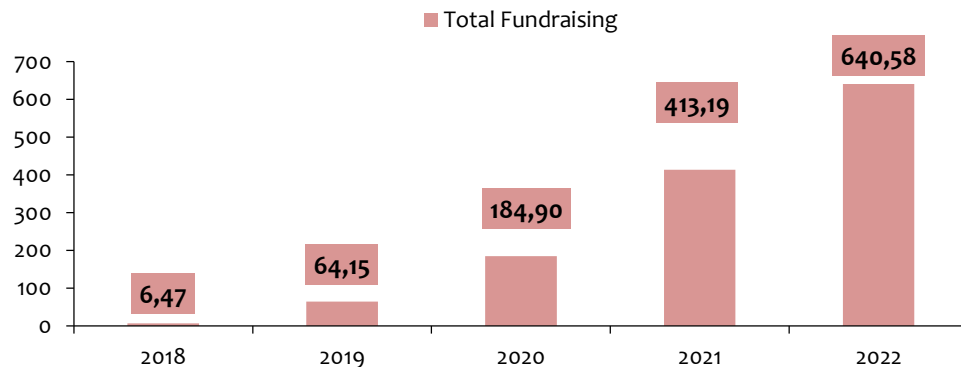
In **September 2022**, the Non-Performing Loan ratio of P2PL Fintech remained manageable at **3.07%**.



The total number of investors and issuers in Securities Crowdfunding increased and stood at **127,81** and **304**, respectively, as of October 2022.



Continuing the positive trend, the total value of SCF fundraising stood at **IDR640.58 billion** as of October 2022.



The Indonesian Financial Services Sector Master Plan (2021-2025)



Enhancing Financial Services Sector's Resilience and Competitiveness



Indonesian Financial Literacy National Strategy (SNLKI) 2021 - 2025



Taking into account some strategic programs of Strategi Nasional Literasi Keuangan Indonesia (SNLKI) 2013, SNLKI (Revisit 2017), results from SNLIK 2019, and recommendations from various parties, SNLKI 2021-2025 was launched.

VISIONS

Creating Well Literate Indonesian Society to be Able to Get Suitable Financial Products and Services to Achieve Sustainable Financial Prosperity

3 STRATEGIC PROGRAMS

Financially Competent

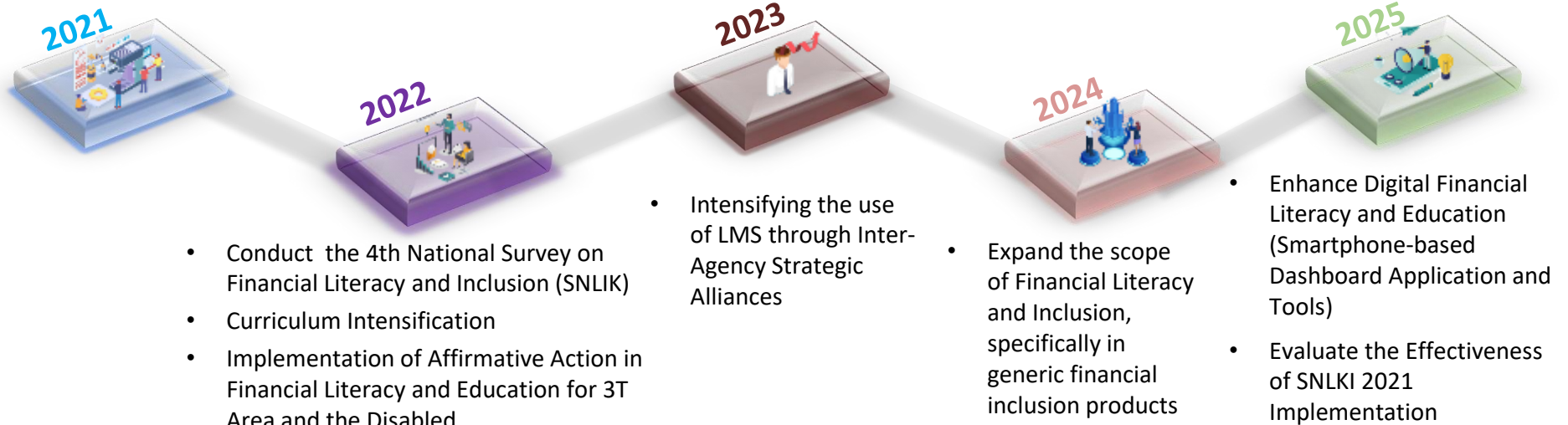
Wise Financial Attitude And Behavior

Access To Finance

10 priority targets in the SNLKI 2021-2025

1. Students;
2. Youths;
3. Employees;
4. Farmers and fishermen;
5. Migrant workers;
6. MSMEs;
7. People with disability;
8. People in 3T (Foremost, Outermost, Behind) areas;
9. Women/housewives;
10. Community

ROADMAP SNLKI STRATEGIC PROGRAMS






Loan Restructuring Extension

under POJK No.17/2021



Rationality

-  Avoid Cliff Effect
-  Push factor to the economy
-  Higher certainty in preparing 2022 Business Plan

Applicability

- ✓ Extension period from 31 March 2022 to 31 March 2023
- ✓ Applicable for Commercial Banks and Rural Banks



Key Points on the Stimulus



LOAN QUALITY ASSESSMENT

- ☐ Loan quality assessment with 1 pillar only for loan with a ceiling of ≤IDR 10 Billion
- ☐ Loan quality on restructuring of loan and/or financing to Covid-19 affected debtors is determined to be “Current” since restructured
- ☐ Banks can provide new loan/financing/providing other funds to debtors affected by COVID-19 without applying uniform classification



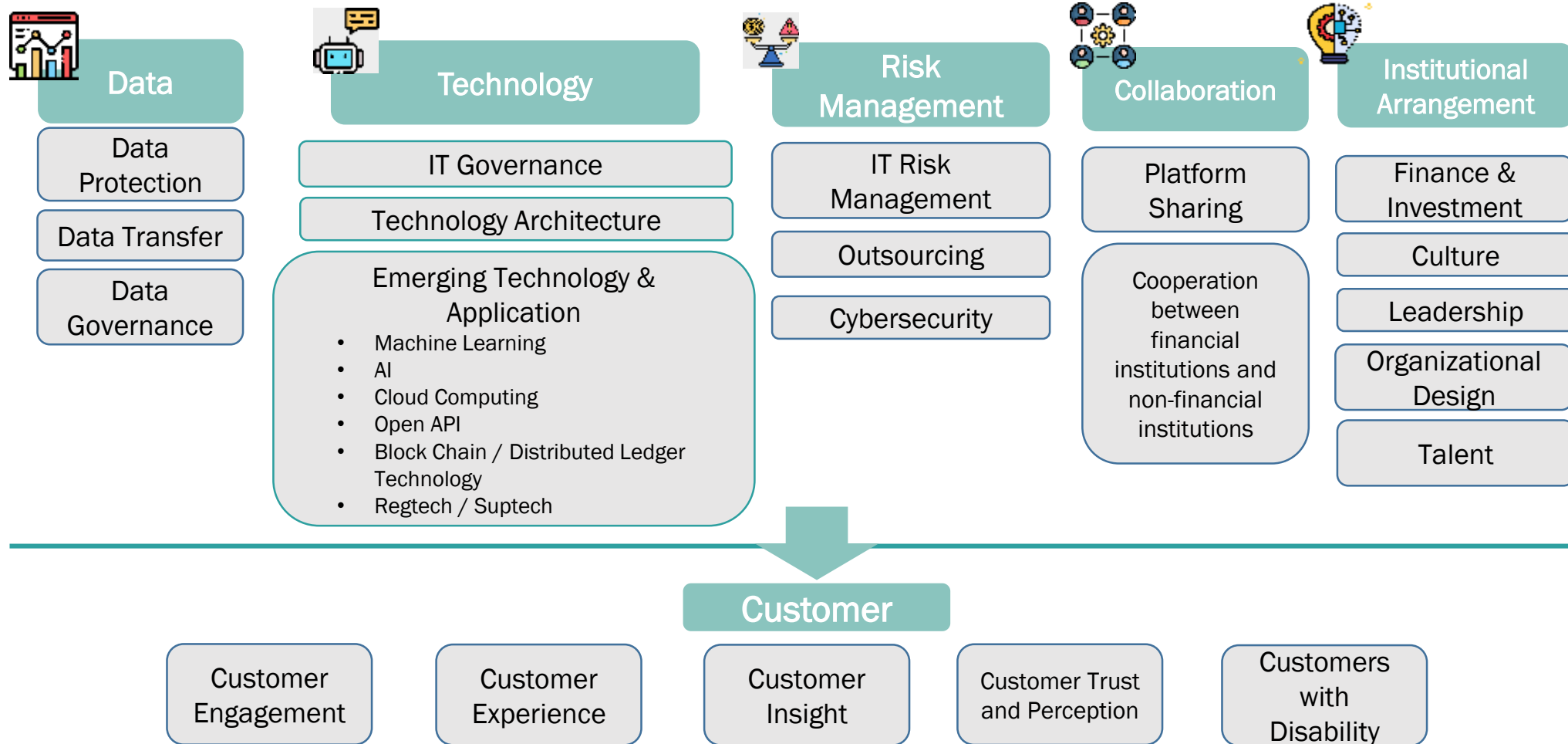
RISK MANAGEMENT

- ❖ Specific Criteria for Restructuring Debtors
- ❖ Adequacy of Loan Provision
- ❖ Dividend Distribution Prerequisites
- ❖ Stress testing: The impact of restructuring on capital and liquidity

Digital Banking Transformation Blueprint

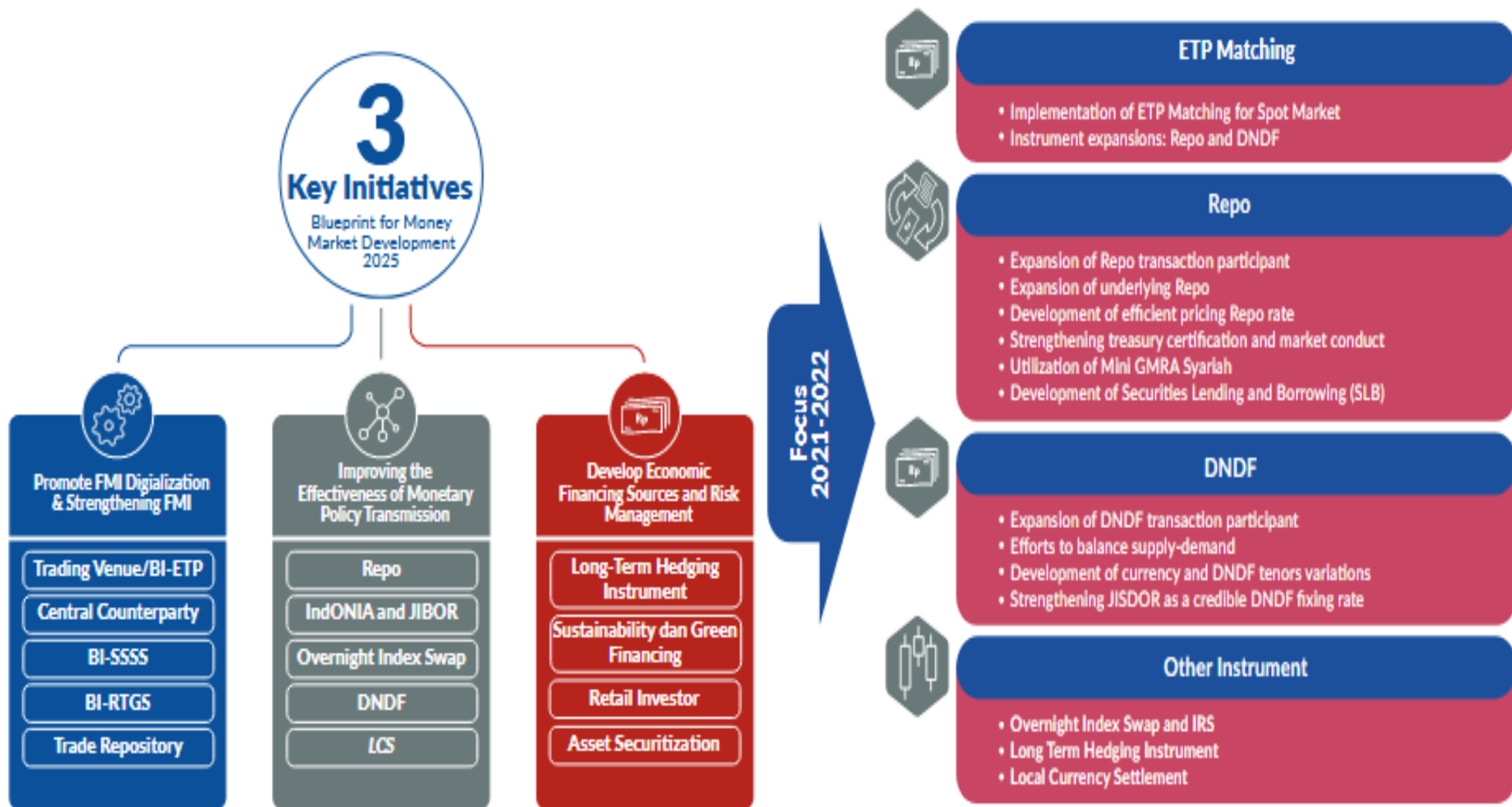


The Blueprint for Digital Banking Transformation, which was released on 26 Oct 2021, will provide directions for the development of banking digitalization which includes the following aspects:



Bank Indonesia's Comprehensive Financial Deepening Program

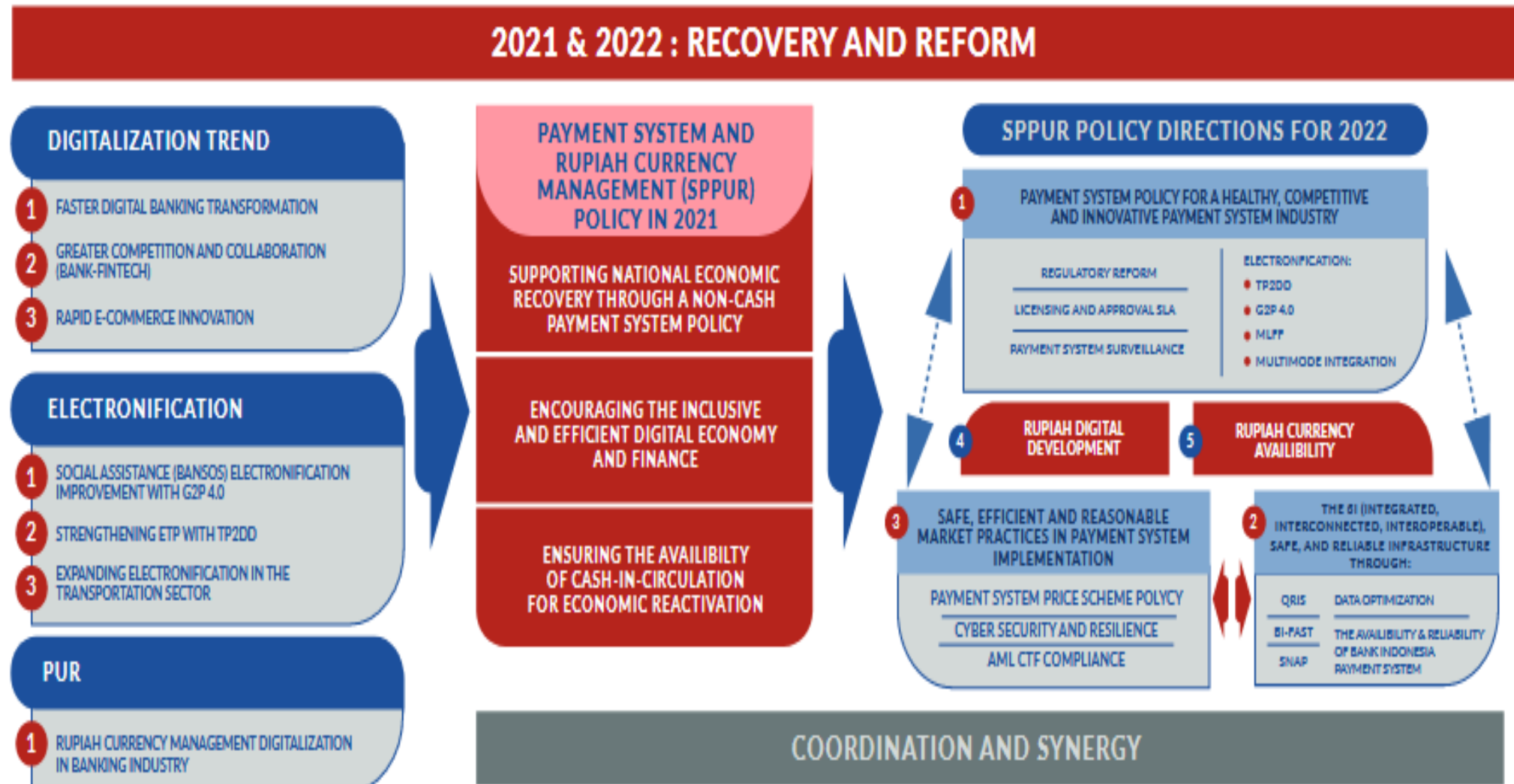
Acceleration of Money Market Deepening in 2022..





