SYNERGIZE TO BUILD OPTIMISM FOR ECONOMIC RECOVERY
The front cover of the Bank Indonesia Annual Report depicts Bank Indonesia Representative Office in West Sumatra. The building was originally inaugurated on 24th January 1977 by then-Governor of Bank Indonesia, Rahmat Saleh. As the operational activities and role of Bank Indonesia grew, however, the building of the Bank Indonesia Representative Office in West Sumatra was renovated and expanded, with implementation officially begun on 31st March 2003 by then-Governor Syahril Sabirin. Upon completion, the Bank Indonesia Representative Office in West Sumatra was officially inaugurated by then-Governor of Bank Indonesia, Burhanuddin Abdullah, on 8th May 2006.

The design of the Bank Indonesia Representative Office building in West Sumatra was inspired by the grandeur of traditional Minangkabau architecture. The dramatic spired roof design with a tapered tip resembling a buffalo horn (gojong), represent Siriah Basusun (arranged betel leaves), symbolising the connection between friendship and kinship. This epitomises the synergy built between Bank Indonesia, the Government and other authorities in the execution of duties to support national economic growth in Indonesia.

The tapered roof also represents hope in terms of reaching God. This philosophy is consistent with Bank Indonesia, which prioritises religious values in the implementation of every task towards Advanced Indonesia.
The Bank Indonesia Annual Report is compiled to meet the accountability and transparency requirements stipulated in Article 58 of Act Number 23 of 1999 concerning Bank Indonesia, as amended most recently by Act Number 6 of 2009.
SYNERGIZE TO BUILD OPTIMISM FOR ECONOMIC RECOVERY

SYNERGY:
The Covid-19 pandemic has caused unprecedented and extraordinary multidimensional health, human, social and economic challenges.

The Covid-19 pandemic and subsequent policy measures taken to break the chain of transmission have restricted public mobility, curbed global and domestic economic activity and elevated global capital flow uncertainty.

Policy synergy amongst the authorities is required to contain and resolve the Covid-19 pandemic because the multidimensional challenges that have emerged cannot be overcome by a single policy alone.

Synergy between monetary expansion and accelerating fiscal stimuli has been strengthened through Bank Indonesia’s commitment towards funding and burden sharing in the 2020 State Revenue and Expenditure Budget (APBN). Domestic policy synergy is also supported by solid bilateral, regional and global cooperation.

Institutional synergy is achieved by strengthening the organisation and working patterns in alignment with Bank Indonesia’s strategy, integrated work processes and application of sustainable task management.

OPTIMISM:
The policy synergy established between Bank Indonesia, the Government and other relevant authorities aims to build optimism. Optimism in terms of healthcare and post-pandemic economic recovery.

Policy synergy supports national economic recovery. The latest developments point to a gradual economic recovery process, which is expected to build optimism concerning a faster recovery.

Optimism that policy synergy amongst the authorities will continue and be strengthened to maintain the economic recovery moving forward.

Optimism that conditions will improve during the upcoming year, supported by institutional strengthening through policy transformation, organisational transformation, human resources and work culture transformation as well as digital transformation.

Bank Indonesia Representative Office
Banten Province
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GOVERNOR’S FOREWORD

“The central bank is not only the birthplace of monetary policy, financial system stability policy, payment system policy and Rupiah currency management, yet also ensuring such policies are underpinned by scientific central banking principles and good governance.”

Perry Warjiyo
Bank Indonesia Governor
A llhamdulillah, praise be to God Almighty, for it is with His blessings Bank Indonesia has been able to publish two accountability reports simultaneously, namely the Economic Report on Indonesia (LPI) 2020 and the Bank Indonesia Annual Report (LTBI) 2020. This year, we have started a new tradition, commencing with the Bank Indonesia Annual Gathering on 3rd December 2020, followed by the publication of both reports earlier than usual in January. Bank Indonesia has published the reports as a demonstration of avowed commitment to strengthen accountability and transparency as mandated by the Bank Indonesia Act.

In 2020, the entire world was plunged into an unprecedented and extraordinary crisis. The Covid-19 outbreak in China quickly spread around the world, creating not only massive health and human issues, yet also global financial market panic and a wave of economic recessions sweeping across the globe. Alhamdulillah, after 10 months struggling against Covid-19, the national economy has shown solid resilience. Close policy synergy amongst the authorities has been key to maintaining macroeconomic and financial system stability, while stimulating a national economic recovery, the effects of which became apparent in the second semester of 2020. Policy synergy is facilitated by a solid legal framework, namely Act No. 2 of 2020, which confers special power to the Government, Bank Indonesia, Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS) to implement extraordinary policy measures as required. In addition, the Government also expanded the fiscal deficit to 6.34% of Gross Domestic Product (GDP), thus supporting the huge spending required on healthcare, social protections and national economic recovery stimuli. Meanwhile, OJK relaxed various banking regulations concerning loan restructuring by delaying principal and interest payments in order to avoid the deleterious impact of increasing non-performing loans (NPL) and decreasing capital. Similarly, LPS took measures to guarantee deposits in the banking industry, thereby safeguarding financial system stability.

Bank Indonesia is firmly committed to and fully supports strengthening national economic policy synergy with the Government and Financial System Stability Committee in order to overcome the impact of the Covid-19 pandemic. To fund the State Revenue and Expenditure Budget (APBN) in 2020, Bank Indonesia has purchased government securities (SBN) in the primary market, hence strengthening coordination between fiscal and monetary policies through a funding and burden sharing mechanism with the Government. Furthermore, Bank Indonesia has oriented the full panoply of policy instruments towards maintaining stability and stimulating national economic recovery momentum. Bank Indonesia has intervened in the foreign exchange market to stabilise Rupiah exchange rates in the wake of widespread global financial market panic at the beginning of the Covid-19 pandemic, thereby shielding Indonesia from possible monetary and economic crises. Bank Indonesia implemented monetary stimuli by lowering the BI 7-Day Reverse Repo Rate (BI7DRR) 125 basis points in 2020 to 3.75%, the lowest level in history, while injecting liquidity through quantitative easing totalling Rp726.57 trillion or 4.7% of GDP, the largest amongst emerging markets. In addition, Bank Indonesia has maintained an accommodative macroprudential policy stance in order to maintain financial system stability and stimulate lending in the banking industry. Bank Indonesia has also accelerated payment system digitalisation through implementation of the Indonesia Payment System Blueprint (BSPI) 2025 to expedite development of the digital economy and finance as a new source of economic growth. Such efforts to reinforce stability and support the national economic recovery have been backed by money market reforms based on the Money Market Development Blueprint (BBPU) 2025, along with development of the sharia economy and finance as well as small and medium enterprises (MSME) as new sources of economic growth, while strengthening international policy.

In 2020, in addition to maintaining an optimal policy mix in synergy with the Government and Financial System Stability Committee to overcome the adverse impact of Covid-19, Bank Indonesia has also undertaken comprehensive institutional transformation towards achievement of Bank Indonesia’s vision of ‘becoming the foremost digital central bank with a tangible contribution to the national economy and the best emerging market central bank towards Advanced Indonesia.’ That vision contains three important aspects. First, Bank Indonesia dedicates the monetary, macroprudential and payment system policy mix along with other supporting policies to the attainment of Rupiah
stability (inflation and exchange rate) and maintaining financial system stability in order to achieve sustainable and inclusive economic growth. Second, based on policy and institutional performance, Bank Indonesia seeks to position itself as the best central bank amongst emerging markets. Third, Bank Indonesia is accelerating digitalisation of the policymaking process and organisation in response to rapid economic and financial digitalisation. Based on that vision, Bank Indonesia has formulated comprehensive institutional transformation into a concrete medium-term strategy and work program in accordance with the Bank Indonesia Strategic Business Plan 2020-2025. The strategies and programs are being implemented through four types of transformation: Policy Transformation, Organisational and Work Process Transformation, Human Resources and Work Culture Transformation as well as Digital Transformation.

Bank Indonesia is implementing Policy Transformation by strengthening its policy mix in terms of executing the legal mandate and bolstering national economic policy synergy. Policy transformation is not only oriented towards maintaining stability, yet also towards supporting the national economic recovery, accelerating economic transformation and integrating the digital economy and finance nationally. Bank Indonesia has pioneered the central bank policy mix of monetary and macroprudential policies in order to optimise monetary stability (inflation and exchange rate), while also maintaining financial system stability and sustainable economic growth. Furthermore, Bank Indonesia has oriented BSPI 2025 implementation towards accelerating the digital economy and finance as a source of national economic growth.

Organisational and Work Process Transformation aims to realise an excellent digital organisation based on good governance and credibility that are aligned with the strategic direction of Bank Indonesia. Organisational transformation at Bank Indonesia is based on digitalisation of various business processes, from policymaking to institutional management. Meanwhile, seeking to create a credible organisation with good governance, Bank Indonesia is optimising the integration of four governance functions, namely strategic management, strategic finance, strategic risk management and strategic risk-based internal audits, underlying policymaking and implementation as well as the institutional arrangements.

**Human Resources and Work Culture Transformation**, which began in May 2018, has been accelerated to develop a cadre of professional and competent leaders with integrity. Furthermore, Bank Indonesia is also developing its human resources by strengthening central banking competencies in the digital era to support Bank Indonesia’s vision of becoming a leading digital central bank. HR policy is implemented in a programmed, scheduled and transparent way involving the 4Ps: Perencanaan, Pemenuhan, Pengembangan and Pemeliharaan or planning, fulfilment, development and maintenance. HR planning has been extended to 2025, with clearly defined career management and refined training programs, including competency-based training and tiered leadership education, backed by a competitive remuneration policy. In addition, the work culture at Bank Indonesia has been strengthened through BI Prestasi, BI Innovasi, BI Digital and BI Religi.

Bank Indonesia is also implementing comprehensive Digital Transformation, encompassing policy and institutional aspects, in pursuit of becoming a leading digital central bank. The digitalisation program is contained within the Bank Indonesia Information Systems Masterplan (RISIBI) 2025, which embraces comprehensive technological development as well as data and information management, the application of digital policy and institutional processes as well as increasing digital competencies and work processes. Digital transformation at Bank Indonesia is in response to rapid economic and financial digitalisation.

Entitled “Synergize to Build Optimism for Economic Recovery”, the Bank Indonesia Annual Report 2020 explains Bank Indonesia’s duties and records performance from a policy and institutional perspective in 2020 and the direction for 2021. This year, Bank Indonesia has started a new tradition in terms of strengthening accountability and transparency as mandated by the Bank Indonesia Act through three salient refinements to the Annual Report publication. First, preparations for the Annual Report begin by delivering key takeaways, along with an economic assessment and outlook, as well as the orientation of Bank Indonesia policy, at the Bank Indonesia Annual Gathering held on 3rd December 2020. The Annual Report publication in 2020 comprehensively documents Bank Indonesia’s performance from a policy and institutional perspective, while
providing a detailed economic assessment and clarification of the policies contained in the Economic Report on Indonesia 2020 published at the same time. Second, Bank Indonesia has decided to publish the Annual Report earlier than usual in January 2021, while still covering the fourth quarter and whole year of 2020, in order to provide public clarification concerning policy and institutional implementation in 2020 and the policy direction for 2021 as a quality and trusted reference document. Third, Bank Indonesia has strengthened the substance of the Annual Report through the inclusion of thematic issues, which this year focus on evaluating task implementation at Bank Indonesia as well as the ongoing comprehensive transformation process, incorporating Policy Transformation, Organisational and Work Process Transformation, Human Resources and Work Culture Transformation as well as Digital Transformation.

In closing, I would like to take the opportunity to extend sincere appreciation and gratitude to all strategic partners of Bank Indonesia, the Government, People’s Representative Council (DPR), Commission XI in particular, Audit Board of the Republic of Indonesia (BPK-RI), Financial System Stability Committee (KSSK), banking industry, business community, investors, academia, media and various other parties for their continued support and the policy synergy we have built in order to maintain stability and stimulate national economic recovery. I sincerely hope the Annual Report is a benefit to society and a quality and trusted reference document when formulating joint measures to build national economic recovery optimism through synergy.

May God Almighty bestow His blessings upon us in our work and endeavours towards the advancement of the Indonesian economy.

Jakarta, 27th January 2021

Governor of Bank Indonesia

Perry Warjiyo
"The burden sharing mechanism reflects synergy between Bank Indonesia as the monetary authority and the Government as the fiscal authority in terms of funding the National Economic Recovery program to maintain economic sustainability towards Advanced Indonesia."

Destry Damayanti
Senior Deputy Governor
The presence of a central bank in Indonesia is mandated by the 1945 Constitution. Bank Indonesia, as the central bank of the Republic of Indonesia, entered a new chapter of its journey with the enactment of Act No. 23 of 1999 concerning Bank Indonesia, effective from 17th May 1999, as amended by Act No. 6 of 2009. The Bank Indonesia Act confers independent status and position on Bank Indonesia as a state institution to execute its duties and responsibilities, free from interference from the Government and/or other parties, subject to supervision and held accountable.

As a central bank, Bank Indonesia is acutely aware of the importance of maintaining macroeconomic stability and supporting the economic recovery. To that end, Bank Indonesia honed its strategic direction for 2020-2025 in order to achieve its vision of becoming the foremost digital central bank that creates a tangible contribution to the national economy and the best amongst emerging markets towards an Advanced Indonesia (Indonesia Maju). A policy mix is key, requiring solid policy synergy between Bank Indonesia, the Government and other strategic policy partners.

Bank Indonesia is led by a Board of Governors with members consisting of: Governor, Senior Deputy Governor and 4 – 7 Deputy Governors. Members of the Bank Indonesia Board of Governors (BoG) serve for five years and can be reappointed to the same position for one further tenure. Bank Indonesia board members are proposed and appointed by the President of the Republic of Indonesia based on approval by the People’s Representative Council of the Republic of Indonesia (DPR-RI).

To ensure fit and proper candidates, the House of Representatives holds a selection process to explore into the vision, experience, expertise and integrity of each candidate.

As of December 2020, the composition of the Bank Indonesia BoG is as follows:

- Governor: Perry Warjiyo
- Senior Deputy Governor: Destry Damayanti
- Deputy governor: Sugeng, Rosmaya Hadi, Dody Budi Waluyo and Doni Primanto Joewono

Bank Indonesia is the Central Bank of the Republic of Indonesia, a legal entity authorised to take legal actions. As a public legal entity, Bank Indonesia is authorised to issue legally binding regulations in the execution of law in accordance with its duties and responsibilities. As a civil legal entity, Bank Indonesia is authorised to represent itself within and outside a court of law.

Bank Indonesia has one single objective, namely to achieve and maintain Rupiah stability. Rupiah stability consists of stability against goods and services and stability against other currencies. Rupiah stability against goods and services is reflected by the rate of inflation. Rupiah stability against other currencies is reflected by the performance of Rupiah exchange rates against other currencies. To achieve the objective, Bank Indonesia institutes monetary policy sustainably, consistently and transparently, while taking into consideration the economic policies of the Government.

Bank Indonesia is authorised to execute the following duties: (i) formulate and implement monetary policy; (ii) regulate and maintain payment system availability; and (iii) regulate and supervise the banking industry.

At the end of 2013, the bank regulation and supervision functions were transferred from Bank Indonesia to the Indonesian Financial Services Authority (OJK). Thus, to achieve and maintain financial system stability in Indonesia, Bank Indonesia received an additional mandate in the form of macroprudential policy, regulation and supervision. This mandate is stipulated in the OJK Act, commencing 1st January 2014.

Therefore, Bank Indonesia actively coordinates with OJK for direct inspection of systemically important banks (SiBs) and other banks under the jurisdiction of Bank Indonesia.
To become the foremost digital central bank that creates a tangible contribution to the national economy and the best amongst emerging market countries towards an Advanced Indonesia (Indonesian Maju).

Bank Indonesia’s Vision for 2025 contains four key elements:

1. Foremost digital central bank implies that Bank Indonesia is firmly committed to becoming an excellent central bank in terms of adopting digital technology to enable digitalisation of the economy and financial system, as well as digitalisation of policy and institutional management at Bank Indonesia.

2. Tangible contribution to the national economy implies that Bank Indonesia orients its policies to achieve low inflation and stable exchange rates. This is more effectively achieved with balanced and sustainable economic growth, a manageable current account deficit as well as maintained macroeconomic and financial system stability. Bank Indonesia pursues this objective through strong synergy with the Government, Financial System Stability Committee, other relevant authorities, banking industry, business community and other strategic partners.

3. Best amongst emerging market countries implies that Bank Indonesia is determined to increase policy capability and quality to become the best central bank and respected within its peer group, while contributing internationally.

4. Towards an Advanced Indonesia (Indonesian Maju) implies that everything Bank Indonesia does is towards advancing the shared goal of achieving middle-income status with solid economic growth, low inflation, a manageable current account deficit, balanced credit and financing as well as maintained macroeconomic and financial system stability.

The achievement of Bank Indonesia’s vision is supported by seven Missions based on strategising and synergising. Strategising implies that Bank Indonesia will optimise its policy mix to achieve the predetermined inflation target and Rupiah exchange rate stability, while maintaining a sustainable economic recovery, manageable current account deficit as well as macroeconomic and financial system stability. On the other hand, synergising implies that to achieve its Vision, Bank Indonesia will strengthen synergy and coordination with the Government, Financial System Stability Committee, banking industry, business community and other domestic and international strategic partners. Furthermore, Bank Indonesia will remain independent in the execution of duties pursuant to its current mandate in accordance with prevailing laws and regulations. Nevertheless, independence also entails interdependence with the policies instituted by the Government, Financial System Stability Committee and other strategic partners, while respecting the jurisdiction of each authority. Synergy and coordination based on independence and interdependence produce optimal outcomes and achievements rather than working individually.

Bank Indonesia’s Missions are as follows:

1. To achieve and maintain Rupiah stability through effective monetary policy and the Bank Indonesia policy mix.

2. To engage in maintaining financial system stability through effective macroprudential policy in synergy with microprudential policy by the Financial Services Authority (OJK).

3. To engage in developing the digital economy and finance by strengthening Bank Indonesia payment system policy in synergy with the Government and other strategic policy partners.

4. To support macroeconomic stability and sustainable economic growth by achieving synergy between the Bank Indonesia policy mix, Government fiscal policy and structural reforms as well as other strategic policy partners.

5. To engage in enhancing financial market deepening in order to strengthen the effectiveness of Bank Indonesia policy and support national economic financing.

6. To engage in developing the sharia economy and finance from the national level to the regional level.

7. To build a digital central bank in terms of the policies and institutional arrangements by strengthening the organisation, human resources, governance and reliable information systems as well as a proactive international role.
Bank Indonesia seeks to achieve its Vision and Missions through 12 Strategic Programs (SP) underlying task implementation at Bank Indonesia. The first nine Strategic Programs out of the 12 programs deal with Bank Indonesia policy implementation, supported by policy synergy and coordination with the Government, Financial System Stability Committee, banking industry, business community and other strategic partners. The three remaining strategic programs concern institutional management at Bank Indonesia to support policy implementation.

1. **SP 01 “Strengthening Monetary Policy and Policy Mix Effectiveness to Achieve Rupiah Value Stability”.**

   The first strategic program is part of policy strategy implementation that directly correlates with Bank Indonesia’s mandate as a central bank, namely to create and maintain Rupiah stability. Through this strategic program, Bank Indonesia consistently strengthens monetary policy and policy mix effectiveness to achieve Rupiah stability by strengthening inflation control and Rupiah exchange rate stability in line with the currency’s fundamental value. The Bank Indonesia policy mix not only contains internal policies yet is also instituted through synergy and coordination with strategic partners. The main strategic partners engaged with the first strategic program are the Central Government through the Central Inflation Control Team (TPIP) and Regional Administrations through Regional Inflation Control Teams (TPID).

   Policy synergy to maintain Rupiah stability correlates closely with successful coordination between Bank Indonesia and the Government in terms of managing the current account deficit as implemented through Strategic Program 02. In addition, successful implementation depends on Bank Indonesia’s efforts in conjunction with strategic partners to deepen the conventional and sharia financial markets through Strategic Program 07 and Strategic Program 08. Deeper financial markets facilitate more effective monetary policy transmission in terms of controlling inflation and exchange rate volatility. In addition, deep financial markets can also accelerate economic financing for sustainable economic growth.

   The success of achieving Rupiah stability through Strategic Program 01 is reflected by three destination statement (DS) 2025 indicators, namely: (i) stable CPI inflation in the 2.5%±1% (yoy) range; (ii) exchange rate volatility in line with economic fundamentals; and (iii) optimal reserve assets to support Rupiah stability and external resilience.

2. **SP 02 “Strengthening Bank Indonesia Policy Mix Synergy with Fiscal Policy and Structural Reforms by the Government to Manage the Current Account Deficit and Stimulate Sustainable Economic Growth”.**

   The second strategic program is part of the policy synergy between Bank Indonesia and the Government (relevant ministries and agencies) as well as other strategic partners to achieve the vision of “providing a tangible contribution to the national economy”. Bank Indonesia synergy is realised through efforts to strengthen external resilience and support inclusive and sustainable economic growth. This is achieved through support for the inception and implementation of programs for successful economic transformation across various sectors, including manufacturing and tourism.
The success of Bank Indonesia's efforts under Strategic Program 02 is reflected in strong synergy and coordination with the Government and other strategic partners to achieve sustainable economic growth and a manageable current account deficit (CAD) over a 5-year horizon.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 02 by 2025, Bank Indonesia is:

a. Strengthening synergy with government ministries/agencies towards economic recovery, including overseeing the reopening of productive and safe subsectors and further mapping financing for priority subsectors to stimulate economic growth and manage the CAD.

b. Strengthening the tourism strategy through synergy and coordination with government ministries/agencies under the auspices of the Joint Secretariat to Accelerate Tourism Development centrally and regionally based on reviews and studies.

3. SP 03 "Strengthening Macroprudential Policy and Surveillance as well as Economic and Financial Inclusion to Maintain Financial System Stability".

The third strategic program is part of Bank Indonesia's policy strategy to maintain financial system stability, support balanced and sustainable economic loans/financing as well as accelerate economic and financial inclusion.

In practice, the success of the third strategic program depends on harmonious coordination between Bank Indonesia, the Government, Financial System Stability Committee and banking industry through the implementation of Strategic Program 04. Strategic Program 03 implementation is also in synergy with Strategic Program 05 concerning development of the digital economy and finance as well as Strategic Program 07 concerning financial market deepening to maintain financial system stability.

In line with the objectives, the success of Strategic Program 03 over the next five years is measured in terms of: (i) maintaining a balanced and quality intermediation function in line with economic capacity; (ii) increasing the financial sector’s role in economic financing; (iii) maintaining bank liquidity resilience, particularly at 30 large systemically important banks (SIBs) with a significant impact on financial system stability; and (iv) advancing the development of micro, small and medium enterprises (MSME), supported by access to bank financing.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 03 by 2025, Bank Indonesia is:


b. Developing systemic risk surveillance from the dimension of macrofinancial linkages based on Dynamic Systemic Risk Surveillance, integrated with the DIMPS framework.

c. Accelerating economic and financial access and inclusion, particularly targeting MSME, including promoting MSME digitalisation.

4. SP 04 "Strengthening Macroprudential Policy and Supervision Synergy with Other Relevant Authorities to Maintain Financial System Stability".

The fourth strategic program is part of Bank Indonesia's policy synergy with the Financial System Stability Committee. Through this strategic program, Bank Indonesia maintains financial system stability by strengthening policy synergy with other authorities. Synergy is also achieved between macroprudential and microprudential supervision to prevent and resolve crises as well as support sustainable and quality economic financing.

Under Strategic Program 04, coordination is closely related with the quality of macroprudential policy and supervision by Bank Indonesia in the implementation of SP 03 as well as the policies formulated under SP 05, SP 07 and SP 08. The fourth strategic program emphasises bilateral and multilateral synergy between Bank Indonesia and the other Financial System Stability Committee members. Through this strategic program, Bank Indonesia expects to create harmonious policy synergy between the Financial System Stability Committee authorities, macroprudential supervision of Bank Indonesia and microprudential supervision of the Financial Services Authority.
Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 04 by 2025, Bank Indonesia is:

a. Strengthening coordination between institutions to prevent and mitigate financial sector crises as stipulated in Act No. 9 of 2016 concerning Financial Sector Crisis Prevention and Mitigation as well as containment measures for the Covid-19 pandemic that threatens financial system stability, as stipulated in Act No. 2 of 2020 concerning state financial policy and financial system stability to contain the Covid-19 pandemic and confront threats to the national economy and/or financial system stability.

b. Strengthening Crisis Management Protocol (CMP) by strengthening the systemic risk surveillance mechanism and the systemic bank resolution mechanism in line with Bank Indonesia’s function as lender of last resort (LOLR) for commercial banks.

c. Strengthening Bank Indonesia’s role at international forums by enhancing the quality of international diplomacy to support Indonesia’s leadership role and contribute proactively at various corporation forums.


According to the fifth strategic program, Bank Indonesia aims to create a payment system ecosystem to accelerate end-to-end development of the digital economy and finance, thereby guaranteeing Bank Indonesia’s function as a central bank in terms of monetary policy and financial system stability, while supporting financial inclusion. In terms of Rupiah currency management, Bank Indonesia is creating centralised, digitalised and efficient Rupiah currency management to safeguard the availability of currency fit for circulation throughout the territory of the Republic of Indonesia.

The success of efforts to strengthen payment system and Rupiah currency management policy over the next five years is reflected in the following conditions:

a. A healthy and trusted payment system industry structure to support development of the digital economy and finance.

b. A significant increase in the participation rate of adults in the financial sector.

c. The availability of optimal financial market infrastructures (FMI) and Bank Indonesia payment system that meet international standards as the primary reference for financial market infrastructure development.

d. The fulfilment of standards concerning Rupiah currency fit for circulation in the territory of the Republic of Indonesia, including outlying, frontier and remote regions, at an optimal level.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 05 by 2025, Bank Indonesia is:

a. Strengthening the retail payment system through development of BI Fast Payment (BI-FAST), Quick Response Code Indonesia Standard (QRIS), expansion of the National Payment Gateway (NPG) and Integrated Payment Interface (IPT).


c. Integrating regulation, licensing, supervision and reporting, including regulations on sandbox 2.0, data, cyber security and consumer protection.

d. Centralising and digitalising efficient Rupiah currency management through the availability of quality and trusted Rupiah currency, an efficient currency distribution system and the availability of technology-based Rupiah currency management infrastructure.

6. **SP 06 “Strengthening Policy Synergy between Bank Indonesia, the Government and Financial Services Authority to Develop the Digital Economy and Finance”**.
Through the sixth strategic program, Bank Indonesia implements an optimal policy response to address challenges in the digital era. Bank Indonesia is developing the digital economy and finance through stronger policy synergy with other authorities to support inclusive and sustainable economic growth. In pursuit of digital banking, Bank Indonesia is encouraging the banking industry to adopt digital technology, thus accelerating collaboration between the banking and FinTech industries. Bank Indonesia is also developing a digital ecosystem to support MSME development and promote MSME digitalisation. Synergy with the Government and Financial Services Authority under the umbrella of Strategic Program 06 in relation to the digital economy and finance will support sustainable economic growth and a manageable current account deficit (Strategic Program 02).

The success of efforts to advance the digital economy and finance over the next five years is reflected in the following conditions:

a. Increasing digital transactions amongst the public to reach a dominant proportion of Gross Domestic Product (GDP), as reflected in the large contribution of the digital economy and finance as a source of economic growth.

b. Developing a data hub as data infrastructure to enhance the quality of policymaking and task implementation at Bank Indonesia, whilst simultaneously supporting development of the digital economy and finance in the public interest.

c. Developing Payment ID as a unique identifier to map payment transaction data for subsequent use in development of the digital economy and finance.

d. Strengthening MSME onboarding through a campaign and broad-based electronification of various major sectors, including social aid program disbursements by the Government and different transportation modes, as well as the electronification of local government finances towards on target, on total, on time and good governance.

e. Increasing digitalisation development synergy at the regional level through establishment of a Regional Digitalisation Acceleration and Expansion Team (TP2DD).

7. **SP 07 “Accelerating Conventional and Sharia Financial Market Deepening to Strengthen Policy Transmission Effectiveness at Bank Indonesia and Sources of Economic Financing, including Infrastructure Financing”**.

Through the seventh strategic program, Bank Indonesia will continue to support domestic financial market deepening in order to create deep, liquid, efficient, inclusive and secure financial markets towards macroeconomic stability and support economic financing. Deeper financial markets are a prerequisite for effective monetary policy transmission and financial system stability. In addition, mature financial markets are expected to bridge the funding gap previously met by the banking system.

Conventional financial market deepening requires the support of sharia financial market deepening in accordance with Strategic Program 08. Deep financial markets support effective monetary policy transmission to control inflation and stabilise exchange rates based on Strategic Program 01. In addition, deep financial markets support economic financing for sustainable economic growth pursuant to Strategic Program 02.
Over the next five years, the success of efforts to accelerate financial market deepening through Strategic Program 07 will be reflected in the achievement of the Destination Statement as follows:

a. Creation of deep, liquid, inclusive and secure Rupiah money markets and foreign exchange markets, supported by adequate financial market infrastructures (FMIs).

b. Availability of long-term national economic financing sources from the financial markets, among others derived from the issuance of corporate bonds, Sukuk, Medium Term Notes (MTN) and innovative financing, e.g Limited Participation Mutual Funds (RDPT) and Asset-Backed Securities (EBA).

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 07 by 2025, Bank Indonesia is implementing three initiatives based on the Money Market Development Blueprint (BPPU) as follows:

a. Digitalisation and strengthening money market infrastructure, covering trading venues, electronic trading platforms, central counterparties, the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS), Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system and trade repository.

b. Strengthening monetary policy transmission effectiveness by expanding Repurchase Agreement (Repo) instruments, IndONIA and Jakarta Interbank Offered Rate (JIBOR), Overnight Index Swap, Domestic Non-Deliverable Forwards and Local Currency Settlement with authorities in several countries.

c. Developing economic financing sources and risk management, such as through long-term hedging instruments, asset securitisation, sustainable and green finance as well as expanding the retail investor base.

8. SP 08 “Developing Bank Indonesia Policy in Synergy with the Policies of the National Sharia Economy and Finance Committee (KNEKS) and Other Relevant Parties to Support Development of the Sharia Economy and Finance”.

The eighth strategic program represents Bank Indonesia’s contribution to development of the sharia economy and finance as a source of growth in Indonesia. Implementation of Strategic Program 08 refers to the Sharia Economy and Finance Development Blueprint, which is aligned with the Indonesia Sharia Economy and Finance Masterplan (MEKSI), containing three salient pillars: (i) Empowerment of the sharia economy; (ii) Development of sharia finance; and (iii) Strengthening research, assessments and education. Bank Indonesia is working in synergy with the National Sharia Economy and Finance Committee (KNEKS) as well as other relevant domestic and international institutions to develop the sharia economy and finance.

Over the next five years, the success of efforts to develop the sharia economy and finance through Strategic Program 08 will be reflected in the achievement of the Destination Statement as follows:

a. Increasing the share of sharia business activities to GDP as a source of economic growth.

b. Increasing the share of sharia financing to total domestic financing.

c. Increasing sharia economic and financial literacy to the level of well literate, implying sound knowledge and understanding concerning the fundamental principles of the sharia economy, sharia social finance and halal products/services.

Successful development of the sharia economy and finance by Bank Indonesia would have a positive impact on sharia businesses and money market growth in Indonesia. This will ultimately support economic growth and help manage the current account deficit through Strategic Program 02 and financial market deepening through Strategic Program 07.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 08 by 2025, Bank Indonesia is:

a. Increasing the share of sharia businesses through development of Sharia boarding school businesses and sharia MSMEs, corporatisation of sharia businesses, development of halal industrial zones, digital platforms and certification.
b. Increasing the share of sharia finance through programs oriented towards commercial finance (regulation, instruments, market players and infrastructure) as well as social finance (zakat and waqf integration with commercial finance), while enhancing governance and risk management.

c. Executing scientific research and education programs, including how to calculate sharia GDP, formulating a curriculum and teaching materials for universities, the institutional arrangements and education, as well as socialisation efforts through regular events, such as the annual Sharia Economic Festival (FESyar) and Indonesia Sharia Economic Festival (ISEF).


The ninth strategic program aims to optimise the role of international cooperation in terms of supporting macroeconomic and financial system resilience as well as Bank Indonesia’s vision to become the best central bank amongst emerging market countries. Furthermore, this strategic program supports implementation of Strategic Programs 01-08 through international policy that supports anticipative policy implementation by Bank Indonesia in terms of the regional and global economy, while ensuring Bank Indonesia’s interests and the national interest on the international stage.

Over the next five years, the success of efforts to strengthen international cooperation effectiveness through Strategic Program 09 will be reflected in the achievement of the Destination Statement as follows:

a. Agreeing mutually beneficial international cooperation with domestic and international partners, cohering the stance adopted at international forums/institutions, creating a balanced view concerning reports by rating agencies and international organisations, increasing the rating and rating outlook, as well as expanding promotional support for investment and trade through the national, regional and global Investor Relation Unit (IRU).

b. Achieving the support of international cooperation for international policy implementation.

c. Ranking fifth out of the 11 emerging market central banks based on representation (total memberships and chairmanships) and reputation (international awards, implementation of international best practices, providing speakers, hosting international forums, journals and research).

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 09 by 2025, Bank Indonesia is:

a. Strengthening global surveillance, expanding the Global Financial Safety Net and Local Currency Settlement with other central banks/authorities in terms of cooperation and nominal swap/repo lines, positive perception management as well as implementation of international best practices and international agreements.

b. Implementing a comprehensive diplomacy strategy and pursuing international cooperation agreements.

c. Strengthening the Investor Relations Unit (IRU) – Regional Investor Relations Unit (RIRU) – Global Investor Relations Unit (GIRU), optimising Free Trade Agreements/Comprehensive Economic Partnership Agreements (CEPA) and expanding promotional support for investment and trade.

d. Establishing Bank Indonesia as the best central bank amongst emerging market countries in terms of representation and reputation.

10.  SP 10 “Strengthening the Organisation, Business Processes, HR Management and Work Facilities to Support Bank Indonesia’s Strategy”.

The tenth strategic program is part of the institutional strategy to support implementation of all strategic programs. Strategic Program 10 aims to create organisational excellence, supported by integrated business processes, quality human resources and premium work facilities for the digital era.

The achievement of excellence is based on the Baldrige Excellence Framework (BEF), targeting the Industry Leader band. Institutional excellence is supported by business
process digitalisation, creation of a Digital Workplace and the availability of work facility infrastructure and logistics. In terms of human resources, Bank Indonesia is pursuing quality human resources with a mindset that supports central banking in the digital era.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 10 by 2025, Bank Indonesia is:

a. Streamlining the organisation and business processes to establish an agile organisation that supports Bank Indonesia’s strategy in six key areas: (i) Leadership; (ii) Strategic Management; (iii) Stakeholder Management; (iv) Measurement, Analysis and Knowledge Management; (v) HR Management; and (vi) Operational Management.

b. Strengthening HR management by ensuring the quality and quantity of human resources as central bankers in the digital era, with a mindset, behaviour and literacy to support the digital era 4.0 (open-minded, collaborative, agile, experimental and innovative), as well as digital technology-based business processes and decision-making in terms of HR management.

c. Increasing the effectiveness of work facility and asset management at Bank Indonesia, oriented towards: (i) implementation of the Asset Management and Logistics Masterplan to support digital business processes and the planned move of the national capital; (ii) efficient digital-based asset management; and (iii) operationalisation of the Money Management Centre (SPU), Eastern Region Cash Depo (DKUT), Data Centre 2 (DC-2) and Business Resumption Site (BRS) to establish centralised distribution as well as Rupiah currency management efficiency, digitalisation and automation, while safeguarding the reliability of critical information system services at Bank Indonesia.

11. SP 11 “Developing Digital Era Information Systems at Bank Indonesia”.

The eleventh strategic program plays a central role in the manifestation of Bank Indonesia’s vision as the foremost digital central bank. As part of the institutional strategy that supports implementation of all strategic programs, Strategic Program 11 contains five salient strategies based on the Bank Indonesia Information Systems Master Plan (RISIBI) as follows: (i) building omni-experience; (ii) developing information systems infrastructure for policy and institutional use cases; (iii) developing agile, resilient and intelligent information systems infrastructure; (iv) executing robust operations; and (v) developing HR and organisational preparedness for the development of digital business processes. The strategies aim to produce quality, secure and reliable information systems in terms of policies and institutional management.

Over the next five years, the success of efforts to develop information systems at Bank Indonesia appropriate to the digital era through Strategic Program 11 will be reflected in the achievement of the Destination Statement as follows:

a. Establishing information systems support for policy and institutional implementation covering: (i) digital business platforms for the payment system; (ii) digital business platforms for the financial markets; (iii) digital business platforms for the digital economy and finance; (iv) digital business platforms for the policies and institutions; and (v) digital business platforms for the business processes at Bank Indonesia.

b. Establishing a policy and institutional data and metadata centre that supports omni-experience (Omni XP).

c. Developing reliable data centre infrastructure to support critical financial market infrastructures (FMIs) and an optimal payment system operated by Bank Indonesia as well as utilisation of omni-experience infrastructure.

d. Achieving advanced data literacy and use of analytical tools.
Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 11 by 2025, Bank Indonesia is focusing on five main strategies:

a. Omni-experience development.

b. Information Systems development for policy and institutional use cases.

c. Development of agile, resilient and intelligent information systems infrastructure.

d. Implementation of robust operations, and

e. Preparation of human resources and the organisation.

12. SP 12 "Strengthening Governance, Risk Management, the Legal Framework, Accountability and Sustainable Finance at Bank Indonesia".

The twelfth strategic program is the foundation upon which all strategic programs are implemented. Through Strategic Program 12, Bank Indonesia ensures the credible implementation of its duties and responsibilities, underpinned by: (i) good governance; (ii) accountable and sustainable financial management; (iii) a solid legal foundation to support task implementation; and (iv) stakeholder engagement and trust.

