



Ministry of Finance  
Republic of Indonesia

# Sukuk Negara for Project Financing

International Conference on Islamic Finance: “*Infrastructure Financing: The Unleashed Potential of Islamic Finance*”.

OJK | Jakarta | 12<sup>nd</sup> November 2015



### **DR. SUMINTO**

Director of Islamic Financing  
Directorate General of Budget Financing and Risk Management  
Ministry of Finance Republic Indonesia

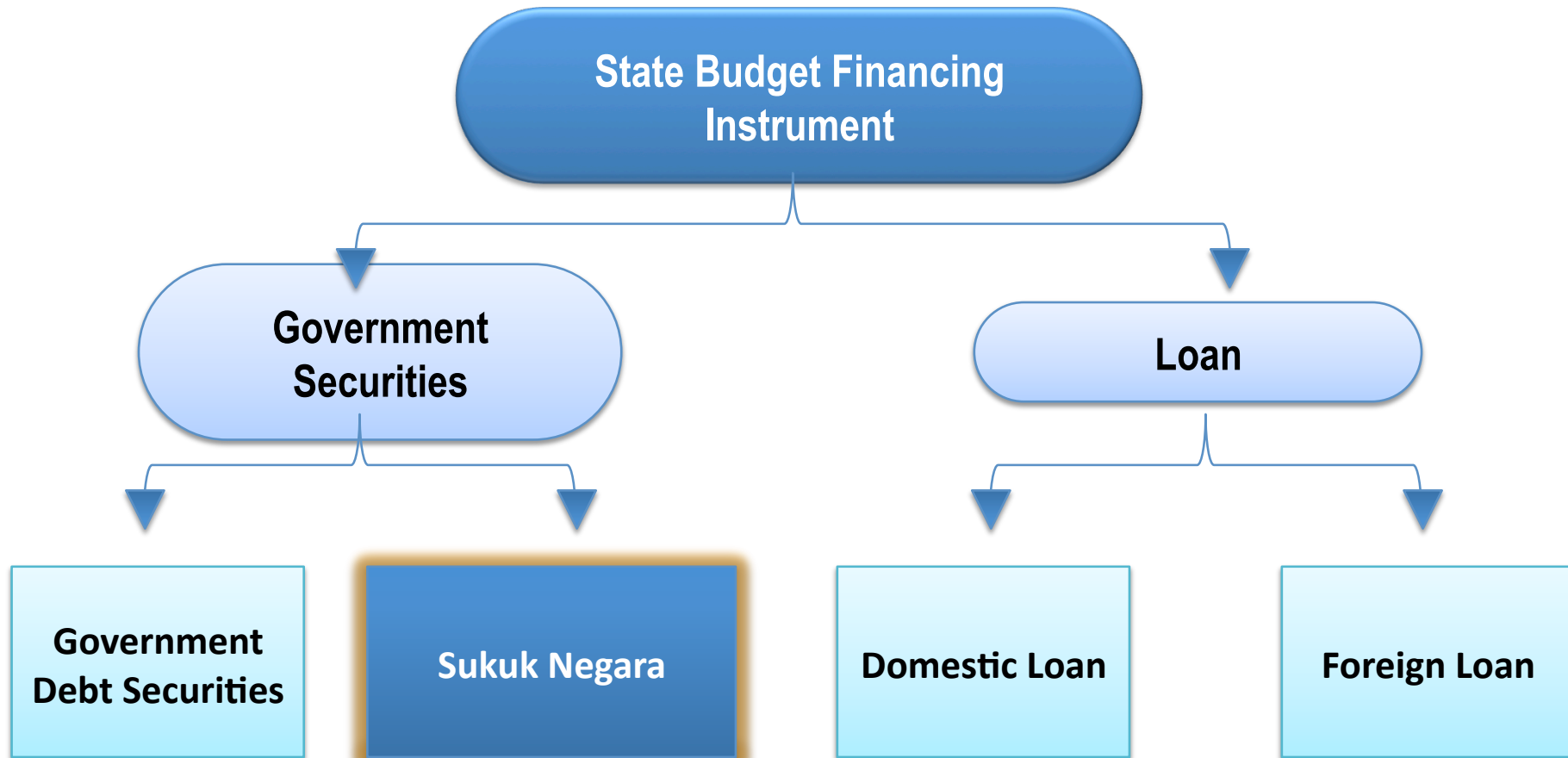
Dr. Suminto served as Director of Islamic Financing since October 2014. Previously, he held various positions in Directorate General of Budget, Directorate General of Treasury, Directorate General of Debt Management, and Secretariat General of The Ministry of Finance. He got Ph. D in development studies from Ritsumeikan Asia Pacific University, Japan in 2012.

