OJK OTORITAS JASA KEUANGAN

ROADMAP
FOR THE DEVELOPMENT AND STRENGTHENING OF VENTURE CAPITAL FIRMS
2024-2028

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ROADMAP

FOR THE DEVELOPMENT AND STRENGTHENING OF VENTURE CAPITAL FIRMS

2024-2028

Achieving a thriving venture capital industry committed to working with integrity and dedicated to empowering MSMEs, protecting consumers, and propelling national economic growth.

Supervisor of Financing Institutions, Venture Capital Firms, Microfinance Institutions, and Other Financial Institutions
2024

EXECUTIVE SUMMARY

This Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028 offers a five-year vision for the development of venture capital in Indonesia. Collaborative efforts by all stakeholders are crucial to a healthy, integrity-driven venture capital industry that is oriented towards financing for startups to support the development of MSMEs and consumer protection, while also contributing to national economic growth.

The past five years have presented the venture capital industry with a range of challenges within a dynamic and demanding landscape, characterized by geopolitical pressures, global supply chain disruptions, high inflation, tightening monetary policies, evolving regulations, and a politically-charged environment. These challenges necessitate the presence of an adaptive and resilient venture capital sector in Indonesia.

The transformative potential of recent developments, both globally and domestically, is acknowledged, including the enactment of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law). Recognizing this transformative context, the roadmap aims to be a key reference for the venture capital industry's development and strengthening over the next five years.

This roadmap prioritizes five key strategies:

- Strengthening capital, governance, risk management, and human resources.
- Strengthening regulations, permits, and supervision.
- Strengthening consumer education and literacy.
- Strengthening the venture capital industry ecosystem.
- Fulfilling data infrastructure and information system requirements.

Implementation of these strategies will unfold across three distinct phases: Phase I (Strengthening foundations and industry consolidations, 2024-2025); Phase II (Creating momentum, 2026-2027); and Phase III (Adjustment and growth, 2028).

A key driver in accelerating the growth of venture capital financing for promising startups and MSMEs will be strengthening venture capital institutions (Venture Capital Corporations [VCC] and Venture Debt Corporations [VDC]). The goal is to have at least 67% of VCC financing channelled toward equity financing by 2028 and at least 67% of VDC assets directed toward financing business partners.

It is anticipated that the envisioned progress of venture capital firms in Indonesia will ignite a wave of innovation, ultimately augmenting economic productivity and improving the welfare of Indonesian people.

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A. Overview of the Global and Indonesian Economy

The global economy continues to be threatened by uncertainty. In its October 2023 World Economic Outlook, the International Monetary Fund (IMF) projected a slowdown in global economic growth, with the expectation that it would decelerate from 3.5% in 2022 to 3.0% in 2023 and further down to 2.9% in 2024. This represents a significant fall below the historic average of 3.8% recorded between 2000 and 2019. This sluggish economic environment has inevitably impacted global venture capital, which has also witnessed a decline over the past two years.

By the end of the third quarter of 2023, Indonesia's Gross Domestic Product (GDP) had reached IDR 5,296 trillion, growing 4.94% year-on-year. This growth was fuelled by increasing domestic consumption, particularly in the services sector, bolstered by high consumer confidence. Investment also remained positive, partly thanks to the completion of key National Strategic Projects (PSNs). However, actual growth in goods exports declined due to decreased demand from major trading partners, especially China, and falling commodity prices. While third-quarter growth was slightly lower than the previous two quarters, which exceeded 5%, a rebound was expected to occur in the final quarter. This optimism stemmed from anticipated increases in consumption during the holiday season, government spending, and political activity.

The growth of Indonesian banking credit increased in 2023 owing to a combination of easing monetary policy and rising demand for financing as corporate performance improves. The focus of credit growth is likely to be on the services, trade, and social services sectors, as well as sharia financing, which has been on an upward trend in recent years. In the MSMEs segment, credit growth reached 8.34% year-on-year in the third quarter of 2023, supported by the strong performance of the People's Business Credit (KUR) program. The KUR program's success is seen as an indicator of the recovery of the MSME sector after the Covid-19 pandemic. This positive momentum in the MSME sector presents a significant opportunity for venture capital firms in Indonesia to expand their MSME financing activities.

Innovation development is a cornerstone of national economic productivity, and Indonesian venture capital acts as a critical catalyst, propelling such vital innovation. The World Intellectual Property Organization (WIPO) released the 2023 Global Innovation Index Report[1], ranking Indonesia 61st out of 132 countries, marking a significant leap of 14 positions from its 2022 ranking of 75th. Indonesia's burgeoning population, which was projected to reach 278 million in 2023, presents a unique opportunity. Coupled with a large, young workforce (known as the demographic dividend), this population shift can be harnessed to propel innovation further, empowered by the crucial financial support of venture capital.

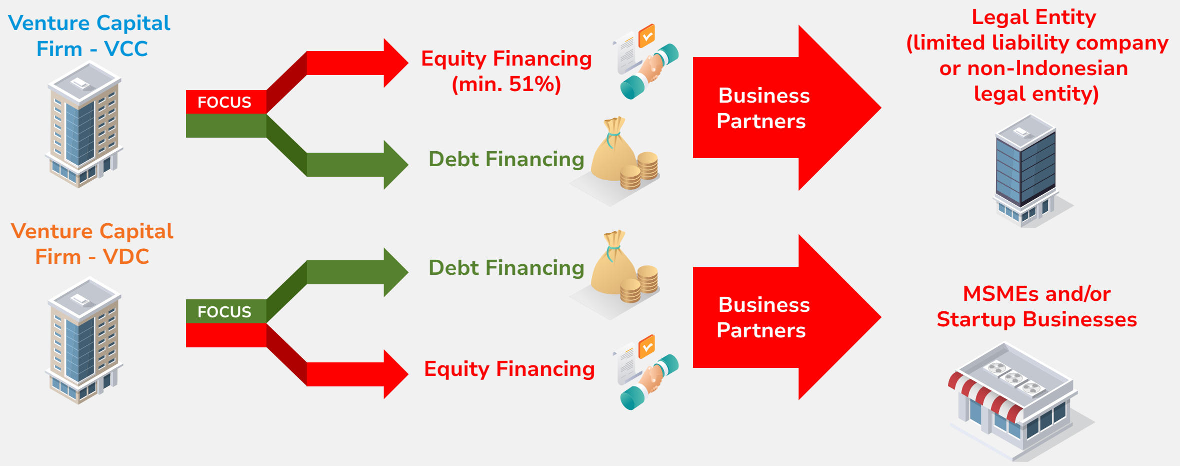
B. Venture Capital in Indonesia

As defined by P2SK Law, venture capital provides financing through equity financing and/or short-term financing to support business partners or debtors. The presence of venture capital in Indonesia is expected to fuel innovation and technological development, support startups in their nascent stages, empower MSMEs and cooperatives, assist businesses facing setbacks, drive research and development, facilitate business ownership transfers, and offer numerous other advantages.

Venture capital firms extend financing credit and/or capital for financing to Business Partners. As per Regulation of the Financial Services Authority (POJK) No. 25 of 2023 on the Implementation of Venture Capital Business and Sharia Venture Capital (POJK 25/2023), there are two types of venture capital. VCCs concentrate on equity financing in business activities, while VDCs focus on debt financing. A VCC must maintain a minimum proportion of equity financing and/or financing through the purchase of convertible bonds, constituting at least 51% of its total business activities. In addition to equity financing and

[1] The Global Innovation Index measures a country's innovation development. Indicators considered in the evaluation encompass human resources, institutions, technology, creative outcomes, and market and business knowledge (market and business sophistication), among others.

debt financing, venture capital firms are authorized to engage in other business activities such as fee-based services and other ventures, subject to approval from the Financial Services Authority (OJK). To foster growth, the government provides tax incentives for equity financing in MSMEs.



The inception of venture capital in Indonesia can be traced back to the establishment of PT Bahana Pembinaan Usaha Indonesia (BPUI) in 1973. At that time, Bank Indonesia owned 82.2% of its shares, with the remaining 17.8% held by the Republic of Indonesia. BPUI was established with the primary goal of offering guidance to MSMEs in Indonesia through assistance and working capital. To fuel the development of venture capital, BPUI utilized loans from the EXIM Bank and successfully set up regional venture capital entities across 27 provinces in Indonesia. In 2020, the government officially designated BPUI as a State-Owned Enterprise (BUMN) holding for insurance, guarantees, and investment, as outlined in Government Regulation No. 20 of 2020, dated March 16, 2020. In the same year, BPUI underwent a transformation and rebranded itself as the Indonesia Financial Group (IFG).

Since that time, the venture capital landscape in Indonesia has expanded steadily, providing support for startup companies and MSMEs across the nation. At present, there are 54 venture capital firms in Indonesia, with the majority being based in the Special Capital Region (DKI) of Jakarta. Among them, five venture capital firms adhere to sharia principles in their operations. As of the end of 2023, venture capital firms have disbursed over IDR 17 trillion to approximately two million business partners.

CHAPTER 02
BACKGROUND

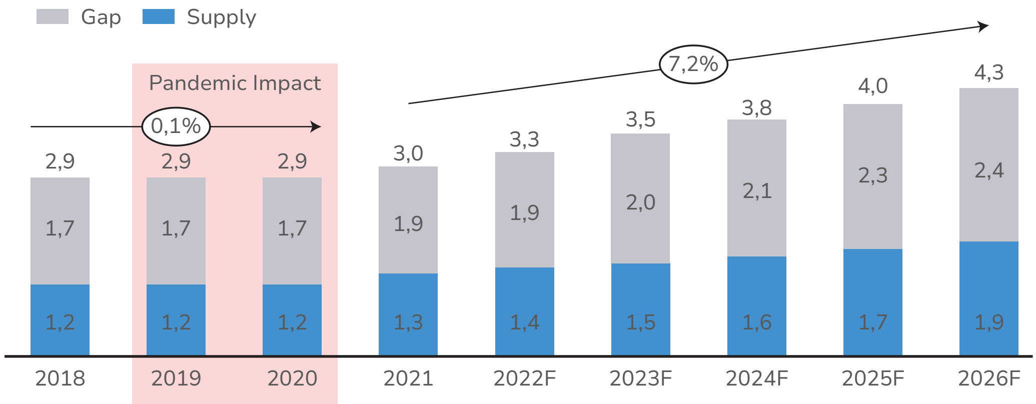
CHAPTER 02 BACKGROUND

Over the past five years, Indonesia's venture capital sector has demonstrated resilience within the dynamic global and domestic economic landscapes, albeit with a certain level of volatility in its growth. The global economy has faced challenges arising from events such as the Russia-Ukraine war and the trade tensions between the United States (US) and China. Additionally, the Indonesian economy is currently in the process of recovering from the repercussions of the Covid-19 pandemic. To ensure the continued resilience and growth of venture capital in Indonesia, a strategic approach to development and strengthening is essential. This will contribute significantly to the overall resilience and prosperity of the national economy.

The Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028 aims to guide the future growth of the venture capital industry by employing strategic approaches and work programs that align with current shifts and circumstances. Three pivotal factors contribute to the structural changes within Indonesia's venture capital landscape today. The country's economic backbone relies on the presence of MSMEs, whose development serves as a vital tool for maintaining stable and robust national economic growth. Financial institutions, including venture capital, play a pivotal role in fostering the growth of MSMEs in Indonesia through crucial financial support. Moreover, the implementation of Good Corporate Governance (GCG) practices is imperative for the sustainable and healthy growth of venture capital firms. Governance challenges must be addressed to enhance the overall health and resilience of the venture capital sector in Indonesia. Furthermore, regulatory changes exert a significant influence on industry operations. The enactment of the P2SK Law has ushered in substantial transformations in the structure of Indonesia's financial industry, including venture capital. Effective and appropriate execution of the P2SK Law is essential to ensure a substantial positive impact on the venture capital industry in Indonesia.

A. MSME Financing Potential

MSMEs constitute an indispensable element in national economic development. This sector significantly influences the economy, with approximately 65 million MSMEs operating across Indonesia. Significantly, more than 90% of the Indonesian workforce finds employment within this sector[2] and MSMEs contribute substantially to the national GDP, accounting for 61% or roughly IDR 9,500 trillion.



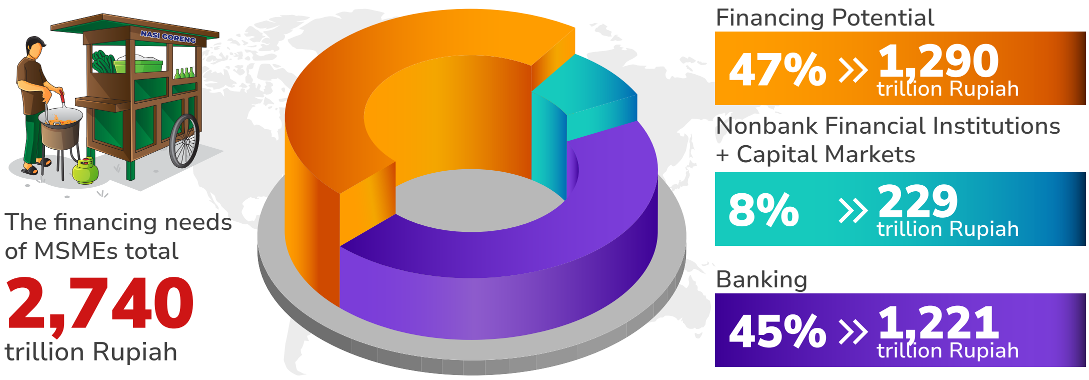
MSMEs encounter multiple hurdles in their development, including issues related to marketing/promotion, infrastructure, technology, regulations, bureaucracy, and a shortage of skills and knowledge. Another significant challenge revolves around access to finance or funding, with a substantial disparity existing between the demand and availability of financing for national MSMEs. According to a study conducted by Ernst and Young (EY) in collaboration with the Indonesian Joint Funding Fintech Association (AFPI), there is a discernible upward trend in the gap between the demand and supply of MSME financing. Projections indicate that the financing requirement will reach IDR 4,300 trillion by 2026, while the estimated available supply stands at only IDR 1,900 trillion.