Therefore, Strategic Program 12 implementation is expected to achieve the following conditions over the next five years:

a. Achieving comprehensive governance maturity at Bank Indonesia, governance, risk management, task continuity, internal audit and procurement.

b. Maintaining Bank Indonesia’s credibility, underpinned by sound performance, strong stakeholder engagement and fulfilling the legal mandate to support the implementation of tasks and responsibilities at Bank Indonesia.

c. Maintaining an unqualified opinion from the Audit Board of the Republic of Indonesia concerning the Bank Indonesia Annual Report.

d. Achieving financial strength to maintain financial sustainability at Bank Indonesia.

Based on the Bank Indonesia Medium-Term Plan for 2020-2025 and the conditions to be achieved through Strategic Program 12 by 2025, Bank Indonesia is:

a. Strengthening integrated strategic management, financial management, risk management and internal audit, supported by non-financial resource management (human resources, physical assets and IS assets).

b. Managing financial conditions to maintain accountability and sustainability.

c. Strengthening risk management at Bank Indonesia to safeguard the five-year plan, strategic projects and cyber security.

d. Strengthening Bank Indonesia Task Continuity Management (MKTB) to maintain optimal implementation of tasks and services irrespective of disasters and disruptions, such as the Covid-19 pandemic.

e. Strengthening various aspects of risk-based audit implementation, supported by digital technology.

f. Managing procurement efficiently through digitalisation.

g. Strengthening the legal mandate and ensuring legal accountability for Bank Indonesia’s policies and task implementation.

h. Implementing policy and institutional communication to manage stakeholder expectations and advocacy, and support Bank Indonesia credibility.
Rangkuman Kebijakan dan Kilas Balik
Perjalanan Bank Indonesia 2018
Laporan
Keuangan
Badan Supervisi
Bank Indonesia
Lampiran
Perry Warjiyo was officially inducted as Bank Indonesia Governor based on Presidential Decree No. 70/P of 2018, taking the oath of office on 24th May 2018 for the 2018-2023 period. Prior to his appointment as Bank Indonesia Governor, Perry Warjiyo served as Deputy Governor from 2013-2018.

Perry Warjiyo has enjoyed an impressive career at Bank Indonesia. Before serving as Deputy Governor, Perry Warjiyo held the position of Assistant Governor for Monetary, Macroprudential and International Policy after serving as Executive Director of the Economic Research and Monetary Policy Department of Bank Indonesia since 2009. Before returning to Bank Indonesia in 2009, Perry Warjiyo was assigned as Executive Director for two years in the International Monetary Fund (IMF), representing 13 member countries under the auspices of the Southeast Asia Voting Group from 2007-2009. Perry Warjiyo has enjoyed a long and brilliant career at Bank Indonesia since 1984, with a focus on economic research and monetary policy, international issues, organisational transformation and monetary policy strategy, central banking education and research, as well as foreign exchange and external debt management.

Perry Warjiyo is currently serving as the Chairman of the Executive Committee (EC) of the Islamic Financial Service Board (IFSB) and the Chairman of the Indonesian Economists Association as well as a Postgraduate Lecturer at Gadjah Mada University, specialising in Monetary Economics and International Economics and Finance, and a guest lecturer at several universities in Indonesia. Perry Warjiyo has also written and published a number of books, journals and papers on economics, the monetary sector and international issues. One of his books namely “Central Bank Policy: Theory and Practice”, co-written with Dr. Solikin M. Juhro, received national and international recognition as an important reference in the formulation of the central bank’s policy mix.

Born in Sukoharjo in 1959, Perry Warjiyo received a bachelor’s degree from Gadjah Mada University in 1982, before earning his master’s and PhD degrees in monetary policy and international finance from Iowa State University, United States, in 1989 and 1991 respectively.
Destry Damayanti officially became Senior Deputy Governor of Bank Indonesia in accordance with Presidential Decree No. 74/P of 2019, taking the oath of office on 7th August 2019 for a tenure from 2019 to 2024. Prior to her appointment as Senior Deputy Governor, Destry Damayanti served as a member of the Board of Commissioners of the Deposit Insurance Corporation (LPS) from 2015-2019.

Destry Damayanti started her career as a researcher and teacher at the Faculty of Economics and Business, University of Indonesia from 1987-1990. After receiving a Master’s degree from Cornell University, Destry Damayanti served at the Ministry of Finance from 1992-1997. Subsequently, from 1997-2000, Destry Damayanti was an Economist at Citibank before becoming Senior Economic Adviser for the British Ambassador to Indonesia until 2003. Her career as an economist continued as Chief Economist at Mandiri Securities and Bank Mandiri from 2005 to 2015, while serving as Executive Director for the Mandiri Institute.

Born in Jakarta in 1963, Destry Damayanti earned a Bachelor of Economics from the University of Indonesia before receiving a Master of Science in the Field of Regional Science from Cornell University, New York, USA, in 1992.
In accordance with Presidential Decree No. 145/P of 2016, Sugeng was sworn in as Bank Indonesia Deputy Governor on 6th January of 2017 for a tenure from 2017-2022.

Commencing his career at Bank Indonesia in 1986 as an Assistant Economist in the Economic Affairs and Statistics Department, Sugeng was assigned to the Governor of Bank Indonesia’s staff from 1994-1998, represented Bank Indonesia as Advisor to the Executive Director in the International Monetary Fund (1998-2001), headed the Bank Indonesia Representative Office in New York, United States (2013-2015), and led the Bank Indonesia Institute as Executive Director from 2015 until 2016. As leader of the Bank Indonesia Institute, Sugeng led, built and developed a world-class centre of learning, study and research through four pillars: (i) learning; (ii) research; (iii) partnerships; and (iv) public exposure. Sugeng was also appointed as Expert Staff of the Bank Indonesia Board of Governors prior to his inauguration as Deputy Governor of Bank Indonesia.

Born in Purworejo in 1958, Sugeng obtained a Bachelor of Development Economics from Gadjah Mada University in 1984 before continuing his post-graduate studies in 1991 at Williams College, Massachusetts, United States, reading Development Economics. In 2012, Sugeng earned a Doctoral Degree in Economics from Gadjah Mada University, Yogyakarta.
Rosmaya Hadi was appointed as Deputy Governor of Bank Indonesia in accordance with Presidential Decree No. 145/P of 2016 and sworn in on 6th January 2017 for a tenure from 2017-2022.

Starting her career at Bank Indonesia in 1985, Rosmaya Hadi has been assigned to a number of work units over the years, including the Directorate of Accounting and Payment System as well as the Directorate of Internal Finance. In 2013, Rosmaya Hadi was entrusted as Head of the Payment System Policy and Supervision Department, where she spearheaded the National Noncash Movement (GNNT) before assignment as Head of the Bank Indonesia Regional Office in West Java from 2014-2016.

Rosmaya Hadi has remained active at an array of international forums, including Co-Chair of the Working Committee on Payment and Settlement Systems. In addition, Rosmaya Hadi was recognised as Best Change Leader for two consecutive years (2015-2016) and received the Perhumas Excellence Award 2016 for Best Media Speaker as well as best public and social campaign for her work supporting the Government’s National Cashless Movement.

Born in Bandung in 1959, Rosmaya Hadi obtained her Bachelor of Laws from Padjajaran University in 1984 before earning a Master’s degree in Social Politics from the University of Indonesia in 2004. In 2011, Rosmaya Hadi became one of the best graduates of the prestigious education program organised by the National Resilience Institute and has since completed the Leadership Programs offered by Stanford University and University of Oxford, UK.
Dody Budi Waluyo was appointed as Deputy Governor of Bank Indonesia on 18th April 2018 pursuant to Presidential Decree of the Republic of Indonesia Number 69/P 2018, dated 13th April 2018, for a five-year tenure from 2018-2023. Prior to his appointment as Deputy Governor, Dody Budi Waluyo served as the Ex Officio member of the OJK Board of Commissioners from Bank Indonesia based on Presidential Decree No. 82/P, dated 3rd September 2019. Commencing his career in 1998, Dody Budi Waluyo has garnered vast experience through various assignments in the monetary space, including monetary policy and research, monetary operations, monetary and economic statistics, foreign exchange management and international cooperation. For his achievements during such assignments, Dody Budi Waluyo was entrusted as Head of the Economic and Monetary Policy Department and Head of the Strategic Management and Governance Department. Prior to his appointment as Deputy Governor, Dody Budi Waluyo was appointed Assistant Governor for Economic and Monetary Policymaking.  

Dody Budi Waluyo has also remained an active member of various forums for government ministries and institutions, specifically the handling of macroeconomic issues, balance of payments, monetary policy, information and statistics. He has held many strategic positions, including Secretary of Working Group on the National Economic Policy Package, and Vice Chairman of the National Inflation Control Team. On the international stage, Dody Budi Waluyo is active in several monetary and financial working groups of international forums and institutions, including G20, BIS, IMF, EMEAP, ASEAN and ASEAN+3 and served as Advisor to the Executive Director in the South East Asia Voting Group Office, International Monetary Fund, Washington D.C., USA (2000-2003).  

Born in Jakarta in 1961, Dody Budi Waluyo completed his undergraduate education in Economic Science & Development Studies at the University of Indonesia (UI) in 1980 before continuing his post-graduate education at the University of Colorado, USA, where he obtained a Master’s of Business Administration and Finance in 1994. In addition, Dody Budi Waluyo also graduated from the prestigious education program organised by the National Resilience Institute in 2010. Currently, Dody Budi Waluyo is one of the division heads of the Indonesian Economist Association (ISEI) and Vice Chairperson of the Indonesian Association of Islamic Economists (IAEI).
In accordance with Presidential Decree No. 78/P of 2020, dated 30th July 2020, Doni Primanto Joewono was sworn in as Bank Indonesia Deputy Governor and took the oath of office on 11th August 2020.

Commencing his career at Bank Indonesia in 1991, the first assignment was in the Monetary Management Department, where he was actively involved in monetary management system development, including preparations for Government Bond issuances as well as development of the International Transaction Reporting System (ITRS). After serving as a Senior Economic Researcher (Deputy Director) at the Bank Indonesia Representative Office in London (2005-2008), he continued his career by leading the Bank Indonesia Representative Offices in Solo, Jakarta Special Capital Region and West Java. During this time, he was recognised and awarded for Best Regional Inflation Control Team (TPID) in Solo (2012) and DKI Jakarta (2017), he also initiated various activities to stimulate regional investment and enrich Sharia boarding school economy. Prior to his appointment as Deputy Governor of Bank Indonesia, Doni Primanto Joewono served as Head of the Human Resources Department in 2020.

Born in Surabaya in 1965, Doni Primanto Joewono completed his formal education with a Bachelor of Development Economics from Sebelas Maret University (UNS) in 1988 and a Master’s of Administration and Human Resource Development from the University of Indonesia (UI) in 2004. He also completed SESPIBI, Bank Indonesia’s highest leadership program in 2012 and the National Resilience Institute Education Program in 2018. He has graduated from various executive leadership programs, such as monetary and financial market competence development programs organised by international organisations, including the International Monetary Fund (IMF) and South East Asian Central Banks (SEACEN).
Erwin Rijanto was installed as Deputy Governor based on Presidential Decree No. 39/P of 2015, with his 2015-2020 tenure commencing on 17th June 2015. In accordance with Presidential Decree No. 19/M, dated 16th March 2017, Erwin Rijanto was appointed as the Ex Officio member of the Deposit Insurance Corporation (LPS) Board of Commissioners from Bank Indonesia.

Erwin Rijanto is an experienced central banker in terms of banking regulation and supervision. In addition, he has also been responsible for international and regional affairs in his roles as Deputy Head of the Indonesia Debt Restructuring Agency and Head of the Bank Indonesia Representative Office in Singapore. From there, Erwin Rijanto was entrusted as Executive Director of the Financial System Surveillance Department in 2013, a department established to execute Bank Indonesia’s macroprudential regulation and supervision mandate, thus bolstering his capacity and achievements. Prior to his appointment as Deputy Governor of Bank Indonesia, Erwin Rijanto served as Executive Director of the Macroprudential Policy Department in 2015.

Born in Yogyakarta in 1958, Erwin Rijanto received a Bachelor of Economics from Gadjah Mada University in 1983 and a Master of Economics from Illinois University, United States, in 1989.
THE COURSE OF LAWS SHAPING BANK INDONESIA’S TASK AND AUTHORITY

1945

The 1945 Constitution marked the beginning of Bank Indonesia’s history, stipulating the name “Bank Indonesia” in the Elucidation of Article 23 of the 1945 Constitution, which stated that Bank Indonesia’s position to distribute and manage money circulation would be specified in prevailing laws.

1953

On 29th May 1953, the President enacted Act No. 11 of 1953 concerning the establishment of the Principal Act on Bank Indonesia and, since 1st July 1953, Indonesia has had a central bank called Bank Indonesia. The Bank Indonesia Act stipulated Bank Indonesia’s mandate of maintaining Rupiah stability, circulating currency in Indonesia, advancing credit and banking affairs as well as supervising credit.

1958

Act No. 84 was issued in 1958 concerning amendments to Article 16 and 19 of the Bank Indonesia Principal Act, effective from 31st December 1958, which refined the criteria for measuring the amount of currency to be circulated and introduced provisions to increase the flexibility of advances made to the Government under extraordinary circumstances.

1828

The history of Bank Indonesia began with the founding of De Javasche Bank N.V. by the Government of the Dutch East Indies in 1828, which functioned as a circulation bank tasked with printing and circulating money.

1951

On 6th December 1951, Act No. 24 of 1951 concerning De Javasche Bank nationalisation was endorsed and then enacted on 15th December 1951. After nationalisation, De Javasche Bank was stripped of its status as a circulation bank owned by the Dutch Government, instead reverting to Indonesian control. The nationalisation laws stated that the Republic of Indonesia, as an independent and sovereign state, requires a national central bank.

1964

Act No. 32 of 1964 concerning Foreign Exchange Flows authorised Bank Indonesia to administer and manage foreign exchange in order to maintain economic and public prosperity, raise the standard of living and build the nation.

1967

Act No. 14 of 1967 concerning Banking Principals was promulgated to build the national economy. Improvements were made to the banking system in order to safeguard the presence of an authority/institution to regulate all banks in Indonesia and supervise implementation of monetary policy by the Government in the banking sector. The law mandated Bank Indonesia as the central bank, tasked with monetary policy as well as coordinating, developing and supervising the banking industry.

1968

Act No. 13 of 1968 concerning the Central Bank stipulated the status and duties of Bank Indonesia as a central bank, distinct from commercial banks. In addition to the three core tasks, the law also required Bank Indonesia to assist the Government as an agent of development through orderly production and development as well as expanding job opportunities to ameliorate the standard of living.
1998

Act No. 10 of 1998 refined Act No. 7 of 1992, which aimed to strengthen the national economy by expanding the role of national banks in terms of absorbing and disbursing private funds. The law provided broader scope for members of the public to establish a bank based on sharia principles and for foreign entities to participate in the ownership of national banks in partnership with national entities.

1992

Act No. 7 of 1992 concerning Banking conferred the authority and responsibility on Bank Indonesia to licence, develop and supervise banks as well as impose sanctions on banks non-compliant with prevailing regulations. Upon enactment, the law was expected to facilitate effective banking industry development and supervision. Moreover, Act No. 7 of 1992 repealed Act No. 14 of 1967 in its entirety.

2002

1. The Fourth Amendment to the 1945 Constitution strengthened the status of the central bank as an independent monetary authority. Article 23D states that “the Country has one central bank, for which the structure, status, authority, responsibilities and independence are regulated in law.”

2. In accordance with Act No. 24 of 2002 concerning Government Debt Securities (SUN), Bank Indonesia also functions to assist the Government in terms of managing external debt through SUN administration, auctioning treasury bills (SPN) and bonds in the primary market as well as purchasing and selling SUN in the secondary market.

1999

1. The Bank Indonesia Act was amended by Act No. 23 of 1999, which reiterated Bank Indonesia’s status as an independent state institution in the execution of duties and responsibilities outside of government control. In addition, the law also established the overarching objective of Bank Indonesia, namely to achieve and maintain Rupiah stability.

2. Act No. 24 of 1999 concerning Foreign Exchange Flows and the Exchange Rate System granted Bank Indonesia authority to request data and information concerning foreign exchange flows by Indonesian residents.

2003

Act No. 17 of 2003 concerning State Finance reiterates Bank Indonesia’s monetary authority and regulates coordination between the Central Government and Bank Indonesia in terms of setting and implementing fiscal and monetary policy.

2004

1. In accordance with Act No. 3 of 2004, as an amendment to Act No. 23 of 1999, Bank Indonesia is authorised to grant emergency financing facilities, with the funds borne by the Government, to a bank experiencing financial difficulties with systemic impact and potential.

2. Act No. 24 of 2004 concerning the Deposit Insurance Corporation (LPS) was issued to support a healthy and stable banking system. Through this legislation, Bank Indonesia, the Ministry of Finance, Deposit Insurance Corporation (LPS) and Banking Supervision Agency were appointed members of a coordination committee tasked with the settlement and resolution of a failed bank with systemic impact.

3. Act No. 1 of 2004 concerning State Treasury regulates the deposit of state funds in the state cash account at the central bank and the imposition of interest and/or current account services for central government funds placed at Bank Indonesia.
**2008**

1. Government Regulation in Lieu of Law No. 2 of 2008 as the second amendment to Act No. 23 of 1999 concerning Bank Indonesia was issued to increase national banking industry resilience in the face of a global crisis by expanding access to funding for banks experiencing a short-term liquidity mismatch.

2. Act No. 19 of 2008 concerning Government Sharia Securities (SBSN) was issued to expand the sharia economy and finance through the development of sharia-compliant financial instruments. The law regulates Bank Indonesia’s function in terms of administering Government Sharia Securities.

3. Act of the Republic of Indonesia No. 21 of 2008 concerning Sharia Banking regulates the function and authority of Bank Indonesia in terms of regulating, licensing and supervising sharia banks.

**2009**

Government Regulation in Lieu of Law No. 2 of 2008, as the second amendment to Act No. 23 of 1999 concerning Bank Indonesia, was enacted as Act No. 6 of 2009, stipulating that Bank Indonesia can extend sharia-compliant financing to banks experiencing a short-term liquidity mismatch.

**2010**

Act No. 12 of 2010, as amended by Act No. 15 of 2019 concerning Legislation, regulations issued by Bank Indonesia are recognised and legally binding if ordered by higher legislation or authority.

**2011**

1. Act No. 21 of 2011 concerning the Financial Services Authority (OJK) states that, effective from 31st December 2013, the function, duties and authority for the regulation and supervision of financial services activities in the banking sector are transferred from Bank Indonesia to OJK. Through this legislation, Bank Indonesia was mandated with macroprudential supervision and regulation, and OJK with microprudential supervision and regulation.

2. Act No. 3 of 2011 concerning Funds Transfers regulates Bank Indonesia’s function in the implementation of funds transfers, as stipulated in a Bank Indonesia Regulation (PBI).

3. Based on Act No. 7 of 2011 concerning Currency, Bank Indonesia implements Rupiah currency management in coordination with the Government. The law also states that Bank Indonesia is the sole institution authorised to issue, circulate and/or withdraw Rupiah currency.

4. In accordance with Act No. 12 of 2011, as amended by Act No. 15 of 2019 concerning Legislation, regulations issued by Bank Indonesia are recognised and legally binding if ordered by higher legislation or authority.
ORGANISATIONAL STRUCTURE OF BANK INDONESIA

BANK INDONESIA BOARD OF GOVERNORS

GOVERNOR

SENIOR DEPUTY GOVERNOR

4-7 DEPUTY GOVERNORS

1. Economic and Monetary Policy Department
2. Monetary Management Department
3. Reserve Management Department
4. Financial Market Development Department
5. Sharia Economy and Finance Department

1. Macropрудential Policy Department
2. Financial System Surveillance Department
3. MSME Development and Consumer Protection Department

1. Payment System Policy Department
2. Payment System Management Department
3. Currency Management Department
4. Currency Management Centre, Data Center and Business Resumption Site Development Office

Notes:
1) Committees are supporting organs at Bank Indonesia tasked with assisting the Board of Governors decide principle and strategic policies
2) Temporary Special Work Unit
3) Work Unit responsible and authorised to coordinate all International Bank Indonesia Representative Offices
4) Work Unit with support function for BoG task implementation presiding over Domestic Bank Indonesia Representative Offices

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1. International Department 3)
2. Statistics Department
3. Banking Services, Licensing and Treasury Operations Department
4. Report Management and Compliance Department
5. Risk Management Department
6. Communication Department

Committees 1)

BoG Expert Staff

POLICY SUPPORT

1. Strategic Management and Governance Department
2. Legal Affairs Department
3. Human Resources Department
4. Information System Management Department
5. Finance Department
6. Strategic Procurement Department
7. Internal Audit Department
8. Logistic and Facilities Management Department
9. Bank Indonesia Institute
10. Information System Transformation Office 2)

ORGANIZATIONAL SUPPORT

1. Strategic Management and Governance Department
2. Legal Affairs Department
3. Human Resources Department
4. Information System Management Department
5. Finance Department
6. Strategic Procurement Department
7. Internal Audit Department
8. Logistic and Facilities Management Department
9. Bank Indonesia Institute
10. Information System Transformation Office 2)

OFFICE NETWORK

Domestic Representative Offices
1. Regional Department 4) (located at head office)
2. 5 Coordinator Representative Offices at Provincial level
3. 29 Representative Offices at Provincial level
4. 12 Representative Offices at Regency level

Overseas Representative Offices
1. Bank Indonesia Representative Office New York
2. Bank Indonesia Representative Office London
3. Bank Indonesia Representative Office Tokyo
4. Bank Indonesia Representative Office Singapore
5. Bank Indonesia Representative Office Beijing

Committees 1)

Notes:
1) Committees are supporting organs at Bank Indonesia tasked with assisting the Board of Governors decide principle and strategic policies
2) Temporary Special Work Unit
3) Work Unit responsible and authorised to coordinate all International Bank Indonesia Representative Offices
4) Work Unit with support function for BoG task implementation presiding over Domestic Bank Indonesia Representative Offices

Committees 1)
The Bank Indonesia Supervisory Board (BSBI) was established in accordance with prevailing laws concerning Bank Indonesia in order to assist the supervision function of the People’s Representative Council (DPR). BSBI is directly responsible to DPR and is separate from the organisational structure of Bank Indonesia.

The supervision function implemented by BSBI aims to increase Bank Indonesia’s accountability, independence, transparency and credibility. The supervisory purview of BSBI includes preparing the Annual Financial Statements of Bank Indonesia, operational budget, investment budget and decision-making procedures concerning operational activities, as well as asset management at Bank Indonesia, including other arrangements tasked by Commission XI of the People’s Representative Council. The supervision function excludes the policies issued by Bank Indonesia. BSBI reports its findings to the People’s Representative Council on a quarterly basis or as requested. In 2020, BSBI performed supervisory actions three times along with 36 recommendations.

BSBI consists of five members, led by a chairperson and four members selected by the People’s Representative Council and appointed by the President of the Republic of Indonesia. Candidates are chosen based on integrity, morality, capacity/capability/expertise, professionalism and experience in terms of economics, finance, banking or legal affairs for a tenure of three years, with reappointment possible to the same position for one additional period.

In 2020, five BSBI members were selected through fit and proper tests for the 2020-2023 period. The composition of BSBI membership is currently Muhammad Edhi Purnawan as chairperson and member, along with Mohamad Khusaini, Muhammad Nawir Messi, Nunung Nuryartono and Nury Effendi as members.
**MEMBER PROFILE**
**BANK INDONESIA SUPERVISORY BOARD 2020-2023**

Muhammad Edhie Purnawan

Born in Yogyakarta in 1968, Muhammad Edhie Purnawan completed his Bachelor’s of Economics at Gadjah Mada University in 1991 before continuing his postgraduate education at Monash University, Australia, receiving a Master’s of Arts in Economics in 1995. Muhammad Edhie Purnawan then extended his tertiary education at the University of Melbourne, Australia, and earned a PhD in Monetary and Financial Economics in 2009.

Muhammad Edhie Purnawan was appointed as a BSBI member for the 2020-2023 period and selected as Chairperson. In addition, Muhammad Edhie Purnawan has also served as the Vice Dean of the Faculty of Economics and Business, Gadjah Mada University since 2012. Muhammad Edhie Purnawan has over 25 years of experience as a lecturer at the Faculty of Economics, Gadjah Mada University. Furthermore, he is actively involved with the Indonesian Economist Association (ISEI) and regularly speaks on monetary economics in conjunction with various institutions.

Mohamad Khusaini

Born in Pasuran in 1971, Mohamad Khusaini completed his Doctorate from Brawijaya University after receiving a Master’s of Arts from Andrew Young School of Policy Studies, Georgia State University, US, as well as a Master of Business Administration and Bachelor’s of Economics from Brawijaya University, Indonesia.

Mohamad Khusaini was appointed as a BSBI member for the 2020-2023 period. In addition to his role as Professor at Brawijaya University, Mohamad Khusaini is also active as Deputy Chairperson of the Indonesian Economist Association (ISEI) in Malang and Vice Dean of the Faculty of Economics and Business, Brawijaya University. Previously, Mohamad Khusaini was active in academia as well as other activities, such as Senate Member at Brawijaya University, LGSP USAID Field Expert as Planning Specialist and AIPD and Planning and Budgeting Specialist as well as member of the Indonesia Association of Managers.
Muhammad Nawir Messi

Born in Makassar in 1957, Muhammad Nawir Messi obtained a Master’s degree and diploma from Australian National University, Australia, and a Bachelor’s of Agricultural Socioeconomics from Hasanuddin University, Indonesia.

Muhammad Nawir Messi was appointed as a BSBI member for the 2020-2023 period. In addition, he serves as a member of the Advisory Board of the Commission for the Supervision of Business Competition of the Republic of Indonesia. Previously, he was active as the Presidential Advisory Council - Republic of Indonesia, Chairman and Founder of the ASEAN Expert Group on Competition (AEGC) as well as other prestigious national and international activities.

Nunung Nuryartono

Born in Semarang in 1969, Nunung Nuryartono received his Doctorate degree from Georg-August University of Gottingen - Germany, after obtaining Master’s and Bachelor’s degrees from the Bogor Agricultural Institute.

Nunung Nuryartono was appointed as a BSBI member for the 2020-2023 period. In addition to his work as a Professor at the Bogor Agricultural Institute, he is currently active in various institutions and organisations, including as a member of the Technical Commission for Social, Humanities, Education, Arts and Culture of the National Research Council; member of the Royal Economics Society; member of the Association Committee for Bachelor of Economics; and researcher at the Australia-Indonesia Centre. He has received numerous academic and professional awards.
Born in Surakarta in 1956, Nury Effendi earned a PhD in Economic from the University of Oklahoma (USA) after obtaining a Master’s of Science in Economics from Ohio State University, USA, and a Bachelor’s of Economics and Development Studies from the Faculty of Economics, Padjadjaran University, Indonesia.

Nury Effendi was appointed as a BSBI member for the 2020-2023 period. Besides serving as a Professor at Padjadjaran University, Nury Effendi was previously active in various national and international academic activities, including as a member of the Regional Economist Forum, Fiscal Policy Agency, Ministry of Finance of the Republic of Indonesia; chairman of the Association of the Faculty of Economics and Business (AFEBI); Risk Monitoring Committee, West Java Bank; as well as the Peer Review Committee (PRC) and Peer Review Team (PRT), Abest21, in Tokyo, Japan.
"The Covid-19 pandemic has prompted a paradigm shift towards contactless activity. Digitalisation is expected to provide new sources of economic growth."

Sugeng
Deputy Governor
The global economy in 2020 confronted several extraordinary challenges that differed from previous crises and required an extraordinary policy response. Starting as a health crisis caused by the Covid-19 pandemic, conditions quickly evolved into an economic crisis due to public mobility restrictions enforced in various jurisdictions to break the domestic chain of Covid-19 transmission. Uncertainty concerning pandemic containment and expectations of deteriorating economic performance triggered intense pressures on global financial system stability, with significant knock-on effects felt in developing economies. Facing an extraordinary crisis, governments and other relevant authorities around the world implemented an extraordinary policy response, typically involving fiscal stimuli supported by monetary expansion and the relaxation of financial sector policies. Such a multidimensional crisis also emphasised the importance of policy synergy between the Government and other relevant authorities, domestically and globally.

The significant economic impact of Covid-19 in Indonesia was mitigated through strong policy synergy between the Government, Bank Indonesia and other relevant authorities. A significantly flagging domestic economy in the first semester of 2020 began to show early signs of recovery in the second semester, with domestic financial system stability maintained. Such positive developments were inextricably linked to the impact of policy synergy between the Government, Bank Indonesia and other relevant authorities, underpinned by a solid legal framework, namely Act No. 2 of 2020. The solid legal framework allowed the Government and authorities to take extraordinary measures immediately and accountably. An accommodative policy mix and commitment by Bank Indonesia to support state budget funding in 2020 effectively supported the national economic recovery, while maintaining macroeconomic and financial system stability.
2.1. Global Economic Performance

The global economy in 2020 faced several extraordinary challenges that differed from past crises. Starting as a health crisis caused by the Covid-19 pandemic, conditions quickly evolved into an economic crisis due to public mobility restrictions enforced in various jurisdictions to break the domestic chain of Covid-19 transmission. Curbs on public mobility significantly impacted global economic activity, including consumption, production, trade and investment. Uncertainty concerning pandemic containment and expectations of deteriorating economic performance triggered intense pressures on global financial system stability. Investors became more risk averse and sought safe haven assets, such as government bonds in the United States and Japan, as well as gold. Such conditions triggered capital outflows from developing economies along with exchange rate shocks and pressures on reserve assets. Furthermore, Covid-19 also impacted household and corporate performance, MSME in particular, which exacerbated shocks in the financial system.

Facing an extraordinary crisis, governments and relevant authorities around the world took an extraordinary policy response. The massive and multidimensional impact of Covid-19 demanded a comprehensive and integrated policy response to overcome the health and humanitarian issues as well as economic weakness and less financial system stability. In general, the global policy response involved fiscal stimuli supported by monetary expansion and a relaxation of financial sector policies. Policy synergy between the relevant authorities was built in terms of the timing, type and magnitude of the stimuli as well as fiscal funding by the central bank. Globally, governments and authorities strengthened international cooperation through various forums to maintain global economic and financial stability.

On the fiscal side, expansionary policy was pursued through immediate and large stimuli, oriented towards supporting the health sector, maintaining public purchasing power and restoring production. Governments strived to maintain public purchasing power through social aid program disbursements, targeting those towards the bottom of the pyramid hardest hit by the pandemic. In addition, government support for production was realised through business incentives, targeting MSME, as well as corporate tax relief. In total, fiscal stimuli in 2020 reached USD11.7 trillion, approaching 12% of global GDP. Massive stimuli were accompanied by lower tax revenues caused by economic moderation in response to Covid-19, which increased fiscal deficits in many countries.

On the monetary side, central banks in various jurisdictions instituted an accommodative monetary policy stance through lower interest rates and large liquidity injections through quantitative easing, while carefully considering...
the policy space available. In advanced economies, policy rates were already approaching 0% so central banks typically injected liquidity through quantitative easing to the financial sector, banking industry in particular. This was achieved through asset purchase programs for government and corporate bonds as well as loan securities. In developing economies, central banks typically implemented a combination of lower policy rates and liquidity injections to the banking industry and financial markets. Several central banks also committed to fiscal deficit funding through liquidity injections to the government by purchasing government securities in the primary market, a policy pursued by Bank Indonesia, Bank of Thailand, Bangko Sentral ng Pilipinas and Banco Central do Brasil. Such initiatives garnered a positive market response due to strong fiscal and monetary policy coordination and synergy in the face of the Covid-19 pandemic.

In the financial sector, the impact of Covid-19 on financial system stability was mitigated through restructuring policy and interest rate subsidies, coupled with the relaxation of several prudential regulations. Loan restructuring and interest rate subsidies were primarily offered to MSME as the sector hardest hit by the pandemic. This was also supported by policy to postpone principal and/or interest loan payments in order to mitigate the impact of lower repayment capacity. Seeking to stimulate economic financing and recovery, governments cooperated with other authorities to guarantee loans, particularly loans extended to MSME. Efforts to stimulate the bank intermediation function towards economic financing and recovery were also supported by policies to relax and/or postpone international regulations and prudential standards, including capital ratios, such as the Countercyclical Capital Buffer (CCB) and Conservation Buffer, as well as liquidity ratios, such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Policy coordination and international cooperation to support the global economic recovery were achieved through various international forums, including the Group of Twenty (G20), Financial Stability Board (FSB), Basel Committee on Banking Supervision (BCBS) and International Monetary Fund (IMF). Global discussions and coordination focused on efforts to mitigate the pandemic impact on health, the economy and finance as well as post-Covid-19 policies to support sustainable, equitable and inclusive global economic growth. Healthcare policy was oriented towards providing resources for global health institutions and support for Covid-19 containment measures as well as finding viable vaccines. Economic and financial policies were directed towards mitigating the near-term disruptions caused by Covid-19 containment policies, facilitating the flow of liquidity between economies as well as restoring international trade and global investment. In addition, international cooperation was pursued to provide unconditional short-term liquidity assistance to low-income developing economies in order to mitigate the impact of Covid-19. Such liquidity assistance was provided through various international organisations, such as the World Bank and International Monetary Fund (IMF). Furthermore, international cooperation to maintain financial system stability was oriented towards the coordinated relaxation of several international prudential regulations in order to mitigate the risk of unaligned policies that could trigger fragmentation and threaten global financial stability.

Global economic moderation and financial market shocks began to ease in the second semester of 2020, supported by mature Covid-19 containment measures to reopen the economy, coupled with effective policy stimuli. Economic gains, particularly in the United States and China, helped drive a global export and import recovery, thus increasing world trade volume and raising international commodity prices. Inflationary pressures in most advanced and developing economies remained low in line with the sluggish economic recovery.

2.2. Domestic Economic Performance

At home, the economic impact of Covid-19 in Indonesia was significant during the first semester of 2020. Spreading with rapidity to all regions of the Indonesian archipelago at the beginning of March 2020 (Graph 2.1), the pandemic inevitably triggered a policy response to restrict mobility, including large-scale social restrictions in several regions. Such mobility curbs severely undermined economic activity (Graph 2.2), with declines recorded across all components, including household consumption, as well as government and private investment. Compressed global demand squeezed goods exports from Indonesia, excepting several manufacturing exports due to a faster-than-expected recovery achieved in China.

Graph 2.1. Covid-19 Cases in Indonesia

Source: National Covid-19 Containment Task Force, processed

20 40 60 80 100
0 10 20 30 40 50 60 70 80 90 100
0 100000 200000 300000 400000 500000 600000 700000 800000
Confirmed Cases  New Confirmed Cases Recovery Rate: 32.23% Fatality Rate: 2.97%
Global financial market pressures caused by the pandemic, coupled with the uncertain impact of Covid-19 on the domestic economy, triggered pressures on external stability. Financial market shocks and a rebalancing of global investment towards safe haven assets prompted capital outflows from developing economies, including Indonesia. The capital and financial account in Indonesia’s Balance of Payments (BOP) recorded a foreign capital reversal swinging from USD-3.1 billion to USD10.6 billion respectively in the first two quarters of 2020 (Graph 2.3). Furthermore, the Rupiah depreciated to Rp16,575 per US dollar as of 23rd March 2020, accompanied by rising volatility (Graph 2.4). Stabilisation measures by Bank Indonesia together with intensive communication effectively alleviated currency pressures on the Rupiah. Successful external rebalancing, supported by exchange rate flexibility and lower domestic demand, narrowed the current account deficit to 1.3% of GDP in the first quarter and 1.2% of GDP in the second quarter of 2020 (Graph 2.5). In the first semester of 2020, Indonesia’s BOP recorded a USD700.5 million surplus, with the position of reserve assets totalling USD131.7 billion, equivalent to 8.13 months of imports and servicing Government external debt, which is well above the international adequacy standard of three months.

Price stability was maintained and the Consumer Price Index (CPI), as a measure of headline inflation, was low on weak demand compressed by the pandemic together with maintained supply. CPI inflation in June 2020 stood at 1.96% (yoy), down from 2.96% (yoy) in February 2020. Meanwhile, core inflation fell to 2.26% (yoy) in June 2020, accompanied by mild inflationary pressures on volatile foods (VF) and lower administered prices (AP) inflation.
Annual Report

Governor’s Foreword Bank Indonesia

A BOP surplus was projected for 2020, with the position of financial account surplus to persist until the end of 2020. The narrower current account deficit and capital external stability was maintained, and Bank Indonesia while the Government relaxed large-scale social restrictions.

The national economy started to rebound in line with global economy and increasing fiscal stimulus realisation, leading to turnaround, thereby contributing to macroeconomic stability. The national economy started to rebound in line with the global economy and increasing fiscal stimulus realisation, while the Government relaxed large-scale social restrictions.

External stability was maintained, and Bank Indonesia expected the narrower current account deficit and capital and financial account surplus to persist until the end of 2020. A BOP surplus was projected for 2020, with the position of reserve assets increasing to USD135.9 billion, equivalent to 9.8 months of imports and servicing government external debt, which is well above the international adequacy standard of three months. A surge of capital inflows triggered Rupiah appreciation in the second semester of 2020, reaching 1.46% (ptp) to close at a level of Rp14,050 per US dollar at the end of 2020. Internal stability was also maintained, with CPI inflation in December 2020 recorded at 1.68% (yoy), representing the lowest rate of the past two decades (Graph 2.6). Core inflation remained low in line with compressed demand, supported by Bank Indonesia policy to form inflation expectations, together with the impact of lower exchange rates. Inflationary pressures on volatile foods remained under control and AP inflation decelerated.