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# Sukuk Negara



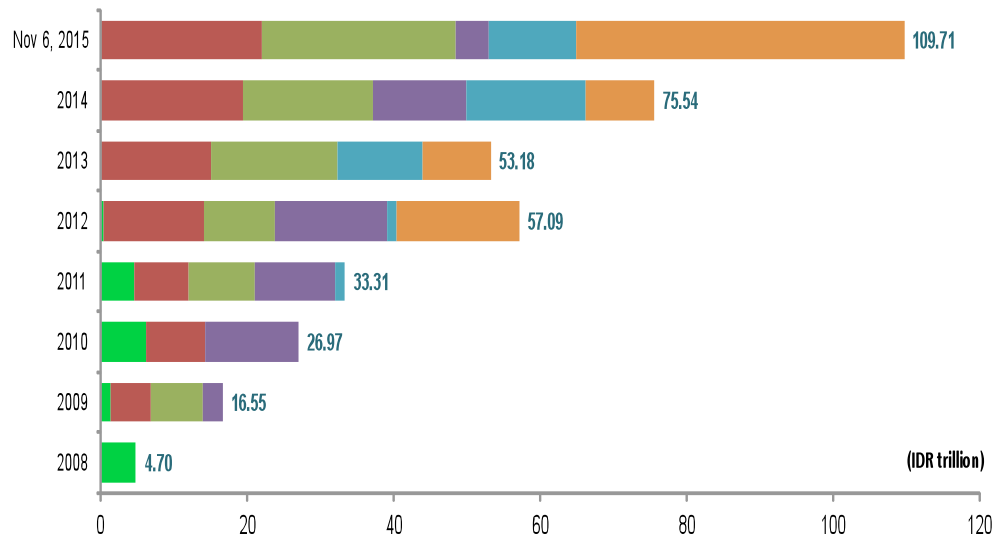
# Sukuk Negara of State Budget Financing Instrument





# Sukuk Negara Issuance

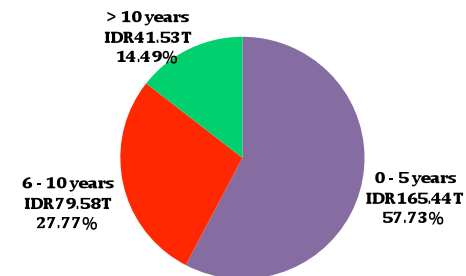
**Total Issuance: IDR 377,04 Trillion**



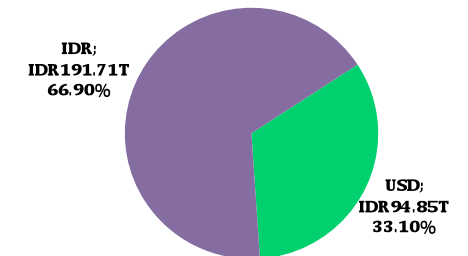
	2008	2009	2010	2011	2012	2013	2014	Nov 6, 2015
IFR	4.70	1.28	6.15	4.61	0.40	-	-	-
SR	-	5.56	8.03	7.34	13.61	14.97	19.32	21.97
SNI	-	7.03	-	9.04	9.64	17.24	17.75	26.42
SDHI	-	2.69	12.78	11.00	15.34	-	12.86	4.50
SPN-S	-	-	-	1.32	1.38	11.65	16.17	11.99
PBS	-	-	-	-	16.71	9.32	9.45	44.84
Total	4.70	16.55	26.97	33.31	57.09	53.18	75.54	109.71

**Total Outstanding: IDR 286,56 Trillion**

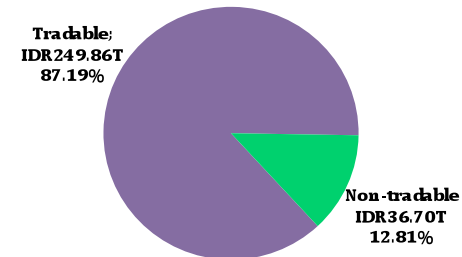
## Distribution by tenor:



## Distribution by currency:



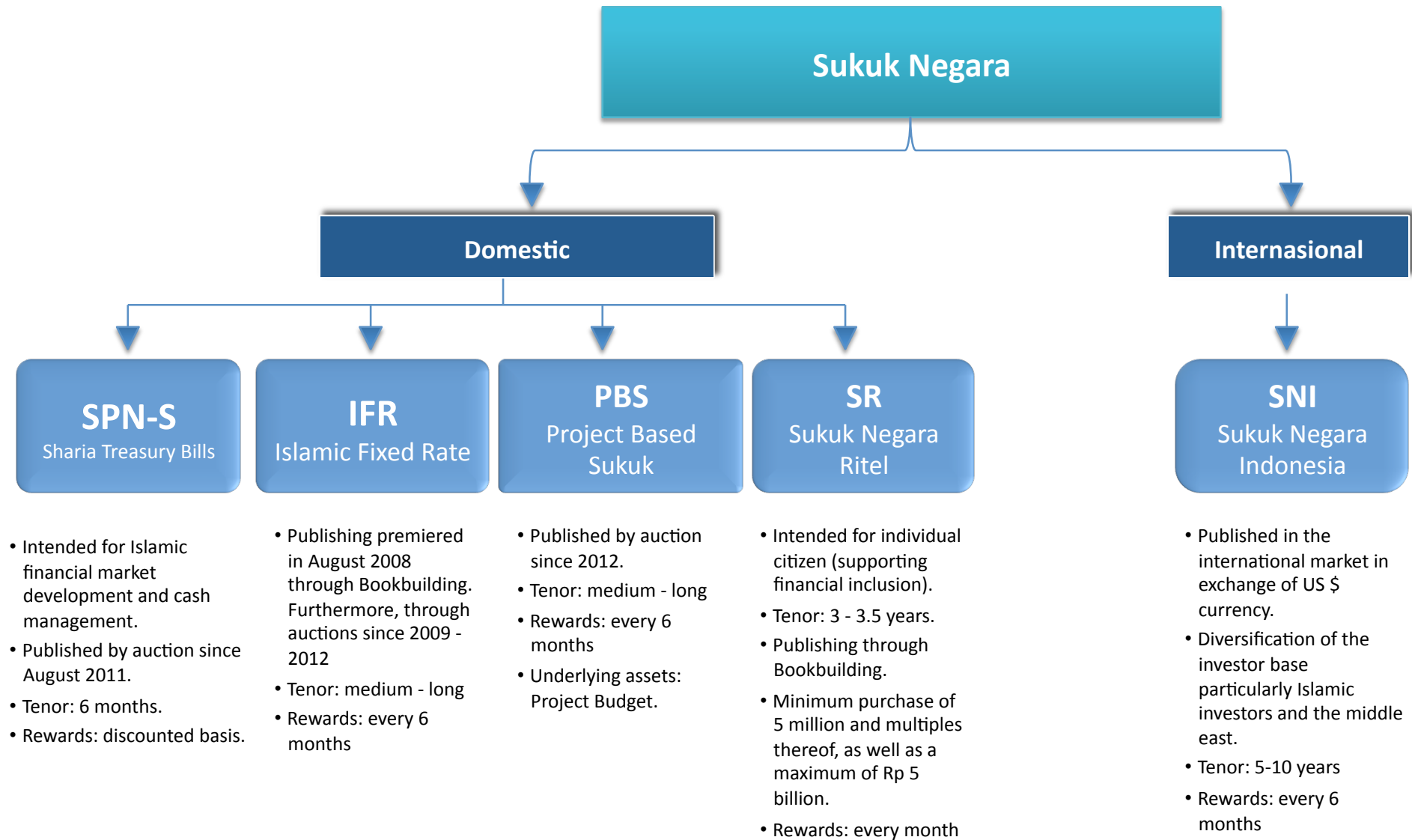
## Distribution by tradability:



\*As of November 6<sup>th</sup>, 2015



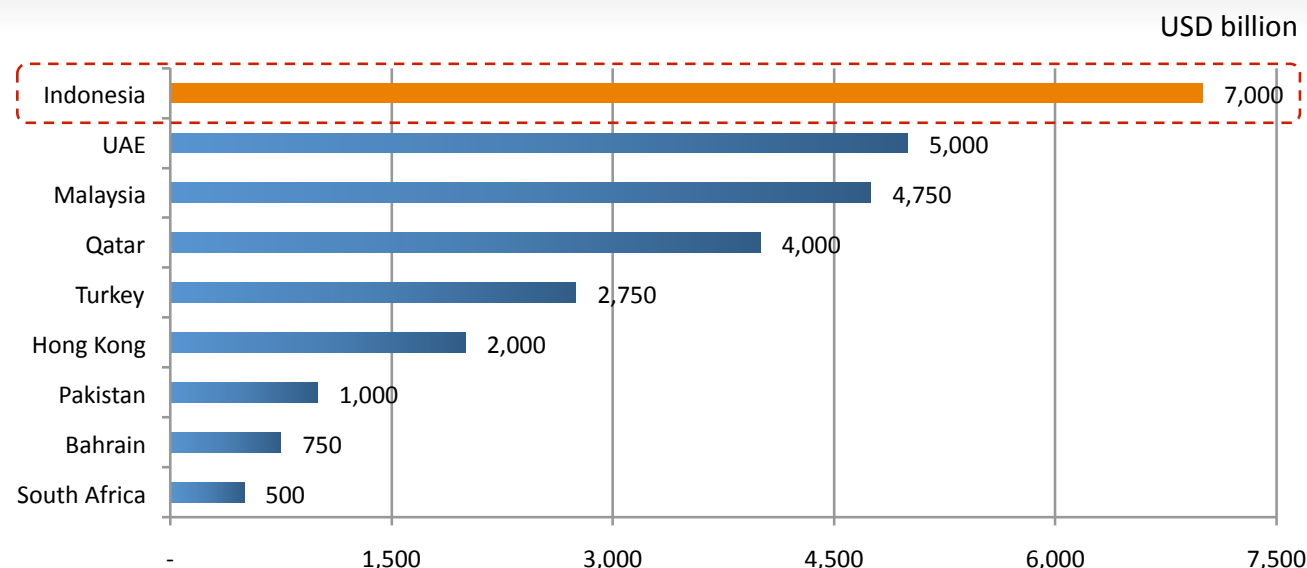
# Sukuk Negara Instruments





# Sukuk Negara In International Market

**“Indonesia is a country  
with the biggest  
international sukuk  
outstanding  
(denominated in USD) in  
the world.”**



