Republic of Indonesia

Synergy to Drive National Economic Recovery,
Mitigating Covid-19 Risk

September 2020
About Investor Relations Unit of the Republic of Indonesia

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

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

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

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This Presentation Book also can be downloaded from: http://www.bi.go.id/en/iru/presentation/red/Default.aspx
What’s New in This Edition

 Authorities’ Concerted Efforts toward Covid-19 and Its Progress

 ...page 11-32

 Fiscal Policy Updates

 ...page 60-72

 Bank Indonesia Board of Meeting Decision

 ...page 97
Overview

1. Institutional and Governance Effectiveness: Accelerated Reforms Agenda with Institutional Improvement

2. Economic Factor: Stable Growth Prospects Amid Temporary Moderation

3. External Factor: Improved External Resilience

4. Fiscal Performance and Flexibility: The Design of Economic Recovery Program

5. Commitment to Sustainability and Climate Change Mitigation

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

7. Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision
Section 1

Institutional and Government Effectiveness: Accelerated Reforms Agenda with Institutional Improvement
Improving Global Perception
...with recent improvements on corruption perception index and governance indicator

**Global Competitiveness Index**

- **Rank**
  - 2007-2008
  - 2008-2009
  - 2009-2010
  - 2010-2011
  - 2011-2012
  - 2012-2013
  - 2013-2014
  - 2014-2015
  - 2015-2016
  - 2016-2017
  - 2017-2018
  - 2018*
  - 2019*

**Ease of Doing Business**

- Higher rank is better (rankings at the time of annual report publication)

**Worldwide Governance Indicators**

- **Voice and Accountability**
- **Political Stability/Absence of Violence**
- **Government Effectiveness**
- **Regulatory Quality**
- **Rule of Law**
- **Control of Corruption**

**Corruption Perception Index**

- Higher score is better

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Continuous Improvement of Investment Climate
...another leap on Indonesia’s Rank on Ease of Doing Business (EoDB)*

<table>
<thead>
<tr>
<th>Category</th>
<th>EoDB 2020 Rank</th>
<th>EoDB 2019 Rank</th>
<th>Change in Rank</th>
<th>EoDB 2020 Points</th>
<th>EoDB 2019 Points</th>
<th>Change in Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>73</td>
<td>73</td>
<td>0</td>
<td>69.6</td>
<td>68.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Starting a business</td>
<td>140</td>
<td>134</td>
<td>6</td>
<td>81.2</td>
<td>81.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>110</td>
<td>112</td>
<td>2</td>
<td>66.8</td>
<td>66.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>33</td>
<td>33</td>
<td>0</td>
<td>87.3</td>
<td>86.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Registering Property</td>
<td>106</td>
<td>100</td>
<td>6</td>
<td>60.0</td>
<td>61.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>48</td>
<td>44</td>
<td>4</td>
<td>70.0</td>
<td>70.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>37</td>
<td>51</td>
<td>14</td>
<td>70.0</td>
<td>63.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>81</td>
<td>112</td>
<td>31</td>
<td>75.8</td>
<td>68.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>116</td>
<td>116</td>
<td>0</td>
<td>67.5</td>
<td>67.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>139</td>
<td>146</td>
<td>7</td>
<td>49.1</td>
<td>47.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>38</td>
<td>36</td>
<td>2</td>
<td>68.1</td>
<td>67.9</td>
<td>0.2</td>
</tr>
</tbody>
</table>

* Higher rank is better, EoDB 2020 was published in October 2019
- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EoDB
- Structural reforms will continue including in the budget and real sectors

Source: World Bank
Indonesia Has Been Rated as Investment Grade Country since 2017

**Fitch Ratings**

*August 2020, Rating Affirmed at BBB/Stable*

The affirmation of the rating is underpinned by a favorable medium-term growth outlook and a low government debt burden compared with “BBB” category peers.

*S&P Global Ratings*

*April 2020, Rating Affirmed at BBB, Outlook Revised from Stable to Negative*

“The affirmation reflects Indonesia’s stable institutional settings, strong growth prospects, and historically prudent fiscal policy settings. The negative outlook reflects S&P expectation that Indonesia faces additional fiscal and external risks related to the COVID-19 pandemic in the next 24 months.”

**Moody’s**

*February 2020, Rating Affirmed at Baa2/Stable*

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

**R&I**

*March 2020, Rating Upgraded at BBB+/Stable*

“The upgrade reflects the firm implementation of policies to strengthen economic growth potential on the back of a solidified political foundation. As the global spread of the novel coronavirus could strain growth in the Indonesia economy, the government and the central bank are working to shore up the economy and maintain macroeconomic stability. Given the country’s underlying economic strength which remains intact, R&I expects the economy to start to recover if the epidemic is brought under control.”

**JCR**

*January 2020, Rating Upgraded at BBB+/Stable*

“The ratings mainly reflect the country’s solid domestic consumption-led economic growth, restrained budget deficit and public debt, and resilience to external shocks supported by flexible exchange rate and credible monetary policies and accumulation of foreign exchange reserves. Since its previous rating review, JCR has been paying particular attention to the continuing reform initiatives pushed by the administration of President Joko Widodo and the content and progress of the economic policy taken by his second administration which took office in October 2019. Among the reform agenda, infrastructure development has continued to progress faster than JCR had expected.”
Concerted Efforts to Mitigate Covid-19 Risk

General Measures


3. Permission for civil servants to work from home, while maintaining the continuity of public services.

4. Promoting massive prevention of the spread of Covid-19; application of health protocols in public areas, public transportation, and offices; calls for carrying out social distancing and the prohibition of carrying out activities that involve large crowds.

5. Closing and limiting the mobility of Indonesian citizens abroad and foreigners to enter Indonesian territory with strict immigration and health protocols.

6. Evacuation of Indonesian citizens from affected countries and strict quarantine processes with complete medical facilities.


8. Decentralized tests by increasing the number of Covid-19 test laboratories throughout Indonesia.

9. Providing Designated Hospitals, including additional designated hospital in Galang Island.

10. Utilization of four (4) of ten (10) Wisma Atlet Kemayoran Towers (former Athletes Hotel) as emergency hospital.

11. Preparation of 606 health workers and 192 non-health workers in Wisma Atlet Kemayoran and recruitment of 328 medical volunteers and 2590 non-medical personnel in the field of logistics and operations.

12. Establishment of Contingency Plans in the regions level.

13. Preparation of drugs that have been used for Covid-19 patients in China according to doctor's prescription. The drug has been distributed to designated facilities and its stock is continuously being augmented with domestic pharmaceutical production.

14. Speed up the procurement and distribution of personal protective equipment for designated hospitals and the provision of incentives for medical personnel.
## Government Measures to Mitigate Covid-19 Risk

### Fiscal and Non Fiscal Stimuli

#### Fiscal Stimuli Phase 1

1. Brought forward the launch of the Pre-Employment Card in Bali, North Sulawesi and the Riau Islands.

2. Increased disbursements of the Noncash Food Assistance Program (BPNT) from IDR150,000 to IDR200,000 for a six-month period commencing March 2020.

3. Provided a stimulus package for housing in the form of an IDR800 billion subsidy as well as a subsidy on down payments totalling IDR700 billion.

4. Provided incentives for domestic and international travellers.

5. Reduced the air passenger service fee (PSF) by 20% for March-May 2020.


7. Subsidised or provided grants totalling IDR3.3 trillion to local governments affected by lower tax revenues food service activities.

#### Fiscal Stimuli Phase 2

1. Relaxation of Income Tax (PPh Article 21).

2. Relaxation of Income Tax on Imports (PPh Article 22).


4. Relaxation of Value Added Tax (VAT) Restitution.

#### Non-Fiscal Stimuli

1. Reduce and simplify restrictions on export activities to maintain export performance and competitiveness.

2. Reduce and simplify restrictions on import activities to ensure the availability of raw materials.
# Bank Indonesia’s Measures to Mitigate Covid-19 Risk

To maintain Monetary and Financial Market Stability

<table>
<thead>
<tr>
<th>Measures Launched on March 2, 2020</th>
<th>Measures Launched on March 18-19, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency’s fundamental value and market mechanisms</td>
<td>1. Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency’s fundamental value and market mechanisms.</td>
</tr>
<tr>
<td>2. Reducing the foreign currency reserve requirement ratio for conventional commercial banks from 8% to 4%, effective 16th March 2020.</td>
<td>2. Extending the SBN repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry.</td>
</tr>
<tr>
<td>3. Reducing the rupiah reserve requirement ratio by 50bps for banks engaged in export-import financing activity in coordination with the Government.</td>
<td>3. Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity.</td>
</tr>
<tr>
<td>4. Expanding the types of underlying transactions available to foreign investors as hedging alternatives against rupiah holdings in Indonesia.</td>
<td>4. Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market.</td>
</tr>
<tr>
<td>5. Global investors may utilise global and domestic custodian banks for investment activity in Indonesia.</td>
<td>5. Expediting the enforcement of domestic vostro rupiah accounts for foreign investors as underlying transactions for Domestic NDF, thus increasing hedging alternatives against rupiah holdings.</td>
</tr>
<tr>
<td>6. Expanding the incentive of a 50bps looser daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors.</td>
<td>6. Expanding the incentive of a 50bps looser daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors.</td>
</tr>
<tr>
<td>7. Strengthening payment system policy to support COVID-19 mitigation efforts.</td>
<td>7. Strengthening payment system policy to support COVID-19 mitigation efforts.</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
### MAIN PROGRAMS

1. **Safe Indonesia** – Indonesian are Safe From Covid-19
2. **Healthy Indonesia** – Health Service Reform Based On Mutual Cooperation
3. **Powerful Indonesia** – People's Purchasing Power Improvement Program
4. **Growing Indonesia** – Program For Increasing State Revenue
5. **Working Indonesia** – Workforce Acceleration Program

### Two Strategies Facing the Covid-19 Pandemic

#### Maintaining Life (Health)
- Overcoming/suppressing viruses and anticipating new cases
- Expanding testing, quarantine and treatment capacity and health protocols
- Get medicine, and do research
- Increase capacity and services in the health sector
- Planning vaccine production and distribution

#### Maintaining Livelihoods
- Support and help the community
- Support and help affected businesses to re-open and expand
- Priority for job creation, assistance, upskill
- Maintaining the availability of liquidity and financial system safety nets
- Public infrastructure investment, both hard and network infrastructure

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*Source: Coordinating Ministry for Economic Affairs*
COVID-19 Handling and National Economic Recovery Committee: Integrating Economic and Health Policies

- Presiden Joko Widodo has signed Presidential Regulation No.82/2020 on the Covid-19 Response and National Economic Recovery Committee, enacted on July 2020
- The government hopes that all efforts and steps in formulating and implementing programs and policies can be carried out in a more coordinated and integrated manner, so that they can accelerate national economic recovery and save the economy from potential economic crises.

**COMMITTEE COMPOSITION**

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Coordinating Minister of Economic Affairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice Chairman I</td>
<td>Coordinating Minister for Maritime and Investment</td>
</tr>
<tr>
<td>Vice Chairman II</td>
<td>Coordinating Minister for Politics, Law and Security</td>
</tr>
<tr>
<td>Vice Chairman III</td>
<td>Coordinating Minister for Human Development and Culture</td>
</tr>
<tr>
<td>Vice Chairman IV</td>
<td>Minister of Finance</td>
</tr>
<tr>
<td>Vice Chairman V</td>
<td>Minister of Health</td>
</tr>
<tr>
<td>Vice Chairman VI</td>
<td>Minister of Home Affairs</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>Minister of State-owned Enterprises</td>
</tr>
<tr>
<td>Executive Secretary I</td>
<td>Raden Pardede</td>
</tr>
<tr>
<td>Executive Secretary II</td>
<td>Secretary of Economic Affairs</td>
</tr>
</tbody>
</table>

**TASKS**

- Preparing strategic policy recommendations to the President
- Integrate and determine the steps for implementing strategic policies and the necessary breakthroughs
- Monitor and evaluate the implementation of strategic policies

Source: Coordinating Ministry for Economic Affairs
Illustration of Health And Economic Recovery In One Wheel

Brake
- Health Safety Net
  Need to step on the brakes to suppress (contain) the covid-19 contagion

Gas Pedal
- Social Safety Net
- Real Sector Safety Net

Oil/Gas
- Source of funding
- Make sure the drain is smooth and doesn't leak

Step on The Gas!

Source: Coordinating Ministry for Economic Affairs
Economic Recovery and Covid-19 Handling Requires a Medium-Term Plan (up to 2023/2024)

The spread of COVID-19 will keep increasing until the vaccine is found and distributed.

Goal/Minimum Target: Recover to Pre-COVID condition

Economic Condition

Source: Coordinating Ministry for Economic Affairs
1. Healthy Indonesia
   - Public trust → Activity increases → Public consumption increases
   - Driving investment ← Capacity utilization increases

2. Working Indonesia
   - Purchasing power of the middle to lower class increased → Public consumption increases
   - Creating jobs ← Driving investment ← Capacity utilization increases

3. Growing Indonesia
   - Socio-economic Transformation. Don't waste the opportunity to carry out this post-pandemic transformation

Source: Coordinating Ministry for Economic Affairs
Covid-19 Handling Strategy

Reducing the spread of Covid-19 (Involving various elements of society)

Implementation Improvement

3T
1. TEST
2. TRACE
3. TREAT

Campaign Massive Program

3M
1. Put on a mask
2. Wash hands
3. Keep the distance

Decreased Mortality Rate

Improvement of Health Service Facilities & Health Worker Support

Source: Coordinating Ministry for Economic Affairs
## Main Program Policy Matrix: Timetable and Intensity

<table>
<thead>
<tr>
<th>Program</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>2. Social Assistance</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>3. Labor Intensive</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>4. Relaxation Rules</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>5. Restructuring (MSMEs)</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>6. Fund Placement + Guarantee</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>7. Economic Transformation (Making Indonesia 4.0)</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️ ✔️ ✔️ ✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### Program Intensity Index

- ✔️ ✔️ ✔️ ✔️ **High**
- ✔️ ✔️ ✔️ **Moderate**
- ✔️ **Low**
Wage Subsidy Assistance Program (BSU) for Workers (Private Employees):

- Wages under IDR. 5 million, who are under pressure due to Covid-19,
- Active workers (paying dues) BPJS TK, the process of cleansing BPJS TK data as much as 15.7 million *.
- Payment of IDR 600,000 per month for 1 worker for 4 months in 2 stages (Q3 and Q4).

An expansion program for providing loans to households and victims of layoffs with an interest of 0% using an expanded KUR scheme

- The initial stage is with a target of reaching 2 million customers by 2020. With an estimated loan ceiling of IDR 6-10 million.

Escalation of labor-intensive programs (mainly PUPR, Agriculture, Rural). The Labor Intensive Program, which is already running, can soon be expanded in intensity, so as to reduce unemployment pressure and increase people's income and purchasing power.
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

2. **POSTPONEMENT OF PRINCIPAL & INTEREST SUBSIDIES**
   - **KUR Super Mikro**: Loan up to IDR 10 million
     - Interest subsidy will be 19%, debtors pay 0% interest from Aug – Dec 2020.
   - **KUR MKM (SMEs)**: Loan up to Rp10 million up to IDR 500 million
     - Postponement of installments and a 6% interest subsidy for the period from Apr-Dec 2020 to 0%.
     - Loan > Rp500 million up to IDR 10 billion
     - Postponement of installments and interest subsidies from 3% to 3% for the period Apr-Jun 2020 and interest subsidies from 2% to 4% for the period Jul-Sep 2020.
   - **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

**WORKING CAPITAL CREDIT**

3. **LOW INTEREST**
   - Placement of Rp30 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 12 million Micro-Business Actors in the amount of IDR 2.4 million per recipient

Source: Coordinating Ministry for Economic Affairs
Government Assistance in the form of Salaries / Wages Subsidy

Regulated in Regulation of the Minister of Manpower (Permenaker) No.14/2020 concerning Wage Subsidized Government Assistance

**AIM:**
To protect, maintain, and increase the economic capacity of workers / laborers in the handling due to Covid-19

**Recipient Target**
15.7 million

Given in the form of money amounting to IDR600,000 per month for 4 months and to be paid every two months

**Salary/Wage Subsidy Budget**
IDR37.87 Trillion
with a benefit of IDR 2.4 million per worker

**Recipient Requirements**

<table>
<thead>
<tr>
<th>1</th>
<th>Indonesian citizens proven by NIK (ID Number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Registered as an active participant in the BPJS Ketenagakerjaan social security program</td>
</tr>
<tr>
<td>3</td>
<td>Workers / Laborers who receive Salaries / Wages</td>
</tr>
<tr>
<td>4</td>
<td>Registered in social security program membership until June 2020</td>
</tr>
<tr>
<td>5</td>
<td>Salaries / wages below IDR5 million according to the latest salary / wages reported by the employer to BPJS Ketenagakerjaan</td>
</tr>
<tr>
<td>6</td>
<td>Have an active bank account</td>
</tr>
</tbody>
</table>

Source: National Economic Recovery and Transformation Task Force
Internet Data Assistance

Internet quota assistance for students from elementary to higher education, teachers and lecturers to support the implementation of effective teaching and learning activities.

**BUDGET**

**IDR 6.73 Trillion**

Period of Implementation
Oct - Dec 2020

**MAIN TARGET**

48 Million
students, teachers, &
lecturers

<table>
<thead>
<tr>
<th>STUDENTS</th>
<th>STUDENTS</th>
<th>TEACHERS</th>
<th>LECTURERS &amp; UNIVERSITY STUDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Childhood Education</td>
<td>Elementary to Senior High School</td>
<td>Early Childhood to Senior High School</td>
<td></td>
</tr>
<tr>
<td>20 GB/MONTH</td>
<td>35 GB/MONTH</td>
<td>42 GB/MONTH</td>
<td>50 GB/MONTH</td>
</tr>
<tr>
<td>• 5 GB General Quota</td>
<td>• 5 GB General Quota</td>
<td>• 5 GB General Quota</td>
<td>• 5 GB General Quota</td>
</tr>
<tr>
<td>• 15 GB Study Quota</td>
<td>• 30 GB Study Quota</td>
<td>• 37 GB Study Quota</td>
<td>• 45 GB Study Quota</td>
</tr>
<tr>
<td>Duration : 4 Months</td>
<td>Duration : 4 Months</td>
<td>Duration : 4 Months</td>
<td>Duration : 4 Months</td>
</tr>
</tbody>
</table>

Internet quota assistance consists of:

- **GENERAL QUOTA** – Quota that can be used to access all webpages and applications
- **STUDY QUOTA** – Quota that can only be used to access learning pages and applications

Source: National Economic Recovery and Transformation Task Force
Social assistance of IDR 2.4 Million per business actor provided to Ultra Micro & Micro businesses that are not currently receiving credit from banks

<table>
<thead>
<tr>
<th>Existing Programs</th>
<th>Expansion Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Grant (one-time distribution) of IDR2.4 million per Micro Business Actor</td>
<td>• The target is expanded to 12 million Micro Business Actors</td>
</tr>
<tr>
<td>• The target is 12 million micro business actors who are not currently receiving working capital credit and investment from banks</td>
<td></td>
</tr>
<tr>
<td>• The initial stage is 9.1 million micro-entrepreneurs</td>
<td></td>
</tr>
</tbody>
</table>

**Budget Value:** IDR22 Trillion

The additional budget needed is ranging from IDR6 Trillion to IDR28 Trillion

**Implementation Time:** August - September 2020

Implementation Time: October - December 2020

Source: National Economic Recovery and Transformation Task Force
Apart from financial support, affected MSME workers are also encouraged to take advantage of the pre-employment card program.

1. **Training Fee Assistance:** IDR1,000,000

2. **Training Incentives:** IDR600,000/month for 4 months

3. **Job Survey Incentives:** IDR50,000/survey for 3x survey

**Total benefits per beneficiary:** IDR3,550,000

**Target Beneficiaries and the realization**

**Initial scheme**
- The target recipient is **2 million people**
  - Job seekers
  - Workers / Laborers affected by layoffs
  - Workers who need increased competence

**Covid Scheme**
- Target recipient +/- **5.6 million people**
  - Prioritize:
    - Employees who are laid off *
    - Affected UKM actors

*To be more precise on target, data from Ministries / Institutions including BPJS Ketenagakerjaan is needed

**Realization as of 18 September, 2020**

- **26 million registrants** of 514 Districts / Cities
- **4.68 million recipients** Pre-employment Card
- **2.39 million** Participants complete the training
- **1.45 million** Participants have received incentives

Source: Coordinating Ministry for Economic Affairs
Integration of Various Types of Social Assistance and Financing for Super Micro and MSMEs is Continually Encouraged

- Super micro, micro and small businesses that are un-bankable have begun to be empowered by the Government with the Productive Presidential Assistance & Pre-Work Card programs, while the BUMN through the partnership and community development program (PKBL) and private parties with CSR.

- KUR Super Micro scheme, people enjoy loans with 0% interest until December 31, 2020. Meanwhile, People's Business Credit (KUR) for micro small and medium enterprises (UMKM) is given a subsidy of 6% until 31 Dec 2020.

Source: Coordinating Ministry for Economic Affairs
The Indonesian economy is experiencing very heavy pressures, both in the supply side (business, industry - production) and in the demand side (people's purchasing power - consumption).

Health Issues ➔ Potential Economic and/or Financial Crisis ➔ Potential Social Problems.

New Normal Implementation in Indonesia

- **New Normal** is a Scenario to Maintain a Balance between Health Aspects that must be safeguarded, and Social-Economic Aspects that must continue to maintain welfare (livelihood).

The New Normal Scenario is implemented by:

- Data-based Public Health Indicators:
  - Epidemiology
  - Public Health Surveillance
  - Health Care Facilities
  which becomes **a Necessary Condition** that must be met.