Financial system stability continued to improve given the favourable impact of accommodative macroprudential policy as well as lower global financial market uncertainty. The banking industry maintained a high Capital Adequacy Ratio (CAR) at 24.13% and the liquid assets to deposits ratio increased to 31.67%. Furthermore, the Financial System Stability Index (FSSI) remained stable below the threshold in the normal zone, supported by effective implementation of the loan restructuring program, which successfully contained the NPL ratio well below the threshold at 3.06% (gross) and 0.99% (net) in December 2020. The transmission of accommodative monetary policy continued, as reflected by a downward interbank rate trend, falling 184bps overall in 2020, accompanied by increasing interbank money market transaction volume. Although suboptimal, accommodative monetary policy was transmitted to lower interest rates in the banking industry, with deposit rates and lending rates decreasing by 121bps and 27bps respectively in the second semester of 2020.

Cash and non-cash payment transactions began to recover in the second semester as economic activity increased, accompanied by faster economic and financial digitalisation. Currency in circulation growth accelerated to 13.25% (yoy) in December 2020. Meanwhile, the value of non-cash payment transactions using ATM card, debit cards and credit cards rebounded into positive territory at 1.36% (yoy) after contracting for two consecutive months. Digital economy and finance transactions maintained strong growth in line with the proliferation of e-commerce platforms and digital instruments during the pandemic era, as well as greater public inclination and acceptance of digital platforms and instruments. Such conditions were confirmed by transaction value growth for e-money reaching 30.44% (yoy) in December 2020. In addition, digital banking transactions also increased, with transaction volume growing 41.53% (yoy) to a total of 513.7 million transactions at a value of Rp2.775.3 trillion, up 13.91% (yoy). Meanwhile, the value of e-commerce transactions soared 19.55% (yoy) in the third quarter, bringing growth for the year to 29.6% (yoy), supported by greater public preference for digital platforms together with aggressive promotional strategies pursued by several marketplaces.

Maintained financial system stability was supported by solid capital, coupled with an adequate solvency and liquidity buffer built up before the pandemic. A high Capital Adequacy Ratio (CAR) was maintained at 22.50%. Deposit growth accelerated in line with fiscal expansion and greater propensity to save amongst the public, with the liquid assets to deposits ratio increasing to 26.24%. Furthermore, the Financial System Stability Index (FSSI) remained stable below the threshold in the normal zone and non-performing loans (NPL) were low at 3.11%. Bank loans received attention due to moderation caused by restrained economic activity and a cautious banking industry that resorted to selective lending. Nevertheless, banking system resilience helped to maintain effective monetary policy transmission through the interest rate channel. The transmission of accommodative monetary policy persisted, as reflected by an 81bps decline in the overnight interbank money market rate since the end of 2019 and lower interest rates in the banking industry, which created conditions conducive to national economic financing and recovery.

Economic moderation caused by Covid-19 eroded payments activity yet accelerated the adoption of digital financial technologies. Growth of cash contracted due to large-scale social restrictions that curbed public mobility and demand for cash. Non-cash payment transactions, via ATM cards, debit cards, credit cards and e-money, also experienced a contraction, while digital banking transactions and payment transaction volume moderated. Positive developments were observed, however, in terms of public proclivity and acceptance towards digital financial platforms and instruments, including e-commerce, to meet daily needs.

In the second semester of 2020, economic growth began to turnaround, thereby contributing to macroeconomic stability. The national economy started to rebound in line with the global economy and increasing fiscal stimulus realisation, while the Government relaxed large-scale social restrictions. External stability was maintained, and Bank Indonesia expected the narrower current account deficit and capital and financial account surplus to persist until the end of 2020.

Graph 2.6. Consumer Price Index and Core Inflation

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Stronger Policy Synergy Key to Overcoming Covid-19

Positive national economic developments in the second semester of 2020 were inextricably linked to the impact of policy synergy between the Government, Bank Indonesia and other relevant authorities, supported by a solid legal framework in the form of Act No. 2 of 2020. The solid legal framework allowed relevant authorities to take extraordinary policy measures quickly and accountably. Act No. 2 of 2020 authorised the Government to increase the fiscal deficit beyond 3% of GDP until 2022. Bank Indonesia was authorised to purchase SBN from the Government in the primary market. The Indonesian Financial Services Authority (OJK) was authorised in terms of mergers, consolidation, acquisitions, integration and conversion of financial services institutions. Meanwhile, the Deposit Insurance Corporation (LPS) was authorised to strengthen its role in terms of troubled bank resolution and deposit guarantees.

In the second semester of 2020, the Government continued to expand and refine the national economic recovery program in terms of ease of implementation and execution, thereby ensuring effectiveness in terms of supporting economic recovery. As the pandemic continued to spread, the focus of expansionary fiscal policy was oriented towards spending on healthcare and social safety nets in accordance with Presidential Regulation No. 54 of 2020 as the legal basis for expanding the state budget deficit in 2020 to 5.07% of GDP, which was subsequently revised to 6.34% of GDP in Presidential Regulation No.72 of 2020. The state expenditure target was also increased to Rp2,739.2 trillion, with Rp695.2 trillion allocated to the national economic recovery program, consisting of spending on public goods totalling Rp397.56 trillion and non-public goods totalling Rp297.64 trillion.

Bank Indonesia implemented an accommodative policy mix to support the national economic recovery, while maintaining macroeconomic and financial system stability. Low inflation and preserved external stability provided space for Bank Indonesia to relax monetary policy through BI7DRR reductions and large liquidity injections in the form of lower reserve requirements and monetary expansion. The policy was supported by stabilisation measures to maintain the exchange rate in line with the currency’s fundamental value and market mechanisms, while strengthening the monetary operations strategy. An accommodative macroprudential policy stance was also maintained by relaxing several macroprudential regulations to stimulate the bank intermediation function and maintain financial system resilience. In terms of the payment system, Bank Indonesia accelerated digitalisation based on the Indonesia Payment System Blueprint (BSPPI) 2025, relaxed regulations and progressed electronification of the payments space to support digital economy and finance activity as well as bolster the economic recovery.

In 2020, Bank Indonesia was committed to supporting the national economic recovery by meeting the funding requirement for the 2020 State Budget, while prioritising prudential principles, good governance, transparency and accountability. As a follow-up action to the authority conferred on Bank Indonesia by Act No. 2 of 2020, the Minister of Finance and Governor of Bank Indonesia signed a Joint Decree (SKB I) issued on 16th April 2020 regulating the SBN purchase scheme and coordination mechanism for Bank Indonesia. Expansive fiscal and monetary synergy was strengthened through funding and burden sharing in the 2020 State Budget in accordance with a second Joint Decree (SKB II) between the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020. In addition, Bank Indonesia, OJK and LPS also strengthened coordination in terms of Bank Indonesia’s lender of last resort (LoLR) function, SUN and/or SBSN purchases in the primary market, purchases/repurchases of SBN held by LPS, the flow of foreign exchange by residents as well as funding access to the corporate/private sector through SBN repo.

Seeking to strengthen financial system stability, OJK and LPS instituted various policies. OJK issued 11 stimulus policies targeting the banking industry, capital market and nonbank financial industry in order to maintain financial system stability and support the national economic recovery. In addition to a lower guarantee interest rate, LPS also relaxed late payment penalties to reduce liquidity pressures and mitigate the impact of deteriorating financial system stability. LPS also supported the national economic recovery program by prioritising the return of government funds placed at participating banks in the form of deposits.


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“To safeguard the economic recovery, we must adapt to a new normal with stringent health protocols, while remaining agile to seize opportunities and become more innovative, because digitalization is key to our future success.”

Rosmaya Hadi  
Deputy Governor
The complexity of the Covid-19 impact on economic conditions in Indonesia has demonstrated the importance of the Bank Indonesia policy mix. In 2020, the Bank Indonesia policy mix was oriented towards mitigating the economic impact of Covid-19, maintaining macroeconomic and financial system stability, as well as building national economic recovery momentum. Policy innovation was achieved, including the extraordinary policies required to overcome the extraordinary impact of Covid-19, and digital technology was utilised in the policymaking process. Bank Indonesia adopted an accommodative monetary policy stance and exchange rate policy directed towards efforts to maintain Rupiah exchange rates in line with the currency’s fundamental value. From a macroprudential perspective, Bank Indonesia also held an accommodative policy stance to preserve resilience, catalyse bank lending, expand sources of economic financing and strengthen liquidity monitoring. Supporting various economic and financial transactions, Bank Indonesia continued to maintain convenient and uninterrupted cash and non-cash payment systems. Several supporting policies were also implemented to strengthen the effectiveness of the Bank Indonesia policy mix during the pandemic era. Such supporting policies included financial market deepening, the Sharia economy and finance, small and medium enterprises (MSME) and international policy. Through the Bank Indonesia policy mix, policy synergy between Bank Indonesia, the Government and other relevant authorities effectively mitigated the economic impact of Covid-19 in Indonesia, maintained macroeconomic stability and supported the national economic recovery.
3.1. Monetary Policy

The extraordinary pandemic impact elicited an extraordinary policy response by Bank Indonesia through accommodative monetary policy to maintain macroeconomic and financial system stability as well as build national economic recovery momentum. Since the beginning of the year, Bank Indonesia maintained an accommodative monetary policy stance by lowering the BI 7-Day Reverse Repo Rate (BI7DRR) and through quantitative easing in the form of liquidity injections. Bank Indonesia lowered the policy rate five times in 2020, specifically in February, March, June, July and November, totalling 125bps. The decision to take measured and gradual policy rate reductions was based on low projected inflation, attractive and competitive domestic financial assets for investment, maintained external stability as well as efforts to stimulate economic recovery. To catalyse economic recovery from the impact of Covid-19, Bank Indonesia focused on the quantity channel by providing liquidity. Bank Indonesia initiated large liquidity injections to the money market and banking industry in order to stimulate financing for the business community and national economic recovery. Abundant liquidity led to lower interest rates conducive to economic financing. In 2020, Bank Indonesia injected approximately Rp726.57 trillion of liquidity into the banking system, nearly 4.7% of GDP, primarily in the form of lower reserve requirements totalling Rp155 trillion and monetary expansion totalling Rp555.77 trillion as of 30th December 2020. Consistent with its policy mix, Bank Indonesia strengthened expansionary monetary policy with macroprudential policy to push the liquidity injections that had become stuck in the banking industry through to the real sector to support the national economic recovery more effectively in line with faster budget realisation and the bank loan restructuring program.

Facing a multidimensional crisis that demanded an integrated response, Bank Indonesia prioritised strengthening monetary expansion synergy with accelerating fiscal stimuli. To support national economic recovery program implementation, Bank Indonesia committed to funding the State Budget in 2020 through SBN purchases in the primary market in compliance with prudential principles to maintain economic stability, including the potential impact on inflation. Bank Indonesia purchased SBN based on four main principles, namely prioritising market mechanisms, considering the measured impact on inflation, purchasing tradable and marketable securities, and acting as a last resort if market capacity was unable to absorb the Government’s auction target. Funding of the State Budget by Bank Indonesia includes funds for the healthcare sector, social protections as well as government ministries/institutions and local governments to support the national economic recovery program.
Bank Indonesia will continue to implement the required follow-up policy measures to support the national economic recovery program. This will be achieved by carefully monitoring global economic and financial market dynamics as well as Covid-19 transmission and its impact on the economic outlook in Indonesia over time. Bank Indonesia will also regularly recalibrate its policy mix based on dynamic macroeconomic developments, including the impact of existing policies on macroeconomic stability, supported by efforts to strengthen the policymaking process using granular data as part of Bank Indonesia’s policy innovation initiative. Close coordination with the Government and Financial System Stability Committee will be strengthened to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.

3.2. Exchange Rate Stabilisation

Confronting global financial market shocks caused by the Covid-19 pandemic, Bank Indonesia strengthened exchange rate stabilisation policy, which has effectively controlled volatility and maintained exchange rate expectations, thus supporting the national economic recovery. Exchange rate stabilisation policy was strengthened to maintain Rupiah exchange rates in line with the currency’s fundamental value and market mechanisms. Exchange rate fluctuations at the beginning of the pandemic as global investors withdrew from developing economies, including Indonesia, towards safe haven assets were effectively dampened by triple intervention policy. Through triple intervention strategy, Bank Indonesia strengthened intervention in the spot market, domestic non-deliverable forwards (DNDF) market and SBN secondary market. In anticipation of further potential pressures, Bank Indonesia strengthened its second line of defence to support the availability of adequate reserve assets. This was achieved by strengthening bilateral currency swap arrangements (BCSA) with other central banks, while securing repurchase agreements with the Federal Reserve Bank of New York and international institutions. Local Currency Settlement (LCS) cooperation was also strengthened with several countries in the region in order to reduce excessive dependence on major global currencies. Supporting Rupiah stabilisation policy and to build optimism, Bank Indonesia undertook intensive communication with investors and market players in order to maintain external stability and manage orderly economic rebalancing amidst elevated external and domestic pressures.

To maintain adequate liquidity and increase money market efficiency, Bank Indonesia maintained two-sided monetary operations through absorption and injections. Bank Indonesia honed its operational strategy for DNDF instruments by increasing the frequency of DNDF auctions, effective 2nd January 2020. The monetary operations strategy was also strengthened after the Covid-19 outbreak in order to maintain adequate liquidity in the banking system. This was done through daily repo auctions for tenors of up to 12 months, commencing 20th March 2020, as well as increasing the frequency of FX swap auctions to daily auctions, starting 19th March 2020. In addition, Bank Indonesia also strengthened foreign currency term deposits in order to enhance liquidity management in the domestic foreign exchange market and stimulate utilisation of lower foreign currency reserve requirements by the banking industry for domestic purposes. Furthermore, Bank Indonesia provided more hedging instruments against Rupiah currency risk through DNDF transactions. Bank Indonesia also strengthened monetary operations and Sharia financial market deepening through implementation of sharia-compliant liquidity facilities (FLisBI) and sharia-compliant liquidity management (PaSBI), effective 5th October 2020.

3.3. Macroprudential Policy

Consistent with policy mix implementation, Bank Indonesia oriented macroprudential policy towards supporting monetary expansion by relaxing various regulations to stimulate bank lending and financing. Seeking to strengthen bank liquidity, particularly amongst banks with export-import exposure that were susceptible to the impact of Covid-19, Bank Indonesia introduced a 50bps reserve requirement incentive for such banks until the end of 2020. The policy was subsequently extended until 30th June 2021 and the scope expanded to priority sectors. In 2020, Bank Indonesia also relaxed the Macroprudential Intermediation Ratio (MIR and MIR Sharia), as a measure of the difference between bank financing and funding, by relaxing the disincentive parameters for banks with a MIR and MIR Sharia outside the 84-94% target range. The policy is effective for one year from 1st May 2020 (Graph 3.1). In addition, the Macroprudential Liquidity Buffer (MPLB and MPLB Sharia), as a measure of liquid assets in the form of SBN and SBI used as a liquidity buffer, was strengthened from 4% to 6% of Rupiah deposits for conventional commercial banks
and to 4.5% of Rupiah deposits for Sharia banks. Furthermore, all securities used to meet the MPLB and MPLB Sharia are eligible for repo with Bank Indonesia in the case of a liquidity mismatch in the banking industry.

Supporting a sustainable economic recovery and developing the green economy, Bank Indonesia also introduced green macroprudential policy. To that end, Bank Indonesia lowered the down payment requirements on bank loans for eco-friendly vehicles to 0% (Graph 3.2), which was expected to strengthen a balanced and quality bank intermediation function.

3.4. Implementation of Act No. 2 of 2020

Bank Indonesia has followed up on all responsibilities pursuant to Act No. 2 of 2020 as part of the national policy response to the extraordinary conditions caused by Covid-19. In accordance with Act No. 2 of 2020, the purview of the national policy response encompasses state financial policy and financial system stability policy. In terms of state financial policy, based on Act No. 2 of 2020, Bank Indonesia is authorised to purchase long-term SBN from the Government in the primary market. In terms of financial system stability policy, Bank Indonesia is authorised to hone the short term liquidity loans/short-term liquidity financing (PLJP/PLJPS) and special liquidity loans (PLK), purchase/repurchase SBN from the Deposit Insurance Corporation (LPS), regulate foreign exchange flows as well as provide corporate/private sector access to funding through repurchase agreements with the banking industry for Government Debt Securities (SUN) and Government Sharia Securities (SBSN). The follow-up actions taken by Bank Indonesia concerning the authority mandated through promulgation of Act No. 2 of 2020 are as follows:

1. Purchasing long-tenor SUN/SBSN in the primary market to fund the State Budget during the Covid-19 pandemic and national economic recovery (Article 16 (1)(c) and Article 19) based on two agreements between the Ministry of Finance and Bank Indonesia. First, purchasing long-tenor SUN/SBSN in the primary market by Bank Indonesia through market mechanisms to fund the 2020 State Budget in accordance with the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 16th April 2020. Second, purchasing long-tenor SUN/SBSN in the primary market by Bank Indonesia through private placement for funding and burden sharing in the 2020 State Budget in accordance with the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 7th July 2020.


Policy rate reductions as well as the accommodative monetary and macroprudential policy stance maintained by Bank Indonesia contributed significantly to preserve financial stability. This was primarily achieved by containing interest rate risk and liquidity risk in the banking industry. Apropos the persistently sluggish bank intermediation function, liquidity injections by Bank Indonesia to the banking industry must be forwarded immediately as financing flows to the real sector in order to accelerate the economic recovery.
3. Granting special liquidity loans (PLK) to systemic banks experiencing a liquidity mismatch yet failing to meet the PLJP/PLJPS requirements, as guaranteed by the Government, based on a Financial System Stability Committee Decree (Article 16(1)(b) and Article 18). Bank Indonesia discussed this issue at the Monthly Board of Governors Meeting on 27th May 2020, which is now being discussed under the auspices of the Financial System Stability Committee.

4. Purchasing and/or repurchasing (repo) SBN as the underlying with the Deposit Insurance Corporation (LPS) to fund the resolution of solvency issues at systemic and non-systemic banks (Article 16 (1)(d) and Article 20), for which the mechanism has been refined through an amendment to the Memorandum of Understanding (MoU) between Bank Indonesia and LPS, dated 23rd July 2020.

5. Regulating the receipt and use of foreign exchange by residents, including the surrender, repatriation and conversion of foreign exchange in order to maintain macroeconomic and financial system stability (Article 16(1)(e)). Bank Indonesia plans to issue a Bank Indonesia regulation concerning the mandatory repatriation of foreign exchange export proceeds from natural resources. To that end, Bank Indonesia has consulted with the banking industry and business community concerning the planned implementation of the regulation.

6. Funding for the corporate/private sector through repurchase agreements with the banking industry regarding SUN/SBSN (Article 16(1)(f)), which has been executed based on prevailing Bank Indonesia regulations.

Bank Indonesia is fully committed to purchasing long-tenor SBN in the primary market for funding and burden sharing the 2020 State Budget to support the national economic recovery in accordance with Act No. 2 of 2020. Bank Indonesia purchased SUN/SBSN in the primary market to fund the 2020 State Budget through two burden sharing mechanisms. First, the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 16th April 2020 concerning the purchase of long-tenor SUN/SBSN in the primary market by Bank Indonesia through market mechanisms. In this case, long-tenor SUN/SBSN can be purchased through non-competitive bidding in the primary auction; green boot options (GSO) in secondary auctions or private placement. Second, Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 7th July 2020 concerning long-tenor SUN/SBSN direct purchases to fund the 2020 State Budget, as a follow-up to the decision of Commission XI of the People’s Representative Council (DPR) at the Work Meeting held on 6th July 2020. This facilitated long-tenor SUN/SBSN direct purchases to fund public goods in the 2020 State Budget totalling Rp397.56 trillion, namely healthcare, social assistance and public services, borne in full by Bank Indonesia. In addition, Bank Indonesia also shared the cost of SBN issuances to fund non-public goods in the 2020 state budget in the form of incentives for MSME and the corporate sector totalling Rp177.03 trillion.

Large-scale funding and burden sharing by Bank Indonesia for the 2020 State Budget allowed the Government to focus on accelerating budget realisation for the national economic recovery. From the signing of the Joint Decree between the Minister of Finance and Governor of Bank Indonesia concerning the Burden Sharing I Scheme until the end of 2020, Bank Indonesia purchased long-tenor SBN in the primary market through 34 auctions totalling Rp75.86 trillion. Meanwhile, funding and burden sharing for public goods in the 2020 State Budget by Bank Indonesia based on the Joint Decree between the Minister of Finance and Governor of Bank Indonesia concerning the Burden Sharing II Scheme, issued on 7th July 2020, until the end of 2020 total Rp397.56 trillion. Therefore, long-tenor purchases by Bank Indonesia as part of the burden sharing schemes to fund the State Budget totalling Rp473.42 trillion in 2020. In addition, Bank Indonesia has also realised burden sharing with the government to fund non-public goods-MSME totalling Rp114.84 trillion and non-public goods-corporate totalling Rp62.22 trillion in line with the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia concerning the Burden Sharing II Scheme on 7th July 2020.

Bank Indonesia has refined short-term liquidity loans/short term liquidity financing (PLJP/PLJPS) regulations in order to provide liquidity to illiquid but solvent banks, thereby strengthening financial system stability. In 2020, Bank Indonesia amended the regulations three times. The first two amendments aimed to ensure PLJP/PLJPS implementation was in line with international standards in terms of supporting financial system stability, while the third amendment was implemented through the promulgation of Bank Indonesia Regulation (PBI) No. 22/15/2020 and PBI No. 22/16/2020, dated 29th September 2020, regarding short-term liquidity loans for conventional commercial banks and Sharia banks respectively. The amendments targeted provisions concerning interest rates, loan collateral requirements as well as the collateral verification and valuation process by a public accountant/appraiser during the application process. In accordance with Act No. 2 of 2020, the process through which Bank Indonesia grants short-term liquidity assistance was strengthened through close coordination with OJK in
terms of assessing solvency requirements and bank soundness by OJK as well as joint assessments regarding collateral and repayment capacity. Pursuant to the Joint Decree between the Governor of Bank Indonesia and Chairperson of the OJK Board of Commissioners issued on 19th October 2020, the coordination mechanism between Bank Indonesia and OJK is facilitated through the Macroprudential-Microprudential Coordination Forum (FKMM).

### 3.5. Payment System Digitalisation

Seeking to establish the digital economy and finance as a source of economic growth, Bank Indonesia continues to accelerate payment system digitalisation as part of the Indonesia payment system blueprint (BSPI) 2025. The Covid-19 pandemic has accelerated public adoption of digital technology and increased the relevance of BSPI 2025, which was launched in May 2019. Faster payment system digitalisation aims to facilitate public transactions, particularly during the pandemic. Bank Indonesia continues to advance various digital transformation initiatives in different areas, including digital payments via Quick Response Code Indonesia Standard (QRIS), digital banking as well as greater MSME and public access to digital economy and finance services, supported by collaboration between the banking and FinTech industries. Furthermore, Bank Indonesia is continuing the payment electronification program in various sectors in order to enhance economic efficiency and build economic recovery momentum.

The national and regional campaigns to expand QRIS have accelerated the digital economy and finance, particularly amongst MSME and retail merchants. Since launch in August 2019, Bank Indonesia has implemented a massive public campaign concerning the use of QRIS as the sole digital payment standard in Indonesia, nationally and regionally, particularly for MSME, traditional markets and academia. The campaign has involved 46 Bank Indonesia Domestic Representative Offices working in synergy with the banking industry, payment system associations, government ministries, regional administrations and other strategic partners. QRIS confers a number of benefits, including secure, fast, hygienic and efficient transactions at no cost and recorded in real time under Bank Indonesia supervision through contactless transactions. QRIS for payment transactions has expanded to become very popular throughout Indonesia in terms of transaction volume and value as well as total merchants (Graph 3.3). Nationally, approximately 5.8 million retail merchants are currently using QRIS (Table 3.1), dominated by micro, small and medium enterprises (MSME), consisting of more than 3.6 million micro merchants (UMI) and around 1.3 million small merchants (UKE). QRIS has accelerated MSME digitalisation, thereby supporting national economic and financial inclusion, including data availability that has always been a key constraint to MSME development. Furthermore, QRIS expansion nationally and regionally has overcome the previous issue of using QR Code from other countries in Indonesia.

#### Table 3.1. QRIS Merchant Growth

<table>
<thead>
<tr>
<th>Merchant Criteria</th>
<th>22-Mar-20</th>
<th>30-Dec-20</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>129,834</td>
<td>310,725</td>
<td>139%</td>
</tr>
<tr>
<td>Medium</td>
<td>265,077</td>
<td>558,524</td>
<td>111%</td>
</tr>
<tr>
<td>Small</td>
<td>304,420</td>
<td>1,266,121</td>
<td>316%</td>
</tr>
<tr>
<td>Micro</td>
<td>2,378,026</td>
<td>3,631,034</td>
<td>53%</td>
</tr>
<tr>
<td>Donation/Social</td>
<td>3,996</td>
<td>14,708</td>
<td>268%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,081,353</td>
<td>5,781,112</td>
<td>88%</td>
</tr>
</tbody>
</table>

Payment system digitalisation has triggered prolific growth of digital economic transactions through e-commerce during the Covid-19 pandemic. Although physical economic and payment transactions have declined, the value of e-commerce transactions soared 29.6% from 2019 to reach Rp266.3 trillion (Graph 3.4). Consistent with rapid e-commerce growth, digital payment transactions have also flourished, as confirmed by increasing e-money volume in e-commerce transactions. This has bolstered the share of e-money transactions in e-commerce, reaching 41.71% in the fourth quarter of 2020, thus dominating bank transfers and cash transactions at just 20.23% and 19.01% respectively (Graph 3.5).
Bank Indonesia also consistently expanded transaction electronification in order to increase payment system availability, security, reliability and efficiency. In 2020, expansion was achieved through electronification of government social aid programs and local government transactions as well as intensification of payment services at priority travel destinations.

1. Electronification of Government Social Aid Programs
   As a Covid-19 containment measure in 2020, the number of beneficiary families and value of social aid disbursements for the Family Hope Program (PKH) and Sembako (basic necessities) Program were increased. As of the fourth quarter of 2020, the Family Hope Program was reaching 9.9 million beneficiary families, or 99.97% of the 10 million target. Meanwhile, the Sembako Program has been extended to 18.7 million beneficiary families, or 93.73% of the 20 million target. Through electronification, beneficiary families are now able to transact through e-warongs and/or ATMs.

2. Expansion of Electronification of Local Government Transactions in 2020, Bank Indonesia encouraged local
government to create a roadmap and timeline to expand the electronification of local government transactions. As of yearend 2020, significant electronification progress was reported in terms of tax revenues and the collection of regional tax levies through various digital channels, such as QRIS. All local governments have expanded utilisation of the cash management system (CMS) and SP2D online, while integrating the financial system used in local government with the cash management system of banks managing Regional General Treasury Accounts (RKUD). This was made possible by the unwavering support of 345 regional administrations that have issued supporting regulations for electronification.

3. Intensification of Payment Services at Priority Travel Destinations. The intensification program for payment system services at priority travel destinations focused on coordination, facilitation, education as well as monitoring and evaluation in conjunction with the stakeholders as follows: (i) mapping payment services at travel destinations to optimise services; (ii) organising socialisation activities for merchants and the banking industry in order to prevent illicit activities/practices; (iii) implementing initiatives to develop payment system services, such as QRIS and e-ticketing, providing EDC machines to merchants and the electronification of different transportation modes; and (iv) organising online payment system socialisation activities for the public, while maintaining stringent health protocols.

3.6. Money Market Deepening

Supporting structural transformation, Bank Indonesia launched the Money Market Development Blueprint (BPPU) 2025 as part of the money market reforms to increase the effectiveness of monetary policy transmission, while simultaneously supporting demand for economic financing. BPPU 2025 was launched on 14th December 2020 and is fully oriented towards the realisation of liquid and efficient financial markets to support monetary stability, financial system stability and a conducive national development financing climate. BPPU 2025 contains five main visions of money market development towards an Advanced Indonesia as follows: (i) developing modern and advanced money markets that support economic financing, monetary policy transmission and financial system stability; (ii) developing products, players and pricing in a variational, liquid, efficient, transparent and inclusive money market; (iii) strengthening reliable, efficient, secure and integrated money market infrastructures; (iv) developing granular, real-time and secure digital data; (v) creating an agile, industry-friendly and innovative money market regulatory framework in line with international best practices.
Bank Indonesia will achieve the five BPPU 2025 visions through three money market development initiatives. The three initiatives are: (i) advancing digitalisation and strengthening financial market infrastructures; (ii) strengthening monetary policy transmission effectiveness; and (iii) developing sources of economic financing and risk management. The three initiatives will be implemented directly by Bank Indonesia in accordance with its duties and responsibilities as well as through collaboration and coordination with relevant government ministries/agencies and the industry.

   Bank Indonesia is advancing digitalisation and strengthening financial market infrastructures in terms of regulation, coordination amongst authorities, market players and international organisations as well as expanding the role of financial market supporting institutions. Bank Indonesia has issued regulations concerning licensing procedures and central counterparties (CCPs) for over-the-counter (OTC) interest rate and exchange rate derivatives, granted licences to money market supporting institutions and money market transaction services providers, and coordinated with various relevant authorities and market players, including preparations to achieve interconnectivity between internal financial market infrastructures at Bank Indonesia and the infrastructure developed by other institutions.

2. Strengthening Monetary Policy Transmission Effectiveness.
   Strengthening focuses on 3P aspects, namely products, participants and pricing, in terms of the money market and foreign exchange market. In conjunction with other relevant authorities, Bank Indonesia has continuously organised socialisation and coordination activities to develop the repo market and other money market instruments, including commercial securities and interest rate derivatives, such as overnight index swaps (OIS). This was done to educate the marketplace and achieve regulatory harmony amongst the relevant authorities to support the expansion of bank and nonbank players.

3. Developing Sources of Economic Financing and Risk Management.
   The focus of the third initiative is oriented towards the development of asset securitisation instruments, sustainable and green finance and long-term hedging as well as expansion of the retail investor base. To that end, Bank Indonesia is coordinating with the Government and relevant authorities as well as other strategic partners under the auspices of the Financial Market Development and Deepening Coordination Forum (FK-PPPK).

3.7. MSME Development and the Sharia Boarding School Economy

MSME development by Bank Indonesia aims in its entirety to support the government’s national development strategy. MSME development is undertaken by all 46 Bank Indonesia domestic representative offices in synergy with relevant government ministries and agencies, local governments and local communities. In addition, Bank Indonesia is cooperating with the Ministry of Industry, Ministry of Cooperatives and MSMEs, as well as the National Handicraft Council (DEKRANAS) and Regional National Handicraft Council (DEKRAHANDA). Such cooperation has produced several concrete programs, including joint studies, policymaking in accordance with respective responsibilities, data and information exchange, technical training, facilitation and mentorship for products, promotion and marketing as well as policy socialisation.

Bank Indonesia organised the Karya Kreatif Indonesia (KKI) 2020 exhibition as a form of tangible support for the National BBI Movement (Gernas BBI) that aims to boost national pride in Indonesian-made products. Entitled “MSME as a New Strength of the National Economy in the Digital Era”, KKI 2020 was organised as three series of exhibitions in synergy with relevant government ministries and agencies, business players, associations, financial institutions, digital platforms and local communities. Series 1, from 28th-30th August 2020, targeted export MSME. Series 2, from 7th-9th October 2020, targeted digital MSME. And Series III, from 20th-22nd November 2020, which was kicked off by the First Lady of the Republic of Indonesia, targeted millenial-friendly MSME. In addition to showcasing the excellent products of MSME under the mentorship or partnership of Bank Indonesia virtually via the KKI platform, several Bank Indonesia Domestic Representative Offices were also able to arrange a physical showcase, the scope of which was limited, however, by Covid-19 protocols.

Bank Indonesia also developed economic independence within the sharia boarding school community as part of the efforts to promote and develop the Sharia economy and Finance in Indonesia. Bank Indonesia is confident such efforts will help strengthen monetary stability and financial system stability, while ameliorating public prosperity in general. Sharia boarding school have enormous potential to stimulate the national Sharia economy inclusively. To that end, Bank Indonesia has prioritised strengthening the pesantren economy as one of the keys to the Sharia economic ecosystem. Various programs have been integrated into the Pesantren Economic Independence Development Roadmap 2017-2025, as follows: (i) Sharia business model replication in the pesantren community; (ii) standardisation
of pesantren financial reports; (iii) development of virtual market platforms; (iv) development of a centre of excellence; and (v) creation of a national and regional pesantren holding business and economy. The pesantren economic independence program is being implemented in 34 provinces across various business sectors, including agriculture, fishing, livestock, coconut plantations, water supply, biogas, waste recycling, services and business training. In 2020, as many as 95 pesantren participated in the empowerment program, thus bringing the overall total to 323 pesantren that have been developed through the program.

3.8. Development of Sharia Economy and Finance

In conjunction with the Government and other relevant authorities, Bank Indonesia constantly works in synergy to develop the Sharia economy and finance as a new source of economic growth. Indonesia has vast potential as a major player in the halal industry, not merely as a target market for halal products from other countries. Therefore, Bank Indonesia is implementing the Sharia economy and Finance Development Policy Blueprint with a vision to establish Indonesia at the centre of the global Sharia economy and finance.

To achieve that vision, the blueprint contains an implementation strategy translated into a development framework based on three main pillars. The first pillar is Sharia economic Empowerment, and the strategy is to develop a halal value chain ecosystem. The second pillar is Sharia Financial Market Deepening, which aims to increase sources of Sharia economic financing through commercial and Sharia social finance or the integration of both. The third and final pillar is Strengthening Research, Assessments and Education, which aims to increase public literacy and understanding of the Sharia economy and finance.

Bank Indonesia’s Role as Regulator through the Monetary and Macroprudential Policy Mix, supported by Sharia Financial Market Deepening

In 2020, Bank Indonesia not only implemented a conventional policy mix yet also introduced policies based on Sharia principles to mitigate the economic risks associated with Covid-19 and to stimulate the national economic recovery. One element of the policy mix was to expand instruments and transactions in the money market and foreign exchange market as well as strengthen Sharia monetary operations and financial market deepening through new instruments as follows: (i) Sharia-Compliant Liquidity Facilities (FLisBI); (ii) Sharia-Compliant Liquidity Management (PaSBI); and (iii) Sharia-Compliant Interbank Fund Management Certificates (SiPA). Also in 2020, Bank Indonesia refined regulations concerning the Macroprudential Liquidity Buffer (MPLB) for the banking industry, including Sharia banks/business units. The adjustment was prompted by a new instrument for Sharia open market operations, namely Bank Indonesia Sharia-Compliant Liquidity Management (PaSBI). Therefore, Sharia securities (SBSN/SukBI/SBIS) that can be used as collateral in PaSBI may also be used to meet the (sharia) Macroprudential Liquidity Buffer (MPLB) as part of the flexibility feature.
Role of Bank Indonesia as Accelerator and Initiator of Sharia economy and Finance

In its role as accelerator and initiator of Sharia economic empowerment, strategy implementation is achieved by strengthening the halal value chain ecosystem. Strengthening the ecosystem aims to create productive, inclusive and integrated growth in order to develop local, regional and national economic independence sustainably. Such efforts are expected to open new job opportunities. Bank Indonesia is committed to Sharia economic empowerment through various programs, including sectoral strengthening as the strategic target of Bank Indonesia’s main work program, to strengthen the quality and capacity of business players, as well as strengthen infrastructure and institutional cooperation to support Bank Indonesia’s objectives through monetary and macroprudential policy transmission and in terms of the payment system.

3.9. Strengthening International Policy and Investor Relations

International policy at Bank Indonesia aims to support the main policies of strengthening macroeconomic and financial system stability as well as striving for the interests of Bank Indonesia and the national economy. Bank Indonesia constantly strengthens international cooperation in coordination with the Government to support economic recovery as well as maintain macroeconomic and financial system stability globally and nationally. Bank Indonesia continues to develop international policy in terms of stance and diplomacy strategy, strengthening cooperation, partner perception management and global surveillance in the interest of Bank Indonesia and the national economy, including international cooperation to contain the economic impact of Covid-19.

International and regional cooperation in Asia are constantly being explored and expanded, primarily in the form of the Global Financial Safety Net (GFSN) and Local Currency Settlement. Bank Indonesia has secured bilateral swap agreements with financial authorities in China, Japan, Singapore and Malaysia and established repo lines with several other central banks and international organisations, including the Federal Reserve Bank of New York. Regionally, in conjunction with other financial authorities in ASEAN+3, Bank Indonesia and the Ministry of Finance of the Republic of Indonesia have agreed to strengthen the Chiang Mai Initiative Multilateralization (CMIM) in order to boost effectiveness as a regional financing arrangement to reinforce economic and financial resilience in the region. Multilaterally, Bank Indonesia together with other G20 members have agreed Short-Term Liquidity Line (SLL) facilities by the International Monetary Fund (IMF). In addition, Bank Indonesia is also cooperating with the authorities or central banks in Japan, China, Malaysia, Thailand, South Korea and Australia to promote Local Currency Settlement for trade and investment in order to reduce excessive dependence on major global currencies.

Bank Indonesia also plays an active role in terms of strengthening a positive international perception, particularly amongst rating agencies and foreign investors, concerning Indonesia’s economy. This is achieved through regular intensive communication and engagement with rating agencies and foreign investors coordinated by the Investor Relations Unit (IOU). An Investor Conference Call (ICC) is placed at each monthly BoG meeting or as required when a new strategic policy must be communicated. Such efforts in 2020 received recognition from rating agencies, as confirmed by the affirmation of Indonesia’s investment grade sovereign rating from S&P, Moody’s and Fitch despite downgrading the ratings of numerous other countries. At the beginning of 2020, JCRA and R&I upgraded Indonesia’s sovereign rating from BBB to BBB+ with a stable outlook. In addition, international organisations, including the International Monetary Fund (IMF) and ASEAN+3 Macroeconomic Research Office (AMRO), produced balanced and positive assessments concerning Indonesia’s economy.