In line with EY's research, a 2021 study conducted by OJK underscored this supply gap, noting that 47% of the financing requirements for MSMEs remain unmet by the financial services institutional sector (see Graph 01). The aggregate financing demand for MSMEs in 2021 was estimated at IDR 2,740 trillion. Banking and the Non-Bank Financial Industry (NBFI) collectively cover only 53% of this demand. Non-bank financial institution contributions stand at IDR 229 trillion, with venture capital financing

[2] Information sourced from the Ministry for Economic Affairs website. See: https://ekon.go.id/publikasi/detail/5318/dorong-umkm-naik-kelas-dan-go-export-pemerintah-siapkan-ekosistem-pembiayaanyang-terintegrasi

accounting for IDR 16.08 trillion. Consequently, a substantial gap exists in MSME financing needs, totalling IDR 1,290 trillion, which has yet to be fulfilled by financial service institutions. Given these circumstances, venture capital firms stand poised to capitalize on the significant potential within the MSME financing market.

Graph 01 MSME Financing Mapping by Financial Services Sector, 2021



B. Governance, Risk Management, and Compliance

Information derived from the results of OJK's supervision indicates that there is room for improvement in various facets of venture capital firms' management, encompassing governance, risk management, and compliance. In terms of governance, OJK has regulated standards for venture capital firms through OJK Regulation No. 36/POJK.05/2015 on GCG for Venture Capital Firms (POJK 36/2015). Venture capital firms or sharia venture capital firms are obliged to integrate GCG principles into all their business activities across all organizational levels. Five fundamental principles underpin the application of GCG:

1. Transparency
2. Accountability
3. Responsibility
4. Independence
5. Fairness.

The implementation of these principles must be detailed in a guideline encompassing, at a minimum:

1. procedures for the execution of responsibilities for the Board of Commissioners and Board of Directors;
2. comprehensive procedures for the duty implementation of committees and work units responsible for internal control;
3. policies and procedures for the implementation of compliance, internal audit, and external audit functions;
4. policies and procedures for the implementation of risk management, including internal control systems;
5. remuneration policy;
6. transparency policy for both financial and non-financial conditions; and
7. procedures for formulating long-term plans, as well as annual work plans and budgets.

In practice, there is room for improvement in seeking to meet GCG provisions. Notably, some venture capital firms lack a basic organizational structure and/or need to make better use of the functions of their board of directors and boards of commissioners.

Concerning risk management, OJK Regulation 36/2015 stipulates that venture capital firms or sharia venture capital firms must actively engage in identifying, assessing, and monitoring business risks. The implementation of effective risk management should align with the objectives, business policies, size, complexity, and capabilities of venture capital firms or sharia venture capital firms. Guidelines outlining the application of GCG principles, such as policies and procedures for risk management, including the internal control system, are imperative. However, in practice, some venture capital firms still lack adequate risk management policies and procedures, and there is room for optimization in applying risk management to productive asset management.

Regulatory compliance within the venture capital industry still needs to be improved. Some venture capital firms have yet to fulfill certain criteria, such as minimum equity and financial health, as outlined in OJK Regulation No. 35/POJK.05/2015 on the Implementation of Venture Capital Firms Business (POJK 35/2015). This regulation stipulates that venture capital firms structured as business entities must adhere to specific equity thresholds:

- limited liability companies are obliged to possess a minimum equity of IDR 50 billion;
- cooperatives are obligated to maintain a minimum equity of IDR 25 billion; or
- limited partnerships are obliged to have a minimum equity of IDR 25 billion.

In addition, venture capital firms and sharia venture capital firms must always meet the financial health level requirements of the regulation. Measuring the level of financial health includes assessing the quality of productive assets and profitability.

With the enactment of OJK Regulation 25/2023, the minimum equity requirements have been linked to the specific type of venture capital firms. Firms structured as VCCs are obliged to maintain a minimum equity of IDR 50 billion at all times. VDCs, on the other hand, must always uphold a minimum equity of IDR 25 billion. Additionally, Sharia Business Units (UUSs) are obligated to always maintain a minimum equity of IDR 10 billion.

In terms of the evaluation of soundness levels, OJK Regulation 25/2023 stipulates that a company's assessment should be carried out in accordance with the regulations for assessing the soundness level of non-bank financial services institutions (NBFIs). Determination of the soundness level involves evaluating the institution's GCG, risk profile, profitability, and capital or funding. The NBFI is obligated to uphold and/or improve its soundness by adhering to principles of prudence and effective risk management in its business operations. The responsibility for maintaining and overseeing an NBFI's soundness rests with the board of directors and board of commissioners, which are tasked with implementing necessary measures to preserve and improve soundness.

C. Mandate of the P2SK Law

The P2SK Law provides a strong foundation for the regulation and supervision of venture capital firms. It is anticipated that it will contribute positively and support the inclusive and sustainable growth of venture capital in Indonesia. Several important mandates in the P2SK Law related to venture capital firms include:

a. Strengthening the legal basis at the statutory level: The P2SK Law provides a legal basis for venture capital firms that do not yet have a legal umbrella at the statutory level. This is important to provide legal clarity and increase public trust in this sector.

b. Mandate to draft OJK Regulations: The P2SK Law mandates further regulations to ensure that every operational aspect of venture capital firms is regulated in detail and in accordance with established standards. The mandate for preparing OJK Regulations relates, among other things, to:
   1) The scope of the financing services business.
   2) Venture fund management.
   3) Requirements for sources of funds.
   4) Financing services business agreements.
   5) The application of risk management principles.
   6) The fulfillment of soundness requirements and implementation of supervision.
   7) The imposition of administrative sanctions.

c. OJK holds exclusive authority to initiate bankruptcy declarations and/or request debt payment postponements for debtors that constitute financial service institutions, including venture capital firms, as long as their dissolution and/or bankruptcy is not governed by other statutes. This serves as a preventive measure to safeguard the stability of the financial sector.

d. Criminal Provisions: Article 298 of the P2SK Law outlines criminal charges for venture capital firms operating without OJK permission, involving fines ranging from a minimum of IDR 1 billion to a maximum of IDR 5 billion. Should unlicensed business activities lead to property loss or damaged goods, in addition to the fine, the perpetrators will face an additional charge in the form of compensation for the property loss or damaged goods.

CHAPTER 03

OBJECTIVES OF FORMULATING THE ROADMAP

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Given the evolution of the venture capital industry and shifts in both external and internal conditions, it was considered imperative to formulate a Roadmap to support the sector in Indonesia. Consequently, OJK has prepared the Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028. This Roadmap serves as a comprehensive guide for regulators, business entities, and all other stakeholders, with a view to strengthening and facilitating the progression of the industry. It aims to improve governance and increase the contribution of venture capital to the national economy within the context of fostering innovation and empowering emerging MSMEs. It is hoped that the Roadmap will be useful to various parties by:

a. Assisting stakeholders, including regulators, in determining the future development direction of the venture capital industry. The Roadmap provides stakeholders with clear goals and key work programs to achieve these goals.
b. Assisting stakeholders in developing specific achievement targets and priority work programs based on the availability of existing resources. Limited resources require decisions regarding how to allocate them to critical and impactful work programs.
c. Becoming a visual and narrative communication tool that allows stakeholders to understand the direction and plans for future development of the venture capital industry in Indonesia.
d. Facilitating the planning and allocation of resources according to the timeline and sequence of established strategic work programs.
e. Providing a framework for measuring and tracking the progress of the achievements of each work program.

While the Roadmap has been prepared comprehensively, it remains adaptable and flexible to accommodate any changes, both internal and external. Periodic evaluations will be conducted to assess the implementation of the Roadmap and the progress of each work program.

The Roadmap has a five-year time horizon, spanning from 2024 to 2028. The implementation of the Roadmap will unfold in three phases (outlined in Chapter VII), each consisting of various specific work programs. By the conclusion of this five-year period, it is anticipated that all work programs will be executed in accordance with the aspirations and vision for the development of the venture capital industry.

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CHAPTER 04

THE PROCESS OF FORMULATING THE ROADMAP

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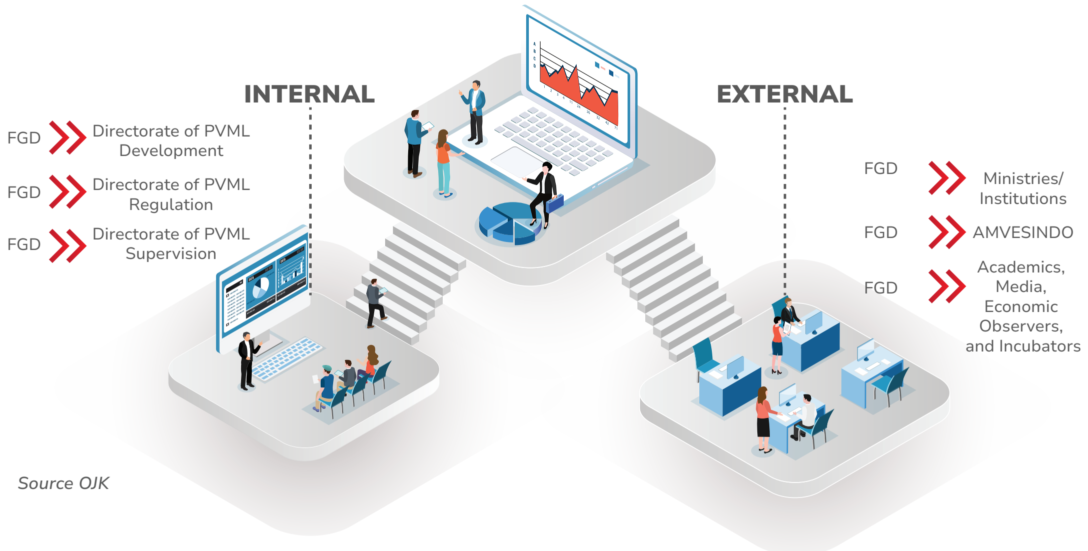
The Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028 was formulated by engaging a diverse range of stakeholders, both internal and external. The aim has always been for each stakeholder to feel a sense of belonging in this Roadmap. This will enable the facilitation of effective implementation of strategies and work programs with the collective support of all stakeholders. OJK reached out to the Indonesian Venture Capital Association for Startups (AMVESINDO) to gather insights on current industry conditions, challenges, and future development plans. Additionally, OJK conducted discussions with relevant ministries/institutions, academics, the Faculty of Economics and Business at the University of Indonesia (FEB UI), the Center for Small Business Incubation (PINBUK), and the FEB UI Small and Medium Enterprises (UKM) Center. The input and perspectives of these stakeholders serve as valuable references in formulating appropriate strategies and development directions.

This inclusive approach reflects OJK's commitment to formulating a comprehensive Roadmap based on exhaustive information, by considering industry aspirations and perspectives from diverse stakeholders.

Graph 02 Scheme for Formulating the Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028



Source OJK

CHAPTER 05

GENERAL OVERVIEW OF THE VENTURE CAPITAL INDUSTRY IN INDONESIA

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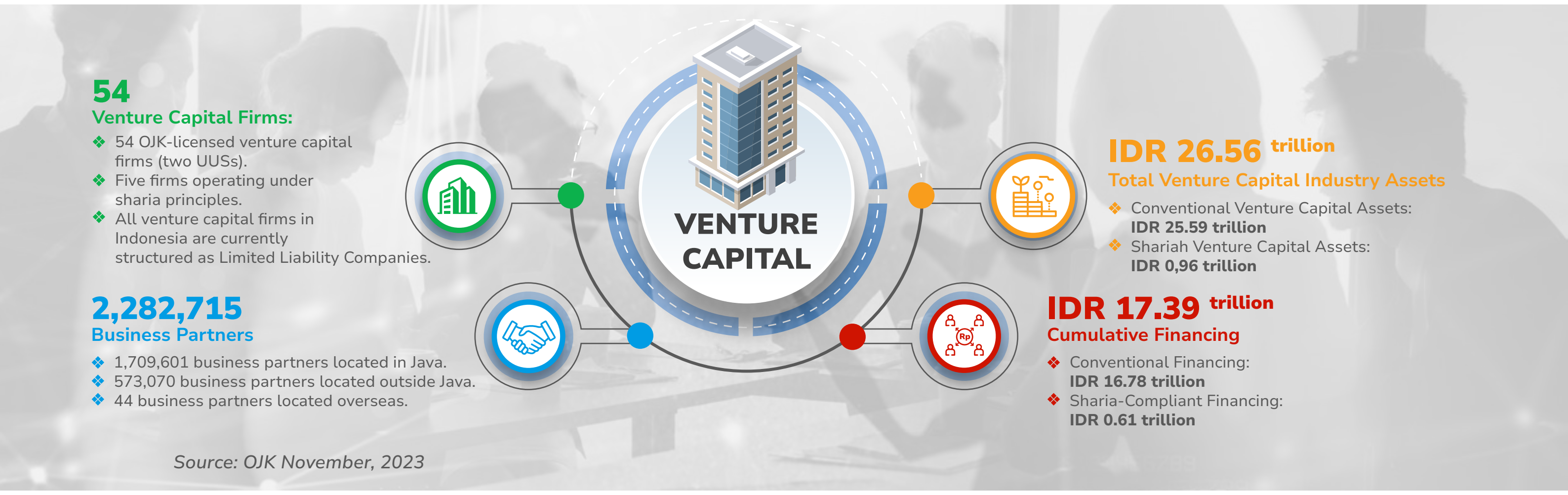
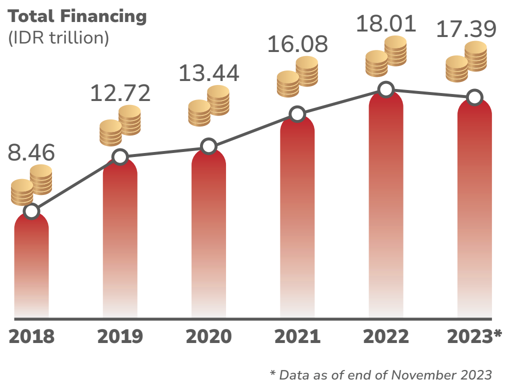
A. Profile of the Venture Capital Industry in Indonesia

The venture capital industry in Indonesia comprises 54 companies authorized by the OJK (see Graph 03). Of these, five companies operate based on sharia principles, with the remainder following conventional practices. As of November 2023, venture capital industry assets amounted to IDR 26.56 trillion, reflecting a year-on-year increase of 8.00%. These assets include IDR 25.59 trillion from conventional venture capital firms and IDR 0.96 trillion from sharia venture capital firms.