- Requires readiness from the Public Sector to be opened:
  - Health protocol (SOP) in each public sector
  - Community awareness, compliance and discipline

Source: Coordinating Ministry for Economic Affairs
**New Normal**
Achieving Productive and Safe Indonesia from Covid-19

### Necessary Conditions

<table>
<thead>
<tr>
<th><strong>Covid-19 Cases</strong></th>
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<tbody>
<tr>
<td>➤ A declining number of cases, number of suspects, and deaths within 14 days</td>
</tr>
<tr>
<td>➤ Rt &lt; 1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Monitoring of the virus / Public Health</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ The number of tests and contact tracing increases (not only in big cities but also in regions)</td>
</tr>
<tr>
<td>➤ The application of the use of masks is increasingly expanded (mask for all)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Health services capacity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Medical personnel, PPE</td>
</tr>
<tr>
<td>➤ Availability of drugs, ICU room, ventilator</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Business sector preparation</strong></th>
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<tbody>
<tr>
<td>➤ Establishing new SOPs/guidelines at work (temperature measurement, masks at work, distance keeping, etc.)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Public Response</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Discipline the application of new protocols for activities</td>
</tr>
<tr>
<td>➤ Submission of information that is accurate, official and transparent by the government to the public</td>
</tr>
</tbody>
</table>

### New Protocol (General)

Under the Decree of the Minister of Health (KMK) number HK.01.07 / MENKES / 328/2020, the new protocol includes:

- Make sure to clean your hands with soap and clean water
- Wear a mask when doing activities outside (mask for all)
- Apply physical distancing (1.5 - 2 m)
- Self-isolation if exposed to positive cases and illness
- Temperature check-in each building

Source: Coordinating Ministry for Economic Affairs
With The NER (PEN) Program and New Normal Programs, Economic Activity Began to Rise

A number of indicators in June 2020 began to show positive signals of improvement in economic activity such as manufacturing PMI, Consumer Confidence Index, Retail Sales and Car Sales, Business Activity Survey, and Consumer Price Index.

### Indonesia Manufacturing PMI

### Vehicle Sales

- Motorcycle Sales (thousand)
- Car Sales (%YoY) - rhs

### Retail Sales Growth (%YoY)

### Consumer Confidence Index

### Business Activity Survey

### Core Inflation

Source: Coordinating Ministry for Economic Affairs
# Protocols in Every Economic-Social Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Protocol</th>
<th>Important Point</th>
</tr>
</thead>
</table>
| **GENERAL**  | Decree of the Minister of Health (KMK) number HK / 01.07 / MENKES / 328/2020 about Covid-19 Prevention and Control Guidelines in Office and Industrial Workplaces in Supporting Business Sustainability in Pandemic Situations | Regulate:  
• Rules at Work  
• Rules for Workers  
• Alleged Covid-19 Management (OTG, PDP, ODP, or Confirmation)  
• Coordination between workplace and Regional Government                                                                                                                                                   |
| **INDUSTRY** | Minister of Industry Circular No.4 / 2020 about Implementation of Factory Operations in the Corona Virus Disease-19 Public Health Emergency | Regulate:  
• Rules for Industrial Estates  
• Rules for Workers  
• Cleaning and Disinfection Guide  
• Social Distancing Guide                                                                                                                                                                                       |
| **TOURISM**  | Standard Operational Procedure (SOP) is in the process of harmonization with the Task Force                                                                                                              | Arranging SOPs for Hotels, Homestay, Restaurants, Travel Attractions, Art Venues, Film Production, TV Coverage                                                                                                  |
| **TRANSPORTATION** | Transportation Minister Regulation No.18 of 2020 about Transportation Control in order to Prevent the Spread of Covid-19 Virus                                                                                       | Regulate:  
• Transportation control for the whole region  
• Transportation control in areas designated as PSBB (Large-scale Social Restrictions)  
• Transportation control for homecoming activities in 2020                                                                                                                                                   |
| **TRADE**    | • SOP on Health Protocol for Modern and People’s/Traditional Market and Retail - Ministry of Trade  
• Protocol on Prevention of Covid-19 Distribution in Shopping Centers - Source: Association of Indonesian Shopping Center Management | Regulate:  
• Rules in the Market Environment  
• Rules for Traders and Management  
• Rules for Consumers  
• Operating Time                                                                                                                                                                                               |

*Source: Coordinating Ministry for Economic Affairs*
Regulates two topics: (1) National Budget (APBN) and (2) Financial Sector Policy

### National Budget (APBN)

1. Relaxation Deficit exceeds 3%, but starting in 2023 it returns to the maximum level of 3%.
2. Relaxation is related to the allocation/reallocation of expenditure between institutions, between functions, and between programs and mandatory spending.
4. Lending to LPS.
5. Issuance of SUN and SBSN can be purchased by BI, BUMN, corporate investors and / or retail investors.
6. Use of alternative budget sources for example SAL, education endowment funds, and funds managed by the Public Service Agency.

### Financial Sector Policy

1. Improved Coordination among KSSK members
2. Provide the necessary authority to 4 institutions to prevent a crisis (forward looking) in the KSSK forum for example to issue instruments, BI buys SUN on the primary market, lending to LPS and OJK may request a merger or consolidation of Financial Services Institutions.
3. Foreign exchange management (LLD) management for residents
4. Increase public confidence without causing moral hazard.

Source: Coordinating Ministry for Economic Affairs
Government Measures to Mitigate Covid-19 Risk

Budget Refocusing Policy


1. Answer to the President → Director (Chair: Coordinating Minister for Economic Affairs) and Implementer (Chair: Head of Indonesian National Board for Disaster Management), focusing on accelerating the mitigation of COVID-19 through synergy between ministries and government

2. Funding comes from the state budget, regional budget, and other legal sources


1. Minister / Head of Institution prioritizes the use of budget allocations for the acceleration of mitigating COVID-19 outbreak in accordance with COVID-19 Handling Protocol

2. Done through a budget revision mechanism (done quickly, simply and accountably)

III. Policy to support efforts to adjust regional allocations and relax transfers for handling Covid-19

1. Minister of Finance Regulation (PMK)19/2020 concerning Distribution and Use of Profit Sharing Fund (DBH), General Allocation Fund (DAU), and Regional Incentive Fund (DID) budget year 2020 in the context of COVID-19 Countermeasures;

2. Minister of Finance Decree (KMK) 6/2020 concerning Distribution of Physical Special Allocation Fund (DAK) on Health and Health Operational Assistance (BOK) in the framework of Prevention and/or Handling of COVID-19;


IV. Government Regulation Number 23 of 2020 for Implementation of the National Economic Recovery Program in the Context of Supporting State Financial Policies for Handling Corona Virus Disease 2019 (COVID-19) and / or Facing Threats that Harm Nation

Source: Coordinating Ministry for Economic Affairs
Fiscal Incentives:
Super Deduction For Research & Development

The Government developing a super deduction tax scheme to provide businesses with incentives to conduct research and development in the hopes of spurring innovation

**Object**
Certain R&D activities in Indonesia, the costs of which are charged within a certain period.

**Subject**
Domestic coIDRorate taxpayers who carry out certain research and development (R&D) activities in Indonesia.

**Amount of facilities (proposed)**

<table>
<thead>
<tr>
<th>Stages</th>
<th>RPMK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Cost</td>
<td>100%</td>
</tr>
<tr>
<td>Additional:</td>
<td></td>
</tr>
<tr>
<td>- Commercialisation</td>
<td>100%</td>
</tr>
<tr>
<td>- Registration of Intellectual Property Rights (IPR) in the form of Patents or Plant Variety Protection Rights (PVT) in the country</td>
<td>50%</td>
</tr>
<tr>
<td>- Registration of IPR abroad / product innovation</td>
<td>25%</td>
</tr>
<tr>
<td>- Collaboration with government / private R&amp;D institutions</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>300%</td>
</tr>
</tbody>
</table>


Article 35:
Matters that have not been sufficiently regulated by law are further regulated by Government Regulation

Law No. 45/2019

Article 29C:
- Facility for reducing gross income for domestic taxpayers conducting certain research and development activities in Indonesia
- The maximum gross income reduction facility is 300% of the cost
- Further arrangements through technical regulations

Technical Regulations (RPMK)

In the process of coordinating the drafting of the Minister of Finance Regulation (IDRMK) with the Ministry of Finance, the Ministry of Research and Technology, and the Ministry of Industry

Source: Coordinating Ministry for Economic Affairs
National Economic Recovery Strategy Through Import Substitution Program (35% Reduction) in 2022

INDUSTRIAL CONDITIONS

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

SECTORS FOCUS

- Food and Beverage
- Textiles and Clothing
- Automotive
- Chemical
- Electronic
- Pharmacy
- Medical Devices

STRATEGIC STEPS

Import Reduction through Import Substitution in Industries with Large Import Value

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

Encouraging the Deepening of Industrial Structure

- Increasing Production Utilisation of All Manufacturing Industry Sectors

Increase in Investment and Absorption of New Workers

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

Source: Ministry of Industry
Medium-Term National Development Plan (RPJMN) 2020-2024

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

<table>
<thead>
<tr>
<th>President’s Missions</th>
<th>Top 5 Presidential Priorities</th>
<th>7 RPJMN Development Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving the Quality of the Indonesian Labour Force</td>
<td>1. HR Development</td>
<td>Strengthening Economic Resilience to Achieve Superior Economic Growth</td>
</tr>
<tr>
<td>4. Achieving Sustainable Environmental Climate</td>
<td>4. Simplification of Bureaucracy</td>
<td>Engaging in Mental Revolution and Culture Development</td>
</tr>
<tr>
<td>5. Developing Cultural Progress Reflecting the Nation's Personality</td>
<td></td>
<td>Strengthening Infrastructure to Support Economic Development and Improve Basic Services</td>
</tr>
<tr>
<td>6. Developing a Dignified and Trustworthy Legal System Free from Corruption</td>
<td></td>
<td>Conservation of Environment, Supporting Climate Change, and Enhancing Disaster Resilience</td>
</tr>
<tr>
<td>7. Protection of All Nations and Provision of Security to All Citizens</td>
<td></td>
<td>Enhancing Political, Legal, Defense and Stability and Transforming Public Services</td>
</tr>
<tr>
<td>8. Attaining Good, Effective, and Reliable Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Achieving Synergy of Governmental Framework with the Regional Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Simplifying Regulations through Omnibus Laws
Omnibus Laws Group a Diverse Range of Issues into Legislation, Aimed at Creating Jobs and Empowering SMEs.

Omnibus Law Priority Sectors

- Taxes
- Labour
- Financial Sector

6 Pillars of Omnibus Law Perpajakan (Taxation)

1) Investment Funding
2) Territorial System
3) Personal Taxpayer
4) Taxpayer Compliance
5) Equity of Business
6) Taxation Facility

11 Clusters of Omnibus Law Cipta Lapangan Kerja (Job Creation)

1) Simplification of Licensing
2) Investment Requirements
3) Employment
4) Ease, Empowerment and Protection of MSMEs
5) Ease of Doing Business
6) Research and Innovation Support
7) Government Administration
8) Imposition of Sanctions
9) Land Acquisition
10) Government Investment and Projects
11) Economic Zone

- Following the inauguration of his second presidential term in October 2019, President Joko Widodo announced his administration’s plans to continue regulatory reform by focusing on initiatives such as developing a dynamic and qualified workforce, promoting industry cooperation through technology, further enhancing infrastructure development and economic reform as well as simplifying regulations and bureaucracy.
- To achieve such ends, President Widodo’s Government subsequently prepared three bills of omnibus laws, namely an omnibus bill on job creation, an omnibus bill on development and strengthening the financial sector and an omnibus bill on tax provision.
- Omnibus laws refer to laws that group diverse and unrelated issues which are drawn into a bill which is accepted in a single vote by a legislature.

1Under discussion
Source: Coordinating Ministry for Economic Affairs
The Economic Policy Packages

*To improve national industry competitiveness, export and investment to generate significant economic growth*

<table>
<thead>
<tr>
<th>Harmonizing Regulations</th>
<th>Simplifying Bureaucratic Process</th>
<th>Ensuring Law Enforceability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase I (9 Sept ’15)</strong></td>
<td></td>
<td></td>
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<tr>
<td>Improving national industry competitiveness</td>
<td></td>
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<tr>
<td><strong>Phase II (29 Sept ’15)</strong></td>
<td></td>
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<tr>
<td>Easing permit requirement and simplifying export proceeds requirement</td>
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<tr>
<td><strong>Phase III (7 Oct ’15)</strong></td>
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<tr>
<td>Financial services facilitation, export financing and elimination of business unnecessary burden</td>
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<tr>
<td><strong>Phase IV (15 Oct ’15)</strong></td>
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<tr>
<td>Social safety net and betterment of people welfare</td>
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<tr>
<td><strong>Phase V (22 Oct ’15)</strong></td>
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<tr>
<td>Improving industry and investment climate through tax incentives and deregulation on sharia banking</td>
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<tr>
<td><strong>Phase VI (5 Nov ’15)</strong></td>
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<tr>
<td>Stimulating economic activities in border areas and facilitating strategic commodities availability</td>
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<tr>
<td><strong>Phase VII (7 Dec ’15)</strong></td>
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<tr>
<td>Stimulating business activities in labor-intensive industries nation-wide through incentives in the form of accelerating land certification process for individuals</td>
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<tr>
<td><strong>Phase VIII (21 Dec ’15)</strong></td>
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<td></td>
</tr>
<tr>
<td>Resolving land acquisition disputes, intensifying domestic oil production, stimulating domestic parts and aviation industries</td>
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</tbody>
</table>

In addition to the 16 Policy Packages, on August 31, 2017 the Government has issued a Presidential Regulation No.91/2017 for enhancing business license service standard

Source: Coordinating Ministry for Economic Affairs
Enhancing Business License Service Standard
Presidential Regulation to Accelerate Ease of Doing Business has been launched

Policy Goals

1. Improve efficient, streamlined, & integrated business license service standards
2. Provide business licensing process assurance in terms of the costs and lead times
3. Accelerate the business licensing process
4. Increase coordination & synergy between central & regional government
5. Overcome the barriers to doing business in Indonesia
6. Implement integrated licensing process (single submission)

Main Policy

1st Phase
- Forming a Task Force to identify & overcome the end-to-end licensing barriers
- Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones
- Utilizing data sharing

2nd Phase
- Business license regulatory reforms
- Implementation of the Single Submission system

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

Source: Coordinating Ministry for Economic Affairs
**Improving Investment Climate**

**Online Single Submission (OSS) Has Been Launched...**

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

<table>
<thead>
<tr>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment &amp; Forestry Sector</td>
</tr>
<tr>
<td>Electricity Sector</td>
</tr>
<tr>
<td>Public Works &amp; Housing Sector</td>
</tr>
<tr>
<td>Health Sector</td>
</tr>
<tr>
<td>Industry Sector</td>
</tr>
<tr>
<td>Marine &amp; Fishery Sector</td>
</tr>
<tr>
<td>Medicine &amp; Food Sector</td>
</tr>
<tr>
<td>Transportation Sector</td>
</tr>
<tr>
<td>Trade Sector</td>
</tr>
<tr>
<td>Information &amp; Communication Sector</td>
</tr>
<tr>
<td>Other Sector</td>
</tr>
</tbody>
</table>

**The Advantage of Using OSS**

- Business licenses can be secured in under an hour
- Standardized business licenses are available
- Electronically integrated
- More practical
- Accessible at anytime and anywhere
- The whole licensing process is monitored by the Task Force

Source: Coordinating Ministry for Economic Affairs
(Pusat Logistik Berikat/PLB) is a facility provided by Ministry of Finance as part of the implementation of the 1st Economic Policy Package.

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

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

- Oil and gas, and mining industry
- Personal care/home care industry
- Synthethic textile (chemical substances) industry
- Food & beverages industry
- Automotive industry
- Textile (cotton) industry
- Heavy Equipment industry
- Defence industry
- Aircraft MRO industry
- Small and medium industry
Improving Investment Climate
...revising the Negative Investment List

Introduction of New Foreign Ownership Regulation for Strategic Sectors

Key Reforms in Negative Foreign Investment List

Revision of "Partnership" category to refer to partnership with Micro, Small and Medium Enterprises (MSMEs)

Grandfather Law: If a particular sector is tightened in future, existing foreign investor does not need to comply with tighter stake

Strengthen implementation of negative investment law through active roles from ministries, agencies and regional governments

1 For total project value of IDR10bn and above

Source: Investment Coordinating Board (BKPM)
## Investment Realization (Q2-2020)

### Direct Investments

<table>
<thead>
<tr>
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<td>TOTAL</td>
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</tbody>
</table>

### Top 8 FDI Realization by Sectors (Q2-2020 vs Q2-2019)

- **Metal, Except Machinery, and Equipment Industry**
  - Q2-2020: US$1,326.8 mn (↑ 54.7%)
  - Q2-2019: US$526.2 mn
- **Electricity, Gas, and Water Supply**
  - Q2-2020: US$1,463.1 mn (↑ 8.3%)
  - Q2-2019: US$1,326.8 mn
- **Food Industry**
  - Q2-2020: US$504.3 mn (↑ 55.9%)
  - Q2-2019: US$320.2 mn
- **Transportation, Warehouse, and Telecommunication**
  - Q2-2020: US$648.5 mn (↑ 41.8%)
  - Q2-2019: US$458.3 mn
- **Chemical and Pharmaceutical Industry**
  - Q2-2020: US$346.5 mn (↑ 15.3%)
  - Q2-2019: US$298.3 mn
- **Mining**
  - Q2-2020: US$391.6 mn (↑ 41.8%)
  - Q2-2019: US$273.9 mn
- **Housing, Industrial Estate, and Office Building**
  - Q2-2020: US$1,463.1 mn (↑ 8.3%)
  - Q2-2019: US$1,326.8 mn
- **Other Services**
  - Q2-2020: US$263.4 mn (↑ 23.5%)
  - Q2-2019: US$214.3 mn

**Source:** Investment Coordinating Board (BKPM), compared to Q2-2019 period
**1st Semester 2020 Investment Realization**
(excluding the upstream oil and gas sector and financial services)

**2020 INVESTMENT REALIZATION TARGET**

- **IDR817.2 T**

**Investment Realization (1st Semester 2020)**

- **IDR402.6 T**

- **49.3%**

**2020 INVESTMENT REALIZATION TARGET**

- **IDR817.2 T**

**Domestic Investment (PDMN)**

- **IDR207.0 T**
- **51.4%**

**Foreign Investment (PMA)**

- **IDR195.6 T**
- **48.6%**

**Indonesian Workers’ Absorption**

- **(1st Quarter 2020)**
  - 303,085

- **(2nd Quarter 2020)**
  - 263,109

Source: Investment Coordinating Board of the Republic of Indonesia
1st Semester 2020 Investment Realization Development (excluding the upstream oil and gas sector and financial services)

Top 5 Investors (by country) (in USD million)

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>4,673.4</td>
</tr>
<tr>
<td>China</td>
<td>2,426.5</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1,797.1</td>
</tr>
<tr>
<td>Japan</td>
<td>1,213</td>
</tr>
<tr>
<td>Malaysia</td>
<td>795.6</td>
</tr>
<tr>
<td>Others</td>
<td>2,677.6</td>
</tr>
</tbody>
</table>

Source: Investment Coordinating Board of the Republic of Indonesia
Potential Investment Realization Reaches IDR 708 T

Companies that had been facilitated:

- IDR 211.9T (Rosneft)
- IDR 39.2T (VALE)
- IDR 21.7T (HYUNDAI)
- IDR 9.5T (Nindya)
- IDR 2.0T (Galempa Sejahtera Bersama)
- IDR 1.8T (PT Sumber Mutiara Indah Perdana (SMIP))
- IDR 1.1T (Malindo)
- IDR 61.2T (Lotte Chemical)
- IDR 38.0T (YTL Power (Tanjung Jati Power))
- IDR 14.0T (Kobexindo)
- IDR 5.2T (Bengkulu Electric Power)
- IDR 1.8T (Masdar)
- IDR 1.8T (Minahasa Cahaya Lestari)
- IDR 1.4T (Others)

Solving stalled investment issues is one strategy to attract investors.

Potential Investment Realization

±Rp 410 T

(58%)

The potential value facilitated

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

Source: Investment Coordinating Board of the Republic of Indonesia
Strategy to Maintain Investment Climate During COVID-19 Pandemic

1. Investment inquiries facilitation of existing operating companies
2. Investment potential facilitation from existing companies not yet been executed
3. Bring in new investments
4. Providing incentives for existing companies’ expansion

Source: Investment Coordinating Board of the Republic of Indonesia
## Investment Realization Facilitation Services During COVID-19 Pandemic

<table>
<thead>
<tr>
<th>1</th>
<th><strong>Companies Operation Support</strong>&lt;br&gt;Optimizing facilitation for companies that accelerate the development and operation of business activities through the issuance of letters of support to companies while still observing the COVID-19 protocol.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td><strong>Visa Recommendations for Company Leaders</strong>&lt;br&gt;Providing Visa recommendations for foreign companies’ leader visit to related to their industry exploration /relocation and company operations. Including to obtain an entry permit / visit visa during large scale social restriction (PSBB).</td>
</tr>
<tr>
<td>3</td>
<td><strong>Visa recommendations for foreign skilled workers</strong>&lt;br&gt;Providing Visa recommendations for foreign skilled workers who will enter the country related to their investment realization / implementation</td>
</tr>
<tr>
<td>4</td>
<td><strong>Escorting Existing Investment Realization</strong>&lt;br&gt;Conduct visits to companies (for example visiting Hyundai and Bonded Zone) to spur existing investment in addition to fiscal incentive facilitation</td>
</tr>
<tr>
<td>5</td>
<td><strong>Optimization of Business Licensing Services</strong>&lt;br&gt;BKPM continues to provide business licensing services amid the COVID-19 Pandemic. The average business license issued during the pandemic both online and offline is 4000-5000 permits per day.</td>
</tr>
</tbody>
</table>

*Source: Investment Coordinating Board of the Republic of Indonesia (BKPM)*
Section 2

Economic Factor:
Stable Growth Prospects
Amid Temporary Moderation
Conducive Environment
Underpinning Stable Growth Fundamentals Amid Temporary Moderation

Large and Stable Economy
- Largest Economy in South East Asia
- 4th Most Populous country in the World; 64% in productive age
- Manageable Inflation Rate
- Rising Middle Class and Affluent Customers
- From commodity-based to manufacturing and service sectors via infrastructure development
- From consumption-led to investment-led growth via a stronger manufacturing sector and more investment initiatives
- Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening macroeconomic conditions

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

Reform-Oriented Administration

New Economic Structure

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

**Strong GDP Growth**

- Indonesia’s economy contracted 5.32% (yoy) in Q2/2020 period after expanding 2.97% (yoy) in Q1/2020. The recent contraction is consistent with global economic weaknesses stemming from the COVID-19 pandemic as well as containment measures in the form of large-scale social restrictions to break the domestic chain of transmission. Through its policy mix, Bank Indonesia will continue to strengthen synergy with the Government and other relevant authorities in order to ensure the effectiveness of various policies implemented to build economic recovery momentum.