Bank Indonesia also supports promotional activities targeting international investment and trade through linkages between the Investor Relations Unit (IRU), Regional Investor Relations Unit (RIRU) and Global Investor Relations Unit (GIRU). Such activities are executed through Bank Indonesia Domestic Representative Offices in various regions as well as cooperation with relevant central and regional institutions. IRU-RIRU-GIRU linkages are also maintained through Bank Indonesia International Representative Offices in conjunction with Indonesian embassies abroad and several representative institutions, such as the Indonesia Investment Promotion Centre (IIPC). Amidst the Covid-19 pandemic in 2020, all promotional activities for investment and trade have been organised virtually. To promote investment, Bank Indonesia cooperated through active participation at the Indonesia Investment Day (IID) in Singapore, Indonesia-Japan Economic Forum (IJEF) in Tokyo, Central Java Investment Business Forum (CIJBF) and West Java Investment Summit (WIJS). To promote trade, Bank Indonesia participated in the Singapore Speciality Coffee Auction, New York Now Digital Market and MSME Gayeng 2020.
Bank Indonesia also pursues international cooperation to support the national interest in terms of the payment system and international trade as well as to strengthen central banking capacity. In 2020, Bank Indonesia and Bangko Sentral ng Pilipinas agreed to cooperate in terms of the payment system and digital finance innovation. This complements similar cooperation secured with the Bank of Thailand and Bank Negara Malaysia. Regarding trade, Bank Indonesia actively supports government efforts to initiate new markets through bilateral and multilateral international trade and investment negotiations. In addition, Bank Indonesia has also implemented and expanded institutional cooperation to build institutional capacity with several other partner central banks, including South Korea, Japan, UK, Germany and Turkey, as well as the Bank for International Settlements (BIS).

Bank Indonesia also strives to increase international recognition as the best central bank amongst emerging markets. This is achieved by increasing Bank Indonesia representation through memberships and chairmanships at international forums. In addition, efforts to raise international recognition also focus on strengthening Bank Indonesia’s reputation through international awards from credible international institutions of high repute. In 2020, Bank Indonesia received recognition and was awarded as the Best Macroeconomic Regulator in the Asia-Pacific Region from the Asian Banker; QRIS-Best Payments Innovation Award from the Central Banking Publication; Asia-Pacific Award for Innovation in Technology Management, Planning and Implementation from the Stevie Awards; Annual Report Competition Award from MerComm; and Contact Centre Award from Contact Centre World.

3.10. Reserve Asset Management

Position of Reserve Assets in 2020

Foreign exchange management is mandated by Article 13 of Act No. 23 of 1999 concerning Bank Indonesia. Based on the elucidation of Article 13, Bank Indonesia is responsible for maintaining sufficient reserve assets to implement monetary policy. The objective of managing and maintaining reserve assets is an integral part of the efforts to maintain exchange rates. At the end of December 2020, the position of reserve assets in Indonesia stood at USD135.9 billion, an increase of USD6.7 billion compared with the position recorded at the end of December 2019. The position of reserve assets is equivalent to 9.8 months of imports and servicing short-term government external debt, which is well above the international adequacy standard of three months. Bank Indonesia is confident the current level of reserve assets can support external sector resilience as well as maintain macroeconomic and financial system stability.

Efforts to Maintain Reserve Assets

Bank Indonesia maintains adequate reserve assets by strengthening Global Financial Safety Net (GFSN) cooperation as a buffer. Amidst heightened global financial market volatility, international cooperation was strengthened in 2020 through a temporary repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility) established with the US Federal Reserve totalling USD60 billion as well as an extension to the financial agreement with the Monetary Authority of Singapore (MAS) worth USD10 billion. Such efforts to increase international cooperation garnered a positive market response, particularly in terms of maintaining Rupiah exchange rate stability.

International Best Practices for Reserve Asset Management

The management and maintenance of reserve assets is based on principles of security and preparedness to meet immediate obligations without neglecting principles to secure optimal income. To that end, reserve asset management follows international best practices in terms of governance, encompassing the decision-making process and organisation function, as well as risk management, professionalism and the quality of human resources. In terms of the decision-making process, reserve asset management is conducted through three stages, namely strategic, tactical and operational. Risk management is performed through three lines of defence as the manifestation of risk awareness in reserve asset management. In this case, risk management is implemented in synergy between three parties, namely internal control at the business unit level,
Institutional Management in 2020

Bank Indonesia Policy Mix and Institutional Policy for 2021

Appendix

risk monitoring by risk managers as well as inspections by the internal auditors. Such risk mitigation efforts are expected to ensure prudent risk asset management. Regarding capacity building at Bank Indonesia, in 2020 employees received domestic and international certification to support reserve asset management and participated in capacity building programs under the auspices of the World Bank Reserve Advisory and Management Program (World Bank-RAMP) and Bank for International Settlements (BIS).

Reserve Asset Management Transformation

Reserve asset management transformation, which began in 2019, accelerated in 2020. Transformation entails asset diversification in terms of reserve asset management through additional allocation to spread products. Against a backdrop of persistently low global interest rates, Bank Indonesia continues to seek alternative investment assets with higher yields and measured risk in line with the Medium-Term Policy Direction until 2025. In 2020, Bank Indonesia bolstered its Sukuk holdings as part of its diversification policy to support monetary operations, specifically monetary operations with underlying Sharia instruments. Amidst low global yields, reserve asset management transformation and a forward-looking investment strategy in 2020 has secured a positive return and income, thus supporting financial sustainability at Bank Indonesia.

Graph 3.6. Position of Reserve Assets

Bank Indonesia is committed to operating a reliable, orderly, uninterrupted, fast, convenient and affordable payment system to support national economic stability. As a tangible measure, Bank Indonesia develops, operates and evaluates a high-value payment system and retail payment system, which aim to meet stakeholder expectations in terms of developing and operating the payment system.

The payment systems and financial market infrastructures operated by Bank Indonesia performed well in 2020. The payment systems operated by Bank Indonesia include the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system, Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) and National Clearing System (SKNBI). Overall, the payment systems achieved 100% of the 99.97% availability target in 2020, thus demonstrating no service disruptions or significant incidents in the critical applications, while achieving a level of system availability commensurate with the predetermined target and avoiding any system failure.

Bank Indonesia continuously strives to provide optimal and quality payment system services to all stakeholders. The payment system services provided by Bank Indonesia have received ISO 9001:2015 Quality Management System certification. Furthermore, payment system services are supported by helpdesk complaint handling, with a completion rate of 100%. Meanwhile, Bank Indonesia periodically evaluates payment system services based on a survey of all participants. In 2020, participant satisfaction of payment system services stood at 5.26, exceeding the 5.00 target. In addition, Bank Indonesia also regularly convenes meetings with payment system participants in order to strengthen coordination and collaboration towards supporting payment system availability in Indonesia.

3.11. Payment System and Financial Market Infrastructures

Bank Indonesia held the 2020 SPBI User Group Annual Meeting to support the operation of payment system availability in Indonesia.
Transaction value in the Bank Indonesia payment systems increased in 2020 on the previous year. Total transaction value soared 38.42% (yoy) from Rp179,216.03 trillion in 2019 to reach Rp248,073.78 trillion in 2020. The increment was consistent with respective increases in the BI-RTGS, BI-SSSS and SKNBI systems of 23.04%, 82.22% and 7.10% (Table 3.2). Meanwhile, total transaction frequency in 2020 reached 176.72 million transactions, increased 5.99% (yoy) on the previous year. The gain was consistent with respective increases in the BI-SSSS and SKNBI systems of 70.26% and 7.34% despite a 14.56% decline in terms of total transaction frequency in the BI-RTGS system (Table 3.3).

**Table 3.2. Total Transaction Value of Bank Indonesia Payment System**

<table>
<thead>
<tr>
<th>Noncash Payment System Transactions</th>
<th>2019</th>
<th>2020</th>
<th>% Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q-I</td>
<td>Q-II</td>
<td>Q-III</td>
</tr>
<tr>
<td>BI-RTGS</td>
<td>30,075.45</td>
<td>33,278.20</td>
<td>30,948.61</td>
</tr>
<tr>
<td>BI-SSSS</td>
<td>11,491.01</td>
<td>13,493.71</td>
<td>10,397.34</td>
</tr>
<tr>
<td>SKNBI</td>
<td>891.16</td>
<td>892.64</td>
<td>1,016.85</td>
</tr>
<tr>
<td>Total</td>
<td>42,457.63</td>
<td>47,664.56</td>
<td>42,362.80</td>
</tr>
</tbody>
</table>

Source: PS EDW

**Table 3.3. Transaction Frequency of Bank Indonesia Payment System**

<table>
<thead>
<tr>
<th>Noncash Payment System Transactions</th>
<th>2019</th>
<th>2020</th>
<th>% Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q-I</td>
<td>Q-II</td>
<td>Q-III</td>
</tr>
<tr>
<td>BI-RTGS</td>
<td>2,737.05</td>
<td>2,677.91</td>
<td>2,970.80</td>
</tr>
<tr>
<td>BI-SSSS</td>
<td>75.99</td>
<td>77.47</td>
<td>94.11</td>
</tr>
<tr>
<td>SKNBI</td>
<td>34,939.54</td>
<td>35,938.71</td>
<td>40,339.11</td>
</tr>
<tr>
<td>Total</td>
<td>37,752.58</td>
<td>38,694.09</td>
<td>43,404.02</td>
</tr>
</tbody>
</table>

Source: PS EDW

In 2020, Bank Indonesia adjusted the payment system operational policy in support of efforts to mitigate Covid-19 transmission. This was accomplished through adjustments in terms of HR management and payment system operating activities, coupled with lower charges for the National Clearing System and BI-RTGS system to encourage cashless transactions amongst the public.

a. **Split Operation**

Seeking to maintain operational continuity of the payment system to safeguard the normal execution of public services and duties, Bank Indonesia implemented split operations for employees operating the payment system and financial market infrastructures at Bank Indonesia. Introduced on 16th March 2020, split operations were conducted at the Primary Location (LKU) situated within the Bank Indonesia Office Complex and an Alternative Location (LKA). In addition, Bank Indonesia also instituted Work-from-Home (WFH) policy for its employees.

b. **Adjustment to Operational Hours**

Supporting Covid-19 containment measures, Bank Indonesia also adjusted the operational hours of the payment system and financial market infrastructures, encompassing the BI-RTGS, BI-SSSS, BI-ETP and SKNBI systems. The operational hours were adjusted based on periodic evaluations using a survey of payment system participants as respondents. This was enforced to maintain security in terms of payment system services.

c. **Lower SKNBI and BI-RTGS Transaction Charges**

Bank Indonesia lowered the transaction charges for the SKNBI and BI-RTGS systems in order to stimulate cashless payments amongst the public. Therefore, Bank Indonesia lowered the service charge on funds transfers via the national clearing system charged by banks to their customers from Rp3,500...
In the fourth quarter of 2020, Bank Indonesia designated nine Cash Work Units as Regional Cash Depots (DKW) in North Sumatra, South Sumatra, West Java, Central Java, East Java, South Kalimantan, Balikpapan, South Sulawesi and North Sulawesi based on efficiency considerations and access to distribution channels as well as the infrastructure available. The Regional Cash Depots were designated as a key milestone of Centralised Distribution as part of the Rupiah Currency Management Framework 2019-2025. Centralised distribution will be implemented through Front Office-Middle Office-Back-Office (FOMOBO) at all cash work units to optimise stock management and currency utilisation. The function of the Front Office is cash services. The Back Office implements the
Bank Indonesia regularly coordinates with the Coordinating Board for Counterfeit Rupiah Eradication (Botasupal), consisting of elements from the State Intelligence Agency, National Police, Attorney General and Ministry of Finance to eradicate counterfeit Rupiah. In synergy with law enforcement officers, Bank Indonesia provides laboratory testing assistance to establish the authenticity of currency seized by the National Police. Bank Indonesia also provides experts to investigations and court cases involving counterfeit Rupiah and also shares data and information with law enforcement officers concerning discoveries of counterfeit Rupiah.

### 3.13. Bank Indonesia Services for Government

Bank Indonesia consistently maintains the quality of services provided to the Government, including cash management services and debt management services. The high quality of services is reflected in the results of surveys that consistently achieve a Satisfaction Index exceeding 5.5 on a scale of 1-6. Bank Indonesia implements various efforts to maintain and increase the quality of services offered to the Government, including international standard certification. Through such endeavours, the services provided to the Government are timely and on target. The efforts to enhance such services are part of the ongoing transformation program to achieve Bank Indonesia’s vision. The services provided by Bank Indonesia to the Government include cash management services and debt management services.

**Government Cash Management Services**

In accordance with the Bank Indonesia Act, Bank Indonesia acts as the Government’s treasurer. Through treasury operations, Bank Indonesia supports the Government (represented by the Ministry of Finance as the Directorate General of Treasury) in terms of managing government cash through account administration services, banking services and SBN sub-registry services. To expand government cash management services, Bank Indonesia maintains several policies, including checking account services, no service charges on government transactions or government transactions through the banking industry, a special exchange rate for foreign currency transactions as well as government cash placements and investment. In addition, the Covid-19 pandemic triggered a number of new policies, including a cooperation agreement concerning operationalisation of the Treasury Dealing Room in the Ministry of Finance to accelerate the national economic recovery, as well as relaxing the document submission requirements for government transaction settlement.

To execute transactions, Bank Indonesia provides Bank Indonesian Government Electronic Banking Services (BIG-eB) to the Government through the Ministry of Finance. BIG-eB facilities also monitor the government checking account balance at Bank Indonesia, accelerate the transaction and report formulation process in the Ministry of Finance, assist with more accurate cash management, forecasting and other financial management as well as strengthen fiscal and monetary policy coordination. In 2020, the availability of BIG-eB services was maintained at 100%.

**Government Debt Management Services**

Pursuant to the Bank Indonesia Act, Bank Indonesia is authorised to act for and on behalf of the Government in terms of receiving foreign loans, administration, as well as settlement of claims and other financial obligations to international entities. To that end, Bank Indonesia withdraws, repays and administers government foreign loans through consultation.

Government foreign loans are administered by Bank Indonesia using the Debt Management and Financial Analysis System. The system allows Bank Indonesia and the Government to formulate projections for maturing debt, supports reserve asset projections and the calculation of available foreign exchange to service government external debt, and monitors payment obligations to foreign parties. In 2020, all government foreign loan repayment transactions were made on time, on target and of the right amount.

In addition to administering Government foreign loans, Bank Indonesia also administers Government securities (SBN). Prevailing laws concerning government debt securities (SUN) mandate Bank Indonesia with the administration function for Government SBN, including domestic SBN as well as SBN traded internationally (global foreign currency SBN). SBN administration involves recording holdings and transaction settlement, while acting as an agent for interest and principal SBN payments. Domestic SBN are administered via the Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) and global bonds are administered by appointing a third party. Bank Indonesia reports SBN administration activities periodically to the Government as a form of accountability.
3.14. Surveillance and Supervision

Since 2020, Bank Indonesia has applied a supervision approach known as Dynamic Systemic Risk Surveillance (DSRS). The goal of DSRS is to assess idiosyncratic risk at individual banks as well as the impact of contagion that may emerge and, finally, assess systemic risk escalation in the financial system. The approach is implemented through surveillance of systemic and non-systemic banks.

Macroprudential, Monetary, Money Market, Foreign Exchange Market, Payment System and Rupiah Currency Management Supervision Activity

In 2020, the focus of supervision at Bank Indonesia was oriented towards monitoring the impact of Covid-19 from a macroprudential perspective through intensive and forward-looking supervision in coordination with other relevant authorities. Furthermore, macroprudential supervision is supported by rigorous assessments of monetary aspects as well as the payment system and Rupiah currency management which are potential sources of risk for individual banks and the industry, especially during the Covid-19 pandemic.

Supervision is also performed in terms of macroprudential compliance, focusing on the Macroprudential Intermediation Ratio (MIR), Macropurudential Liquidity Buffer (MPLB) and Loan/Financing-to-Value (LTV/FTV) Ratio, as well as reserve requirements, net open position (NOP) and ratio of short-term external debt from a monetary oversight standpoint. Meanwhile, in terms of the payment system, compliance is supervised based on implementing National Chip Technology Standards (SNTC) for card-based payment instruments, which has already reached 76.67%, thereby surpassing the minimum 70% requirement to be attained by 1st January 2021. In addition, the implementation of 6-digit online PIN technology for credit card transactions reached 100% as of 1st July 2020 in accordance with Circular Letter No. 16/25/DKSP, dated 31st December 2014, concerning Card-Based Payment Instrument Activities. Bank Indonesia also focused monetary supervision activity on aspects of activity/transaction compliance to regulations, such as the market code of conduct, while remaining vigilant of market risk that could trigger systemic risk.

Bank Indonesia also conducts stringent surveillance and oversight concerning Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF). AML/CTF supervision of nonbank payment system service providers offering card-based payment instruments, electronic money and electronic wallets aims to support the Mutual Evaluation (ME) – Financial Action Task Force (FATF). Supervision also strives to update net risk, coaching clinics and supervision data. Although ME-FATF implementation has been delayed due to the Covid-19 pandemic, Bank Indonesia maintains strict AML/CTF supervision in accordance with prevailing laws and regulations.

Macropurudential surveillance conducted in 2020 demonstrated that financial system conditions, in general, were maintained, accompanied by adequate bank liquidity and capital resilience. Notwithstanding, the bank intermediation function was subdued in line with global economic moderation caused by Covid-19, which spilled over and triggered a domestic economic downturn. In terms of the payment system, surveillance during the Covid-19 pandemic confirmed no significant or incidental operational disruptions experienced by banks, payment system service providers and/or Rupiah currency management services providers. Similarly, monetary activities were maintained with minimal risk.

Development of Supervision Framework/Guidelines

Bank Indonesia in 2020 refined the framework, guidelines and legal instruments in order to enhance the quality of macroprudential, monetary, money market, payment system and Rupiah currency management supervision. In terms of macroprudential supervision, Bank Indonesia has formulated a framework and guidelines based on the Dynamic Systemic Risk Surveillance (DSRS) approach. The DSRS is a forward-looking and integrated supervision framework, incorporating all supervision information under the authority of Bank Indonesia. Supporting Bank Indonesia’s function as lender of last resort (LoLR), Bank Indonesia has also formulated standard operating procedures (SOP) concerning the provision of short-term liquidity assistance to conventional and Sharia banks. Regarding the payment system and Rupiah currency management, Bank Indonesia has reformulated the payment system supervision framework in accordance with the policy direction for the payment system industry towards 2025, which is in line with the Indonesia Payment System Blueprint (BSPI) 2025. Supporting Rupiah currency management policy, the supervision of Rupiah currency management services providers has been complemented with a risk-based approach set of supervision guidelines.

Due to the Covid-19 pandemic, Bank Indonesia has formulated Remote Inspection Guidelines to support inspection activities under certain conditions, including a pandemic. In addition, in line with the direction of BI Digital 4.0, Bank Indonesia is utilising supervisory technology (SupTech) to support supervision, surveillance and oversight at Bank Indonesia, commencing with compiling studies as well as identifying the needs of data analytics models and relevant tools.
3.15. Licensing

As a public legal entity, Bank Indonesia is committed to providing service excellence to all stakeholders in terms of licensing services. This is consistent with Government commitment to one-stop licensing services (PTSP) and in line with Bank Indonesia’s Vision 2020-2025: ‘To Become the Foremost Digital Central Bank with a Tangible Contribution to the National Economy and the Best Amongst Emerging Markets towards an Advanced Indonesia.’

Since 1st May 2020, Bank Indonesia has implemented integrated licensing through front-office licensing. This was initiated through promulgation of Bank Indonesia Regulation (PBI) No. 22/8/2020 concerning Bank Indonesia Integrated Licensing through Front-Office Licensing as well as the live launch of the e-Licensing application, which now handles 75 types of licence and permit. Integrated licensing through front-office licensing aims to increase the efficiency, transparency and accountability of Bank Indonesia’s licensing services. Since implementation on 1st May 2020, 111 licences have been processed by Bank Indonesia. The licensing process is performed online, starting with a scheduled pre-consultative meeting and submission of a cover letter to the license approval/rejection notification to the applicant. Through online processing, the service level agreement (SLA) of front-office licensing as well as integrated data and information managed through a single repository as a licensing dashboard will increase the accountability of Bank Indonesia’s licensing services.

Not merely in response to public demand for practical, transparent and accessible licensing services from Bank Indonesia, e-licensing also provides a solution to the licensing challenges caused by Covid-19. This is possible because e-licensing is paperless and processed without face-to-face interaction. Furthermore, Bank Indonesia is committed to continuous development of the e-Licensing application to meet the future needs of stakeholders and achieve service excellence at Bank Indonesia. The availability of front office licensing services is expected to ensure a conducive flow of digitalisation develops within the digital economy and finance ecosystem in line with the Indonesia Payment System Vision for 2025.

3.16. Consumer Protection

Supporting monetary, macroprudential and payment system task implementation, Bank Indonesia regulates and supervises the providers of products and/or services for consumers.

Policy to Increase Consumer Protection

Bank Indonesia constantly pays due attention and strengthens aspects of consumer protection through the various policies/ regulations issued. Strengthening encompasses four functions, namely: (i) regulation and policy; (ii) supervision; (iii) complaint handling; and (iv) education and literacy, supported by national and international cooperation. A solid consumer protection policy is expected to create an effective consumer protection function in response to all challenges that emerge, including the challenge of maintaining consumer protection amidst the rapid proliferation of financial innovation as well as the digitalisation of financial products and services.

Bank Indonesia issued Bank Indonesia Regulation (PBI) No. 22/20/PBI/2020, dated 22nd December 2020, concerning Bank Indonesia Consumer Protection, which repeals in its entirety Bank Indonesia Regulation (PBI) No. 16/1/PBI/2014 concerning Payment System Services Consumer Protection. Based on the new regulation, the purview of consumer protection at Bank Indonesia was expanded beyond payment system services previously to all of Bank Indonesia’s tasks and responsibilities based on prevailing laws and regulations, namely the monetary, macroprudential and payment system functions. The regulation demonstrates Bank Indonesia’s commitment to support national consumer protection policy by implementing relevant policies in line with international best practices. Bank Indonesia has also strengthened consumer protection policy to balance the relationship between operators/providers and consumers as well as answer the challenges and accelerate the development of financial innovation and the digitalisation of financial products and services and the payment system. In addition, Bank Indonesia has increased synergic and harmonious cooperation between authorities when implementing consumer protection activities.
Consumer Complaint Handling

During the period from January-December 2020, Bank Indonesia followed up 2,548 consumer complaints, down 20.4% on the same period in 2019. The number of complaints declined across all payment instruments, particularly credit cards, which have always dominated consumer complaints. In line with increasing digital financial transactions, especially during the Covid-19 pandemic, consumer complaints regarding e-commerce transactions experienced a significant uptick. Bank Indonesia has followed up on all consumer complaints within its authority.

3.17. Statistics Management

Bank Indonesia in 2020 undertook comprehensive statistics management and development to support policymaking and meet international commitments. End-to-end data management transformation and digital transformation in terms of statistics management at Bank Indonesia were accelerated, referring to the Bank Indonesia Information Systems Masterplan (RISIBI). Confronting the Covid-19 pandemic, several high-frequency indicators have been developed in order to hone policymaking at Bank Indonesia and support the national economic recovery program. Bank Indonesia has made several adjustments to the compilation process for statistics during the Covid-19 pandemic, allowing Bank Indonesia to maintain a range of complete, accurate, up-to-date and comprehensive statistical products. Similarly, to meet its various statistical commitments to international forums, Bank Indonesia is actively fulfilling its commitments to the G20 Data Gaps Initiative by submitting complete data on time, even becoming an exemplary reference for other countries.

Data and Statistics Management during Covid-19 Pandemic

To minimize disruption to data acquisition due to the Covid-19 pandemic, Bank Indonesia uses online statistical data reporting mechanism. Bank Indonesia obtains data online from various sources, namely ministries and institutions such as the OJK, the Directorate General of Taxes (DJP), and the Directorate General of Customs and Excise (DJBC), financial service institutions such as commercial banks, rural banks, and finance companies, as well as companies who carry out export / import activities. Implementing online mechanism, Bank Indonesia receives data faster and standardized. The mechanism also minimized disruption to the data collection process due to the Covid-19 pandemic which limits physical encounters.

The Covid-19 pandemic has been an invaluable learning moment for Bank Indonesia in terms of becoming more agile when adjusting and innovating the availability of data and statistics underlying policymaking. Bank Indonesia has continued to produce complete statistical products and created various new indicators that will hone policymaking and support the national economic recovery. The use of big data analytics has contributed significantly to high-frequency and timely indicators using granular data to monitor economic conditions during this period of data scarcity caused by the pandemic. During the pandemic, Bank Indonesia has developed household consumption and income indicators using granular data from the National Clearing System (SKNBI), corporate activity and investment indicators using granular data from the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system, vulnerability and public concern indicators from news data as well as trade activity indicators using granular data from online portals. In addition, Bank Indonesia has introduced the monthly Supply and Demand Financing Survey in order to hone policymaking analysis and support the national economic recovery. The new survey has produced indicators that illustrate corporate and household demand for financing as well as the availability of financing from the banking industry. The national Supply and Demand Financing Survey has been published monthly since August 2020 based on a sample of approximately 4,600 households, 400 corporations and 80 banks.
Adapting to the Covid-19 pandemic, Bank Indonesia refined reporting requirements and survey methodologies bearing in mind the need for accurate and quality information for comprehensive policymaking. In terms of reporting, Bank Indonesia extended the deadlines and waived sanctions for late submission of certain reports. Furthermore, the deepening Covid-19 pandemic also forced Indonesia to delay implementation of integrated reporting via the National Metadata-Based Integrated Reporting Application (BI-ANTASENA) in order to increase the preparedness of reporting parties in terms of submitting quality data. In addition, Bank Indonesia also refined the survey methodology to confront the various challenges that emerged during the pandemic and to ensure the continuity of all surveys.

In line with the implementation of remote working policy (work from home), Bank Indonesia monitors reports and provide helpdesk reporting services virtually. Thus the reporting process can continue to run, and Bank Indonesia is able to provide complete, accurate, and current data required for policy formulation. To maintain data accuracy and reporting, Bank Indonesia continues to communicate provisions and provide good understanding to parties reporting their data to Bank Indonesia through regular coaching clinics and virtual outreach, as well as providing helpdesk services to help overcome reporting difficulties.

Development of Statistics, Digital Data and Big Data Analytics

In response to rapid development of digital technology and the corresponding industry, Bank Indonesia has explored potential data optimisation through sustainable innovation supported by the latest technology and good governance. Complete and quality data and statistics have been strengthened through several holistic development measures and synergy with various relevant parties.

Bank Indonesia has continued to strengthen implementation of end-to-end data management. As the 'new oil', data is a critical element of policymaking in the digital era through sustainable innovation. The scope of innovation includes the data management business processes, from data collection, management and analysis to dissemination. Bank Indonesia developed the user-accessible Integrated Data Repository and Analytics Platform (INDRA) as an integrated metadata-based data management and analysis platform. Based on solid end-to-end data management foundations (Scheme 3.1), Bank Indonesia is fully prepared to continue digital transformation towards becoming a data-based institution with advanced analytical capabilities.

Bank Indonesia is optimally exploiting faster, larger and more diverse data in the digital era by strengthening data management. Bank Indonesia has strengthened the reporting function by continuing development of integrated omni-channel bank reporting in conjunction with the Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS) since 2019. Equally as important is utilisation of the latest Application Programming Interface (API) technology to collect quality data quickly. Technology is also being used in online surveys, data exchange and interconnectivity with payment system and financial market infrastructure at Bank Indonesia.

Scheme 3.1. End-to-End Data Management
while adhering to the principles of good governance and data security as well as prevailing regulations.

**Bank Indonesia continues to innovate advanced analytics in order to strengthen policymaking activity.** In 2020, Bank Indonesia developed 22 new data points/indicators using Big Data Analytics in addition to the data/indicators developed previously. Big data analytics have strengthened policymaking at Bank Indonesia through the availability of innovative, granular and timely data/indicators to complement existing monetary, financial system stability and payment system indicators as part of Bank Indonesia’s implementation of End-to-End Data Management.

Bank Indonesia also initiated the compilation of Sharia statistics (SS) to strengthen the development foundations of the Sharia economy and finance in Indonesia. The SS framework is aligned with the Sharia economy and Finance Blueprint, covering three datasets as follows: (i) Sharia economy; (ii) Sharia finance, including social finance; and (iii) Sharia payment system. A multiyear approach is used to compile Sharia statistics through close coordination and cooperation amongst relevant institutions and organisations as well as optimisation of the latest technologies.

In terms of data and statistics management, Bank Indonesia continues to strengthen coordination and cooperation with various government ministries and the corporate sector. Bank Indonesia actively and sustainably communicates and cooperates with various stakeholders, including focus group discussions and coordination meetings. Such efforts have established a regular flow of complete data, the collection of which is becoming automated. Coordination with Bank Indonesia’s stakeholders has not been impeded by the pandemic thanks to the maximal use of online technology. Such cooperation and coordination have had massive benefits for Bank Indonesia, government ministries, the corporate sector and other relevant stakeholders.

**International Forums: Participation and Fulfilling Commitment**

Bank Indonesia is firmly committed to fulfilling the G20 Data Gaps Initiatives (DGI) recommendations. Bank Indonesia has received numerous benefits from such engagement in terms of improving the compilation methodology for statistics, increasing institutional collaboration and compiling new datasets. In 2020, Indonesia met 17 of the 20 target recommendations of DGI Phase II, with the remainder set for 2021. Recommendation II.7 Securities Statistics produced the best result, with Indonesia the only country providing debt securities nominal value (central bank sector) and market value (corporate sector) data. In addition, in terms of the payment system, Bank Indonesia has completed the Red Book statistics in conjunction with 27 member countries of the Committee on Payments and Market Infrastructures (CPMI) since 2019 to strengthen regulation, policy and global best practices in order to increase payment system, clearing and settlement security and efficiency as well as maintain financial stability.

**Bank Indonesia is an active contributor at various international cooperation forums.** Bank Indonesia was selected to Chair the ASEAN Working Group on International Investment Statistics (WGIIIS) for the 2021-2022 period. As a country focal point of services statistics, Bank Indonesia benefited from the 7th Meeting of ASEAN Working Group on Statistics of International Trade in Services (WGSITS) in August 2020 in terms of developing quality balance of payments (BOP) statistics, particularly international trade in services statistics. The ASEAN Secretariat appreciated Bank Indonesia’s active contribution during the development discussion for services statistics at the ASEAN level, with Bank Indonesia providing speakers during the ASEAN Helps ASEAN (AHA) event concerning the development of travel services statistics and International Transaction Reporting System (ITRS) reporting. Moving forward, Bank Indonesia will continue to participate actively at G20 discussions on the Data Gaps Initiative in July 2020 and the Securities Statistics Conference Call in October 2021. Such active participation across a broad range of international forums significantly helps Bank Indonesia to constantly update its methodologies and measurement of new indicators in order to support the availability of complete and quality statistics.

**3.18. Public Information Services**

As a form of institutional transparency and responsibility during the Covid-19 pandemic and pursuant to the Public Information Openness and Disclosure Act, Bank Indonesia has strengthened direct public communication through the Bank Indonesia contact centre known as BICARA 131. When serving public information needs concerning the Bank Indonesia organisation and policies, BICARA 131 implements stringent health protocols. Reflecting the primary services provided, the Stakeholder Satisfaction Index (SSI) in 2020 demonstrated that 84.04% of applicants submitting 87,722 queries were satisfied with the services offered by BICARA 131. Thanks to
such determined commitment, BICARA 131 was recognised as the Best Small Contact Centre at The Best Contact Centre Indonesia (TBCCI) Awards 2020 and also received 11 medals in 11 corporate and individual categories at the Contact Centre World (APAC) Awards 2020.

Seeking to increase transparency and accountability, Bank Indonesia in 2020 also organised policy discussions during the pandemic and executed task implementation through 60 work meetings and 11 work visits virtually with Parliament. As a form of transparency and accountability, Bank Indonesia also submitted its accountability reports in 2020, including the Quarterly Report, Bank Indonesia Annual Report and Financial Statements as well as the Economic Report on Indonesia.

As a form of social responsibility, Bank Indonesia undertook empowerment activities and public care under the auspices of the ‘Dedicated to the Nation’ program. The program in 2020 embraced the theme ‘Tangible Contribution through Local Economic Empowerment and Competent Human Resources to Support Economic Stability in Indonesia’. More comprehensively, the activity report of the Dedicated to the Nation program is presented in the following subsections.

### 3.19. Policy Communication

Communication is an effective instrument to guide expectations, increase assurance and provide stakeholder understanding concerning the policies instituted to achieve a target. In 2020, Bank Indonesia focused its communication strategy on providing stakeholder guidance amidst extraordinary economic circumstances, as well as to support government economic recovery efforts. The communications strategy was implemented by strengthening the key takeaways, or messages, through a range of channels/products in order to effectively mitigate the impact of uncertainty caused by the Covid-19 pandemic and build economic recovery optimism.

To mitigate the impact of uncertainty caused by the pandemic and build optimism, communication management is based on three pillars: (i) strengthening expectation management; (ii) strengthening literacy; and (iii) strengthening transparency and responsibility. Message consistency in the right context through diverse channels can support policy communication effectiveness and strengthen Bank Indonesia credibility. The communication strategy and framework are key to facing dynamic changes in the strategic environment caused by global and domestic economic factors as well as overcoming the increasingly complex challenges attributable to communication technology development in the digital era, including fake news, hoaxes, netizen journalism and post-truth.

Effective communication to guide expectations and build optimism during the pandemic has been consistently implemented through various channels as follows:

1. Weekly and biweekly virtual Media Briefings held by the Governor of Bank Indonesia (GBI) during the panic caused by rapid Covid-19 transmission, with 11 Media Briefings held between 26th March 2020 and 5th June 2020. Perspicuous, continuous and consistent messages were conveyed by the Governor without equivocation in order to guide market expectations and public expectations in response to the deepening impact of the Covid-19 pandemic.

2. Strengthening the message when disseminating publications and press releases concerning new policies/economic indicators/statistical data through all communication channels, thereby building national economic recovery optimism. The press releases included weekly Rupiah stability indicator developments, latest economic developments and Bank Indonesia measures to contain Covid-19, as well as press releases concerning operational activity and public services at Bank Indonesia during the pandemic.

3. Expanding Bank Indonesia’s social media presence to strengthen message delivery in terms of guiding expectations and building optimism, amongst others, through implementation of the BI Talk podcast, which raises pertinent topics, including economic developments in 2020, MSME strategies to survive the pandemic, payment system evolution in Indonesia in the digital era, release of the 75th anniversary commemorative banknote and the new normal at Bank Indonesia.
Supporting channel-based communication, Bank Indonesia also organises virtual one-on-one meetings and dialogue/discussions with various stakeholders, including Parliament, government ministries, key opinion leaders (KOL), academia and the mass media concerning economic developments and Bank Indonesia’s efforts to contain Covid-19. Such effective communication strengthens policy synergy and public trust in the policy response taken by the authorities, particularly in terms of the national economic recovery.

The aforementioned efforts to strengthen communication have produced the desired results. In 2020, stakeholders appreciated the various efforts to strengthen the communication content and channels, as reflected by a Communication Efficacy Index of 5.10 on a scale of 1-6. During the same period, Bank Indonesia also issued 372 press releases and 3,785 social media posts across various social media channels, including Instagram, Facebook, YouTube, Twitter and the BI Talk podcast. In terms of output, the press releases made 27,605 news headlines in the mass media, with 1,249,286 social media engagements from 1.39 million across Bank Indonesia’s social media channels. Consequently, communication by Bank Indonesia garnered 98.5% favourable sentiment and a Stakeholder Engagement Index of 5.25 on a scale of 1-6.

To strengthen public literacy concerning the measures undertaken by Bank Indonesia to mitigate the impact of Covid-19 and to stimulate national economic recovery, Bank Indonesia increased public communication through virtual public activation. Such activities included the Bank Indonesia Education Festival (FeskaBI), Bank Indonesia Speaks to the Public (BIRama) and the Leadership Camp, which strengthens and empowers Bank Indonesia scholarship recipients. Public engagement in 2020 through public activation activities reached 94,990 people. Public activation is supported by educational content disseminated via social media channels, covering adaptation to the cashless payment system in the new normal era (through QRIS, card-based payment instruments and online instruments), breaking the domestic chain of Covid-19 transmission through Rupiah currency, how to transact digitally and safely during the pandemic, including the #datamurahhasiamo (your data, your confidentiality) hashtag campaign, and education to dispel hoaxes and fake news concerning Bank Indonesia on social media platforms.

To increase public literacy, the Bank Indonesia Museum is committed to always providing information services to the public, especially during the pandemic. Therefore, to meet public enthusiasm to visit the Bank Indonesia Museum during the pandemic, the Museum initiated virtual visits, thus allowing members of the public to learn and understand Bank Indonesia’s journey and evolution over time. In 2020, total visits to the Bank Indonesia Museum stood at 53,156, 8.3% of which were virtual visits. For its determined commitment, the Bank Indonesia Museum was recognised as a Friendly Museum at the Indonesia Museum Awards 2020. In addition, Bank Indonesia simultaneously strengthened Bank Indonesia policy literacy during the pandemic through engagement with all employees in the form of internal talk shows, distributing flyers and email blasts.

3.20. Coordination with the Government, Authorities and Relevant Organisations

Bank Indonesia continuously strengthens synergy to maintain financial system stability in conjunction with the Ministry of Finance, Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS). Joint efforts to maintain financial system resilience are constantly undertaken through coordinated bank inspections in terms of the planning and evaluation, as well as coordinated updating of systemic banks as mandated by the Financial System Crisis Prevention and Mitigation (PPKSK) Act. Policy synergy amongst financial sector authorities is also complemented by strengthening data infrastructure through integrated bank reporting. Maintaining financial system stability is also made possible by the support of policy synergy between financial sector authorities, such as the Financial System Stability Committee.

