



# **INFRASTRUCTURE FINANCING IN INDONESIA:**

## **Government Policy and The Opportunity**

**Ministry of National Development Planning/  
National Development Planning Agency (BAPPENAS)**

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**13 November 2015**



# OUTLINE



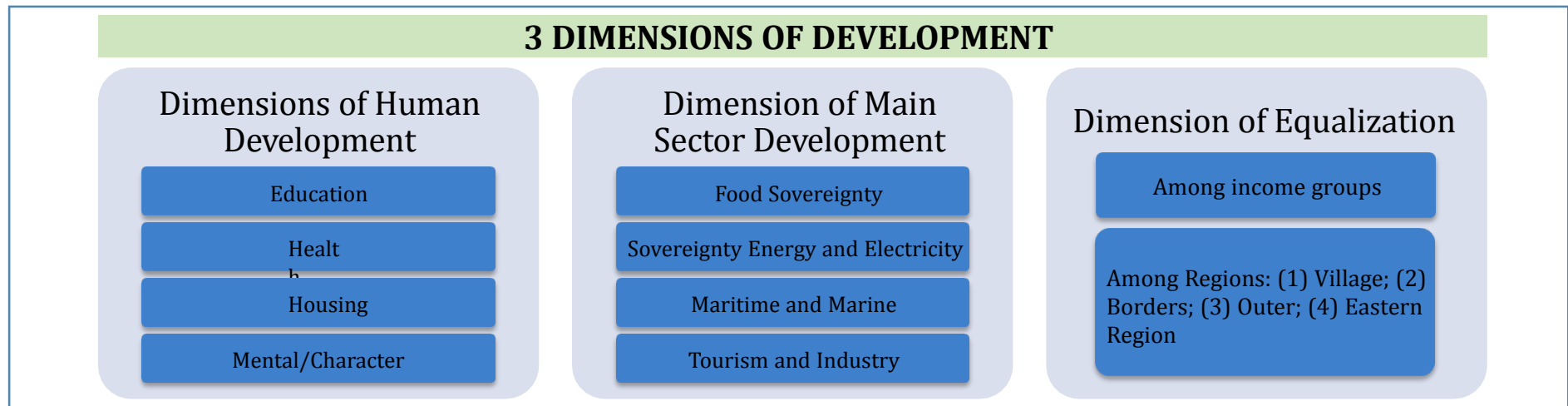
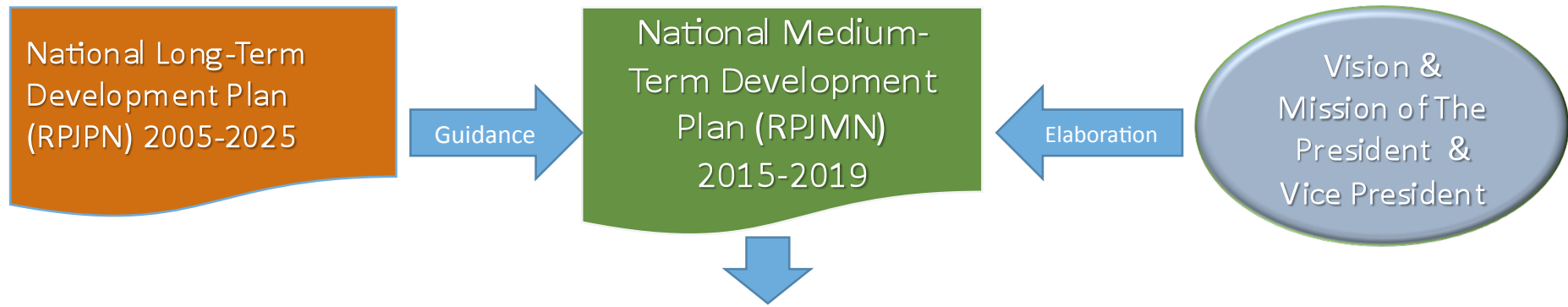
- National Medium-Term Development Plan 2015-2019
- Indonesia Infrastructure Development 2015-2019
- Infrastructure Financing Needs 2015-2019
- Islamic Finance for Infrastructure Projects