## Sukuk Global (SNI) issuance 2009-2015

	SNI-14 (2009)*	SNI-18 (2011)*	SNI-22 (2012)	SNI-19 (2013)	SNI-24 (2014)	SNI-25 (2015)
<b>Format</b>	144 A / Reg S	144 A / Reg S	Islamic GMTN Program, Reg S/144 A	Islamic GMTN Prog., Reg S/144 A	Islamic GMTN Prog., Reg S/144 A	Islamic GMTN Prog., Reg S/144 A
<b>Tenor</b>	5 years	7 years	10 years	5.5 years	10 years	10 years
<b>Issue date</b>	April 23, 2009	November 21, 2011	November 21, 2012	September 17, 2013	September 10, 2014	May 28, 2015
<b>Maturity date</b>	April 23, 2014	November 21, 2018	November 21, 2022	Maret 15, 2019	September 10, 2024	May 28, 2025
<b>Coupon</b>	8.80% p.a	4.00% p.a	3.30% p.a	6.125% p.a	4.35% p.a	4.325 % p.a.
<b>Structure</b>	Ijarah Sale and Lease Back				Wakalah	
<b>Orderbook</b>	USD4.76 billion	USD6.5 billion	USD5.3 billion	USD5.7 billion	USD10 billion	USD6.8 billion
<b>Issue size</b>	<b>USD650 million</b>	<b>USD1 billion</b>	<b>USD1 billion</b>	<b>USD1,5 billion</b>	<b>USD 1.5 billion</b>	<b>USD2 billion</b>
<b>Distribusi tipe investor</b>	Bank (37%), Funds (45%), Insurance (4%), Retail (14%)	Bank (17%), Funds (59%), Central Bank & SWF (11%), Private banks (7%), insurance (6%)	Bank (35%), Funds (40%), Central Bank & SWF (17%), Private banks (5%), Insurance (3%)	Bank (34%), Funds (51%), Central Bank & SWF (7%), Private banks (4%), Insurance(4%)	Bank (28%), Funds (57%), Central Bank & SWF (13%), Others (2%)	Bank (42%), Funds (39%), Central Bank & SWF (15%), Private banks (2%), Insurance (2%)
<b>Distribusi demografi investor</b>	Middle East (30%), Europe (11%), Asia (32%), Indonesia (8%), US (19%)	Middle East (30%), Europe (18%), Asia (32%), Indonesia (12%), US (8%)	Middle East (30%), Europe (15%), Asia (23%), Indonesia (20%), US (12%)	Middle East (20%), Europe (16%), Asia (25%), Indonesia (15%), US (24%)	Middle East (35%), Europe (15%), Asia (20%), Indonesia (10%), US (20%)	Middle East (41%), Europe (16%), Asia (12%), Indonesia (10%), US (21%)