- Domestic economic growth has declined across all GDP components from the expenditure side. Household consumption contracted 5.51% (yoy) compared with positive 2.83% (yoy) in the first quarter of 2020. Likewise, investment posted an 8.61% (yoy) contraction, down from 1.70% (yoy) in the previous period. Muted government stimuli in line with seasonal trends have also fed through to a 6.90% (yoy) contraction of government consumption, falling steeply from 3.75% (yoy) in the first quarter of 2020. In addition, exports experienced an 11.66% (yoy) contraction in the reporting period due to the shrinking global economy and sliding international commodity prices. Mirroring domestic demand and exports, imports recorded a 16.96% (yoy) contraction in the reporting period.

- All economic sectors experienced a contraction in the second quarter of 2020, excluding Information and Communications; Water Supply; Health, Education and Financial Services; as well as Agriculture. Economic moderation has primarily been driven by Transportation and Storage, Trade and Accommodation, as well as Manufacturing. In contrast, the Information and Communications sector posted stronger growth in line with greater uptake of digital media in response to Work From Home (WFH) and School From Home (SFH) protocols. Furthermore, the Agricultural sector has been boosted by the ongoing harvesting season.

**Favourable GDP Growth Compared to Peers**

- The chart illustrates Indonesia’s GDP growth performance relative to its peers over the past decade. Indonesia has generally experienced positive GDP growth rates, although there have been fluctuations. In recent years, Indonesia’s GDP growth has been lower compared to some of its peers, reflecting the economic challenges faced due to the pandemic and global economic conditions.

**Growth Prospect**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>2020 GDP growth (%YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Budget (Presidential Regulation 72/2020)</td>
<td>-0.4, 1.0</td>
</tr>
<tr>
<td>Bank Indonesia</td>
<td>0.9, 1.9</td>
</tr>
<tr>
<td>IMF (WEO June 2020)</td>
<td>-0.3</td>
</tr>
<tr>
<td>World Bank (GEP June 2020)</td>
<td>0.0</td>
</tr>
<tr>
<td>ADB (ADOS June 2020)</td>
<td>-1.0</td>
</tr>
<tr>
<td>Consensus Forecast (September 2020)</td>
<td>-1.9</td>
</tr>
</tbody>
</table>

1. Source: Central Bureau of Statistics of Indonesia (BPS), ** Including non-profit household consumption
2. Source: World Economic Outlook Database – April 2020; * indicates estimated figure
## GDP Growth Breakdown

### GDP Growth Based on Expenditures (% YoY)\(^1\)

<table>
<thead>
<tr>
<th>By expenditure</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Tot.</td>
<td>Q1</td>
</tr>
<tr>
<td>HH. Consumption</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Non profit HH.</td>
<td>(8.1)</td>
<td>(8.0)</td>
<td>6.6</td>
<td>8.3</td>
<td>(0.6)</td>
<td>6.4</td>
</tr>
<tr>
<td>consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>2.9</td>
<td>2.6</td>
<td>7.1</td>
<td>7.1</td>
<td>5.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Gross Fixed Cap.</td>
<td>4.6</td>
<td>4.0</td>
<td>4.9</td>
<td>6.4</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Gross Fixed Cap.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>(0.6)</td>
<td>(0.3)</td>
<td>(1.0)</td>
<td>(0.4)</td>
<td>(2.1)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Imports</td>
<td>(2.6)</td>
<td>(7.1)</td>
<td>(6.5)</td>
<td>(8.6)</td>
<td>(6.2)</td>
<td>(5.0)</td>
</tr>
</tbody>
</table>

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

### GDP Growth by Sector (% YoY)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Tot.</td>
<td>Q1</td>
</tr>
<tr>
<td>Agriculture, forestry, and fishery</td>
<td>3.7</td>
<td>6.5</td>
<td>2.9</td>
<td>1.6</td>
<td>3.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>0.6</td>
<td>(3.6)</td>
<td>(4.4)</td>
<td>(6.0)</td>
<td>(3.4)</td>
<td>1.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.1</td>
<td>4.2</td>
<td>4.6</td>
<td>4.4</td>
<td>4.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Construction</td>
<td>6.0</td>
<td>5.4</td>
<td>6.8</td>
<td>7.1</td>
<td>6.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Wholesale and Retail Trade, Repair of Car and Motorcycle</td>
<td>3.8</td>
<td>1.6</td>
<td>1.4</td>
<td>3.5</td>
<td>2.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>6.3</td>
<td>6.0</td>
<td>7.0</td>
<td>7.5</td>
<td>6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Information and communication</td>
<td>9.7</td>
<td>9.3</td>
<td>10.6</td>
<td>9.2</td>
<td>9.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Financial service</td>
<td>8.6</td>
<td>2.6</td>
<td>10.3</td>
<td>12.8</td>
<td>8.6</td>
<td>9.3</td>
</tr>
<tr>
<td>Other Services*</td>
<td>5.1</td>
<td>6.5</td>
<td>4.8</td>
<td>5.5</td>
<td>5.4</td>
<td>6.0</td>
</tr>
</tbody>
</table>

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

GDP | 4.8  | 4.7  | 4.8  | 5.2  | 4.9  | 4.9  | 5.2  | 5.0  | 4.9  | 5.0  | 5.0  | 5.1  | 5.3  | 5.2  | 5.2  | 5.2  | 5.1  | 5.1  | 5.0  | 5.0  |

Source: Central Bureau of Statistics of Indonesia (BPS)
Majority of provinces recorded a negative growth with the deepest contraction in Java and Balinusra region. The only two provinces of Papua and West Papua grew positively.

The contraction in economic growth in various regions was influenced by lower domestic demand as a result of the large-scale social restrictions, amidst limited local Government fiscal stimulus. Nevertheless, a positive net exports recorded in several provinces on the back of positive growth in the mining sector.

A WIDESPREAD ECONOMIC GROWTH CONTRACTION IN THE SECOND QUARTER OF 2020

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
Section 3

External Factor: Improved External Resilience
External Sector Remains Resilient Supported by Adequate Reserves and Sound Balance of Payments

Balance Of Payment Remains Solid

Narrower Current Account Deficit

Official Reserve Assets Increased to Reinforce External Sector Resilience

Source: Bank Indonesia

* Preliminary Figure  ** Very Preliminary Figure
Source: BPS

Source: Bank Indonesia
Consistent with Bank Indonesia’s stabilisation measures, rupiah exchange rates have remained relatively stable despite intense currency pressures during August and September 2020. As of 16th September 2020, the rupiah had depreciated 1.58% (ptp) compared with the end of July 2020 or by 6.42% relative to the end of December 2019. The rupiah lost value in August and September 2020 due to heightened global financial market uncertainty stemming from global factors as well as several domestic risks. Moving forward, Bank Indonesia expects the rupiah to regain lost value as the currency is still fundamentally undervalued, supported by low and stable inflation, a narrow current account deficit, highly attractive domestic financial assets for investment as well as a lower risk premium in Indonesia. Bank Indonesia will continue to strengthen exchange rate stabilisation policy in line with the rupiah’s fundamental value and market mechanisms through effective monetary operations and by providing market liquidity.
## 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 July 2020: US$137.0 bn |

### Swap Arrangement

| Bilateral | Japan | ● Renewed a 3 year USD22.76 billion swap line with Japan on October 14th, 2018  
|           |       | ● The facility is available in USD and JPY |
|           | South Korea | ● Renewed a 3 year KRW / IDR swap arrangement with the size of up to KRW 10.7 trillion / IDR 115 trillion in March 2020 |
|           | Australia | ● Renewed a 3 year A$ / IDR swap arrangement of up to A$10 billion or IDR 100 trillion in August 2018 |
|           | Singapore | ● Renewed a one year SGD / IDR swap arrangement with a size up to USD10 billion (equivalent) in November 2019 |
|           | China | ● Renewed a 3 year swap arrangement and increased the size of swap line up to CNY 200 bn / USD 30 billion in November 2018 |
|           | Malaysia | ● Established a 3 year RM / IDR swap arrangement with a size up to USD2 billion (equivalent) in September 2019 |

| ASEAN Swap Arrangement (ASA) | ● Entitled to a maximum swap amount of USD600 million under ASA  
|                             | ● The first MoU on the ASA was signed in 1977 among 5 ASEAN Central Banks with total facility USD100 million  
|                             | ● Doubled to USD2 billion in 2005 |

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

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

Source: Bank Indonesia
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 serve 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)

Source: Ministry of Finance
Strengthened Private External Debt Risk Management

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Uruguay</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>Philippines</td>
<td>167</td>
<td>167</td>
<td>167</td>
<td>167</td>
<td>167</td>
</tr>
<tr>
<td>Indonesia</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Colombia</td>
<td>48.7</td>
<td>48.7</td>
<td>48.7</td>
<td>48.7</td>
<td>48.7</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>56.6</td>
<td>56.6</td>
<td>56.6</td>
<td>56.6</td>
<td>56.6</td>
</tr>
</tbody>
</table>

Source: Moody's Credit View Fundamental Data, July 2020

Regulation on Prudential Principle in Managing External Debt

<table>
<thead>
<tr>
<th>Regulation Key Points</th>
<th>Phase 1 Jan 1,2015 - Dec 31,2015</th>
<th>Phase 2 Jan 1,2016 - Dec 31,2016</th>
<th>Phase 3 Jan 1, 2017 &amp; beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Object of Regulation</strong></td>
<td>Governs all Foreign Currency Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hedging Ratio</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 3 months</td>
<td>20%*</td>
<td>25%,**</td>
<td></td>
</tr>
<tr>
<td>&gt; 3 – 6 months</td>
<td>20%*</td>
<td>25%,**</td>
<td></td>
</tr>
<tr>
<td>**Liquidity Ratio (≤ 3 months)</td>
<td>50%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td><strong>Credit Rating</strong></td>
<td>Not applicable</td>
<td>Minimum rating of BB-</td>
<td></td>
</tr>
<tr>
<td><strong>Hedging transaction to meet hedge ratio</strong></td>
<td>not necessarily be done with a bank in Indonesia</td>
<td>Must be done with a bank in Indonesia</td>
<td></td>
</tr>
<tr>
<td><strong>Sanction</strong></td>
<td>As of Q IV-2015</td>
<td>Applied</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank Indonesia

Encouraging Corporates Compliance on Hedging Ratio & Liquidity Ratio

Hedging Ratio*

<table>
<thead>
<tr>
<th>≤ 3 months</th>
<th>&gt; 3 - 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.260; 89.8%</td>
<td>2.351; 93.4%</td>
</tr>
</tbody>
</table>

Liquidity Ratio*

<table>
<thead>
<tr>
<th>≤ 3 months</th>
<th>&gt; 3 - 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.212; 87.8%</td>
<td>2.251; 93.9%</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia

*Data as of Q1 2020, with total population 2.518 corporates
Healthy External Debt Composition

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

External Debt Structure

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

External Debt to GDP Ratio & Debt to Export Ratio

Source: Bank Indonesia, External Debt Statistics of Indonesia, Aug 2020

* Provisional Figures  ** Very Provisional Figures
Manageable External Debt Profile

Short term non-bank corporate debt (non affiliation) represents only 9.2% of total private external debt.

**External Debt Position as of July 2020**

- **Public**
  - US$201.8bn or 49.3% of Total Ext. Debt
  - 75.6% of Private Ext. Debt

- **Long Term**
  - US$157.1bn or 75.6% of Private Ext. Debt
  - 36.5% of Total Ext. Debt

- **Private Bank**
  - US$18.5bn or 8.9% of Private Ext. Debt
  - 59.5% of Total Ext. Debt

- **Private Non-Bank**
  - US$32.3bn or 15.5% of Private Ext. Debt

- **Non Affiliation**
  - US$19.2bn or 9.2% of Private Ext. Debt

**Source:** External Debt Statistics of Indonesia, September 2020
Section 4

Fiscal Performance and Flexibility: The Design of Economic Recovery Program
Covid-19 Handling Focus In Indonesia
Pushing the economic stability with Protecting people’s health and saving lives, maintaining purchasing power, and business continuity

The policy measures for handling and recovering the economy are focused at improving the demand side, and many target vulnerable communities and MSMEs

**EXPORT – IMPORT SUPPORTS**

- Tax Incentives
- Customs and excise incentives
- Simplification & reduction of ber of import & export restrictions
- Accelerating the export-import process for Reputable Traders
- Improvement & acceleration of export-import services and supervision through the National Logistic Ecosystem (NLE)

**MAINTAIN THE PROUDCTIVITY**

- Tax Incentives
- Customs and excise incentives
- Providing leniency requirements of credit / financing / funding for MSMEs
- Providing payment relief for MSMEs
- Decreasing in benchmark interest rates
- Decreasing in Reserve Requirement

**MAINTAIN THE CONSUMPTIONS**

- Additional Groceries (basic food)
- Additional pre-work cards
- Electricity tariffs exemption
- Additional Family Hope Program (PKH) beneficiaries

Source: Ministry of Finance
The Government of Indonesia’s Relief Program Budget
To deal with health, social protection, and support of MSMEs, the business world, and local governments

<table>
<thead>
<tr>
<th>Social Protection</th>
<th>Business Incentives</th>
<th>Corporate Financing</th>
<th>Sectoral &amp; Regional Gov’t</th>
<th>SMEs</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDR203.90 T</td>
<td>IDR120.61 T</td>
<td>IDR53.57 T</td>
<td>IDR106.11 T</td>
<td>IDR123.46 T</td>
<td>IDR87.55 T</td>
</tr>
</tbody>
</table>

- **Social Protection**:
  - Conditional Cash Transfer Program IDR27.40 T
  - Basic Foods IDR43.60 T
  - Social Assistance - Jabodetabek IDR6.80 T
  - Social Assistance - Non - Jabodetabek IDR32.40 T
  - Pre-Working IDR20.00 T
  - Electricity Discount IDR6.90 T
  - Logistical / Foods / Basic Foods IDR25.00 T
  - Village Fund - Cash Transfer IDR31.80 T

- **Business Incentives**:
  - Government-Borne Income Tax IDR39.66 T
  - Income Tax Exemption on Import IDR14.75 T
  - Tax Deduction IDR14.40 T
  - VAT Return IDR5.80 T
  - Corporate IT Rate Reduction IDR20.00 T & Other Stimulus IDR26.00 T

- **Corporate Financing**:
  - Labor Intensive Fund Placement IDR3.42 T
  - State Equity Participation (PMN) IDR20.50 T
  - Working Capital Investment IDR29.65 T

- **Sectoral & Regional Gov’t**:
  - Line Ministries labor Intensive Program IDR18.44 T
  - Housing Incentives IDR1.30 T
  - Tourism IDR3.80 T
  - Regional Incentive Fund (DID) IDR5.00 T
  - Physical Special Allocation Fund Reserve IDR8.70 T
  - Regional Loan Facility IDR1.00 T & Diversification Reserve IDR58.87 T

- **SMEs**:
  - Interests Subsidy IDR35.28 T
  - Fund Placement IDR78.78 T
  - Guarantee Return IDR5.00 T
  - Working Capital Guarantee (Stop Loss) IDR1.00 T
  - Government-Borne Final Income Tax IDR2.40 T & Investment Financing to Cooperatives IDR1.00 T

- **Health**:
  - Expenditure for Covid-19 Handling IDR65.80 T
  - Incentives for Paramedic IDR5.90 T
  - Death Compensation IDR0.30 T
  - National Health Insurance Fee IDR3.00 T
  - Covid-19 Task Force IDR3.50 T & Tax Incentives in Health IDR9.05 T

**COVID-19 Handling Costs**
IDR695.2 T

Source: Ministry of Finance
National Economic Recovery Program (PEN)
Comprehensive coverage to mitigate the impact of COVID-19 on the economy

<table>
<thead>
<tr>
<th>Demand Side</th>
<th>Supply Side</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IDR205.20 T</strong></td>
<td><strong>IDR402.45 T</strong></td>
</tr>
</tbody>
</table>

**Households**

**MSMEs**
Interest subsidy, Fund Placement for SMEs, Fee for Guarantee Services (IJP) expenditure, Tax incentive, Working Capital Guarantee (Stop Loss), Investment Financing to Cooperatives through Cooperatives and SMEs

**CORPORATION**
Fund Placement for labor intensive restructuring, State Equity Participation (PMA) and Debt Securities to State-Owned Asset Management Company, Tax Incentives, Labor Intensive program, Physical-Specific Allocation Fund reserve, Tourism Incentives

**SOEs**
State Equity Participation (PMA) and Working Capital Investment

**Regional Government**
Regional Incentive Funds For Economic Recovery, Loan to Regional Government

**Diversification Reserve**

PEN Funding IDR 607.65 T

Source: Ministry of Finance
Perppu 1/2020 (Converted To Law 2/2020) as A Legal Basis for Government
In Taking Quick and Extraordinary Steps in Overcoming the Impact of the Covid-19 Pandemic and National Economic Recovery

Extraordinary Government Policy

**Legal Basis**
Perppu 1/2020 concerning State Financial Policy and Financial System Stability for Handling Covid-19 Pandemic and / or in the framework of Facing Threats that Harm National Economy and/or Financial System Stability stipulated into Law 2/2020

**Undertaking Strategic Policies**
- **Refocusing and reallocation policies** by suspending non-priority activities, such as official travel and other activities that cannot be carried out in the Covid-19 period.
- **Providing stimulus**, both in the form of additional spending, tax incentives, and government investment for handling Covid-19 and the National Economic Recovery.

Source: Ministry of Finance
PROGRESS OF THE COVID-19 AND THE PEN PROGRAM
The PEN Realization Already Shows The Acceleration

Budget IDR695.2 T
- DIPA (formally allocated) IDR410.78 T
- Without DIPA IDR159.7T (Tax Incentives & Placement of Fund)
- On the process of DIPA IDR124.69 T

Realization: IDR265.76 T
(38.2% of ceiling)

PEN program budget disbursement:
- Health IDR20.32 T
- Social protection IDR135.23 T
- Sectoral K/L & Local Govt IDR22.81 T
- Business Incentive IDR27.61 T
- MSME IDR59.81 T
- Corporate financing: Provision of this program is based on the necessary circumstances

Strategies to improve budget execution
- Extension of various programs until December 2020;
- Speed up the process of proposing new program’s cluster;
- Redesign the programs to make them more effective;
- Streamline bureaucratic processes of the programs.
STRATEGY TO SPUR RECOVERY THROUGH FISCAL POLICIES

Q3 2020 is the key to avoid a recession; optimizing the role of government is important to stimulate the economy

1. **PEN PROGRAM EXECUTION & ACCELERATION**
   - The existing program that already has State Budget Allocation (DIPA) needs to be accelerated and the accuracy of targeting continues to be improved at the next stage of distribution.
   - The new program that data and delivery mechanism are available will be executed.
   - New proposed programs that are not supported by valid data, and require complex regulatory changes, should be diverted to existing implemented programs.

2. **STRENGTHENING GOVERNMENT CONSUMPTION (G)**
   Personnel spending as an instrument to encourage growth:
   - Accelerated disbursement of salaries
   - Acceleration spending to support new work patterns (WFH, WFS)
   - Reallocation to support the digitalization of the bureaucracy;
   - Shifting capex that is difficult to execute to a faster disbursement (aim to support the infrastructure for digitalizing public services).
   - Relaxation of goods and services procurement policies

3. **STRENGTHENING THE CONSUMPTION (C)**
   - STRATEGY → Accelerate social assistance spending
   - Modification of social protection spending THROUGH several options: increasing the amount and frequency, and extending period.
   - This can be done through the addition of a social protection program index that is relatively implementable (PKH, Basic Food Aid, Cash Transfer etc.)
NEW PROPOSAL FOR THE USE OF COVID-19 HANDLING COSTS
As the efforts to boost economic growth in the second semester

**Health**

1. Incentives for Medical and Non-Medical Personnel:
   - Incentives extension up to Dec 2020
   - Reward for Incentives for Medical and Non-Medical
2. Support for Hospitals by accelerating the procurement process for medical stuff and claim for hospitalization costs
3. New Normal Socialization
4. Covid-19 Vaccine Supplies

**Social Securities**

1. The utilization of food reserve/logistic fund
2. Social Security programs for middle income class
3. Extension period of Electricity bill Discount
4. Additional Electricity bill Discount

New proposals that have been budgeted:

1. Islamic Boarding School/Pesantren assistance for implementation of health protocols and online learning
2. Rice aid for Family Hope Program beneficiaries
3. Cash transfer IDR500K for 9Mio Basic Food beneficiaries and non PKH

**Sectoral & Regional Gov’t**

1. Support for MSMEs (IDR2.4Mio per recipient)
2. Support for worker affected by Covid-19 (IDR600K/month for 4 months for those who registered in BP Jamsostek with salaries below IDR5Mio)
3. Buying Local Product Program for supporting the MSMEs and cashback program for MSMEs’ consumers

Note:
The new proposal programs are funded by expansion reserves and unused government borne taxes

**Business Incentives**

1. Exemption from applying the minimum account provisions for customers with electricity consumption below the minimum account
2. Exemption from social, business and industrial customer expense / subscription fees
### 2020 BUDGET REALIZATION AS OF AUGUST 2020

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Realization of August 31</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
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<tr>
<td>Domestic Revenue</td>
<td>2164.7</td>
<td>1189.7</td>
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<tr>
<td>Taxation Revenue</td>
<td>1786.4</td>
<td>921.5</td>
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<tr>
<td>Tax Revenue</td>
<td>1577.6</td>
<td>802.5</td>
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<td>Custom and Excise</td>
<td>208.8</td>
<td>119.0</td>
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<tr>
<td>Non Tax Revenue</td>
<td>378.3</td>
<td>268.2</td>
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<tr>
<td>Grant</td>
<td>0.4</td>
<td>0.5</td>
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<tr>
<td><strong>Expenditure</strong></td>
<td>2461.1</td>
<td>1388.1</td>
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<tr>
<td>Central Government Expenditure</td>
<td>1634.3</td>
<td>857.5</td>
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<tr>
<td>Ministerial Expenditure</td>
<td>855.4</td>
<td>481.6</td>
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<tr>
<td>Non Ministerial Expenditure</td>
<td>778.9</td>
<td>375.9</td>
</tr>
<tr>
<td>Regional Transfer and Village Fund</td>
<td>826.8</td>
<td>530.6</td>
</tr>
<tr>
<td>Regional Transfer</td>
<td>756.8</td>
<td>488.4</td>
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<tr>
<td>Village Fund</td>
<td>70.0</td>
<td>42.2</td>
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<tr>
<td><strong>Primary Balance</strong></td>
<td>(20.1)</td>
<td>(25.5)</td>
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<tr>
<td>Surplus/(Deficit)</td>
<td>(296.0)</td>
<td>(197.9)</td>
</tr>
<tr>
<td>to GDP</td>
<td>(1.84)</td>
<td>(1.25)</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>296.0</td>
<td>280.6</td>
</tr>
</tbody>
</table>
ACCELERATING ECONOMIC RECOVERY AND STRENGTHENING REFORM