# National Medium-Term Development Plan 2015-2019



# National Medium-Term Development Plan 2015-2019





# Indonesia Infrastructure Development 2015-2019





# INFRASTRUCTURE STRATEGIC ISSUES (2015-2019)



Water, Food,  
and Energy  
Security to  
support  
National  
Security



Strengthening  
National  
Connectivity in  
Balancing  
Development



Urban Mass  
Transportation  
System  
Development



Basic  
Infrastructure

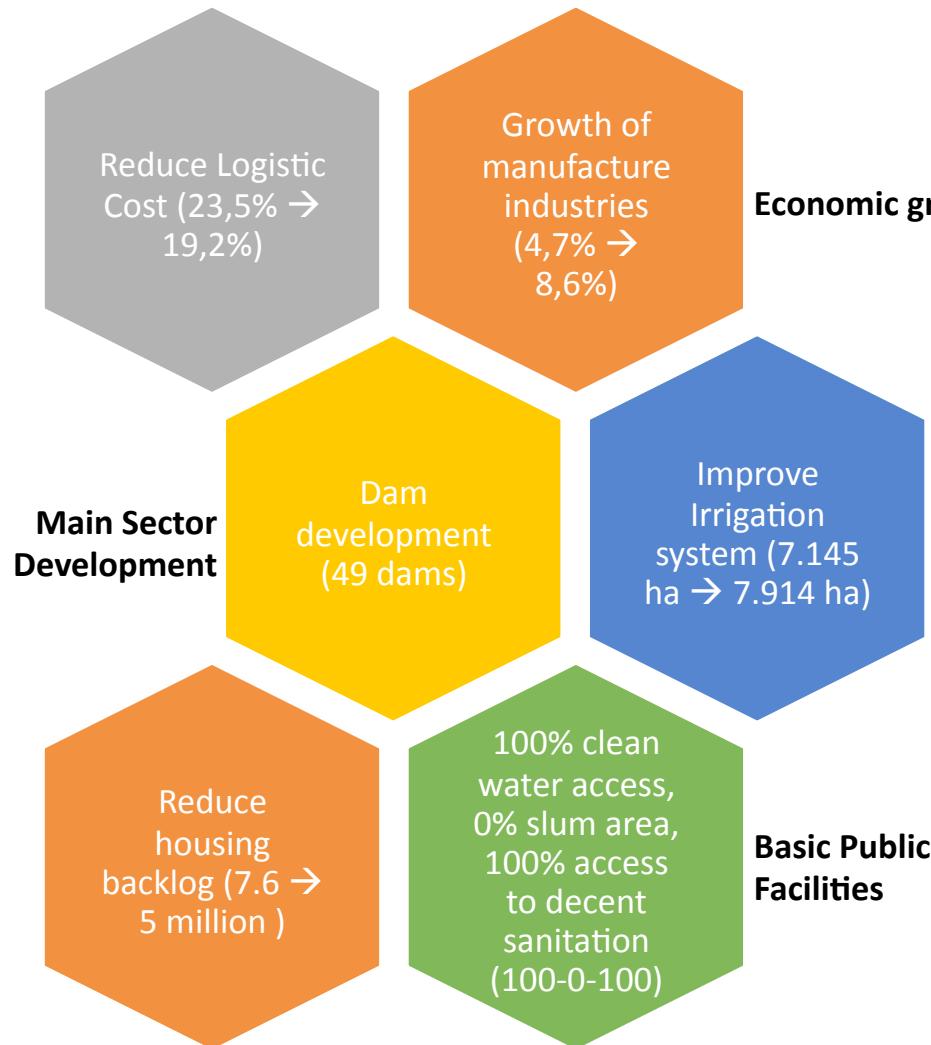


Improving  
Private Sector  
Role



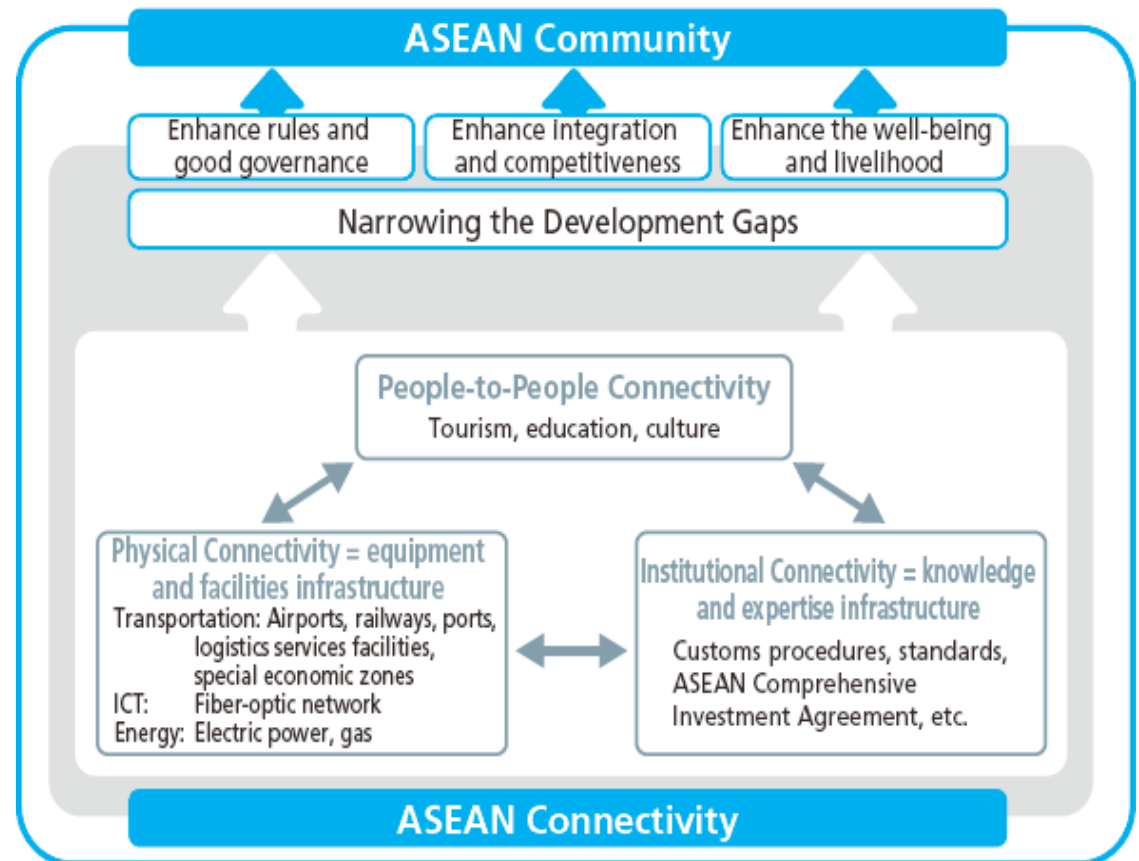
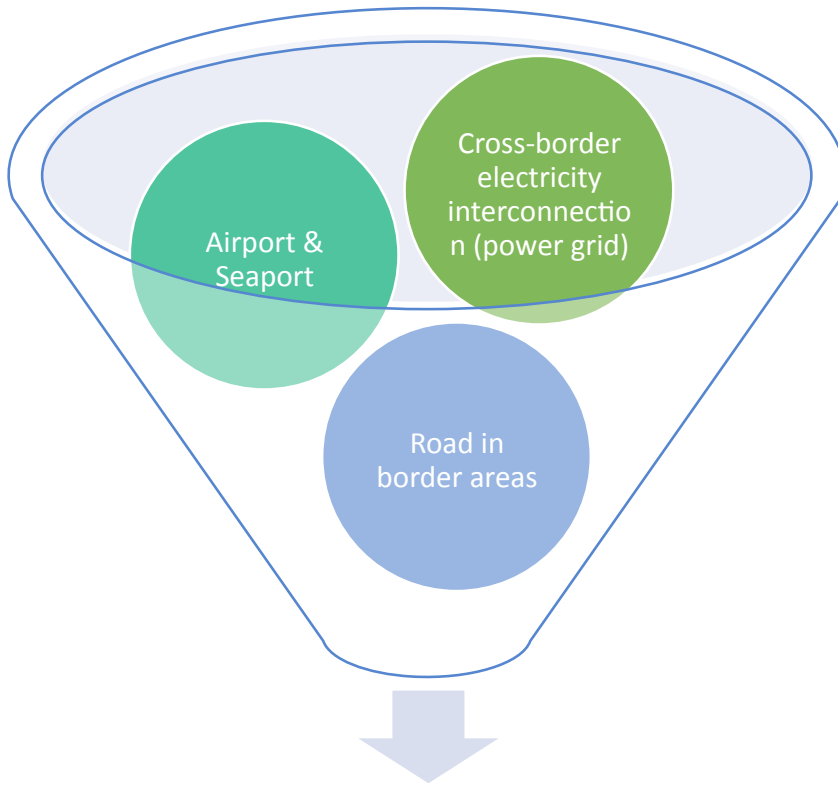