# Sukuk Negara Ritel

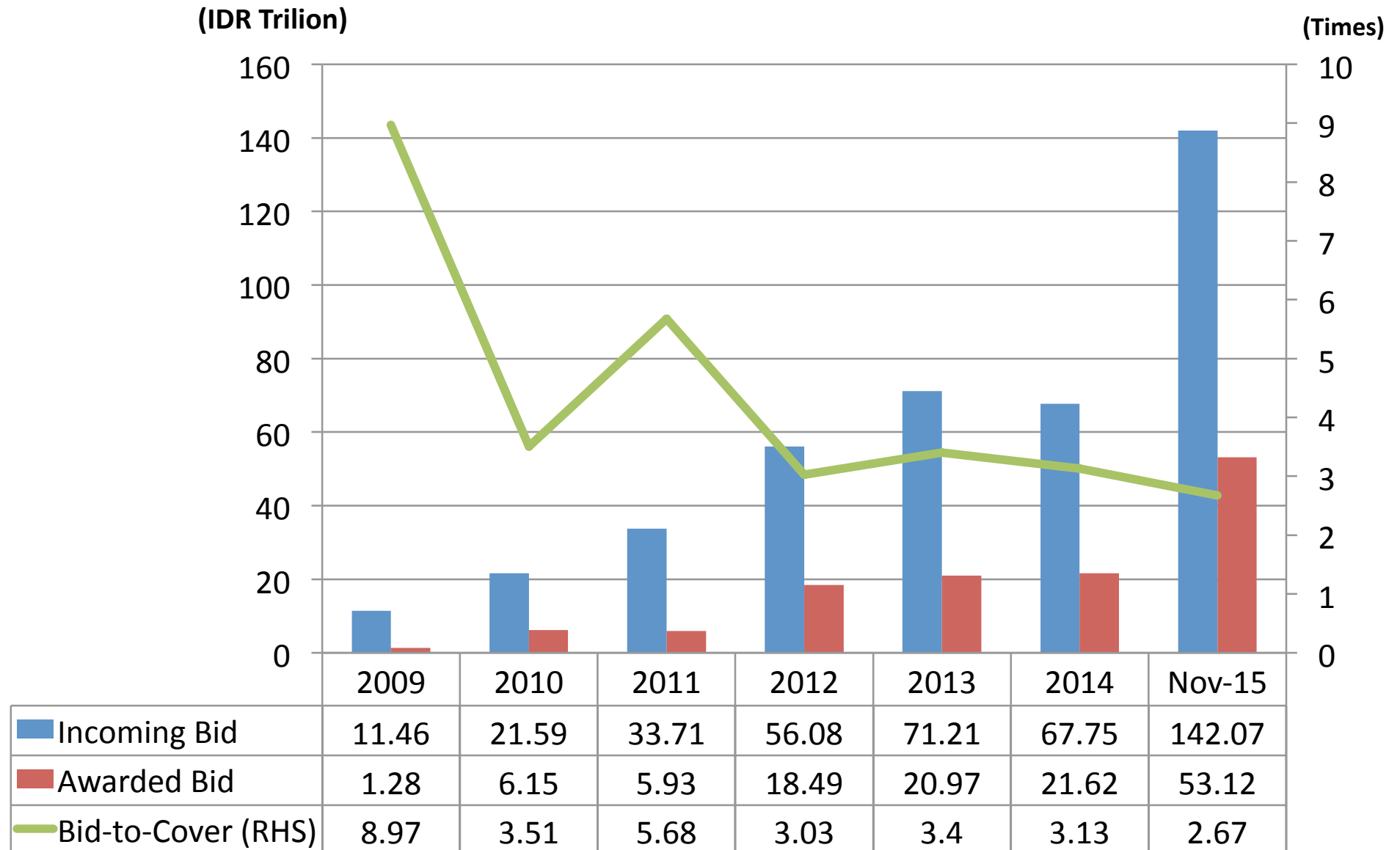
Description	SR-001*)	SR-002*)	SR-003*)	SR-004	SR-005	SR-006	SR-007
Offering Date	30 Jan - 20 Feb 2009	25 Jan - 5 Feb 2010	7 - 18 Feb 2011	5 - 16 Maret 2012	8 - 22 Feb 2013	14 - 28 Feb 2014	23 Feb – 6 Mar 2015
Issuance date	25 Feb 2009	10 Feb 2010	23 Feb 2011	21 Mar 2012	27 Feb 2013	5 Mar 2014	11 Mar 2015
Maturity date	25 Feb 2012	10 Feb 2013	23 Feb 2014	21 Sept 2015	27 Feb 2016	5 March 2017	11 Mar 2018
Tenor	3 years	3 years	3 years	3,5 years	3 years	3 years	3 years
Coupon	12.00%	8.70%	8.15%	6.25%	6.00%	8.75%	8.25%
Structure	Ijarah Sale and Lease Back			Ijarah Asset to be Leased			
Selling Agent	13 (5 Banks; 8 Securities Companies)	18 (10 Banks; 8 Securities Companies)	20 (11 Banks; 9 Securities Companies)	24 (13 Banks; 11 Securities Companies)	25 (16 Banks; 9 Securities Companies)	28 (19 Banks; 9 Securities Companies)	22 (17 Banks; 5 Securities Companies)
Maximum order	No	No	No	IDR5 billion	IDR5 billion	IDR5 billion	IDR5 billion
Issuance volume	IDR 5.56 trillion	IDR8.03 trillion	IDR7.34 trillion	IDR13.6 trillion	IDR14.96 trillion	IDR19.32 trillion	IDR21.96 trillion
Total Investor	<b>14,295</b>	<b>17,231</b>	<b>15,487</b>	<b>17,606</b>	<b>17,783</b>	<b>34,692</b>	<b>29,706</b>

\*) Maturity





## Sukuk Negara Issuance by Auction (SPN-S, IFR, PBS)





# Sukuk Negara Structure Innovation

Structure	Ijarah Sale and Lease Back	Ijarah Al Khadamat	Ijarah Asset to be Leased	Wakalah
Description	Sukuk issued based on sale and leaseback mechanism (asset purchase transaction whereby the purchaser then lease back the assets that have been bought to the seller).	Sukuk issued based on Islamic principles, represent ownership of SBSN assets in the form of services.	Sukuk issued based on Islamic principles, represent ownership of SBSN assets, either already exist or will exist.	Sukuk issued based on Islamic principles, represent ownership of project or activities managed on the basis of an investment agency, by appointing an agent to manage the operation.
DSN-MUI Fatwa	Number 72/2008	Number 9/2000	Number 76/2010	Number 95/2014
Underlying Asset	State-owned Assets	Hajj Services	Project & State-owned Assets	State-owned Assets (51%) & Project (49%)
Reward	Rent money (ujrah), fixed	Rent Money (ujrah), fixed	Rent Money (ujrah), fixed	Rent Money/ Margin / Fee, fixed
Tradability	Tradable	Non-Tradable	Tradable	Tradable
Issuance Document	<ul style="list-style-type: none"> <li>- Akad Bai'</li> <li>- Akad Ijarah</li> <li>- Sukuk Asset Management Agreement</li> <li>- Sale Undertaking Purchase Undertaking</li> </ul>	<ul style="list-style-type: none"> <li>- Akad Wakalah</li> <li>- Akad Ijarah</li> <li>- Handover (BAST) Services Hajj</li> </ul>	<ul style="list-style-type: none"> <li>- Booking Letters</li> <li>- Akad Wakalah</li> <li>- Akad Ijarah Asset to be Leased</li> <li>- Sukuk Asset Management Agreement</li> <li>- Sale Undertaking Purchase Undertaking</li> </ul>	<ul style="list-style-type: none"> <li>- Declaration Of Trust</li> <li>- Purchase Agreement</li> <li>- Procurement agreement</li> <li>- Lease agreement</li> <li>- Servicing agency agreement</li> <li>- Substitution undertaking</li> <li>- Transfer undertaking</li> <li>- Purchase undertaking</li> <li>- Costs undertaking</li> <li>- Agency agreement</li> </ul>
Sukuk Negara Series	IFR, SR, SNI	SDHI	PBS, SR	SNI