Bank Indonesia also strengthened coordination in synergy with the relevant authorities in terms of the national economic recovery program. Coordination and synergy are necessary to execute the mandate in accordance with Act No. 2 of 2020, namely to support state financial policy and financial system stability policy under the extraordinary conditions caused by the Covid-19 pandemic.

Bank Indonesia constantly strengthens policy synergy with the Government and other relevant authorities to stimulate economic recovery by increasing investment and infrastructure as well as targeting competitive priority sectors with high value added, particularly the manufacturing industry and tourism. The Coordination Meeting of the Central and Local Government (RAKORPUSDA) is held periodically to quickly resolve issues that arise in terms of industry, tourism, investment and infrastructure. Bank Indonesia actively promotes international
investment and trade with the Government through strong linkages facilitated by the Investor Relations Unit – Regional Investor Relations Unit – Global Investor Relations Unit, with the engagement of domestic and international Bank Indonesia Representative Offices.

Bank Indonesia has also strengthened coordination with the National Sharia Finance Committee (KNKS) and relevant government ministries/agencies to support global halal industry development in Indonesia. Furthermore, Bank Indonesia actively provides educational activities and runs a national campaign for the Sharia economy and finance in order to overcome low public literacy in Indonesia concerning the Sharia economy and finance.

Bank Indonesia is collaborating with the banking industry, real sector and MSME to grow the digital economy by expanding QRIS implementation in various sectors, while encouraging diverse innovation through digital banking and MSME digitalisation. Bank Indonesia also actively supports government programs to accelerate the economic recovery, including the electronification of local government transactions and cashless social assistance disbursements.

At the international level, Bank Indonesia continuously strengthens international cooperation in coordination with the Government to support the economic recovery as well as maintain macroeconomic and financial system stability globally and in Indonesia. Bank Indonesia continues to develop international policy in terms of stance and diplomacy strategy, strengthening cooperation, partner perception management and global surveillance in the interest of Bank Indonesia and the national economy, including international cooperation to contain the economic impact of Covid-19. International and regional cooperation in Asia are constantly being expanded, primarily in the form of the Global Financial Safety Net and Local Currency Settlement. In terms of the G20, Bank Indonesia is working in conjunction with the Ministry of Finance and other relevant government ministries to coordinate in synergy and support preparations for Indonesia’s G20 Presidency in 2022.
INSTITUTIONAL MANAGEMENT IN 2020

“Institutional Transformation seeks to bolster Bank Indonesia credibility based on performance excellence and good governance.”

Dody Budi Waluyo
Deputy Governor
Institutional performance and transformation at Bank Indonesia are constantly strengthened in terms of task implementation and authority in pursuit of the current mandate. In 2020, Bank Indonesia continued comprehensive transformation and successfully achieved its mandate despite the exceptional global and domestic challenges that emerged as a corollary of the Covid-19 pandemic. Comprehensive transformation entails Policy Transformation, Organisation and Business Process Transformation, Human Resources and Work Culture Transformation as well as Digital Transformation (digitalisation).
INSTITUTIONAL MANAGEMENT IN 2020

4.1. Bank Indonesia Transformation

Bank Indonesia has continued its comprehensive transformation program, encompassing Policy Transformation, Organisation and Business Process Transformation as well as Human Resources and Work Culture Transformation, while adding Digital Transformation in 2020. The Bank Indonesia policy mix response was strengthened to recover the economy towards an Advanced Indonesia (Indonesia Maju). Institutional transformation is achieved by strengthening the Vision, Mission and Medium-Term Plan for 2020-2025 in order to establish “Bank Indonesia as the foremost digital central bank with a tangible contribution to the national economy and the best amongst emerging markets towards an Advanced Indonesia.”

Organisational Transformation

Scheme 4.1. Organisational Transformation to Build Excellence Performance

The 2019 Bank Indonesia Annual Financial Report received an Unqualified Opinion from BPK-RI
Bank Indonesia continues to pursue organisational transformation towards the establishment of digital-based organisational excellence, good governance and credibility in line with Bank Indonesia’s strategic direction. Organisational transformation at Bank Indonesia is based on the business process digitalisation plan, which will support various business processes, from policymaking to institutional management (Scheme 4.1). As a credible organisation that prioritises good governance, Bank Indonesia is strengthening the organisation by integrating the planning and control business processes, resources, risks and audit in order to safeguard policymaking and implementation as well as the institution.

The availability of resources, namely human resources, information systems, assets, including optimal logistics management, has been prepared to support policy and institutional transformation. Institutional governance has been strengthened through financial management to maintain accountability and sustainability in the medium and long term, while maintaining the fairness and reliability of the Financial Statements.

**HR Transformation**

**Scheme 4.2. Transformation of Professional and Competent Human Resources with Integrity**

**PLANNING**
1. Strengthening and refining manpower planning in line with the needs of the digital era and planned move to the new modernised capital.
2. Optimising technology-based learning and readiness to implement the policy and institutional business processes in the digital era.
3. Strengthening the Employee Value Proposition (EVP).

**RECRUITMENT**
1. Refining the recruitment strategy in terms of quality and quantity to support digitalisation.
2. Optimising HR analytics for development employee recruitment.
3. Optimising technology-based learning, while supporting implementation of the Digital Era 4.0 (Independent Campus program) and development of central banking competencies as data scientists, data engineers, cyber security specialists and project management specialists.
4. Establishing Bank Indonesia as a leading think tank in terms of economic policy analysis, while optimising technology-based learning. Tiered leadership development is programmed consistently through a rigorous selection process consisting of four leadership school paths.

**MAINTENANCE**

**DEVELOPMENT**

The outcome of sustainable HR transformation is reflected in the Effective Formation (EF), which totalled 6.597 in 2020 with a target for 5,978 in 2025. The lower EF is supported by organisational streamlining to increase business process efficiency, business process digitalisation as well as new capabilities as central bankers in the digital era.

The Medium-Term HR Plan (2020-2025) was formulated as the basis of HR development at the work unit, officer and job family levels as well as for competency development. From a quality and quantity perspective, Bank Indonesia constantly enhances the recruitment strategy to support digitalisation, including human resources with specific competencies such as data scientists, data engineers, cyber security specialists and project management specialists.

In terms of HR development, transformation is achieved by intensively strengthening central banking competencies in the digital era through several work culture programs, including BI Prestasi, BI Inovasi, BI Religi and BI Digital, which are integrated into the business processes towards universal task implementation at Bank Indonesia.

**Digital Transformation**

**Scheme 4.3. Digital Transformation towards the Foremost Digital Central Bank**

Bank Indonesia continues to implement HR transformation to mould competent and professional employees with integrity and digital proclivities in terms of literacy, data and mindset. HR transformation is a programmed, scheduled and transparent (3T) policy, encompassing four key areas, namely HR Planning, Recruitment, Development and Maintenance (4P), with an emphasis on quality over quantity (Scheme 4.2).
Digital transformation is implemented holistically, encompassing the policies and organisation towards becoming the foremost digital central bank. Digital transformation aims to establish Bank Indonesia as a data-driven institution with: (i) strong analytical capabilities; (ii) digitalisation of the business processes; (iii) quality services via international-standard information systems; (iv) high data and digital literacy (Scheme 4.3).

To maintain good governance, all facets of digital transformation are explicitly stipulated in the Bank Indonesia Information System Masterplan (RISIBI) 2025, specifically Strategic Program 11, as presented in Chapter 1. Digital transformation is achieved through digitalisation of the policy and institutional spaces, coupled with support for the digital economy and finance through development of integrated digital business platforms, primarily focusing on partner, stakeholder and customer-facing services as well as internal business processes. Digital transformation is also pursued in response to growing demand for quality granular data, supported by large-scale systems with adequate data storage, processing, analysis and dissemination capabilities through development of a data and information centre and the availability of high-tech analytical platforms using big data, artificial intelligence and machine learning. In addition, digital transformation also addresses technological aspects as well as the processes and people involved in preparing the organisation and human resources for the digital era.

4.2. Bank Indonesia Strategic Planning and Achievements in 2020

Strategic Business Plan and Destination Statement

Fulfilling its mandate to maintain rupiah value stability and contribute to the national economic recovery, Bank Indonesia implements medium-term and annual strategic planning to achieve the overarching target through the Bank Indonesia Strategic Business Plan 2020-2025 and Destination Statement 2025. In 2020, Bank Indonesia identified seven challenges faced by Bank Indonesia up to a 5-year horizon (Scheme 4.4).

Scheme 4.4. Challenges Facing Bank Indonesia in Next Five Years

2. Digital-based structural reforms to accelerate Indonesia’s status as an advanced economy.
3. Maintaining economic stability through an effective policy mix in response to the global and domestic economic challenges, including the material risks such as climate change, cyber threats and shadow banking.
4. Expanding the digital economy and finance, particularly the informal sector, MSME and Sharia economy, as new sources of economic growth.
5. Preparing organisational, business process, HR, information system and infrastructure capabilities to realise BI’s Vision of becoming the foremost digital central bank.
7. Preparing Bank Indonesia for the all-digital move to the new national capital.

Policy Response

Policy Transformation

Organisational Transformation

HR and Work Culture Transformation

Digital Transformation
In response to the seven new challenges identified and striving to adapt to the latest strategic environment, Bank Indonesia honed its Vision, Mission and Destination Statement in the middle of 2020 to be achieved over the next five years, along with the Bank Indonesia Strategic Business Plan 2020-2025. Complementarily, Bank Indonesia formulated a medium-term strategic business plan as an implementation reference for Bank Indonesia’s 12 Strategic Programs through to 2025.

In conjunction with the 5-year planning cycle, Bank Indonesia in the middle of 2020 compiled a plan for 2021. Referring to the Vision, Mission and Milestones of the Destination Statement 2025, Bank Indonesia determined a series of Key Performance Indicators (KPI) for 2021 as performance targets and reference in the formulation of the Bank Indonesia work program and budget. All annual work programs associated with the 12 Strategic Programs were compiled based on their compatibility with the 5-year plan, as translated into a medium-term Strategic Business Plan 2020-2025.

In 2020, the Bank Indonesia Annual Budget Plan for 2021 was approved by the Parliament. In addition, the Draft Policy Budget for 2021 was also submitted to the People’s Representative Council. All public accountability processes had been completed by the fourth quarter of 2020. Therefore, all strategic planning for 2021, from the organisational level to the work unit and individual levels, was completed by the end of 2020, thus allowing all work units to commence 2021 with clear work programs and budgets.

Monitoring and evaluation of annual plan implementation are an inextricable part of the strategic planning process. In response to the extraordinary impact of the Covid-19 pandemic and in accordance with the new responsibilities conferred on Bank Indonesia through Act No. 2 of 2020 to support the national economic recovery, Bank Indonesia made several adjustments to the work program in 2020. The adjustments aimed to support Bank Indonesia policy, which focused on the national economic recovery and safeguarding critical services to the government, banking industry and public, as well as the execution of other duties in order to maintain premium services despite enforcement of large-scale social restrictions.

Despite confronting extraordinary challenges, all work programs at Bank Indonesia were executed soundly in 2020. The Covid-19 pandemic has shown that through virtual technology, Bank Indonesia can still execute its duties productively, creating new opportunities, such as broader and more inclusive policy reach, which have favourable implications in terms of program implementation, including MSME development, the Sharia economy and finance, expanding the electronification program and accelerating the digital economy and finance ecosystem. The positive outcomes are also an inseparable part of the synergy built between Bank Indonesia, the Government, People’s Representative Council (DPR), Financial System Stability Committee, banking industry, business community and other strategic partners.

**Achievements in 2020**

In accordance with the strategic management cycle, periodic monitoring and evaluation are performed to ensure the strategy is implemented as planned. This is achieved by reviewing the progress of performance achievements. The periodic review is in line with modern best practices in terms of organisational management, namely process monitoring and early warning, thus ensuring sound implementation of the plan in 2020.

In the middle of 2020, Bank Indonesia performed its Midyear Evaluation (ETT) and Annual Work Meeting (RKT), held virtually in June 2020, which allowed for massive engagement amongst employees. The ETT and RKT in 2020 reviewed the execution of duties and responsibilities at Bank Indonesia, covering the Vision and Mission, Strategic Business Plan 2020-2025, KPIs for 2021 and KPI results in 2020.

At the beginning of 2021, Bank Indonesia conducted its Yearend Evaluation (EAT) to review the execution of duties and responsibilities in 2020. The evaluation demonstrated that Bank Indonesia effectively executed its tasks and responsibilities in 2020, as mandated by prevailing laws and regulations, despite the exceptional global and domestic challenges. The challenges predominantly stemmed from the Covid-19 pandemic and the extraordinary impact on humanity, the economy and finance around the world.

The pandemic severely restricted public mobility and impacted economic mobility, leading to economic recession and spilling over into the monetary and financial sectors. Consequently, many countries slid into economic recession, which triggered financial market panic and uncertainty, while pushing millions of poor into poverty. In Indonesia, breaking the domestic chain of Covid-19 transmission necessitated stringent health protocols, including the enforcement of large-scale social restrictions, which curbed public mobility and compressed public demand.
Bank Indonesia maintained close policy synergy with the Government and other relevant authorities to mitigate the extraordinary impact of Covid-19 and build economic recovery optimism. Such synergy was bolstered by a solid legal foundation to overcome the deleterious impact of Covid-19, namely Act No 2 of 2020, based on prudential principles, good governance, transparency and accountability.

Bank Indonesia strengthened its policy mix in order to safeguard economic stability and stimulate recovery of an economy distressed by Covid-19. Bank Indonesia directed policy efforts based on the mutually reinforcing and complementary correlation between economic growth and economic stability, including financial system stability. Bank Indonesia pursued its policy direction through an accommodative policy mix and by optimising the full panoply of policy instruments.

In terms of monetary policy, amidst mild inflationary pressures, Bank Indonesia implemented a series of BI7DRR policy rate reductions and injected liquidity through quantitative easing. Furthermore, Bank Indonesia also maintained an accommodative macroprudential policy stance by relaxing several regulations to stimulate economic financing and bank lending to the corporate sector, while maintaining financial system resilience. Bank Indonesia also followed up on its responsibilities pursuant to Act No. 2 of 2020 as an integral part of the national policy response under the extraordinary emergency conditions caused by the pandemic. Bank Indonesia’s commitment to funding and burden sharing in the 2020 State Budget was realised in accordance with prudential principles to maintain economic stability, including the impact on inflation.

The success and effectiveness of task implementation at Bank Indonesia in 2020 was reflected by several Key Performance Indicators (KPI) as follows:

1. Consumer Price Index (CPI)
   In 2020, the Consumer Price Index (CPI) stood at 1.68% (yoy), which is below the lower bound of the 3.0%±1% target corridor. Headline inflation in 2020 fell to its lowest rate recorded in the past two decades, influenced by weak domestic demand compressed by the Covid-19 pandemic, adequate supply and policy synergy between Bank Indonesia and the Government to maintain price stability nationally and regionally. Moving forward, Bank Indonesia will continue to consistently control inflation within the 3.0%±1% target range in 2021.

2. Exchange Rate Volatility
   As of the end of 2020, rupiah exchange rates were considered adequate. Exchange rate volatility was effectively mitigated by policy consistency at Bank Indonesia through market intervention to maintain rupiah exchange rate stability under extraordinary conditions. Seeking to maintain rupiah exchange rate stability in line with the currency’s fundamental value and market mechanisms, Bank Indonesia continued to strengthen the intensity of triple intervention policy in the spot and Domestic Non-Deliverable Forwards (DNDF) markets and by purchasing SBN in the secondary market.

3. Reserve Assets
   The position of reserve assets in Indonesia at the end of December 2020 was recorded at USD135.9 billion, up from USD129.2 billion at the end of December 2019. The position of reserve assets at the end of December 2020 was equivalent to 10.2 months of imports or 9.8 months of imports and servicing government external debt, which is well above the international adequacy standard of three months. Bank Indonesia is confident that the current position of reserve assets is adequate to support external sector resilience, while maintaining macroeconomic and financial system stability. The higher position of reserve assets recorded in December 2020 was primarily due to an increase of foreign loans for the government and tax revenues. In addition, the reserve asset position exceeded the predetermined target of six months of imports and servicing short-term government external debt.

4. Financial System Stability Index
   Financial system resilience was maintained in 2020, as confirmed by a Financial System Stability Index (FSSI) that has remained stable below the 2.00 threshold in the normal zone at a level of -0.38. The lower FSSI primarily stemmed from contained market risk, while the banking industry remained resilient on the back of solid liquidity and capital. A stable FSSI in the normal zone reflected sound performance at Bank Indonesia in terms of maintaining financial system stability amidst the challenge of stimulating intermediation.

5. Availability of Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system, Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) and National Clearing System (SKNBI) services
   In 2020, payment system services operated by Bank Indonesia (BI-RTGS, BI-SSSS and SKNBI) as well as the corresponding
financial market infrastructures (FMIs) demonstrated their reliability with 100% availability. In addition, Bank Indonesia maintained the quality of critical application services, as confirmed by no reported incidents.

6. Currency Fit for Circulation throughout Indonesia
Bank Indonesia effectively maintained the quality of rupiah currency in circulation based on soil level. Nationally, the soil level of large denomination banknotes (UPB) reached a level of 10, thus exceeding the target of 8. Meanwhile, small denomination banknotes (UPK) recorded a soil level of 7 to beat the target of 6. Those accomplishments were supported by the ability of all Cash Work Units at Bank Indonesia to meet the respective targets for currency fit for circulation throughout the territory of the Republic of Indonesia in 2020.

7. Non-cash Acceptance Ratio
The non-cash acceptance ratio is a measure of cashless payment instrument use amongst the adult population. In 2020, non-cash payment system use reached 40.08 transactions per adult per year, which is in line with the minimum target of 40 transactions per adult per year. This achievement demonstrates how Bank Indonesia has effectively increased non-cash acceptance amongst the public, especially in terms of using cashless payment instruments during the Covid-19 pandemic.

8. Ratio of Rupiah Money Market Outstanding to GDP
The ratio is a measure of how effective money market deepening efforts have been in terms of supporting policy transmission. At the end of 2020, money market deepening efforts were effective, as reflected by a ratio of 4.77%, well above the 3.75% target. The achievement was supported by BI efforts to maintain money market liquidity at a time when market players were cautious in terms of liquidity management, which increased money market transactions with Bank Indonesia to overcome the uncertainty associated with the Covid-19 impact.

9. Auditor’s Opinion of the Bank Indonesia Annual Financial Statement
Bank Indonesia has consistently maintained sound financial management, from planning, implementation, monitoring and control to governed evaluation. On 28th April 2020, the Audit Board of the Republic of Indonesia submitted an Unqualified Opinion, thus confirming that the financial statements are fairly and appropriately presented, thus maintaining an unqualified opinion for 17 consecutive years. Governed financial management at Bank Indonesia is supported by financial strength to maintain financial sustainability at Bank Indonesia, which stood at 8.63%.

Bank Indonesia supports sustainable economic growth and a manageable current account deficit through the Bank Indonesia policy mix and national policy mix.
Bank Indonesia strengthened its policy mix to ensure macroeconomic stability and stimulate recovery of an economy distressed by Covid-19. Bank Indonesia policy was instituted through an accommodative policy mix to optimise various instruments. In 2020, Bank Indonesia lowered the policy rate five times by a total of 125bps to 3.75%, the lowest level recorded in Bank Indonesia’s history, and lowered the reserve requirements by 200bps for conventional commercial banks and by 50bps for Sharia banks, while also providing an additional RR incentive. Bank Indonesia also contributed to the State Budget through burden sharing. In addition, Bank Indonesia also implemented various regional and national policies to stimulate tourism-related MSME and export potential, as well as the Sharia economy and finance. Second-quarter economic growth stood at -5.32% (yoy) before improving to -3.49% (yoy) in the third quarter of 2020, while a narrow current account deficit in the third quarter was recorded at 0.5% of GDP.

Bank Indonesia is Developing MSME as a New Source of National Economic Strength
Bank Indonesia continued to expand the MSME development program in terms of direct mentorship and collaboration with the Government and other strategic partners nationally and regionally. MSME development is achieved through corporatisation, capacity building and financing to increase economies of scale. Corporatisation is oriented towards stimulating MSME by facilitating streamlined licensing, establishing productive clusters and developing digital infrastructure. The capacity building program aims to increase MSME capacity end-to-end, from product development as well as management and financial training, to market access. Bank Indonesia prepares MSME for market access through onboarding programs, namely e-payments, e-commerce and e-financing, and by promoting Go Export MSME. Meanwhile, the e-financing program aims to expand MSME access to subsidised loans or People’s Business Loans (KUR) in order to accelerate integrated economic and financial inclusion.
Bank Indonesia’s MSME development program faced several challenges in 2020 caused by the Covid-19 pandemic, primarily in terms of moving physical activities online as virtual activities. Despite the challenges, Bank Indonesia successfully organised three series of the Karya Kreatif Indonesia (KKI) 2020 exhibition, with sales revenue climbing 31% on the previous year to Rp16.51 billion. Sales revenue originated from fabrics and clothing, handicrafts as well as food and beverages. KKI also recorded a 54% increase in terms of business matching (exports, e-commerce marketing and financing) on the previous year to Rp113.2 billion through agreements signed between 328 MSME and business partners, accompanied by the signing of export contracts and MSME loan contracts with formal financial institutions. Through one-on-one meetings, export agreements totalling Rp7.52 billion were signed with 31 MSMEs with financing commitments totalling Rp11.48 billion (43 MSMEs with banks and PT Permodalan Nasional Madani).

Supporting the National BBI Movement that promotes pride in Indonesian-made products (Gernas BBI), Bank Indonesia installed QRIS facilities at 1948 MSMEs in 60 traditional markets, while hosting webinars and implementing the MSME onboarding program at 46 Bank Indonesia Representative Offices, reaching 70,000 participants. The virtual KKI event attracted 64,763 visitors via various channels, including Zoom, the official KKI platform, YouTube, Instagram and Facebook.

Development of Sharia economy and Finance

Bank Indonesia is developing the Sharia economy and finance as a new source of economic growth. To that end, Bank Indonesia constantly strengthens synergy with the National Sharia economy and Finance Committee (KNEKS), pesantren (Sharia boarding schools), business associations, banking industry, ulama and academia. Sharia economic empowerment is focused on priority sectors, namely agriculture to produce halal foods, Muslim fashion, Muslim-friendly tourism and renewable energy. Bank Indonesia is expanding Sharia finance in the financial sector and mobilising productive zakat, infaq, sadaqah and waqf (ZISWAF). The implementation of a halal value chain ecosystem has been improved in terms of the economic players and sectors, institutions and supporting infrastructure. The purview of Sharia finance development covers commercial finance and Sharia social finance as an alternative source of financing. Furthermore, Bank Indonesia continued to expand the Sharia economic and financial literacy campaign.

In 2020, Bank Indonesia empowered 323 pesantren, included 217 MSMEs in the Indonesia Sharia Creative Industries (IKRA), granted halal certification to 110 MSMEs and established 10 pesantren holding companies, including horticultural commodities and ginger in Riau, Lampung, West Java, Central Java, Yogyakarta, East Java, South Kalimantan, Sulawesi, Papua and East Kalimantan, involving 51 pesantren.

Bank Indonesia also successfully developed the Sharia money market in 2020, as reflected by an average daily Sharia money market outstanding to GDP of 0.36% to beat the 0.321% target. Sharia money market activities have increased in line with greater understanding of the Sharia money market. Bank Indonesia, Ministry of Finance, Ministry of Trade and Indonesia Waqf Board (BWI) collaborated to issue series 001 of retail cash waqf-linked sukuk (SWR), with a realisation totalling Rp14.91 billion and Waqf Sukuk (SW001) totalling Rp50.85 billion.

To increase Sharia economic and financial literacy, Bank Indonesia has: (i) cooperated with 11 universities; (ii) provided Training of Trainers (ToT) in cooperation with the Economics Teachers Association of Indonesia (AGEI) to educate 221 high school teachers in seven provinces; and (iii) compiled educational materials for university curriculums in conjunction with the National Sharia economy and Finance Committee (KNEKS).

The success of Sharia economic and financial development and education was reflected by the excellent Indonesia Shari’a Economic Festival (ISEF) and FeSyar held in Surabaya, Padang and Mataram. ISEF recorded business matching and sales transactions totalling Rp5.03 trillion and commitments to extend productive waqf totalling Rp30.32 billion, with 431.7 thousand people attending the event. On the other hand, the FeSyar events held in three different regions attracted 148,322 visitors, recording Rp4.17 trillion from business matching and sales transactions totalling Rp5.58 billion.

Coordination to Maintain Financial Sector Stability

Bank Indonesia strengthened coordination and synergy in conjunction with the Financial System Stability Committee to maintain financial system stability. Synergy was achieved in terms of financial sector policies and regulations. From a macroprudential policy perspective, Bank Indonesia relaxed regulations to stimulate loans and financing from the banking industry through the Macroprudential Intermediation Ratio (MIR), Loan/Financing-to-Value (LTV/FTV) Ratio and Macroprudential Liquidity Buffer (MPLB).
In addition, Bank Indonesia strengthened synergy with the Indonesian Financial Services Authority (OJK) in terms of macroprudential and microprudential supervision through joint inspections of systemic banks in accordance with Bank Indonesia’s authority. In 2020, it was agreed that OJK inspections of systemic banks should optimise off-site surveillance due to the ongoing Covid-19 pandemic.

Meeting the International Principles for Financial Market Infrastructures at Bank Indonesia.

In 2020, Bank Indonesia successfully met level 1 of the international standards, known as the Principles for Financial Market Infrastructures (FMIs), for all FMIs operated by Bank Indonesia, namely the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system, Bank Indonesia – Scripless Securities Settlement System (BI-SSSS) and Bank Indonesia-Electronic Trading Platform (BI-ETP).

Combating Counterfeit Money

Bank Indonesia has been effective in combating counterfeit currency, as reflected by a ratio of five counterfeit banknotes passed for every 1 million genuine notes to beat the target of eight counterfeit banknotes per 1 million genuine. The ratio of counterfeit money to currency in circulation reflects international best practices, as implemented by several ASEAN members, as well as China, India, Brazil, Turkey and Russia.

Development of Domestic Foreign Exchange Hedging Market

Bank Indonesia is developing derivative transactions for hedging instruments against exchange rate fluctuations. In 2020, the share of derivative transactions to total foreign exchange transactions reached 39.30%, exceeding the 38.0% target. The scope of derivative transactions includes Forwards, Swaps, Options, Cross-Currency Swaps and Call Spread Options (CSO).

Building International Cooperation to Support Macroeconomic and Financial System Stability

Bank Indonesia successfully strengthened the Global Financial Safety Net (GFSN), Local Currency Settlement, and Local Currency Settlement Bilateral Currency Swap Arrangement (LCS BCSA). The international community recognised Indonesia’s accomplishments by maintaining Indonesia’s sovereign rating at investment grade with a stable outlook. Bank Indonesia played an important role in maintaining investment grade status, particularly in terms of monetary, macroprudential and payment system policies. Indonesia maintained investment grade status, as affirmed by the following rating agencies:


In terms of the Global Financial Safety Net (GFSN), Bank Indonesia has: (i) secured a temporary repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility) with the US Federal Reserve worth USD60 billion to overcome a US dollar liquidity mismatch in domestic financial markets (6th April 2020) and extended the facilities until September 2021; and (ii) extended the LCBSA and BRL BI-MAS (5th November 2020).

In terms of Local Currency Settlement (LCS), Bank Indonesia has: (i) extended the BI-BOK Bilateral Currency Swap Arrangement (BCSA) (5th March 2020); (ii) commenced implementation of the BI-JMoF LCS (31st August 2020); (iii) signed a Memorandum of Understanding (MoU) concerning the BI-PBC LCS (30th September 2020); and (iv) agreed to strengthen the BI-BoT LCS framework (21st December 2020).

Building International Cooperation in the Interests of Bank Indonesia and/or The National Economy of The Republic of Indonesia

Bank Indonesia has also actively strengthened the positive international perception concerning Indonesia’s economy, particularly amongst rating agencies and foreign investors. The national, regional and global Investor Relation Units (IRU) promote investment and trade through Bank Indonesia’s office network in various regions in conjunction with the central government...
and regional administrations as well as Indonesian embassies abroad. In 2020, Bank Indonesia actively participated in the Indonesia Investment Forum (IIF) in Singapore, Central Java Investment Business Forum (CJIBF) and West Java Investment Summit (WJIS), all held virtually.

Bank Indonesia also constantly strives to increase international recognition as the best central bank amongst emerging markets. In 2020, Bank Indonesia received the following awards: (i) Best Macroeconomic Regulator in Asia-Pacific Region 2020 from the Asian Banker; (ii) QRIS - Best Payments Innovation Award from the Central Banking Publication; and (iii) Asia-Pacific Stevie Awards – Award for Innovation in Technology Management, Planning and Implementation 2020 from the Stevie Awards.

Planned HR Recruitment

Bank Indonesia has fulfilled its human resources requirements in line with the medium-term Strategic Business Plan 2020-2025 based on the principle of quality over quantity, where recruitment focuses on replacing retiring employees. In 2020, HR recruitment at Bank Indonesia met 86.28% of the minimum 80% target, which is consistent with the job family target of 80% and 87.13% realisation of employees.

Business Process Digitalisation at Bank Indonesia

Bank Indonesia has successfully implemented phased digitalisation across seven business processes, namely: (i) external financial services; (ii) HR, financial and asset/logistics management; (iii) information collection and processing; (iv) collaboration and decision-making; (v) analytical; (vi) information management and distribution; (vii) internal and external correspondence.

Implementation of Good Governance at Bank Indonesia

Bank Indonesia maintains sustainable good governance. In 2020, the governance assessment reached a level of 87.85, indicating enhanced governance, or the highest level of governance maturity attainable. The achievement reflects Bank Indonesia’s firm commitment to good governance implementation supported by leadership excellence in terms of applying governance practices with sustainable improvements based on best practices. Stronger governance is reflected by: (i) 100% submission of the Public Official Wealth Report (LHKPN) and Gratification Report to the Corruption Eradication Commission (KPK); (ii) 100% compliance regarding the submission of annual financial statements; (iii) strengthening the background check mechanism for prospective employees; and (iv) strengthening the follow-up process in the Whistleblowing System (WBS).

In 2020, all mandatory reports to be submitted to the People’s Representative Council (DPR) and Audit Board of the Republic of Indonesia were submitted on time. Starting in 2021, preparations will be made to strengthen comprehensive reporting and quicker submission.
Bank Indonesia Risk Management (MRBI) and Bank Indonesia Task Continuity Management (MKTBI)

To strengthen risk management, Bank Indonesia applies three lines of defence, namely the work units implementing the business processes (first line of defence), work units implementing the risk management function (second line of defence), and work units implementing the internal audit function (third line of defence). Strengthening the three lines of defence has been tested by increasing the maturity of Bank Indonesia Risk Management (MRBI), as reflected by the contained risks, including policy risk, financial risk and operational risk. The MRBI maturity level reached 3.39 in 2020 on a scale of 1-5, up from 3.29 in 2016. The increase primarily stemmed from aspects of governance and culture as well as performance. Governance and culture improved in line with governance and accountability risk, while performance improved in line with the comprehensive handling of and response to risk.

In 2020, Bank Indonesia was recognised as the Best Macroeconomic Regulator in the Asia-Pacific Region 2020 by the Asian Banker. The application of stringent health protocols by Bank Indonesia to break the domestic chain of Covid-19 transmission and maintain the continuity of task implementation and public services was taken into consideration for the award along with: (i) sound macroeconomic performance in 2019; (ii) solid economic outlook for 2021; (iii) national policy synergy with the Government and Financial System Stability Committee; and (iv) policy implementation through an accommodative policy mix.

Internal Audit Maturity at Bank Indonesia

To assess and increase internal audit capabilities at Bank Indonesia, an external assessor performed an Internal Audit Capability Model (IACM) at the end of 2020. The results demonstrated that the internal audit function at Bank Indonesia currently meets all Key Process Area (KPA) requirements for maturity level 2 – infrastructure.

Seeking to increase the maturity level to 3 – integrated, Bank Indonesia will take the following measures: (i) strengthening strategic audit implementation; (ii) strengthening coordination with the enterprise risk management function; and (iii) implementing a comprehensive quality assurance process for all audit activities.

Application of Best Practices at Bank Indonesia

To maintain governance, Bank Indonesia applies international best practices. In 2020, Bank Indonesia received certification from the International Organisation for Standardisation (ISO) in 19 areas, consisting of 13 ISO and six best practices as follows:

Monetary, Financial System Stability and Financial Inclusion: Governance and monetary management, financial system stability and financial inclusion are implemented in accordance with prevailing international standards and reflected in the achievement of several international best practices: (i) ISO 9001:2015 Quality Management Systems (QMS) for Treasury Services; (ii) ISO 9001:2015 Quality Management Systems (QMS) for Central Bank Services; (iii) Rated 1 Investor Relations Unit (IRU) from the Institute of International Finance; (iv) Audit SWIFT Customer Security Program (CSP) 2020.

Payment System and Currency Management: Payment system and currency management and governance are implemented in accordance with prevailing international standards and reflected in the achievement of several international best practices: (i) ISO 9001:2015 Quality Management for the BI-RTGS system, BI-SSSS, BI-ETP, National Clearing System (SKNBI), PWD Jakarta and SIDHN; (ii) ISO 27001: Information Security Management in the BI-RTGS system, BI-SSSS and National Clearing System (SKNBI).

Institution and Leadership: Bank Indonesia has also applied international best practices in terms of institutional and leadership attributes, namely the Central Bank Report Card, which provides a rating of all central bank governors reflecting the achievements associated with implementing best practices at their respective central bank.

Communication: Communication governance and management are implemented in accordance with prevailing international standards and reflected in the achievement of several international best practices: (i) ISO 9001:2015 Contact Centre Bank Indonesia (BICARA 131); (ii) ISO 20000 Information Technology Service Management; (iii) TIA 942 Rated 3 Data Centre; (iv) ISO 9001 Helpdesk and IS Asset Management.

Organisation and Governance: Organisational management and governance are implemented in accordance with prevailing
international standards and reflected in the achievement of several international best practices: (i) ISO 9001:2015 Head Office Library; (ii) OFI from CLIP EFMD; (iii) ISO 15489: Records Management, achieved by 46 of 80 Work Units at Bank Indonesia; (iv) ISO 30301: Management System for Records/Areas; (v) ISO 9001: Quality Management System for Records/Areas; (vi) ISO 9001: BI Museum; (vii) Internal Audit Capability Model; (viii) advanced archive accreditation from the National Archives of the Republic of Indonesia (ANRI).

**4.4 Accountable Financial Management**

When implementing financial governance, Bank Indonesia prioritises accountability and sustainability. Governance is implemented in accordance with regulations concerning the financial structure and governance process, while considering developments in the strategic environment. Financial accountability is reflected in the Unqualified Opinion from the Audit Board of the Republic of Indonesia concerning the Annual Financial Statements (LKTB) for 17 consecutive years. Nevertheless, Bank Indonesia continues to strengthen financial management sustainably based on the principles of good governance by:

1. Increasing the operational reliability of system applications through gradual integration.
2. Refining internal mechanisms, amongst others, relating to strategic budgeting, business processes to increase internal control, efficiency (transactions and human resources), strengthening the Bank Indonesia Financial Accounting Policy Committee (KAKBI) in terms of Sharia financial accounting standards by expanding committee membership to include expert Sharia accountants, and honing the strategic financial management function.

As a form of budget accountability to fulfil the mandate of the Bank Indonesia Act, the Bank Indonesia Annual Budget (ATBI) for 2021, along with the Operating Budget Report for the current year were approved by the People’s Representative Council (DPR) in the fourth quarter of 2020. As of the end of 2020, operational revenue reached Rp36.78 trillion (110.92% of target) and operational expenditure Rp10.52 trillion (96.73% of target). The Annual Budget for 2021 was approved by the People’s Representative Council on 7th December 2020. Furthermore, Bank Indonesia also reported annual budget policy for 2021 to the People’s Representative Council on 13th November 2020.

In addition to accountability, financial sustainability is also a critical aspect of financial governance. The financial sustainability of a central bank is demonstrated by financial strength, amongst others. Referring to the mandate of the Bank Indonesia Act, financial strength at Bank Indonesia is reflected as a percentage of capital to monetary liabilities, representing Bank Indonesia’s capacity to provide funds to meet its monetary obligations. A higher or lower capital ratio is heavily influenced by a budget surplus/deficit in the current year and the position of monetary liabilities. In 2020, amidst global economic moderation, the extraordinary impact of the Covid-19 pandemic along with Bank Indonesia’s active contribution in the national economic recovery have had significant implications on the capital ratio as a logical consequence of policy implementation to create and maintain rupiah stability in Indonesia.

In 2020, Bank Indonesia strived to reinforce Financial Strength by optimising revenue as well as through effective and efficient budget utilisation. Revenue was increased by adjusting the reserve asset management strategy. Meanwhile, efficiency and effectiveness were achieved by determining a scale of budget priorities, including budget optimisation for Covid-19 handling at Bank Indonesia through Task Continuity Management (MKTBI). Externally, Bank Indonesia’s participation in the national economic recovery program was based on financial sustainability. Bank Indonesia is firmly committed to supporting the Government in terms of the national economic recovery program, while maintaining financial sustainability as a corridor for decision-making.