# INDONESIA INFRASTRUCTURE DEVELOPMENT TARGETS 2015-2019





# INDONESIA INFRASTRUCTURE DEVELOPMENT TO IMPROVE ASEAN CONNECTIVITY



The Master Plan to enhance connectivity in an effort to build an ASEAN community by 2015. adopted in October 2010 at ASEAN Summit.





# Infrastructure Financing Needs 2015-2019

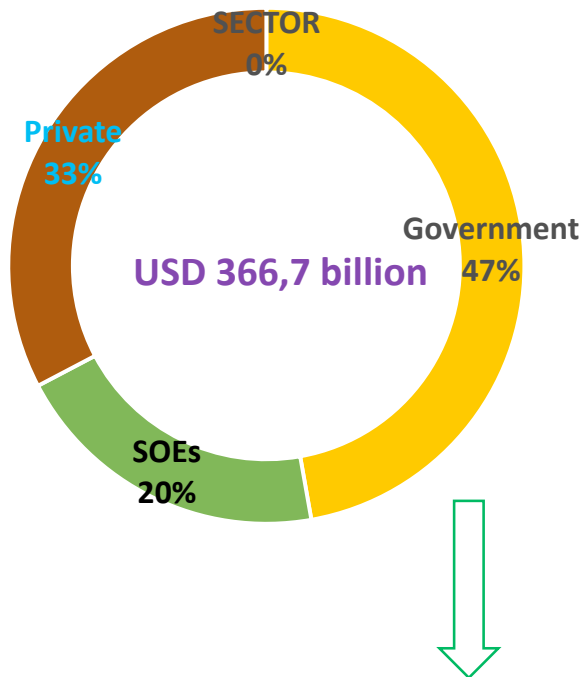




# INFRASTRUCTURE FINANCING NEEDS 2015-2019



(USD billion)



SECTOR	Government*)	SOEs	Private	Total
Transportation	86,8	21,4	31,6	139,7
Electricity	7,8	34,7	33,9	76,4
Energy (Oil & Gas)	0,3	11,6	26,9	38,8
Information, Technology, and Telecommunication	2,1	2,1	17,2	21,4
Public Basic Facilities	76,1	3,9	10,3	90,3
<b>TOTAL</b>	<b>173,1</b>	<b>73,7</b>	<b>119,9</b>	<b>366,7</b>

\*) State Budget (APBN) and Regional Government Budget (APBD)

State Budget (APBN) Financing	
State Budget 2015	USD 21 billion
State Budget 2016	USD 23 billion

Note: IDR/USD based on RAPBN 2016 = 13.400



# THE ROLE OF GOVERNMENT, PRIVATE, AND SOEs IN INFRASTRUCTURE FINANCING



## Government

Transportation (ie. Road & bridge, Railways)

Basic Public Facilities (ie. clean water & sanitation, health, education)

Water Resources & Irrigation (ie. Dam, irrigation networks)

## Private/SOEs

Electricity

Energy (Oil & Gas)

Information, Technology & Communication

Public Transport Modes (ie. Bus, Aeroplane)