Bank Indonesia's Continue to Expand Payment System Digitalization in 2022

..to accelerate integration of the digital economic and financial ecosystem, including financial and economic inclusion






Section 7

**Commitment to Sustainability and
Preserving the Environment**



Global Trends Strengthening Attention to Climate Change


UNFCCC-COP26 GOALS



01

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


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



02

Adapt to protect communities and natural habitats


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



03

Mobilise finance

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



04

Work together to deliver

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

G20 FORUM

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

EUROPEAN UNION

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

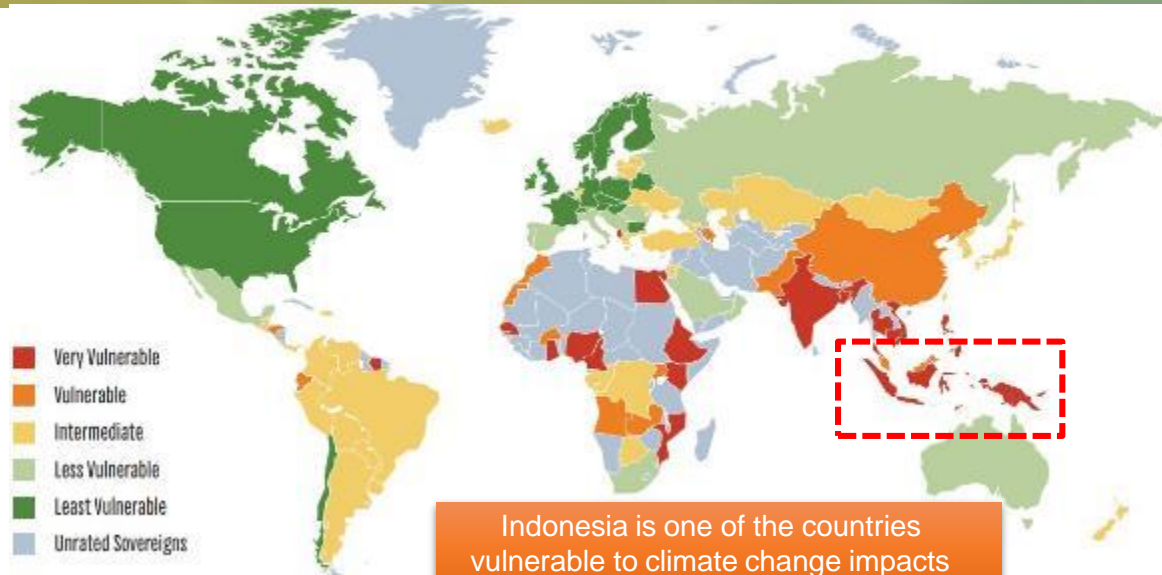
INTERNATIONAL FINANCE INSTITUTIONS

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

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



Indonesia is Highly Vulnerable To The Impacts Of Climate Change



Source: Standard and Poor's, 2014

Indonesia is an archipelagic country with **>17,000 islands** and is vulnerable to climate change risks such as rising sea levels.

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

From 1981-2018, Indonesia experienced increasing temperature of **0.03 °C per year**.

Indonesia experiences a sea-level rise of **0.8-1.2 cm/year**, while approximately 65% of the population lives in coastal areas.

RISKS OF CLIMATE CHANGE



WATER SCARCITY

Increasing levels of floods and severe drought will exacerbate the scarcity of clean water.



HEALTH QUALITY DECREASE

Floods can cause the spread of vector-borne diseases and death from drowning. An increase in temperature can cause death from heatstroke.



FOOD SCARCITY

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



LAND ECOSYSTEM DAMAGE

It is scientifically predicted that severe forest fires will occur. This can lead to loss of ecosystems, biodiversity, and changes in Biomass.



MARINE ECOSYSTEM DAMAGE

Rising sea surface temperatures cause the extinction of coral reefs, seaweed, mangroves, some biodiversity and marine ecosystems.

Climate Change may increase the risk of hydrometeorological disasters, which currently reach

80%

of the total disasters that occurred in Indonesia.

Source: NDC, 2016

Indonesia's potential economic losses can reach **0,66% to 3,45% of GDP** in 2030

Source: Roadmap NDC Adaptasi, 2020

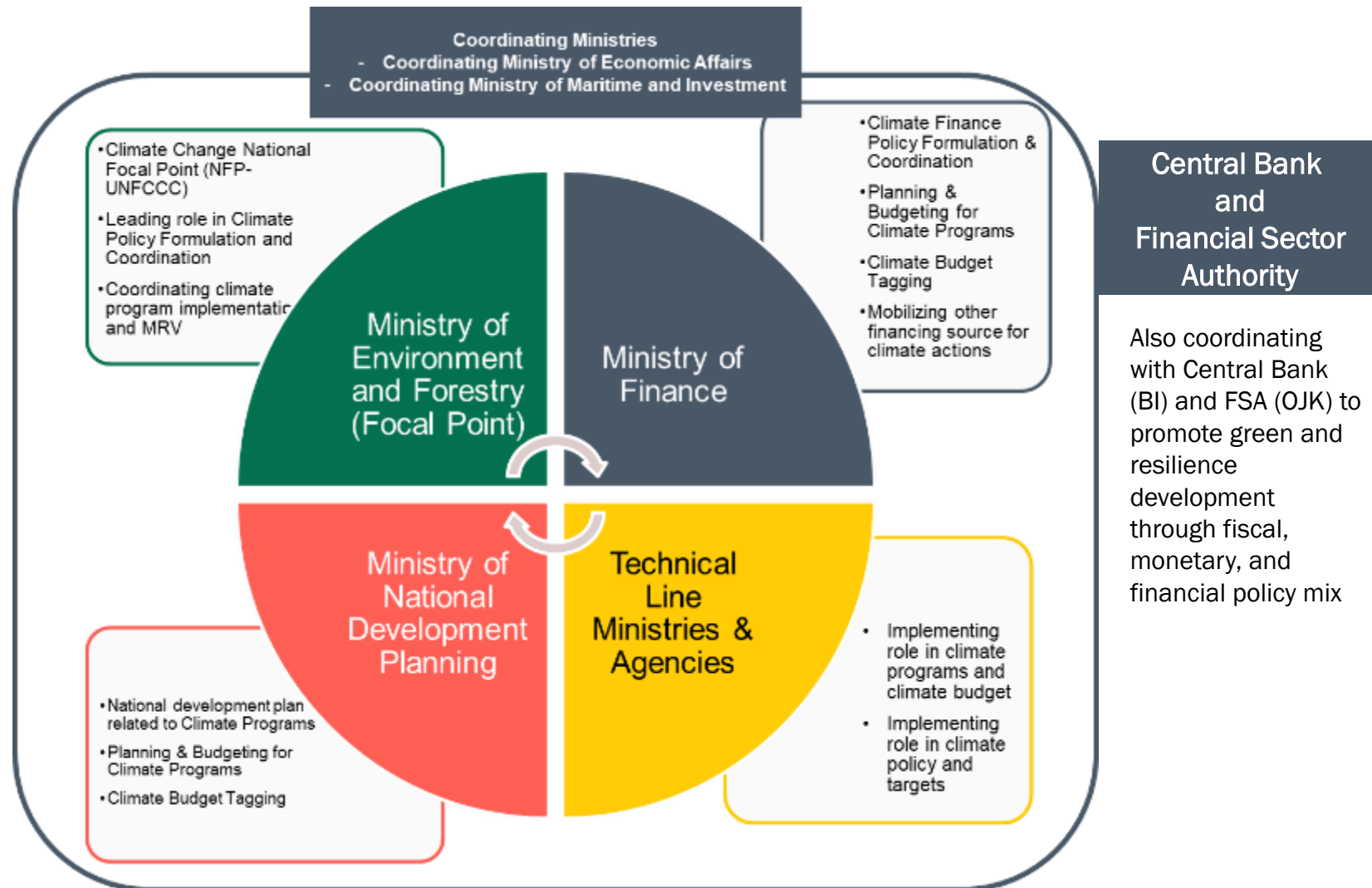
Source: MoF, BP Statistical Review of World Energy 2021

Climate Governance in Indonesia



Ministry of Finance is responsible for climate fiscal policy

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



The Government's commitment to climate change mitigation has been formulated in the Nationally Determined Contribution (NDC) and Net Zero Emission (NZE)



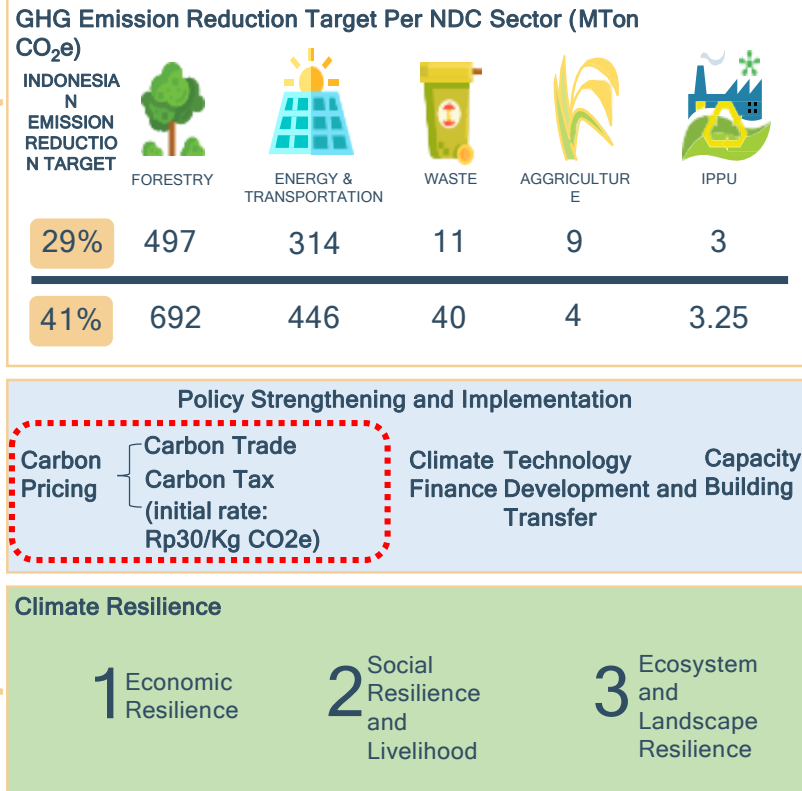
INDONESIA'S CLIMATE CHANGE AGENDA

Paris Agreement and Nationally Determined Contribution (NDC) 2030

Target:
29% national effort
41% with international support

Stated in:
 • First NDC (2016)
 • Updated NDC (2021)

MITIGATION



Long-Term Strategy for Low Carbon and Climate Resilience 2060

Mandate from:

- Paris Agreement Article. 4.19
- Dec.1/CP.21 Para 35

LCCP Scenario:

- Peak emission 5 sector in 2030 = **540 Mton CO₂e**
- Net-Sink FOLU in 2030
- Net Zero Emission in 2060 or sooner

Toward Net Zero Emission 2060

ADAPTATION

Commitment to Sustainability and Climate Change Mitigation

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



Background of Commitment

Commitment to Sustainability

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

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

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

The President's *Nawacita* Programme

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



Environment Commitment and Objectives

Mitigation

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

Adaptation

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

Biodiversity

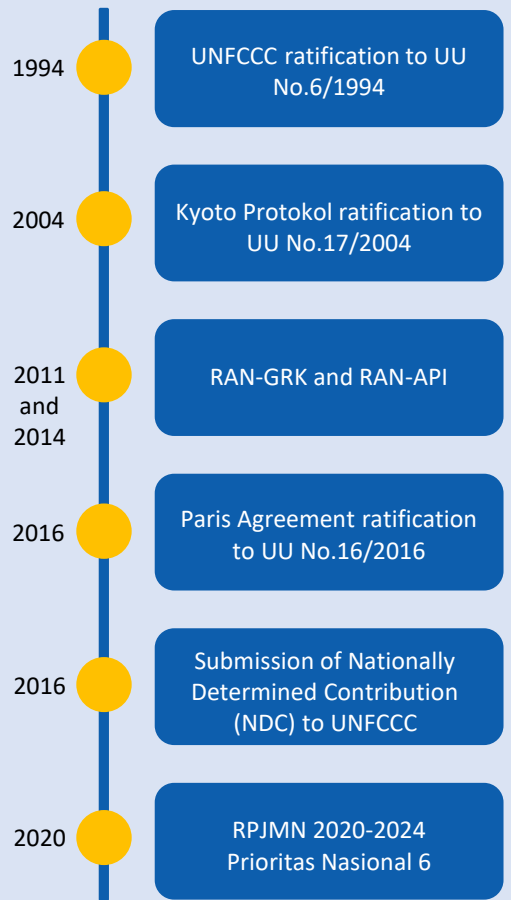
- Indonesia is the world's largest archipelago comprising over 16,056 islands with unique ecosystems containing a large number of diverse species.
- Contains the world 3rd largest area of rainforests
- Biodiversity Strategy and Action Plan 2015-2020 was launched to provide an outline on how biodiversity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

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

Commitment to Handling Climate Change



NATIONAL CLIMATE CHANGE POLICY TIMELINE



FISCAL POLICY RESPONSE TO CLIMATE CHANGE ISSUES

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

NEXT STEP OF CLIMATE RELATED FISCAL POLICY



Preparation of fiscal instruments related to Carbon Tax and Carbon Trading



updating Mitigation Fiscal Framework



Integration of Climate Change Planning, Budgeting and MRV Systems



Preparation of SDGs Government Securities Framework

CLIMATE CHANGE AGENDA NATIONAL AND GLOBAL



Nationally Determined Contribution (NDC)



SDGs 13: Climate Action



Low Carbon Development Planning in RPJMN 2020-2024

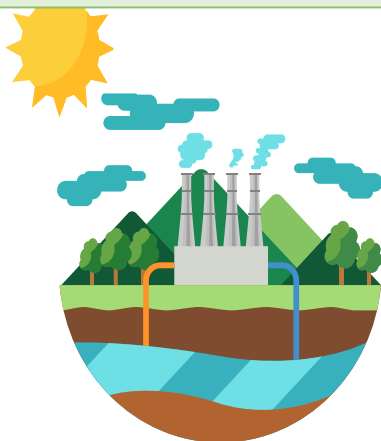


Agenda Net-Zero Emission



Green Economy Has Become One Of Indonesia's Economic Transformation Strategies

- The energy transition is inevitable, and we have to face it. As a country that still relies on fossil energy, **Indonesia views the energy transition to reduce the share of fossil energy in the energy mix**. This decline in share shortly will not necessarily reduce the amount of fossil energy used.
- For doing so, **Indonesia has several policies on compensation and incentives**, i.e., clean energy acquisition, energy transition mechanism (coal-fired PP early retirement), conversion of dirty energy sources, carbon trading, **carbon tax**.
- **The Carbon Tax will be enforced from April 1, 2022, based on Law Number 7 of 2021 concerning the Harmonization of Tax Regulations.**



- *Fossil fuel share will be decrease, but the magnitude not necessarily reduced*
- *Renewable energy share will increase and dominate the energy mix.*

• Corporate that still use non-renewable energy

- a) Upgrading technology to clean technology
- b) Use of CCS (Carbon Capture Storage);
- c) Early retirement Coal power plant;
- d) Carbon trading; and
- e) Clean energy R&D investment

• New corporation

- a) Clean energi utilization
- b) Carbon trading
- c) Clean Energy R&D Investment



Policy – Compensation & Incentives

Clean Energy Acquisition

Incentives to companies that will conduct R&D and invest in clean/renewable energy (hydrogen, hydro, PLTS, etc.)