Expansive

Consolidative

EFFECTIVENESS OF CONTROLLING COVID-19
ACCELERATION ECONOMIC RESTORATION (PEN)
EXIT STRATEGY MIDDLE INCOME TRAP
ANTICIPATING UNCERTAINTY
FISCAL FLEXIBILITY (PRUDENT & SUSTAINABLE)

FISCAL POLICY DIRECTION IN 2021
Responding changes in economy, challenges, and support development targets
Macroeconomic Assumption and State Budget for 2021
Expansive-consolidative fiscal policy for the acceleration of Economic Recovery and strengthening the reforms

**DEVELOPMENT TARGET**
- **Poverty level**: 9.2 – 9.7%
- **Unemployment Rate**: 7.7 – 9.1%
- **GiNI Ratio**: 0.377 – 0.379
- **HDI**: 72.78-72.95

**MACRO ASSUMPTION**
- **Growth**: 5.0%
- **Inflation**: 3.0%
- **Exchange rates**: IDR14.600/USD
- **10-year Gov’t Bond**: 7.29%
- **ICP (Oil Price)**: US$45 per barrel
- **Oil Lifting**: 705 thousand barrel/day
- **Gas Lifting**: 1,007 thousand barrel (equal oil per day)

**STATE BUDGET 2021**

<table>
<thead>
<tr>
<th></th>
<th>In IDR trillion</th>
</tr>
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<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>1,743.6</td>
</tr>
<tr>
<td>Non tax Revenue</td>
<td>298.2</td>
</tr>
<tr>
<td>Grant</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>DEFICIT</strong></td>
<td>(1,006.4)</td>
</tr>
<tr>
<td><strong>FINANCING</strong></td>
<td>1,006.4</td>
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<tr>
<td><strong>EXPENDITURE</strong></td>
<td>2,750.0</td>
</tr>
<tr>
<td>Central Government Spending</td>
<td>1,954.5</td>
</tr>
<tr>
<td>Regional Transfer and Village Fund</td>
<td>795.5</td>
</tr>
</tbody>
</table>

**Macroeconomic Assumption and State Budget for 2021**
Expansive-consolidative fiscal policy for the acceleration of Economic Recovery and strengthening the reforms
ALLOCATIONS FOR CONTROLLING COVID-19 AND 2021 PEN
Gaining the momentum for economic recovery

*IDR356.5T

**HEALTH**
1. the COVID-19 vaccine
2. Immunization, Lab, R & D
3. Reserve BPJS Contribution Assistance for PBPU / BP

**MSME**
1. Regular KUR interest subsidy
2. Financing Support to MSME
3. Placement of funds in banking
4. Loss Limit Guarantee
5. PEN Financing Reserve

**CORPORATE FINANCE**
1. PMN to Guarantee Institution (LPEI)
2. PMN to SOEs carrying out assignments (HK, ITDC, Pelindo III, KIW)
3. Guarantee of backstop loss limit

**BUSINESS INCENTIVE**
1. Tax borne by the government
2. 22 Import Income Tax Exemption
3. Preliminary VAT refund

**SOCIAL PROTECTION**
1. PKH 10 million KPM
2. SEMBAKO Card 18.8 million KPM
3. Pre Work
4. Village Fund (BLT Desa and supporting BUMDes)
5. Cash Social Assistance 10 million KPM @ IDR 200 thousand for 6 months

**SECTORAL AND LOCAL GOV'T**
1. Tourism Support
2. Food security
3. ICT development
4. Loans to the regions
5. Industrial Area
6. PEN Expenditure Proposal
7. Labor intensive program

*) Temporary agreement on PEN budget allocation with additional PEN expenditure reserves of Rp15.8T
STRAategic Policy in 2021
Supporting the accelerated recovery and the economic transformation

1. **Education (IDR 550.0T)**
   - Strengthening the quality of education through increasing PISA scores and strengthening Early Childhood Education (PAUD) administration and increasing teacher competences.

2. **Health (IDR 169.7T)**

3. **Social Protection (IDR 421.7T)**
   - Supporting social protection reform → comprehensive social protection system based on the life cycle and anticipating the aging population.

4. **Infrastructure (IDR 413.8T)**
   - Provision of infrastructure for basic services, improving connectivity, and supporting economic recovery, and continuing pending priority programs.

5. **Food Securities (IDR 104.2T)**
   - Increase food production and support economic recovery through revitalizing the national food system and developing Food Estate.

6. **Tourism (IDR 15.7T)**
   - Encouraging the recovery of the tourism sector with a focus on 5 areas and developing a PPP scheme.

7. **ICT (IDR 29.6T)**
   - Optimizing the use of ICT to support and improve the quality of public services (efficiency, convenience and acceleration).
1. The global and domestic economy in 2021 will still be in uncertainty. Pandemic handling efforts and the availability of vaccines will determine the acceleration of economic recovery.

2. The 2021 State Budget deficit of 5.70 percent of GDP is aimed at maintaining the momentum of economic growth, as well as avoiding opportunity losses in encouraging the achievement of national development targets.

3. The 2021 State Budget will continue the expansionary-consolidative countercyclical policy by taking into account flexibility in responding to economic conditions and encouraging prudent and sustainable fiscal management.

State Budget Posture Amendment 2020
As a response to development needs for handling of pandemic COVID-19

The Law on State Finance (Law No.17 of 2003) stipulates that the budget deficit is limited to a maximum of 3% of GDP and the amount of Government debt is a maximum of 60% of GDP.

According to the Law (UU) No.20/2019, the budget deficit is 1.76%.

With extraordinary and very urgent conditions, the State Budget deficit policy exceeds the 3% limit, through the enactment of Perppu No.1 / 2020 (becoming Law No.2 / 2020). The magnitude of the 2023 state budget deficit will return a maximum of 3%.

Responding to the development needs of the Covid-19 pandemic handling and to maintain the economy and financial system stability, including running the National Economic Recovery Program (PEN).

Deficit 1.76%
Budget Deficit IDR 307,22 T

Deficit 6.34%
Changes
Budget Deficit IDR 1,039,22 T
Changes IDR 732,00 T ▲

Source: Ministry of Finance
Financing Strategy 2020
Opportunistic, Measured, and Prudent Financing Strategies to support State Revenue and Expenditure Budget (APBN) 2020 in accelerating the handling of COVID-19 and protecting the economy from the threat of crisis

1. Optimization of Debt and Non-Debt Financing Sources
   - Non-Debt Financing Sources
     - SAL
     - Government Endowment Fund Post
     - Fund sourced BLU

2. Flexibility of adding SBN
   - Upsize the issuance of Domestic SBN and Foreign Denominated SBN (USD10 - 12 billion) with regard to financial market conditions
   - Open opportunity for Private Placement requests from SOE/Institution ex. LPS, BPKH, and others

3. Prioritize SBN publishing through market mechanisms

4. Cash Loan Flexibility
   - Upsize Program Loans from Development Partners, both bilateral and multilateral, ex. World Bank, ADB, AFD, KfW, JICA, EDCF, and AIIB

5. Bank Indonesia support as a last resort / back stop financing source

Source: Ministry of Finance
Government Securities
For 2\textsuperscript{nd} Semester according to Presidential Regulation 72/2020

The government can issue SBN for financing the PEN program purchased by Bank Indonesia in the primary market (Article 21 PP 23/2020).

SKB between the Government & BI phase I has been agreed and carried out since the SBN auction April 21, 2020.

As of June 2020, BI's total purchases of IDR 30.3 T *)

*) exclude auction on June 30, 2020, which was part of the receipt of 2020 2\textsuperscript{nd} Semester financing

Phase II SKB has been signed, will be implemented in stages according to the real needs of financing

Plans for project foreign activities / 2020 in the amount of IDR29,5 T

• Project loan plans for 2\textsuperscript{nd} semester IDR24,2 T

Planned withdrawal of 2020 program loans totaling USD 7.3 billion.

• Withdrawal of 2\textsuperscript{nd} Semester program loans in the amount of eqv. USD5.5 billion.

With the purchase of SBN to BI through a private placement of IDR 397.56 T, the supply of SBN to the market in the Second Semester of around IDR 453 T is still quite reasonable:

Source: Ministry of Finance
Burden Sharing Scheme Between Ministry of Finance and Bank Indonesia
Based on Usage Group: Public Goods vs Non-Public Goods


IMPACT LOADS COVID-19
IDR903,46 T

Public Goods
IDR 397.56 T
- Health
  IDR 87.55 T
- Social Protection
  IDR 203.90 T
- Sectoral K/L, Local Govt
  IDR 106.11 T

Non-Public Goods
IDR 505.90 T
- Micro small and Medium Enterprises (MSME)
  IDR 123.46 T
- Corporation Non-MSME
  IDR 53.57 T
- Others
  IDR 328.87 T

Burden Sharing Scheme

1. Public Goods
   Covered by BI with rate based on BI Reverse repo 3M
   Issuance specifically to BI through private placement

2. Non-Public Goods:
   - MSME
   - Corporation Non-MSME
   Covered by Government with rate BI Reverse repo 3M minus 1%, and BI covered the remaining difference with market rate
   Issuance through market mechanism (auction, Green Shoe Option, Private Placement according to the SKB on April 16, 2020)

3. Non-Public Goods: Others
   Full Covered by Government amounting market rate
Government Securities Financing Realization (as of July 31, 2020)

- Dual-currency bonds issuance using SEC format amounted USD2 bn and EUR1 bn, settlement on January 14, 2020 (BI mid day exchange rate; 1 USD = 13,654 IDR & 1 EUR = 15,207.83 IDR)
- Global bonds issuance using SEC format amounted USD4.3 bn, settlement on April 15, 2020 (BI mid day exchange rate on April 15, 2020; 1 USD = 15,707 IDR)
- Global Sukuk issuance amounted USD2.5 bn on June 16, 2020, settlement on June 23, 2020 (BI mid day exchange rate on June 16, 2020; 1 USD = 14,265 IDR)
- Samurai bonds issuance using public offering amounted JPY100bn, settlement on July 8, 2020 (BI mid day exchange rate on July 2, 2020 : 1 JPY = 134.34 IDR)

Source: Ministry of Finance
Average incoming bid in 2020 = **IDR57.42 tn/auction** while average awarded bid in 2020 = **IDR14.86 tn/auction**
On January 7, 2020, the Republic of Indonesia priced a transaction comprising EUR1 bn and USD2 bn in senior unsecured notes.

**Issuer**
- Republic of Indonesia

**Issuer Rating**
- Baa2 Moody’s (Stable)
- BBB S&P (Stable)
- BBB Fitch (Stable)

**Exp. Issue Rating**
- Baa2 (Moody’s) / BBB (S&P) / BBB (Fitch)

**Issue**
- U.S. SEC-registered shelf takedown
- Fixed rate senior unsecured notes

**Aggregate Size**
- USD3,100 mm equiv.

<table>
<thead>
<tr>
<th>Maturity</th>
<th>EUR 7-year</th>
<th>USD 10-year</th>
<th>USD 30-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 14, 2027</td>
<td>February 14, 2030</td>
<td>February 14, 2050</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tranche Size</th>
<th>EUR1,000 mm</th>
<th>USD1,200 mm</th>
<th>USD800 mm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coupon</td>
<td>0.900% p.a. (ACT/ACT)</td>
<td>2.850% p.a. (30/360)</td>
<td>3.500% p.a. (30/360)</td>
</tr>
<tr>
<td>Reoffer Price</td>
<td>99.638%</td>
<td>99.737%</td>
<td>99.077%</td>
</tr>
<tr>
<td>Reoffer Yield</td>
<td>0.953% p.a.</td>
<td>2.880% p.a.</td>
<td>3.550% p.a.</td>
</tr>
<tr>
<td>Benchmark (Yield)</td>
<td>€MS (-0.077%)</td>
<td>DBR 02/15/27 (-0.446%)</td>
<td>UST10 (1.828%)</td>
</tr>
<tr>
<td>Spread to Benchmark</td>
<td>€MS + 103 bp</td>
<td>+ 105.2 bp</td>
<td>+ 123.9 bp</td>
</tr>
</tbody>
</table>

**Use of Proceeds**
- For general purposes, including to partially fund general financing requirements

**Transaction Highlights**
- Leveraged a brief market window of stability to price inside fair value levels by 1 bp for the EUR tranche and at a de minimis concession inside 1 bp for the 10- and 30-year USD tranches
- Record-low yields, spreads, and coupons by EUR and USD financing by the GoI in each tenor
- High-quality and price-insensitive demand allowed compression of 27 bp for the EUR tranche and 25 bp and 20 bp for the 10- and 30-year USD tranches, respectively
- Harnessed a particularly strong bid for duration to price benchmarks which prompted a rally in the long-end of Indonesia’s curve once the new bonds were freed to trade
On April 7, 2020, the Republic of Indonesia priced a transaction comprising USD4.3bn in senior unsecured notes. The Republic of Indonesia's (Baa2 Moody’s (Stable) BBB S&P (Stable) BBB Fitch (Stable)) Exp. Issue Rating was Baa2 Moody's / BBB S&P / BBB Fitch. The format was U.S. SEC registered senior unsecured fixed rate notes. The pricing date was April 6, 2020, and the settlement date was April 15, 2020. The aggregate size was USD4,300 mm. The tranche size was USD1,650 mm USD1,650 mm USD1,000 mm. The coupon (p.a.) was 3.850% 4.200% 4.450%. The reoffer price was 99.573 99.150 99.009. The reoffer yield (p.a.) was 3.900% 4.250% 4.500%. The listing was Singapore, Frankfurt Open Market. The law was New York. The use of proceeds was for general purposes of the Republic of Indonesia, including financing COVID-19 relief and recovery.

**Transaction Highlights**
- Net proceeds will be used for general purposes of the Republic, including financing COVID-19 relief and recovery efforts for the Republic to contain the virus and mitigate its impact on Indonesia.
- The Republic's fiscal policy amidst volatile market conditions includes support for healthcare, the social safety net, and small and medium enterprises.
- The debut 50-year offering on strong demand in the long end of the curve.
- The transaction is the largest global offering by the Republic and demonstrates the Republic’s ability to respond swiftly to markets and capture favorable issuance windows.

Source: Ministry of Finance
### Republic of Indonesia – USD0.75bn Green Sukuk Global & USD1.75bn Sukuk Global Bonds Issuance

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Republic of Indonesia</th>
</tr>
</thead>
</table>
| Issuer Rating | Baa2 Moody’s (Stabil)  
BBB S&P (Negative)  
BBB Fitch (Stabil) |
| Format | 144A / Reg S, Senior, Unsecure, Wakala US$ Trust Certificate (“Sukuk”) issued under a USD$2.5 billion Trust Certificated Issuance Programme |
| Pricing Date | June 16, 2020 |
| Settlement Date | June 23, 2020 |
| Aggregate Size | USD2.5bn |
| 5Y Green Sukuk | 10Y Sukuk USD | 30Y Sukuk USD |
| Maturity | June 23, 2025 | June 23, 2030 | June 23, 2050 |
| Tranche Size | USD0.75bn | USD1bn | USD0.75bn |
| Coupon | 2.3% Fixed | 2.8% Fixed | 3.8% Fixed |
| Reoffer Spread | UST +195.3bps | UST +204.7bps | UST +227.7bps |
| Others Details | USD200k/ik denoms, English/Indonesia Law |
| Listing | Singapore Stock Exchange and NASDAQ Dubai (dual listing) |

### Transaction Highlights
- Second ROI transaction priced since COVID-19 pandemic
- The transaction is the lowest ever 5-year and 10-year yield achieved by the Government across both conventional and Sukuk issuances in the US$ market.
- The transaction is the first ever 30 year Sukuk issuance by the Government with the lowest coupon ever of Global Sukuk issuance in the world and the largest ever 30 year Sukuk from Asia.
- The transaction has oversubscription of 6.7 times. With the size of orderbook, Government can press the pricing down by 70 bps from the initial price guidance (IPG) and well below its indicative fair value.
Republic of Indonesia - JPY100bn Samurai Bond

**Issuer**

<table>
<thead>
<tr>
<th>Republik of Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Rating</td>
</tr>
<tr>
<td>Format</td>
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<tr>
<td>Pricing Date</td>
</tr>
<tr>
<td>Settlement Date</td>
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<tr>
<td>Deal Size</td>
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<table>
<thead>
<tr>
<th>Maturity</th>
<th>3Y FXD</th>
<th>5Y FXD</th>
<th>7Y FXD</th>
<th>10Y FXD</th>
<th>20Y FXD</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 7, 2023</td>
<td>July 8, 2025</td>
<td>July 8, 2027</td>
<td>July 8, 2030</td>
<td>July 6, 2040</td>
<td></td>
</tr>
<tr>
<td>Tranche Size</td>
<td>JPY 50.7bn</td>
<td>JPY24.3bn</td>
<td>JPY10.1bn</td>
<td>JPY13.4bn</td>
<td>JPY1.5bn</td>
</tr>
<tr>
<td>Coupon</td>
<td>1.13%</td>
<td>1.35%</td>
<td>1.48%</td>
<td>1.59%</td>
<td>1.80%</td>
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<tr>
<td>Reoffer Spread</td>
<td>YSO+110bp</td>
<td>YSO+130bp</td>
<td>YSO+140bp</td>
<td>YSO+145bp</td>
<td>-</td>
</tr>
<tr>
<td>Lead Managers</td>
<td>Daiwa / MUMSS / Nomura / SMBC Nikko</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Transaction Highlights**

- First Sovereign Samurai issuance in 2020 and the first issue from Asian after the pandemic declaration and part of the proceeds will be allocated to various projects in response to COVID-19.
- RoI’s achievements of successful pricing of benchmark sized transaction while significantly reducing average premium over its US dollar secondary curve across tenor, contributed to encourage the market and proved strong presence of RoI as a leading Samurai bond issuer.
Disciplined and Sophisticated Debt Portfolio Management

**Stable Debt to GDP Ratio Over the Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR Tn</th>
<th>Government Debt / GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>24.74%</td>
<td>8.61%</td>
</tr>
<tr>
<td>2015</td>
<td>27.43%</td>
<td>8.52%</td>
</tr>
<tr>
<td>2016</td>
<td>28.33%</td>
<td>8.52%</td>
</tr>
<tr>
<td>2017</td>
<td>29.40%</td>
<td>8.37%</td>
</tr>
<tr>
<td>2018</td>
<td>29.81%</td>
<td>8.37%</td>
</tr>
<tr>
<td>2019*</td>
<td>30.18%</td>
<td>8.10%</td>
</tr>
<tr>
<td>August 2020**</td>
<td>34.53%</td>
<td>8.61%</td>
</tr>
</tbody>
</table>

Note: *) as of end of December 2019, **) Preliminary number using GDP assumption

**Weighted Average Debt Maturity of ~8.61 Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Aug-20</th>
</tr>
</thead>
</table>

**Prudent Fiscal Deficit**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Deficit (%GDP, RHS)</td>
<td>-2.2%</td>
<td>-2.6%</td>
<td>-2.5%</td>
<td>-2.5%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Sources:</td>
<td>Ministry of Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Well Diversified Across Different Currencies**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Aug-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDR</td>
<td>57%</td>
<td>59%</td>
<td>58%</td>
<td>62%</td>
<td>63%</td>
</tr>
<tr>
<td>USD</td>
<td>31%</td>
<td>29%</td>
<td>30%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>EUR</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>JPY</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>OTHER</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
Well Balanced Maturity Profile with Strong Resilience Against External Shocks

Declining Interest Rate Risks

Debt Maturity Profile

Upcoming Maturities (Next 5 Years)

Note: 1. *) as of end of December 2019, preliminary number and using GDP assumption
Source: Ministry of Finance
Ownership of IDR Tradable Central Government Securities
(as of August 31, 2020)

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.
Section 5

Commitment to Sustainability and Climate Change Mitigation
Commitment to Sustainability and Climate Change Mitigation
Republic of Indonesia’s Commitment to Sustainability Including Climate Change Mitigation

**Background**

**Commitment to Sustainability**

- Commitment to implement the United Nation’s ("UN") Sustainable Development Goals ("SDG") in order to achieve the 2030 development agenda introduced by the UN. Through Presidential Regulation No. 59/2017 relating to the implementation of SDGs in Indonesia, the National Development Planning Agency was instructed to present a roadmap to implement the SDGs.

**Forefront of Environmental Protection**

- Indonesia’s Environmental Law was enacted in 2009 based on the concept of sustainable development, prevention, precaution and a “polluter pays” principle. To better address environmental issues, the Ministry of Environment and the Ministry of Forestry were merged to become the Ministry of Environment and Forestry in October 2014.