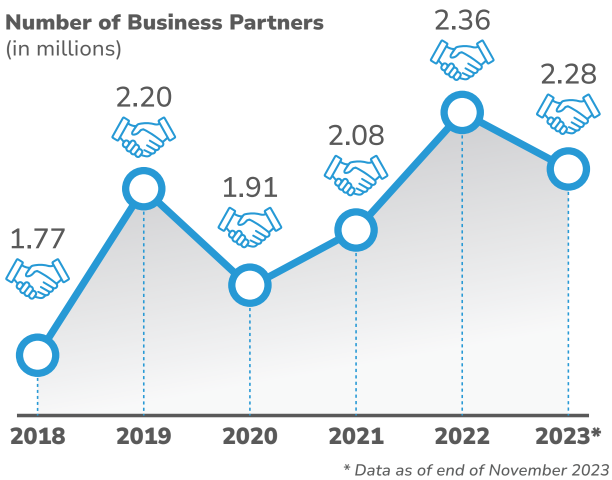
Graph 03 Infographics on the Venture Capital Industry in Indonesia



The total financing amounted to IDR 17.39 trillion in 2023, comprising IDR 16.78 trillion in conventional financing and IDR 0.61 trillion in sharia financing. Notably, there has been a substantial increase in total financing over the past five years. In 2018, financing amounted to IDR



8.46 trillion, increasing to IDR 18.01 trillion in 2022. However, in 2023, the total financing decreased to IDR 17.39 trillion, partly caused by the impact of global and domestic economic conditions.

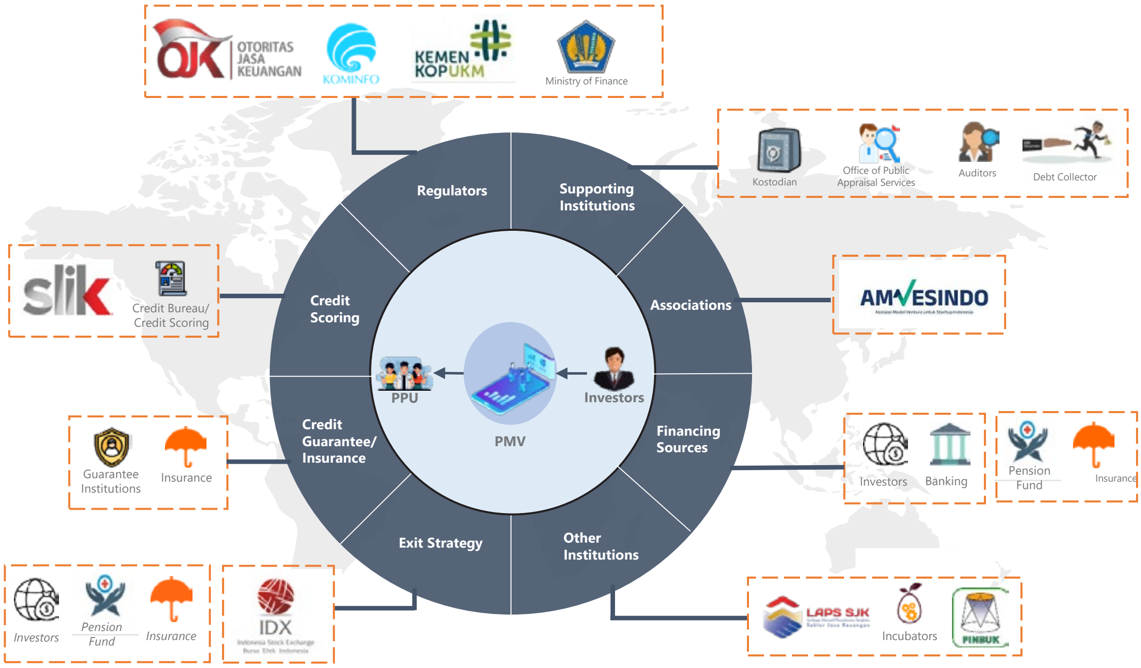


This venture capital financing was provided to approximately 2.28 million business partners, with 1.71 million located on Java Island, 573.07 thousand outside Java Island, and 44 abroad. Over 98% of these business partners are financing debtors, with approximately 1.88 million operating in the wholesale and retail trade sectors. The number of business partners in 2023 increased significantly compared to 2018 when venture capital served only 1.77 million business partners.

B. The Venture Capital Industry Ecosystem

Industry growth is intricately linked to the ecosystem that supports it. In the context of Indonesia, the growth of venture capital is contingent upon the presence of an effective ecosystem (see Graph 04). Every component within this ecosystem plays a crucial role in shaping the seamless operation of venture capital business activities.

Graph 04 The Ideal Ecosystem for the Venture Capital Industry



The elements of the venture capital ecosystem can be categorized into the following eight groups:

1. Parties engaged in venture capital business activities (i.e., shareholders or members, business partners, and directors/managers).
2. Regulators, consisting of ministries or institutions, with OJK holding the responsibilities, functions, and authority to regulate and supervise venture capital firms' activities. Other relevant ministries include the Ministry of Finance (KEMENKEU), the Ministry of Communication and Information (KOMINFO), and the Ministry of Cooperatives and SMEs (KEMENKOPUKM).
3. Supporting institutions refer to parties collaborating with venture capital firms to support their activities. These entities include public appraisal services offices offering asset appraisal services, auditors providing audit services, custodians offering asset storage services, and debt collectors providing collection services.
4. Insurance companies and/or guarantee institutions play a crucial role in supporting venture capital firms by managing and mitigating financing or

credit risks. Credit insurance falls under the umbrella of general insurance, offering coverage for the risk of a debtor's failure to meet financial obligations to creditors as per the credit agreement. Additionally, credit life insurance, a specific life insurance product, provides coverage for the risk of death and is tied to the fulfillment of the debtor's financial obligations under the credit agreement. On the flip side, guarantee involves the guarantor providing assurances for the fulfillment of guaranteed financial obligations to the recipient of the guarantee. Guarantee institutions, including guarantee companies, sharia guarantee companies, re-guarantee companies, and sharia re-guarantee companies, engage in guarantee activities. The guarantee recipient is a financial institution, or an external financial institution, that extends credit, financing, sharia-compliant financing, or a service contract to the guaranteed party.

5. Credit scoring is a method for evaluating credit risk, employing a statistical model to generate a numerical score that assesses a borrower's suitability based on factors like credit history and financial data. This method aids venture capital firms in swiftly and insightfully deciding whether to approve or reject financing, mapping risks, and efficiently managing financing portfolios. Credit scoring plays a crucial role in reducing credit risk and enhancing the precision of decision-making. Credit bureaus and the Financial Information Services System – OJK (SLIK) serve as essential components in facilitating companies to fulfill this task.
6. AMVESINDO was established on May 13, 2016, and was inaugurated at the Mercure Hotel in Jakarta. Associations play a crucial role in the venture capital ecosystem, providing a platform for venture capital firms and conveying their members' aspirations.
7. Venture capital funding can be derived from various sources, such as owners, third parties (including both local and foreign investors), banks, pension funds, and insurance companies.
8. Startup companies have several exit strategies, including Initial Public Offerings (IPOs), acquisitions, or buyouts.

Other entities that also offer assistance to venture capital firms in conducting their business activities include:

1. The Alternative Institution for Financial Services Sector Dispute Resolution (LAPS SJK) serves as a body that manages and resolves consumer disputes.
2. Business incubators, which are organizations engaging in the provision of facilities and business development, encompassing management and technology. This enables MSMEs to enhance and expand their business operations and/or introduce new products.

C. Venture Capital Across Various Countries

Global venture capital firms have experienced a decrease in activity over the past two years[3]. The total venture capital investment in technology companies worldwide exceeded US$300 billion in 2023. The US led the way with a total venture capital investment of US$149 billion, followed by China with US$48 billion, and the United Kingdom (UK) with US$21 billion. However, the US witnessed a decline of over 50% in venture capital investment compared to 2021, which amounted to US$370 billion. This downturn can be attributed to global uncertainty resulting from geopolitical pressures, high inflation, and increasing interest rates[4]. As a response to these challenges, venture capital firms tend to be more prudent in their investments.

In addition to the US, various countries worldwide boast robust venture capital industries. China, with its substantial economic capacity and a vast population, possesses an extensive pool of investors. However, cultural disparities and language barriers pose challenges for Chinese venture capital. The UK also maintains a relatively advanced venture capital sector, supported by a well-established ecosystem and ample access to funding.

[3] For more information see https://dealroom.co/guides/global

[4] For more information see https://kpmg.com/xx/en/home/media/press-releases/2023/07/global-vc-investment-remains-muted-falling-to-77-4-billion-across-7783-deals-in-q2-23.html

Nevertheless, the UK's economic capacity is smaller than that of the US and China. India also exhibits a well-developed venture capital landscape, benefiting from governmental support and a sizable population of youth.

Indonesia holds significant potential for the future development of venture capital. Numerous factors contribute to this potential, such as Indonesia's comparatively large population in relation to other Southeast Asian nations. The demographic bonus of a sizable workforce further bolsters this potential. Notably, Indonesia boasts the largest economic capacity among ASEAN countries, with a projected GDP of US$1.4 trillion in 2023, surpassing Thailand's US$512 billion and Singapore's US$497 billion. To fully harness this tremendous potential for the development of venture capital in Indonesia, it is crucial to address key aspects such as support from regulatory, taxation, and funding bodies, as well as the enhancement of public literacy.

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CHAPTER 06

CHALLENGES AND DEVELOPMENT DIRECTIONS

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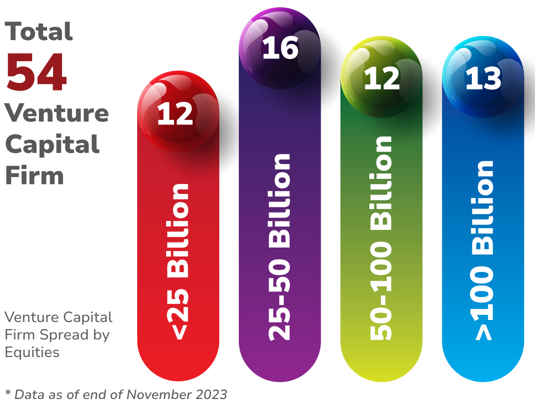
The successful development of venture capital firms necessitates the implementation of an effective development direction and strategy to address the diverse challenges to be faced in realizing the vision and mission. These challenges relate to capital adequacy, funding sources, the proportion of equity financing and convertible bonds, the competitiveness of venture capital firms, the decrease in the number of venture capital firms, ecosystems, consumer literacy and education, and the growth of sharia venture capital firms.

A. Capital

Capital is fundamental to the venture capital industry. According to the prevailing OJK Regulation governing venture capital businesses, the minimum equity for VCCs is set at IDR 50 billion, while VDCs require a minimum equity of IDR 25 billion and a UUS needs a minimum of IDR 10 billion. Of the 54 venture capital firms that currently exist, 12 companies have less than IDR 25 billion in equity, and 28 companies have less than IDR 50 billion. The low equity in some of these firms could potentially hinder their ability to expand their business and absorb risks, which may lead to business failure.

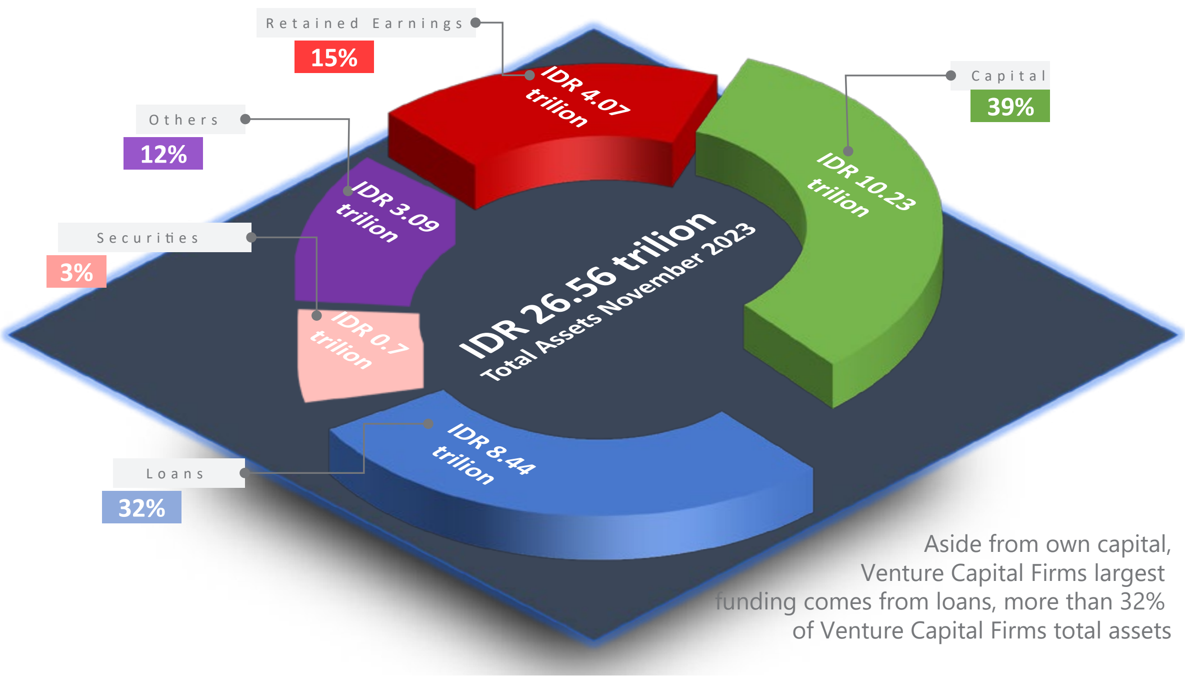


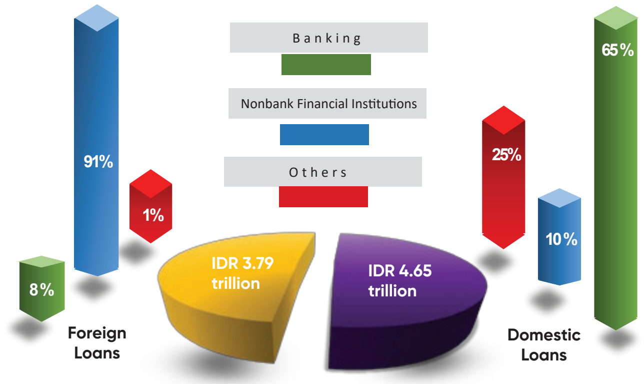
The development strategy related to capital aims to prompt all venture capital firms to adhere to the current minimum equity requirements. It is essential to intensify the monitoring of companies to ensure their compliance with this minimum equity level. This oversight is crucial for guaranteeing that all companies comply with applicable regulations. The adoption of Risk-Based Supervision (RBS) will also ensure that a company's available equity is adequate enough to absorb potential risks.