Special Economic Zones (SEZs) Facilities

## PPP/Private

Toll Road

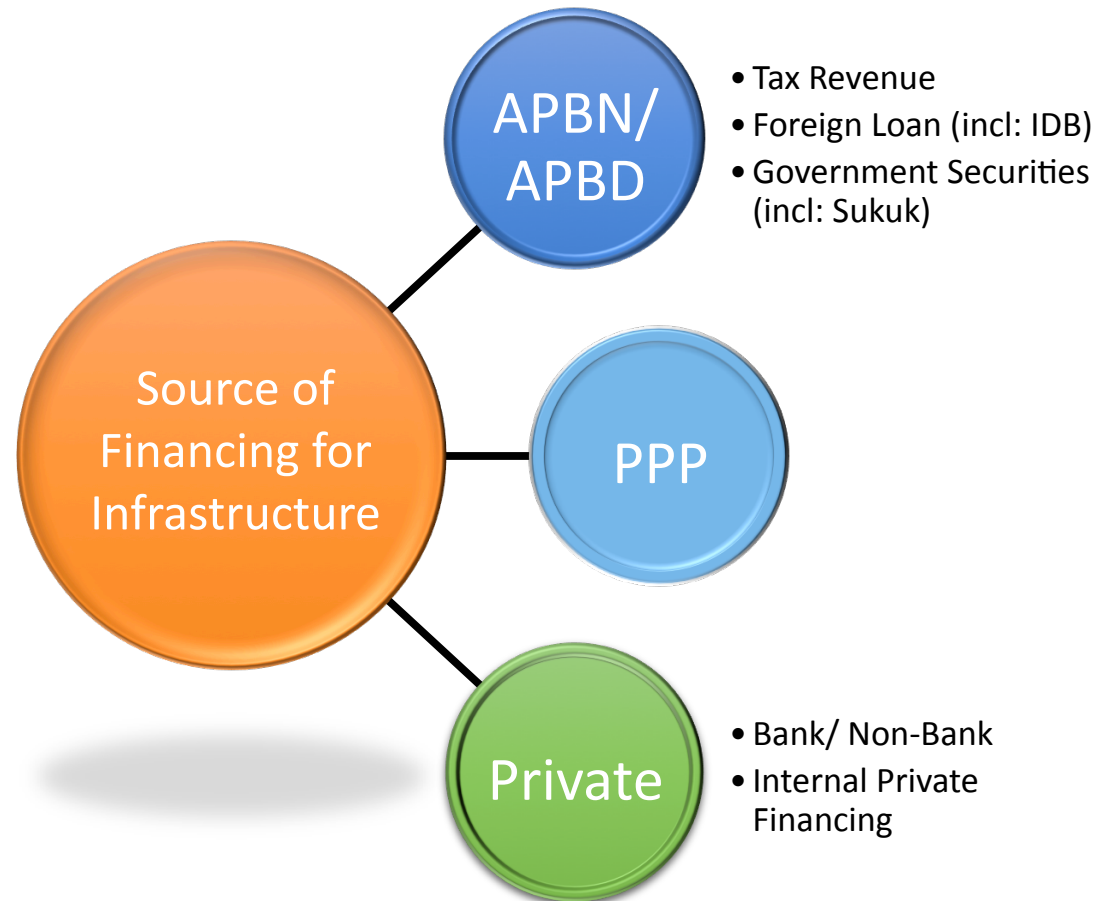
Electricity (ie. Power generation)

Water Supply (ie. PDAM/ Municipal Waterworks)