**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.

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### Indonesia’s Environmental Commitment and Objectives

<table>
<thead>
<tr>
<th>Mitigation</th>
<th>Adaptation</th>
<th>Biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Focuses on reducing greenhouse gas emission through a National Determined Contribution with an unconditional reduction target of 29% by 2030 compared to the 2010 baseline. An additional 12% reduction is conditional on technology transfer, capacity building, results for payment and access to finance.</td>
<td>- Medium Term Development Plan 2020-2024 (RPJMN): reflects Indonesia’s strong commitment to shift to a low carbon development based approach to economic development and a more climate resilient path. Includes key priorities such as renewable energy and energy efficient development, forest conservation and reforestation, waste management, land intensification, food security as well as governance and institutionalization of investment and regulation.</td>
<td>- Indonesian Biodiversity Strategy and Action Plan 2015-2020: launched to provide an outline on how biodiversity could be utilized sustainably to improve economic and development opportunities.</td>
</tr>
<tr>
<td>- Environmental Fund Management Agency (BPLDH): established in October 2019 with the vision to create a trusted institution to attract national and international donors as well as effectively mobilize public and private fund in order to support protection programmes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Green Sukuk Report 2020, Bank Indonesia, Ministry of Finance
Indonesia’s Existing Green Bond and Sukuk Framework

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

1. **Use of proceeds of Green Bond and Green Sukuk**
   - Eligible Green Projects must fall into one of the nine eligible sectors

2. **Project Evaluation and Selection**
   - Review and approval process by Ministry of Finance and National Development Planning Agency

3. **Management of Proceeds Management - Ministry of Finance**
   - The Green Bond and Green Sukuk proceeds will be credited to a designated account of relevant ministries for funding exclusive projects as previously defined. Allocation is managed by Ministry of Finance.
   - **Line Ministries**
     - The line ministries utilizing the proceeds shall track, monitor and report to Ministry of Finance, on the environmental benefits of the Eligible Green Projects

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

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

Source: Indonesia’s Green Bond & Green Sukuk Framework
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

Source: Green Sukuk Issuance Allocation and Impact Report (February 2020)
Indonesia’s Green Initiatives: Financing Green Projects
Development of Indonesia’s Green Projects Financing

The Republic of Indonesia has issued two sovereign global Green Sukuk, consecutively in February 2018 and 2019, with the total amount of USD 2 Billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Issuance</td>
<td>USD 750 million</td>
<td>29% allocated to Green investors*</td>
</tr>
<tr>
<td></td>
<td>(or IDR 11.25 trillion)</td>
<td></td>
</tr>
<tr>
<td>2018 Issuance</td>
<td>USD 1.25 billion</td>
<td>29% allocated to Green investors*</td>
</tr>
<tr>
<td></td>
<td>(or IDR 16.75 trillion)</td>
<td></td>
</tr>
</tbody>
</table>

Each issuance comprised of:

- 51% refinancing existing projects
- 49% financing new projects

Allocation by Sector

- Renewable energy
- Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction
- Energy efficiency
- Waste and Waste to Energy Management
- Sustainable Transport

Managed by 3 Ministries:

- Ministry of Transportation
- Ministry of Energy and Mineral Resources
- Ministry of Public Works and Housing.

Indonesia has continued to develop the Green market through the introduction of the first Retail Green Sukuk in the world (Savings Retail Sukuk, ST006) in November 2019. The ST006 is an investment instrument based on Sharia principles issued and sold to individual Indonesian citizens in the domestic market with an online platform. Allocation and impact of the Retail Green Sukuk is not included in the Green Sukuk Issuance Allocation and Impact Report issued in February 2020.

Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC.

Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the spent amount on each project.

*These statistics are based on the HSBC’s in house assessment of investor ESG/SRI appetite and sophistication, which is developed from Market Intelligence and our own understanding from client conversations. A green classification is assigned to investors taking into account whether they have Green/SRI fund and/or strategy, whether they are signatories of a variety of SRI initiatives and with awareness to their broader activities/ public announcements in the SRI market. Classifications evolve over time.
Indonesia’s Green Initiatives: Projected Environmental Benefits

Environmental Benefits Arising from Indonesia’s Green Sukuk Issuance

3,218,014.41 tonnes
CO2e emissions reduced, towards a low carbon future

691.4 km
of railway constructed, linking the nation

7,429 kWh
of additional power generation capacity

2,056,200
of households benefitting from improved waste management

Source: Green Sukuk Issuance Allocation and Impact Report (February 2020)
Tangible Results from Indonesia’s Green Sukuk Initiatives
Green Projects Refinanced and Financed with Proceeds from Indonesia’s Green Sukuk Issuance

**Renewable Energy**
- Locations: Across the country
- Amount Committed to Finance 2019 Projects: USD4.31 mil
- Amount Committed to Refinance 2017 Projects: USD39.62 mil
- Target Impact / Emissions Reduction (2017): 134,872.41 tonnes of CO2e
- Project Examples Financed / Refinanced:
  - Planning, Development and Supervision of New, Renewable Energy and Energy Conservation Infrastructure (Refinancing and Financing)
  - Construction of new and renewable energy infrastructure, with a focus on areas outside current electricity coverage. The project aims to improve the electrification ratio in off-grid areas across the country. Power generation is sourced from solar, mini hydro, and micro hydro power plants*.
  - Locations spread across 19 provinces in 2017 (Refinancing) and the 2019 development of such infrastructure are spread across all provinces (Financing)

**Resilience to Climate Change**
- Locations: Across the country
- Amount Committed to Finance 2019 Projects: USD96.57 mil
- Amount Committed to Refinance 2017 Projects: -
- Target Impact / Emissions Reduction (2017): -
- Project Examples Financed / Refinanced:
  - Construction of Flood Control Facilities (Financing)
  - Construction of retention ponds/polders, flood canals, dikes, checkdam, and river maintenance and normalization. It aims to reduce the risk of flooding due to increased rainfall intensity and land use changes.
  - Locations: West Java, Central Java, Yogyakarta, North Sumatera, West Sumatera, South Sulawesi, Maluku, Bali

**Waste and Waste to Energy Management**
- Locations: Across the country
- Amount Committed to Finance 2019 Projects: USD10.83 mil
- Amount Committed to Refinance 2017 Projects: USD63.13 mil
- Target Impact / Emissions Reduction (2017): In order to achieve 48,000,000 tonnes target set in RAN-GRK
- Project Examples Financed / Refinanced:
  - Improvement of Municipal Solid Waste Management System (Refinancing)
  - Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal sites.
    Locations: All provinces except East Kalimantan
  - Improvement of Municipal Solid Waste Management System (Financing)
  - Improvement of basic waste management infrastructure services through the development of city, regional and special area-scale of final disposal site.
    Locations spread across 11 provinces

*Micro-hydro is of <100 kW and mini-hydro is of 100 kW-10 MW
Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC.
Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the amount spent on each project.
Tangible Results from Indonesia’s Green Sukuk Initiatives (Cont’d)
Green Projects Refinanced and Financed with Proceeds from Indonesia’s Green Sukuk Issuance

Proceeds from Indonesia’s Green Sukuk Initiative has been Successfully Deployed to a Range of Eligible Green Projects

**Sustainable Transport**

- **Locations**: Jakarta, Sumatera, Java

- **Amount Committed to Finance 2019 Projects**: USD288.77 mil

- **Amount Committed to Refinance 2017 Projects**: USD77.95 mil

- **Target Impact / Emissions Reduction (2017)**: 1,543,000 tonnes of CO2e

- **Project Examples Financed / Refinanced in 2019**
  - Development of Jabodetabek Urban Train (Refinancing)
    - Construction of double-double track of the Jabodetabek urban railway network.
    - Locations: Jabodetabek (Jakarta, Bogor, Depok, Tangerang, Bekasi)
  - Construction and Management of Railways Infrastructure and Supporting Facilities in Sumatera (Refinancing and Financing)
    - Construction of the Trans Sumatera Railway from Aceh to Lampung province. The Trans Sumatera Railway causes a mode shift from road transport to rail transport and logistics.
    - Locations: Aceh, North Sumatera, West Sumatera and South Sumatera
  - **Energy Efficiency**
    - **Locations**: Across the country

- **Amount Committed to Refinance 2017 Projects**: USD202.72 mil

- **Target Impact / Emissions Reduction (2017)**: 355,394 tonnes of CO2e

- **Project Examples Financed / Refinanced in 2019**
  - Installation of Navigation Facilities (Refinancing)
    - Construction, rehabilitation and replacement of marine navigation aids and the installation of solar cells to power marine navigation aids. The shift towards solar powered marine navigation aids reduces the use of fossil-fuel sources of power.
    - Locations: spread across 21 provinces in 2017
  - Improvement of Land Transportation Traffic Management System (Refinancing)
    - Installation of road traffic equipment such as traffic signs, area traffic control systems (ATCS) and navigation aids for river and take crossings (SBNP) with energy-saving sensors.
    - Locations: Jakarta, West Java, Central Java, Yogyakarta, East Java
  - Construction, Rehabilitation and Maintenance of Airport Infra-structures (Refinancing)
    - The installation of solar-powered street lights and solar power plants. It improves the energy efficiency of airports and ensure electricity is sourced from renewable sources.
    - Locations: spread across 30 provinces in 2017

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Note: Information extracted from Green Sukuk Issuance Allocation and Impact Report (February 2020), and subject to change and assurance from PwC. Projects were financed in Indonesian Rupiahs and the currency exchange rate based on the State Budget Assumption for 2019 budget year of IDR 15,000 per USD was used to re-calculate the spent amount on each project.
Section 6

Monetary and Financial Factor: Credible Monetary Policy Track Record and Favourable Financial Sector
Bank Indonesia’s Policy Mix
To Maintain Macroeconomic and Financial System Stability

- Accommodative monetary policy consistent with controlled inflation in the target corridor, while serving as a pre-emptive measure to maintain domestic economic growth momentum
- Stabilize exchange rate consistent with fundamentals
- Optimize monetary operations in order to ensure market mechanisms and adequate liquidity in the money and foreign exchange markets

- Implementing Macro prudential Intermediation Ratio (RIM)
- Implementing Macro prudential Liquidity Buffer (MLB)
- Electronification: Social program, e-payment for Government
- Financial technology
- National Payment Gateway (NPG)
- QRIS (QR Indonesia Standard)
- Expanding National Clearing System (SKNBI) services

- Developing market instruments for financing infrastructure
- Developing financial market infrastructures
- Rupiah Interest Rate Swaps (IRS) and Overnight Index Swap (OIS)
- Domestic non-Deliverable Forward (DNDF)
- Developing the Commercial Papers (Surat Berharga Komersial)

Source: Bank Indonesia
The BI Board of Governors agreed on 16th and 17th September 2020 to hold the BI 7-Day Reverse Repo Rate at 4.00%, while also maintaining the Deposit Facility (DF) and Lending Facility (LF) rates at 3.25% and 4.75%.

- Holds BI 7-Day Reverse Repo Rate (BI 7DRR) at 4.00%.
- Focusing on the quantity channel by providing liquidity to stimulate economic recovery from the COVID-19, including BI supporting for the Government in accelerating state budget realization in 2020.
- Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms.
- Strengthening monetary operations strategy in order to accelerate monetary policy transmission and extending the 50bps lower on rupiah reserve requirements, as an incentive for banks disbursing loans to small and medium enterprises (SMEs) and for export-import activity as well as to non-SMEs operating in priority sectors as stipulated in the national economic recovery program, from 31st Dec’ 20 previously until 30th Jun’ 21.
- Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program; and
- Expanding QRIS acceptance in order to bolster the economic recovery and accelerate SME development by extending the 0% Merchant Discount Rate (MDR) for micro-businesses from 30th Sept’ 20 previously until 31st Dec’ 20.

Source: Bank Indonesia
Strengthened Monetary Expansion and Fiscal Synergy

PRINCIPLES OF FUNDING AND BURDEN SHARING

- Bank Indonesia continues to strengthen synergic monetary expansion through the acceleration of fiscal stimuli by the Government to drive the national economic recovery. Bank Indonesia continues its commitment to funding the 2020 state budget through SBN purchases in the primary market in accordance with Act No. 2 of 2020 through market mechanisms and private placements as part of the efforts to accelerate the national economic recovery program, while maintaining macroeconomic stability.

- As of 15th September 2020, Bank Indonesia had purchased Rp48.03 trillion of SBN in the primary market through mechanisms pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 16th April 2020, through auction schemes, greenshoe options (GSO) and private placements.

- Funding realisation and burden sharing to fund Public Goods in the State Budget by Bank Indonesia through private placements based on the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020 currently stand at Rp99.08 trillion.

- Through Bank Indonesia’s commitment to purchase SBN in the primary market, the Government can focus on accelerating state budget realisation in order to stimulate national economic recovery.

- In addition, Bank Indonesia has also realised burden sharing with the Government to fund Non-public Goods-SME totalling Rp44.38 trillion in accordance with the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020.
### Strengthening Bank Indonesia’s Policy Mix to Mitigate COVID-19

**BGM 19-20 FEB, 2 MARCH, AND 18-19 MARCH 2020**

| 1. | Lower BI7DRR by 25 bps in February to 4.75%, and other 25 bps in March to 4.50% |
| 2. | Lower a 50bps of daily rupiah reserve requirement (RR) for the banks engaged in export-import financing, and expanding rupiah RR cut for SME |
| 3. | Lower Foreign Exchange Reserve Requirement from 8% to 4% |
| 4. | Rupiah accounts (vostro) of foreign investors as underlying of DNDF |
| 5. | Domestic custodian bank for global investors |
| 6. | Triple intervention: spot, DNDF, & purchasing SBN in the secondary market |
| 7. | Daily FX swap auction and Repo auction of SBN |
| 8. | Liquidity injection through monetary operation |
| 9. | Relaxation of Macroprudential Intermediation Ratio |
| 10. | QRIS campaign to SME, traditional markets, students and worship places |
| 11. | Lower SKNBI cost |

**BGM 13-14 APRIL AND 18-19 MAY 2020**

| 1. | Hold the BI 7-Day Reverse Repo Rate at 4.50% for external stability & stimulate growth |
| 2. | Strengthening the intensity of triple intervention policy |
| 3. | Providing liquidity for the banking industry on restructing MSME loans and ultra-micro with formal loans |
| 4. | Lower the rupiah RR ratios by 200bps for conventional commercial banks and by 50bps for Islamic banks |
| 5. | Strengthening Monetary operations and Islamic financial market deepening through FLisBI, PaSBI and SiPA |
| 6. | Relaxed the additional demand deposit obligations on the MIR |
| 7. | Raised the MLB by 200bps for conventional commercial banks and by 50bps for Islamic banks |
| 8. | Increasing the non-cash payment instruments uptake |
| 9. | Strengthening policy mix and coordination with the Government & other authorities |
| 10. | Accelerating implementation of digital economy and finance |

**BGM 17-18 JUNE 2020 AND 15-16 JULY 2020**

| 1. | Lower BI7DRR to 4.00%, 25 bps in June and 25 bps in July |
| 2. | Maintaining Rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms |
| 3. | Providing reserve requirement remuneration of 1.5% per year for banks meeting daily and average rupiah reserve requirements |
| 4. | Strengthening a synergized expansive monetary policy response with accelerated fiscal stimuli from the Government: |
| 5. | Burden sharing with the Government to accelerate MSME and corporate sector recoveries |
| 6. | Expediting payment system digitalization to hasten the digital economy and finance implementation as part of the economic recovery efforts |

**BGM 18-19 AUGUST 2020**

| 1. | Hold BI7DRR at 4.00% |
| 2. | Focusing on the quantity channel by providing liquidity to stimulate economic recovery from the COVID-19 pandemic, including BI supporting for the Government in accelerating state budget realization in 2020 |
| 3. | Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms |
| 4. | Strengthening monetary operations strategy in order to accelerate monetary policy transmission |
| 5. | Lowering the minimum limit of down payment on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles |
| 6. | Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), while expanding community based QRIS acceptance and promoting the use of QRIS for e-commerce |

Source: Bank Indonesia
Mechanism for Bank Indonesia to purchase SBN in the primary market to finance the State Revenue and Expenditure Budget (APBN) – Above the Line

- In accordance with the joint decree issued by the Minister of Finance and Bank Indonesia Governor, SUN/SBSN purchases by Bank Indonesia in the primary market are based on general practices through transparent market mechanisms to maintain good governance. The mechanism for Bank Indonesia to purchase SUN/SBSN in the primary market is divided into three stages as follows:
  
  (i) Phase I: As a non-competitive bidder, Bank Indonesia can purchase SUN/SBSN in the primary market based on the following provisions:
    - Yield commensurate with the weighted average yield of the auction on the same day
    - Maximum SUN bid of up to 25% of the target auction maximum and maximum bid on SBSN > 1 year of up to 30% of the target auction maximum.
  
  (ii) Phase II: A greenshoe option based on the following provisions:
    - Yield commensurate with the weighted average yield of the auction on the previous day.
    - If the incoming bid is lower than the auction target, the maximum offer is the same as the previous offer.
  
  (iii) Phase III: Private placements based on the following provisions:
    - Refer to the latest market price published by the Indonesia Bond Pricing Agency (IBPA).
    - Private placements are implemented if the Government seeks additional financing based on the agreed terms and conditions.

- Bank Indonesia provide interest remuneration on the government account as a form of burden sharing to reduce the state budget burden.

- SBN purchases by Bank Indonesia in the primary market as a follow-up action to Act No. 2 of 2020 currently stand at IDR23.98 trillion, with IDR166.21 trillion purchased in the secondary market for stabilisation purposes. Consequently, BI holdings of SBN were recorded at IDR443.48 trillion on 26th May 2020.
Bank Indonesia is providing liquidity to the banking industry through a repo mechanism for SBN in order to fund loan restructuring as part of the national economic recovery. If SBN purchases are insufficient, banks can apply to the government for fund placements, funded through SBN purchases by Bank Indonesia (below the line).

In accordance with Government Regulation No. 23 of 2020, government fund placements will only occur at participating banks if SBN available for repo to Bank Indonesia are insufficient, provided the participating bank is healthy based on a soundness assessment conducted by OJK and is holding tradeable government securities (SBN), Bank Indonesia certificates of deposit (CD), Bank Indonesia Certificates (SBI), Bank Indonesia Sukuk (SukBI) and Islamic Bank Indonesia certificates (SBIS) that have not been repo totaling more than 6% of third party funds.

Liquidity from Bank Indonesia to the banking industry for loan restructuring is provided through the following mechanisms:

(i) Phase I: SBN Repo
   Total SBN held by the banking industry as of 14th May 2020 was recorded at IDR886.0 trillion. After meeting the Macroprudential Liquidity Buffer (MPLB) requirements for the banking industry, approximately IDR563.6 trillion must be repo to Bank Indonesia prior to applying for government fund placements. The current position of repo SBN to Bank Indonesia stands at IDR43.9 trillion.

(ii) Phase II: Government fund placements in accordance with Government Regulation No. 23 of 2020

(iii) Phase III: Repo SBN - Macroprudential Liquidity Buffer (MPLB)
   - Pursuant to Bank Indonesia regulations (Macroprudential Liquidity Buffer - MPLB), banks are required to maintain minimum SBN totaling 6% of deposits (IDR330 trillion) for liquidity management in addition to the 3.5% reserve requirements
   - All SBN, totaling IDR300 trillion, can be repo through monetary operations in accordance with the Bank Indonesia Act before applying for short-term liquidity loan/financing facilities (PLJP/S). Bank Indonesia provide interest remuneration on the government account as a form of burden sharing to reduce the state budget burden.

(iv) Phase IV: Short-term liquidity loan/financing facilities (PLJP/S) in accordance with Act No. 2 of 2020
   Banks can apply for the short-term liquidity loan/financing facilities (PLJP/S) if the SBN already repoed are nearly depleted. Pursuant to Act No. 2 of 2020, short-term liquidity loan/financing facilities (PLJP/S) are only available to solvent and healthy banks based on OJK requirements and assessments, with adequate repayment capacity and guaranteed by current loans registered at Bank Indonesia.
1) To stabilize and strengthen rupiah exchange rates, Bank Indonesia has strengthened the intensity of triple intervention policy through the spot and Domestic Non-Deliverable Forward (DNDF) markets, as well as purchasing SBN in the secondary market.

2) To support national economic recovery efforts from the deleterious COVID-19 impact, Bank Indonesia will increase monetary easing through quantitative easing as follows:
   a. Expand monetary operations by providing banks and the corporates a term-repo mechanism with SUN/SBSN underlying transactions of tenors up to one year.
   b. Lower the rupiah reserve requirement ratios by 200 bps for conventional commercial banks and by 50 bps for Islamic banks/Islamic business units, effective from 1st May 2020.
   c. Relax the additional demand deposit obligations to meet the Macroprudential Intermediation Ratio (MIR) for conventional commercial banks as well as Islamic banks/Islamic business units for a period of one year, effective from 1st May 2020.

3) To strengthen liquidity management in the banking industry and in relation to the lower rupiah requirements, Bank Indonesia has raised the Macroprudential Liquidity Buffer (MLB) by 200 bps for conventional commercial banks and by 50 bps for Islamic banks/Islamic business units, effective from 1st May 2020. The banking industry is required to meet the additional MLB through purchases of government issued SUN/SBSN in the primary market.

4) To increase the uptake of non-cash payment instruments in order to mitigate the COVID-19 impact, Bank Indonesia is increasing various payment system policy instruments as follows:
   a. Supporting government programs to accelerate non-cash social aid program (bansos) disbursements to members of the public in conjunction with payment system service providers by expediting the electronification of relevant social programs, including the Family Hope Program (PKH), Noncash Food Assistance Program (BPNT), Pre-Employment Card and Smart Indonesian Card (KIP).
   b. Increasing public socialization activities in collaboration with payment system service providers to increase the uptake of non-cash payment instruments through digital banking, electronic money and broader QRIS acceptance.
   c. Relaxing credit card policy by lowering the upper limit for credit card interest, minimum payment requirements and the penalties for late payments, while supporting credit card issuer policy to extend the due date for customers.
As a follow-up measure to strengthen monetary and financial market stability in conjunction with the Coordinating Ministry of Economic Affairs, Ministry of Finance, Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS), the Governor of Bank Indonesia, Perry Warjiyo, on April 1st 2020 delivered the policy mix implemented by Bank Indonesia to mitigate the COVID-19 impact is as follows:

1) Lower the BI 7-Day (Reverse) Repo Rate in February and March by 25bps respectively;
2) Intensify triple intervention policy in the spot and DNDF markets and purchasing SBN in the secondary market;
3) Reduce the foreign currency reserve requirements for conventional commercial banks from 8% to 4%;
4) Extend the SBN repo tenor and provide daily auctions to loosen rupiah liquidity as well as increase the frequency of FX Swap auctions to daily in order to ensure adequate liquidity;
5) Expand the types of underlying transactions for Domestic Non-Deliverable Forwards (DNDF), thus increasing hedging alternatives against rupiah holdings in Indonesia;
6) Lower the rupiah reserve requirements by 50bps for banks that are engaged in export-import financing, as well as the financing of MSMEs and other priority sectors;
7) Loosen the Macroprudential Intermediation Ratio (MIR);
8) Provide hygienic currency fit for circulation, reduce the costs of the National Clearing System (SKNBI), maintain a QRIS Merchant Deposit Rate (MDR) of 0% for micro-merchants, and support non-cash disbursements of various government programs, including the Family Hope Program (PKH) and Noncash Food Assistance Program (BPNT), as well as the Pre-Employment Card and College Smart Indonesia Card.