1

Energy Transition Mechanism (Coal-fired PP Early Retirement)

Compensation for early retirement of dirty/non-renewable energy plants (PLTU)

2

Conversion of Dirty Energy Sources

Incentives to convert dirty energy sources into clean energy sources (Coal to DME)

3

Carbon Trading

The mechanism for buying and selling carbon, and emission certificates as securities that can be traded on the carbon exchange

4

Carbon tax

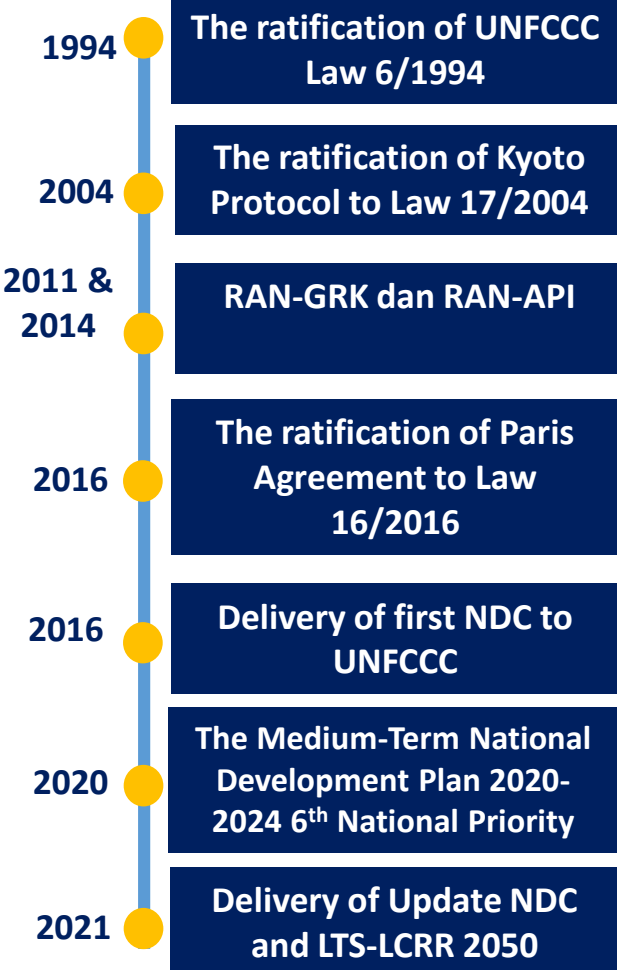
Dis-incentive on the use of dirty/non-renewable energy, and the use of funds from carbon tax to encourage the development and utilization of clean/renewable energy

5

The Government Has Committed to Address Climate Change Impacts



The National Climate Change Policies:



Nationally Determined Contribution (NDC) is a national commitment to contribute the reduction of GHG emission from the BaU scenario by 2030:
29% by self-effort and **41%** with international cooperation

Mitigation

GHG Reduction Emission Target per NDC Sector (Mton CO₂e)

Target	Forest	Energy & Transportation	Waste	Agriculture	IPPU
29%	497	314	11	9	2,75
41%	650	398	26	4	3,25

Estimate cost of mitigation

Rp3.461 trillion* (accumulated cost until 2030)
Rp3.779 trillion** (accumulated cost in 2020-2030 reaches Rp343 trillion per year)

Long-Term Strategy for Low Carbon and Climate Resilience (LTS-LCCR) 2050

- A mandate of the Paris Agreement Article. 4.19
- NDC achieving guideline in the future;

LCCP (low carbon compatible with Paris Agreement) Scenario:

- Forestry and Other Land Uses (FOLU) Net-Sink 2030;
- Net Zero Emission (NZE) 2060 or sooner.

Road to Net Zero Emission (NZE) 2060 or sooner

Enabling Factors To Achieve Enhanced NDC



Requirements to Reduce Emissions



ENERGY DIVERSIFICATION

Development of RE Power Plants

- ❑ RUPTL: Additional 20.92 GW until 2030
- ❑ Beyond RUPTL: Rooftop Solar, RE PPs for non-PLN Business Areas, Large-Scale hydro.

Biofuel Utilization

Implementation of the B40 Program starting in 2025, with a target of biofuel production reaching 30 million KL in 2030

Early Retirement Coal PP

Starting in 2027, the total capacity of the Coal PP that will be “retired” is 9.1 GW.
Requires an NRE baseload generator as a replacement

Utilizing New Energy as Baseload

Encouraging the use of new energy, including nuclear (every 1 GW of nuclear power plants will reduce 6.7 million tons of CO₂), as an alternative provider of base load electricity



ENERGY CONSERVATION

Application of Energy Management

Implementation of energy management compliance in all sectors, including industry, transportation, and buildings through the Revised GR on Energy Conservation which was completed this year.

Electric Vehicle

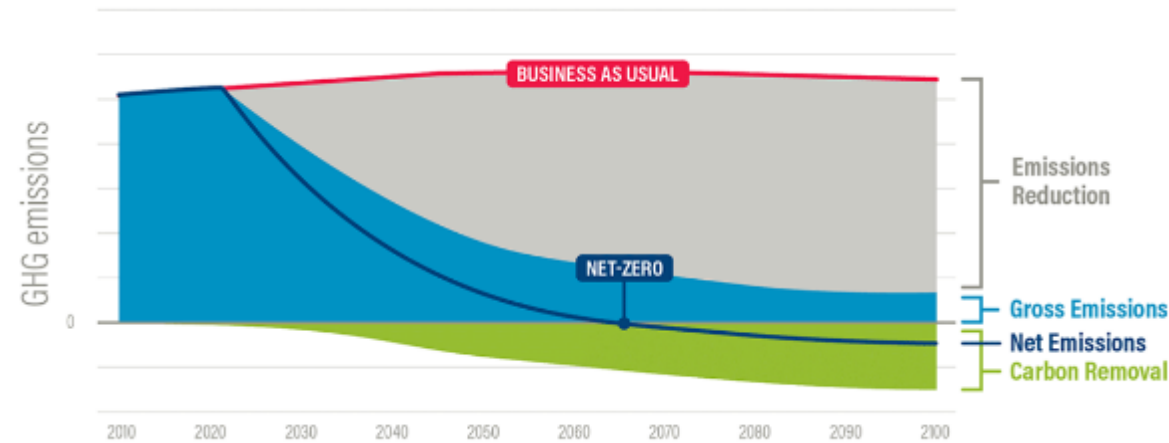
- ❑ 13 million two-wheeler by 2030
- ❑ 2 million four-wheeler by 2030

Electric Stoves and Gas Network

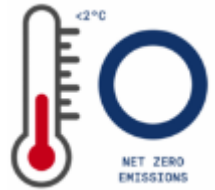
- ❑ Electric Stove for 19 Households
- ❑ Expand Gas Network until 10,2 million SR by 2030

Implementation of policies on Minimum Energy Performance Standards (Standar Kinerja Energi Minimum -SKEM), Fuel Switching, and Clean Generation Technology.

Net Zero Emission (NZE)



Source: World Resource Institute



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



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

Source: Ministry of Finance

10 Key Solutions to Achieve NZE 2050

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

Sumber: World Resource Institute



PARIS2015
BY CLIMATE CHANGE CONFERENCE
COP21-CMP11

Long Term Strategy was mandated in Paris Agreement Article 4.19

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

Indonesia's Net Zero Emission



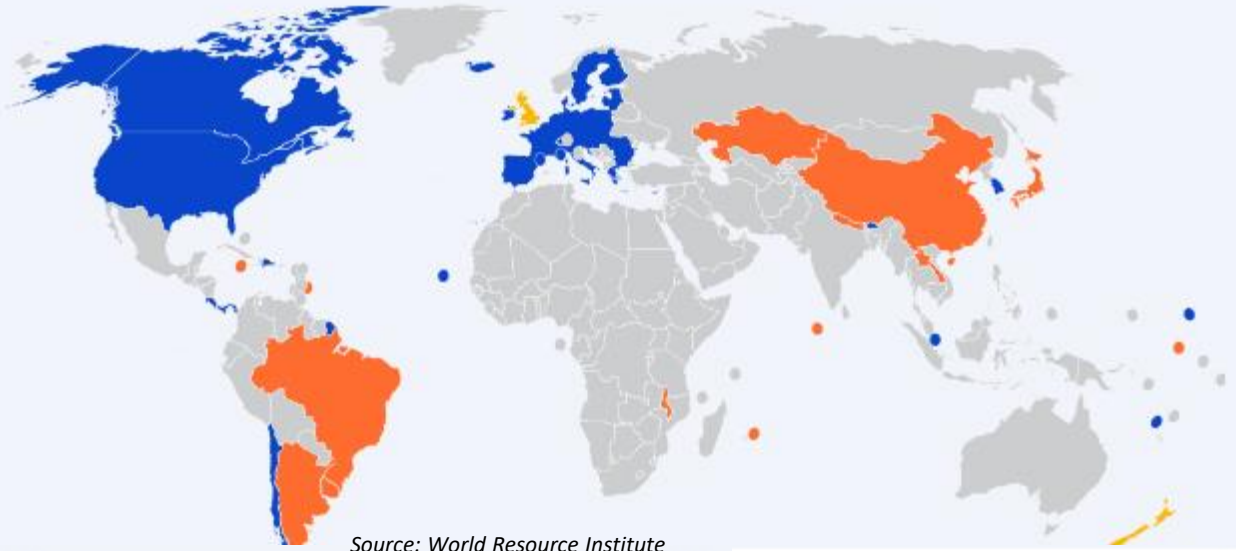
Currently, there are 48 Parties (with a global emission share of 54%) that have communicated to the UNFCCC regarding the target NZE.



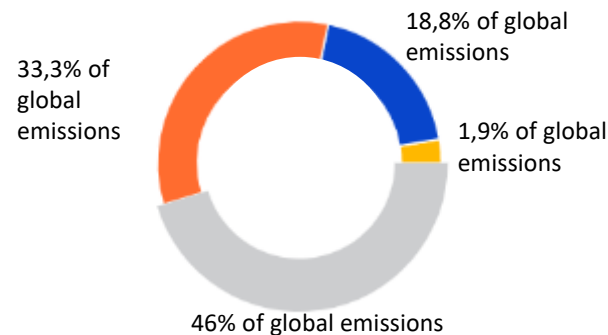
Indonesia and 148 other Parties (with a global emission share of 46%) have not submitted the document



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



Source: World Resource Institute





Roadmap New Renewable Energy (NRE) to Net Zero Emission

- The NRE Roadmap towards Net Zero Emission is a form of energy transition roadmap from fossil energy to renewable energy to achieve net zero emission in the energy sector.
- **Some of the important points in this roadmap include :** NRE development to reach 100% in the national energy mix, Reducing the operating emissions of PLTD which is getting bigger, Reducing fossil energy consumption, both in the residential, transportation, and power generation sectors, Utilization of energy efficiency equipment on a large scale.

2021: President decree RNE, President decree Retirement Coal, Cofiring electric Steam Pwr Plant, CCT, conversion Diesel Pwr Plant to gas & EBT

2022: Act NRE, Electric stove 2 million household/year

2024: Interconnection, smart grid & smart meter

2025: NRE 23% dominate by Solar Power Plant

- Electrification ratio 100%
- Electricity .217 kWh/kapita.

2021-2025

2026-2030

2027: Stop import LPG

2030: NE 42% dominate Solar Pwr Plant

- No New PLTS fosil pasca 2030
- EV 2 million car & 13 mil motorcycle
- Gas fuel vehicle 300.000
- Household Gas 10 million
- DME fuel
- Electric 1.548 kWh/kapita

2031: Retirement Steam Pwr Plant Phase I sub-critical, interconnection inter-island start COD

2035: RNE 57% dominate by Solar Pwr Plant, hydro, geothermal

- Electricity 2.085 kWh/kapita

2031-2035

2036-2040

2037: Retirement Steam Pwr phase 2 sub-critical, critical & some super critical

2040: NRE 71% dominate Solar pwr plant & biomass

- Stop selling conventional motorcycle
- No Diesel pwr plant
- LED lamp 70%
- Electricity 2.847 kWh/kapita

2045: First Nuclear Pwr Plant start COD

2050: RNE 87% dominate Biomass & Solar Pwr Plant

- Stop selling conventional car
- Electricity 4.299 kWh/kapita

2041-2050

2051-2060

2054: Last Steam pwr plant retired

2055: Last Steam gas pwr plant retired

2060: NRE 100% dominate Solar pwr plant, hydro

- All vehicle electricity basis
- Electric stove 52 million household
- Household gas 23 milion
- Electricity 5.308 kWh/kapita



The ETM Mechanism To Address The Energy Transition Challenges

The Main Objectives



Shortening the economic life of the PLTU project (early retirement of coal)



Getting additional reduction of greenhouse gas emissions to achieve Indonesia's NDC (CO2 emission avoidance)



Gaining access to financing with lower cost of fund

Limitation:



Does not provide additional burden from the fiscal side / APBN (minimum fiscal burden)



Does not change the electricity tariff as stated in the Electricity Sale and Purchase Agreement (PJBL) / Power Purchase Agreement (PPA) which will increase the electricity rates