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## **Sukuk Negara For Project Financing**



## Indonesia Global Competitive Index (GCI)

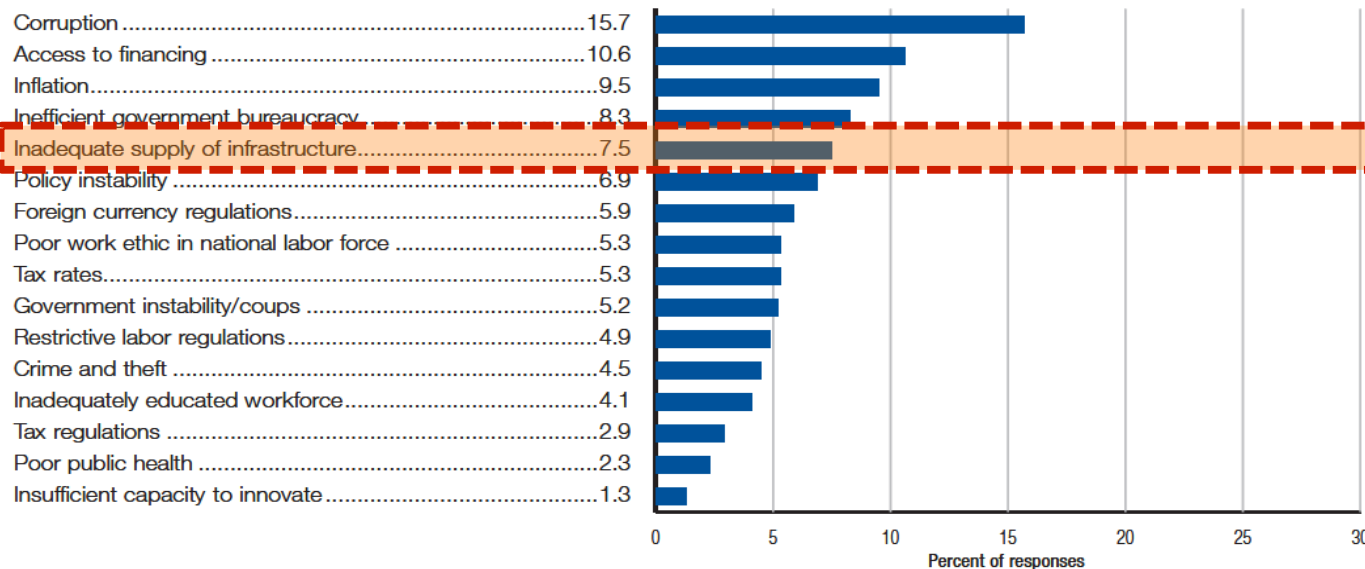
Year	Rank
2010 – 2011	44
2011 – 2012	46
2012 - 2013	50
2013 - 2014	38
2014 - 2015	34

## Indonesia Infrastructure Competitive Index

Year	Rank
2010 – 2011	90
2011 – 2012	82
2012 - 2013	92
2013 - 2014	82
2014 - 2015	72