Bank Indonesia reiterated that rupiah exchange rates are currently adequate and the outlook scenario formulated for the main macroeconomic indicators is a form of forward-looking anticipatory measure towards prevention through joint efforts, while Bank Indonesia continues to maintain rupiah stability.
As a follow-up measure to strengthen monetary and financial market stability in conjunction with the Coordinating Ministry of Economic Affairs, Ministry of Finance, Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS), the Governor of Bank Indonesia, Perry Warjiyo, on April 1st 2020 delivered The policy mix implemented by Bank Indonesia to mitigate the COVID-19 impact is as follows:

- Bank Indonesia also backs promulgation of the Government Regulation in Lieu of Law in order to relax prevailing laws to mitigate the COVID-19 impact as an anticipatory measure in conjunction with the Government, OJK and LPS. COVID-19 handling requires extraordinary measures, unconventional policies and policies that exceed previous jurisdiction.
- To that end, Bank Indonesia has reiterated its authority in accordance with Government Regulation in Lieu of Law (Perppu) No. 1 of 2020 as follows:
  1) Expansion of BI authority to purchase long-term government securities (SBN) and government Islamic securities (SBSN) in the primary market in order to assist the Government finance the handling of the COVID-19 impact on financial system stability.
  2) SBN will be purchased in the primary market by Bank Indonesia as a last resort if the market is unable to fully absorb the SBN issued by the Government. Further provisions will be regulated in conjunction with the Minister of Finance and the Governor of Bank Indonesia based on the following considerations: financial market conditions and the impact on inflation.
  3) As an anticipatory measure, Bank Indonesia will purchase repo securities held by the Deposit Insurance Corporation (LPS) in order to finance the handling of solvency issues at systemic and non-systemic banks;
  4) Provision of short-term liquidity loan or short-term liquidity financing facilities in compliance with sharia principles to systemic and non-systemic banks;
  5) Foreign exchange flow management for residents. The use of foreign exchange by residents, including provisions for the surrender, repatriation and conversion of foreign exchange to maintain macroeconomic and financial system stability as follows:
  6) Bank Indonesia would like to stress that this measure is not a form of foreign exchange control but policy to manage foreign exchange applicable only to residents (excluding non-residents/foreign investors). Foreign portfolio investment and foreign direct investment (FDI) are still required for the Indonesian economy, thus existing policy permitting the free flow of foreign exchange by foreign investors remains effective.
  7) Regulating foreign exchange amongst residents is consistent with international prudential principles for macroeconomic management, particularly under economic distress, such as the current COVID-19 pandemic.
Bank Indonesia Policy Mix: April 2020
Mitigating the risk of COVID-19 transmission

Bank Indonesia has agreed a repurchase agreement line (repo line) with the US Federal reserve worth USD60 billion

- The agreement may be used by Bank Indonesia to fulfil US dollar liquidity if required. The repo line facility for Foreign and International Monetary Authorities (FIMA) has only been extended to a few central banks, thus indicating confidence in Indonesia's economic outlook and the macroeconomic policies implemented. In addition, Bank Indonesia has also established repo line facilities with several other institutions, namely the Bank for International Settlements (BIS), worth USD2.5 billion, the Monetary Authority of Singapore (MAS), USD3 billion, as well as other central banks in the region valued at USD500 million-USD1 billion.
- The agreements will strengthen Bank Indonesia’s second line of defence, encompassing Bilateral Currency Swap Arrangements (BCSA) with several other central banks, namely the People’s Bank of China (PBoC), worth CNY200 billion (equivalent to USD30 billion), the Bank of Japan (BOJ), USD22.76 billion, Bank of Korea, KRW10.7 trillion (equivalent to IDR115 trillion), and the Monetary Authority of Singapore (MAS), USD10 billion.
Bank Indonesia Issued Implementing Provisions for Auction of Government Debt Securities (SUN) and/or Government Islamic Securities (SBSN) in the Primary Market


• The regulation serves as a follow-up to Government Regulation in Lieu of Law Number 1 of 2020, granting authority to Bank Indonesia among others to purchase Government Debt Securities (SUN) and/or Government Islamic Securities (SBSN) in the primary market. It is necessary as a funding source for the government to recover the national economy including maintaining state financial management sustainability including SUN and/or SBSN issued in response to COVID-19 pandemic. Purchase of SUN and/or SBSN in the primary market is based on principle that Bank Indonesia is a last resort if the market capacity is unable to purchase them and/or result in high yield increase. Further, this regulation specifies the following:

1) Bank Indonesia holds auction of SUN and/or SBSN and auction of additional SUN and/or SBSN for long-term SUN and/or SBSN in the primary market as a follow-up to the implementation of Government Regulation in Lieu of Law Number 1 of 2020.

2) Provisions for offer quote and participants of auction of SUN and/or SBSN and auction of additional SUN and/or SBSN refer to the applicable Finance Minister Regulation on auction of SUN and/or SBSN in the domestic primary market.

3) Bank Indonesia may quote an offer to purchase long-term SUN and/or SBSN in auction of SUN and/or SBSN and auction of additional SUN and/or SBSN in the following manners: a. directly without using the main dealer and/or SBSN main dealer; b. non-competitive bid.

4) Implementation of auction of SUN and/or SBSN and auction of additional SUN and/or SBSN refer to the applicable Bank Indonesia provisions for auction of Government securities in the primary market provided that they are not in contravention of this regulation.
To strengthen coordination and the various policy measures already taken, Bank Indonesia on March 2nd 2020 introduced a variety of five follow-up policy measures to maintain monetary and financial market stability as well as mitigate the COVID-19 risks:

1) Intensify triple intervention policy to ensure rupiah exchange rates move in line with the currency's fundamental value and market mechanisms. To that end, Bank Indonesia will optimize its intervention strategy in the DNDF market, spot market and SBN market in order to minimize the risk of increasing rupiah exchange rate volatility.

2) Lower the FX reserve requirements for commercial banks from 8% to 4%, effective 16th March 2020, which will increase FX liquidity in the banking industry by around USD3.2 billion and simultaneously alleviate foreign exchange market pressures.

3) Lower the rupiah reserve requirements by 50bps for banks financing export-import activity in coordination with the Government. Effective from 1st April 2020 for a period of nine months before a further review, this policy is expected to facilitate export-import activity through lower costs/fees.

4) Expand the range of underlying transactions available to foreign investors in order to provide alternative hedging instruments against rupiah holdings.

5) Reaffirm that global investors can utilize global and domestic custodian banks to conduct investment activity in Indonesia.
Bank Indonesia on the Board of Governors Meeting 18th and 19th March 2020 has reinforced its policy mix towards mitigating the risk of COVID-19 transmission, while maintaining money market and financial system stability and catalyzing economic growth momentum through the following policy measures:

1) Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency's fundamental value and market mechanisms, including the spot and DNDF markets as well as purchasing SBN in the secondary market.

2) Extending the SBN repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry, effective from 20th March 2020.

3) Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity, effective from 19th March 2020.

4) Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market, while encouraging the banks to utilize the foreign currency reserve requirements lowered by Bank Indonesia for domestic purposes.

5) Expediting the enforcement of domestic vostro rupiah accounts for foreign investors as underlying transactions for Domestic Non-Deliverable Forwards (DNDF), thus increasing hedging alternatives against rupiah holdings in Indonesia, which has been brought forward from 1st April 2020 to no later than 23rd March 2020.

6) Expanding the incentive of a 50bps daily rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors, effective from 1st April 2020.

7) Strengthening payment system policy to support COVID-19 mitigation efforts by:
   • providing hygienic currency fit for circulation, alternative cash and backup services, and urging the public to prioritize non-cash payment transactions;
   • encouraging the use of non-cash payment channels by reducing the cost of the National Clearing System (SKNBI) from the banking industry to Bank Indonesia from IDR600 to IDR1 and from customers to the banking industry from a maximum of IDR3,500 to IDR2,900, effective from 1st April 2020 until 31st December 2020; and
   • supporting non-cash disbursements for government programs, such as the Family Hope Program (PKH) and Noncash Food Assistance Program (BPNT), Pre-Employment Card and College Smart Indonesia Card.
Considerations for the Average Reserve Requirement Ratios Improvement

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

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

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

**Lower reserve requirements, effective 1\textsuperscript{st} May 2020**

<table>
<thead>
<tr>
<th>Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
Principles of Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)

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

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

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

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

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

Source: Bank Indonesia
# Principles of Macroprudential Intermediation Ratio (MIR)*

<table>
<thead>
<tr>
<th>Regulation</th>
<th>MIR (Conventional Commercial Bank)</th>
<th>MIR Sharia (Sharia Banks and Sharia Business Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MIR Accounting Formula</td>
<td>Credit + Owned Bond</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deposit + Issued Bond</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financing + Owned Sharia Bond</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deposit + Issued Sharia Bond</td>
</tr>
<tr>
<td>2</td>
<td>Rate and Parameters</td>
<td>Ceiling 94%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Floor 84%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimum Capital Adequacy Requirement 14%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Upper disincentive parameter 0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lower disincentive parameter 0.1</td>
</tr>
<tr>
<td>3</td>
<td>Scope of credit/financing and</td>
<td>Credit: rupiah and foreign currency</td>
</tr>
<tr>
<td></td>
<td>deposits to calculate MIR / MIR</td>
<td>Deposits in rupiah and a foreign currency: (i)</td>
</tr>
<tr>
<td></td>
<td>Sharia</td>
<td>demand deposits, (ii) savings deposits; and (iii)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>term deposits, excluding interbank funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financing: rupiah and foreign currency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deposits in rupiah and a foreign currency: (i)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>wadiah savings; and (ii) unrestricted investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>funds, excluding interbank funds</td>
</tr>
<tr>
<td>4</td>
<td>Source of Data</td>
<td>Monthly Commercial Bank Reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly Sharia Bank Reports</td>
</tr>
<tr>
<td>5</td>
<td>Criteria for securities held</td>
<td>Corporate bonds and/or corporate sukuk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Issued by a nonbank corporation and by a resident</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Offered to the public through a public offering</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equivalent to investment grade rating affirmed by a rating agency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Administread by an authorised securities institution</td>
</tr>
</tbody>
</table>

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019*
# Principles of Macroprudential Intermediation Ratio (MIR)*

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

*As part of further relaxation on macroprudential policy, an adjustment will be applied starting from December 2nd, 2019
Adjustment of Macroprudential Intermediation Ratio (MIR)/Sharia Macroprudential Intermediation Ratio (Sharia MIR)*

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

**Policy Backgrounds**

- In response to global and domestic economic developments, BI is maintaining an accommodative policy mix to maintain the economic growth while also maintaining macroeconomic and financial system stability.

- BI relaxed MIR/sharia MIR policy in March 2019, which stimulated bank lending. Nevertheless, the macroprudential intermediation ratio (MIR) is again approaching the upper bound, thus necessitating efforts to increase bank lending capacity.

- Considering the potential of bank funding sources that are not included in the MIR ratio, for example the expanding share of loans/financing received by banks, BI decides to adjust MIR/sharia MIR policy in order to optimize loans/financing received for bank lending.

- This policy to stimulate credit growth will comply with prudential principles. Therefore, BI is only encouraging banks with low non-performing loans and adequate capital resilience to expand credit/financing.

**Main Regulatory Points**

- Including loan received by conventional commercial banks and financing received by Islamic banks and Islamic business units as a source of bank funding in the calculation of MIR/sharia MIR.

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

- Based on points a and b, the adjusted MIR/sharia MIR formula is as follows:

  \[
  \text{Credit + Owned Bond} + \text{Deposit + Issued Bond + Loan/Financing Received}
  \]

  \[
  \text{Lower disincentive parameter} = \text{Lower Disincentives Parameter} \times \left( \text{Lower Bound of MIR/Sharia MIR Target} - \text{Bank's MIR/Sharia MIR} \right) \times \text{Deposit}
  \]

  \[
  \text{Upper disincentive parameter} = 0.2 \times \left( \text{Bank's MIR/Sharia MIR} - \text{Upper Bound of MIR/Sharia MIR Target} \right) \times \text{Deposit}
  \]

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

*This adjustment will be effective from December 2nd, 2019

Source: Bank Indonesia
### Principles of Macroprudential Liquidity Buffer (MLB)

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

**Policy to increase the Macroprudential Liquidity Buffer (MPLB), effective 1\textsuperscript{st} May 2020.**

<table>
<thead>
<tr>
<th></th>
<th>Regulation</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increase in the Macroprudential Liquidity Buffer (MLB) for conventional commercial banks</td>
<td>4% of rupiah deposits</td>
<td>6% of rupiah deposits</td>
</tr>
<tr>
<td>2</td>
<td>Increase in the Macroprudential Liquidity Buffer (MLB) for Islamic banks and Islamic business units</td>
<td>4% of rupiah deposits</td>
<td>4.5% of rupiah deposits</td>
</tr>
</tbody>
</table>

**Credit card policy, effective 1\textsuperscript{st} May 2020.**

<table>
<thead>
<tr>
<th></th>
<th>Regulation</th>
<th>Before</th>
<th>After</th>
<th>Effective Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lower upper limit on credit card interest</td>
<td>2.25% per month</td>
<td>2% per month</td>
<td>1\textsuperscript{st} May 2020</td>
</tr>
<tr>
<td>2</td>
<td>Temporary reduction of minimum payment requirements</td>
<td>10%</td>
<td>5%</td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
<tr>
<td>3</td>
<td>Temporary reduction of late payment penalties</td>
<td>3% or maximum of IDR150,000</td>
<td>1% or maximum of IDR100,000</td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
<tr>
<td>4</td>
<td>Supporting credit card issuer policy to extend the due date for customers</td>
<td>Issuer discretion</td>
<td></td>
<td>1\textsuperscript{st} May 2020 – 31\textsuperscript{st} December 2020</td>
</tr>
</tbody>
</table>
Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios*

The LTV/FTV relaxation is conducted while taking into account aspects of prudential and consumer protection*

1. Increasing opportunities of first-time buyers to fulfill their housing needs through housing loan, specifically by adjusting the LTV ratio for property loan and the FTV ratio for property financing for the 1st facility, 2nd facility, etc., making the largest LTV ratio for property credit and FTV ratio for property financing as shown in the table below.

2. Relaxing the amount of loan/financing facility through indent mechanism to a maximum of 5 facilities without taking account of the orders

3. Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

![Table showing LTV and FTV ratios for various property types and stages.](image)

---

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

Source: Bank Indonesia
**Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios**

1. The requirements of the LTV ratio for property credit and FTV ratio for property financing are as follows:
   i. The net ratio of NPL to total credit or NPF to total financing must not exceed 5%; and
   ii. The gross ratio of property NPL to total property credit or property NPF to total financing must not exceed 5%.

2. Banks must make sure that there is no loan transfer to another borrower at the same bank or different bank for tenors of less than 1 year. The requirements are valid for banks that will disburse pre-order property loan/financing.

3. Banks are required to comply with prudential principles when disbursing loans.

4. Gradual loan liquidation is only allowed for developers that comply with bank’s risk management policy (e.g. the business feasibility of the developer).

5. Banks are required to ensure that transactions to disburse loans (including down payment) and gradual liquidation must be processed through the debtor and developer/seller’s bank account.

**LTV / FTV Exemptions**

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

Source: Bank Indonesia
Bank Indonesia adjusts macroprudential policy in the property and automotive sectors by: (i) relaxing the LTV ratio for property loans and the FTV ratio for property financing; (ii) providing additional incentive on LTV ratio for green property loans and FTV ratio for green property financing; (iii) relaxing down payments on automotive loans/financing; (iv) providing additional incentive on down payments on green automotive loans.

**Policy Backgrounds**

- In response to global and domestic economic developments, BI is maintaining an accommodative policy mix to maintain the economic growth while also maintaining macroeconomic and financial system stability. This effort will be targeted to several potential sectors.
- Considering the ongoing needs to stimulate the property and automotive sectors which have a huge backward and forward linkages to other sectors in the economy, BI decides to relax LTV/FTV policy for property loans/financing and down payments on automotive loans in compliance with prudential principles.
- Additional incentives are also given to support sustainable development through green financing in order to reduce potential disruptions to financial system stability stemming from environmental degradation.
- As a prudential mitigation, those relaxations will be given to borrower with strong repayment capacity and low credit/financing risk.
- BI will regularly evaluate this policy at least once a year.

**Main Regulatory Points**

1. Adjustment of LTV Ratio for Property Loans and FTV Ratio for Property Financing.
   a. BI decides to relax the LTV ratio for property loans and FTV ratio for property financing by 5% from current ratio as follows:

<table>
<thead>
<tr>
<th>Table 1. Current LTV/FTV Ratio</th>
<th>Meets NPL/NPFE Criteria</th>
<th>Property Financing based on Akad Murabahah &amp; Akad Istisna</th>
<th>Property Financing based on akad MMQ &amp; akad IMBT</th>
<th>Does Not Meet NPL/NPFE Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landed House</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>- 80%</td>
<td>- 85%</td>
<td>- 80%</td>
<td>- 70% 60% 85% 75% 65%</td>
</tr>
<tr>
<td>Type 21 - 70</td>
<td>- 90%</td>
<td>- 90%</td>
<td>- 90%</td>
<td>- 70% 60% 85% 75% 65%</td>
</tr>
<tr>
<td>Apartment</td>
<td>- 80%</td>
<td>- 85%</td>
<td>- 80%</td>
<td>- 70% 60% 85% 75% 65%</td>
</tr>
<tr>
<td>Type &gt;70</td>
<td>- 85%</td>
<td>- 85%</td>
<td>- 80%</td>
<td>- 70% 60% 85% 75% 65%</td>
</tr>
<tr>
<td>Table 2. Adjusted LTV/FTV Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landed House</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>- 85%</td>
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<td>- 90%</td>
<td>- 90%</td>
<td>- 90%</td>
<td>- 70% 60% 85% 75% 65%</td>
</tr>
</tbody>
</table>

*This adjustment will be effective from December 2nd, 2019

Source: Bank Indonesia
Main Regulatory Points

2. Additional incentive on the LTV ratio for green property loans and FTV ratio for green property financing.
   a. The Green Property criteria refers to the standards/certificates issued by a nationally or internationally recognized environmental institution.
   b. Green property that is granted for the incentive has to meet the following standards:
      i. For residential areas/buildings in certified green belt areas, each unit in the residential area/building is considered to meet the criteria.
      ii. In case that the residential area/building is not a certified green belt area, an evaluation will be conducted on each unit as follows:
         ▪ For buildings < 2500m², the bank may conduct a self-assessment using the tools/applications provided by a recognized institution.
         ▪ For buildings > 2500m², the assessment must be conducted by a recognized institution;
         ▪ For new buildings constructed in an area by one developer or group of developers, the assessment must be conducted by a recognized institution and the certificate must be submitted by the developer
   i. Additional incentive for green property on LTV ratio for property loans and FTV ratio for property financing is 5% from the LTV/FTV ratio presented in Table 2 as follows:

3. Adjustment of Down Payments on Automotive Loans/Financing
   a. Down Payments on Automotive Loans/Financing is adjusted as follows:
      i. Relaxation on the down payments of automotive loans or automotive financing 5%-10% from current regulations;
      ii. The relaxation should consider the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans/financing;
      iii. The adjustment of down payments of automotive loans/financing in points a and b is as follows:

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

4. Adjustment of Down Payments on Green Automotive Loans/Financing
   a. The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.
   b. The down payments on green automotive loans or green automotive financing is adjusted as follows:
      i. Additional incentive of 5% on green vehicles from the down payment presented in Table 5;
      ii. The down payment incentives considers the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans/financing;
      iii. The down payment regulation for green automotive loans or green automotive financing in points a and b is as follows:

<table>
<thead>
<tr>
<th>Number of Wheels</th>
<th>Meets NPL/NPF Criteria</th>
<th>Does Not Meet NPL/NPF Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Wheeled</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>3-Wheeled or more (non productive)</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>3-Wheeled or more (productive)</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Adjustments of the LTV ratio for property loans, FTV ratio for property financing and down payments on automotive loans or financing will be effective from December 2nd, 2019

*This adjustment will be effective from December 2nd, 2019

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

**Main Regulatory Points**

1. Adjustment of Minimum Down Payments on Green Automotive Loans/Financing

   The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.

<table>
<thead>
<tr>
<th>Type of Green Motor Vehicle</th>
<th>Current regulation (PBI No. 21/13/PBI/2019) *)</th>
<th>New Regulation *)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-wheel</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Three-wheel or more (non-commercial)</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Three-wheel or more (commercial)</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

Requirements:
1. Gross NPL ratio on total credit <5%; and
2. Net NPL ratio on automotive loan <5%
# Principles of Domestic Non Deliverable Forward (DNDF) Transaction

## Purposes

1. To support the effort of stabilizing the Rupiah exchange rate through the additional of alternative hedging instruments

2. To support the development and deepening of the domestic financial market

3. To increase the confidence of exporters, importers, and investors in conducting economic and investment activities through the flexibility of hedging transactions against Rupiah currency risk

## General Provisions

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

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

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

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

Source: Bank Indonesia
Principles of Domestic Non Deliverable Forward (DNDF) Transaction

Bank can perform DNDF Transactions as follows:

Transaction between:
- Bank – Customer
- Bank – Foreign Party
- Bank – Bank

Can only be performed to hedge rupiah exchange rate risk.

1. Must have **Underlying Transactions:**
   - Including all following activities:
     - a. Trade of goods and services
     - b. Investments, loans, capital, and other investments.
     - c. Banks credit or financing in foreign currencies (specifically for transactions between bank and customers)
   - Excluding following activities:
     - a. Bank Indonesia certificates;
     - b. Placement of funds with bank;
     - c. Unwithdrawn credit facilities;
     - d. Documents of foreign currencies sales against rupiah;
     - e. Money transfer by fund transfer companies
     - f. Intercompany loan
     - g. Money changer activities.

