

**Interview with Mr. Deni Ridwan, Director of Government Debt Securities, Ministry of Finance, Indonesia Government.**

**I: Interviewer (Yoshihiro Fujii)**

**A: Speaker A (Deni Ridwan)**

**I:** First question to you on your issuing Blue Samurai sovereign bond. Why did you decide to issue the Blue Bond in the Samurai market rather than other international bond market like US dollar market, Euro market and so others. Tell us the reason why you selected Japanese market for your first blue bond issuance?

**A:** First of all, I'd like to begin this session by expressing our sincere gratitude to RIEF for acknowledging Indonesia and our very commitment to promoting environment, social, and governance activities including the issuance of our first Blue Bonds in the samurai market.

So the government of Indonesia has established a strong presence in the Japanese bond market by regularly issuing samurai bonds in 2009. This long-standing relationship with the Japanese investor reflects our credibility as an investment destination for Japanese investors.

The decision to issue Indonesia's first Blue Bond on the Japanese market was influenced by several strategic considerations, diversifying our portfolio across a variety of international markets essential for risk management and gaining access to various pools of liquidity. With its sophisticated investors and deep capital market, the Japanese market offers Indonesia unique opportunities to expand our investor base.

Moreover, Indonesia has already issued thematic bonds on the US Dollar market for green sukuk and the euro market for the SDG bonds. So, by issuing Blue Bonds on the Japanese market, we are not only expanding our reach but also demonstrating our global commitment to sustainable financing.

This action is aligned with our broader strategy to pushing Indonesia as a leader in sustainable finance and to attract a variety of investors interested in the environmental initiative.

**I:** Is it different from the investor's attitude or appetite in Japanese markets for your government bond compared to the United States market or the European market? Or even in the Asian market? I mean your evaluation on the Japanese investor's attitude or appetite toward your government bonds. If there are difference do you feel what are

them, or there are no difference exist in Japanese market compared to the other markets?

**A:** Yeah, I think the Japanese investor, in my opinion, has a concern with the marine environment. So that's why we think the issuance of Blue Bonds in the Japanese market. We will be put Indonesia commitment in sustainability into our bonds in line with the concerns of the Japanese investors.

**I:** Okay. So, next questions. Tell us the content of your use of the proceeds of the bonds.

**A:** Okay. In terms of the use of proceeds, as you know we intend to invest an amount equal to the net proceeds from issuance of the bonds into projects that may qualify as eligible expenditures under the Indonesia's SDG Government Securities Framework. As you know Indonesia issues and upgrade our frameworks from green frameworks to the SDGs framework in 2029.

This framework has obtained a second-party opinion or SPO from Cicero and also from IISD.

The issuance of Blue Bonds utilizes the Climate Budget Tagging Mechanism or CBT mechanisms, which is similar to our green sukuk. So, for information, the CBT was allowed to track down government expenditures in various projects or programs related to the mitigation and adaptation effort to tackle climate change.

So, the identification of blue sector activities is carried out by comparing blue sector criteria, according to our frameworks, with data on the Climate Budget Tagging, which includes activities for mitigations, adaptations, climate change co-benefits and biodiversity, such as planting of mangrove and seagrass ecosystems, development of renewable energy from marine and coastal resources, marine waste management, protections and conservations of marine and coastal areas, management of fisheries and marine resources, sea deportations and tourism based on coastal and marine natural resources.

**I:** thank you very much. I move to the third question.

You issued the four types of bonds in maturity. Which maturity were got popularity among the investors? Other words, for Japanese investors in this bond, in case of maturities, such as short-term or long-term, which one was most favourite in terms of maturities?

**A:** So, during the issuance, despite the persistent high volatility in the global economic environment, our credit stories recognized in the Samurai bond market has attracted decent demand both from Japanese and Offshore accounts across different tenors.

The three-year tenor has witnessed a broad spectrum of investors, including city banks, regional cooperatives, central cooperatives, Lifer and asset managers, and also international entities. Notably, there is a robust demand from all investor categories,

showcasing a balanced distribution across the board and preference of Japanese investors on the short tenor.

Moving to the five-year tenors, while the number of investors may be slightly smaller, the diversity of investor type remains quite impressive. Various entities, including life insurances, asset managers, regional banks, and international entities, continue to demonstrate a keen interest and strong demand for these mid-range tenors.

Moving to the seven and ten-year tenors, excitingly, our debut Samurai Blue bonds, with seven and ten-year tenors, have garnered substantial interest from ESG-conscious investors in the life insurances, asset managers, and public funds sectors. This signals a positive trend towards sustainable and socially responsible investing, reflecting a growing awareness and commitment to environment, social, and governance principles in the market.

In summary, despite the economic challenges, ROI credits, ROI solid credit standing, and well-received Samurai bonds have not only attracted diverse investors across various tenors but have also showcased a promising alignment with ESG priorities in the market.

**I:** Thank you very much. And so far, you have issued a lot of bonds in overseas bonds markets. Among such an international market, how do you identify or evaluate the Japanese market rather than the other overseas markets, U.S. or others? Of course, it depends on your using of procedure, which project are you going to fund? But roughly, in general, how do you evaluate the Japanese market among the international market?