Solution

Support for Cost of Capital Reduction

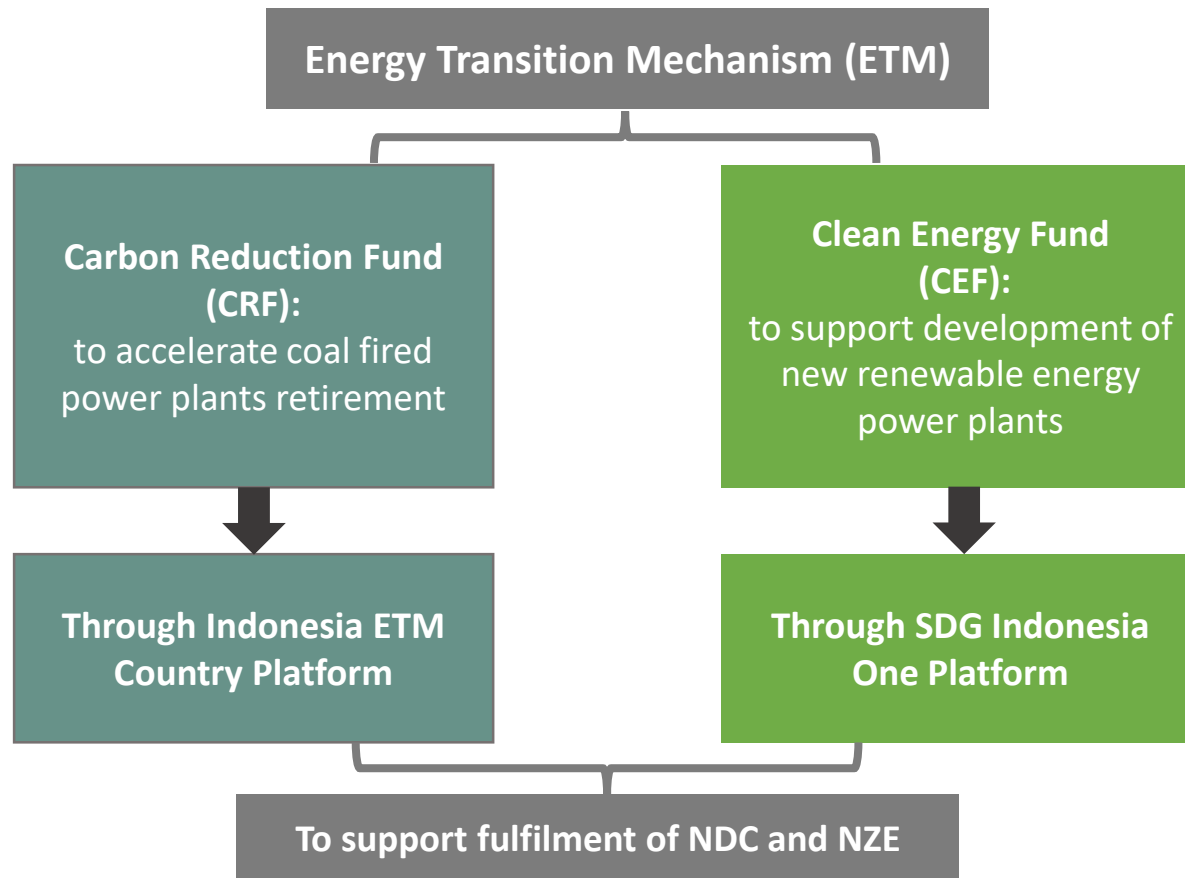
01

Support to reduce the *Cost of Equity*

02

Support to reduce *Cost of Debt*

Energy Transition Mechanism Overview



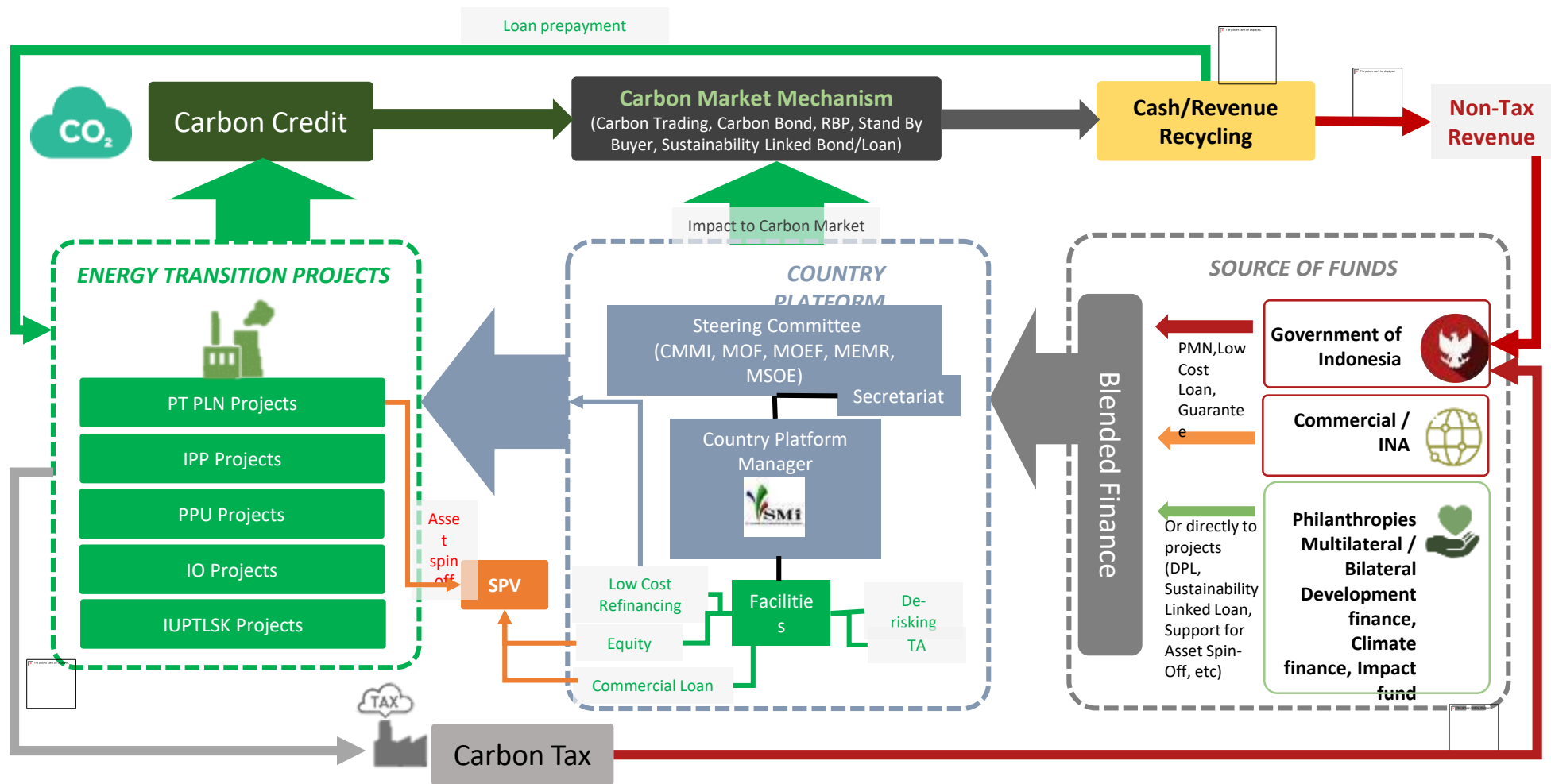
Note:

The CRF is not bundled with CEF, but there will be a commitment to use the proceeds of CRF directly and indirectly to develop new renewable energy projects



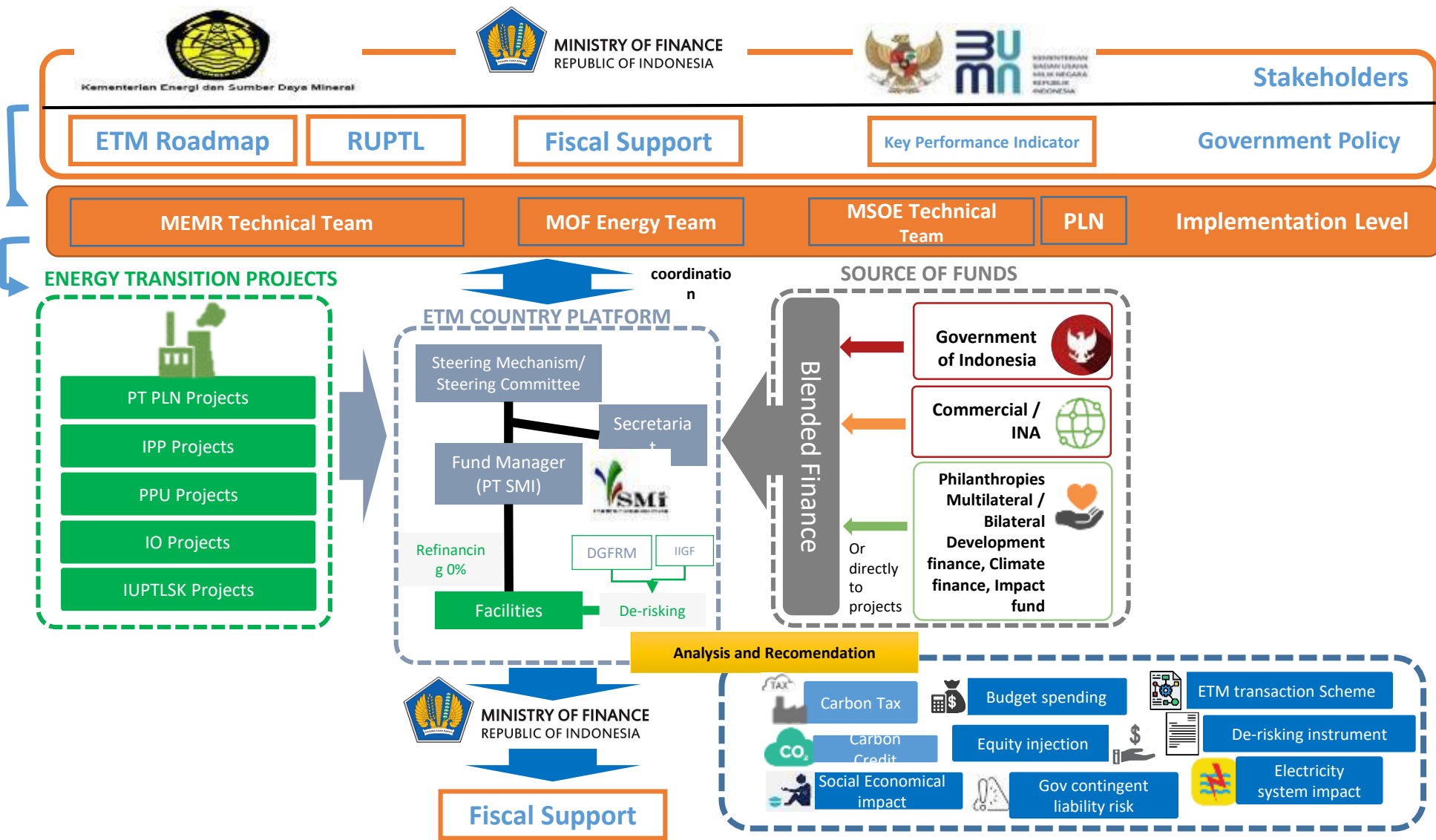
INDONESIA ENERGY TRANSITION MECHANISM COUNTRY PLATFORM

(Carbon Reduction Fund)



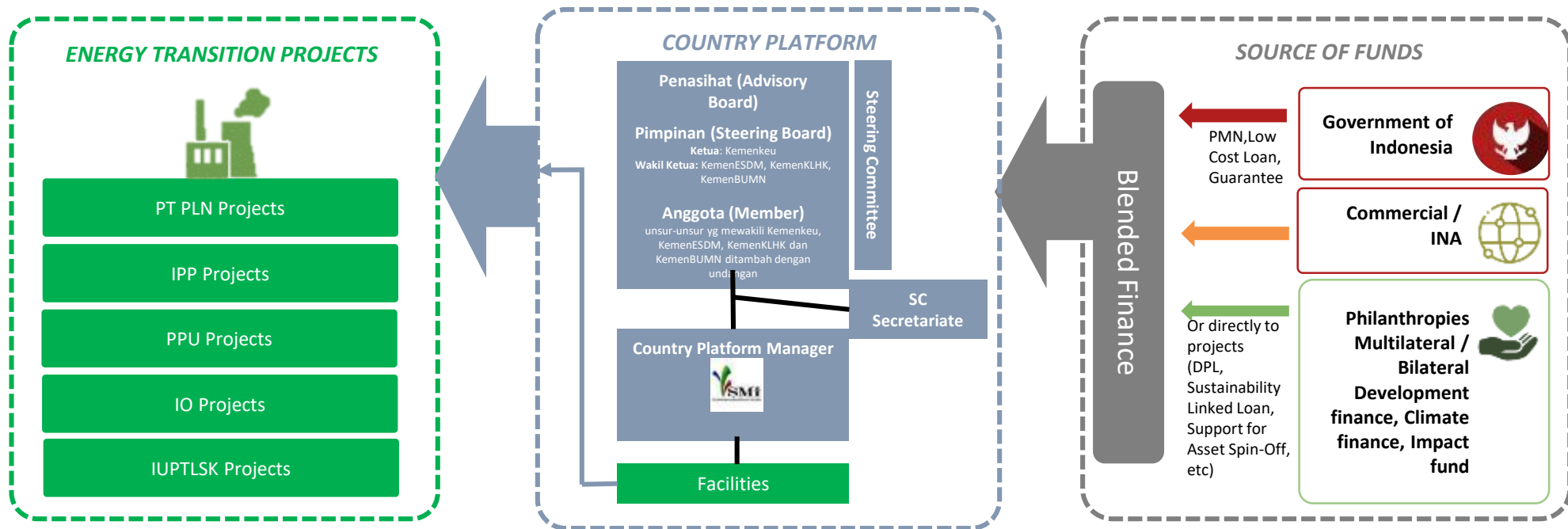


ETM Transaction Mechanism





Indonesia Energy Transition Mechanism Country Platform



The Steering Committee (SC) provides directions, sets targets and KPIs, and makes critical decisions regarding the provision of financing instruments (facilities) to energy transition projects.

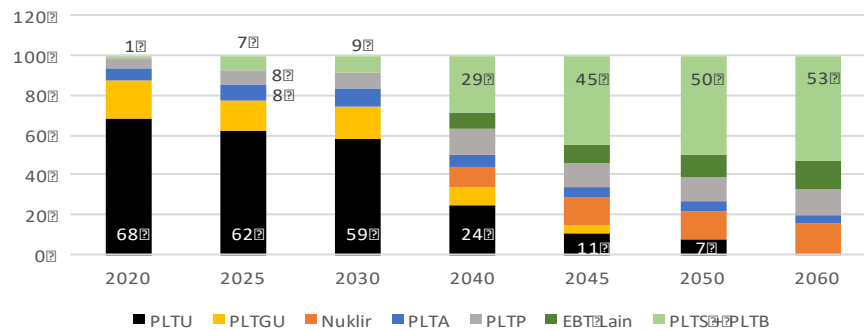
The SC Secretariate plays role in carrying out daily tasks related to the SC function.

The Country Platform Manager manages the related funds and provides the facilities to the projects according to the direction of the SC.

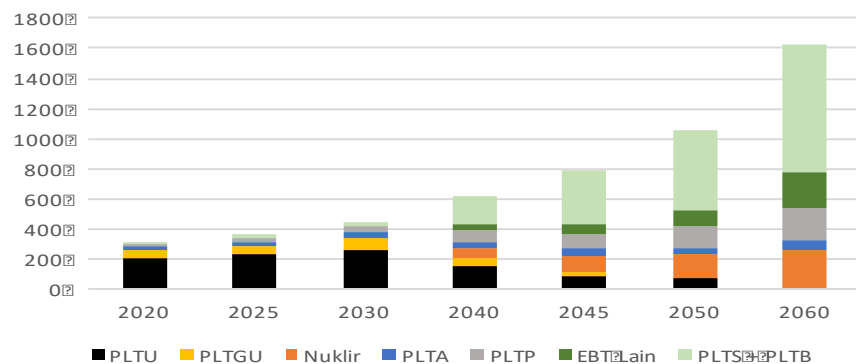
Phasing Out Coal Scenario



Skenario Zero Carbon 2060 (%)



Skenario Zero Carbon 2060 (TWh)



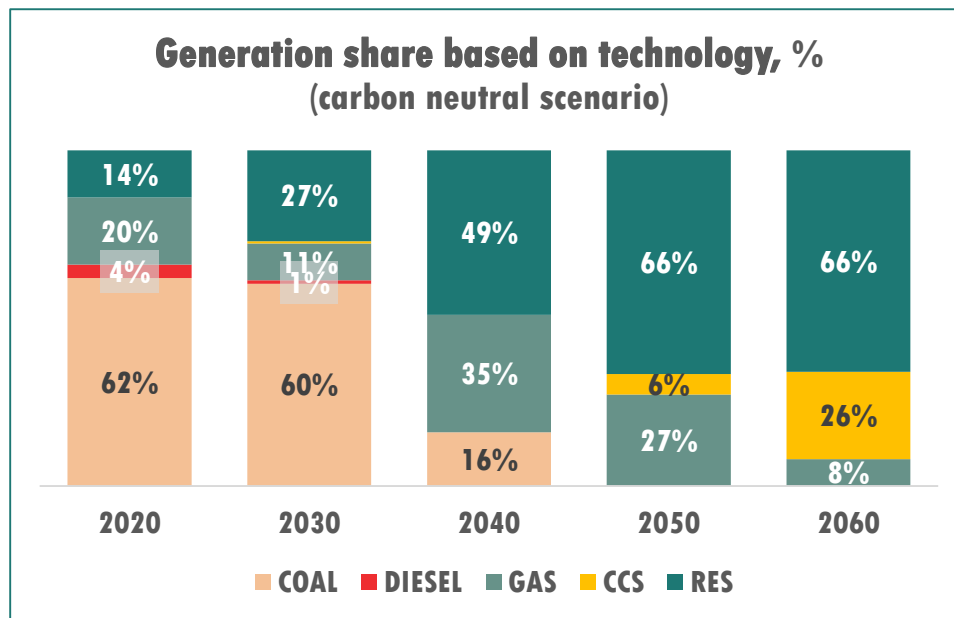
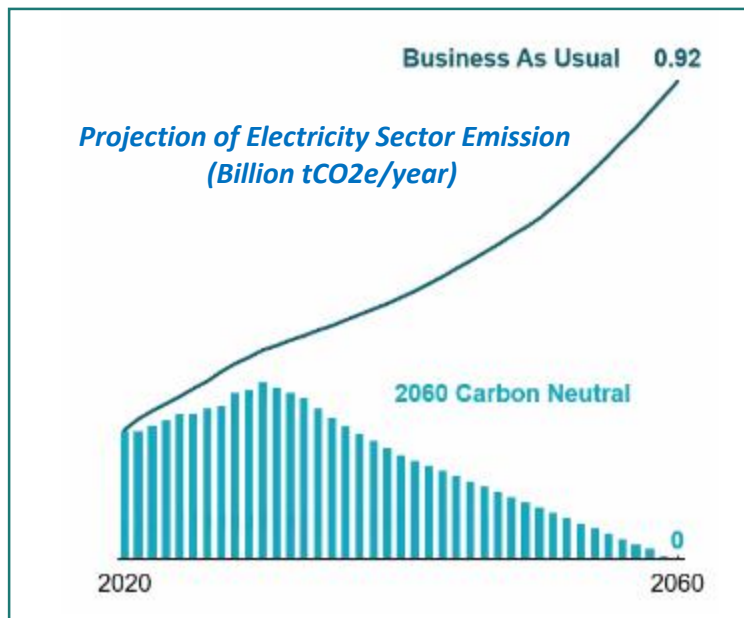
In 2060 All Power Plants in Indonesia are Using Clean Energy

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



The Roadmap To Net Zero Emission In The Electricity Sector

Without carbon abatement, the electricity sector is estimated to contribute 0.92 billion tCO₂e/year emissions by 2060.