On the fiscal side, accountability at Bank Indonesia is achieved by fulfilling obligations as a taxpayer, which began in 2015. Efforts to maintain taxpayer status focus on meeting the requirements set by the Directorate General of Tax, namely to receive an unqualified opinion concerning the financial statements, timely submission of the annual statement (SPT), no tax arrears and no criminal convictions concerning tax.
Table 4.1. Bank Indonesia Weekly Balance Sheet as of 31st December 2020

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>67,106,374</td>
<td>898,887,004</td>
</tr>
<tr>
<td>2,795,456,961</td>
<td>1,330,363,586</td>
</tr>
<tr>
<td>3. Receivables from the IMF</td>
<td>3. Counterpart of Special Drawing Rights Allocated by the IMF</td>
</tr>
<tr>
<td>38,655,920</td>
<td>40,232,632</td>
</tr>
<tr>
<td>4. Claims</td>
<td>4. Liabilities to the Government</td>
</tr>
<tr>
<td>109,587,787</td>
<td>315,502,321</td>
</tr>
<tr>
<td>5. Other Assets</td>
<td>5. Other Liabilities</td>
</tr>
<tr>
<td>29,283,042</td>
<td>15,522,957</td>
</tr>
<tr>
<td>6. Revaluation Reserves</td>
<td>6. Revaluation Reserves</td>
</tr>
<tr>
<td>200,296,681</td>
<td>200,296,681</td>
</tr>
<tr>
<td>7. Capital</td>
<td>3.726,349</td>
</tr>
<tr>
<td>234,887,554</td>
<td>234,887,554</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities</strong></td>
</tr>
<tr>
<td>3,040,090,084</td>
<td>3,040,090,084</td>
</tr>
</tbody>
</table>

Bank Indonesia’s balance sheet in 2020 stood at Rp3,040.09 trillion (unaudited) as of 31st December 2020, up 29.23% on the Rp2,351.33 trillion (audited) position recorded on 31st December 2019. On the asset side, the dominant component was Financial Assets Related to Monetary Policy Implementation, accounting for 91.95%, dominated by Securities and Foreign Currency Claims. On the liability side, the dominant components were Financial Liabilities related to Monetary Policy Implementation and Currencies in Circulation, accounting for 43.76% and 29.57% respectively of total liabilities.

In response to the Covid-19 pandemic, business processes experienced significant change in 2020. The impact of this new lifestyle has prompted a notable change in terms of formal correspondence, which has evolved from manual correspondence to e-correspondence using technology. In addition, various internal and external activities/events in 2021 were implemented virtually, thereby facilitating a significantly greater number of participants. Bank Indonesia has also implemented stringent Work from Home (WFH) - Work from Office (WFO) protocols, while maintaining performance excellence.

Pursuing organisational excellence, Bank Indonesia is implementing the Baldrige Excellence Framework (BEF) incrementally, which evaluates the organisation in terms of the processes and outcomes (Scheme 4.5). There are six process categories: (i) leadership; (ii) strategy; (iii) customers; (iv) measurement, analysis and knowledge management; (v) workforce; and (vi) operations. In 2020, Bank Indonesia successfully trialled BEF, receiving a score of 441, denoting Early Improvement. The score was very satisfactory considering the trials were conducted for learning purposes. Furthermore, the trials also identified Bank Indonesia’s key strengths: (i) institutional and policy innovation and agility; (ii) strong synergy and collaboration with external and internal parties; (iii) solid communication strategy to safeguard the policy objectives in accordance with the legal mandate; (iv) consistent, agile and governed implementation of people, processes and technology; (v) internalised work culture program.
Human Resource Management

Since 2020, Bank Indonesia has strengthened the HR management framework based on the 4P approach: Planning, Recruitment, Development and Maintenance. Furthermore, the HR management framework is planned, programmed and transparent (3T). HR management focuses on three key areas: (i) developing leadership competencies and strengthening central banking competencies in the digital era; (ii) a shift in the mindset to strengthen policy and institutional business process implementation through digitalisation to realise Bank Indonesia 4.0; and (iii) fulfilling HR recruitment based on quality over quantity.

a. Human resources planning is implemented by strengthening and refining manpower planning in line with the needs of the digital era, mapping new capabilities and the suitability of human resources to implement policy and institutional business processes in the digital era.

In 2020, an Effective Formation (total workforce) of 6,597 was planned, with optimal recruitment at a level of 80%, namely 5,289, in order to rationalise the effective formation through to 2025 in accordance with the medium-term business strategy of Bank Indonesia. Recruitment is not only based on quantity, but also the quality and capabilities required. The quality of human resources at Bank Indonesia is reflected in the composition of Officers to Non-Officers, which currently stands at 3,037 (57%) and 2,252 (43%) respectively, along with the personal branding of employees based on person-to-job fit at 87%. Bank Indonesia has also mapped the requirement for 203 human resources with digital expertise to establish Bank Indonesia as the foremost digital central bank.

b. HR fulfilment is implemented in line with the recruitment process to replace retirees. Internal recruitment is used at Bank Indonesia to reposition employees through promotions, transfers and rotations twice annually in line with the HR management calendar to fulfil the quantity and quality of human resources required. In 2020, a total of 1,073 employees were considered as Potential Officers (KPP), with the candidate officer program implemented consistently to ensure an orderly leadership succession process.
On the other hand, the promotion and designation of Potential Officers from non-officer segment were implemented for the first time in the second semester of 2020, totalling 314 employees and promoting 116 from a population of 1,605. This was done to clarify the career path of non-officer employees and to strengthen the level of expertise amongst Bank Indonesia employees. On the other hand, external recruitment is conducted through three schemes: (i) junior employee education through targeted recruitment and open recruitment to establish a cadre of future leaders; (ii) pro-hire recruitment to meet the need for human resources with specific skillsets or competencies; and (iii) recruitment of contractors to meet the need for human resources with specific skillsets on a contractual basis.

Consistent with the Vision to become the foremost digital central bank and to overcome the challenges associated with the Covid-19 pandemic, recruitment has moved online through e-recruitment facilities. Therefore, the entire process is now conducted electronically, from document submission to interviews. Through this approach, Bank Indonesia received more than 83,000 applications for PCPM recruitment and selected 177 as participants of PCPM XXXV. In addition, Bank Indonesia has recruited Employee Agreement for Specific Period (PKWT) to fulfil specific roles, including programmers, data analysts, cyber analysts and payment system supervisors.

c. Bank Indonesia has strengthened its development program across three key areas. First, Bank Indonesia refined regulations concerning the new institutional-driven Study Assignment Program based on: (i) implementation at recognised universities; (ii) mandatory study program/learning modules specific to Bank Indonesia’s needs; and (iii) end-to-end process implementation (planning, selection, preparation, monitoring, evaluation). In 2020, despite facing the Covid-19 pandemic, Bank Indonesia assigned 44 employees to the Study Assignment Program, bringing the total to 92.

Second, implementing various learning programs virtually in preparation to become a digital central bank and implement stringent health protocols to contain Covid-19, including: (i) the Career Enhancement Program (SESPI) for officers and non-officers as well as the Executive Leadership Program attended by 395 candidate employees (AM to DD); (ii) Skill Quality Enhancement with a digital economy and finance module for 1,368 employees; and (iii) Non-Officer Development Program for five job families with 328 participants. Furthermore, Bank Indonesia also strengthened technology adaptation during the Covid-19 pandemic to ensure HR education and learning continuity in order to develop HR competencies by strengthening advanced learning through case studies, gamification as well as e-learning/self-learning.

Third, implementing the employee assignment program with national and international partner institutions. In total, 46 employees were assigned to national and international partner institutions along with 67 employees to affiliate institutions in 2020. Employee assignments aim to provide a tangible contribution to national and international institutions.

d. Bank Indonesia is moulding employees with a mindset and attitude to support the digital era, while strengthening Employee Value Proposition (EVP) to attract and retain the best talent. Cognisant of the ongoing generational shift within the organisation amidst complex external dynamics, Bank Indonesia acknowledges the need to implement a more open, agile, collaborative and innovative work culture. In terms of organisational culture, Bank Indonesia has implemented concrete measures to initiate change in the organisational work culture with a focus on internalising the strategic values through implementation of four work culture programs: (i) BI Prestasi (focusing on internalising the strategic values to achieve the deliverables); (ii) BI Religi (focusing on instilling religious values in work conduct); (iii) BI Inovasi (encouraging a creative and innovative culture); (iv) BI Digital (promoting awareness, commitment and employee conduct when implementing digitalisation).
To strengthen the existing policies, Bank Indonesia has also refined the employee health management system through innovative digitalisation of health services (DIGIBIKES) and introducing a health card system using electronic data capture. This was done to maintain employee value proposition by facilitating convenient health services for employees. This initiative aims to: (i) standardise employee health services management at head office and representative offices; (ii) provide simpler employee access to health services; (iii) increase health administration efficiency; and (iv) facilitate the monitoring of health services.

Challenges Faced

a. The Covid-19 pandemic created extraordinary challenges in terms of HR management at Bank Indonesia, forcing restrictions on the office work of employees. Work patterns were adjusted in order to maintain productivity and organisational excellence, which dominated HR management in 2020. In response to the Covid-19 pandemic, HR management introduced Work from Home (WFH) and Work from Office (WFO) arrangements, while adhering to stringent health protocols, utilising virtual communication channels to aid the coordination process (MS Teams, Zoom meetings), implementing the Employee Development Program online and preparing internal information systems to ensure an orderly HR management cycle despite WFH-WFO schedules, maintaining health to prevent the spread of Covid-19 as well as providing telecommunication assistance for all employees to support the remote working program (work from home).

b. Increasing HR management dynamics in work units amidst an increasingly complex national economic challenge elicited a diverse HR management policy response, including a flat work structure and organisational groups in the Human Resources Department, organising clinical visits by work units to identify HR management issues and seek solutions, establishing a non-officer HR forum to manage the non-officer segment, as well as implementing a program to communicate the latest HR management policies to all workers nationally and internationally.

c. In terms of the 4Ps, the salient HR management challenges were as follows:

1) HR planning. Bank Indonesia had to remap employee exposure (strategy versus implementation) and the scholarly needs of each position in the work unit. This was made more complex because Bank Indonesia had to reposition existing employees to fulfil the current needs.

2) HR recruitment. No longer restricted to quantity but also quality and the Covid-19 pandemic forced HR management activity to utilise new approaches, including e-Recruitment and digital interviews involving Bank Indonesia leaders internationally.

3) HR development. Considering the desirable qualities emphasise the officer segment and the employee capabilities in terms of strategy-policy exposure, an internal development program was required to meet those needs. Nevertheless, the Covid-19 pandemic meant that the employee competency development program could no longer be conducted face-to-face. Consequently, Bank Indonesia accelerated digital activity in the HR management process.

4) HR maintenance. Various employee competency development programs and work culture programs were implemented virtually, accompanied by innovative employee health management digitally.
4.6. Information System Management

To achieve the Vision and Mission by 2025, Bank Indonesia planned digital transformation as an integral part of the overall Bank Indonesia transformation. Digital transformation was formulated through the Bank Indonesia Information System Masterplan (RISIBI) 2020-2025, which contains the IS strategy framework, configuration of BI 4.0, omni-experience platform (Omni XP), guiding principles for IS development, IS Master Plan 2021-2025 and IS Destination Statement.

RISIBI is focused on answering the digitalisation needs in terms of policy and the institution and supporting the digital economy and finance through the development of various integrated digital business platforms, primarily in terms of stakeholder, partner and customer-facing services as well as internal business processes. RISIBI is also in response to the requirement for granular and quality data availability, supported by adequate systems to store, process, analyse and disseminate big data through the development of a data and information centre as well as the availability of analytical platforms that apply the latest technologies, including big data, artificial intelligence and machine learning.

RISIBI implementation follows five main strategies: (i) IS platform development to support policy and the institution; (ii) omni-data intelligence development; (iii) agile, resilient, intelligent and secure IS infrastructure development; (iv) robust IS operational activity; (v) organisational and HR preparedness for the digital era.

In 2020, Bank Indonesia completed various priority IS projects targeting the applications and infrastructure. On the application side, Bank Indonesia completed one wave of the BIMASAKTI Treasury System (FOMOBO), developed supporting applications for critical Bank Indonesia activities, such as trading platforms and the integrated reporting system, and digitalised internal business processes, including the integrated licensing system, MSME information system and e-Correspondence. Meanwhile, several of Bank Indonesia’s multi-year strategic projects reached significant development milestones in 2020, including the procurement process for BI-FAST and the Core Banking System (CBS) configuration. On the infrastructure and security side, Bank Indonesia completed projects in 2020 to increase Data Centre (DC) resilience and IS security in the form of a network redesign at the data centre, implementation of big data security as well as upgrading or updating end-user devices, servers, storage devices and enterprise network devices.

Bank Indonesia faced a diverse range of internal and external challenges in terms of realising the IS development plan. Externally, the challenges included rapid technology development, cyber threats, digital economy development and digital talent scarcity. The internal challenges included rapid adjustment of various IS architecture components, including technology, applications and information, uneven data and digital literacy levels amongst employees as well as the need to initiate a change in employee mindset to support digital transformation.

The challenges were exacerbated in 2020 by the Covid-19 pandemic, particularly in terms of mobility restrictions on human resources in terms of task implementation, considering the existing work pattern relied on face-to-face interaction, with all activities implemented at the primary work location. Nevertheless, the situation also accelerated digital transformation at Bank Indonesia.

In response to the various challenges and IS project realisation in 2020, Bank Indonesia adjusted its strategy and plan, amongst others, by expanding priority information system services. The adjustments included providing work facilities and services to support remote working and virtual meetings/events, as well as an in-house IS development strategy to reduce dependence on third parties. In addition, implementation deadlines were adjusted to accelerate infrastructure preparedness in anticipation of digital transformation initiatives and project deadlines were also adjusted, especially those requiring local and foreign consultation. Consistent with the new lifestyle, Bank Indonesia also initiated various breakthroughs and refined applications to ensure task continuity during the Covid-19 pandemic situation.

Complementing the various information system achievements, particularly in terms of implementing programs relating to BI’s Vision of becoming the best emerging market central bank, Bank Indonesia received international recognition as a gold winner at the Asia-Pacific Stevie Awards for IS innovation in terms of Integrated Foreign Exchange Monitoring Information System (SIMODIS) development.
4.7. Planning, Procurement and Asset Management

Planning and Procurement

In 2020, Bank Indonesia strengthened P3A governance in terms of Planning, Procurement and Asset Management. P3A governance was strengthened to accommodate dynamic changes in the external and internal environments, including: (i) development of procurement and asset management best business practices; (ii) procurement digitalisation with a focus on value for money, sustainability as well as support for micro, small and medium enterprises (MSME); (iii) the need for asset optimisation; (iv) implementation of sustainable accountability, good governance and transparency as a public institution.

Strengthening P3A governance aims to: (i) increase efficiency, effectiveness and good governance in terms of planning, procurement and asset management activities based on best practices; (ii) increase the contribution of work units in terms of asset management activity; (iii) become a leading procurement organisation through integrated procurement and asset management digitalisation.

The guiding principles of P3A are efficiency, governance and sustainability. The first principle, efficiency, implies that procurement and asset management utilise funds and resources efficiently to achieve the predetermined target or quality quickly and accountably through optimal planning. The second principle, governance, implies that planning, procurement and asset management at Bank Indonesia prioritise governance, risk and compliance to ensure transparency, accountability, fairness and non-discriminatory practices through the Four Eyes Principle, while providing premium services to maintain governance and credibility at Bank Indonesia. The third principle, sustainability, involves two dimensions: (i) procurement sustainability focuses on efforts to achieve value for money across all cycles for the good of the organisation and the public by considering the impact on micro, small and medium enterprises as well as the environment; and (ii) asset management sustainability focuses on efforts to support financial management sustainability and Bank Indonesia.

In addition to the P3A arrangements, Bank Indonesia in 2020 also strengthened procurement planning. Notwithstanding, the Covid-19 situation since March 2020 demanded a significant change in the priorities associated with procurement implementation and absorption of resources in order to settle urgent procurement matters relating to the new lifestyle ushered in by the Covid-19 pandemic. Under such circumstances, Bank Indonesia remained firmly committed to optimal and governed procurement policy and strategy, as confirmed by Bank Indonesia’s success in terms of procurement cost efficiencies totalling Rp624.88 or 10.5% of the total planned budget and procurement cost at Bank Indonesia in 2020 of Rp5,973 billion.

In terms of institutional leadership, Bank Indonesia was assessed to have a good reputation and credibility by the stakeholders in terms of modernising procurement in line with best practices, while maintaining a procurement maturity level beyond most other institutions/organisations in Indonesia, thereby providing a benchmark for other institutions/organisations. Procurement modernisation at Bank Indonesia is evidenced, amongst others, by strategic sourcing, category management, supplier relationship management and procurement knowledge management development as well as the support of information technology oriented towards digital procurement.

Asset Management

Supporting its Vision, Bank Indonesia has designed a Logistics Management Framework as a reference for top-driven, mature, integrated and forward-looking logistics management to ensure end-to-end and standardised asset management moving forward based on efficiency and sustainability. This will be achieved through three main pillars: (i) integrated and forward-looking planning and design; (ii) effective and efficient provision of facilities and infrastructure; and (iii) quality services, security and recovery.

Integrated and forward-looking planning and design is implemented in accordance with a Logistics Masterplan that ensures the main logistics, security and archival functions run in line with the desired target/outcomes. Supporting logistics management planning, Bank Indonesia has assessed
the office building (RIKOPERBI)\(^1\), Bank Indonesia residences (RIRBI)\(^2\) and other infrastructure (RIPABI, RIPAMBI)\(^3\) based on asset stratification (strategic, critical and general), as well as mapping the economic age and physical condition of all assets as the basis of inventory prioritisation, fulfilment, maintenance and replacement. Based on those assessments, the general condition of logistics assets at Bank Indonesia is relatively sound, bolstered by a development and maintenance program designed to maintain asset sustainability.

Program implementation in 2020 focused on the second pillar, namely **Effective and Efficient Provision of Facilities and Infrastructure**, which was realised effectively and efficiently through various efforts to accelerate and coordinate intensively with various parties. Bank Indonesia ensures the availability of supporting facilities and infrastructure for task implementation in line with the desired cost, quality and timeframe. The strategic projects include: (i) providing land for the Bank Indonesia Representative Office buildings located in North Kalimantan, Tasikmalaya and Bengkulu; (ii) developing Bank Indonesia Representative Office buildings in Southeast Sulawesi; (iii) developing Bank Indonesia residences (RBI) at head office, as well as the Bank Indonesia Representative Offices in Aceh and Yogyakarta. In addition, Bank Indonesia has also adjusted its use of facilities and infrastructure and increased utilisation of virtual facilities and infrastructure in response to the new lifestyle triggered by the Covid-19 pandemic. In total, Operational Asset Management at Bank Indonesia covers 1,424 assets, as well as asset utilisation and recovery. In 2020, Bank Indonesia managed 87 non-operational assets in the form of land and buildings and utilised 31 assets.


**SPU, DC and BRS Development Management**

Seeking to achieve the vision of becoming the foremost digital central bank, Bank Indonesia is **developing modern digital work facilities**, including a Currency Management Centre (SPU), Cash Depots in Eastern Indonesia (DKUT) as well as an Integrated Data Centre (DC) and Business Resumption Site (BRS). Development is based on implementation of the Rupiah Currency Management (PUR) framework, Bank Indonesia Information Systems Masterplan (RISIBI) and Bank Indonesia Task Continuity Management (MKTBI).

Consistent with the PUR, SPU and DKUT frameworks, national currency management facilities and currency distribution centres will be managed based on an integrated and centralised approach using the latest technology through digitalisation and automation to increase long-term storage capacity, create cost, time and HR efficiencies, as well as guarantee safety and security.

Based on the Bank Indonesia Information Systems Masterplan (RISIBI), **Data Centre development** is prerequisite as primary infrastructure, critical and strategic information systems in line with the principle that everything is connected and the adoption of an omni-experience platform. The uptime Tier-IV Data Centre will be modular and scalable with high security in line with international standards.

Based on the risk management framework for Bank Indonesia Task Continuity Management (MKTBI), **Business Resumption Site (BRS) development** as an alternative work location is essential to ensure critical task continuity at Bank Indonesia in line with the Recovery Time Objective (RTO) stipulated in the Principles for Financial Market Infrastructures (PFMIs). Bank Indonesia is developing BRS as a modern smart office designed to be activated during survival or split operation conditions. Development planning commenced in 2020.

The main constraints facing development implementation were dominated by the ongoing Covid-19 pandemic, considering the design concept and masterplan require intensive coordination amongst all relevant stakeholders. Massive implementation of video conferencing and web conferencing communication technology at Bank Indonesia, however, has significantly alleviated the constraints.

1. Bank Indonesia Office Masterplan.
2. Bank Indonesia Residence Masterplan.
4.8. Risk Management and Internal Control

Risk Management

Amidst challenging global and domestic dynamics throughout 2020, Bank Indonesia has refined and honed the risk management function. Persistently elevated global economic uncertainty, exacerbated by the Covid-19 pandemic, characterises the current risk landscape, which must be effectively anticipated and mitigated by Bank Indonesia. Learning from the unprecedented risk challenges, Covid-19 containment in particular, Bank Indonesia has effectively strengthened organisational and HR risk management to achieve the institution’s vision and mission.

Bank Indonesia has also strengthened its risk management framework in line with institutional governance and integrated business processes concerning the four governance functions, where the risk management function is becoming more integrated with the financial and resource planning and management function as well as the internal audit. An example of integration is the Audit Universe, applied to the internal audit based on a Risk Control Matrix.

Stronger risk management in 2020 covered three key areas: (i) refining the Bank Indonesia Risk Management (MRBI) regulations and formulating a risk management strategy methodology; (ii) implementing Bank Indonesia Task Continuity Management (MKTBI) during Covid-19; and (iii) enhancing the three lines of defence concerning end-to-end implementation of the risk management cycle.

Strengthening the governance and internal control functions concerning the Annual Financial Statements, Bank Indonesia has applied the Internal Control over Financial Reporting (ICoFR) concept, where risk management is considered a second line of defence, including: (i) analysis and assessment of business processes relating to compilation of the financial statements; (ii) assessment of the scope of control in business processes and the Risk Control Matrix; (iii) internal control and risk mitigation recommendations; and (iv) financial risk mitigation consultation and facilitation. ICoFR implementation strengthened the assessment of the 2019 Financial Statements in 2020, receiving an unqualified opinion from the Audit Board of the Republic of Indonesia.

Bank Indonesia applies an enterprise risk management framework, covering policy-related risk, financial-related risk and operational-related risk through a top-down, integrated and forward-looking approach. The strengthened Bank Indonesia Risk Management (MRBI) framework can identify all risks with significant potential to impede Bank Indonesia’s objectives over a five-year horizon, observed as a helicopter view by optimising the use of digital technology. The refined risk management strategy has been pioneered through the risk trajectory 2020-2025 and risk tracking 2020 frameworks, along with strategic project risk management.

During the Covid-19 pandemic, Bank Indonesia has constantly maintained task continuity by prioritising HR safety and security. To that end, Bank Indonesia formulated a Covid-19 prevention and handling strategy, starting with the Bank Indonesia Task Continuity Management Protocol Status Guidelines (PMKTBI) for Covid-19 as the baseline to determine the status and strategy through periodic evaluation based on the latest global and national developments as well as internal conditions at Bank Indonesia.

The strategy includes split operations, work from home, adjustments to the operational hours and public services, mobility restrictions, supporting healthcare facilities for employees and their families as well as screening through rapid/swab tests. When formulating and implementing the strategy, benchmarking with other countries was used, including assessments, studies, projections and close coordination/communication between work units at Bank Indonesia together with government ministries and institutions as well as the banking industry and relevant payment system service providers through various surveys. All measures were taken paying due consideration to the principles of good governance, including Board of Governors Regulations (PDG) relating to governance and task continuity during the pandemic.

Seeking to maintain an optimal balance between productivity and measures to break the domestic chain of Covid-19 transmission, a higher productivity trajectory was formulated for the new lifestyle era to consistently provide the best services to
the public and stakeholders, including orderly government transactions. Productivity has been raised on a measured scale by strengthening protocols in each aspect of productivity. Furthermore, as guidelines to prevent and contain Covid-19 internally at Bank Indonesia and within the broader employee community, Bank Indonesia has formulated 12 new lifestyle protocols that can be accessed digitally, complete with a question-and-answer forum. Bank Indonesia is cascading all programs and measures consistently across all work units at head office and representative offices to prevent and contain Covid-19.

**Internal Control**

Bank Indonesia continues to strengthen internal control, thus providing assurance to Bank Indonesia’s main stakeholders, while increasing value added and improving task implementation at the work unit level. In 2020, audit and consultancy activities were conducted through a systematic approach to evaluate and increase the effectiveness of the governance, risk management and internal control processes to meet the organisational goals.

Consistent with greater demands on Bank Indonesia to effectively implement governance principles as a form of public accountability, the internal audit function remains relevant and important to the organisational needs and requirements. In line with international best practices and standards for the internal audit profession, therefore, internal audit activity at Bank Indonesia includes audit implementation as well as consultation concerning the governance, risk management and internal control processes for all activities at Bank Indonesia. Specifically, this includes audit activities, special audits, consultation, internal audit function development, quality assurance, cooperation with external institutions and coordinated external audit implementation.

In practice, the risk-based internal audit framework was refined at the beginning of 2020 to align the strengthening of the integrated Strategic Risk-Based Internal Audit (RBIA) function with strategic planning, strategic budgeting and strategic risk management. The scope of refinement not only included regulations concerning the internal audit function, yet also affected other supporting aspects, namely the information systems, work culture and human resources, which were strengthened and developed incrementally to support implementation of the new methodology.

I. **Risk-Based Internal Audit Implementation**

In 2020, audit activity included four strategic risks, as contained in the risk trajectory, and two compliance risks. The Risk-Based Internal Audit (RBIA) framework was refined in 2020, which will be continued in 2021.

In addition, three strategic audits were also conducted as well as three on-desk analyses, which aimed to provide adequate assurance that business process implementation to achieve Bank Indonesia’s goals met various effectiveness, efficiency and economic criteria. All activities, including on-desk analysis, are classified based on outcome as a strategic audit, financial audit (ICoFR) or compliance audit.

During the same period, Bank Indonesia completed four financial audits (ICoFR), which aimed to provide adequate assurance that the financial statements of Bank Indonesia were prepared in accordance with prevailing regulations and with adequate internal control scope. In addition, to provide assurance that business processes in Bank Indonesia are implemented in accordance with prevailing laws and regulations, four compliance audits and two on-desk analyses were performed at head office as well as two compliance audits and 11 on-desk analyses at domestic representative offices.

II. **External Audit**

In 2020, the Audit Board of the Republic of Indonesia (BPK-RI) audited the Annual Financial Statements of Bank Indonesia (LKTBI) 2019 and performed a special purpose audit (PDTT) concerning the printing, circulation and destruction of rupiah currency. Of the 309 recommendations put forward by the Audit Board of the Republic of Indonesia concerning the Annual Financial Statements of Bank Indonesia for the 2004-2019 period, Bank Indonesia has completed 235 recommendations (76.1%), while 72 recommendations (23.3%) are still being monitored and two recommendations (0.6%) no longer require follow-up actions. Concerning the 106 PDTT recommendations by the Audit Board for the 2012-2019 period, Bank Indonesia has completed 89 recommendations (84.0%), with the remaining 17 recommendations (16.0%) still being monitored.
4.9. Strengthening The Legal Framework

Bank Indonesia implements its tasks and responsibilities based on good governance, consistency and a solid legal framework underlying the decision-making process and actions required. To ensure the creation of a solid legal framework, Bank Indonesia constantly ensures its legal mandate is complete and concrete in line with prevailing laws concerning Bank Indonesia as well as other relevant regulations. Furthermore, Bank Indonesia also ensures that all policies, legislation, task implementation and responsibilities as well as resolution of legal issues are legally accountable.

At the beginning of 2020, the Covid-19 pandemic outbreak impacted the national economy. Consequently, the Government implemented an extraordinary and immediate response through promulgation of Government Regulation in Lieu of Law No. 1 of 2020 concerning State Financial and Financial System Stability Policies to Contain the Coronavirus Disease 2019 (Covid-19) Pandemic and/or Confront Threats to the National Economy and/or Financial System Stability, subsequently enacted as Act No. 2 of 2020, which provided a solid legal foundation for Bank Indonesia to fund pandemic containment measures, including the national economic recovery program. The details of Bank Indonesia’s role in funding the national economic recovery program are contained in Government Regulation No. 23 of 2020, which was amended by Government Regulation No. 43 of 2020.

In practice, two Joint Decrees (KB) were signed and issued by the Governor of Bank Indonesia and Minister of Finance (including amendments) to strengthen Bank Indonesia’s legal framework. The first joint decree, issued on 16th April 2020, dealt with coordinated SUN and SBSN purchases in the primary market and the second joint decree, issued on 7th July 2020, details of the burden sharing scheme to help fund Covid-19 pandemic recovery efforts. Internally, Bank Indonesia also strengthened the legal framework concerning SUN and SBSN purchases through a Board of Governors Regulation (PADG) and Internal Board of Governors Regulation (PADG Intern) concerning SUN/SBSN purchases in the primary market, the burden sharing mechanism as well as SUN/SBSN auctions in the primary market.

The Government subsequently issued Government Regulation No. 33 of 2020 concerning LPS jurisdiction in terms of resolving financial system stability issues as the implementation guidelines for Act No. 2 of 2020. The Government Regulation also outlined Bank Indonesia’s role as a source of funding for the Deposit Insurance Corporation (LPS) in the event of a liquidity mismatch when resolving troubled banks during the pandemic. Acting in accordance with the government regulation, Bank Indonesia and LPS signed a Memorandum of Understanding (MoU) on 23rd July 2020 and Cooperation Agreement (PKS) on 14th September 2020 concerning the purchase/repurchase of LPS-held SBN by Bank Indonesia. To strengthen coordination regarding the resolution of troubled banks, Bank Indonesia and the Indonesian Financial Services Authority (OJK) also issued a Joint Decree on 19th October 2020 concerning the disbursement of (sharia-compliant) short-term liquidity financing (PLJP/S) to banks by Bank Indonesia as Lender of The Last Report (LoLR).

Implementing its duties and responsibilities relating to the national economic recovery program, Bank Indonesia also issued regulations to overcome constraints affecting industry compliance to Bank Indonesia regulations caused by the Covid-19 pandemic. The regulations include Bank Indonesia Regulation (PBI) No. 27/7/PBI/2020 concerning an amendment to several Bank Indonesia regulations impacted by the Covid-19 pandemic. In addition, Bank Indonesia also issued internal regulations in the form of BOG Regulations (PDG) concerning governance and task continuity during the Covid-19 pandemic.

To achieve Bank Indonesia’s goals, the support of a solid national legal system is required that is aligned with the duties and responsibilities of Bank Indonesia as contained in laws initiated by the Government or People’s Representative Council (DPR). In 2020, Bank Indonesia actively prepared academic materials and/or regulatory materials for 8 draft bills, 10 draft regulations and 5 draft presidential regulations. Furthermore, Bank Indonesia also participated in draft legislation discussions concerning personal data protection, amendments to bankruptcy laws and deferred debt repayment obligations, strengthening and developing the financial sector and compiling a priority investment list.

As mandated by the Bank Indonesia Act, as a public institution, Bank Indonesia is authorised to make regulations, which are
actualised as public regulations in the form of Bank Indonesia Regulations (PBI) and Board of Governors Regulations (PADG), as well as internal regulations in the form of PDG and internal PADG.

Comprehensive regulations were issued by Bank Indonesia on a timely basis in 2020 during the Covid-19 pandemic through optimal technology utilisation. In 2020, Bank Indonesia published 23 PBI, 35 PADG, 17 PDG and 73 internal PADG in response to prevailing conditions and paying due regard to the prevailing legal corridor.

Throughout implementation, Bank Indonesia constantly harmonises and synchronises new and existing regulations to meet the broad requirements of the public. In 2020, no regulations issued by Bank Indonesia were challenged legally by an external party, demonstrating high levels of regulatory compliance and good governance at Bank Indonesia.

4.10. Bank Indonesia Social Program for The Nation

As a form of corporate social responsibility (CSR), Bank Indonesia maintains a social program known as Dedicated to the Nation. In 2020, the Dedicated to the Nation program was themed “Tangible Contribution through Public Economic Empowerment and HR Excellence to Support Economic Stability in Indonesia.”

In 2020, Dedicated to the Nation was implemented through three programs:

1. Increasing Economic and MSME Capacity, which emphasised strategic food commodity development to control inflation and mould entrepreneurs, particularly those impacted by Covid-19. In 2020, 1,762 programs were implemented to increase economic capacity as follows: (i) 571 strategic food resilience programs; (ii) 517 entrepreneur development programs; (iii) 232 Sharia economy programs; (iv) 137 local economy development programs; (v) 119 major commodity programs; (vi) 60 tourism programs; (vii) 60 export commodity programs; (viii) 59 women’s empowerment programs; and (ix) 7 digital economy and finance programs.

2. HR Capacity Building and Public Understanding Programs, including: (i) granting scholarships to 10,426 students at 119 state and 55 private universities across Indonesia, along with 500 students from 25 vocational high schools; (ii) virtual BI scholarship community (GenBI) empowerment program to mould GenBI as frontliners of BI task implementation, as change agents and as future leaders; (iii) Smart (Cerdas) Indonesia program through the development of 803 BI Corner facilities and pre-school Reading Corners as well as BI Corner facility maintenance by updating book collections; and (iv) assistance in the form of resources and facilities to support virtual education due to the Covid-19 pandemic.

3. Social Care Program, including disaster assistance disbursements relating to Covid-19 in the form of healthcare equipment and basic necessities, as well as assistance for education, religion, health care, the environment and culture.

In 2020, Bank Indonesia initiated a shift in its corporate social responsibility program due to the deleterious impact of Covid-19, targeting those impacted by the pandemic. CSR absorption in 2020 reached 98.1%, with the allocation to increase economic and MSME capacity accounting for 37.5%, HR excellence development 29% and the social care programme 33.5%. In total, 7,068 projects received assistance in 2020, up 19.5% on 2019.

As a form of Bank Indonesia care concerning the impact of Covid-19 transmission on the public, in addition to providing assistance through the corporate social responsibility budget, Bank Indonesia also collected donations through temporary reductions to the salaries of BOG members and BI employees for six months, under the auspices of the Bank Indonesia Cares About Covid-19 Movement, generating Rp10,214,500,000. The funds were distributed to those impacted by Covid-19 within the internal Bank Indonesia environment as well as members of the public in the form of cash, health equipment and supplements and/or basic necessities. In addition, funds were also disbursed through the Covid-19 task force and to hospitals through the provision of health equipment, supplements and/or basic necessities.
"The prerequisites of national economic recovery are the vaccination rollout and public discipline in terms of Covid-19 protocols, along with five key policies, namely reopening productive and safe sectors, accelerating fiscal stimulus realisation, catalysing credit growth, maintaining monetary and macroprudential stimuli, as well as economic and financial digitalisation."

Doni P. Joewono
Deputy Governor
The economic recovery in Indonesia, the early signs of which became apparent in the second semester of 2020, is expected to persist in 2021. Established Covid-19 containment measures, including the imminent vaccination rollout, global economic recovery, macroeconomic policy stimuli and various efforts to hone policy strategy have stoked economic recovery optimism. Policy synergy between the Government, Bank Indonesia and other relevant authorities is constantly strengthened to support the national economic recovery outlook. In the medium-term, Indonesia’s economy is expected to regain upward momentum on the back of global economic gains and increasing domestic productivity due to structural reforms, including efforts to accelerate economic and financial digitalisation as well as strengthen MSME.
5.1. Economic Recovery Outlook for 2021

Global Economic Recovery Accelerating in 2021

Global economic recovery optimism in the latter half of 2020 is expected to persist in 2021, supported by progress in terms of Covid-19 vaccinations and pandemic containment, coupled with extraordinary financial and fiscal policy effectiveness to overcome the deleterious pandemic impact worldwide. Several early indicators in different jurisdictions continue to signal economic improvement. The manufacturing and services Purchasing Managers Index (PMI) are still tracking rising trends in the US and China. Furthermore, consumer and business confidence continue to grow, with unemployment falling gradually in the US, China and Europe. Such indicators are expected maintain upward momentum in 2021. Global economic growth is projected at approximately 5.0% in 2021 and 3.8% in 2022, while trade volume and international commodity prices in 2021 are projected to increase to 4.4% in line with growing demand to fuel the global economic recovery. The prices of coal, copper, aluminium and nickel are expected to gain momentum in 2021 as investment demand rises, particularly in China’s infrastructure sector. CPO prices are also rising on global demand, consumption in particular, which is recovering gradually. The global oil price is projected to hit USD43 per barrel in 2021 in response to a net demand situation and the implementation of oil cuts by OPEC+ through to 2022.

Bank Indonesia Policy Mix and Institutional Policy for 2021

Nevertheless, the multispeed economic recovery will depend on the success of Covid-19 containment measures and the magnitude of fiscal and monetary stimuli. China’s economy achieved positive growth in the third quarter of 2020 and is expected to be the first economy to expand in the fourth quarter of 2020. The US is showing early signs of economic recovery despite the highest level of Covid-19 cases recorded globally. Economic gains in Europe, India and Latin America are relatively more subdued.

In line with the global economic recovery outlook, global financial market uncertainty is expected to ease, accompanied by a surge of capital inflows to developing economies. Global uncertainty decreased after the US presidential election contested in November 2020. The CBOE Volatility Index, or VIX indicator, as a measure of financial market volatility, is expected to decline in line with the promising economic outlook, including developing economies. Foreign capital inflows will return to developing economies in response to lower global uncertainty, which will help alleviate currency pressures in developing economies, including Indonesia. Moving forward, the potential risk of heightened global financial market pressures demands vigilance as extraordinary policies in many countries are discontinued at different times reflecting the multispeed global economic recovery process. In addition, potential corporate decline, a credit crunch and cliff effect due to the discontinuation of extraordinary policies in various countries will need to be
monitored, particularly the potential impact on global financial system stability and the knock-on effect to capital flows and developing economies.