**A:** The proceed has been discussed earlier in our previous session and our answers. When comparing the Japanese market with other markets, what we have experienced with Japanese investors is that the investors, including the institutional ones, often exhibit a more conservative risk appetite compared to some global investors. They may prioritize stability and reliability in their investment choices.

Therefore, building and maintaining relationships with investors is crucial in Japanese business culture, and positive past experiences along with effective communication can play a significant role in affecting Japanese investors to samurai bonds. We try to maintain our presence in the Japanese market and build a long-standing partnership with the investors.

Global investors may be more sensitive to broader past conditions, including global economic trends and geopolitical events.

Factors such as interest rate movement and currency exchange rate can influence their decisions. Global investors may conduct through diligence on the economic and political conditions of the issuing countries.

And our ability to provide the most up-to-date and credible information can positively impact our appeal to global investors.

In recent years, there has been a growing trend among global institutional investors to incorporate the ethical decision to their investments.

So I think full consideration to consider when issuing somewhere Blue Bonds is a noticeable shift in market demand regarding ESG focus.

Japanese investors also expressing strong interest in this area. In particular, the Blue Bonds since issuance last year.

This trend is indicating growing recognition among Japanese investors of the critical importance of preserving the world, oceans, and marine resources.

**I:** So you mean that investors, including Japanese ones, prefer such ESG-related bond issuing than general bond. You mean?.

**A:** Yes, in general, when we put a label on our or our bonds, the book orders relatively will increase significantly, not only when we issued the Blue Bonds, but also when we issued our green sukuk and also our SDG bonds.

I think this trend shows that more investors that purchase with the ESG factor have quite a strong demand for ESG instruments.

**I:** So, which means you are going to issue more ESG bonds in the international bond market in a future?

**A:** Yeah, I think the initial government policy on budget financing in focussed a strategic approach where domestic financing sources are prioritized and foreign debt financing is considered as a supplementary.

Regarding the issue of ESG label bonds, the government intends to continue these practices. This decision is driven by the consistency of presence in the market to the potential demands and the government's commitment to sustainable financing and development.

And possibly, other factors that underscore any significations to integrating ESG factor into its financial development strategies.

**I:** So, among the Asian market, are you also going to issue ESG-related bonds for Asian investors? Have you already issued the ESG bond in your country?

**A:** Yes. Thanks for the question, Yoshihiro-san. Actually, we have issued our ESG-related bond or sukuk in the domestic market.

For example, as I mentioned earlier, in 2018, we issued our first green sukuk in the international market. And the following year, 2019, we issued our first green sukuk in the domestic market for retail investors.

And then since 2022, we issued SDGs bonds and green sukuk in the domestic market through regular auction.

And it continues until this year. So, I think we also will continue the issuance of ESG-related bonds or sukuk in the domestic market to fulfil the demand from domestic investors, including from the retail investors.

**I:** You have a lot of experience in issuing the sukuk and the ESG-related ones.

**A:** Yeah. I think as I mentioned as well that Indonesia is not only recognized as the first country to issue green sukuk, but also we are the first country to issue green sukuk for retail investors in the world. And for Blue Bonds, I think we can claim that Indonesia is the first country to issue Blue Bonds that align with international standards and practices.

In this case, the practices that issued based on International Capital Market Association. I think based on our data, that Indonesia is the first country to issue Blue Bonds that are in line with the ICMA principles.

**I:** Okay, thank you very much. At the moment, are you going to plan to issue the ESG-related bond in Japan within the year in 2024?

**A:** Yeah, I think...

**I:** You can say now, but if you can't, it's okay.

**A:** No, no, We try to maintain our presence in the Japanese market, including the introduction of our Blue Bonds. So as you know, usually we try to tap the market, the Japanese market, in April or May. So this year, we also have the plan to capital market in April or May, we also like to again, offer the Blue Bonds to the Japanese market since we had quite a positive impact in our previous issuance.

**I:** Oh, okay. I'm waiting for it. If your Japanese investors buy a lot of bonds, we can select you again some Award.

**A:** Yeah, in last year at the end of November and December. We conducted our non-deal roadshow in the Japanese market in Tokyo Sapporo and several cities around Tokyo, and we gained a lot of positive feedback from the investors about our issuance of the Samurai Bonds, and also several potential investors when they receive information about our Blue Bond issuance, they are quite interested in participating in the upcoming issuance.

**I:** I see. And is it a kind of roadshow to the investors in Japan.

**A:** Yeah. As I mentioned earlier, close coordination and close communication with investors are key in entering the Japanese market, because Japanese investors are quite conservative. And we need to keep them informed about what happened in Indonesia to make them gain confidence in putting their funds in our securities.

**I:** Okay. Thank you very much. If you have any additional views to communicate with the investors or some Japanese investors on something...

**A:** Yes, of course. On behalf of the government of Indonesia, we express our appreciation to Japanese investors that has put their trust, their confidence in our

securities, in our Samurai Bonds.

In particular, they support us when we issue our Blue Bonds, and it's becoming a hit, I mean, the news in the world about the Indonesia issuance and the first ever Blue Bonds and again the positive impact from Japanese investors. I think we cannot gain that achievement without the support from Japanese investors. That's why we would like to thank for the support and hopefully we can continue this relationship, mutual relationship between the government of Indonesia and the Japanese investors in the upcoming issuance.