Source : PLN

- In the **business as usual scenario**, Electricity contributed 0.92 billion tCO₂e/year in 2060.
- Getting around this needs to be devised a strategy to reduce emissions through increased RE and decrease in fossil-based generation.
- According to PLN's estimation, current best scenario is a shift in power generation to 66% based on EBT and 26% CCS technology in 2060.
- This scenario also supports the PLTU phasing down program in the future. The PLTU early retirement scheme through the ETM has the potential to be carried out.

Carbon Pricing or Carbon Economic Value (NEK) is a part of a comprehensive policy package for climate change mitigation



01.

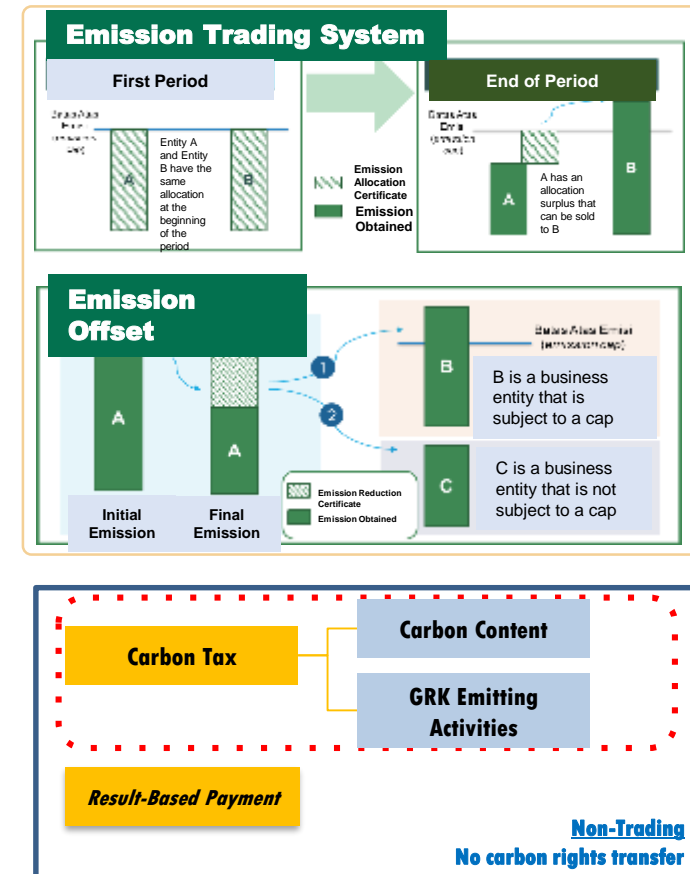
Trading instruments, consists of 2 types:

- Emission Trading System (ETS)** an entity that emits more buys emission permit from other entities that emits less
- Crediting Mechanism:** entities undertaking emission reduction activities can sell their carbon credits to other entities requiring carbon credits

02.

Non-trading instruments, consists of 2 types:

- Carbon tax**, imposed on carbon content or carbon emitting activity
- Result Based Payment (RBP):** payment is given as a result of emission reduction



Carbon tax is one of the instruments of Carbon Economic Value (NEK)



OBJECTIVES

1

CHANGE BEHAVIOR

Aims to change the behavior of economic actors to switch to low-carbon green economic activities.

2

SUPPORTS EMISSION REDUCTION

Support GHG emission reduction targets in the medium and long term.

3

ENCOURAGE INNOVATION AND INVESTMENT

Encouraging carbon markets development, technological innovations, and investments that are more efficient, low-carbon, and environmentally friendly.

PRINCIPLES

1

JUST

Based on the *polluters-pay-principle*.

2

AFFORDABLE

Paying attention to affordability aspect for the benefit of the wider community.

3

GRADUAL

Paying attention sector readiness so as not to burden the community.

Carbon Tax



as one concrete step, the policy of carbon taxes is regulated in the Law 7/2021 concerning the Harmonization of Tax Regulations (UU HPP) to support NDC target by 2030.

Background:

- GHG emission controlling to decrease climate change risk and disaster in Indonesia.
- Through NDC, Indonesia committed to reduce 29% of its GHG emissions against the BAU or 41% of its emission with international support by 2030.
- Indonesia climate change mitigation strongly needs fiscal instrument.
- Economic behavior transformation that leads to low carbon development.

Key Points of The Carbon Tax Regulation on the Law 7/2021 (UU HPP):

- The Carbon Tax will be carried out in stages according to a roadmap that will take into account the development of the carbon market, achievement of NDC targets, sector readiness, and economic conditions.
- The implementation will prioritize the principles of justice and affordability by taking into account the business climate and small communities.
- The carbon tax rate is set higher or equal to the carbon price in the carbon market with a minimum rate of IDR 30.00 per kilogram of carbon dioxide equivalent (CO₂e) and will be evaluated periodically, in line with the development of the GHG emission rate and the national economy's performance.
- Starting in 2022, it will be imposed on the coal-fired power plant sector with a cap and tax scheme that is in line with the implementation of the carbon market which has already started running in the coal-fired power plant sector.





Principles of Rate Arrangement and Basis for Carbon Tax Imposition

Carbon Tax Implementation

1. The Carbon Tax will be imposed for the first time on entities operating in the coal-fired power plant sector with a tax mechanism based on emission limits.
2. The implementation of the carbon tax was decided to be postponed to July 1, 2022 from the initial plan of April 1, 2022, taking into account the Indonesia conditions – The Government focused on ensuring the availability and stabilization of energy and food prices, ensuring the acceleration of the national economic recovery after the pandemic, as well as to harmonize with efforts to improve various technical regulations for implementing carbon market schemes.
3. Technical regulations related to the carbon tax need to be implemented immediately to support the implementation of the carbon market that has been started in the coal-fired power plant sector.
4. The Ministry of Finance is currently preparing a Government Regulation on the Carbon Tax Roadmap which will be aligned with the Carbon Market Roadmap. The Government Regulation on Carbon Tax Roadmap will be issued in 2022. This is conveyed to comply with the provisions of the HPP Law, that the determination of the Draft Minister of Finance Regulation (RPMK) on Tariffs and Basis for Imposition of Carbon Taxes requires prior consultation with the parliament.

Tax Base

Excess Carbon Emission

within **1 tax
year** above the
emission technical
approval issued for the
emitting unit

Tax Rate

2022
IDR30/ kg
CO₂e

2023
1.2 x average
carbon price*
**in the previous tax
year's carbon market
or IDR30/kg CO₂
(whichever is higher)*

Carbon Market Definition

“The place where carbon trading takes place which is integrated in the National Registry System for Climate Change Control (SRN-PPI)¹

Refers to carbon trading that is already running and determined by the relevant minister or carried out through the PPI sub-SRN which is registered and registered at the PPI SRN¹

Stages of Application in Coal-fired Power Plants

2022
limited to the State
Electricity Company
(PLN) and IPP*
generating units with a
capacity of
> 100 MW

2023
Coal-Fire
Power Plant
with a
capacity of
≥ 25MW



Connectivity NDC And Carbon Pricing

1

In-scope NDC

- Sector, sub-sector and activities included on the 29% NDC target;
- Sector, sub sector and activities baseline;
- Financing sources from APBN/APBD, Green Sukuk, SDG Bonds, Carbon bonds, Carbon pricing;

2

Out-scope NDC

- Sector/sub-sector not included yet on the 29% NDC target;
- Potential to become NDC upgraded commitment;

Examples:

- *Blue economy, blue carbon, sea grass submitted on the 2021 NDC updated;*
- *Energy Efficiency through CCS and CCUS submitted on the 2021 NDC updated;*

3

Beyond NDC

Voluntary
Carbon
Market

- Sector, sub-sector and activities already included on the 29% NDC target and beyond achievement;
- Basic requirement: beyond achievement, government authorization and registered on the SRN;

Source: draft Ministerial Regulation on NDC, 2022

PATHWAYS IN SCOPE, OUT SCOPE and BEYOND NDC

Indonesia's Green PPP Project Priority Sector



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



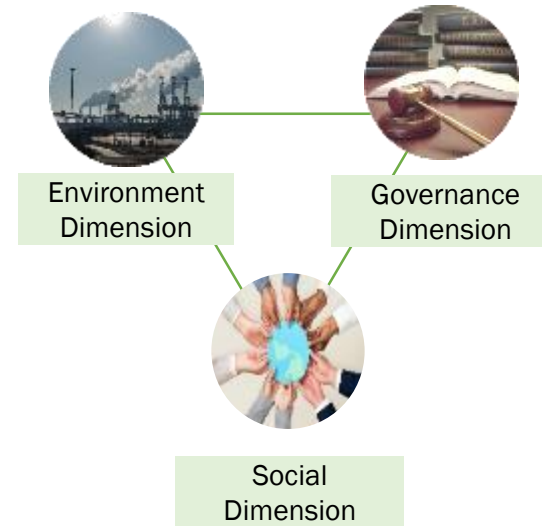
Source: Ministry of Finance

MoF launched the ESG Framework and Manual in November 2022 to be implemented to projects which involve private financing and receive government supports

Frameworks and manual are developed in collaboration with UNDP and the World Bank



ESG Framework



10 ESG Standards

- 4 standards cover 11 scopes in environmental dimensions
- 4 standards cover 11 scopes in the social dimension
- 2 standards cover 6 scopes in the governance dimension

Roadmap

2022

Piloting on the PPP project receiving the PDF (water and housing sector)

2023

Implementation on the PPP project receiving the PDF

2024

Implementation on the all PPP project receiving the PDF and Government Support

2025

Implementation on non-PPP projects that apply for and receive Government Support

The detailed Framework and Manual can be accessed [here](#)



The Role of Fiscal Policy in Green Economic Transformation



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

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

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

The Ministry of Finance implements the Mechanism of **Climate Budget Tagging** at the national and regional levels to determine the contribution of the State Budget and Sub—National Budget to tackle climate change.

Implementation of climate budget tagging in the region in collaboration with the Ministry of Home Affairs and Local Government.



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

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



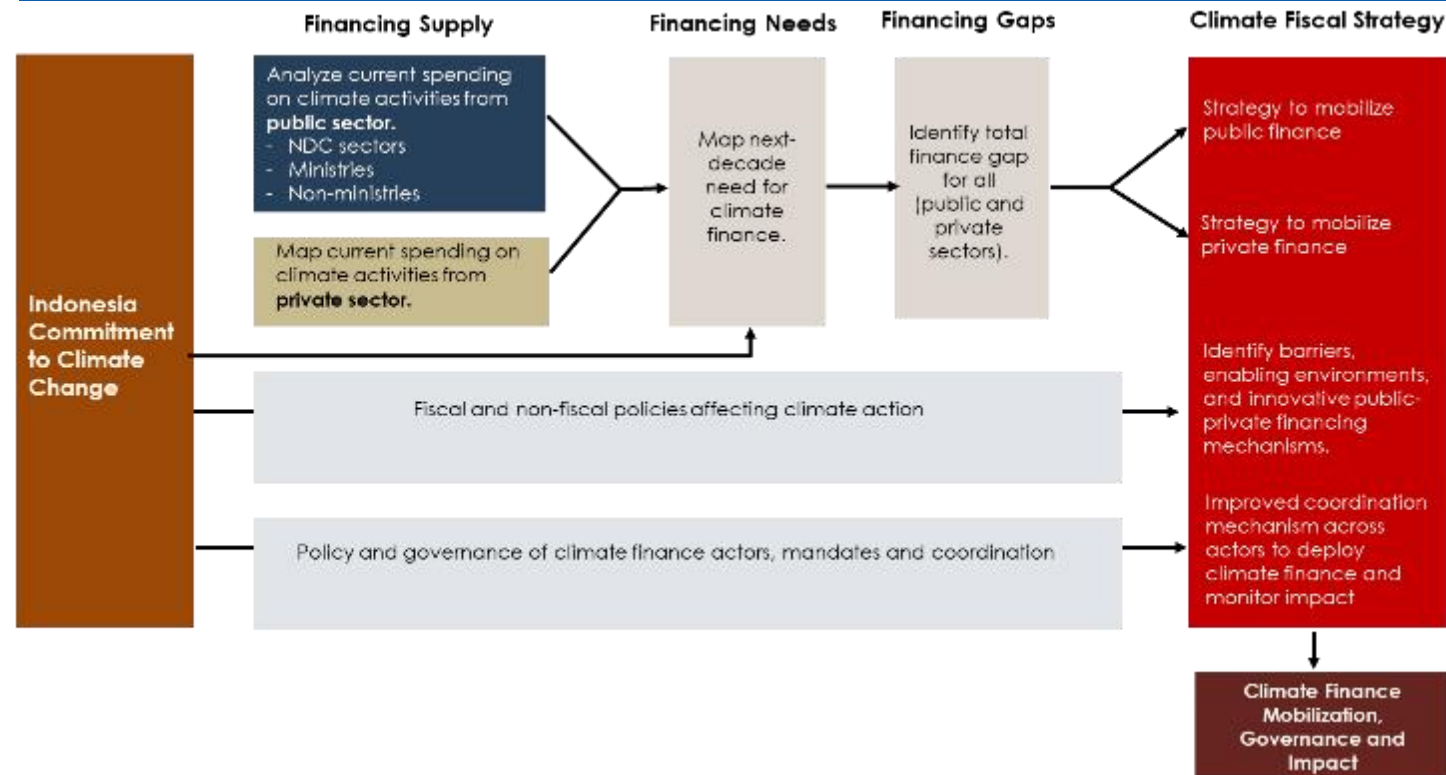
Recent Policies



Facing the existing challenges, the Government continues to develop innovative policies. Two of them are:

- Climate Change Fiscal Framework (CCFF)*
- Carbon Pricing*

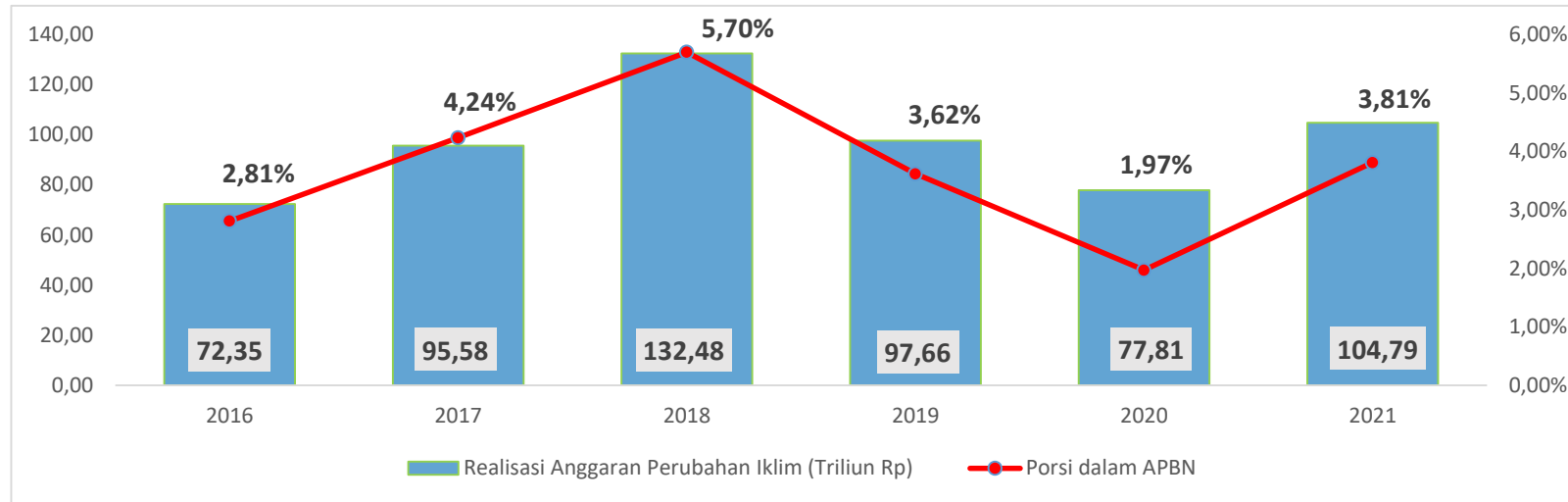
CCFF is a framework for formulating fiscal policies and strategies to mobilize funds outside the Budget



URGENCY

- Strengthening Fiscal Functions - Supporting NDC, SDGs & RPJMN commitments
- Mobilizing funding sources - Strengthening the framework of funding institutions

State Expenditure for Climate Change



- Nominally, the climate change budget in Indonesia experienced an increasing trend from 2016-2018.
- For the year 2019 s.d. 2020, there was a **decline as a result of the policy of reallocating and refocusing the budget for handling Covid-19**.
- Along with the economic recovery, the climate change budget will increase again in 2021 with a total budget ceiling of IDR 104.79 trillion.
- During the last 6 years, **the average climate change budget has reached IDR 83.8 T per year or 3.66% of the APBN per year**.
- This means that **since 2016 s.d. In 2021**, the APBN allocation is only equivalent to **31.5% of the total financing needs** for climate change which will reach Rp. 3,461 trillion (Rp 266.2 trillion/year).

Government Expenditure for Climate Change



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

IDR102.65 trillion per year

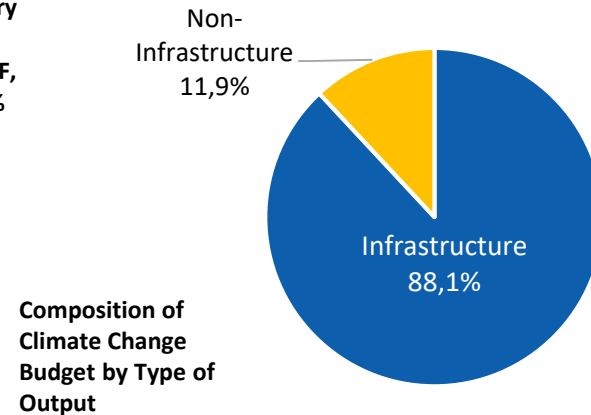
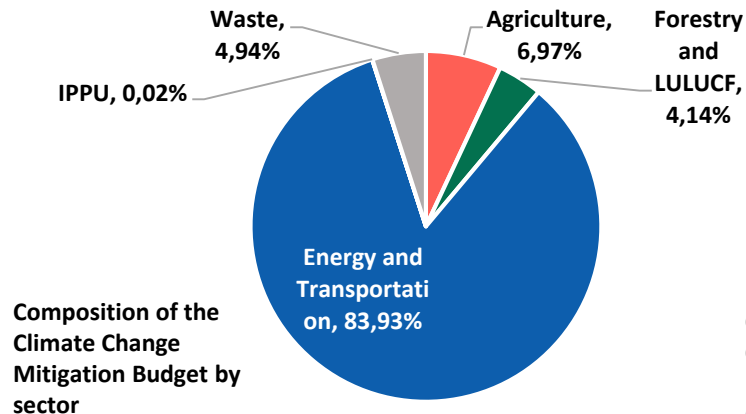
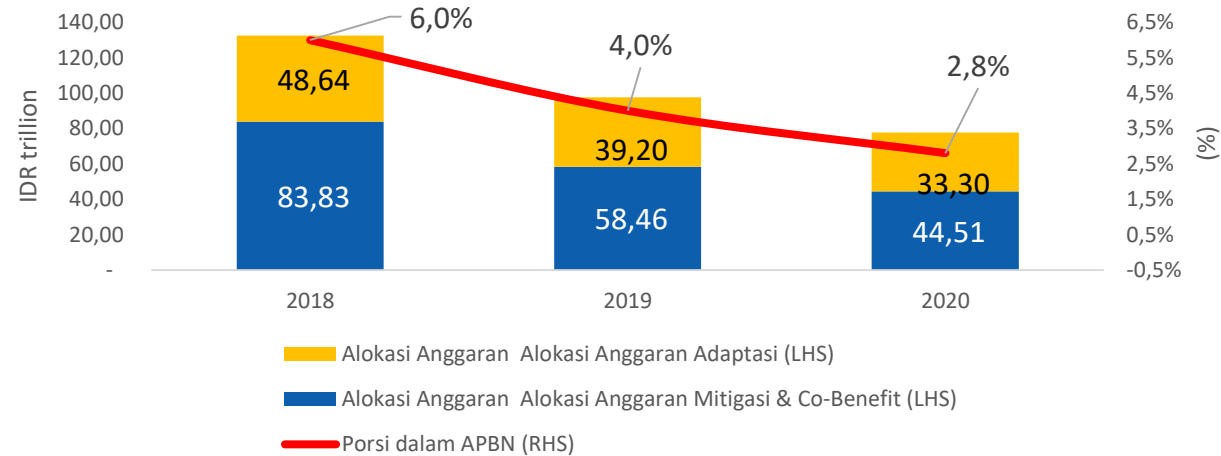
the average mitigation and co-benefit budget reached

IDR 62.7 trillion per year

the average adaptation budget reaches

IDR 40.4 trillion per year

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



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



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Fiscal Policy:

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



BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Central Bank Policy:

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



OTORITAS
JASA
KEUANGAN

Financial Sector Authority Policy:

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

National Climate Financing



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

SOURCE OF FINANCING

DOMESTIC

STATE BUDGET

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

NON-STATE BUDGET

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

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

INTERNASIONAL

BILATERAL

- Government
- Private

MULTILATERAL

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

CHALLENGES AHEAD, ESPECIALLY DUE TO THE COVID-19 PANDEMIC



Limited fiscal space

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



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



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



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



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



The Need of Climate Change Funding

Indonesia's commitments are derived into each sector's agenda. The commitments have significant financial consequences

Cost Estimation of Climate Change Mitigation

Reference	Scope	Cost/Impact Estimation
Second Biennial Update Report, KLHK (2018)	The cost of mitigating climate change to achieve NDC	Accumulated mitigation cost reaches IDR3.461 trillion until 2030
Roadmap NDC Mitigation Indonesia, KLHK (2020)	Cost of climate change mitigation to achieve NDC (using mitigation action cost approach)	Accumulated mitigation cost in 2020-2030 reaches IDR3.779 trillion (IDR343,6 trillion per year)

The Need of Climate Change Mitigation Funding, by Sector

Sectors	Second BUR (Rp trillion)	NDC Mitigation Roadmap (Rp trillion)
Forestry	77,82	93,28
Energy and Transportation	3.307,20	3.500,00
IPPU	40,77	0,92
Waste	30,34	181,40
Agriculture	5,18	4,04
Total	3.461,31	3.779,63

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

Policies are required to ensure that financing requirements are met.

Source: Ministry of Finance

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



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



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



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

GCF Approved Indonesian Projects/Programs



1

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



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

2

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



Grant :
USD788.000

3

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



RBP :
USD103,8 m

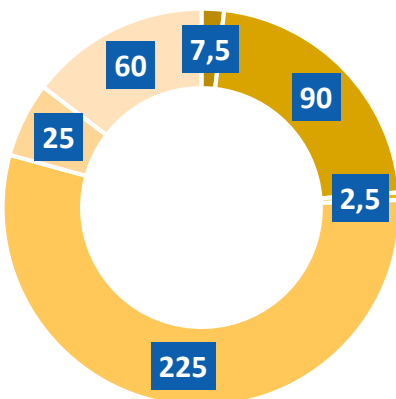
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Geothermal Resource Risk Mitigation Facility (GREM)

Funding Scheme (in million USD)



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



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

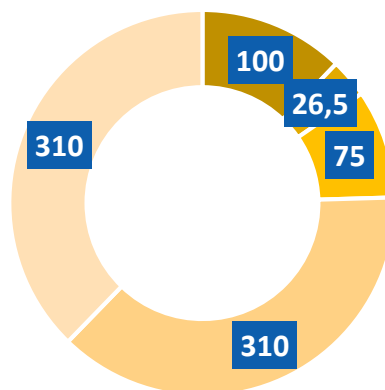
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Climate Investor One (CIO)

Funding Scheme (in million USD)



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



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

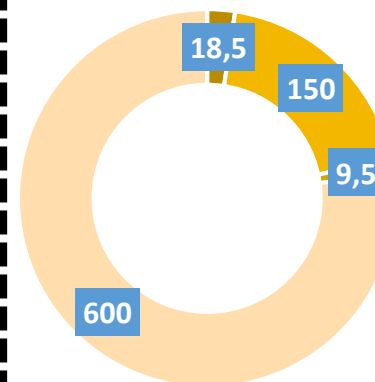
6

Global Subnational Climate Finance (SnCF)

Funding Scheme (in million USD)



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



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



Indonesia Environment Fund /BPD LH

13 PRIORITY PROGRAMS

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



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



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



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



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



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



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



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



8. Increasing the competitiveness of natural resource-based industries



9. Treatment of solid, liquid and hazardous waste



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



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



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



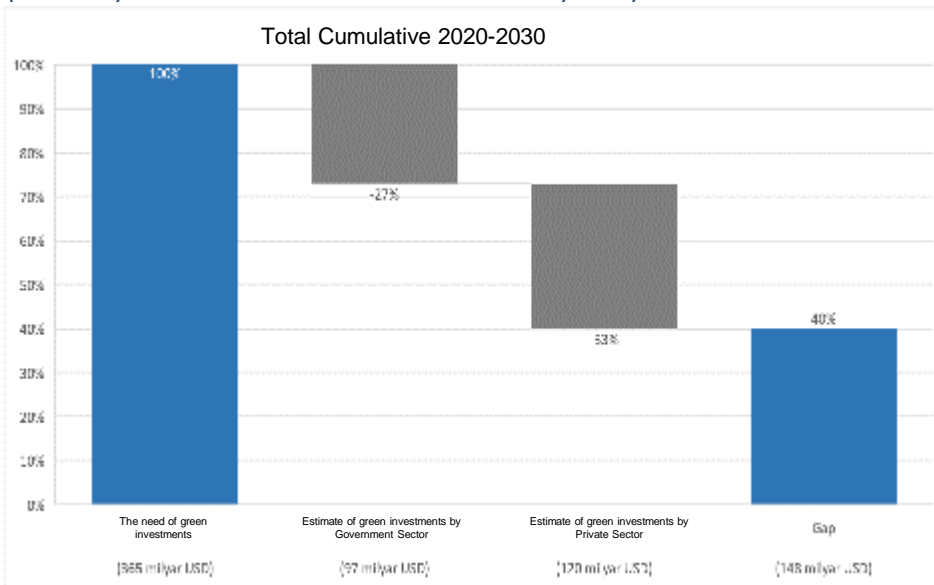
13. Other environmental protection and management activities

Funding Gap for Climate Change Management



NDC Unconditional Target

(avoiding emission in 2030 as much as 29% of BAU)



(1) The effects of covid are estimated to be apparent until 2023. (2) The need for green investment refers to the actual amount of green investment per tonne of emissions averted in the past, as well as the ratio of investment in mitigated sector vs adaptation in the past. (3) does not take into account the role of local governments. (4) The cost of non-field works is factored into the calculations.

Fiscal Policy Responses



Optimization of budget utilization

Optimal mobilization of non-Budget climate change funding sources, domestically and internationally.

Taxation and Excise incentives

- to stimulate the role of the private sector, for example through efforts to develop EBT and electric vehicles

Ministries/Agencies Budget for Climate Change Mitigation and Adaptation

- CBT in planning and budgeting systems

Transfer to Regions and Village Funds (TKDD)

- TKDD also encourages the increase of regional governments role in dealing with climate change :
 - Physical DAK (food, water, health, environment and forestry sectors)
 - Non-Physical DAK (waste management)
 - Regional Incentive Fund (incentive from waste management performance)
 - Village Funds (use of low-emission alternative energy)
 - Ecology Based Fiscal Transfer (financial assistance for environmental improvement)

Innovative Financing for Sustainable Development

- Strengthening green infrastructure financing and deepening the Islamic financial market through *Green Bond/Sukuk Framework* dan *SDGs Government Securities Framework*

CCFF



PISP



Government Support for New and Renewable Energy

PISP Fund & Government Guarantee for Electricity Projects

- To promote new and renewable energy development, the Government provides fiscal support in the form of **government guarantee for electricity projects (credit guarantee and business viability guarantee), guarantee for SOEs direct lending from international financial institutions, and Geothermal Fund Facility (PISP Fund)**.
- Several guarantees has been provided to renewable energy power plant construction and Power Purchase Agreement (PPA), i.e hydropower, geothermal, and solar PV.
- PISP funds (and its co-finance), can be used for geothermal development in the exploration stage and eligible for *Government Drilling, SOE Drilling/Public Window, and Private Drilling/Private Window*.

PISP Fund Exploration Financing Facilities

(MOF Regulation 80/2022)

Objective	Unlocking geothermal market by providing support and financing for geothermal exploration
Fund Manager	PT Sarana Multi Infrastruktur (SMI)
Total Funds	IDR 3,1 Trillion (revolving fund)
Fund Distribution	Loans and data provisions
Main feature	De-risking facility for exploration stage
Governance	<ul style="list-style-type: none">Minister of Finance’s Assignment Letter (SK) to PT SMI to finance exploration project.Monitoring and supervision by The Joint Committee between MoF and MEMR.Engaging academic, professional experts, and independent appraisal to provide review and assessment for strategic decision of the Joint Committee.Strengthening the role and synergy of MOF’s Special Mission Vehicles

PISP Co-financing

(Collaboration with international funding)

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



Sustainable Finance Initiatives



Sustainable Finance Roadmap Phase I (2015-2019)

OJK is committed to supporting the **Indonesian Government's target to achieve Net Zero Emission** and enhancing stakeholders' awareness on the importance of sustainable finance development.



Sustainable Finance Roadmap Phase II (2021-2025)

focuses on **sustainable finance ecosystem** development consisting of 7 components. The Roadmap reflects OJK's commitment to realizing transparent regulations, building synergies in cooperation with relevant ministries/agencies and stakeholders, as well as improving the capabilities of the financial industry.

Phase I Achievement

Strategic Policies

1. Implementation of 8 sustainable finance principles.
2. Reports of SF Action Plan from financial institutions.
3. Corporate Social Responsibility fund allocation.
4. Financial institutions' Sustainability Report.

Enhancing Awareness

1. Capacity building for OJK's supervisors and stakeholders.
2. Guideline on Sustainable Credit, Financing, Investment for palm oil plantation and industry, clean energy, green building, and organic farming with sharia scheme.