# Government priorities for Infrastructure Development (1)

## The most problematic factors for doing business



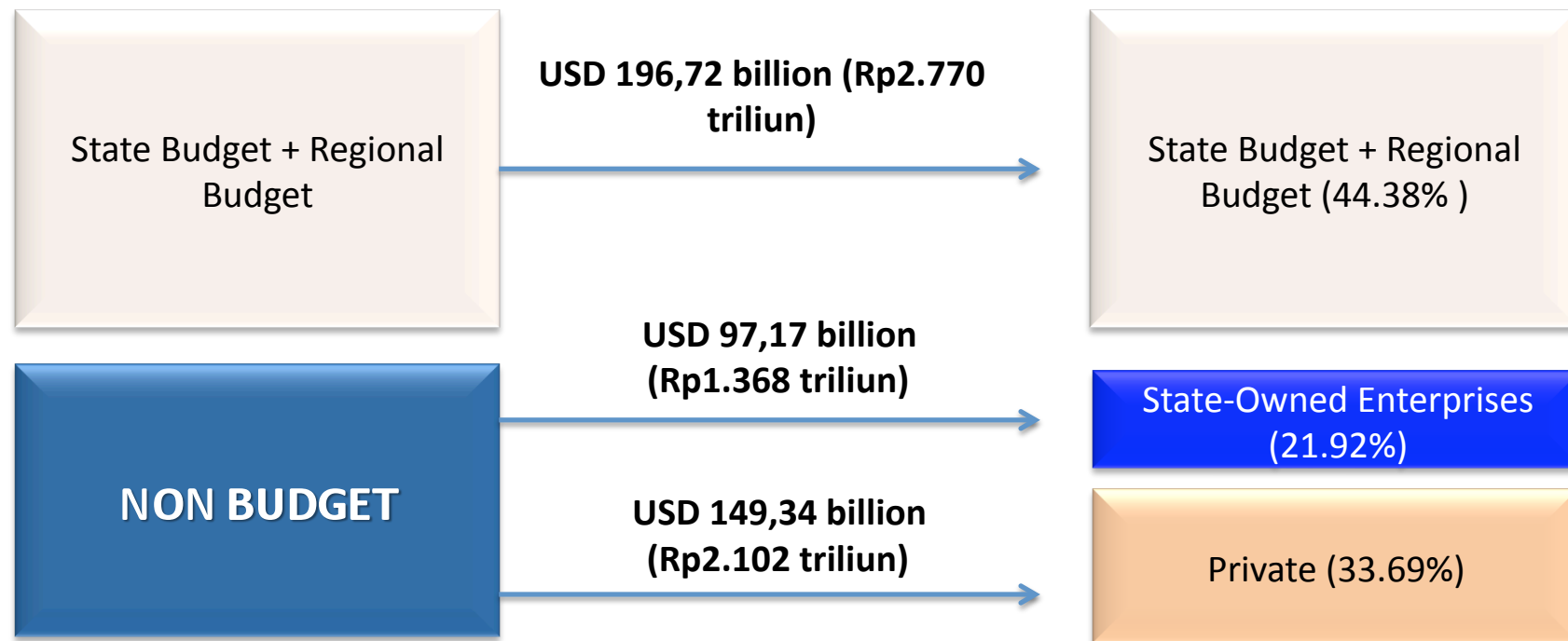
	Indonesia	Malaysia	Thailand	Vietnam	Phillipines
Infrastructure	72	20	76	112	95
Road	72	19	50	104	87
Railway	41	12	74	52	80
Port	77	19	54	88	101
Air Transport	64	19	37	87	108
Electricity	84	39	58	88	87
Mobile	54	30	34	42	86
Fixed Line	71	73	91	86	113

Source: The Global Competitiveness Report 2014-2015 (World Economic Forums)



## Government priorities for Infrastructure Development (2)

### Project Financing Needs Estimation (2015-2019)



Source: Bappenas



# Legal Framework for Project Financing Sukuk

## ❖ Law No.19 / 2008 on State Sharia Securities

### ➤ Article 4:

- Sukuk Negara issued for State Budget financing, including project financing.
- Sukuk Negara funded projects are projects that have been allocated in the State Budget.

### ➤ Article 7 (2):

- For project financing sukuk, the Minister of Finance will coordinate with the Minister who is responsible for national development planning.
- The object of coordination including type, value and timing of the projects to be funded, which is an integral part of the State Budget program.

## ❖ PP No.56 / 2011 on Financing the Project through the issuance SBSN

- Authority, scope and requirements of the project.
- Planning procedures (proposal, appraisal and budgeting), implementation (disbursement and reimbursement), reporting, monitoring and evaluation of projects.
- Project management.



# Implementing Regulations for Project Financing Sukuk

<b>PMK No.129/PMK. 08/2011</b>	<b>PMK No.113/PMK. 08/2013</b>	<b>PMK No.24/PMK.05/2014</b>	<b>PMK No. 44/PMK.08/2014</b>
<b>The use of projects as the underlying of Sukuk Negara issuance</b>	<b>Procedures for Project Financing Sukuk</b>	<b>Procedure of payment and for project financed by Sukuk Negara</b>	<b>Procedures for monitoring, evaluation and reporting of project financed by Sukuk Negara</b>



# Scopes & Requirements for Project Financing Sukuk

## Project Scopes:

1. Infrastructure development (such as: energy, telecommunications, transportation, agriculture, manufacturing and housing).
2. Public services provision.
3. Local industry empowerment.
4. Another development in accordance with the government's strategic policy.

## Project Requirements:

1. Central Government's project.
2. In line with Middle Term Development Plan's priority.
3. Meet the eligibility criteria and readiness for implementation of Bappenas.
4. Has obtained the Parliament's approval.
5. Has been allocated in the State Budget.
6. Meet the criteria and are not contrary to Islamic principles.
7. Will not be transferable / waived for as long as becoming Assets SBSN.