2. Nominal of DNDF Transactions ≤ Nominal of Underlying Transactions

3. Tenor of DNDF Transactions ≤ Tenor of Underlying Transactions

Source: Bank Indonesia
Principles of Domestic Non Deliverable Forward (DNDF) Transaction

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

Roll over and early termination for DNDF is prohibited
However, unwind can be done by opening the reverse DNDF transactions

Cover Hedging
Bank may conduct DNDF Transactions with Bank Overseas for cover hedging purpose.
- Underlying Transactions: DNDF Transaction between Bank and Customer/Foreign
- Purpose: Hedging

Customer / Foreign Party → Bank → Cover Hedging → Overseas Bank

Notes:
Customer A conduct DNDF transactions with Bank B, and so Bank B can conduct DNDF transactions with overseas Bank for the purpose of cover hedge.
Amendment on DNDF Regulation
*to provide more flexibility in DNDF transaction
*to increase liquidity and efficiency in domestic foreign exchange market

<table>
<thead>
<tr>
<th>BI Regulation No. 20/10/PBI/2018</th>
<th>AMENDMENT</th>
<th>BI Regulation No. 21/7/PBI/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Article 3</strong></td>
<td></td>
<td><strong>Article 3</strong></td>
</tr>
<tr>
<td>1. DNDF transactions must have Underlying</td>
<td></td>
<td>1. Sell FX/IDR through DNDF up to $ 5 mio can be done without underlying documents</td>
</tr>
<tr>
<td><strong>Article 6</strong></td>
<td></td>
<td><strong>Article 6</strong></td>
</tr>
<tr>
<td>2. Not Regulated;</td>
<td></td>
<td>2. DNDF can be terminated (unwind);</td>
</tr>
<tr>
<td><strong>Article 11</strong></td>
<td></td>
<td><strong>Article 11</strong></td>
</tr>
<tr>
<td>3. Underlying documents must be final (firm) with additional supporting documents</td>
<td></td>
<td>3. Underlying documents for buy FX/IDR for DNDF is :</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Final (firm commitment) + Supporting documents</td>
</tr>
<tr>
<td>4. Not Regulated;</td>
<td></td>
<td>4. Underlying documents for sell FX/IDR for DNDF above threshold $ 5 mio can be:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Final (firm commitment) + Supporting documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Projection (anticipatory basis) + Supporting documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Article 11</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. In using estimate underlying transaction documents in the form of cash flow projection, Bank must evaluate the appropriateness through:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Supplementary documents;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Historical data within at least 1 year before; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Track record of the Customer or Foreign Party.</td>
</tr>
</tbody>
</table>

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

Source: Bank Indonesia
Overnight Index Swaps (OIS) & Interest Rate Swaps (IRS)

**As hedging instruments against Rupiah interest rate changes**

- **IRS** is a contract between two parties to periodically exchange rupiah interest rate flows during the contract period or at the completion of the contract based on certain notional amount. IRS pricing is based on JIBOR.
- **OIS** is an interest rate swap agreement based on a daily overnight reference rate (IndoNIA)

1. **IndoNIA & JIBOR**
   - OIS transaction with IndoNIA as benchmark rate

2. **Alignment between JIBOR and OIS interest rate**

3. **Improvement of IRS transaction liquidity**

4. **IRS market development**

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

Source: Bank Indonesia
OIS and IRS Transactions: General Provisions

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

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

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

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

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Interest Payment</th>
<th>OIS Quotation rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base ACT/360</td>
<td>based on Netting</td>
<td>based on 2 decimals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IndONIA Index</th>
<th>Notional of Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>with 5 decimals</td>
<td>interest payment in IDR with 0 decimals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compound Floating Rates (CFR)</th>
<th>Settlement Date</th>
<th>At the 1st phase, OIS settlement will only be done at the end of the OIS tenor (MD+1bd).</th>
</tr>
</thead>
<tbody>
<tr>
<td>based on 5 decimals</td>
<td>= 1 business days after Maturity Date (MD)</td>
<td></td>
</tr>
</tbody>
</table>
Stable Monetary Environment Despite Challenges

Well Maintained Inflation Ensured Price Stability

- CPI (%, yoy) rhs
- Core (%, yoy) - lhs
- Volatile Food (%, yoy) - lhs2
- Administered (%, yoy) - lhs

Credit Growth Profile

- Total Growth
- Working Capital Loans
- Investment Loans
- Consumption Loans

Rupiah Exchange Rate Fared Relatively Well Compared to Peers

YTD 2020 vs 2019

- BRL
- TRY
- ZAR
- IDR
- THB
- INR
- KRW
- MYR
- SGD
- CNY
- JPY
- PHP
- EUR

Credit Growth Profile

- Total Growth
- Working Capital Loans
- Investment Loans
- Consumption Loans

Source: Bank Indonesia
Regional Inflation Remains Under Control
...supported by low inflation in all regions

LOW INFLATION IN ALL REGIONS, AUGUST 2020 (% YOY)

SUMATRA

Aceh 1.8
North Sumatra -0.4
Riau 0.8
West Sumatra -0.3
Lampung 1.6

LOW INFLATION IN ALL REGIONS
AUGUST 2020 (% YOY)

KALIMANTAN

West Kalimantan 1.8
South Kalimantan 1.2
East Kalimantan 0.6
Central Kalimantan 1.6
North Kalimantan 1.2

SULAWESI

Gorontalo 0.4
North Sulawesi -0.4
Central Sulawesi 1.6
West Sulawesi 2.4
South Sulawesi 1.4
South-East Sulawesi 1.9

JAVA

Banten 1.5
DKI Jakarta 1.8
West Java 1.7
Central Java 1.3
East Java 1.4
DI Yogyakarta 1.6

BALI-NUSA TENGGARA

Bali 0.5
West Nusa Tenggara 0.3
East Nusa Tenggara 0.8

MALUKU-PAPUA

Maluku 1.6
North Maluku 0.5
Papua 1.7
West Papua 1.2

Source: Central Bureau of Statistics of Indonesia (BPS), calculated
4 Strategies to Achieve the Inflation Target

2018-2019 Target

Achieving inflation at 3.5%±1%
• Maintaining core inflation
• Maintaining volatile food stability at 4-5%
• Controlling administered price inflation

2020-2021 Target

Achieving inflation at 3.0%±1%
• Maintaining core inflation
• Maintaining volatile food inflation less than 4%
• Controlling administered price inflation

4 Strategies

1. Price Affordability
   - Stabilizing the price
   - Managing demand side

2. Supply Availability
   - Strengthening production, Government food reserves and food export-import management

3. Well Managed Distribution
   - Strengthening institution
   - Encouraging trade cooperation between regions
   - Improving trade infrastructure

4. Effective Communication
   - Improving data quality
   - Strengthening central-regional coordination

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

1. Implementation of BI 7-day Reverse Repo Rate;
2. Implementation of reserve requirement averaging; and
3. Continue to implement money market deepening program.

Enhancement of monetary policy signal
Implementation of Reserve Requirement (RR) Averaging
Implementation of Money Market Deepening Program
Enhancement of banking liquidity management
Enhancement of instruments and transactions

Source: Bank Indonesia
Enhancement of Monetary Operations Framework

1. Strengthened the role of JIBOR as reference rate by regulatory enhancement.

2. Accelerated market repo transactions by promoting GMRA.

3. Reduced segmentation and improve the capacity of market transactions by encouraging banks to open more access to counterparties.

4. Moving from fixed rate tender (FRT) to variable rate tender (VRT).

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

Current JIBOR (as per June 1st, 2016):
- Can be traded among contributor banks for 20 minutes.
- Up to a total of IDR20 billion.
- Up to 3-month tenor.

Source: Bank Indonesia
Financial Intermediation Still Manages To Grow

Banking intermediation manages to grow positively in July 2020, while multi-finance financing contracts as economy yet to fully recover...

Banking loans in July-20 managed to grow by 1.53% amidst pressure on credit distribution due to the covid-19 pandemic.

Growth of financing distributed by multi-finance companies contracts by 10.23% in July 2020 in line with slowing economic activity.

Capital raising through corporate issuance continues to increase. As of 25 Aug’20, the total of capital raising reaches IDR 63.7 Tn.

General insurance starts to pick up in July 2020, while life insurance premium still experience contraction.

Source: Financial Service Authority (OJK)
Domestic financial institutions remain stable amidst the pandemic, supported by strong capitalization, sufficient profitability and leverage...

**CAR of the banking sector remains high and stable at 23.10% with Tier-1 capital at 21.40% as of July 2020 *)**

**RBC of the insurance industry remains high and well above the minimum threshold (120%) *)**

**Gearing ratio of multi-finance companies is steadily maintained at a level of below three times in July 2020 **)**

Source: Financial Service Authority (OJK)  
*) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19

**) Source: Financial Service Authority (OJK)
Financial Institutions are equipped with ample liquidity, while credit risk is maintained at reasonable levels...

The ratio of liquid assets to deposit and non-core deposits in the banking sector is maintained well above the threshold *)

Investment adequacy ratio in the insurance industry is steadily maintained above 100% (threshold *)

NPL ratios are still manageable below the threshold, at 3.22% gross and 1.12% net as of July 2020 *)

Due to credit relaxation in place and contraction of multi-finance’s financing, the NPF increases in July-20 to 5.5% *)

Source: Financial Service Authority (OJK)  *) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19
Manageable Market Risks

Amidst rising global pressure, the risk profile of domestic financial institutions remains at manageable levels...

Net open position in the banking sector is maintained far below the maximum limit of 20% (*)

Insurance & pension fund investment value is steadily increasing (*)

Mutual funds’ net asset value (NAV) continuously grow with low volatility

The exposures of multi-finance companies to foreign debt have largely been mitigated by company hedging measures

Source: Financial Service Authority (OJK)

*) provisional figures due to the relaxation on financial institutions’ report to OJK because of Covid-19
Domestic Capital Market Performance Amid Global Challenges

New normal has raised positivism towards the markets, but effect of new cases and rising number of Covid-19’s still remains...

Domestic financial market continues to grow positively from its month-to-month performance

Positive sentiment is returning to domestic capital market with the dominance of domestic investors

Government’s bond yields declines in line with strengthening expectation of rupiah against the US dollar

Source: Bloomberg and Ministry of Finance
Stimuli to Support Indonesia’s Financial Industry
OJK and other government institutions have worked intensively to minimize the impact of COVID-19 on the economy.

Maintaining business fundamental of the real sector

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

- Relaxation of credit assessment and credit restructuring to debtors who are affected by COVID-19.
  - Credit assessment (up to IDR10 billion) is based only on the punctuality of debtors to pay their debts and interests.
  - This applies to Commercial and Sharia Banks
  - With maximum 1 year period of credit restructuring

*) **OJK Regulation No.18/POJK.03/2020:**
"Written Orders to Handle Bank Problems"

**NBFI**

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

- Extended deadline of report submission
- Relaxation of financing assessment
- Financing Restructuring
  - Regulating loan restructuring, deadline of periodic reports,
  - Conducting fit and proper tests,
  - Determination of asset quality of financing,
  - Calculation of solvency level of insurance companies,
  - Calculation of pension fund quality, and
  - Implementation of asset management provisions.

Maintaining financial market stability

**OJK Circular Letter No. 3/SEOJK.04/2020:**
"Other Conditions as Significantly Fluctuating Market Condition on Stock Buyback issued by Issuers or Public Companies"

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

*) **OJK Regulation No.15/POJK.04/2020:**
"Plan and Organization of the General Meeting of Shareholders of Public Companies"

Aimed to enhance the participation of shareholders in General Shareholders Meeting (RUPS) by allowing electronic authorization to third parties.

*) **OJK Regulation No.16/POJK.04/2020:**
"The Implementation of Electronic General Shareholders Meeting (GSM)"

Regulating the implementation of electronic corporate decision making by requiring a member of the board of director/commissioner in charge of GSM, while other electronic attendances are counted as fulfillment of attendance quorum.

*) **OJK Regulation No.17/POJK.04/2020:**
"Material Transaction and Changes in Business Activities"

Improving the definition and procedure of Material Transaction, as well as the effectiveness of regulation to enhance the protection of public shareholders and the quality of information disclosure in Material Transaction and Business Activities Changes.

Source: Financial Service Authority (OJK)
Further Stimuli to Provide Liquidity and Capital in Banking Industry

Relaxation for Conventional and Sharia Banks (Reporting/Treatment/Governance of Restructured Credit/Financing)

Restructured credit/financing is excluded from the Loan at Risk (LAR) in the assessment of banks performance. Banks are also allowed to approve credit restructuring with several alternative governance by considering the necessary principle.

i. Eliminating the obligation to fulfill Capital Conservation Buffer by 2.5 percent of Risk Weighted Assets (ATMR) for BUKU 3 and BUKU 4 banks (until 31 March 2021)

ii. Maintaining the obligation of fulfilling Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for BUKU 3, BUKU 4, and foreign banks at a minimum level of 85 percent (until 31 March 2021)

iii. Dismissing the quality assessment of Foreclosed Collateral (AYDA) based on the period of ownership (until 31 March 2021)

iv. Reducing the obligation of education funds provision to less than 5 percent

Adjustment of Banking Provisions Implementation during Relaxation Period

Deferral of Basel III Reforms Implementation (valid until 31 December 2022)

i. The deferment reforms include Risk-Weighted Assets (RWA) for operational risk, credit risk, market risk, and Credit Valuation Adjustment (CVA)

ii. Until then, the Capital Adequacy Requirement still refers to the current RWA standard

Relaxation for Rural and Rural Sharia Banks

i. Relaxing the General Loan Loss Provision (PPAP) to less than 0.5%

ii. Exemption of Interbank Placement for Legal Lending Limit (BPMK) and Maximum Limit of Fund Channeling (BPMD) to a maximum 30% of capital

iii. Temporary Halt on Foreclosed Collateral (AYDA) calculation based on period of ownership

iv. Providing 5% less on Education, Training, and Human Resource Fund from the previous year

Source: Financial Service Authority (OJK)
OJK’s Role in the National Economic Recovery Program (PEN)

National Economic Recovery Program (PEN)  
PP No. 23/2020

OJK carry out efforts to support the economic recovery, through:

**Fund Placement**

Placement of funds by the Government to provide liquidity support to banks conducting loan restructuring and to provide additional credit / working capital financing

OJK supports the program through Liquidity Buffer and Credit Restructuring to Banks and Multi-Finance Companies

**Providing Interest Subsidies for MSMEs**

*Article 20 Paragraph 2 Government Regulations No. 23 of 2020*

All debtors with credits up to IDR500 million will be given interest subsidies while debtors with credits up to IDR10 billion will go through the same mechanism with credit restructuring program. The program is eligible for debtors of banks/multi-finance companies with Performing Loan (Kol 1 and Kol 2) before COVID-19, valid from 29 February 2020.

**Targeted Beneficiaries**

- MSMEs debtors with credits up to IDR10 billion
- Debtors of housing loans (KPR) up to type 70
- Debtors of motorcycle loans for productive activities, including online transportation and informal business

**Other Requirements**

- Obedient taxpayer
- Excluded from National Blacklist (DHN)

**OJK’s Role**

Providing necessary information in the implementation of interest subsidies based on the procedure which will be arranged through Joint Decision Letter (SKB)

**Mechanism**

The provision regarding the budgeting, implementation, and responsibility mechanism of interest subsidies and debtor requirements are regulated in the Minister of Finance Regulation (PMK)
Strategic Policies in Financial Sector

Providing financing alternatives for Government Priority Sectors

Providing financial access to MSMEs especially in remote areas

Supporting acceleration of national economic growth

Preparing financial services industry to cope with Industrial Revolution 4.0

Improvement of business process in the industry

Source: Financial Service Authority (OJK)
Continuous Program on Capital Market Deepening
...continuously strengthened, including through capital market deepening initiatives

Enhancing the supply-side

- Product: QIB offering and private placements, private fund, asset-backed securities, REITs, infrastructure fund, IGBF (Indonesia Government Bonds Future) & equity crowdfunding.
- Issuer: Financial conglomerates, big bank debtors, local government, IDX incubators, SMEs, SOEs & big tax payers.

Enhancing the demand-side

- Enhancing the role of the domestic institutional investors (insurers & pension funds) in capital markets.
- Development of the domestic investor base (conducting investor education programs).
- Simplification in opening securities account.
- Development of regional securities companies.
- Development of e-bookbuilding.
- Online marketing initiative

Strengthening market infrastructure

- Development of Integrated Licensing (SPRINT).
- Enhancement of electronic reporting system.
- Development of electronic public offering.
- Integrated data warehouse and supervisory system.

Strengthening governance & customer protection

- Development of market players’ capacity
- Enhancement of GCG for publicly-listed companies
- Establishment of disgorgement fund

Source: Financial Service Authority (OJK)
Enhancing Financial Literacy & Inclusion

OJK strives to build a strong foundation for financial inclusion programs, to ensure access to financial products & services by Indonesians of all social classes. Such initiatives also include the enhancement of financial literacy and financial consumer protection.

- Developing financial education models utilizing various delivery channels
- Enhancing the role of the “Investment Alert Taskforce”
- Developing micro-credit products with additional business support (“KUR Klaster”)
- Promoting the establishment of Islamic microfinance institutions (“Bank Wakaf Mikro”)
- Strengthening the role of Financial Access Acceleration Taskforce (TPAKD) in local areas

The result of OJK’s 2019 national survey demonstrated an improvement in financial literacy & inclusion among Indonesians compared to that of 2016.

<table>
<thead>
<tr>
<th>Financial Literacy</th>
<th>2013</th>
<th>2016</th>
<th>2019 2019 Target: 35%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.8%</td>
<td>29.7%</td>
<td>38.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Inclusion</th>
<th>2013</th>
<th>2016</th>
<th>2019 2019 Target: 75%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59.7%</td>
<td>67.8%</td>
<td>76.19%</td>
</tr>
</tbody>
</table>

Source: Financial Service Authority (OJK)
A Comprehensive Financial Deepening Program

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

In Apr-2016, the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of the Financial Services Authority launched a Coordination Forum for Development Financing through Financial Market (FK-PPPK). The three authorities have agreed to formulate “The National Strategy of Financial Market Development”
BI’s Roles in Supporting Distribution of Non-Cash Social Assistance (NCSA)

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

NCSA Programs

Family Hope Program (Program Keluarga Harapan -PKH)

Smart Indonesia Program (Program Indonesia Pintar-PIP)

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

LPG Subsidy

Source: Bank Indonesia
Progress of NCSA Programs

Family Hope Program (Program Keluarga Harapan - PKH)

- The Family Hope Program (PKH) is a program that provides cash to very poor households. IDR1.89 million/year will be granted for each household. PKH will be granted every February, May, August, and November.

- As of December 2017, PKH has been distributed to 6.0 million households on non-cash basis.

- In 2018, PKH has been distributed to 10 million households on non-cash basis.

- In 2019, PKH has been distributed to 9.84 million households on non-cash basis with total realization of IDR32.75T.

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

- BPNT is a poverty alleviation and social protection program that is managed by the central government. It provides subsidized rice and eggs to low-income households. IDR110 thousand/month will be granted for each household as BPNT that can be used in certain stores which called e-warong.

- As of December 2017, BPNT was distributed to 1.2 million households in 44 cities.

- In 2018, BPNT has been distributed to 10.1 million households (65.1% of the target of 15.5 million households target).

- In 2019, BPNT has been distributed to 15 million households on non cash basis with total realization of IDR15.44T.

Source: Bank Indonesia
Stronger Fundamentals Facing the Headwinds

Inflation Rate (%)

- Inflation controlled within the target range
  - 1998: 8.4%
  - 2008: 12.1%
  - August ’20: 1.32% (yoy)

IDR Movement (%)

- IDR depreciated year-to-date in September 2020
  - 1998: -197%
  - 2008: -35%
  - 16-Sep-20: -6.42%
  - August ’20: -50%

Foreign Reserves (USD bn)

- Significantly higher than 1998 & 2008, ample to cover 9.0 months of import and external debt repayment
  - 1998: 17.4
  - 2008: 50.2
  - August ’20: 137

Non-Performing Loan/NPL (%)

- NPL level (gross) is below the maximum threshold of 5%
  - 1998: 30%
  - 2008: 3.8%
  - July 2020: 3.22

More Liquid Market (%)

- Overnight interbank money market rate is relatively lower
  - 1998: 62%
  - 2008: 10.5%
  - August ’20: 3.31

External Debt (Public & Private) to FX Reserve Ratio

- Significantly lower than 1998 crisis
  - 1998: 8.6x
  - 2008: 3.1x
  - Q2-2020: 3.1x

Government Debt/GDP

- Consistently well-maintained
  - 1998: 100.0%
  - 2008: 27.4%
  - August 2020: 34.53%

External Debt/GDP

- Slightly higher than 2008, but significantly lower than 1998
  - 1998: 116.8%
  - 2008: 33.2%
  - Q2-2020: 37.3%
Outlook of Domestic Economy Remains Robust
...domestic economic growth is predicted to be moderated in 2020 and rebound in 2021

2019 and 2020 Economic Outlook

- Bank Indonesia projects economic growth in 2020 at the range 0.9%-1.9%, revised down from around 2.3%.
- Bank Indonesia projects inflation in 2020 within the target range, namely 3.0%±1%.
- Bank Indonesia projects current account below level 1.5% of GDP in 2020, revised down from around 1.5% of GDP.
- Bank Indonesia projects growth of outstanding loans disbursed by the banking industry in 2020 in the 6-8% range, revised down from 9-11% previously, in line with the revised economic growth projection in 2020.