Institutional Collaboration

1. Collaboration with ministries and other national/international organizations, including universities and research centers.

Regulation on Sustainable Finance

OJK stipulated some regulations to support SF

- POJK No.51/2017** regarding the Implementation of SF for Financial Institutions, Issuers and Public Companies, which aims to enhance awareness of the financial industry, regulate financial institutions' obligation to submit action plan for enhancing sustainable finance and to publish sustainability report.
- POJK No.60/2017** regarding framework and incentives for issuance of green bonds.
- In 2020, OJK also issued supervisory guidance and policy regarding incentives for electric vehicle-related financing.

- Green Taxonomy
- ESG Risk Integration in Financial Institutions Risk Management
- Developing Incentives
- Guidance of Sustainable Finance Implementation in the Capital Market and NBFI
- Guidebook of Credit/Financing/ Investment in Sectors
- National Campaign - Indonesia Sustainability Week
- Sustainable Finance Inclusion Program
- Informative Publications for New Investors





OJK's Support for Sustainable Finance Development

1 OJK strategic actions to ensure effective implementation of Sustainable Finance principles and to respond to climate change:

1. Developing a Green Taxonomy
2. Preparing for carbon exchange operations, in line with the Government's policy
3. Developing a reporting system for financial institutions, including green financing/instruments in accordance with the Green Taxonomy
4. Developing a risk management framework for financial services industry and a risk-based supervision guideline for supervisors to implement climate-related financial risks
5. Developing innovative and feasible project financing schemes
6. Enhancing awareness and providing capacity building programs for all stakeholders



2 The establishment of **the Financial Services Sector Sustainable Finance Task Force** as a forum for cooperation and coordination with the industry to respond to developments in sustainable finance at national, regional and global forums.



Urgency of the Development of Green Taxonomy

Urgency of Green Taxonomy Development at OJK

- To standardize green definitions and criteria.
- To regularly monitor credit/financing disbursement to the green sectors.
- To improve reporting process carried out by the Financial Services Industry.

Targets

- Policy in the green sector, as the basis for developing innovative products and/or sustainable financial services as well as incentive and disincentive mechanisms for financial services sector.
- Availability of database for green sectors.

Strategic Goals

- To develop standard definitions and green criteria of economic sector activities that support sustainable development, and climate change agenda in Indonesia.
- To encourage innovation and investment in economic activities that have a positive impact on improving the quality of the environment.
- To encourage the financial sector to provide financing for green economy activities.
- To provide a reference for financial services sector, investors, business players (national and international) to disclose information related to financing, funding, or investment in green economy activities.



Green Taxonomy

Proposed Definition of Green Taxonomy

Classification of sectors based on business activities that support environmental protection and climate change mitigation and adaptation.

- The Green Taxonomy is used as a guideline for information disclosure in the Financial Services Sector and can be used as a reference for creating innovative sustainable financial products and/or services.
- In developing the Green Taxonomy, OJK actively participates in the **Financial Stability Board**, particularly regarding sustainable financial disclosure for Financial Services Institutions in the **Financial Stability Board - Workstream on Climate Disclosures/WSCD** and the **ASEAN Taxonomy Board**.
- The finalization of the Green Taxonomy involved 43 Directorate Generals in 8 related ministries to confirm the thresholds and to categorize around 2,700 sectors and sub-sectors classification.

Green Taxonomy Definition

Green taxonomy is a classification system that establishes a list of environmentally sustainable economic activities.

(EU Green Taxonomy, 2019)

A classification tool for the financial industry (banking) to protect the environment and reduce greenhouse gas emissions.

(China Green Catalogue, CBRC, 2013).

Benefits of Green Taxonomy

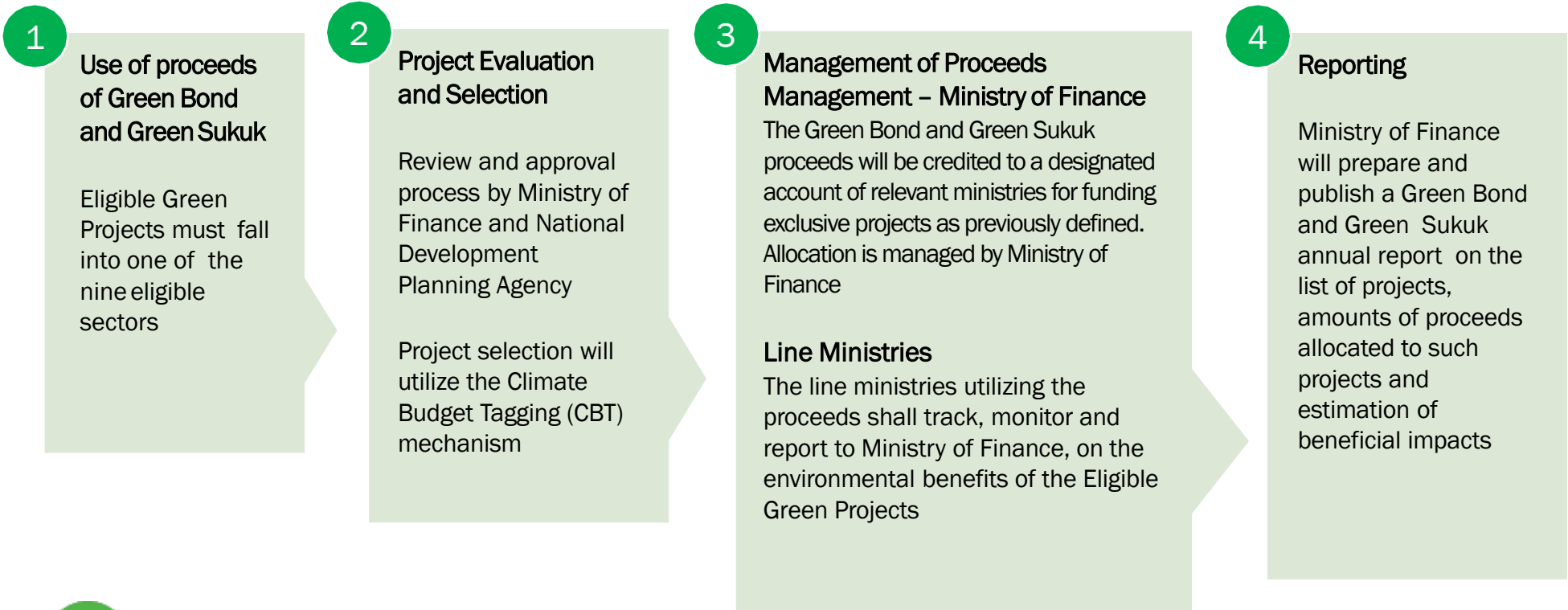
- ❖ As a guideline for allocating capital, a tool to support risk assessment, and a reference for other stakeholders in supporting efforts to mitigate and adapt to climate change.
- ❖ In its development, the green taxonomy is flexible and dynamic so that it can adapt to investment strategies and patterns and changes in technology, science, activities and new data.

(ASEAN Taxonomy for Sustainable Finance ver.1, Nov 2021)



Indonesia's Existing Green Bond and Sukuk Framework

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



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



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

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

Eligible Sectors

Green Shading according to CICERO's second-party opinion

Dark Green



Renewable Energy



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

Medium to Dark



Sustainable Transport



Green Tourism



Waste and Waste to Energy Management



Sustainable Agriculture

Light to Medium



Energy efficiency



Sustainable Management of Natural Resources

Light Green



Green Building

The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW



Nuclear Assets

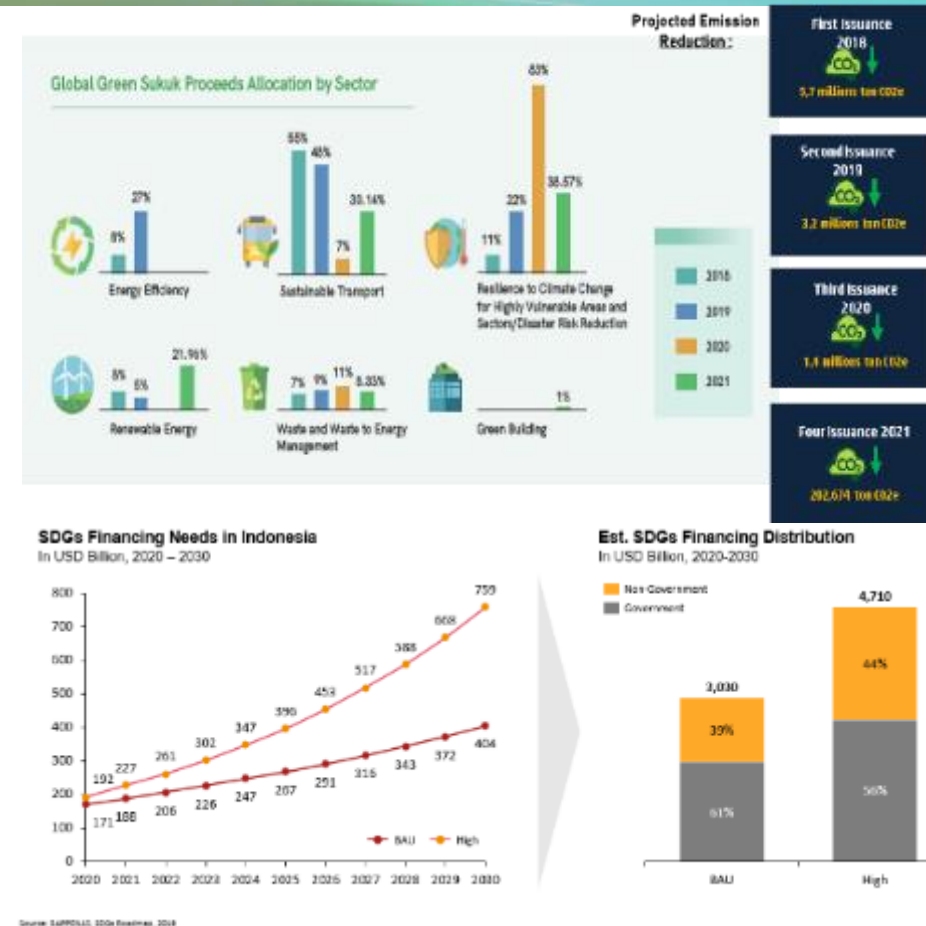
Innovative Financing: Sovereign Green Sukuk and SDGs Bond



Sovereign Green Sukuk and SDG Bond

No	Issuance	Value
1	Global Green Sukuk (Mar 2018)	USD1.25 billion
2	Global Green Sukuk (Feb 2019)	USD750 million
3	Green Sukuk Retail (Nov 2019)	IDR1.46 trillion
4	Global Green Sukuk (Jun 2020)	USD750 million
5	Green Sukuk Retail (Nov 2020)	IDR5.42 trillion
6	Global Green Sukuk (Jun 2021)	USD750 million
7	SDG Bond (Sep 2021)	EUR500 million
8	Green Sukuk Retail (Nov 2021)	IDR5.00 trillion
9	Global Green Sukuk (Jun 2022)	USD1.50 billion
10	PBSG001 (Sept-Oct 2022)	IDR5.66 trillion
11	FRSDG001 (Oct-Nov 2022)	IDR3.26 trillion

- Sovereign green sukuk is Indonesia's main financing instrument for climate actions.
- Total global green sukuk financing: **USD5.00 billion**
- Total green sukuk retail financing: **IDR11.88 trillion**
- Green sukuk has financed various projects in 6 sectors, mostly for sustainable transportation and resilience to climate change projects .
- in June 6th, 2022, RoI has successfully issued its 5th global green sukuk by the amount of USD1.5 billion (10y tenor).
- In September and October 2022, RoI issue the first green sukuk series and the first sdg bond series offered through auction mechanism in the domestic primary market



2022 Republic of Indonesia Global Green Sukuk

USD1.50 Billion



Issuer	Republic of Indonesia through Perusahaan Penerbit SBSN Indonesia III
Issuer Rating	Moody's: Baa2 (Stable) / S&P: BBB (Stable) / Fitch: BBB (Stable)
Format	144A / Reg S
Settlement Date	June 6 th , 2022
Tenor	10 Year
Maturity Date	June 6 th , 2032
Issue Size	USD1.50 billion
Profit Rate	4.70% p.a
Reoffer Price	100.00%
Use of Proceeds	In line with RoI'S SDGs Government Securities Framework
Listing	SGX-ST and Nasdaq Dubai
Joint Bookrunners	CIMB, Deutsche Bank, Dubai Islamic Bank, HSBC, and Standard Chartered Bank
Co-Managers	PT BRI Danareksa Sekuritas Tbk and PT Trimegah Sekuritas Indonesia Tbk

Transaction Highlights

- The USD1.50 billion 10-year global green sukuk issuance was part of two-tranches USD3.25 billion RoI sukuk issuance in international market at June 2022.
- **The largest green sukuk issuance in international market** has received a very positive response from investors, indicated by the total order more than USD5.1 billion, reflecting an oversubscription of 3.4x
- **The first green sukuk issuance in 10-year maturity** by the RoI.
- The successful 5th issuance of global green sukuk demonstrates the RoI's dedication and commitment to green and sustainable finance, as well as diversifying financing methods in the effort against climate change.



Indonesia's Green Initiatives: Financing Green Projects

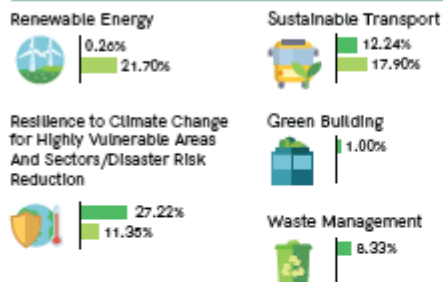
Indonesia's Green Projects Financed by a Combination of Green Sukuk and Other Funding Sources

The Government of Indonesia has issued five sovereign global green sukuk, consecutively in March 2018, February 2019 and June 2020, 2021 & 2022, with the total amount of **USD5.00 billion**

In 2019-2021, the Government of Indonesia issued three retail green sukuk (all issuances held in November), with the total amount of **IDR11.88 trillion**.

Use of Proceeds

2021 Global Green Sukuk Issuance Breakdown by Sector



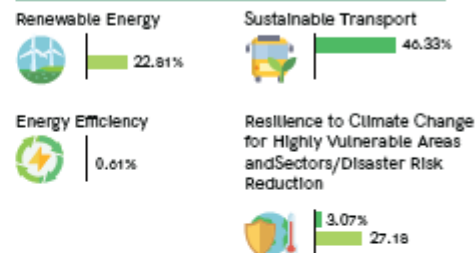
Financing of Fiscal Year 2021 Projects
Refinancing of Fiscal Year 2017 Projects

Project Owner



Use of Proceeds

2020 Retail Green Sukuk Issuance (ST-007) Breakdown by Sector

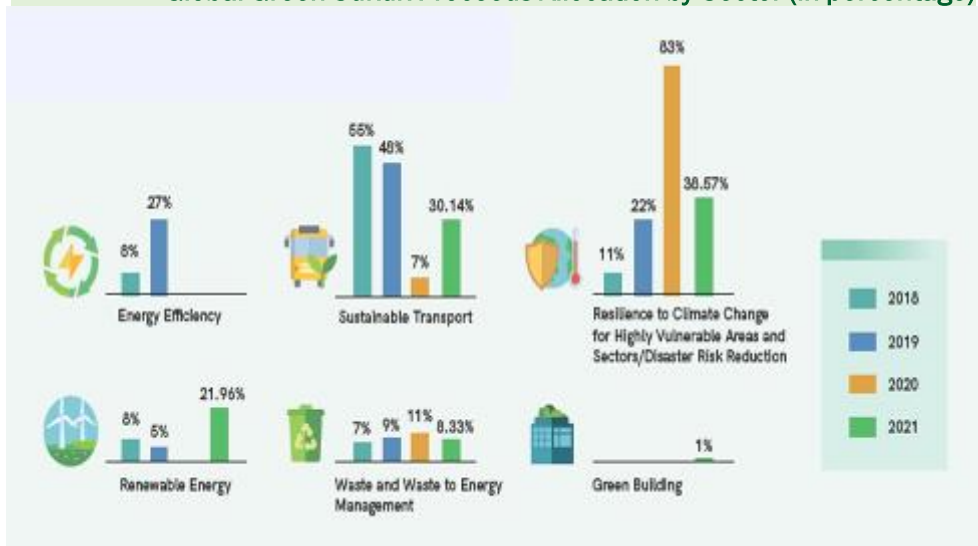


Financing of Fiscal Year 2020 Projects
Refinancing of Fiscal Year 2017 Projects

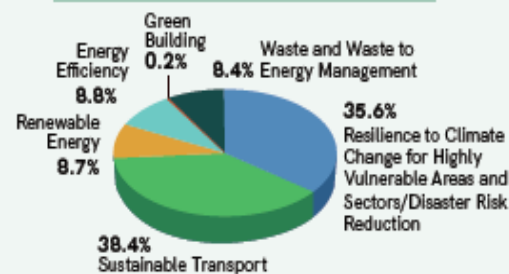
Project Owner



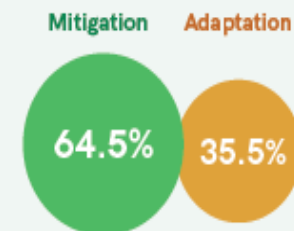
Global Green Sukuk Proceeds Allocation by Sector (in percentage)



Cumulative (2018, 2019, 2020, and 2021) Green Sukuk Issuance Proceeds per Sector



Cumulative (2018, 2019, 2020, and 2021) Green Sukuk Issuance Proceeds per Activity



Note:

Information extracted from Green Sukuk Issuance Allocation and Impact Report 2022, which has obtained a limited assurance statement from EY
Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2021 budget year of IDR 14,600 per USD.