Airport & Seaport



# SOURCE OF FINANCING

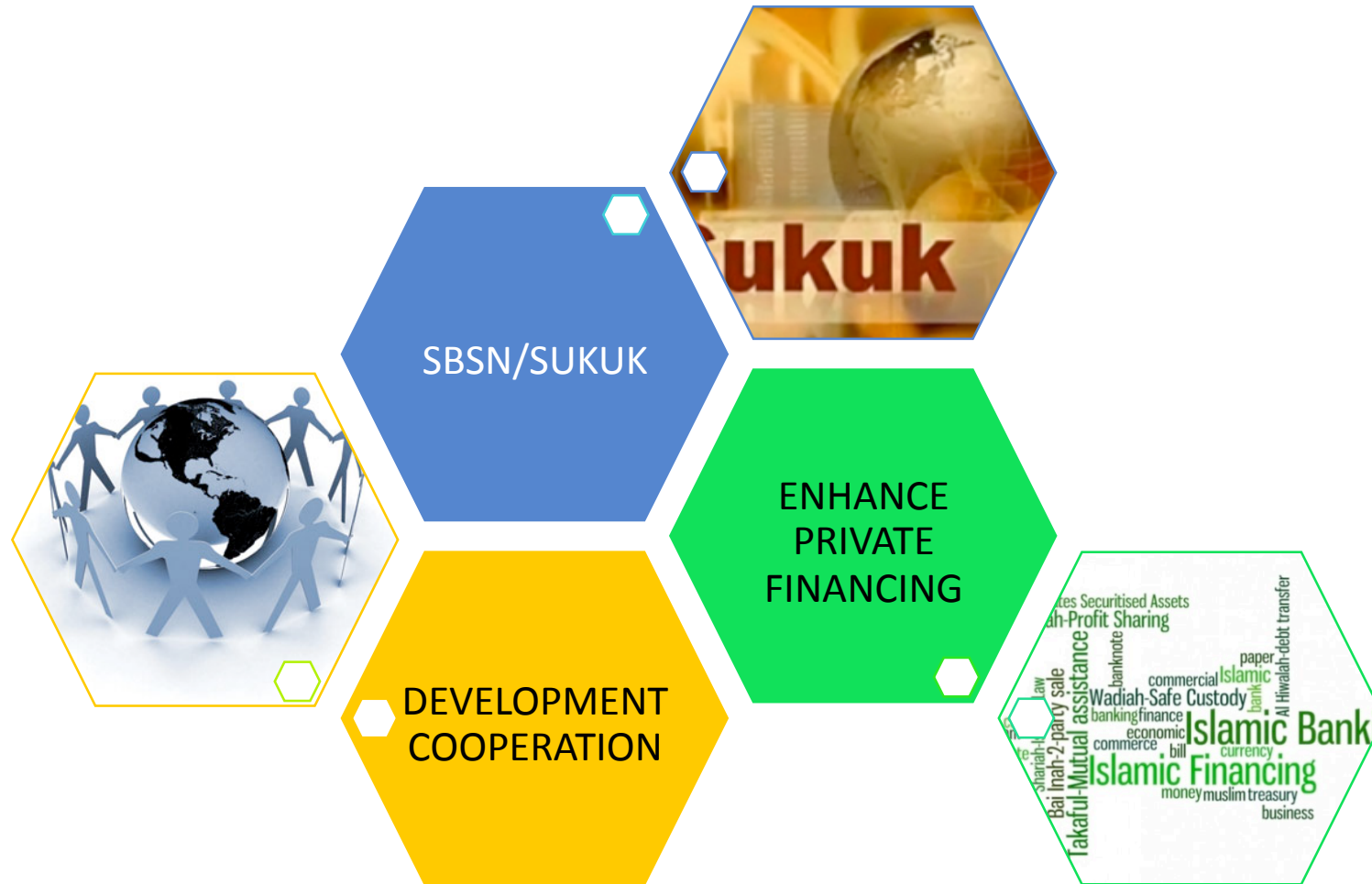




# Islamic Finance for Infrastructure Projects



# ISLAMIC FINANCE FOR INFRASTRUCTURE



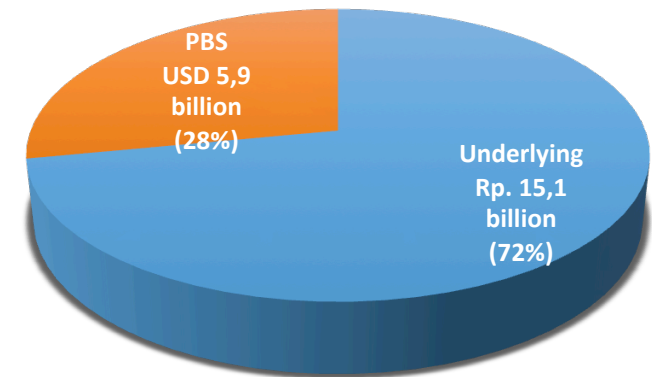


# SBSN/SUKUK



## Outstanding SUKUK (as of November 2015)

	2010	2011	2012	2013	2014	2015
SBSN/SUKUK	3,3	5,7	9,1	12,4	15,2	21,0
Tradable	2,3	4,0	6,5	10,1	12,7	18,5
Non Tradable (SDHI)	0,9	1,7	2,6	2,3	2,4	2,6



\*) as of 5 November 2015 (exchange rate IDR/USD = 13.603)

Source: adopted from Gov't Debt Profile & Gov't Securities Profile (MoF) 2015

- SUKUK for infrastructure projects financing is known as **Project Based Sukuk (PBS)** accounted for USD 5.9 Billion.
- The proportion of PBS is 3.5% to the Total All Government Securities/SBN (USD 168 Billion)

### Opportunity...

#### Improve the role of SUKUK to finance Infrastructure Projects:

- Increase the proportion of PBS in the portfolio of Government Securities.
- Issue the underlying SUKUK (earmarked for infrastructure project financing).
- Develop infrastructure Bond through SUKUK/SBSN
  - It is supported by Law no 19/2008 on SBSN in article 4 : "SBSN is intended to finance State Budget including **for development projects**"

# DEVELOPMENT COOPERATION: IDB Group

## Country Development Plan (2015-2019)

### Infrastructure/ Sectoral Development

- Energy and Power Sovereignty
- Maritime and Marine
- Tourism
- Industry
- Infrastructure Development to support Special Economic Zone and 14 Industry Area
- SMEs
- Food Sovereignty

### Human Development

- Education
- Health
- Housing

### Regional Development

- Rural areas
- Border areas
- Disadvantaged regions

## Proposed Areas for IDB Group/ (2015-2019)

### Sustainable Support for Economic and Social Infrastructure

- Transport (roads, railways and ports)
- Power (i.e. generation and transmission)
- Integrated Community Driven Development (ICDD-Phase IV) and Sanitation
- Higher and Islamic Education and TVET