**Domestic Economy to Improve in 2021**

Consistent with the global economic recovery trend and improving domestic economic activity supported by the vaccination rollout, the domestic economic recovery is projected to gain momentum in 2021. The promising domestic economic outlook is reinforced by increasing economic activity as public mobility is gradually restored, despite large-scale social restrictions remaining in place in several regions to flatten the Covid-19 curve. Stronger global economic growth will support export gains in Indonesia and, in turn, boost production and investment activities. Improvements in several early indicators at the end of December 2020 confirmed the ongoing domestic economic recovery. The rising manufacturing PMI trend observed during the second semester of 2020 is expected to persist in line with higher production activity in several sectors. A climate more conducive to investment as a corollary of the recently enacted Omnibus Law on Job Creation will also buoy domestic investment. In addition, private consumption will also recover, supported by rising incomes primarily from stronger exports. Consumer confidence and expectations concerning income, job availability and business activity are also increasing. Policy synergy between Bank Indonesia, the Government and other relevant authorities will constantly be strengthened, including ongoing structural reforms, which will accelerate the national economic recovery. Therefore, national economic growth in Indonesia is projected in the 4.8-5.8% range for 2021 before accelerating to 5.4-5.9% in 2022.

In the medium-term, structural reforms will restore upward economic momentum in Indonesia. The scope of structural reforms includes bureaucratic reform, specifically to stimulate investment through the Job Creation Act, accelerating economic and financial digitalisation, financial market reforms and strengthening MSME. These measures are expected to increase domestic productivity. Nevertheless, efforts to increase economic growth in the medium-term must pay due consideration to potential shifts in the global economic structure.

The economic recovery outlook is accompanied by maintained macroeconomic stability. External stability in 2021 will support Indonesia’s Balance of Payments, thus sustaining the current BOP surplus in line with a narrow current account deficit projected in the 1.0-2.0% of GDP range. The manageable current account deficit is consistent with positive export growth to meet recovering global demand coupled with higher imports on growing domestic demand. Bank Indonesia expects inflation in 2021 to remain under control within the 3.0%±1% target corridor, supported by controlled core inflation despite rising on higher domestic demand as public mobility increases along with international commodity prices. Spatially, the inflation outlook in most regions will support the national inflation target. Meanwhile, financial system stability will remain solid, with the bank intermediation function expected to improve in line with the domestic economic recovery outlook. Bank Indonesia projects outstanding loans disbursed by the banking industry and deposits to grow 7.0-9.0% in 2021.
5.2. Bank Indonesia Policy Mix in 2021

Bank Indonesia will orient its policy mix in 2021 to simultaneously strengthen national economic recovery optimism and maintain macroeconomic and financial system stability. Bank Indonesia support will be realised through the main monetary, macroprudential and payment system policies, underpinned by supporting policies for MSME, the Sharia economy and finance as well as international policy (Scheme 5.1).

Bank Indonesia will maintain an accommodative policy stance in 2021 to support national economic recovery, while considering the impact on monetary, macroeconomic and financial system stability. Bank Indonesia will continue monetary stimuli, while remaining cognisant of the impact on inflation. Furthermore, Bank Indonesia will orient stabilisation policy towards ensuring Rupiah exchange rates move in line with the currency’s fundamental value and market mechanisms. The accommodative macroprudential policy stance will also be maintained to catalyse lending activity for the national economic recovery and safeguard national financial system stability. Bank Indonesia will accelerate payment system digitalisation based on the Indonesia Payment System Blueprint (BSPI) 2025 to support development of the digital economy and finance, with a focus on MSME and the retail segment as a source of economic recovery. Based on the Money Market Development Blueprint (BPUR) 2025, Rupiah currency management will be strengthened to support the economic recovery. Synergy with the Government, Financial System Stability Committee, banking industry and business community will also be improved to maintain national economic recovery momentum.

Direction of Monetary Policy

Bank Indonesia will maintain an accommodative monetary policy stance in 2021 to support the economic recovery, while maintaining monetary stability. The policy stance of low interest rates and loose liquidity will be held until indications of upward inflation momentum appear. Loose liquidity conditions are required to catalyse bank lending activity and maintain financial system stability. The monetary operations strategy to maintain adequate liquidity and increase money market efficiency will be continued to bolster the monetary policy stance. Bank Indonesia will strive to sustain Rupiah exchange rate stability in line with the currency’s fundamental value and market mechanisms to ensure conditions remain conducive to the national economic recovery. Coordination between Bank Indonesia’s monetary policy stimuli and the fiscal stimuli of the Government will be strengthened to reinforce national economic recovery momentum. Bank Indonesia will continue to purchase SBN in the primary market to finance the State Revenue and Expenditure Budget (APBN) in 2021 as a non-competitive bidder, private placement, and through greenshoe options (GSO) based on the Joint Decree issued by the Minister of Finance and Governor of Bank Indonesia on 16th April 2020. Meanwhile, SBN purchases by Bank Indonesia through private placement to fund the State Budget in 2020 in accordance with a Joint Decree issued on 7th July 2020 will be discontinued in 2021.

Direction of Macroprudential Policy

Bank Indonesia will maintain an accommodative macroprudential policy stance to stimulate lending activity for the national economic recovery. Bank Indonesia will continue to assess the possibility of relaxing existing macroprudential policy instruments further, while exploring new instruments to stimulate lending activity to the business community. Interest rate transparency in the banking industry will be strengthened to overcome lending rate rigidity. Bank Indonesia will also issue the Macroprudential Inclusive Finance Ratio (RPIM) to catalyse MSME growth. The policy is expected to expand the target and reach of inclusive financing, provide incentives to the banking industry to expedite corporatisation of MSME and priority sectors, as well as stimulate MSME loan securitisation. Bank Indonesia will constantly strengthen synergy with the Financial System Stability Committee.
and synergy between macroprudential supervision at Bank Indonesia and macroprudential supervision at the Indonesian Financial Services Authority (OJK) to maintain financial system stability. The Integrated Bank Supervision Forum established between Bank Indonesia and OJK will be expanded to include the Deposit Insurance Corporation (LPS), thereby facilitating cooperation to formulate the measures necessary based on the respective responsibilities and authority of each institution in synergy to maintain financial system stability.

**Direction of Payment System Policy**

Bank Indonesia will accelerate payment system digitalisation as part of BSPI 2025 implementation to expand the contribution of the digital economy and finance as a source of economic recovery. The National QRIS Campaign will be expanded to ensure QRIS acceptance amongst 12 million registered MSME merchants nationally. Furthermore, Bank Indonesia will accelerate digital transformation of the financial sector, for individual banks as well as through collaboration with the FinTech industry, to expand and streamline retail financial services, including preparations for Open API Standards and Technical Guidelines for Payment System Service Providers, which are expected to facilitate open banking in Indonesia. In addition, Bank Indonesia will continue to promote digital payment innovation via Sandbox 2.0, as an incubator for startups, particularly in the retail sector and MSME. Similarly, the ongoing electronification of social aid program (bansos) disbursements, the transportation sector and local government financial transactions will be accelerated. Digital transformation of the payment system in Indonesia will support retail payment system infrastructure reforms through BI-FAST development as a critical payment system infrastructure that facilitates retail payment transactions using a variety of instruments and channels in real time and 24/7. BI-FAST will replace the existing National Clearing System (SKNBI).

Digitalisation, centralised distribution and Rupiah currency management efficiency throughout the territory of the Republic of Indonesia will be accelerated, encompassing frontier, outlying and remote regions. Bank Indonesia will strengthen currency in circulation policy by refining the currency distribution network, supported by the digitalisation of cash infrastructure and automation of business processes, while enhancing currency management efficiency. Bank Indonesia will consistently strengthen the specification and security elements of Rupiah banknotes to improve quality and maintain public trust as well as ensure familiarity with genuine banknotes and discourage counterfeiting. Synergy with the banking industry and other relevant authorities will be strengthened to safeguard the availability of quality and trusted Rupiah currency throughout the territory of the Republic of Indonesia, including frontier, outlying and remote regions, supported by Rupiah education using digital technology to reinforce the educational themes based on understanding, pride and affection concerning the Rupiah. Furthermore, cooperation with other relevant authorities to prevent and manage counterfeit currency will be strengthened constantly.

**Accelerating Money Market Deepening**

The development of efficient, secure and reliable money market infrastructure based on international standards will be the primary focus of money market deepening policy in 2021. Bank Indonesia will consistently implement three money market development initiatives as contained in the Money Market Development Blueprint (BPPU) 2025. The Vision of BPPU represents a solid foundation for economic transformation in Indonesia through a modern and advanced digital money market. Bank Indonesia will also continue financial market infrastructure development based on international standards, including the development of market operators and a central counterparty (CCP) for interest rate and exchange rate derivatives. Financial market credibility will be strengthened through refinements to JISDOR regulations to increase credibility as an exchange rate reference, while expanding use of IndONIA and OIS as market rate references. The scope of money market instruments, including repo, Domestic Non-Deliverable Forwards (DNDF), Local Currency Settlement (LCS) and other money market instruments will be expanded to include bank and nonbank players. Coordination between authorities under the auspices of the Coordination Forum for Development Financing through Financial Markets (FKPPPK) to optimise the role of financial markets as a source of development financing will be the primary focus in line with the coordination function of the Forum in 2021. Bank Indonesia will also accelerate the development of long-term financing instruments, including asset securitisation as well as sustainable and green financing, supported by a growing investor base, including digital-based retail investors, to support government development programs, including the national economic recovery.
MSME Policy and the Sharia economy

Bank Indonesia will continue to expand the MSME development program through corporatisation, while building capacity and increasing financing to grow the economies of scale for MSME, particularly in priority sectors. Such efforts are expected to increase the contribution of MSME to GDP, while promoting export and digital MSME (Go Export and Go Digital initiatives). End-to-end capacity building, from product development, management and financial training to market access, will be achieved through MSME onboarding, consisting of e-payments, e-commerce and e-financing. Meanwhile, the financing program will be implemented through regulations concerning MSME credit targets for banks and nonbanks as well as expanding MSME access to subsidised loans/People’s Business Loans (KUR) in order to accelerate integrated digital economic and financial inclusion nationally. The successful Karya Kreatif Indonesia (KKI) exhibition, in terms of empowering export and digital MSME, will be intensified in 2021. Furthermore, Bank Indonesia will strengthen synergy with the Government to expand the National BBI Movement that promotes pride in Indonesian-made products (Gernas BBI).

Development of the Sharia economy and finance will increase as a new source of economic growth in Indonesia and to establish Sharia economic players in Indonesia as global players. Bank Indonesia continues to strengthen synergy with various parties, including the National Sharia Economy and Finance Committee (KNEKS) as well as pesantren (Sharia boarding schools), business associations, banking industry, ulama, academics and the public. Bank Indonesia will accelerate implementation of the halal value chain ecosystem locally and globally by strengthening the players and business models, institutions and supporting infrastructure through digitalisation. Sharia economic empowerment is focused on several sectors with comparative advantage, such as halal agriculture, Muslim fashion, Muslim friendly tourism and renewable energy. In addition, Sharia finance will be expanded in the financial sector and through mobilisation of productive zakat, infaq, sadaqah and waqf (ZISWAF) in line with prevailing principles. Sharia finance will be expanded through development of Sharia financial instruments, such as foreign exchange instruments and long-term financing instruments, social finance as well as integration of social and commercial finance as an alternative. Bank Indonesia will continue to broaden the Sharia economic and financial literacy campaign by holding three regional Sharia economy and Finance Festivals (Fesyar) as well as the national and international Indonesia Shari’a Economic Festival (ISEF).

International Policy

Bank Indonesia will continue to strengthen international policy through an active contribution at various international forums, while strengthening cooperation with strategic international partners. Strengthening international cooperation aims to support efforts to promote investment and trade as well as the national economic recovery. In synergy with the Government and various other parties, Bank Indonesia strives to maintain the positive perception of investors and rating agencies through proactive engagement. Bank Indonesia facilitates trade and investment promotion in priority sectors through the regional, national and international Investor Relations Units (IRU). This is achieved by mapping project availability based on investor preferences as well as organising domestic and international promotional activities for products/projects in priority sectors. Specifically, Bank Indonesia also supports bilateral efforts to utilise FTA/CEPA agreements and Local Currency Settlement (LCS) to optimise international trade and investment.

Direction of Communication Policy

Bank Indonesia will continue to strengthen communication policy in 2021 to support the formation of expectations and build national economic recovery optimism. The theme of communications at Bank Indonesia moving forward will be aligned with the policy direction for 2021, namely “Building Economic Recovery Optimism Synergy with One Prerequisite and Five Core Strategies”. Bank Indonesia will continue to implement its communication strategy based on three communication pillars, namely expectation management, strengthening education as well as strengthening transparency and responsibility.

Consistent with Bank Indonesia’s commitment to create and maintain such conditions, the content of policy communication in 2021 will be oriented towards supporting effective policy implementation. Bank Indonesia will support monetary, macroprudential and payment system policies as well as other policies, including financial market deepening, the Sharia economy and finance, MSME policy and international policy. Furthermore, Bank Indonesia will continue to enhance public information services through innovation, including developing LISA as an information services chatbot application. Through such endeavours, communication by Bank Indonesia will contribute optimally to build economic recovery optimism.
5.3. Direction of Institutional Policy in 2021

Key Performance Indicators of Bank Indonesia in 2021

In 2021, Bank Indonesia will maintain and strengthen task implementation and authority to ensure the achievements of 2020 persist into 2021. To that end, Bank Indonesia will continue to work in synergy with the Government and other relevant authorities to maintain macroeconomic and financial system stability, while accelerating the national economic recovery from the Covid-19 pandemic.

Bank Indonesia’s work program in 2021 was formulated based on the medium-term targets. As a measure of performance in terms of task implementation as mandated by the Bank Indonesia Act and other prevailing laws and regulations underlying Bank Indonesia’s duties, various Key Performance Indicators (KPI) have been formulated (Table 5.1). KPI Bank Indonesia are success indicators for the implementation of the 12 Strategic Programs (SP) as follows:

<table>
<thead>
<tr>
<th>Table 5.1. Key Performance Indicators 2021</th>
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In the execution of duties at Bank Indonesia in 2021, in addition to the 24 KPI presented in the table above, Bank Indonesia will also continue to enhance the quality of relevant task implementation, for instance developing partner MSME and empowering pesantren economically, while developing the Sharia economy.

**Strengthening Governance at Bank Indonesia**

Seeking to achieve the institutional vision, mission and strategy, Bank Indonesia requires the support of a solid governance system to orient and control the execution of duties and authority. Governance management at Bank Indonesia is conducted comprehensively, encompassing five elements as recapitulated in the Bank Indonesia Governance Framework, consisting of governance principles, commitment, structure, process and outcome. Governance implementation at Bank Indonesia is sound, as confirmed by an advanced level of governance maturity with a reading of 87.85, which is the highest level attainable.

Seeking to maintain the level of governance maturity, Bank Indonesia has planned several strengthening measures for implementation in 2021, targeting governance commitment, governance structure and governance process. One area of the strengthening will affect the institutional decision-making process (DMP) through the formation of a committee to strengthen the checks and balances as well as quality assurance in the decision-making process. Strengthening other governance elements will include: (i) strengthening the planning and control processes concerning the work program, resources, risks and audit to safeguard achievement of Bank Indonesia’s mandate; (ii) strengthening organisational and human resources management to achieve organisational excellence supported by competent and professional human resources with integrity, digital literacy, data literacy and a digital mindset; (iii) strengthening information systems management to support the digital era; and (iv) strengthening procurement and asset management to fulfil the asset requirements and ensure task continuity at Bank Indonesia.

Strengthening governance in 2021 will be a continuous process and strengthened further moving forward based on developments in the strategic environment, including aspects that come to the attention of the main stakeholders in terms of credible task implementation and authority of Bank Indonesia.

<table>
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<th>SP</th>
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<tr>
<td>09</td>
<td>17</td>
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<td>18</td>
<td>Increasing the positive international perception regarding credibility at Bank Indonesia, as reflected by selection for chairmanships of international forums and memberships of international standard-setting bodies, international recognition, adopting and fulfilling international standards, establishing Bank Indonesia as a reference for best practices for international institutions, internationally accredited research and journals, and selection to organise and host international meetings/activities.</td>
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<tr>
<td>10</td>
<td>19</td>
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<td>20</td>
<td>Enhancing the quality of human resources through planned and programmed HR empowerment across all job families based on Bank Indonesia’s requirements, as reflected by competent program participants.</td>
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<tr>
<td>11</td>
<td>21</td>
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<tr>
<td>22</td>
<td>Successful implementation of Omni XP infrastructure and Data Centre (DC) reliability in line with the roadmap for 2021.</td>
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<tr>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>24</td>
<td>Maintaining an unqualified opinion concerning the Annual Financial Statements of Bank Indonesia.</td>
</tr>
</tbody>
</table>
Planning and Control of Work Programs, Resources, Risk and Audit

The credible implementation of Bank Indonesia’s mandate requires the support of effective institutional management based on good governance. Consistent with the organisational transformation agenda in the area of institutional management, Bank Indonesia is strengthening four governance functions, namely by integrating the business processes through strategic planning, financial management, risk management and internal audit. Integration is critical in terms of safeguarding the process, from planning to control, to ensure alignment with the medium-term and annual strategies of Bank Indonesia. The strengthening process considers various aspects, including financial accountability and sustainability, risk management and internal control, supported by the availability of resources, such as human resources, information systems and other physical assets.

Scheme 5.2. Planning and Control Framework for Work Program, Resources, Risks and Audit

In 2020, four governance functions were strengthened by developing a framework to integrate the business processes, cycle and substance of the strategic planning, financial management, risk management, internal control and non-financial resource management functions. Within that framework, process integration is supported by three main interrelated pillars. The first pillar integrates fundamental aspects, such as the framework, methodology, data and information systems underpinning all planning and control processes associated with the work program, resources, risks and audit, as well as preparing the medium-term strategy at Bank Indonesia. The second pillar integrates the planning and control processes for the annual strategy based on the medium-term strategy under Pillar 1. The third pillar integrates the scope of control over aspects that influence credibility and public accountability at Bank Indonesia.
Extending the institutional arrangements implemented previously, Bank Indonesia will gradually apply integrated business processes within the three integrated framework pillars in 2021.

**Under the first pillar**, Bank Indonesia will strengthen and refine the methodologies required to support integration in the strategic planning, financial management, risk management and audit functions, including strengthening the performance excellence approach.

**Under the second pillar**, the planning and control processes for the work program, resources, risks and audit will be applied to the strategic planning function and annual plan in the middle of 2021 for task implementation in 2022. The planning and control process includes harmonisation of the resource management function with the Bank Indonesia annual plan. The integration process will underlie preparations for the Bank Indonesia annual plan consistent with the medium-term strategy determined in 2020 after Bank Indonesia’s vision and mission were strengthened.

**Under the third pillar**, the integration process will follow-up on the various methodology development policies and initiatives implemented in 2020 to ensure solid and effective controls at Bank Indonesia concerning the reliability of financial statements, legal and regulatory compliance, as well as effective, efficient and economic business process management. Supporting the reliability of financial statements to ensure an unqualified opinion from the Audit Board of the Republic of Indonesia, financial management policy will focus on strengthening various regulations and Standard Operating Procedures (SOP) in the areas of accounting and budgeting, supported by fair Annual Financial Statements. Legal and regulatory compliance will be achieved through integrated compliance risk management by work units as the second line of defence as well as consolidation with legal risk management. Meanwhile, effective, efficient and economic business process management will be performed by strengthening integrated assurance in terms of the financial management, risk management and internal control functions.

**Direction of Organisational and HR Management Policy**

**Direction of Organisational Management Policy**

In 2021, Bank Indonesia will continue to streamline organisational arrangements with efficient business processes. Business process efficiency will be increased through implementation of a flat work structure and horizontal alignment by integrating the business processes between work units.

To achieve organisational excellence, Bank Indonesia in 2020 conducted assessment trials for the Baldrige Excellence Framework (BEF). In 2021, Bank Indonesia will follow-up on the assessment through further improvements, prioritising consistency with the Bank Indonesia strategy, the organisational impact and availability of resources. The BEF assessment will be performed again in 2021. The process is expected to oversee the achievement of Bank Indonesia’s Destination Statement 2025, namely to become an Industry Leader with a minimum score of 670 for the trials in 2020 and a score of 441 at the Early Improvement level.

**Direction of Human Resources Management Policy**

Seeking to mould competent and professional human resources with integrity at Bank Indonesia in the digital era, HR policy consistently focuses on Programmed, Scheduled and Transparent (3T) HR Planning, Recruitment, Development and Maintenance (4P).

HR planning focuses on the principle of quality over quantity, with a total Effective Formation (EF) in 2020 of 6,597 employees, rationalised to 5,978 by 2025. A lower Effective Formation will be achieved by streamlining human resources based on the target for 2025. Recruitment will focus on replacing retirees with the requisite skills and capabilities to address the central banking challenges in the digital era. Bank Indonesia is also implementing a structural change in the composition of officers versus non-officers to develop digital capabilities, while instilling four salient work cultures (BI Prestasi, BI Religi, BI Innovasi, and BI Digital) with a focus on achievement, religion, innovation
and digital. Furthermore, Bank Indonesia will consistently implement the 4P HR strategy in a planned, programmed and transparent manner.

HR recruitment aims to replace retirees with qualities and competencies specific to the organisational direction moving forward (future skills needs), such as data scientists, data engineers, cyber security specialists and project managers.

HR maintenance is constantly strengthened to accelerate the digital transformation process and support the vision of becoming the foremost digital central bank. Therefore, Bank Indonesia will maintain its programs to strengthen the digital mindset and attitudes of human resources to support Bank Indonesia 4.0 in preparation for the new normal era.

Seeking to maintain Employee Value Proposition (EVP) and support efforts to internalise the strategic values, various work culture programs will continue to target achievements, religious values, innovation and a digital culture. This will be achieved by integrating the HR and work culture transformation program with the business processes towards universal task implementation and ultimately supporting performance excellence at Bank Indonesia.

Direction of Information Systems Management Policy

The direction of information systems policy in 2021 is based on the corresponding stage of the Bank Indonesia Information Systems Masterplan (RISIBI) roadmap towards realisation of the Bank Indonesia Vision for 2025. Bank Indonesia expects similar challenges in 2021 to those faced in 2020, namely the ongoing Covid-19 pandemic. This will undoubtedly impact information systems management at Bank Indonesia. Therefore, Bank Indonesia has prioritised information systems management in 2021 as follows: (i) completing information systems development in accordance with the RISIBI roadmap for 2021; (ii) providing quality information systems services; (iii) strengthening Information Systems policy and mechanisms to increase agility; (iv) enhancing employee capabilities and literacy; and (v) enhancing the quality of supporting services for the new normal work structure and collaborative virtual tools.

Bank Indonesia is strengthening aspects of governance, information systems management and resource management to complement efforts to strengthen technology in order to maintain the quality, availability, reliability and security of the information systems. Governance and information systems management will be strengthened by refining various regulations concerning information systems to ensure harmony and alignment with the ongoing Digital Transformation, implementation of end-to-end project management and application of bimodal institutional arrangements to support the creation of agile, secure and resilient information systems.

Bank Indonesia will continue to expand the implementation of best practices in various areas of information systems management, including: (i) data centre (DC) management (TIA-942); (ii) Information Security Management (ISO 27001); (iii) Information Systems Services Management (ISO 9000); (iv) Information Systems Development (CMMI); and (v) Information Systems Asset Management (ISO 9000). Strengthening governance and information systems security management is achieved by expanding the use of Big Data Security and a Security Operations Centre to monitor and analyse information systems security as well as through the implementation of information systems security simulations involving other stakeholders and authorities.

Seeking to enhance personnel capabilities towards successful Digital Transformation, employee development in 2021 will focus on increasing digital and data literacy as well as the technical skills required for information systems and security.

Direction of Procurement and Asset Management Policy

Strengthening the governance of Planning, Procurement and Asset Management (P3A) is implemented to support strategic resource planning based on the guiding principles of efficiency, governance and sustainability in line with the
Institutional Management in 2020

Bank Indonesia Policy Mix and Institutional Policy for 2021

Appendix

P3A framework. Strengthening efforts are aligned with the organisational requirements, long-term value added, operational feasibility criteria and financial sustainability of Bank Indonesia.

In 2021, strengthening P3A will focus on procurement modernisation and digitalisation as follows:

1. Strengthening P3A regulations as implementation guidelines for planning, procurement and asset management at Bank Indonesia.

2. Strengthening the business processes of planning and procurement, including the procurement strategy based on best practices, such as system bundling, unit price contracts, long-term contracts and umbrella contracts.

3. Increasing procurement cost efficiency based on cost, quality, timing and human resources.


5. Developing HR competencies and knowledge management in the P3A area.

In terms of logistics management, policy direction and implementation in the medium-long term refer to the roadmap of the Logistics Masterplan, consisting of the Bank Indonesia Office Masterplan (RIKOPERBI), Bank Indonesia Residence Masterplan (RIRBI), Bank Indonesia Asset Utilisation Masterplan (RIPABI) and Bank Indonesia Security and Safety Masterplan (RIPAMBI).

In accordance with RIKOPERBI, RIRBI and RIPAMBI, the direction of logistics management in 2021 will focus on ensuring the sustainable availability of premium logistics assets through various comprehensive development, renovation and maintenance projects based on assessments, mapping and prioritisation regarding the strategic fulfilment of asset requirements as well as the need to replace and maintain assets. Meanwhile, Non-Operational Asset (ANO) management will be performed pursuant to the RIPABI roadmap, with a focus on improving regulatory aspects and completing ANO mapping based on the physical condition of the assets and market conditions.

To accelerate business processes and enhance the effectiveness and efficiency of resources in terms of logistics management, Bank Indonesia will map the planning system and strengthen standards/design guidelines to expedite the efficient fulfilment of asset requirements for logistics via e-catalogue.

Direction of Bank Indonesia Social Program Policy in 2021

As a form of corporate social responsibility (CSR), Bank Indonesia implements various social care and empowerment activities under the auspices of “Dedication to the Nation” Program. The theme in 2020, namely “Tangible Contribution through Economic Empowerment and HR Excellence to Support Economic Stability in Indonesia”, will be continued in 2021. Furthermore, addressing the Covid-19 pandemic in 2021, the Dedication to the Nation Program will remain oriented towards supporting the national economic recovery through various activities to increase economic and MSME capacity, implement social care and develop HR excellence.
## LIST OF BANK INDONESIA POLICIES AND REGULATIONS IN 2020

### Bank Indonesia Policies in 2020

<table>
<thead>
<tr>
<th>Month</th>
<th>Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January</strong></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Bank Indonesia maintained the Bi 7-Day (Reverse) Repo Rate (BI7DRR) at 5.00%, the Deposit Facility (DF) rate at 4.25% and the Lending Facility (LF) rate at 5.75%.</td>
</tr>
</tbody>
</table>
| 2. | Bank Indonesia instituted the following policy mix:  
  a. Accommodative monetary policy, consistent with controlled inflation projected in the target corridor, maintained external stability, and efforts to sustain domestic economic growth momentum.  
  b. Monetary operations strategy consistently oriented towards maintaining adequate liquidity and supporting transmission of the accommodative policy mix.  
  c. Accommodative macroprudential policy to stimulate economic financing in line with the suboptimal financial cycle in accordance with prudential principles.  
  d. Payment system policy and financial market deepening strengthened to support economic growth. |
| **February** | |
| 1. | Bank Indonesia lowered the BI7DRR 25bps to 4.75%, the DF rate 25bps to 4.00% and the LF rate 25bps to 5.50%. |
| 2. | Bank Indonesia instituted the following policy mix:  
  a. Accommodative monetary policy, consistent with controlled inflation projected in the target corridor and maintained external stability, and as a pre-emptive measure to sustain domestic economic growth momentum against the emerging threat to the global economic recovery caused by the Covid-19.  
  b. Monetary operations strategy consistently oriented towards maintaining adequate liquidity and supporting transmission of the accommodative policy mix.  
  c. Macroprudential policy to stimulate economic financing in line with the suboptimal financial cycle in accordance with prudential principles through refinements to the calculation of the Macroprudential Intermediation Ratio (MIR) by expanding the scope of funding and financing for foreign bank branches towards further national economic advancement.  
  d. Payment system policy strengthened towards fostering economic growth through the expansion of QRIS (Quick Response Code Indonesian Standard) acceptance and electronification of social aid program (bansos) disbursements and local government financial transactions.  
  e. Coordination with the Government and other relevant authorities strengthened to maintain economic stability and catalyse domestic demand, while accelerating structural reforms and implementing efforts to mitigate the impact of Covid-19.  
  f. Bank Indonesia reinforced coordination with the Government and other relevant authorities to strengthen the sources, structure and speed of economic growth, while attracting investment through infrastructure projects and implementation of the Omnibus Bill on Job Creation and Taxation. |

### Bank Indonesia Regulations in 2020

<table>
<thead>
<tr>
<th>Month</th>
<th>Regulations</th>
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</thead>
<tbody>
<tr>
<td><strong>February</strong></td>
<td>Bank Indonesia issued Board of Governors Regulation (PADG) No. 22/1/PADG/2020 as an amendment to PADG No. 19/20/PADG/2017 concerning Demand Deposit Accounts at Bank Indonesia.</td>
</tr>
</tbody>
</table>
March

1. Bank Indonesia lowered the BI7DRR 25bps to 4.50%, the DF rate 25bps to 3.75% and the LF rate 25bps to 5.25%.
2. Bank Indonesia maintained accommodative monetary policy, consistent with controlled inflation projected in the target corridor and as a pre-emptive measure to sustain domestic economic growth momentum.
3. Bank Indonesia reinforced its policy mix towards mitigating the risk of COVID-19 transmission, while maintaining money market and financial system stability and catalysing economic growth momentum through the following seven policy measures:
   a. 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.
   b. 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.
   c. 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.
   d. Strengthening foreign currency term deposit instruments to enhance foreign currency liquidity management in the domestic market, while encouraging the banks to utilise the foreign currency reserve requirements lowered by Bank Indonesia for domestic purposes.
   e. 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.
   f. 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.
   g. Strengthening payment system policy to support COVID-19 mitigation efforts by:
      i. Providing hygienic currency fit for circulation, alternative cash and backup services, and urging the public to prioritise non-cash payment transactions;
      ii. 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 Rp600 to Rp1 and from customers to the banking industry from a maximum of Rp3,500 to Rp2,900, effective from 1st April 2020 until 31st December 2020; and
      iii. 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.
4. Bank Indonesia implemented intensive coordination with the Government and Indonesian Financial Services Authority (OJK) to mitigate the impact of Covid-19, thereby maintaining macroeconomic and financial system stability, while preserving economic growth momentum.

Bank Indonesia issued:
1. Bank Indonesia Regulation (PBI) No. 22/2/PBI/2020, as the second amendment to PBI No. 20/10/PBI/2018 concerning Domestic Non-Deliverable Forwards (DNDF)
2. Bank Indonesia Regulation (PBI) No. 22/3/PBI/2020, as an amendment to PBI No. 20/3/PBI/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units
4. Board of Governors Regulation (PADG) No. 22/2/PADG/2020, as the fourth amendment to PADG No. 20/10/PADG/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units
5. Board of Governors Regulation (PADG) No. 22/3/PADG/2020, as the fourth amendment to PADG No. 20/10/PADG/2018 concerning Competency Standardisation in the Payment System and Rupiah Currency Management
1. Bank Indonesia decided to hold the BI7DRR at 4.50%, while also maintaining the DF and LF rates at 3.75% and 5.25% respectively. The decision considered the need to maintain external stability amidst heightened global financial market uncertainty, while Bank Indonesia perceived adequate space to lower the policy rate due to mild inflationary pressures and the urgent need to stimulate economic growth.

2. Bank Indonesia also took the following policy measures:
   a. Stabilising and strengthening Rupiah exchange rates, Bank Indonesia has strengthened the intensity of triple intervention policy through the spot and DNDF markets, as well as purchasing SBN in the secondary market.
   b. Supporting national economic recovery efforts from the deleterious COVID-19 impact, Bank Indonesia will increase monetary easing through quantitative easing as follows:
      i. Expanding monetary operations by providing banks and the corporates a term-repo mechanism with SUN/SBSN underlying transactions of tenors up to one year.
      ii. Lowering the Rupiah reserve requirement ratios by 200bps for conventional commercial banks and by 50bps for Sharia Banks/Sharia business units, effective from 1st May 2020.
      iii. Relaxing the additional demand deposit obligations to meet the Macroprudential Intermediation Ratio (MIR) for conventional commercial banks as well as Sharia banks/Sharia business units for a period of one year, effective from 1st May 2020.
   c. To strengthen liquidity management in the banking industry and in relation to the lower Rupiah requirements, Bank Indonesia raised the Macroprudential Liquidity Buffer (MLB) by 200bps for conventional commercial banks and by 50bps for Sharia banks/Sharia 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.
   d. To increase the uptake of non-cash payment instruments in order to mitigate the COVID-19 impact, Bank Indonesia increased various payment system policy instruments as follows:
      i. 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).
      ii. Increasing public socialisation 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.
      iii. 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.

Bank Indonesia’s policy mix is part of the policy synergy coordinated intensively with the Government as well as through the Financial System Stability Committee as well as other relevant authorities to maintain macroeconomic and financial system stability, while striving to recover the national economy from COVID-19.
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<tr>
<td>11. Board of Governors Regulation (PADG) No. 22/10/PADG/2020, as the fifth amendment to PADG No. 22/10/PADG/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units</td>
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<tr>
<td>12. Board of Governors Regulation (PADG) No. 22/11/PADG/2020, as an amendment to PADG No. 21/22/PADG/2019 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLPB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units</td>
</tr>
<tr>
<td>13. Board of Governors Regulation (PADG) No. 22/12/PADG/2020 concerning the Implementation Regulations for Integrated Bank Indonesia Licensing via Front Office Licensing</td>
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</tbody>
</table>
### Bank Indonesia Policies in 2020

**May**

1. Bank Indonesia decided to hold the BI7DRR at 4.50%, while also maintaining the DF and LF rates at 3.75% and 5.25% respectively. The decision considered the need to maintain exchange rate stability amidst elevated global financial market uncertainty, while Bank Indonesia perceived adequate space to lower the policy rate due to mild inflationary pressures and the urgent need to stimulate economic growth, particularly in 2020.

2. Bank Indonesia strengthened its policy mix oriented towards mitigating the risks associated with COVID-19, maintained money market and financial system stability as well as worked in synergy with the Government and other relevant authorities to accelerate the National Economic Recovery through the following actions:
   a. Providing liquidity for the banking industry in terms of restructuring MSME loans and ultra-micro enterprises with formal loans.
   b. Considering implementation of Reserve Requirement Remuneration for all banks.
   c. Strengthening monetary operations and Sharia financial market deepening through Sharia-Compliant Liquidity Facilities (FLisBI), Sharia-Compliant Liquidity Management (PaSBI) and Sharia-Compliant Interbank Fund Management Certificates (SiPA).
   d. Accelerating implementation of the digital economy and finance as part of the national economic recovery efforts through collaboration between the banking industry and FinTech to expand MSME and public access to economic and financial services.

3. Bank Indonesia continued to monitor global economic and financial market dynamics as well as COVID-19 transmission and the economic impact on Indonesia over time, while implementing the coordinated follow-up policies required with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability and support the national economic recovery.

**June**

1. Bank Indonesia decided to lower the BI7DRR by 25bps to 4.25%, while lowering the DF and LF rates by 25bps each to 3.50% and 5.00% respectively. The decision was consistent with efforts to maintain economic stability and nurture economic recovery momentum in the COVID-19 era. Moving forward, Bank Indonesia still perceives space to lower interest rates in line with mild inflationary pressures, maintained external stability and the need to stimulate economic growth.

2. Bank Indonesia instituted the following policy mix:
   a. Continuing exchange rate stabilisation policy and quantitative easing through SVN purchases in the primary market and injecting liquidity into the banking industry for the loan restructuring program to support the national economic recovery.
   b. Expanding toll road electronification through use of contactless payments as an alternative in the new normal era.
   c. Offering reserve requirement remuneration for all banks meeting the daily and average Rupiah reserve requirements of 1.5% per annum, with 3% of deposits required to receive the remuneration, effective 1st August 2020.
   d. Fostering digital economic activity by expanding QRIS implementation in various sectors.

3. Bank Indonesia continued to strengthen its policy mix and synergise to implement the follow-up policies required through coordination with the Government and Financial System Stability Committee in order to maintain macroeconomic and financial system stability, while supporting the national economic recovery.

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### Bank Indonesia Regulations in 2020

**May**

1. Board of Governors Regulation (PADG) No. 22/13/PADG/2020 concerning Clarification of Rupiah Banknotes with Suspect Authenticity

2. Board of Governors Regulation (PADG) No. 22/14/PADG/2020 concerning the Licensing and Operating Procedures for a Central Counterparty for Over-the-Counter Interest Rate and Exchange Rate Derivatives

**June**

1. Board of Governors Regulation (PADG) No. 22/15/PADG/2020 as the second amendment to PADG No. 19/6/PADG/2017 concerning Short-Term Liquidity Assistance for Conventional Commercial Banks

2. Board of Governors Regulation (PADG) No. 22/16/PADG/2020 as the second amendment to PADG No. 19/8/PADG/2017 concerning Short-Term Liquidity Assistance for Sharia Banks
Institutional Management in 2020
Bank Indonesia Policy Mix and Institutional Policy for 2021

Bank Indonesia Policies in 2020

**July**

1. Bank Indonesia decided to lower the BI7DRR by 25bps to 4.00%, while lowering the DF and LF rates by 25bps each to 3.25% and 4.75% respectively. The decision was consistent with low projected inflation and maintained external stability, as well as a follow-up action to drive the national economic recovery during the COVID-19 pandemic.

2. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening a synergised expansive monetary policy response with accelerated fiscal stimuli from the Government to support the national economic recovery through: (i) measured SBN purchases in the primary market to finance the budgets for healthcare, social protections, sectoral government ministries and agencies as well as local government; (ii) burden sharing with the Government to accelerate the MSME and corporate sector recoveries
   c. Strengthening policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, including by providing funding for the Deposit Insurance Corporation (LPS) through a repurchase agreement mechanism and/or purchasing SBN held by LPS in accordance with Government Regulation No. 33 of 2020.
   d. Expediting payment system digitalisation to hasten implementation of the digital economy and finance as part of the economic recovery efforts through collaboration between the banking and FinTech industries to expand MSME and public access to economic and financial services.

Bank Indonesia issued:

2. Bank Indonesia Regulation (PBI) No. 22/10/PBI/2020, as the second amendment to PBI No. 20/3/PBI/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units
3. Board of Governors Regulation (PADG) No. 22/17/PADG/2020, as an amendment to PADG No. 19/21/PADG/2017 concerning Prefund Provision for Funds Transfers and Scheduled Clearing by Bank Indonesia
4. Board of Governors Regulation (PADG) No. 22/18/PADG/2020 concerning Sharia Interbank Money Market Instruments and Settlement
5. Board of Governors Regulation (PADG) No. 22/19/PADG/2020, as the sixth amendment to PADG No. 20/10/PADG/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units

**August**

1. Bank Indonesia decided to hold the BI7DRR at 4.00%, while also maintaining the DF and LF rates at 3.25% and 4.75% respectively. The decision considers the need to maintain external stability amidst low projected inflation.

2. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening the monetary operations strategy to increase transmission of the accommodative monetary policy stance.
   c. Lowering the minimum downpayment requirements on green automotive loans from 5-10% to 0% in accordance with prudential principles, effective 1st October 2020
   d. Strengthening synergy with the banking industry, FinTech, Government and other relevant authorities to accelerate digitalisation, including MSME digitalisation, the Gernas BBI movement to promote pride in Indonesian-made products, expanding community-based QRIS acceptance and promoting QRIS use in e-commerce.
   e. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.

Bank Indonesia issued:

1. Bank Indonesia Regulation (PBI) No. 22/11/PBI/2020 concerning the Release and Circulation of the Special Rp75,000 Denomination Commemorative Banknote for the 75th Anniversary of Indonesian Independence
2. Bank Indonesia Regulation (PBI) No. 22/12/PBI/2020 concerning Bilateral Local Currency Settlement through Banks
3. Board of Governors Regulation (PADG) No. 22/20/PADG/2020 concerning Bilateral Local Currency Settlement between Indonesia and Japan in Rupiah and Yen through Banks

Bank Indonesia Regulations in 2020

2. Bank Indonesia Regulation (PBI) No. 22/10/PBI/2020, as the second amendment to PBI No. 20/3/PBI/2018 concerning Rupiah and Foreign Currency Reserve Requirements for Conventional Commercial Banks, Sharia Banks and Sharia Business Units
1. Bank Indonesia decided to hold the BI7DRR at 4.00%, while also maintaining the DF and LF rates at 3.25% and 4.75% respectively. The decision considered the need to maintain Rupiah exchange rate stability amidst low projected inflation.

2. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening the monetary operations strategy to enhance transmission of the current monetary policy stance.
   c. Extending the 50bps lower Rupiah reserve requirements, as an incentive for banks disbursing loans to small and medium enterprises (MSME) and for export-import activity as well as to non-MSME operating in priority sectors as stipulated in the national economic recovery program, from 31st December 2020 previously until 30th June 2021.
   d. Accelerating development of money market instruments to support corporate and MSME financing in line with the national economic recovery program.
   e. Expanding QRIS acceptance to bolster the economic recovery and accelerate MSME development by extending the 0% Merchant Discount Rate (MDR) for micro-businesses from 30th September 2020 previously until 31st December 2020.

3. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.

Bank Indonesia issued:

1. Bank Indonesia Regulation (PBI) No. 22/13/PBI/2020, as the second amendment to PBI No. 20/8/PBI/2018 concerning the Loan-to-Value Ratio for Property Loans, Financing-to-Value Ratio for Property Financing and Down Payments on Automotive Loans and Financing
2. Bank Indonesia Regulation (PBI) No. 22/14/PBI/2020 concerning Monetary Operations
3. Bank Indonesia Regulation (PBI) No. 22/15/PBI/2020, as the third amendment to PBI NO. 19/3/PBI/2017 concerning Short-Term Liquidity Assistance for Conventional Commercial Banks
4. Bank Indonesia Regulation (PBI) No. 22/16/PBI/2020, as the third amendment to PBI NO. 19/4/PBI/2017 concerning Short-Term Liquidity Assistance for Sharia Banks
5. Bank Indonesia Regulation (PBI) No. 22/17/PBI/2020, as the second amendment to PBI No. 20/4/PBI/2018 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MPLB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units
6. Bank Indonesia Regulation (PBI) No. 22/18/PBI/2020, as the fourth amendment to PBI No. 17/18/PBI/2015 concerning Transactional Processing, Securities Administration and Real-Time Settlement
7. Board of Governors Regulation (PADG) No. 22/21/PADG/2020, as an amendment to PADG No. 21/25/PADG/2019 concerning the Loan-to-Value Ratio for Property Loans, Financing-to-Value Ratio for Property Financing and Down Payments on Automotive Loans and Financing
1. Bank Indonesia decided to hold the BI7DRR at 4.00%, while also maintaining the DF and LF rates at 3.25% and 4.75% respectively. The decision considered the need to maintain Rupiah exchange rate stability amidst low projected inflation.

2. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
   c. Accelerating money market and foreign exchange market deepening through infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP).
   d. Strengthening policy implementation to stimulate MSME through corporatisation, increasing capacity, access to finance as well as digitalisation in line with the National Made in Indonesia Movement (Gernas BBI).
   e. Strengthening the digital economy and finance ecosystem through use of digital payment instruments as well as collaboration between the banking industry, FinTech and e-commerce to support the national economic recovery program.

3. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.

Bank Indonesia Policies in 2020

Bank Indonesia Regulations in 2020

October

1. Bank Indonesia Policies in 2020:

   1. Bank Indonesia decided to hold the BI7DRR at 4.00%, while also maintaining the DF and LF rates at 3.25% and 4.75% respectively. The decision considered the need to maintain Rupiah exchange rate stability amidst low projected inflation.

   2. Bank Indonesia implemented the following policy measures:
      a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
      b. Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
      c. Accelerating money market and foreign exchange market deepening through infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP).
      d. Strengthening policy implementation to stimulate MSME through corporatisation, increasing capacity, access to finance as well as digitalisation in line with the National Made in Indonesia Movement (Gernas BBI).
      e. Strengthening the digital economy and finance ecosystem through use of digital payment instruments as well as collaboration between the banking industry, FinTech and e-commerce to support the national economic recovery program.

   3. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.

Bank Indonesia Regulations in 2020:

1. Board of Governors Regulation (PADG) No. 22/22/PADG/2020 concerning Instruments of Open Market Operations


3. Board of Governors Regulation (PADG) No. 22/24/PADG/2020 concerning Standing Facilities

4. Board of Governors Regulation (PADG) No. 22/25/PADG/2020 concerning Criteria and Requirements of Securities in Monetary Operations

5. Board of Governors Regulation (PADG) No. 22/26/PADG/2020 concerning Participation in Monetary Operations

6. Board of Governors Regulation (PADG) No. 22/27/PADG/2020 as the second amendment to PADG No. 20/2/PADG/2018 concerning Intraday Liquidity Facility (ILF) Procedures

7. Board of Governors Regulation (PADG) No. 22/28/PADG/2020, as the second amendment to PADG No. 20/4/PADG/2018 concerning Securities Administration via the Bank Indonesia – Scripless Securities Settlement System

8. Board of Governors Regulation (PADG) No. 22/29/PADG/2020, as the second amendment to PADG No. 20/15/PADG/2018 concerning Real-Time Settlement via the Bank Indonesia – Real Time Gross Settlement System

9. Board of Governors Regulation (PADG) No. 22/30/PADG/2020, as the second amendment to PADG No. 21/22/PADG/2019 concerning the Macropudential Intermediation Ratio (MIR) and Macropudential Liquidity Buffer (MPLB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units.
November

Bank Indonesia Policies in 2020

1. Bank Indonesia decided to lower the BI7DRR by 25bps to 3.75%, while lowering the DF and LF rates by 25bps each to 3.00% and 4.50% respectively. The decision was based on projected low inflation, maintained external stability as well as follow-up policy measures to expedite the national economic recovery.

2. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
   c. Accelerating foreign exchange market deepening by strengthening the domestic non-deliverable forwards market to increase liquidity, while deepening the financial markets as part of the Money Market Development Blueprint 2025.
   d. Maintaining an accommodative macroprudential policy stance by holding the countercyclical buffer at 0%, the Macroprudential Intermediation Ratio (MfIR) in the 84-94% range with a 0% disincentive parameter, the Macroprudential Liquidity Buffer (MPLB) at 6% with 6% repo flexibility, and the Loan-to-Value or Financing-to-Value (LTV/FTV) ratios on property loans/financing in line with prevailing regulations.
   e. Strengthening macroprudential policy to stimulate inclusive financing, in particular for MSME.
   f. Strengthening payment system digitalisation to build economic recovery momentum through several digital transformation initiatives, including:
      i. Expanding access for MSME and the public to digital economic and financial services with the broad support of collaboration between the banking industry and FinTech throughout Indonesia.
      ii. Expanding digital acceptance regionally by strengthening financial electronification policy synergy with all local governments and promoting broader acceptance of digital payments through the Quick Response Code Indonesia Standard (QRIS) campaign in all regions of Indonesia.
   g. Supporting the economic recovery through the following payment system policies:
      i. Extending the period of lower service fees for the National Clearing System (SKNBI), as well as the lower payment limit and late payment fees for credit cards.
      ii. Reducing service fees for the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system.

3. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, as well as expedite the national economic recovery.

Bank Indonesia Regulations in 2020

1. Board of Governors Regulation (PADG) No. 22/31/PADG/2020, as the third amendment to PADG No. 19/6/PADG/2017 concerning Short-Term Liquidity Assistance for Conventional Commercial Banks

2. Board of Governors Regulation (PADG) No. 22/32/PADG/2020, as the third amendment to PADG No. 19/8/PADG/2017 concerning Short-Term Liquidity Assistance for Sharia Banks
December

1. Bank Indonesia decided to hold the BI7DRR at 3.75%, while also maintaining the DF and LF rates at 3.00% and 4.50% respectively. The decision was consistent with projected low inflation and maintained external stability, coupled with efforts to support the economic recovery.

2. Bank Indonesia strengthened policy synergy and supports the various follow-up policies to build national economic recovery optimism through the gradual reopening of productive and safe economic sectors, accelerating fiscal stimuli, increasing bank lending on the demand and supply sides, maintaining monetary and macroprudential stimuli as well as expediting economic and financial digitalisation.

3. Bank Indonesia implemented the following policy measures:
   a. Maintaining Rupiah exchange rate stabilisation policy in line with the currency’s fundamental value and market mechanisms.
   b. Strengthening the monetary operations strategy to reinforce the accommodative monetary policy stance.
   c. Strengthening accommodative macroprudential policy to stimulate expansion of loans/financing allocated to priority sectors towards national economic recovery, while maintaining financial system resilience.
   d. Promoting lower lending rates through close supervision and public communication in coordination with the Indonesian Financial Services Authority (OJK) in terms of interest rate transparency in the banking industry.
   e. Strengthening money market deepening by expanding underlying DNDF to boost liquidity and reinforce JISDOR as a reference for exchange rate setting in the foreign exchange market.
   f. Strengthening integrated bank supervision coordination between Bank Indonesia, the Indonesian Financial Services Authority (OJK) and Deposit Insurance Corporation (LPS) to maintain financial system stability.
   g. Accelerating digital transformation and synergy to strengthen economic recovery momentum through robust payment system policy and faster implementation of the Indonesia Payment System Blueprint 2025.

4. Bank Indonesia continued to strengthen close policy coordination with the Government and Financial System Stability Committee to maintain macroeconomic and financial system stability, as well as expedite the national economic recovery.

Bank Indonesia issued:

1. Bank Indonesia Regulation (PBI) No. 22/19/PBI/2020, as an amendment to PBI No. 22/4/PBI/2020 concerning Incentives for Banks to Fund Specific Economic Activities to Contain the Economic Impact of Covid-19


3. Bank Indonesia Regulation (PBI) No. 22/21/PBI/2020, as an amendment to PBI No. 21/14/PBI/2019 concerning Export Proceeds and Import Payments

4. Bank Indonesia Regulation (PBI) No. 22/22/PBI/2020, as an amendment to PBI No.21/9/PBI/2019 concerning Integrated Commercial Bank Reporting

5. Bank Indonesia Regulation (PBI) No. 22/23/PBI/2020 concerning the Payment System

6. Board of Governors Regulation (PADG) No. 22/23/PADG/2020, as the third amendment to PADG No. 20/15/PADG/2018 concerning Real-Time Settlement through the Bank Indonesia – Real Time Gross Settlement System

7. Board of Governors Regulation (PADG) No. 22/34/PADG/2020 concerning Bilateral Transaction Settlement between Indonesia and Thailand in Rupiah and Baht through Banks

8. Board of Governors Regulation (PADG) No. 22/35/PADG/2020, as an amendment to PADG No. 22/4/PADG/2020 concerning the implementation of Bank Indonesia Regulation (PBI) No. 22/4/PBI/2020 concerning Bank Incentives to Provide Funding for Specific Economic Activities to Contain the Economic Impact of Covid-19
# GLOSSARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered Prices</td>
<td>The price of goods and services regulated by the government, such as fuel price and electricity base tariff.</td>
</tr>
<tr>
<td>Baldrige Excellence Framework (BEF)</td>
<td>A framework that helps organizations recognize their strengths and find room for improvement to become a top performing organization.</td>
</tr>
<tr>
<td>Bank Indonesia – Scripless Securities Settlement System</td>
<td>Means of transaction with Bank Indonesia including its administration and electronic Securities administration connected directly between Participants, Operators, and BI-RTGS System.</td>
</tr>
<tr>
<td>Bank Indonesia Certificate</td>
<td>Short-term promissory notes in Rupiah issued by Bank Indonesia.</td>
</tr>
<tr>
<td>Bank Indonesia National Clearing System</td>
<td>Electronic fund transfer system which includes debit clearing and credit clearing through national transaction settlement.</td>
</tr>
<tr>
<td>Bank Indonesia Real-Time Gross Settlement</td>
<td>Electronic fund transfer system between participants of BI-RTGS System in Rupiah whose settlement is made in real time per transaction individually.</td>
</tr>
<tr>
<td>Banknotes</td>
<td>Paper money and coins that are issued and circulated by Bank Indonesia and used as legal tender in the Republic of Indonesia.</td>
</tr>
<tr>
<td>BI-7 Day Reverse Repo Rate</td>
<td>Policy rate which reflects the monetary policy stance of Bank Indonesia and is transactional. The rate is used in the buy/sell of Government Bonds between Bank Indonesia and commercial banks in the money market. The bonds are traded under repurchase agreement with 7 days tenor.</td>
</tr>
<tr>
<td>BI-FAST</td>
<td>Payment system services that are carried out in real time in 24/7, which speed up the transaction settlement process and will replace the SKNBI.</td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>Capital adequacy ratio which covers the risk of losses banks may encounter.</td>
</tr>
<tr>
<td>Cash Services</td>
<td>Bank Indonesia’s rupiah distribution activity handed to an operating bank to cover the needs of participating banks in order to fill the cash of participating banks to meet the people’s demand in a certain area.</td>
</tr>
<tr>
<td>Central Clearing Counterparty</td>
<td>A clearing house that takes over counterparty risk from transactions between market participants through a novation process and performs multilateral netting on transaction exposure of market participants.</td>
</tr>
<tr>
<td>Circulated Banknotes</td>
<td>Money in the public and bank vaults.</td>
</tr>
<tr>
<td>Clean money policy</td>
<td>Bank Indonesia policy to withdraw and destroy currency that is no longer fit for circulation replaced by currency fit for circulation through mobile cash units, including in 3T (frontier, outlying, remote) regions. Bank Indonesia also works in synergy with the banking industry to implement the BI Outreach and Cash Deposit Program that ensures currency fit for circulation reaches far-flung regions from the nearest Bank Indonesia office.</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
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<td>-----------------------------</td>
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</tr>
<tr>
<td>Clearing</td>
<td>The amount of debts between clearing participants are centralized in one place, by handing securities and trade securities which have been set for clearing.</td>
</tr>
<tr>
<td>Commercial Papers</td>
<td>Securities issued by non-financial corporations or financial institutions in form of promissory notes with maturities of up to one year registered in Bank Indonesia.</td>
</tr>
<tr>
<td>Consumer Price Index Inflation</td>
<td>The increase in the price of goods as measured by changes in the consumer index.</td>
</tr>
<tr>
<td>Core Inflation</td>
<td>Persistent inflation components in an inflation movement and are affected by fundamental factors, such as supply-demand interaction, exchange rate, international commodity price, inflation of trading partners, and inflation expectation. Core inflation is obtained from the CPI inflation figure after taking out the components of volatile foods and administered prices.</td>
</tr>
<tr>
<td>Countercyclical Capital Buffer</td>
<td>Additional capital to anticipate losses in the event of excessive bank credit growth, which has the potential to disrupt financial system stability.</td>
</tr>
<tr>
<td>Covid-19</td>
<td>Corona virus disease (Covid-19) is an infectious disease caused by the corona virus which was most recently discovered in 2019.</td>
</tr>
<tr>
<td>Currency for Circulation</td>
<td>Banknotes that meet the requirements for circulation based on the quality standards stipulated by Bank Indonesia.</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>Part of Indonesia’s Balance of Payments which includes: Trade Balance, Services, Primary Income and Secondary Income.</td>
</tr>
<tr>
<td>Current Account Deficit</td>
<td>The condition in which a country’s imports of goods and services exceeds its exports, or the difference between deficit/surplus in trade account and deficit/surplus in services account.</td>
</tr>
<tr>
<td>Deposit Facility</td>
<td>Bank funding placement facility in Bank Indonesia as part of monetary operations.</td>
</tr>
<tr>
<td>Digital banking</td>
<td>Electronic banking services developed by optimizing the use of customer data in order to serve customers faster, easier, and in accordance to their needs. The service can be carried out completely independently by customers with due regard to security aspects.</td>
</tr>
<tr>
<td>Domestic Non-Deliverable Forward</td>
<td>Plain vanilla foreign exchange derivative against Rupiah in form of forward transaction with fixing mechanism implemented in the domestic market.</td>
</tr>
<tr>
<td>Dynamic Systemic Risk Surveillance</td>
<td>A forward looking and integrated supervisory framework which takes into account all supervisory information under the authority of Bank Indonesia.</td>
</tr>
<tr>
<td>Electronic Money</td>
<td>Payment instruments issued on the basis of the value of money that has been deposited in advance.</td>
</tr>
<tr>
<td>Emerging Market</td>
<td>A group of countries with rapidly developing economies as reflected in the development of financial market and industrialization.</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
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<td>---------------------------------</td>
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</tr>
<tr>
<td>Export Proceeds</td>
<td>Proceeds received by exporters from export activities.</td>
</tr>
<tr>
<td>Financial System Stability Index</td>
<td>The overall performance indicator of Indonesia’s financial system stability which covers banking, stock and bond markets, and helps identifying potential pressures in the financial system.</td>
</tr>
<tr>
<td>Financial Technology</td>
<td>Technology utilization in the financial system which creates products, services, technology, and/or new business model which can impact monetary stability, financial system stability, and/or the efficiency, smoothness, security, and reliability of payment system.</td>
</tr>
<tr>
<td>Fiscal stimulus</td>
<td>Policy measures undertaken by a government that typically reduce taxes or regulations or increase government spending in order to boost economic activity.</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td>State foreign exchange reserves controlled by Bank Indonesia and are registered on Bank Indonesia’s balance sheet as assets, including gold, foreign banknotes, and billing in form of current account, time deposits, money order, foreign securities, and others in foreign currencies to foreign parties which can be used as overseas payment tools.</td>
</tr>
<tr>
<td>Government Debts</td>
<td>Debt securities in Rupiah and foreign currencies issued by the Republic of Indonesia, as stated in the laws.</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>Economic indicators which reflect the final amount of goods and services produced by all economic units in a country in a certain time period.</td>
</tr>
<tr>
<td>Halal Value Chains</td>
<td>A halal ecosystem from upstream to downstream industries. The halal value chain covers four industrial sectors: tourism, cosmetics and medicine, food, and finance.</td>
</tr>
<tr>
<td>Hedging</td>
<td>The use of derivatives or other financial instruments to protect a company from risks related to the change of fair value of assets or obligations.</td>
</tr>
<tr>
<td>Idiosyncratic Risk</td>
<td>Risk that is unique to each institution, so that its movements are independent of the market.</td>
</tr>
<tr>
<td>Indonesia’s Balance of Payments</td>
<td>A summary of transactions between residents of a country and residents of other countries in certain period of time (usually one year). The balance of payment includes purchase and sale of goods and services, grants from individuals and foreign governments, and financial transactions. Generally, balance of payment consists of current account and financial and capital account, and financial items.</td>
</tr>
<tr>
<td>indONIA</td>
<td>Interest rate index on interbank Rupiah borrowing transactions without collateral for an overnight period in Indonesia.</td>
</tr>
<tr>
<td>Economic conditions signified by fast price increase which causes lower purchasing power. There are two types of inflation: cost-push inflation and demand-pull inflation.</td>
<td></td>
</tr>
<tr>
<td>Interbank Money Market Borrowing activities in Rupiah and/or foreign exchange between Conventional Banks in an overnight period.</td>
<td></td>
</tr>
<tr>
<td>Lending Facility Lending facility in Rupiah from Bank Indonesia to Banks in relation to monetary operations.</td>
<td></td>
</tr>
<tr>
<td>The ability to pay off all liabilities in a short period of time; a company is classified as liquid if it has liquid assets more than the sum of all of its liabilities.</td>
<td></td>
</tr>
<tr>
<td>Comparison between High Quality Liquid Asset and total net cash outflow for the next 30 days in a stress scenario.</td>
<td></td>
</tr>
<tr>
<td>Risk due to Bank Indonesia's inability to meet maturing financial obligations and execute asset transactions in real time at a fair price.</td>
<td></td>
</tr>
<tr>
<td>The ratio between credit/financial value which can be given to Conventional or Sharia Commercial Banks against collateral value in property during the credit/financing disbursement based on current assessment results.</td>
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<tr>
<td>A form of artificial intelligence that allows a system to learn from data rather than from an explicit programming process.</td>
<td></td>
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<tr>
<td>Financial regulation approach that aims to mitigate overall financial system risks.</td>
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<tr>
<td>Refinement of the LFR reserve requirement policy by adding securities (SSB) owned by banks as a financing component. However, only SSB which met certain requirements that can be considered a component of RIM, such as: issued by a nonfinancial corporation and has a rating equivalent to investment grade.</td>
<td></td>
</tr>
<tr>
<td>Macroprudential instrument formulated to increase banking liquidity resilience. It requires banks to have a liquidity buffer in the form of securities in a certain amount from Rupiah deposit.</td>
<td></td>
</tr>
<tr>
<td>Risk due to market movements in form of interest rates, exchange rates, equities, and commodities.</td>
<td></td>
</tr>
<tr>
<td>Financial regulation approach related to individual financial institution management to avoid harming its business sustainability.</td>
<td></td>
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<tr>
<td>The minimum amount of funds a bank must hold which is determined by Bank Indonesia at a certain percentage of third party funds.</td>
<td></td>
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<tr>
<td>Bank Indonesia's monetary operation implementation for monetary management through the Open Market Operation and Interest Rate Corridor (Standing Facilities).</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Net Stable Funding Ratio</td>
<td>Comparison between available stable funding with required stable funding.</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Risk due to the impact of weaknesses in internal process, human resources,</td>
</tr>
<tr>
<td></td>
<td>system, and external factors that affect the policies and/or operations of</td>
</tr>
<tr>
<td></td>
<td>institutions.</td>
</tr>
<tr>
<td>Policy Risk</td>
<td>Risk of policy statements and setting, and regulations, by Bank Indonesia</td>
</tr>
<tr>
<td></td>
<td>to the public.</td>
</tr>
<tr>
<td>Purchasing Manager’s Index</td>
<td>Economic indicators obtained from monthly surveys of the private sector.</td>
</tr>
<tr>
<td>Regional Inflation Control Team</td>
<td>A cross-Institution team that monitors regional inflation development and</td>
</tr>
<tr>
<td></td>
<td>identifies various issues on inflation control.</td>
</tr>
<tr>
<td>Repo</td>
<td>Conditional sale transaction of securities by a bank with an obligation to</td>
</tr>
<tr>
<td></td>
<td>repurchase at an agreed price and term.</td>
</tr>
<tr>
<td>Repurchase Agreement</td>
<td>Financial instrument sales transactions between two parties based on a</td>
</tr>
<tr>
<td></td>
<td>contract that at a later date there will be repurchases on the same financial</td>
</tr>
<tr>
<td></td>
<td>instrument at an agreed price.</td>
</tr>
<tr>
<td>Short Term Liquidity Loans</td>
<td>Loans from Bank Indonesia to Banks to settle their short-term liquidity</td>
</tr>
<tr>
<td></td>
<td>issues.</td>
</tr>
<tr>
<td>Sovereign Credit Rating</td>
<td>Credit rating of a sovereign state institution, which is the government.</td>
</tr>
<tr>
<td></td>
<td>Sovereign Credit Rating indicates the risk level of an investment environment</td>
</tr>
<tr>
<td></td>
<td>in a country and is used by foreign investors wanting to invest in the</td>
</tr>
<tr>
<td></td>
<td>country.</td>
</tr>
<tr>
<td>Spot</td>
<td>Forex transactions with settlement on the same day or a maximum of two days.</td>
</tr>
<tr>
<td>Swap</td>
<td>Exchange transactions of two currencies through buying or selling in cash</td>
</tr>
<tr>
<td></td>
<td>(spot) with future buying or selling held simultaneously with the same party</td>
</tr>
<tr>
<td></td>
<td>at a premium or discounted rate and exchange rate made and agreed upon the</td>
</tr>
<tr>
<td></td>
<td>date of transactions.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Systemic Risk</td>
<td>Risk due to an event at the company level that could trigger severe instability or collapse an entire industry or economy. Companies considered to be a systemic risk are called “too big to fail”.</td>
</tr>
<tr>
<td>Third Party Funds</td>
<td>Funds entrusted by the public to banking based on fund saving agreements in form of current account, deposit, deposit certificate, saving, and or other equal forms.</td>
</tr>
<tr>
<td>Triple Intervention</td>
<td>Rupiah exchange rate stabilization strategy through intervention on the spot market, provision of foreign exchange liquidity related to hedging instruments through DNDF, and purchasing SBN on the secondary market in order to maintain adequate Rupiah liquidity.</td>
</tr>
<tr>
<td>Two Sided Monetary Operation</td>
<td>Monetary operation in two sides, both absorption or injection.</td>
</tr>
<tr>
<td>Unqualified Opinion</td>
<td>Unqualified opinion, issued by auditors if there are no limitations in audit coverage and no significant exceptions in fairness and application of general accounting principles in the financial statements, consistency of general accounting principles application, as well as sufficient disclosure in financial statements. The financial statement are considered to fairly present the financial positions and business outcomes of an organization, according to generally accepted accounting principles.</td>
</tr>
<tr>
<td>Volatile Food</td>
<td>Dominant CPI inflation components affected by shocks in the food category such as harvest and nature, whose prices fluctuating.</td>
</tr>
<tr>
<td>Yield</td>
<td>Return.</td>
</tr>
</tbody>
</table>

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Risk due to an event at the company level that could trigger severe instability or collapse an entire industry or economy. Companies considered to be a systemic risk are called “too big to fail”.

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**Volatile Food**
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**Yield**
Return.
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADG</td>
<td>Member of Board of Governors</td>
</tr>
<tr>
<td>AMRO</td>
<td>ASEAN+3 Macroeconomic Research Office</td>
</tr>
<tr>
<td>ANO</td>
<td>Non-Operating Asset</td>
</tr>
<tr>
<td>ANRI</td>
<td>National Archives of the Republic of Indonesia</td>
</tr>
<tr>
<td>Aparkum</td>
<td>Legal Apparatus</td>
</tr>
<tr>
<td>AP</td>
<td>Administered Prices</td>
</tr>
<tr>
<td>APBN</td>
<td>State Revenue and Expenditure Budget</td>
</tr>
<tr>
<td>API</td>
<td>Application Programming Interface</td>
</tr>
<tr>
<td>APU/PPT</td>
<td>Anti-Money Laundering and Counter-Terrorism Financing</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>ATBI</td>
<td>Bank Indonesia Annual Budget</td>
</tr>
<tr>
<td>Bansos</td>
<td>Social Aid Program</td>
</tr>
<tr>
<td>BCBS</td>
<td>Basel Committee on Banking Supervision</td>
</tr>
<tr>
<td>BCSA</td>
<td>Bilateral Currency Swap Arrangement</td>
</tr>
<tr>
<td>BEF</td>
<td>Baldrige Excellence Framework</td>
</tr>
<tr>
<td>BI</td>
<td>Bank Indonesia</td>
</tr>
<tr>
<td>BI7DRR</td>
<td>BI 7-Day (Reverse) Repo Rate</td>
</tr>
<tr>
<td>BI-ANTASENA</td>
<td>National Metadata-Based Integrated Reporting Application</td>
</tr>
<tr>
<td>BI-ETP</td>
<td>Bank Indonesia - Electronic Trading Platform</td>
</tr>
<tr>
<td>BI-FAST</td>
<td>Bank Indonesia - Fast Payment System</td>
</tr>
<tr>
<td>BI-RTGS</td>
<td>Bank Indonesia - Real Time Gross Settlement System</td>
</tr>
<tr>
<td>BI-SSSS</td>
<td>Bank Indonesia - Scripless Securities Settlement System</td>
</tr>
<tr>
<td>BIG-eB</td>
<td>Bank Indonesia - Government Electronic Banking</td>
</tr>
<tr>
<td>BIMASAKTI</td>
<td>Bank Indonesia Direction Toward Integrated Application Systems</td>
</tr>
<tr>
<td>BIS</td>
<td>Bank for International Settlements</td>
</tr>
<tr>
<td>Birama</td>
<td>Bank Indonesia Speaks with the Community</td>
</tr>
<tr>
<td>BPK-RI</td>
<td>Audit Board of the Republic of Indonesia</td>
</tr>
<tr>
<td>BPPU</td>
<td>Money Market Deepening Blueprint</td>
</tr>
<tr>
<td>bps</td>
<td>Basis Point</td>
</tr>
<tr>
<td>Brexit</td>
<td>British Exit</td>
</tr>
<tr>
<td>BRS</td>
<td>Business Resumption Site</td>
</tr>
<tr>
<td>BSBI</td>
<td>Bank Indonesia Supervisory Board</td>
</tr>
<tr>
<td>BSPI</td>
<td>Indonesia Payment System Blueprint</td>
</tr>
<tr>
<td>CAD</td>
<td>Current Account Deficit</td>
</tr>
<tr>
<td>CAR</td>
<td>Capital Adequacy Ratio</td>
</tr>
<tr>
<td>CBS</td>
<td>Core Banking System</td>
</tr>
<tr>
<td>CCB</td>
<td>Countercyclical Capital Buffer</td>
</tr>
<tr>
<td>CCP</td>
<td>Central Counterparty</td>
</tr>
<tr>
<td>CCyB</td>
<td>Countercyclical Capital Buffer</td>
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<tr>
<td>CEPA</td>
<td>Free Trade Agreement/Comprehensive Economic Partnership Agreement</td>
</tr>
<tr>
<td>CIJBF</td>
<td>Central Java Investment Business Forum</td>
</tr>
<tr>
<td>CLIP</td>
<td>Corporate Learning Improvement Process</td>
</tr>
<tr>
<td>CMIM</td>
<td>Chiang Mai Initiative Multilateralization</td>
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<tr>
<td>Covid-19</td>
<td>Coronavirus Disease 2019</td>
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<tr>
<td>CMS</td>
<td>Cash Management System</td>
</tr>
<tr>
<td>DC</td>
<td>Data Centre</td>
</tr>
<tr>
<td>DEKRAIAS</td>
<td>National Handicraft Council</td>
</tr>
<tr>
<td>DEKRAISDA</td>
<td>Regional National Handicraft Council</td>
</tr>
<tr>
<td>DIMPS</td>
<td>Dynamic Integrated Macroprudential Policy</td>
</tr>
<tr>
<td>DJB</td>
<td>De Javasche Bank</td>
</tr>
<tr>
<td>DKUT</td>
<td>Main Cash Depot in Eastern Indonesia</td>
</tr>
<tr>
<td>DNDF</td>
<td>Domestic Non-Deliverable Forwards</td>
</tr>
<tr>
<td>DPK</td>
<td>Third-Party Funds/Deposits</td>
</tr>
<tr>
<td>DPR-RI</td>
<td>People’s Representative Council of the Republic of Indonesia</td>
</tr>
<tr>
<td>DS</td>
<td>Destination Statement</td>
</tr>
<tr>
<td>DSRS</td>
<td>Dynamic Systemic Risk Surveillance</td>
</tr>
<tr>
<td>EFMD</td>
<td>European Foundation for Management Development</td>
</tr>
<tr>
<td>EKD</td>
<td>Digital Economy and Finance</td>
</tr>
<tr>
<td>ELP</td>
<td>Executive Leadership Program</td>
</tr>
<tr>
<td>EMEAP</td>
<td>Executives’ Meeting of East Asia Pacific Central Banks</td>
</tr>
<tr>
<td>ETT</td>
<td>Midyear Evaluation</td>
</tr>
<tr>
<td>EVP</td>
<td>Employee Value Proposition</td>
</tr>
<tr>
<td>Feskabi</td>
<td>Bank Indonesia Education Festival</td>
</tr>
<tr>
<td>FeSyar</td>
<td>Sharia Economy and Finance Festival</td>
</tr>
<tr>
<td>FGD</td>
<td>Focus Group Discussion</td>
</tr>
<tr>
<td>FinTech</td>
<td>Financial Technology</td>
</tr>
<tr>
<td>FKMM</td>
<td>Macroprudential-Macroprudential Coordination Forum</td>
</tr>
<tr>
<td>FK-PPPK</td>
<td>Coordination Forum for Development Financing through Financial Markets</td>
</tr>
<tr>
<td>FLsBI</td>
<td>Sharia-Compliant Liquidity Facility</td>
</tr>
<tr>
<td>FMIs</td>
<td>Financial Market Infrastructures</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>FOMOBO</td>
<td>Front Office Middle Office Back Office</td>
</tr>
<tr>
<td>FSB</td>
<td>Financial Stability Board</td>
</tr>
<tr>
<td>FTV</td>
<td>Financing-to-Value Ratio</td>
</tr>
<tr>
<td>FX</td>
<td>Foreign Exchange</td>
</tr>
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<td>GenBI</td>
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### BANK INDONESIA REPRESENTATIVE OFFICES

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<td>South Sumatra Province</td>
<td>Jl. Jend. Sudirman No. 510</td>
<td>Palembang</td>
<td>(0711) 354188</td>
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<td>(0736) 21735</td>
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<td>Pematang Siantar</td>
<td>Jl. H. Adam Malik No. 1</td>
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<td>Malang</td>
<td>Jl. Merdeka Utara No. 7</td>
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<td>Kediri</td>
<td>Jl. Brawijaya No. 2</td>
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<td>Jl. Jend. Sudirman No. 15</td>
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<td>Purwokerto</td>
<td>Jl. Jend. Gatot Subroto No. 98</td>
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<td>Tegal</td>
<td>Jl. Dr. Sutomo No. 55</td>
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<td>(0283) 350500</td>
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<td>Tasikmalaya</td>
<td>Jl. Sutisna Senjaya No. 19</td>
<td>Tasikmalaya</td>
<td>(0265) 331813</td>
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<td>46</td>
<td>Balikpapan</td>
<td>Jl. Jend. Sudirman No. 20</td>
<td>Balikpapan</td>
<td>(0542) 411355</td>
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**BANK INDONESIA OVERSEAS REPRESENTATIVE OFFICES**

<table>
<thead>
<tr>
<th>No</th>
<th>Office</th>
<th>Address</th>
<th>City</th>
<th>Telephone</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Beijing</td>
<td>Fortune Financial Center Building 46th Floor, Unit 01 5th Dongsanhuang Road, Chaoyang District Beijing</td>
<td>China</td>
<td>(+86) 10-65969928 / 65969909</td>
</tr>
<tr>
<td>2</td>
<td>Tokyo</td>
<td>New Kokusai Building Room 906 No.4 - 1, Marunouchi 3 - Chome Chiyoda-ku</td>
<td>Japan</td>
<td>(03) 3271-3415, 3271-3416, 3271-3417</td>
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<tr>
<td>3</td>
<td>Singapore</td>
<td>160 Robinson Rd, #28-05 SBF Center</td>
<td>Singapore</td>
<td>(+65) 6223 2701</td>
</tr>
<tr>
<td>4</td>
<td>New York</td>
<td>200 Vesey Street 25th Floor</td>
<td>New York</td>
<td>+1 (212) 732-1958</td>
</tr>
<tr>
<td>5</td>
<td>London</td>
<td>10 City Road, London EC 1Y 2EH</td>
<td>London</td>
<td>(44-20) 7638-9043</td>
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</tbody>
</table>
ANNUAL REPORT 2020

Address : Jalan M.H. Thamrin No. 2
Jakarta 10350 Indonesia
Phone    : 131 / +62 21 1500 131
Facsimile: +62 21 386 4884
e-mail   : bicara@bi.go.id