Source: Ministry of Finance



Indonesia's Green Initiatives: Projected Environmental and Social Impacts

Environmental Benefits Arising from 2021 Global Green Sukuk

Projected Environmental and Social Impacts For 2021 Global Green Sukuk

Renewable Energy	Resilience to Climate Change	Sustainable Transport	Waste Management	Green Buildings
<p>Expected to:</p> <ul style="list-style-type: none"> Reduce 136.86 tCO₂e and generate 150kWp clean electricity Reduce 4,972 tCO₂e, generating 2,456,654 kVA of clean electricity 	<p>Expected to</p> <ul style="list-style-type: none"> Improve drinking water supply debit serving 180,000 household connections or 900,000 individuals Benefit 58,624 ha, 1,175 ha and 3,650 ha irrigated rice/crop areas in Central Java, DI Yogyakarta and South Sulawesi, improving cultivation intensity 685 building units benefitting low-income labours, vulnerable communities and students 	<p>Expected to:</p> <ul style="list-style-type: none"> The railway infrastructure and facility development shows insignificant GHG reduction due to the decline of public transportation demand resulted from lockdown and work from home policies, and changes in lifestyle and movement pattern during the COVID-19 pandemic period 	<p>Expected to:</p> <ul style="list-style-type: none"> Benefit 865,357 households due to the improved waste management Benefit 75,780 households from sewerage systems 	<p>Expected to</p> <ul style="list-style-type: none"> Reduce electricity consumption at 10,371m² floor-sized green buildings Benefit 670 MSMEs

Indonesia is highly committed to the achievement of the Sustainable Development Goals, which have been integrated into the national mid-term development plan. The Green Sukuk proceeds have contributed to the achievement of these goals:

**SUSTAINABLE
DEVELOPMENT
GOALS**





































Source: Joint Second Party Opinion from CICERO and IISD on the Republic of Indonesia SDGs Government Securities Framework, Ministry of Finance
 Note: (1) CICERO is a global, independent, research-based second party opinion provider on green bond frameworks, (2) IISD is a Second Party Opinion provider offering practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development



Tangible Results from Indonesia's Green Sukuk Initiatives

Green Projects Refinanced and Financed with Proceeds from Indonesia's Green Sukuk Issuance in 2021

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

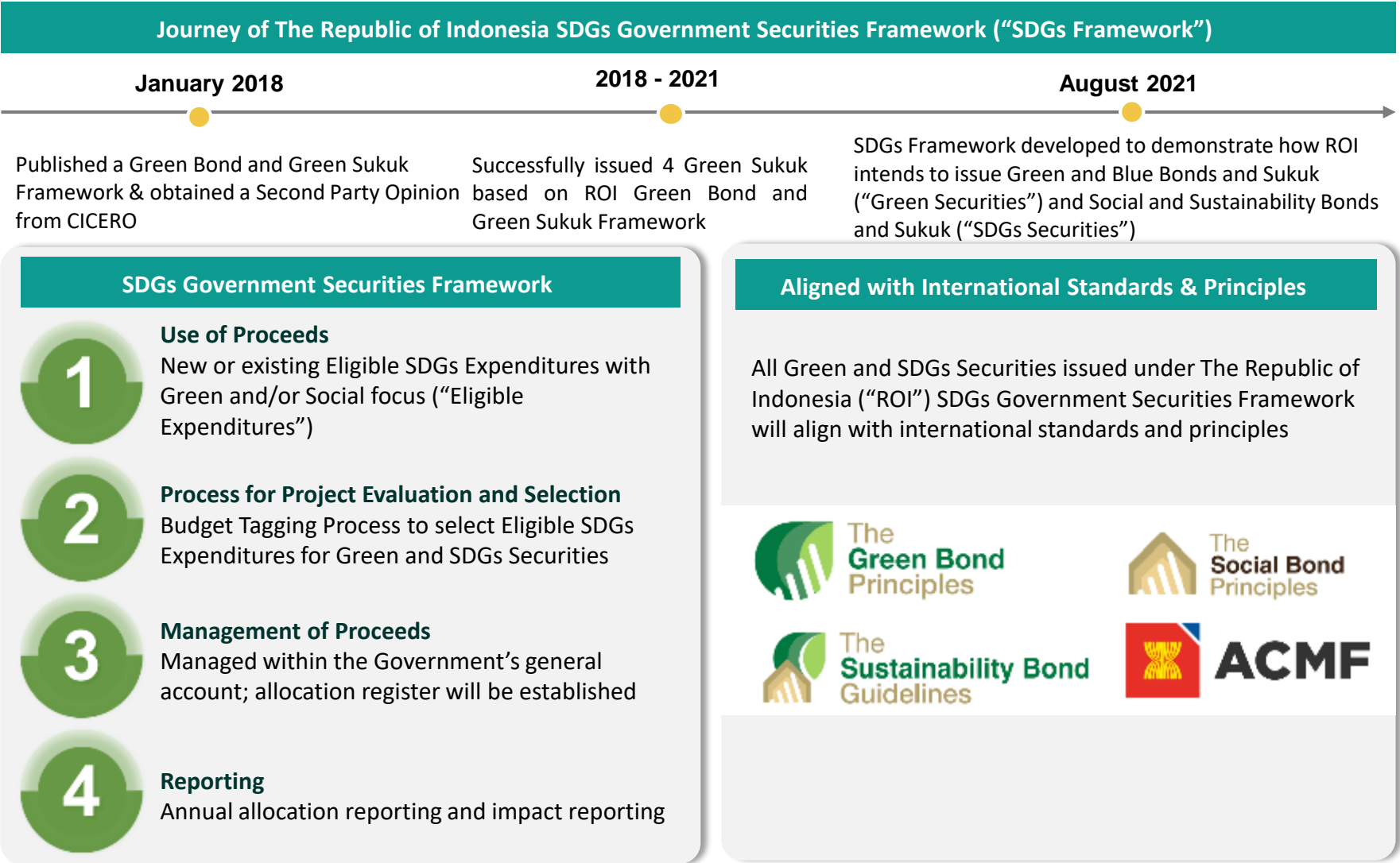
	 Renewable Energy	 Resilience to Climate Change	 Sustainable Transport	 Waste Management	 Green Buildings
Locations	DKI Jakarta	Across the country	Jakarta, Java, Sumatera	Sumatera, Sulawesi Selatan, Yogyakarta, Riau	North Sumatera, Jakarta, Lampung
Amount Committed to Finance 2021 New Projects	USD 2.0 million	USD 204.4 million	USD 91.9 million	USD 62.6 million	USD 7.5 million
Amount Committed to Refinance 2017 Projects	USD 162.9 million	USD 85.2 million	USD 134.4 million	-	-
Relevant SDGs	  	            	   	    	   
Project Examples Financed / Refinanced	Planning, Development, and Supervision of New, Renewable Energy and Energy Conservation Infrastructure <ul style="list-style-type: none"> Installation of 23 units of rooftop solar PV plants on the State's border stations and 2 volcano observation stations Provision and revitalisation of solar PV powered aids to navigation at sea to enhance the sea safety transportation and traffic services 	Flood and Lava Control, Urban Drainage Management, and Coastal Protection <ul style="list-style-type: none"> Construction of seawalls, sea dikes or breakwaters of 160 meters in length, and were built to protect the housings inhabited by 758 residential areas and public facilities of fishermen settlements, as one of the climate vulnerable communities Development of Drinking Water Supply System <ul style="list-style-type: none"> Construction, expansion and improvement of reservoirs, intakes, transmission pipes, water treatment plants serving 3 to 4 neighbouring municipalities. The development is prioritized at areas prone to prolonged drought or flooding due to the impact of climate change and improve the drinking water supply debit 	Construction and Management of Railways Infrastructure and Supporting Facilities <ul style="list-style-type: none"> Improvement of operational facilities of the Palembang Light Rail Transit (LRT), to reduce traffic congestion and reduce duration of commute, with use of electricity as the LRT's system main source of power Development of electric-powered railway systems in other urban areas, including an airport railway system in Jakarta, Medan, and Yogyakarta 	Improvement of Municipal Solid Waste Management System at Regional- and City-scale <ul style="list-style-type: none"> Development of sanitation services, which cover municipal solid waste (MSW) management and sewerage management systems 	Development of Green Building <ul style="list-style-type: none"> Construction and rehabilitation of buildings that meet the green and environmental friendly criteria and indicators set by the Government; Reconstruction of the Aksara Traditional Market buildings with a green building concept The Aksara Traditional Market in Medan provides 670 kiosks benefiting for 670 MSMEs.

Note:
 Information extracted from Green Sukuk Issuance Allocation and Impact Report 2022, which has obtained a limited assurance statement from EY
 Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2021 budget year of IDR 14,600 per USD.
 Green Sukuk issued in 2018-2021 will follow the RoI Green Bond and Green Sukuk Framework. Going forward, Green and SDGs Securities will follow the SDGs Framework.



Overview of the Indonesia SDGs Government Securities Framework

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



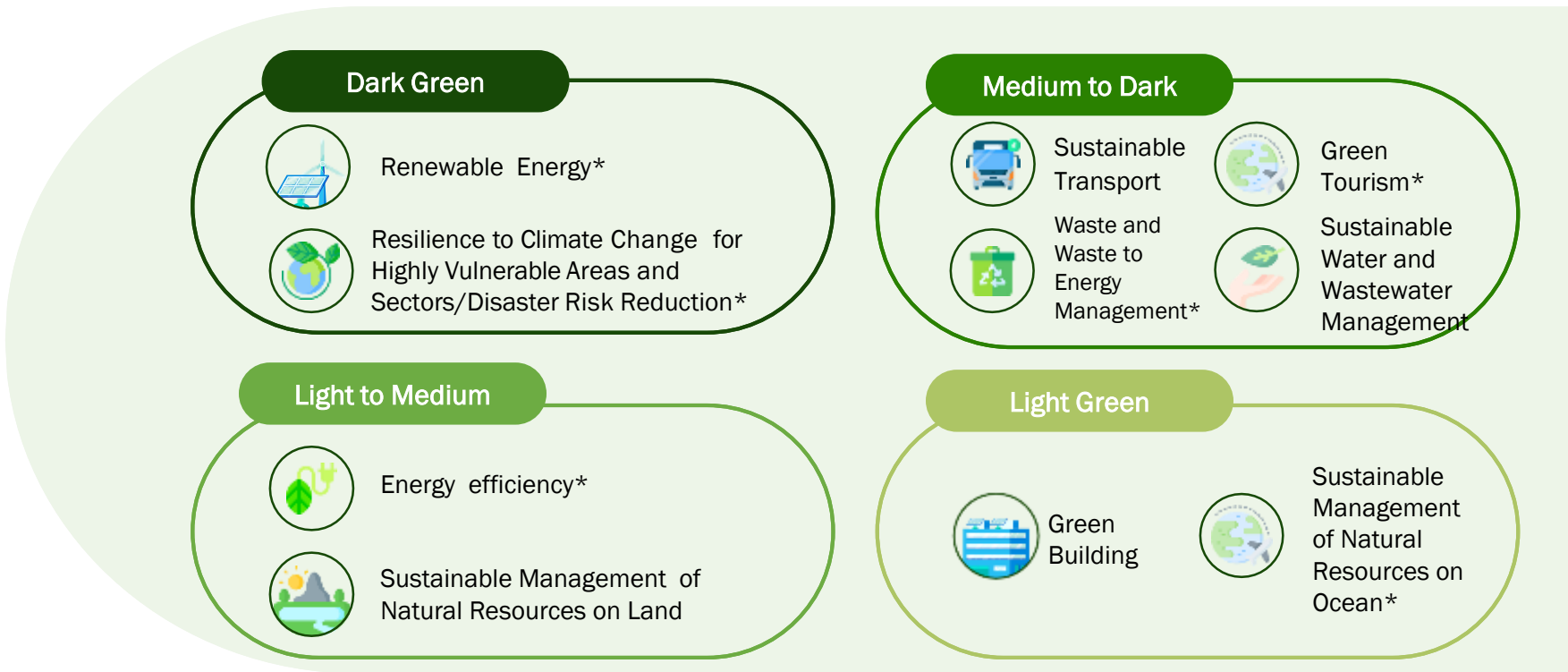
Source: Republic of Indonesia SDGs Government Securities Framework



Indonesia SDG Government Securities Framework (cont)

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

Eligible SDGs Expenditures with Green and Blue focus



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

Alignment with the RoI's 2030 SDGs Target





Indonesia SDGs Government Securities Framework (cont)

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

Eligible SDGs Expenditures with Social focus



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



Access to Essential Services



Socioeconomic Advancement and Empowerment



Food Security and Sustainable Food Systems



Affordable Basic Infrastructure

Alignment with the RoI's 2030 SDGs Target



The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower Plants > 30 MW



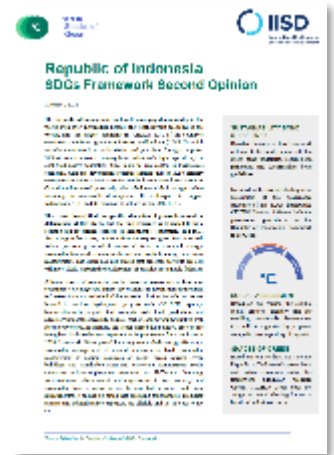
Nuclear Assets




External Review of Indonesia SDGs Government Securities Framework

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


Joint Second Party Opinion from CICERO Shades of Green¹ and IISD²




Extracts of Republic of Indonesia SDGs Framework Second Opinion



The Green Bond Principles



The Social Bond Principles



The Sustainability Bond Guidelines

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

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

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

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

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

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

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

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

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



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

Transaction Highlights
<ul style="list-style-type: none"> ■ Debut Sustainable Development Goals (SDG) EUR issuance by an Asian Sovereign ■ Debut Liability Management transaction and Debut US\$ 40 Year issuance by ROI ■ Tightest ever spread achieved by ROI for a US\$ 10Y issuance to date yet again (implied spread of +85.8 over 10Y UST) ■ Tightest ever spread achieved by ROI for a EUR 12 / long-12 Year issuance ■ Achieved zero to negative new issue concessions across all 3 tranches despite a crowded primary market on the day of bookbuild ■ The successful debut SDG Offering demonstrates ROI's commitment towards financing environmental and social projects in contribution to the 2030 National Development Agenda and to be aligned with the SDGs.



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