- Science and Technology Parks

### Strengthen Islamic Finance and Financial Inclusion

- Establish Islamic Microfinance Fund (IMFI)
- Establish Inclusive Islamic Financial Board (IIFSB)
- Set-up the World Islamic Investment Bank
- Support the Creation of OJK Center for Microfinance
- Capacity Building in Islamic Banking and Finance
- Support for Waqf Development

### Enhanced Support for Private Sector Development

- Focused Investment in Real Sector
- Industry and Business Advisory Services
- Development of Special Economic Zones and SMEs
- Public Private Partnership (PPP)
- Trade Financing and Facilitation
- Trade Credit and Political Risk Business Insurance

### Support Regional Integration & Reverse Linkages Programs

- More Reverse Linkage Programs
- Support to Intra-regional Integration
- Support to Cross-border Investment

## IDB Group 10 Year Strategy

### ▪ Economic and Social Infrastructure

### ▪ Inclusive Social Development

### ▪ Islamic Finance Sector Development

### ▪ Capacity Development

### ▪ Private Sector Development

### ▪ Cooperation Between Member Countries





# PRIVATE: ENHANCE THE ROLE OF PRIVATE FINANCING



Support SOEs and Corporation to issue Retail Sukuk programe linked to infrastructure project by simplifying the issuance process, providing new incentives (offering tax incentives) and launching Corporate Sukuk Guarantee Fund.



Launch new special Retail Sukuk programmes linked to specific infrastructure that may be offered for Islamic commercial Bank/BMT



Introduce Islamic investment banks to fill the gap in the banking sector and leading on major development projects



Improve cooperation with investor from Islamic countries (Middle East) to finance infrastructure project in Indonesia.



Launch a new SUKUK programme directed specifically towards religious fund (Hajj fund, Zakat and Waqf) that can be linked directly to finance the government's infrastructure projects.



THANK YOU