B. Sources of Funding

Securing sources of funding poses a challenge for venture capital firms, particularly for those engaged in equity financing activities. According to OJK Regulation 25/2023, companies can secure funding through additional paid-in capital, loans, subordinated loans/funding, waqf, and/or grants. Currently, the largest source of funding for venture capital firms (beyond their own capital) originates from loans, which contribute to approximately 32% of venture capital assets (see Graph 05).

Graph 05 Sources of Venture Capital Firms' Funding



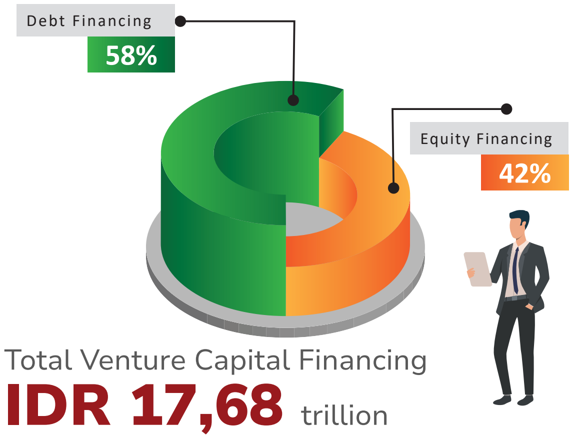


* Data as of end of November 2023

The sources of loans to venture capital firms consist of funds from domestic creditors, totalling IDR 4.65 trillion, and foreign creditors, totalling IDR 3.79 trillion. Banks make up the majority of domestic creditors, constituting 65% of total domestic loans. In contrast, financial service institutions (non-banks) form the majority of foreign creditors, accounting for 91% of total foreign loans. Securities issuance represents only 3% of the total assets of venture capital firms. This funding situation has the potential to create a mismatch between funding sources and the type of financing offered by venture capital firms, particularly for those VCCs focusing on equity financing for business partners.

The Roadmap's future development direction is focused on expanding funding sources. This involves fostering closer collaboration between venture capital firms and financial institutions, holding companies, or strategic partners to broaden the investor base and diversify funding sources. In addition to issuing securities, utilizing venture fund instruments is a potential avenue for expanding venture capital funding sources. Pension funds and insurance companies also have the potential to become sources of venture capital funding. However, it is not feasible currently to tap into funding from these two financial institutions due to existing regulations. Furthermore, the significant investment risk associated with startup businesses is a crucial factor for pension funds and insurance companies to consider.

C. VDC Support for Startup MSMEs



Financing for MSMEs from the venture capital industry can be further increased. Of the total IDR 17.68 trillion disbursed by venture capital, approximately 58% was allocated for MSME financing. However, this amount falls short of the anticipated financing requirements of MSMEs that are not met by financial service institutions. According to a study by Ernst & Young (2023), the projected financing needs for MSMEs in 2026 are estimated to be around IDR 4,300 trillion. Financial institutions are expected to cover approximately IDR 1,900 trillion of this total, leaving the remainder as a potential market for venture capital firms in Indonesia.

The future development direction outlined in the Roadmap aims to urge venture capital firms to increase their financial support for MSMEs. Broadening sources of funding will be crucial in bolstering MSME initiatives. One of the key determinants for the success of this development direction will be collaboration among financial institutions. Both the banking sector and NBFI can play a pivotal role as funding sources for venture capital in Indonesia.

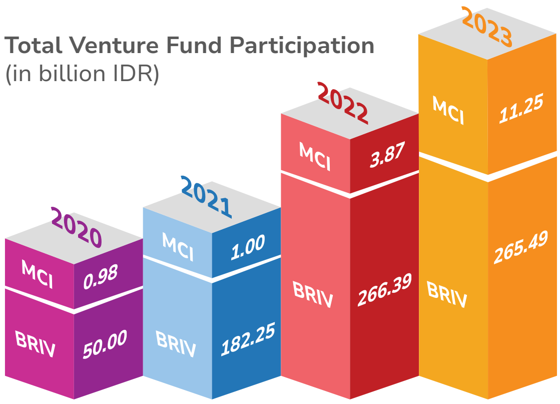
D. VCC Support for Startup MSMEs

As already indicated, the need for funding support for startup businesses remains a concern. Currently, not many venture capital firms in Indonesia specifically focus their businesses on equity financing. Of the 54 venture capital firms, approximately 74% have an equity financing proportion of less than 51% of the total financing offered. The majority of these companies engage primarily in debt financing of business partners. Interestingly, only 12 companies have an equity financing portion exceeding 85%. This data suggests that there is a need to enhance funding support for startup businesses through increased equity financing.

Various factors could foster the expansion of venture capital funding for startup businesses. Taxation stands out as a significant factor, serving as an incentive for venture capital firms to increase funding for startups. Currently, the government offers a tax exemption on income derived from the share of profits obtained through equity financing in MSMEs that meet specific criteria. Additionally, there are tax reliefs for companies undergoing an IPO on the IDX. In terms of fundraising, the P2SK Law has conferred legal entity status upon Joint Investment Contracts (KIBs), which serve as instruments in venture fund business activities. The expectation is that these KIB legal entities will enjoy tax facilities similar to those of Collective Investment Contracts (KIKs) in the capital market. The aim for future development is to promote increased VCC support for startup businesses in Indonesia by enhancing the regulatory framework and augmenting investor literacy regarding venture fund products.

E. Venture Funds

Total Venture Fund Participation
(in billion IDR)



MCI = Mandiri Capital Indonesia
BRIV = BRI Ventures

Venture funds are relatively new products of venture capital in Indonesia. They involve the collection and administration of funds from participation unit holders in the form of KIBs. The KIB serves as a contractual agreement between venture capital firms or sharia venture capital firms and the custodian bank. This agreement establishes a binding relationship between the venture fund participation unit holders, the venture capital firms or sharia venture capital firms with the authority to manage the funds, and the custodian bank with the authority to conduct collective custody. As per the P2SK Law, the KIB venture fund is recognized as a legal entity.

The regulation on venture funds was initiated through the issuance of OJK Regulation 35/2015. Venture funds first emerged in 2020, boasting a total investment of IDR 50.98 billion. By 2023, the accumulated venture fund participation stood at IDR 276.74 billion, sourced from two venture capital firms – BRI Ventures and Mandiri Capital Indonesia. Despite experiencing a fivefold growth since 2020, the development of venture funds still needs to be improved in terms of both the number of funds under management and participating companies in the venture fund sector. Challenges encountered by the venture fund sector include tax facilities related to income from the KIB venture fund.

The future focus for venture funds development involves reinforcing regulations, coordinating with stakeholders, and enhancing literacy about venture funds. In addition to fulfilling the P2SK Law mandate, this reinforcement is executed through the revision of the OJK Regulation and its implementation provisions. Strengthened aspects encompass the requirements for establishing a venture fund, contractual agreements, and placement periods. Coordination with stakeholders, including the Ministry of Law and Human Rights (KEMENKUMHAM), Ministry of Finance (KEMENKEU), and custodian banks, will be further intensified.

F. The Competitiveness of Venture Capital Firms

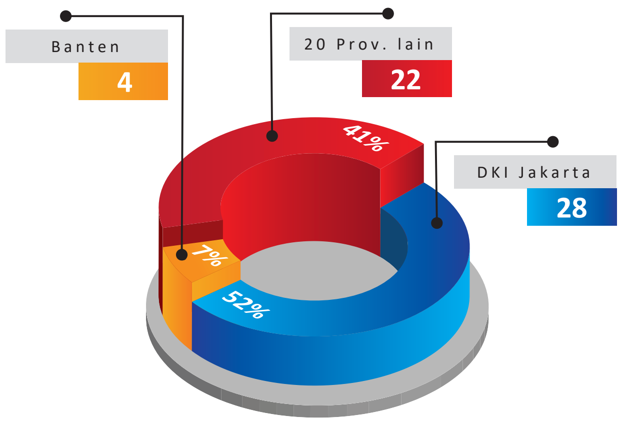
The structure of the venture capital market involves numerous business entities and consumers, encompassing both individuals and corporations. Each venture capital firm typically provides similar products, namely equity financing and debt financing. In the debt financing market, venture capital firms face competition from banks, financing companies, peer-to-peer lending, and microfinance institutions (LKM). On the other side, equity financing products compete with foreign venture capital firms and companies engaged in venture capital activities without valid OJK business permit.

There are 54 venture capital firms in Indonesia currently. New venture capital firm can join the venture capital market by fulfilling the business licensing requirements outlined by the OJK. While two of the 54 venture capital firms hold market shares exceeding 15%, in general, venture capital in Indonesia exhibits characteristics akin to a perfectly competitive market. An analysis of market concentration using the Herfindahl-Hirschman Index (HHI) method indicates a relatively low concentration, with an HHI of 1,177. The HHI index underscores the high level of competition in the venture capital market.

Within this environment, venture capital firms need to maintain a strong competitive edge to thrive. A lack of competitiveness could hinder their ability to secure financing projects. Strategies to enhance venture capital firms' competitiveness involve bolstering human resource quality (e.g., through the implementation of a certification program for staff), reinforcing capital, and fortifying risk management.

G. The Number of Venture Capital Firms

The decline in the number of venture capital firms poses a significant problem for the progress of the sector in Indonesia. Since 2018, the number of venture capital firms has reduced by 12 companies, including regional venture capital firms. The termination of these venture capital firms can be attributed, in part, to the difficulty in adhering to minimum equity and minimum equity financing proportions regulations.



To date, more than 50% of Indonesia's venture capital firms are located in the DKI Jakarta Province; four firms are located in Banten Province while the remaining firms are spread across 20 other provinces. This suggests that the financial services of venture capital firms are not accessible to business partners across different regions in Indonesia. The existence of venture capital firms in those areas can help improving the regional economy.

The Roadmap's future development strategy focuses on expanding the presence of venture capital firms, particularly in regional areas. To foster economic growth and equality across Indonesia, including enhancing regional economies, a number of critical initiatives must be implemented. Startups and MSMEs in these regions require financial support from institutions such as venture capital firms. One key initiative will be to raise awareness about the benefits of venture capital to the community. The involvement of local governments through educational programs will be essential to impart an understanding of the venture capital business model. Moreover, the collaboration between the government, financial institutions, and local stakeholders will establish a vital ecosystem conducive to the growth of venture capital firms. This development will strengthen the local business ecosystem and stimulate economic growth across diverse regions. Increasing the number of venture capital firms will also broaden investment potential in regional areas, paving the way for innovation and fostering more inclusive economic growth.

H. The Ecosystem

As noted in the previous chapter, a robust ecosystem is crucial for fostering the growth of venture capital in Indonesia. Each component of this ecosystem plays a pivotal role in facilitating the business activities of venture capital.

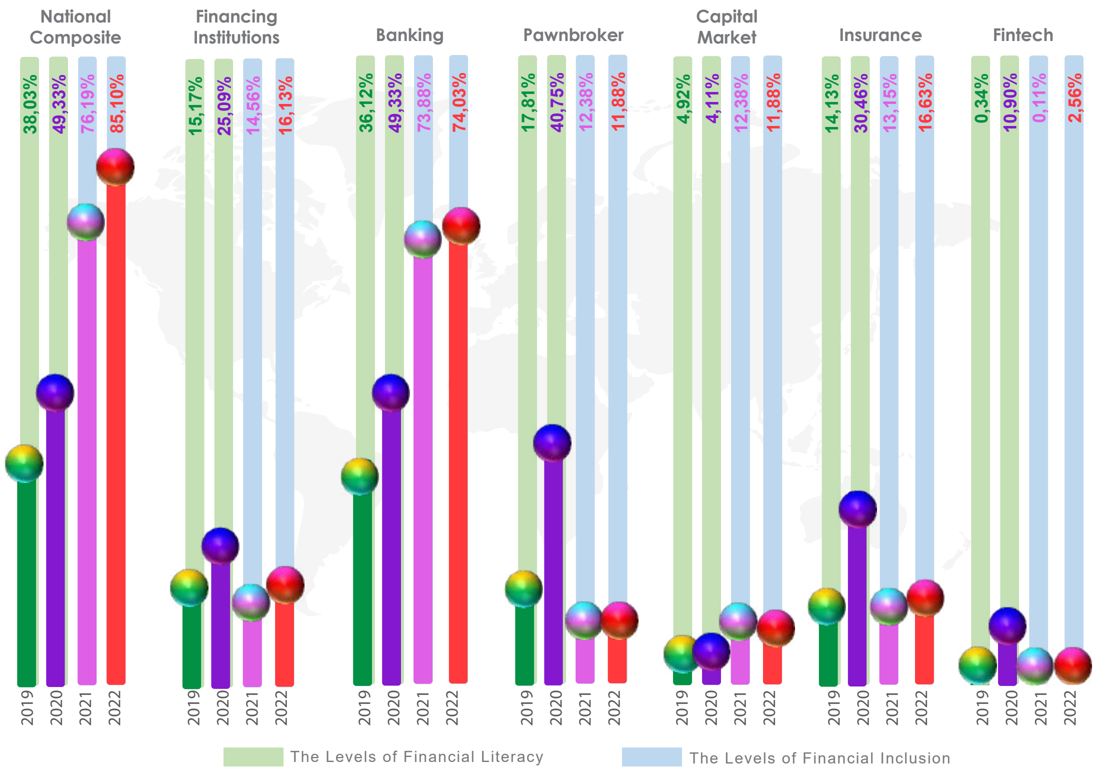
However, the ecosystem elements within the current venture capital industry in Indonesia need to be optimized. Not all of the identified essential ecosystem elements (see Chapter V, Section B) are in place, and some are not operating at their optimal capacity. For example, there is a lack of support for funding sources from other financial institutions, such as pension funds and insurance companies. Additionally, support for credit guarantees or insurance is still limited.

