INFRASTRUCTURE FINANCING IN INDONESIA:
Government Policy and The Opportunity

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

13 November 2015
• 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

3 DIMENSIONS OF DEVELOPMENT

Dimensions of Human Development
- Education
- Health
- Housing
- Mental/Character

Dimension of Main Sector Development
- Food Sovereignty
- Sovereignty Energy and Electricity
- Maritime and Marine
- Tourism and Industry

Dimension of Equalization
- Among income groups
- Among Regions: (1) Village; (2) Borders; (3) Outer; (4) Eastern Region
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

- Economic growth
  - Growth of manufacture industries (4.7% → 8.6%)
- Main Sector Development
  - Dam development (49 dams)
- Basic Public Facilities
  - Reduce housing backlog (7.6 → 5 million)
  - 100% clean water access, 0% slum area, 100% access to decent sanitation (100-0-100)
- Improve Irrigation system (7.145 ha → 7.914 ha)
- Reduce Logistic Cost (23.5% → 19.2%)
Indonesia Infrastructure Development to Improve ASEAN Connectivity

National Competitiveness & ASEAN Connectivity

- Cross-border electricity interconnect (power grid)
- Road in border areas
- Airport & Seaport

ASEAN Community

- Enhance rules and good governance
- Enhance integration and competitiveness
- Enhance the well-being and livelihood

Narrowing the Development Gaps

People-to-People Connectivity
- Tourism, education, culture

Physical Connectivity = equipment and facilities infrastructure
- Transportation: Airports, railways, ports, logistics services facilities, special economic zones
- ICT: Fiber-optic network
- Energy: Electric power, gas

Institutional Connectivity = knowledge and expertise infrastructure
- Customs procedures, standards, ASEAN Comprehensive Investment Agreement, etc.

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

State Budget (APBN) Financing

<p>| | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>State Budget 2015</td>
<td>USD 21 billion</td>
<td></td>
<td></td>
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<tr>
<td>State Budget 2016</td>
<td>USD 23 billion</td>
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</table>

Note: IDR/USD based on RAPBN 2016 = 13,400

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

*) State Budget (APBN) and Regional Government Budget (APBD)
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/SOE**
- 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

APBN/APBD
- Tax Revenue
- Foreign Loan (incl: IDB)
- Government Securities (incl: Sukuk)

PPP
- Bank/ Non-Bank
- Internal Private Financing

Source of Financing for Infrastructure

Private
Islamic Finance for Infrastructure Projects
ISLAMIC FINANCE FOR INFRASTRUCTURE

SBSN/SUKUK

ENHANCE PRIVATE FINANCING

DEVELOPMENT COOPERATION
SBSN/SUKUK

Outstanding SUKUK (as of November 2015)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBSN/SUKUK</td>
<td>3,3</td>
<td>5,7</td>
<td>9,1</td>
<td>12,4</td>
<td>15,2</td>
<td>21,0</td>
</tr>
<tr>
<td>Tradable</td>
<td>2,3</td>
<td>4,0</td>
<td>6,5</td>
<td>10,1</td>
<td>12,7</td>
<td>18,5</td>
</tr>
<tr>
<td>Non Tradable (SDHI)</td>
<td>0,9</td>
<td>1,7</td>
<td>2,6</td>
<td>2,3</td>
<td>2,4</td>
<td>2,6</td>
</tr>
</tbody>
</table>

*) 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

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Infrastructure/ Sectoral Development</strong></td>
<td><strong>Sustainable Support for Economic and Social Infrastructure</strong></td>
<td><strong>Economic and Social Infrastructure</strong></td>
</tr>
<tr>
<td>• Energy and Power Sovereignty</td>
<td>• Transport (roads, railways and ports)</td>
<td><strong>Inclusive Social Development</strong></td>
</tr>
<tr>
<td>• Maritime and Marine</td>
<td>• Power (i.e. generation and transmission)</td>
<td><strong>Islamic Finance Sector Development</strong></td>
</tr>
<tr>
<td>• Tourism</td>
<td>• Integrated Community Driven Development (ICDD-Phase IV) and Sanitation</td>
<td><strong>Capacity Development</strong></td>
</tr>
<tr>
<td>• Industry</td>
<td>• Higher and Islamic Education and TVET</td>
<td><strong>Private Sector Development</strong></td>
</tr>
<tr>
<td>• Infrastructure Development to support Special Economic Zone and 14 Industry Area</td>
<td>• Science and Technology Parks</td>
<td><strong>Cooperation Between Member Countries</strong></td>
</tr>
<tr>
<td>• SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Food Sovereignty</td>
<td><strong>Enhanced Support for Private Sector Development</strong></td>
<td></td>
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<tr>
<td><strong>Human Development</strong></td>
<td><strong>Strengthen Islamic Finance and Financial Inclusion</strong></td>
<td></td>
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<tr>
<td>• Education</td>
<td>• Establish Islamic Microfinance Fund (IMFI)</td>
<td></td>
</tr>
<tr>
<td>• Health</td>
<td>• Establish Inclusive Islamic Financial Board (IIFSB)</td>
<td></td>
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<tr>
<td>• Housing</td>
<td>• Set-up the World Islamic Investment Bank</td>
<td></td>
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<tr>
<td><strong>Regional Development</strong></td>
<td>• Support the Creation of OJK Center for Microfinance</td>
<td></td>
</tr>
<tr>
<td>• Rural areas</td>
<td>• Capacity Building in Islamic Banking and Finance</td>
<td></td>
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<tr>
<td>• Border areas</td>
<td>• Support for Waqf Development</td>
<td></td>
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<tr>
<td>• Disadvantaged regions</td>
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</tbody>
</table>

**Source:** Workshop MCPS IDB Indonesia
PRIVATE: ENHANCE THE ROLE OF PRIVATE FINANCING

Support SOEs and Corporation to issue Retail Sukuk programme 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