### Economic Growth, Inflation, CAD (% of GDP), Credit Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Growth</th>
<th>Inflation</th>
<th>CAD (% of GDP)</th>
<th>Credit Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Realization</td>
<td>5.17%</td>
<td>3.13%</td>
<td>2.98%</td>
</tr>
<tr>
<td>2019</td>
<td>Realization</td>
<td>5.02%</td>
<td>2.72%</td>
<td>2.71%</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>0.9%-1.9%</td>
<td>3.0±1%</td>
<td>below 1.5%</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia
Section 7

Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision
The Government has Enacted Various Reforms to Accelerate Infrastructure Provision

<table>
<thead>
<tr>
<th>Fiscal Reforms</th>
<th>Institutional Reforms</th>
<th>Regulatory Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viability Gap Funding (VGF)</td>
<td>KPPIP</td>
<td>Direct Lending</td>
</tr>
<tr>
<td>Increase project financial feasibility by contributing up to 49% of the</td>
<td>KPPIP is actively involved in accelerating delivery of priority infrastructure projects</td>
<td>Allow guarantee for direct lending to SOE to accelerate financial close process for infrastructure projects (Presidential Reg. No. 82/2015)</td>
</tr>
<tr>
<td>construction cost (MoF Reg. No. 223/2012)</td>
<td>PT. Sarana Multi Infrastruktur</td>
<td>Land Acquisition</td>
</tr>
<tr>
<td>Availability Payment</td>
<td>Merging between PT. SMI and Gov’t Investment Center (PIP) to become an infrastructure funding company</td>
<td></td>
</tr>
<tr>
<td>Issuance of regulatory framework to allow annuity payment by the Government</td>
<td>Indonesia Infras. Guarantee Fund (IIGF)</td>
<td>Stipulate land acquisition acceleration based on Law No. 2/2012 (Presidential Reg. No. 148/2015) and land acquisition fee payment for impacted community (Presidential Reg. No.56/2017)</td>
</tr>
<tr>
<td>during concession period to concessionaire since project operation based on</td>
<td>IIGF has the potential to provide project guarantee for non-PPP projects</td>
<td>Economy Packages</td>
</tr>
<tr>
<td>infrastructure service availability (MoF Reg. No. 190/2015 for Central Gov’t</td>
<td>PPP Unit</td>
<td>Conduct deregulation for issues hindering infrastructure delivery and develop a task force under CMEA to ensure the effectiveness of economic packages implementation</td>
</tr>
<tr>
<td>and MoHA Reg. No. 96/2016 for Regional Gov’t.)</td>
<td>BLU LMAN</td>
<td></td>
</tr>
<tr>
<td>Land Revolving Fund</td>
<td>The State Asset Management Agency (BLU LMAN) is mandated to provide land fund for National Strategic Projects to ensure timely land acquisition process</td>
<td></td>
</tr>
<tr>
<td>A revolving-fund sourced from State Budget, to accelerate land acquisition</td>
<td>Indonesia Infrastructure Guarantee Fund (IIGF)</td>
<td></td>
</tr>
<tr>
<td>(MoF Reg. No. 220/2010)</td>
<td>IIGF has the potential to provide project guarantee for non-PPP projects</td>
<td></td>
</tr>
<tr>
<td>Risk-sharing Guidelines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIGF has issued risk allocation and mitigation guidelines for PPP project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Incentives (Tax Holiday)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoF Reg. No.35/2018 allowed 100% Tax Holiday for 17 Pioneering Industries for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 – 20 years depending on the investment value</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Some of Most Recent Reforms

Policy reforms are aiming to create a more conducive investment climate for infrastructure delivery.

<table>
<thead>
<tr>
<th><strong>Presidential Reg. No. 20/2018 on Use of Foreign Labor</strong> – released on March 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>This regulation aims at simplifying the permit application process for foreign workers, hence making the process more efficient and faster, in order to rise foreign direct investment in Indonesia.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN</strong> – released on June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Presidential Reg. allows the Executing Agency to pay land acquisition compensation to the impacted community who does not have official rights over the land required for PSN. This regulation helps to solve the land acquisition problem due to community objection over the land use.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>MoF No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation</strong> – released on May 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supporting regulation for Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulates the scope and general requirements and procedures to propose and grant guarantees, as well as allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.</td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)</strong> – released on April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The issuance of RTRWN can resolve spatial planning mismatch in the implementation of infrastructure projects listed in the annex of Government Reg. No. 13/2017. A number of breakthroughs were developed, and one of them is that the Minister of Agrarian and Spatial can issue a recommendation of spatial utilization; so that the process of obtaining project permission can be done.</td>
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<table>
<thead>
<tr>
<th><strong>MoF No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects and Asset Management of Land Acquisition by State Asset Management Agency</strong> – released on February 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The implementing regulation of Presidential Reg. No. 102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN.</td>
</tr>
</tbody>
</table>
Reforms Along the Project’s Life Cycle
...to encourage and accelerate infrastructure project using PPP scheme

**Government of Indonesia**

- **Project Development Facility (PDF)**
  - Project development facility contributing to assist GCA on PPP project preparation (PDF&TA)
  - Managing entity: KPPIP, PT SMI PT IIF, and Ministry of Finance

- **Viability Funding Gap (VGF)**
  - A facility with contribution to construction cost to increase project financial viability
  - Managing Entity: Ministry of Finance based on GCA proposal
  - Gov’t. commitment: 49% max. Per project cost

- **Guarantee Fund**
  - Guaranteeing Govt. contractual obligations under infrastructure concession agreements and MoF Regulation No 130/PMK. 08/2016 re: Govt guarantee for electricity project acceleration
  - Managing entity: IIGF and MoF
  - Gov’t’s commitment: US$ 450 mn

- **Tax Facilities**
  - MoF Reg. No. 159/PMK. 010/2015 re: tax holiday for pioneer sector, such as base metal, oil refinery, basic petrochemical, machinery, renewable energy, & telco equipment industries. Sector will be further expanded
  - Managing entity: Ministry of Finance & Ministry of Home Affairs

- **Availability Payment**
  - A scheme in which concessionaires receive sum of money periodically from central or regional government after the completion of an asset.
  - MoF Regulation, and MoHA Regulation on Availability Payment has been ratified.
  - Managing entity: Ministry of Finance, Ministry of Agrarian and Land Spatial/BPN and BLU-LMAN
  - Gov’t. commitment: US$ 12 mn (2016)

- **Land Acquisition**
  - A facility to support land acquisition for infrastructure projects particularly projects that involve private sector

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Regulation improvement to accelerate land procurement process

- The Government of Indonesia issued Law No. 2 of 2012 on Land Acquisition for Public Interest, with a purpose to provide certainty about the land acquisition duration for the Government Contracting Agencies and the Investors. The Law sets an estimated 583 days maximum time to complete the land acquisition process.
- For its implementation, the Law No. 2 of 2012 was supported by the Presidential Regulation No. 71 of 2012 on Land Acquisition Implementation for Developing Public Facilities, which has been revised into the Presidential Regulation No. 30 of 2015. The Amendment to the Regulation allows a Business Entity to allocate funding for a land acquisition which can be reimbursed by the Government following the completion of land acquisition process. With this Regulation, the land acquisition process is expected not to be delayed by the unallocated budget or the delay on the budget disbursement.

Law No. 2/2012 was successfully applied in:

1. Palembang – Indralaya section of the Trans Sumatera Toll Road Project
2. Java North Line Double Track Rail Project

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Government has established State Asset Management Unit (LMAN) as a solution to accelerate the land acquisition through the provision of land acquisition fund

**LMAN at a Glance**

1. LMAN was established in December 2015 through the issuance of MoF Reg. 219/2015 concerning State Assets Management
2. In 2016, BLU LMAN was mandated to provide land acquisition fund as a support to Ministry of Public Works due to US$ 1,081 Mio shortage of fund to acquire land for priority toll roads
3. The scope of support is broaden for all National Strategic Projects through the issuance of MoF Reg. 21/2017 concerning land acquisition financing guideline for PSN
4. In January 2018, LMAN has disbursed up to US$ 881.48 Million (IDR 11.9 Trillion) through bridging finance scheme for 27 toll road projects, and planned to start the implementation of direct payment scheme

**Land Acquisition Budgeting Scheme**

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

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

Source: Ministry of Finance
New Fundamental Regulations Have Been Initiated in 2017 to accelerate infrastructure projects delivery

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

2. **MoF No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation**
   The supporting regulation for Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulates the scope and general requirements and procedures to propose and grant guarantees, as well as allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.

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

4. **MoF No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects and Asset Management of Land Acquisition by State Asset Management Agency**
   The implementing regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Under Presidential Reg. No.56/2018, PSN list has been revised into 223 Projects and 3 Programs.

PSN includes 15 sectors at project level and 3 sectors at program level.

- Road 69 Projects
- Dams 51 Projects
- SEZs & IEs 29 Projects
- Railway 16 Projects
- Energy 11 Projects
- Ports 10 Projects
- Clean Water & Sanitation 8 Projects
- Airports 7 Projects
- Smelter 6 Projects
- Technology 4 Projects
- Housing 3 Projects
- Fisheries/Farming 1 Projects
- Sea Dike 1 Projects
- Education 1 Projects
- Irrigation 6 Projects
- Electricity 1 Program
- Aeroplane Industry 1 Program
- Economic Equality 1 Program

Exchange rate: US$ 1 = IDR 13,500

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
PSN may receive privileges as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
From 2016 – December 2019, there were 92 projects completed with an estimated investment value of US$ 34.6 Billion

1 In cumulative, including projects that are already taken out in 2016 and 2017

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) as of end of December 2019
Progress on 223 Projects and 3 Programs PSN

Realization of PSN Progress

1st PSN list Revision: Addition of 55 projects + 1 aircraft industry program

2nd PSN list Revision: Addition of 2 projects + 1 economic equality program

2016
- 96 projects + 1 program 35 GW
- 13 projects
- 81 projects
- 20 projects US$ 2.5 Billion

2017
- 30 projects US$ 4.5 Billion
- 37 projects + 1 program 35 GW

2018
- 62 projects US$ 15.4 Billion
- 32 projects + 1 electricity program + 1 economic equality program

2019
- 92 projects US$ 34.6 Billion
- 27 projects + 1 program 35 GW + 1 economic equality program

2020
- 144 projects US$ 59.3 Billion
- 30 projects + 3 program

Legend
- Completed
- Construction and partial operation phase
- Construction
- Transaction
- Preparation
- Taken out from PSN list

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) as of end of December 2019
Energy Sector: the Progress of 35,000 MW Program

Debottlenecking through regulation:
1. Regulation No.1/2015 concerning electricity supply cooperation & joint utilization of the electrical network among license holders.

Cabinet Meeting
“There’s electricity crisis in Indonesia, requires construction of large capacity plant.”

35,000 MW Program Distribution

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Energy Sector: the Progress of 35,000 MW Program

**December 2016**
- 706 MW in operating phase
- 10,141 MW in construction phase
- 8,478 MW signed Power-purchase Agreement
- 10,560 MW in procurement phase
- 5,824 MW in planning phase

**November 2017**
- 998 MW in operating phase
- 15,676 MW in construction phase
- 13,782 MW signed Power-purchase Agreement
- 3,163 MW in procurement phase
- 2,228 MW in planning phase

**December 2018**
- 2,899 MW in operating phase
- 18,207 MW in construction phase
- 11,467 MW signed Power-purchase Agreement
- 1,683 MW in procurement phase
- 954 MW in planning phase

**December 2019**
- 6,811 MW in operating phase
- 20,168 MW in construction phase
- 6,678 MW signed Power-purchase Agreement
- 829 MW in procurement phase
- 734 MW in planning phase

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Acceleration of 35,000 MW Program

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

- **Government Support (outside Guarantee)**
  - Provision of Primary Energy
  - Provision of Renewable Energy
  - Simplicity of Permits and non-Licensing
  - Spatial Planning
  - Land acquisition
  - Resolution on Legal Matters

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

- **Strengthen PLN's Balance Sheet**
  - Refinancing
  - Hedging
  - Financial Asset Optimization

- **Strengthen Equity**
  - Loan from independent lenders
  - Equity Injection by the Government
  - PT PLN’s divident allocation
  - Bond issuance by PT PLN
  - Asset Revaluation
  - Direct Lending
  - Company Tax Holiday
  - Other types of funding

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)
Significant Progress on Infrastructure Projects

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

**Database**

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

**Platform**

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

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

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

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

---

**Improving Monitoring System on Infrastructure Projects**

<table>
<thead>
<tr>
<th>Roads</th>
<th>Dams</th>
<th>Drinking Water Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trans-Sumatra Toll Road</td>
<td>Jetigede Dam (Operational)</td>
<td>Umbulan Drinking Water Provision System, East Java</td>
</tr>
<tr>
<td>Merah Putih Bridge, Ambon</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Transportation**

<table>
<thead>
<tr>
<th>Jakarta MRT Project</th>
<th>Terminal 3 Ultimate Soekarno-Hatta</th>
<th>New Tanjung Priok Port Project</th>
<th>Nop Goliat Dekai, Papua</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Infrastructure Projects and Financing Schemes
Promotion of Infrastructure Development to Accelerate Economic Growth

Infrastructure Development is a Key Priority

- Infrastructure Development in order to:
  1. Accelerate growth particularly in rural areas
  2. Support industrial development and tourism
  3. Reduce unemployment and poverty

- Infrastructure fundraising needs: $357.9 bn (or equivalent to IDR4,796.2 tn)


- 37 priority infrastructure projects with an estimated cost of IDR 2,490 tn (USD 180 billion)

- Majority of 37 priority projects are expected to commence commercial operation by 2018 - 2022

Establishment of PPP Unit

<table>
<thead>
<tr>
<th>Broad Objective</th>
<th>Core Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champion project preparation and acceleration of the PPP agenda in Indonesia</td>
<td>Improve quality of project selection under KPPIP – OBC criteria</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Core Mandates</th>
<th>Additional Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support project preparation through PDF support and highly qualified transaction advisors</td>
<td>Coordinate all public finance instruments</td>
</tr>
<tr>
<td>Act on behalf the Minister of Finance in providing government support and approvals for projects</td>
<td>Provide input for PPP Policy program Development and Regulations</td>
</tr>
</tbody>
</table>

Additional Mandates

- Implement capacity building for Govt. Contracting Agency (GCAs)
- One stop shop for PPP promotion & Information

Budget

- Central & regional budget (special allocation fund & rural transfer)
- Primarily to support basic infrastructure projects:
  - Food security: Irrigation, dams etc.
  - Maritime: Seaports, shipyards etc.
  - Connectivity: Village roads, public transportation etc.

Public Private Partnership

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

SOE & Private Sector

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

Note: OBC: Outline Business Case; PDF: Project Development Facility; GCA: Government Contracting Activity
Source: Ministry of Finance; Bappenas; KPPIP: “Komite Kebijakan Percepatan Penyediaan Infrastruktur” or National Committee for the Acceleration of Infrastructure Delivery
Government Guarantee For Basic Infrastructure Development
Reflects strong commitment to national development planning

### Government Guarantee Program

<table>
<thead>
<tr>
<th>Credit Guarantee</th>
<th>Business Viability Guarantee (BVG)</th>
<th>PPP Guarantee</th>
<th>Political Risk Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power (Electricity)</strong></td>
<td>- Full credit guarantee for PT PLN’s debt payment obligation under FTP 1 10,000MW and 35GW programs*.</td>
<td><strong>Infrastructure</strong></td>
<td>- Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</td>
</tr>
<tr>
<td><strong>Clean Water</strong></td>
<td>- Guarantee for 70% of PDAM’s debt principal payment obligations.</td>
<td><strong>Power (Electricity)</strong></td>
<td>- 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*</td>
</tr>
<tr>
<td><strong>Toll road</strong></td>
<td>- Full credit guarantee for PT Hutama Karya’s debt payment obligations for the development of Sumatra Toll Roads.</td>
<td><strong>Infrastructure</strong></td>
<td>- Guarantee for Government-related entities obligations (line ministries, local governments, SOEs, local SOEs) under PPP contracts/agreements</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>- Full credit guarantee on SOE’s borrowing from international financial institution &amp; guarantee for PT SMI’s local infrastructure financing.</td>
<td><strong>Business Viability Guarantee (BVG)</strong></td>
<td><strong>Power (Electricity)</strong> – 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*</td>
</tr>
<tr>
<td><strong>Public Transportation (Light Rail Transit)</strong></td>
<td>- Full credit guarantee for PT Kereta Api Indonesia’s debt payment obligations for the development of LRT Jabodebek.</td>
<td><strong>Infrastructure</strong></td>
<td>- Guarantee against infrastructure risks for National Strategic Projects (Presidential Decree No.58/2017) which are not covered by other type of guarantees</td>
</tr>
</tbody>
</table>

### Contingent Liabilities from Government Guarantee as of Q1 2020 **

<table>
<thead>
<tr>
<th>No.</th>
<th>Central Government Guarantee for Infrastructure Programs</th>
<th>Guarantee Documents</th>
<th>Exposure/Outstanding (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coal Power Plant 10,000 MW Fast Track Program (FTP 1)</td>
<td>16</td>
<td>1.41</td>
</tr>
<tr>
<td>2</td>
<td>Clean Water Supply Program</td>
<td>6</td>
<td>0.01</td>
</tr>
<tr>
<td>3</td>
<td>Direct Lending from International Financial Institution to SOEs</td>
<td>6</td>
<td>1.70</td>
</tr>
<tr>
<td>4</td>
<td>Sumatra Toll Road</td>
<td>10</td>
<td>2.99</td>
</tr>
<tr>
<td>5</td>
<td>Renewable energy, Coals &amp; Gas Power Plant 10,000 MW (FTP 2)</td>
<td>7</td>
<td>3.86</td>
</tr>
<tr>
<td>6</td>
<td>Public-Private Partnerships (PPP)</td>
<td>7</td>
<td>4.73</td>
</tr>
<tr>
<td>7</td>
<td>Regional Infrastructure Financing</td>
<td>1</td>
<td>0.19</td>
</tr>
<tr>
<td>8</td>
<td>Public Transportation (Light Rail Transit)</td>
<td>1</td>
<td>0.24</td>
</tr>
<tr>
<td>9</td>
<td>Electricity Infrastructure Fast Track Program (35GW)</td>
<td>6</td>
<td>4.36</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>19.49</strong></td>
</tr>
</tbody>
</table>

- From 2008 to Q1-2020 **, the government has issued 85 guarantee documents with total value of USD36.17 billion, there were 28 guarantee documents worth USD3.54 billion have been expired.
- The Maximum Guarantee Limit for the period 2020-2024 is set at 6% of GDP.
- Beginning in 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

**) As of end June 2020; currency conversion of IDR14,302.00/USD1 and IDR16,080.46/EUR1

Source: Ministry of Finance
Government Financial Facilities for PPP Projects

Financial Facilities to Attract More Private Participation

- Viability Gap Fund (VGF)
- Project Development Facility (PDF)
- Government Guarantees (directly by MoF or through IIGF)
- Availability Payment Schemes
- Financing from PT. SMI and PT. IIF

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

More Funding Schemes are on the Pipelines

- LCS (Limited Concession Scheme)
  - Asset is owned by public sector
  - Operating asset, not greenfield project
  - Records positive cash flow for the last several years
  - Predicted revenue

- PINA (Non-Government Budget Infrastructure Financing)
  - Asset is owned by private sector
  - Greenfield / brownfield / operating projects

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

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

Source: Ministry of Finance
Progress of PPP Infrastructure Projects

### Successful Projects Reaching Financial Close in 2016 and 2017

<table>
<thead>
<tr>
<th>No</th>
<th>Project Name</th>
<th>Project Cost (IDR tn)</th>
<th>Financial Facilities</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Java Power Plant</td>
<td>40</td>
<td>Guarantee (MoF &amp; IIGF)</td>
<td>FC on June 6(^{th}), 2016; Construction 30%; COD Target: May 2020</td>
</tr>
<tr>
<td>2</td>
<td>Palapa Ring – West Package</td>
<td>1.28</td>
<td>PDF, IIGF Guarantee &amp; AP</td>
<td>FC on August 11(^{th}), 2016; COD target: February 2018</td>
</tr>
<tr>
<td>3</td>
<td>Palapa Ring – Central Package</td>
<td>1.38</td>
<td>PDF, IIGF Guarantee &amp; AP</td>
<td>FC on September 29(^{th}), 2016; COD target: March 2018</td>
</tr>
<tr>
<td>4</td>
<td>Palapa Ring – East Package</td>
<td>5.13</td>
<td>PDF, IIGF Guarantee &amp; AP</td>
<td>FC on March 29(^{th}), 2017; COD target: September 2018</td>
</tr>
<tr>
<td>5</td>
<td>Umbulan Water</td>
<td>2.1</td>
<td>PDF, VGF &amp; IIGF Guarantee</td>
<td>FC on August 30(^{th}), 2016; COD target: July 2019</td>
</tr>
</tbody>
</table>

### Signed PPP Projects in 2016 and 2017

<table>
<thead>
<tr>
<th>No</th>
<th>Project Name</th>
<th>Project Cost (IDR tn)</th>
<th>Financial Facilities</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Batang–Semarang Toll Road</td>
<td>11</td>
<td>IIGF Guarantee</td>
<td>PPP &amp; guarantee contracts signed on April 27(^{th}), 2016</td>
</tr>
<tr>
<td>2</td>
<td>Manado–Bitung Toll Road</td>
<td>5.1</td>
<td>IIGF Guarantee</td>
<td>PPP &amp; guarantee contracts signed on June 8(^{th}), 2016</td>
</tr>
<tr>
<td>3</td>
<td>Samarinda–Balikpapan Toll Road</td>
<td>9.9</td>
<td>IIGF Guarantee</td>
<td>PPP &amp; guarantee contracts signed on June 8(^{th}), 2016</td>
</tr>
<tr>
<td>4</td>
<td>Pandaan–Malang Toll Road</td>
<td>5.9</td>
<td>IIGF Guarantee</td>
<td>PPP &amp; guarantee contracts signed on June 8(^{th}), 2016</td>
</tr>
<tr>
<td>5</td>
<td>Serpong–Balaraja Toll Road</td>
<td>6.0</td>
<td>-</td>
<td>PPP contracts signed on June 8(^{th}), 2016</td>
</tr>
<tr>
<td>6</td>
<td>Jakarta–Cikampek Elevated Toll Road</td>
<td>14.8</td>
<td>Co guarantee (MoF &amp; IIGF)</td>
<td>PPP &amp; guarantee contracts both signed on December 5(^{th}), 2016 and February 22(^{nd}), 2017</td>
</tr>
<tr>
<td>7</td>
<td>Krian–Legundi-Krian Toll Road</td>
<td>9.0</td>
<td>Co guarantee (MoF &amp; IIGF)</td>
<td>PPP &amp; guarantee contracts both signed on December 5(^{th}), 2016 and February 22(^{nd}), 2017</td>
</tr>
<tr>
<td>8</td>
<td>Serang–Panimbang Toll Road</td>
<td>5.3</td>
<td>Co guarantee (MoF &amp; IIGF)</td>
<td>PPP &amp; guarantee contracts signed on February 22(^{nd}), 2017</td>
</tr>
<tr>
<td>9</td>
<td>Cileunyi–Sumedang-Dawuan Toll Road</td>
<td>8.2</td>
<td>Co guarantee (MoF &amp; IIGF)</td>
<td>PPP &amp; guarantee contracts signed on February 22(^{nd}), 2017</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, as of July 2017
New Guarantee Schemes for Non-PPP Projects

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

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

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

- State finance soundness
- Fiscal sustainability
- Best practice of fiscal risk management

Guarantee for Regional Infrastructure Financing Provision

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

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

The objective is to give stimulus to the acceleration of local infrastructure development through the ease of access to infrastructure financing and to boost local economic growth, as well as to provide alternative financing schemes in order to meet local infrastructure development needs and to reduce reliance on state/local budget.
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