The implementation of a variety of programs will serve to optimize ecosystem support. This includes securing funding from institutional investors, enhancing the role of credit guarantee institutions or insurance, strengthening the role of local governments, and reinforcing the role of incubators. The expectation is that substantial ecosystem support will stimulate the venture capital industry, thus accelerating its growth, enhancing its resilience, and amplifying its impact on the national economy.

I. Literacy and Inclusion Levels

In 2022, OJK conducted a survey to assess the levels of financial literacy and inclusion. The survey questions were focused on eight types of financial institutions: banking, insurance, pension funds, capital markets, financing institutions, pawnbrokers, microfinance institutions, and Fintech. The composite index revealed a notable increase in financial literacy, rising from 38.03% to 49.33%, and a modest uptick in inclusion from 76.19% to 85.01%. Venture capital literacy and inclusion indexes were not individually surveyed; instead, they were grouped under "financing Institutions". Within this category, the literacy level of financing institutions saw a notable rise from 15.17% in 2019 to 25.09% in 2022. This surge in literacy was accompanied by an increase in inclusion, moving from 14.56% to 16.13%.

Graph 06 Financial Literacy and Inclusion Levels



Enhancing public education and literacy in relation to venture capital constitutes a key aspect of the development strategy outlined in this Roadmap. Collaboration among OJK, associations, and venture capital industry stakeholders is essential for advocating venture capital awareness among the public. This literacy enhancement initiative should be executed with precision, utilizing suitable educational materials. Target audiences for this program are venture capital debtors, potential investors, startup companies, and the general public. The program entails providing information on various aspects, including venture capital products, the risks and potential returns associated with investing in venture capital firms, and details about rights and responsibilities as consumers of venture capital firms. Furthermore, it is imperative to increase the literacy levels of the general public regarding the regulatory and supervisory role of the OJK. This is crucial for fostering public confidence in venture capital, ensuring that the Indonesian venture capital sector contributes to economic growth and national innovation.

J. The Growth of Sharia Venture Capital Firms

Growing the number of sharia venture capital firms is a key initiative of the Roadmap. Indonesia boasts a population exceeding 270 million people, more than 85% of whom are Muslim. Within this predominantly Muslim populace, it is imperative to ensure the presence of an adequate number of sharia venture capital firms to facilitate the delivery of financial services in the community in accordance with sharia principles.

The venture capital industry should seize the significant market potential in sharia financing. Currently, among the 54 venture capital firms in Indonesia, only five operate under the sharia model. As of November 2023, sharia-compliant financing reached IDR 610 billion, showing an 8.53% growth from the previous year.

Notably, this financing constitutes only 3.52% of the overall financing currently provided by venture capital firms.

The sluggish growth of sharia venture capital firms can be attributed to a number of factors, particularly the limited knowledge or understanding of sharia venture capital services and sharia funding sources. The way forward involves promoting broader adoption of sharia principles and incorporating the establishment of sharia venture capital firms. Measures to address this include enhancing financial literacy levels in relation to sharia venture capital, creating sharia financing products, and fostering synergies to broaden funding sources.

K. Non-OJK Licensed Venture Capital

Currently, numerous business entities engage in venture capital financing for both firms and startup MSMEs without possessing business permits from the OJK. The licensing of venture capital is governed by OJK Regulation number 34/POJK.05/2015 on Venture Capital Firms Licensing and Institutions (POJK 34/2015). However, it should be noted that there has been no specific law regulating venture capital, resulting in the absence of sanctions for non-compliance with the licensing obligation.

Since the enactment of the P2SK Law in 2023, individuals engaging in financing activities through equity financing and/or financing for business development on behalf of business partners or debtors without a valid business permit will face sanctions. These sanctions come with a three-year transition period and will be enforced starting January 12, 2026. To fulfil the requirements of the P2SK Law, OJK will undertake various measures to ensure the effective implementation of venture capital business licensing obligations, aiming to prevent any adverse effects on the industry and economy.

CHAPTER 07

ROADMAP FOR THE DEVELOPMENT AND STRENGTHENING OF VENTURE CAPITAL FIRMS IN INDONESIA 2024-2028

CHAPTER 07
ROADMAP FOR THE DEVELOPMENT AND STRENGTHENING OF VENTURE CAPITAL FIRMS IN INDONESIA 2024-2028

The Roadmap for the Development and Strengthening of Venture Capital Firms outlines the initiatives planned for the 2024 to 2028 period designed to actualize the shared vision of OJK and all stakeholders. It employs four core pillars to guide the formulation of strategies and action plans: 1) Governance and institutions; 2) Consumer education and literacy; 3) Development of ecosystem elements; and 4) Regulation, supervision, and licensing. These pillars will inform the implementation of the work program over the next five years. The execution of this strategy unfolds across three stages: Phases I to III.

Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028

THE ESTABLISHMENT OF A HEALTHY, INTEGRITY-DRIVEN VENTURE CAPITAL INDUSTRY THAT IS ORIENTED TOWARDS FINANCING FOR STARTUPS TO SUPPORT THE DEVELOPMENT OF MSMEs AND CONSUMER PROTECTION, WHILE ALSO CONTRIBUTING TO NATIONAL ECONOMIC GROWTH

	Phase I Strengthening Foundation and Consolidation 2024-2025	Phase II Creating Momentum 2026-2027	Phase III Adjustment and Growth 2028
Target	VCC: Minimum equity financing of 51% of the total financing. VDC: Minimum financing of 40% of the total assets.	VCC: Equity financing constitutes 52-66% of the total financing. VDC: Financing constitutes 41-66% of the total assets.	VCC: Minimum equity financing of 67% of the total financing. VDC: Minimum financing of 67% of the total assets.

No	Strategies	Work Programs	End State
A.	**Strengthening Capital, Governance, Risk Management, and Human Resources**	1. Strengthening of capital (fulfillment of minimum equity requirements of IDR 50 million for VCCs and IDR 25 million for VDCs). 2. Refinement of provisions for assessing soundness levels. 3. Enhancement of risk management functions and governance. 4. Establishment of Professional Certification Agency (LSP), development of competency standards, and human resources certification. 5. Consultation and capacity building.	The establishment of venture capital firms with capital in accordance with regulations, robust governance, risk management, and skilled human resources.
B.	**Strengthening Regulation, Licensing, and Supervision**	1. Follow-up on the P2SK Law (OJK Regulation and OJK Circular Letter [SEOJK]). 2. Clustering of venture capital firms based on business activities and adjustment of regulation and supervision policies (VCC and VDC Institutions). 3. Strengthening licensing regulations for unlicensed venture capital firms. 4. Strengthening venture funds regulations. 5. Implementation of risk-based supervision. 6. Optimization of anti-money laundering and prevention of terrorism financing.	The increasing effectiveness of regulation, supervision, and licensing to support a healthy, integrity-driven, and inclusive venture capital industry.
C.	**Strengthening Consumer Education and Literacy**	1. Strengthening education about venture funds. 2. Enhancing literacy regarding venture capital institutions and products. 3. Socialization and enforcement of compliance for unlicensed venture capital firms.	Ensuring adequate education and consumer literacy regarding venture capital firms.
D.	**Strengthening the Venture Capital Industry Ecosystem**	1. Structuring and strengthening the role of Association (AMVESINDO). 2. Enhancing coordination with relevant ministries and/or institutions. 3. Collaboration of venture capital firms with pension funds and insurance companies to reinforce funding. 4. Collaboration of venture capital firms with credit insurance/guarantee institutions for strengthening financing risk mitigation. 5. Collaboration of venture capital firms with business incubators for financing new entrepreneurs. 6. Collaboration of venture capital firms with custodian banks in venture capital fund development. 7. Strengthening exit strategies through IPO mechanisms. 8. Strengthening synergies for the development of sharia venture capital firms. 9. Enhancing the role of venture capital firms in sustainable finance.	The creation of ecosystem elements that support the development and strengthening of venture capital firms.
E.	**Development of Data Infrastructure and Information System Requirements**	1. Development and implementation of an Early Warning System (EWS). 2. Development of an online reporting system.	The availability of data infrastructure and information systems that support the development and strengthening of venture capital firms.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Governance and Institutions	Consumer Education and Literacy	Development of Ecosystem Elements	Regulation, supervision, and licensing

*The Venture Capital Firms Roadmap 2024-2028 is a living document that can be adjusted to industry dynamics

Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028

THE ESTABLISHMENT OF A HEALTHY, INTEGRITY-DRIVEN VENTURE CAPITAL INDUSTRY THAT IS ORIENTED TOWARDS FINANCING FOR STARTUPS TO SUPPORT THE DEVELOPMENT OF MSMEs AND CONSUMER PROTECTION, WHILE ALSO CONTRIBUTING TO NATIONAL ECONOMIC GROWTH

Phase I
Strengthening Foundation and Consolidation
2024-2025

Target: VCC: Minimum equity financing of 51% of the total financing. VDC: Minimum financing of 40% of the total assets.

Focuses on addressing the gaps that require prompt resolution to avoid hindering the implementation of development and strengthening initiatives in the industry.

A. Strengthening Capital, Governance, Risk Management, and Human Resources
1. Strengthening capital (fulfilling minimum equity requirements of IDR 50 million for VCCs and IDR 25 million for VDCs).
2. Refinement and implementation of regulations on firm soundness assessments.
3. Strengthening risk management and governance functions.
4. Establishment of an LSP, development of competency standards, and certification of human resources.
5. Consultation and capacity building.

B. Strengthening Regulation, Licensing, and Supervision
1. Follow-up on the P2SK Law (OJK Regulation and SEOJK).
2. Clustering of venture capital firms based on business activities and adjustment of regulatory policies and supervision (VCC and VDC Institutions).
3. Licensing regulations for unlicensed venture capital firms.
4. Optimization of anti-money laundering and prevention of terrorism financing supervision.
5. Implementation of risk-based supervision.
6. Strengthening regulations regarding venture funds.

C. Strengthening Consumer Education and Literacy
1. Strengthening education on venture capital funds.
2. Strengthening literacy on venture capital institutions and products.
3. Socialization to unlicensed venture capital firms.

D. Strengthening the Venture Capital Industry Ecosystem
1. Structuring and strengthening the Association's (AMVESINDO) roles.
2. Strengthening coordination with relevant ministries and/or institutions.
3. Synergy of venture capital firms with pension funds and insurance to strengthen funding.
4. Synergy of venture capital firms with insurance/credit guarantee institutions for financing risk mitigation.
5. Synergy of venture capital firms with incubators to finance new entrepreneurs.
6. Synergy of venture capital firms with custodian banks for venture funds development.
7. Strengthening exit strategies through IPO mechanisms.
8. Strengthening synergies for sharia venture capital development.
9. Increasing the role of venture capital firms in sustainable finance.

E. Fulfilling Data Infrastructure and Information System Requirements
1. Development of an EWS for venture capital firms.
2. Development of an online reporting system for venture funds.

Phase II
Creating Momentum
2026-2027

Target: VCC: Equity financing constitutes 52-66% of the total financing. VDC: Financing constitutes 41-66% of the total assets.

Focuses on utilizing enhanced resources to strengthen the industry for better growth.

A. Strengthening Capital, Governance, Risk Management, and Human Resources
1. Implementation of capital strengthening (fulfilling minimum equity requirement of IDR 50 million for VCCs and IDR 25 million for VDCs).
2. Implementation of regulations on firm soundness assessments.
3. Strengthening risk management and governance functions.
4. Implementation of human resources certification.
5. Consultation and capacity building.

B. Strengthening Regulation, Licensing, and Supervision
1. Implementation of follow-up actions for the P2SK Law.
2. Implementation of venture capital firms clustering policies based on business activities.
3. Implementation of licensing regulations for unlicensed venture capital firms.
4. Optimization of anti-money laundering and prevention of terrorism financing supervision.
5. Application of risk-based supervision.
6. Implementation of regulation strengthening regarding venture funds.

C. Strengthening Consumer Education and Literacy
1. Strengthening education on venture funds.
2. Strengthening literacy on venture capital institutions and products.
3. Enforcement of compliance for unlicensed venture capital firms.

D. Strengthening the Venture Capital Industry Ecosystem
1. Implementation of Association's (AMVESINDO) strengthened role.
2. Strengthening coordination with relevant ministries and/or institutions.
3. Implementation of venture capital firms' synergies with pension funds and insurance.
4. Implementation of insurance/credit guarantee support.
5. Implementation of venture capital firms' synergies with incubators.
6. Implementation of venture capital firms' synergies with custodian banks.
7. Strengthening exit strategies through IPO mechanisms.
8. Implementation of synergy strengthening for sharia venture capital development.
9. Increasing of the role of venture capital firms in sustainable finance.

E. Fulfilling Data Infrastructure and Information System Requirements
1. Implementation of an EWS for venture capital firms.
2. Implementation of an online reporting system for venture funds.

Phase III
Adjustment and Growth
2028

Target: VCC: Minimum equity financing of 67% of the total financing. VDC: Minimum financing of 67% of the total assets.

Focuses on developing an ecosystem to support the industry and explore new opportunities for growth as a "take-off phase".

A. Strengthening Capital, Governance, Risk Management, and Human Resources
1. Monitoring and evaluating compliance with minimum equity requirements.
2. Implementation of regulations on firm soundness assessments.
3. Strengthening risk management and governance functions.
4. Implementation of human resources certification.
5. Consultation and capacity building.

B. Strengthening Regulation, Licensing, and Supervision
1. Monitoring and evaluating compliance with the P2SK Law.
2. Implementation of clustering policies for venture capital firms based on business activities.
3. Implementation of licensing regulations for unlicensed venture capital firms.
4. Optimization of anti-money laundering and prevention of terrorism financing supervision.
5. Application of risk-based supervision.
6. Implementation of regulation strengthening for venture funds.

C. Strengthening Consumer Education and Literacy
1. Strengthening education on venture funds.
2. Enhancing literacy on venture capital institutions and products.
3. Enforcement of compliance for unlicensed venture capital firms.

D. Strengthening the Venture Capital Industry Ecosystem
1. Implementation of the Association's (AMVESINDO) strengthened role.
2. Strengthening coordination with relevant ministries and/or institutions.
3. Implementation of venture capital firms' synergies with pension funds and insurance.
4. Implementation of insurance/credit guarantee support.
5. Implementation of venture capital firms' synergies with incubators.
6. Implementation of venture capital firms' synergies with custodian banks.
7. Strengthening exit strategies through IPO mechanisms.
8. Implementation of synergy strengthening for sharia venture capital development.
9. Increasing the role of venture capital firms in sustainable finance.

E. Fulfilling Data Infrastructure and Information System Requirements
1. Implementation of an EWS for venture capital firms.
2. Implementation of an online reporting system for venture funds.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Governance and Institutions	Consumer Education and Literacy	Development of Ecosystem Elements	Regulation, supervision, and licensing

*The Venture Capital Firms Roadmap 2024-2028 is a living document that can be adjusted to industry dynamics

The shared vision to be realized is the establishment of a healthy, integrity-driven venture capital industry that is oriented towards venture financing to support the development of MSMEs and consumer protection, while also contributing to national economic growth.

A robust industry characterized by integrity exhibits strong governance, professionalism, a commitment to customer interests, and adherence to relevant regulations. Venture capital plays a pivotal role in fostering innovation and nurturing startup enterprises. Its development in Indonesia is expected to significantly bolster innovation, technological progress, and the proliferation of startup ventures. Moreover, the presence of venture capital is anticipated to enhance the development of MSMEs greatly. Overall, the progression of venture capital in Indonesia is forecast to positively influence innovation, and MSME growth, thereby stimulating national economic expansion and enhancing societal well-being.

A. Strategy and Work Program for Achieving the 2024-2028 Indonesian Venture Capital Vision

Five strategies will be implemented over a five-year period to achieve the future vision of venture capital in Indonesia. Each strategy will be elaborated upon through a work program for each phase.

1. Strengthening Capital, Governance, Risk Management and Human Resources

The initial strategy involves enhancing crucial facets in venture capital management, comprising capital, governance, risk management, and human resources. Capital significantly influences the resilience and growth of venture capital. Previously, the minimum equity requirements, as stipulated in OJK Regulation 35/2015, were IDR 50 billion for Limited Liability Companies and IDR 25 billion for Cooperatives and Limited Partnerships. However, this provision underwent alteration in OJK Regulation 25/2023, with the minimum equity requirements now tied to the focus of venture capital business activities rather than the business legal form.

Accordingly, the minimum equity requirement is IDR 50 billion for VCCs, and IDR 25 billion for VDCs. It is anticipated that adhering to this new regulatory framework will fortify capital in alignment with the conducted business activities' focus.

In addition to capital, OJK will enhance regulations for assessing the soundness of venture capital firms as stipulated in OJK Regulation 25/2023. The technical guidelines for this assessment will be detailed in a forthcoming circular from the OJK. This adjustment aligns with the adoption of RBS in venture capital, consistent with its application in other sectors such as Insurance, Pension Funds, and Finance Companies in the NBFI. With the new regulations, venture capital becomes the fourth industry to be supervised on a risk basis. Consequently, reinforcing the risk management function within companies will naturally follow this RBS.

Another area requiring enhancement is human resources. The Roadmap approach involves refining the certification program tailored to venture capital human resources. OJK Regulation 25/2023 exclusively addresses certification requirements for billing personnel. Moving forward, the regulatory emphasis will expand to encompass certifications for the diverse skill set demanded by venture capital. Initiatives will entail establishing an LSP, formulating competency standards, and implementing a certification program for venture capital human resources. Additionally, the Roadmap initiatives will bolster skills education programs through enhanced collaboration with associations and educational institutions.

Strengthening human resources involves enhancing capabilities and understanding for business actors, particularly in information technology areas such as artificial intelligence and machine learning. This will support collaboration with startup companies, a key market for venture capital firms.

Through the Roadmap initiatives, venture capital firms will intensify consultation with and capacity building for business partners, extending support not only to capital-receiving companies but also to those financed by venture capital. This support is crucial not only for the benefit of business partners but also for venture capital firms, ensuring the expected outcomes from the financing or equity financing provided.

2. **Strengthening Regulations, Licensing, and Supervision**

OJK serves as the authority responsible for regulating, supervising, and licensing venture capital in Indonesia. To realize the future vision for venture capital, OJK aims to bolster these regulatory functions. OJK will strengthen its implementation of the P2SK Law's mandates. The recently issued OJK Regulation 25/2023 regulates several mandates of the P2SK Law, including the regulation of venture capital clusters into VCCs and VDCs. This clustering is expected to offer greater flexibility for venture capital firms in defining their business focus. VCCs will concentrate on equity financing activities, while VDCs will focus on debt financing activities. OJK recognizes that the target markets for each venture capital firm may vary, and some companies may struggle to meet the minimum equity financing requirements. Thus, the new provision aims to empower companies to determine their own business focus more freely.

Venture capital firms operating without a business license will be a key focus of this Roadmap. Currently, numerous companies engage in venture capital financing services without proper licensing from the OJK. According to Article 113 of the P2SK Law, such operations are required to possess a OJK business license as a Financing Services Business organizer, unless specified otherwise by law. The OJK will enforce the P2SK Law's mandate by enhancing venture capital licensing regulations and reaching out to organizers of venture capital Financing Services Businesses, urging them to apply promptly for licenses from the OJK.

Additionally, efforts are underway to enhance regulations governing venture funds. These regulations, set forth in OJK Regulation

35/2015, are relatively new. However, the progress in venture fund development remains sluggish, with only two venture capital firms, BRI Ventures and Mandiri Capital Indonesia, currently offering venture fund products. The investment capital amassed by investors remains modest compared to the total managed funds. Hence, there is a need to bolster venture fund regulations to foster their growth, aligning with the P2SK Law's directive that treats a KIB Venture Fund as a legal entity. In response to this directive, OJK has issued OJK Regulation 25/2023, amending the previous regulations (POJK 35/2015) governing venture funds. These amendments encompass various aspects, including licensing requirements, fund placement duration, and minimum investment thresholds for venture Fund participants.

In terms of supervision, OJK will enhance oversight of money laundering, terrorism financing, and funding the proliferation of weapons of mass destruction (TPPU, TPPT, and TP3SPM), along with strengthening supervisory methods. Globalization in the financial services sector, coupled with the proliferation of financial products, multi-channel marketing, conglomerates, and complex industry activities and technologies, poses a heightened risk of exploitation for money laundering and terrorist financing, with increasingly sophisticated methods.

OJK is responsible for establishing a integrated regulatory and supervisory framework, encompassing all operations within the financial services sector. Integrated regulation and supervision, which includes ensuring regulatory consistency, are imperative for effectively implementing anti-money laundering, prevention of terrorism financing, and prevention of funding for the proliferation of weapons of mass destruction (APU, PPT, and P3SPM) initiatives. Financial service providers, including venture capital firms, are mandated to adhere to these regulations. Enhanced supervision, particularly regarding prohibited activities within the venture capital industry, will be prioritized, notably concerning external funding sources such as foreign loans and investor placements in venture funds.

Furthermore, OJK will enhance its supervisory approach to venture capital through the implementation of RBS. Presently, RBS is operational for three categories of NBFI: Insurance, Pension Funds, and Finance Companies. Moving forward, RBS will be extended to cover the venture capital sector, aiming to enhance industry and customer protection.

3. Strengthening Consumer Education and Literacy

Improving literacy and education, particularly among consumers and society at large, is a crucial pillar in this Roadmap. This pillar is even more significant given the direct correlation between literacy levels and inclusion rates. Notably, some individuals remain unfamiliar with venture capital and lack comprehension of its products, rights, obligations, and associated risks. A concerted effort to enhance literacy and education significantly and effectively is essential to bolster venture capital inclusion and broaden the pool of venture fund sources. This endeavor comprises three primary initiatives: reinforcing literacy in relation to venture capital firms and products, enhancing education on venture funds, and conducting outreach on unlicensed venture capital entities. Literacy programs focusing on venture capital firms and products will be tailored for MSMEs, startups, relevant ministries/institutions, and regional governments. Furthermore, these initiatives will leverage print and electronic media to extend their reach across Indonesia. Similarly, literacy efforts concerning venture funds will target potential investors, encompassing both individuals and institutional entities.

The development of sharia venture capital firms via enhanced education involves, among other efforts, boosting awareness of sharia financing to distinguish it from conventional methods. This aims to clarify the target market and align with strategies to bolster consumer education, particularly in contract discernment, given that most venture capital firms follow conventional financing principles.

Outreach initiatives will also target unlicensed venture capital organizers, serving as a follow-up to the issuing of the P2SK Law. The transitional provisions within the P2SK Law allow ample time for outreach and warnings before the enforcement of sanctions against unlicensed operators. These sanctions will come into effect in 2026.

4. Strengthening the Venture Capital Industry Ecosystem

Ecosystem development is crucial to support the growth of venture capital firms in Indonesia. The Roadmap involves nine key work programs aimed at bolstering this ecosystem.

The program focuses on enhancing AMVESINDO's role, which is pivotal in venture capital development. Collaboration among AMVESINDO, OJK, and other stakeholders will have a positive impact on Indonesia's venture capital progress. AMVESINDO's optimization includes human resource development, enhancing venture capital firm governance, and contributing to regulatory concepts formulated by OJK and/or the government.

The second work program focuses on enhancing coordination with pertinent ministries and/or institutions, whose support is crucial for advancing venture capital firm development. Key ministries/institutions involved in this endeavor include the KEMENKEU for taxation, KOMINFO for technology startups, the Ministry of Tourism and Creative Economy (KEMENPAREKRAF) for creative industries, and KEMENKOPUKM for empowering MSMEs.

The third work program aims to enhance funding by fostering synergies between Venture Capital Firms and Pension Funds as well as insurance companies. These entities have the option to invest their funds in various avenues, including shares and corporate bonds listed on the IDX, mutual funds (including KIKs with limited participants), and direct investments. Currently, Pension Funds hold investments amounting to approximately IDR 340 trillion, while life insurance companies and general insurance companies have total investments of around IDR 530 trillion and IDR 98 trillion respectively. These institutions represent potential sources of funding for venture capital firms in Indonesia. To facilitate these synergies, effective coordination among regulatory bodies such as OJK, AMVESINDO, the Indonesian General Insurance Association (AAUI), the Indonesian Life Insurance Association (AAJI), the Indonesian Pension Fund Association (ADPI), and the Financial Institutions Pension Fund Association (PDPLK) is essential.

The fourth work program focuses on enhancing financing risk mitigation by integrating venture capital firms with guarantee or credit insurance. VCCs are mandated by Article 17 of OJK Regulation 25/2023 to invest a minimum of 51% of their total business activities through equity financing, convertible bonds, or convertible sukuk purchases. Conversely, VDCs, as outlined in Article 65 of the same regulation, facilitate financing to MSMEs and business partners during initial or developmental stages. Integrating credit insurance or guarantee into VCC and VDC operations significantly bolsters credit risk management, emphasizing the importance of reinforcing support for these credit protection mechanisms within the venture capital sector.

The fifth work program focuses on fostering synergy between venture capital firms and business incubators in financing new entrepreneurs. Business incubators, provided by various institutions, aim to support startup ventures. This synergy between venture capital firms and incubators is crucial for attracting potential startup entrepreneurs.

The sixth work program focuses on enhancing collaboration between venture capital firms and custodian banks to bolster the development of venture funds, particularly for financing startup companies. Venture funds serve as a key funding avenue for startups, pooling and managing funds from participation unit holders under KIBs. A KIB acts as a contractual agreement between venture capital firms and custodian banks, empowering venture capital firms to manage funds from participation unit holders while granting custodian banks authority over collective custody. Maximizing synergies between venture capital firms and custodian banks is essential for the continued development of venture funds.

The seventh work program focuses on enhancing exit strategies through the IPO mechanism, which is considered the most optimal approach for both venture capital firms and investors. This method offers various tax incentives for venture capital firms and investors when they release a portion of their ownership through an IPO. The IPO process entails involvement from multiple parties including securities companies, the Securities Administration Bureau (BAE), public accountants, notaries, legal advisors, appraisers, and the OJK. Providing support to venture capital firms is crucial to establishing the IPO process as the primary exit mechanism for Indonesian venture capital firms.

The eighth work program focuses on enhancing synergies to support the development of sharia venture capital firms. A key aspect of this involves optimizing funding mechanisms, including benevolent funds, for sharia venture capital firms. It is crucial to strengthen collaboration with entities such as the National Board of Zakat of the Republic of Indonesia (BAZNAS), the National Committee for Sharia Financial Economics (KNEKS), the National Sharia Board of the Indonesian Ulema Council (DSN-MUI), and other benevolent fund managers to facilitate the growth of Indonesian sharia venture capital firms. This will enable them to thrive alongside conventional venture capital firms.

The ninth work program focuses on enhancing the role of venture capital firms in sustainable finance. This aligns with a commitment to supporting sustainable development and achieving the United Nations Sustainable Development Goals. OJK consistently urges venture capital firms to meet these demands by promoting the adoption of sustainable financial principles and facilitating sustainable economic activities. This is governed by OJK Regulation No. 51/POJK.03/2017, which became effective on January 1, 2020 and outlines the responsibilities for implementation of sustainable finance for venture capital firms. Venture capital firms must prepare and submit a Sustainable Financial Action Plan (RAKB) to the OJK annually, along with a Sustainability Report.

5. Fulfilling Data Infrastructure and Information System Requirements

The digitalization trend has permeated diverse facets of human existence, including finance. In overseeing Indonesian financial services, OJK also leverages digital technology to conduct supervisory activities concerning the business operations of financial institutions. Within the scope of monitoring and reporting, two information systems will be developed: an EWS and an online reporting system.

B. Three Phases of Roadmap Implementation

Phase 3: Adjustment and Growth
Focuses on developing an ecosystem to support the industry and explore new opportunities for growth as a "take-off phase".

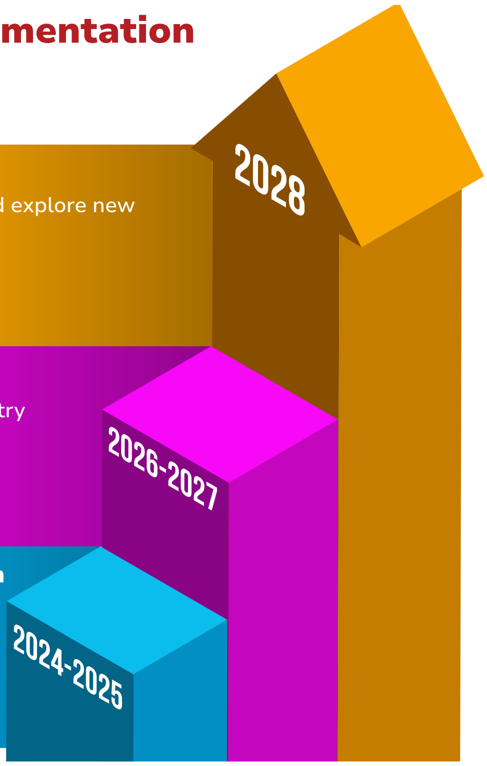
Target:
VCC: Minimum equity financing of 67% of the total financing.
VDC: Minimum financing of 67% of the total assets.

Phase 2: Creating Momentum
Focuses on utilizing enhanced resources to strengthen the industry for better growth.

Target:
VCC: Equity financing constitutes 52-66% of the total financing.
VDC: Financing constitutes 41-66% of the total assets.

Phase 1: Strengthening Foundation and Consolidation
Focuses on addressing the gaps that require prompt resolution to avoid hindering the implementation of development and strengthening initiatives in the industry.

Target:
VCC: Minimum equity financing of 51% of the total financing.
VDC: Minimum financing of 40% of the total assets.



The strategies outlined in this Roadmap will be implemented progressively across three phases. Each phase will be assigned a specific target, serving as a measurable indicator of progress toward realizing the vision outlined in this Roadmap. There are two targets, tailored to the distinct types of venture capital firms. For VDCs, the target involves the proportion of financing to total aset; for VCCs, it pertains to the proportion of equity financing to total financing. These targets represent significant milestones to be attained at each phase and are crucial for fulfilling the vision of the Roadmap.

PHASE I: STRENGTHENING FOUNDATIONS AND CONSOLIDATION (2024–2025)

Phase I encompasses a two-year period (2024–2025) dedicated to fortifying the industry's groundwork and fostering cohesion. This phase is centered on bridging the disparity between current circumstances and the desired robust foundation necessary for sustainable industry growth. Essential pillars for industry resilience during this phase include regulation, supervision, financing, governance, risk management, and human resources. The emphasis is also placed on industry consolidation to streamline operations and facilitate seamless industry development. Addressing prevailing gaps and harmonizing industry consolidation processes takes precedence to ensure the unimpeded progress of industry development and resilience building. The primary objectives for this initial phase are as follows:

a. Attain a minimum of 51% equity financing in overall VCC financing.
b. Achieve a minimum 40% financing ratio of total VDC assets.

Table 01 Phase I Strategy for the Development and Strengthening of Venture Capital Firms

No.	Strategic Programs (Phase I)	Output	Responsible Parties	2024	2025
A. Strengthening capital, governance, risk management, and human resources of venture capital firms					
1	Strengthening capital (fulfilling the minimum equity requirements of IDR 50 billion for VCCs and IDR 25 billion for VDCs).	Coordination between OJK and AMVESINDO.	OJK and AMVESINDO	√	√
2	Refinement and implementation of regulations relating to the soundness assessment of firms.	Issuance and dissemination of amended SEOJK regulations regarding the financial health assessment of venture capital firms.	OJK	√	√
3	Enhancing risk management functions.	Coordination between OJK and AMVESINDO regarding the preparation of training programs for venture capital firms' personnel and the implementation of OJK Regulations on venture capital firms' operations.	OJK and AMVESINDO	√	√
4	Establishment of LSP, development of competency standards, and personnel certification.	Coordination between OJK and AMVESINDO regarding the establishment of an LSP in the venture capital field and the development of Indonesian National Competency Standards (SKKNI) for venture capital firms.	OJK and AMVESINDO	√	√

No.	Strategic Programs (Phase I)	Output	Responsible Parties	2024	2025
5	Consultation and capacity building.	Coordination between OJK and AMVESINDO to enhance consultation and capacity-building functions for business partners.	OJK and AMVESINDO	√	√
B. Strengthening regulations, licensing, and supervision					
1	Follow-up of P2SK Law (OJK Regulations and SEOJK).	Issuance and dissemination of amendments to OJK Regulations and SEOJK related to venture capital firms.	OJK	√	√
2	Preparation of venture capital firm clustering based on business activities and adjustment of regulatory policies and supervision.	Issuance and dissemination of amendments to OJK Regulations related to venture capital firm business operations.	OJK	√	√
3	Regulation of licensing for unlicensed venture capital firms.	Preparation of revisions to OJK Regulation. for business licensing and institutionalization of venture capital firms.	OJK	√	√
4	Optimization of supervision on anti-money laundering and prevention of terrorism financing for venture capital firms.	Review of the monitoring methods for anti-money laundering and prevention of terrorism financing in venture capital firms.	OJK	√	√
5	Preparation for implementing RBS.	Issuance and dissemination of OJK Regulations related to RBS for venture capital firms.	OJK	√	√
6	Strengthening regulation of venture funds.	1. Implementation of amendments to OJK Regulations related to venture capital firm business operations. 2. Coordination with the KEMENKUMHAM regarding licensing for legal entities of KIBs.	OJK and AMVESINDO	√	√
C. Strengthening consumer education and literacy					
1	Strengthening education on venture capital.	Implementation of education and socialization programs regarding venture capital. Organized by OJK in collaboration with the Association.	OJK and AMVESINDO	√	√

No.	Strategic Programs (Phase I)	Output	Responsible Parties	2024	2025
2	Enhancing literacy about venture capital institutions and products.	Implementation of education and socialization programs regarding venture capital firms. Organized by OJK in collaboration with the Association.	OJK and AMVESINDO	√	√
3	Socialization to unlicensed venture capital firms.	1. Implementation of education and socialization programs organized by OJK, the Association, and the industry. 2. Issuance of letters to unlicensed venture capital firms to apply promptly for permits in accordance with the enactment of the P2SK Law. 3. Establishment of effective coordination with relevant institutions in resolving unlicensed venture capital firms.	OJK and AMVESINDO	√	√
D. Strengthening the venture capital industry ecosystem					
1.	Structuring and strengthening the AMVESINDO's roles.	1. Coordination of preparations for enhancing AMVESINDO's role in improving public literacy. 2. Coordination of preparations to strengthen AMVESINDO's role in enhancing the quality of venture capital firms' human resources.	OJK and AMVESINDO	√	√
2.	Enhancing coordination with relevant ministries and/or agencies	Coordination of preparations between OJK, AMVESINDO, and relevant ministries/agencies.	OJK and AMVESINDO	√	√
3.	Synergy between Venture Capital Firms, Pension Funds and Insurance Companies to strengthen funding.	Coordination between OJK, AMVESINDO, and relevant ministries/agencies.	OJK and AMVESINDO	√	√
4.	Synergy between venture capital firms and credit insurance/guarantee to strengthen risk mitigation in financing.	Coordination between OJK and related associations including AMVESINDO, AAUI, and ASIPPINDO.	OJK and AMVESINDO	√	√

No.	Strategic Programs (Phase I)	Output	Responsible Parties	2024	2025
5.	Synergy between venture capital firms and incubators for financing new entrepreneurs.	Coordination between OJK, AMVESINDO, and incubators.	OJK and AMVESINDO	√	√
6.	Synergy between venture capital firms and custodian banks for venture funds development.	1. Issuance and dissemination of OJK Regulation amendments regarding the use of custodian banks by venture capital firms. 2. Coordination between OJK and relevant associations.	OJK and AMVESINDO	√	√
7.	Enhancement of exit strategies through IPO mechanisms.	Coordination between OJK, the capital market, and AMVESINDO.	OJK and AMVESINDO	√	√
8.	Strengthening synergies for the development of sharia venture capital firms.	Coordination with BAZNAS, KNEKS, DSN-MUI, and other welfare fund managers for the development of sharia venture capital firms.	OJK and AMVESINDO	√	√
9.	Increased role of venture capital firms in sustainable finance.	Release of technical guidelines for sustainable finance.	OJK and AMVESINDO	√	√
E. Fulfilling data infrastructure and information system requirements					
1.	Development of an EWS for venture capital firms.	Availability of an EWS system for venture capital firms.	OJK	√	√
2.	Development of an online reporting system for venture funds.	Availability of an online reporting system for venture funds.	OJK	√	√

PHASE II: CREATING MOMENTUM (2026–2027)

Phase II marks the pivotal stage aimed at propelling accelerated growth. This phase is centered on leveraging the groundwork established in the preceding phase, including bolstering capital, governance, risk management, and human resources. The industry needs an advanced work program to leverage this momentum. The objectives for this second phase are:

a. Achieve at least 52%-65% equity financing in total VCC financing.

b. Attain a financing proportion within the range of 41%-65% of total VDC assets.

Table 02 Phase II Strategy for the Development and Strengthening of Venture Capital Firms

No.	Strategic Programs (Phase II)	Output	Responsible Parties	2026	2027
A. Strengthening capital/funding, governance, risk management, and human resources of venture capital firms					
1	Strengthening capital requirements to meet minimum equity of IDR 50 billion for VCCs and IDR 25 billion for VDCs.	Facilitating coordination between OJK and AMVESINDO.	OJK and AMVESINDO	√	√
2	Implementation of regulations on the soundness assessment of firms.	Implementing amendments to OJK Regulations regarding the financial health assessment of venture capital firms.	OJK	√	√
3	Enhancing risk management functions.	Facilitating coordination between OJK and AMVESINDO regarding the preparation of training programs for venture capital firms' personnel and the implementation of regulations governing venture capital firms' operations.	OJK and AMVESINDO	√	√
4	Establishment of LSP, development of competency standards, and certification of personnel.	Implementation of certification for venture capital firms' personnel.	OJK and AMVESINDO	√	√
5	Consultation and capacity-building initiatives.	Facilitating coordination between OJK and AMVESINDO to strengthen mentorship and capacity-building functions for business partners.	OJK and AMVESINDO	√	√
B. Strengthening regulations, licensing, and supervision					
1	Implementation of OJK Regulations in accordance with P2SK Law.	Implementation of amendments to OJK Regulations and SEOJK related to venture capital firms.	OJK	√	√
2	Implementation of venture capital firm clustering based on business activities and adjustment of regulatory policies and supervision.	Implementation of amendments to OJK Regulations related to the operation of venture capital firms.	OJK	√	√
3	Licensing implementation for unlicensed venture capital firms.	Implementation of OJK Regulations for business licensing and institutionalization of venture capital firms.	OJK	√	√

No.	Strategic Programs (Phase II)	Output	Responsible Parties	2026	2027
4	Optimization of supervision of anti-money laundering and prevention of terrorism financing.	Implementation of strengthened supervision of anti-money laundering and prevention of terrorism financing in venture capital firms.	OJK	√	√
5	Implementation of RBS application.	Implementation of RBS for venture capital firms.	OJK and AMVESINDO	√	√
6	Implementation of strengthening regulation of venture funds.	1. Implementation of amendments to OJK Regulations related to the operation of venture capital firms. 2. Coordination with KEMENKUMHAM regarding licensing of legal entities of KIBs.	OJK and AMVESINDO	√	√
C. Strengthening consumer education and literacy					
1.	Strengthening education on venture funds.	Implementation of education and socialization programs related to Venture Funds organized by OJK in collaboration with associations	OJK and AMVESINDO	√	√
2.	Enhancing literacy about venture capital institutions and products.	Implementation of education and socialization programs related to venture capital firms organized by OJK in collaboration with associations	OJK and AMVESINDO	√	√
3.	Warning about and enforcement of the law against unlicensed venture capital firms.	1. Implementation of education and socialization programs organized by OJK, associations, and the industry. 2. Enforcement of the law. 3. Creation of effective coordination with relevant institutions in resolving unlicensed venture capital firms.	OJK and AMVESINDO	√	√
D. Strengthening the venture capital industry ecosystem					
1	Implementation of structuring and strengthening of association roles.	1. Implementation of AMVESINDO's role strengthening to enhance public literacy. 2. Implementation of AMVESINDO's role strengthening to improve the quality of venture capital firms' human resources.	OJK and AMVESINDO	√	√

No.	Strategic Programs (Phase II)	Output	Responsible Parties	2026	2027
2	Implementation of coordination enhancement with relevant ministries and/or agencies.	Facilitating coordination between OJK, AMVESINDO, and relevant ministries/agencies.	AMVESINDO	√	√
3	Implementation of synergy between Venture Capital Firms and Pension Funds and Insurance Companies for strengthening funding.	Implementation of venture capital firms' synergy with pension funds and/or insurance companies.	AMVESINDO	√	√
4	Implementation of synergy between venture capital firms and credit insurance/ guarantee institutions for strengthening risk mitigation financing.	Implementation of venture capital firms' synergy with insurance/credit guarantee institutions.	AMVESINDO	√	√
5	Implementation of synergy between venture capital firms and incubators for financing new entrepreneurs.	Implementation of venture capital firms' synergy with new entrepreneurs.	OJK and AMVESINDO	√	√
6	Implementation of synergy between venture capital firms and custodian banks for venture funds development.	1. Implementation of venture capital firms' synergy with custodian banks. 2. Implementation of amendments to regulations related to the use of custodian banks in venture capital firms.	OJK and AMVESINDO	√	√
7	Enhancement of exit strategies through IPO mechanisms.	Facilitating coordination between OJK, the capital market, and AMVESINDO.	OJK and AMVESINDO	√	√
8	Strengthening synergies for the development of sharia venture capital firms.	Coordination with BAZNAS, KNEKS, DSN-MUI, and other welfare fund managers for the development of sharia venture capital firms.	OJK and AMVESINDO	√	√
9.	Increase the role of venture capital firms in sustainable finance.	Delivery of sustainable reports and RAKB in accordance with technical guidelines.	OJK and AMVESINDO	√	√
E. Fulfilling data infrastructure and information system requirements					
1	Socialization and implementation of an EWS for venture capital firms.	Implementation of an EWS system in monitoring venture capital firms.	OJK	√	√

No.	Strategic Programs (Phase II)	Output	Responsible Parties	2026	2027
2	Socialization and implementation of an online reporting system for venture funds.	Implementation of an online reporting system for venture funds reporting.	OJK	√	√

PHASE III: ADJUSTMENT AND GROWTH (2028)

Phase III will focus on adjustment and growth, with a primary emphasis on establishing an ecosystem to bolster the venture capital industry and foster new avenues for expansion. As such, this represents a pivotal "**take-off**" phase. Building on the initiatives undertaken in the preceding phases, Phase III will seek to harness the developments made to create a favorable impact on industry development. Enhancing the Phase I and II initiatives will be imperative to strengthen the established foundation and leverage momentum. This concluding stage will serve as the launchpad for establishing a healthier, integrity-driven venture capital industry in Indonesia that safeguards consumers and contributes to innovation, MSMEs, and the national economy. The key targets for achievement in this phase are:

a. Ensure a minimum of 67% equity financing in overall VCC financing.
b. Attain a minimum 67% financing proportion of total VDC assets.

Table 03 Phase III Strategy for the Development and Strengthening of Venture Capital Firms

No.	Strategic Programs (Phase III)	Output	Responsible Parties	2028
A. Strengthening capital/funding, governance, risk management, and human resources of venture capital firms				
1	Strengthening capital requirements to meet minimum equity of IDR 50 billion for VCCs and IDR 25 billion for VDCs.	Facilitating coordination between OJK and AMVESINDO.	OJK and AMVESINDO	√
2	Implementation of regulations on the soundness assessment of firms.	Implementing amendments to OJK Regulations regarding the financial health assessment of venture capital firms.	OJK	√
3	Enhancing risk management functions.	Facilitating coordination between OJK and AMVESINDO regarding the preparation of training programs for venture capital firms' personnel and the implementation of regulations governing venture capital firms' operations.	OJK and AMVESINDO	√

No.	Strategic Programs (Phase III)	Output	Responsible Parties	2028
4	Establishment of LSP, development of competency standards, and certification of personnel.	Implementation of certification for venture capital firms' personnel.	OJK and AMVESINDO	√
5	Consultation and capacity-building initiatives.	Facilitating coordination between OJK and AMVESINDO to strengthen mentorship and capacity-building functions for business partners.	OJK and AMVESINDO	√
B. Strengthening regulations, licensing, and supervision				
1	Implementation of OJK Regulation in accordance with P2SK Law.	Implementation of amendments to OJK Regulations and circular letter related to venture capital firms.	OJK	√
2	Implementation of venture capital firm clustering based on business activities and adjustment of regulatory policies and supervision.	Implementation of amendments to OJK Regulations related to the operation of venture capital firms.	OJK	√
3	Licensing implementation for unlicensed venture capital firms.	Implementation of OJK Regulation. for business licensing and institutionalization of venture capital firms.	OJK	√
4	Optimization of supervision of anti-money laundering and prevention of terrorism financing.	Implementation of strengthened supervision of anti-money laundering and prevention of terrorism financing in venture capital firms.	OJK	√
5	Implementation of RBS application.	Implementation of RBS for venture capital firms.	OJK and AMVESINDO	√
6	Implementation of strengthening regulation of venture funds.	Implementation of amendments to OJK Regulations related to the operation of venture capital firms.	OJK and AMVESINDO	√
C. Strengthening consumer education and literacy				
1.	Strengthening education on venture funds.	Implementation of education and socialization programs related to venture funds organized by OJK in collaboration with associations.	OJK and AMVESINDO	√
2.	Enhancing literacy about venture capital institutions and products.	Implementation of education and socialization programs related to venture capital firms organized by OJK in collaboration with associations.	OJK and AMVESINDO	√
3.	Warning about and enforcement of the law against unlicensed venture capital firms.	1. Implementation of education and socialization programs organized by OJK, associations, and the industry. 2. Enforcement of the law 3. Creation of effective coordination with relevant institutions in resolving unlicensed venture capital firms.	OJK dan AMVESINDO	√

No.	Strategic Programs (Phase III)	Output	Responsible Parties	2028
D. Strengthening the venture capital industry ecosystem				
1	Implementation of the structuring and strengthening of the association roles.	1. Implementation of AMVESINDO's role strengthening to enhance public literacy. 2. Implementation of AMVESINDO's role strengthening to improve the quality of venture capital firms' human resources.	OJK and AMVESINDO	√
2	Implementation of coordination enhancement with relevant ministries and/or agencies	Facilitating coordination between OJK, AMVESINDO, and relevant ministries/agencies	AMVESINDO	√
3	Implementation of synergy between venture capital firms and pension funds and insurance companies for strengthening funding.	Implementation of venture capital firms' synergy with pension funds and/or insurance companies.	AMVESINDO	√
4	Implementation of synergy between venture capital firms and credit insurance/ guarantee institutions for strengthening risk mitigation financing.	Implementation of venture capital firms' synergy with insurance/credit guarantee institutions.	AMVESINDO	√
5	Implementation of synergy between venture capital firms and incubators for financing new entrepreneurs.	Implementation of venture capital firms' synergy with new entrepreneurs.	OJK and AMVESINDO	√
6	Implementation of synergy between venture capital firms and custodian banks for venture funds development.	1. Implementation of venture capital firms' synergy with custodian banks. 2. Implementation of amendments to regulations related to the use of custodian banks in venture capital firms.	OJK and AMVESINDO	√
7	Enhancement of exit strategies through IPO mechanisms.	Facilitating coordination between OJK, the capital market, and AMVESINDO.	OJK and AMVESINDO	√
8	Strengthening synergies for the development of sharia venture capital firms.	Coordination with BAZNAS, KNEKS, DSN-MUI, and other welfare fund managers for the development of sharia venture capital firms.	OJK and AMVESINDO	√
9.	Increase the role of venture capital firms in sustainable finance.	Delivery of sustainable reports and RAKB in accordance with technical guidelines.	OJK and AMVESINDO	√

No.	Strategic Programs (Phase III)	Output	Responsible Parties	2028
E. Fulfilling data infrastructure and information system requirements				
1	Socialization and implementation of an EWS for venture capital firms.	Implementation of an EWS system in monitoring venture capital firms.	OJK	√
2	Socialization and implementation of an online reporting system for venture funds.	Implementation of an online reporting system for venture funds reporting	OJK	√

Table 04 Summary of Achievement Targets

Target Achievement	Phase I	Phase II	Phase III
VCCs—Proportion of equity financing to total financing.	At least 51%	52-66%	At least 67%
VDCs—Proportion of financing to total assets.	At least 40%	41-66%	At least 67%

C. Expected End-State

The expected end-state of implementing strategies and work programs in the venture capital industry through the Roadmap period will be characterized as follows:

1. A venture capital industry established with compliant capital, robust governance, effective risk management, and a dependable workforce.
2. Regulatory oversight, supervision, and licensing strengthened to foster a vibrant, integrity-driven, and inclusive venture capital industry.
3. Consumer education and literacy regarding venture capital firms are promoted effectively.
4. Ecosystem components cultivated to foster the growth and fortification of venture capital firms.
5. A robust data and information system infrastructure established to bolster the development and resilience of venture capital firms.

The Roadmap work program consists of annual programs that will be completed either within a one-year period or continue for the entire five-year implementation period. Each of these work programs has been assigned formulated output to be achieved over the 2024-2028 timeframe. The outputs are necessary to measure the outcomes of the established strategies.

CHAPTER 08

CONCLUSION

CHAPTER 08 CONCLUSION

A. Monitoring and Evaluation of the 2024-2028 Roadmap for the Development and Strengthening of Venture Capital Firms

As a joint commitment, the implementation of the Roadmap requires monitoring by both OJK and AMVESINDO. Monitoring and evaluation (monev) will be conducted periodically to ensure that the goals outlined in this Roadmap are achieved. This monev will be carried out through periodic examination of each implemented work program. The implementation of these work programs will then be evaluated to identify any gaps between the plans and the actual results. For the monev implementation itself, annual meetings will be held between OJK, AMVESINDO, and other relevant stakeholders. The evaluation results will then be followed up with corrective actions and, if necessary, the development of new work programs.

Graph 07 Mechanisms for the Monitoring and Evaluation of the Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028

B. Closing Remarks

The Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028 has been formulated by OJK in collaboration with various stakeholders, including associations, industry players, academics, and economic observers. This Roadmap has been designed in the hope that it will serve not only as a long-term guide but also as a blueprint for seizing opportunities and tackling challenges in the venture capital industry over the next five years.

This Roadmap provides clear direction for the development and strengthening of venture capital firms in Indonesia. Mutual agreements and commitments between OJK and the industry are necessary to oversee the implementation of the Roadmap. Through its various strategies and work programs, the Roadmap will help realize the vision of a healthy, integrity-driven venture capital industry that is oriented toward financial inclusion and consumer protection, while contributing to national economic growth. Importantly, this Roadmap is a living document that will adapt continuously to the dynamics of the economy and the venture capital industry, allowing for future adjustments to the work programs contained within it. Active monitoring and evaluation of the progress against the work programs will create a valuable process of reflection and continuous improvement. Finally, it is hoped that the Roadmap for the Development and Strengthening of Venture Capital Firms 2024-2028 will bring benefits not only to industry stakeholders but to Indonesian society as a whole.

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Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector

Glossary

AAJI	:	Indonesia Life Insurance Association
AAUI	:	Indonesia General Insurance Association
ADPI	:	Indonesia Pension Funds Association
AFPI	:	Indonesia Joint Funding Fintech Association
AMVESINDO	:	Indonesia Venture Capital for Startups Association
APU PPT P3SPM	:	Anti-Money Laundering, Prevention of Terrorism Financing, and Prevention of Funding for the Proliferation of Weapons of Mass Destruction
ASIPPINDO	:	Indonesia Guarantee Companies Association
BAZNAS	:	National Board of Zakat of the Republic of Indonesia
IDX	:	Indonesia Stock Exchange
BAE	:	Securities Administration Bureau
BPUI	:	Bahana Pembinaan Usaha Indonesia LLC
BUMN	:	State-Owned Enterprise
DSN-MUI	:	National Sharia Board-Indonesian Council of Ulema
EWS	:	Early Warning System
EY	:	Ernst and Young
FEB UI	:	Faculty of Economics and Business, University of Indonesia
GCG	:	Good Corporate Governance
HHI	:	Herfindahl-Hirschman Index
IFG	:	Indonesia Financial Group
NBFI	:	Non-Bank Financial Services Institutions
IMF	:	International Monetary Fund
IPO	:	Initial Public Offerings
KEMENKEU	:	Ministry of Finance of the Republic of Indonesia
KEMENKOPUKM	:	Ministry of Cooperatives and SMEs
KEMENKUMHAM	:	Ministry of Law and Human Rights
KEMENPAREKRAF	:	Ministry of Tourism and Creative Economy
KIB	:	Joint Investment Contract
KIK	:	Collective Investment Contract

Daftar Istilah

KNEKS	:	National Committee for Sharia Financial Economics
KOMINFO	:	Ministry of Communications and Informatics
KUR	:	People's Business Credit
LAPS SJK	:	The Alternative Dispute Resolution Institution for the Financial Services Sector
LKM	:	Microfinance Institutions
LSP	:	Professional Certification Agency
MSMEs	:	Micro, Small, and Medium Enterprises
OJK	:	Financial Services Authority
GDP	:	Gross Domestic Product
PDPLK	:	Financial Institutions Pension Fund Association
PINBUK	:	Center for Small Business Incubation
OJK Regulation	:	Regulations of the Financial Services Authority
OJK Regulation 25/2023	:	Regulations of the Financial Services Authority 25/2023
OJK Regulation 34/2015	:	Regulations of the Financial Services Authority 34/2015
OJK Regulation 35/2015	:	Regulations of the Financial Services Authority 35/2015
OJK Regulation 36/2015	:	Regulations of the Financial Services Authority 36/2015
PSNs	:	National Strategic Projects
RAKB	:	Sustainable Financial Action Plan
RBS	:	Risk-Based Supervision
SEOJK	:	Circular of the Financial Services Authority
SKKNI	:	Indonesian National Competency Standards
SLIK	:	Financial Information Services System
TPPU, TPPT and TP3SPM	:	Money Laundering, Terrorism Financing, and Funding the Proliferation of Weapons of Mass Destruction
UK	:	United Kingdom
P2SK Law	:	Law on the Development and Strengthening of the Financial Sector

Daftar Istilah

UUS	:	Sharia Business Unit
VCC	:	Venture Capital Corporation
VDC	:	Venture Debt Corporation
WIPO	:	World Intellectual Property Organization
PSN	:	National Strategic Projects
RAKB	:	Action Plan for Sustainable Finance
RBS	:	Risk-Based Supervision
SDM	:	Human Resources
SEOJK	:	OJK Circular Letter
SFA	:	Securities and Features Act
SI	:	Information System
SKKNI	:	Standard of Indonesian National Work Competency
SLIK	:	System of Financial Information Service
Sulampua	:	Sulawesi, Maluku & Papua
TPPU, TPPT dan TP3SPM	:	Tindak Pidana Pencucian Uang, Tindak Pidana Pendanaan Terorisme, dan Tindak Pidana Pendanaan Proliferasi Senjata Pemusnah Massal
U.K.	:	United Kingdom
UKM	:	Small and Medium Enterprises
UMKM	:	Micro, Small, and Medium Enterprises
UU P2SK	:	Undang-Undang nomor 4 tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan
VC	:	Venture Capital
VCC	:	Venture Capital Corporation
VDC	:	Venture Debt Corporation
WIPO	:	World Intellectual Property Organization
Y.o.y	:	Year-on-year

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