# Project's Criteria to be Financed by Sukuk Negara Issuance



**Provision of DSN  
MUI  
Number 01/DSN-  
MUI/III/2012**

## **Project's criteria which do not conflict with Sharia principles:**

- A. The Project has a clarity of planning, execution and settlement, at least covering aspects:
- Project utilization plan.
  - Project development plan in terms of benefit - harm (mashlahat analysis of the project).
- B. Utilization of Project not for purposes related to:
- Implementation and / or their contribution to ribawi financial services.
  - Implementation and / or their contribution to gambling activities (maysir).
  - Implementation and / or their contribution to production, distribution, trade and / or supply of goods / services that are prohibited by shariah (haram).
  - Implementation and or their contribution to the activities of a destructive / dangerous (harm) against moral and environment.



# Project Financing Sukuk 2013-2016



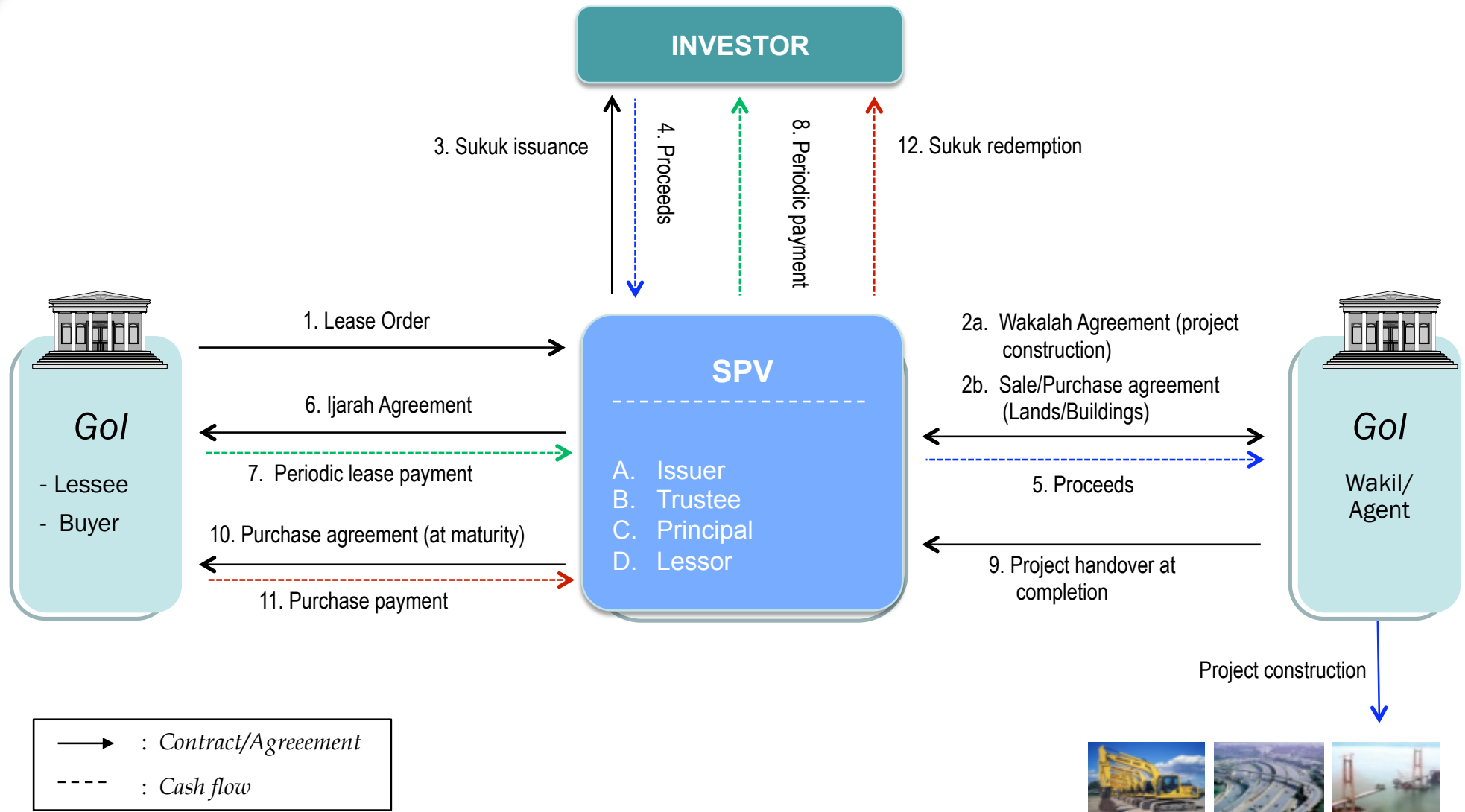


## Structure: Ijarah Asset to be Leased

<b>Classification on AAOIFI Sharia Standards 17</b>	Certificates of ownership of assets to be leased (3/1)
<b>Underlying asset</b>	Infrastructure Projects
<b>Coupon</b>	Fixed rate
<b>Tradability</b>	Tradable
<b>Issuance method</b>	Auction
<b>Instrument of Sukuk Negara</b>	PBS, SR



# Ijarah Asset to be Leased - Structure





# Ijarah Asset to be Leased - Description

## **I. Sukuk Issuance:**

1. Lease order from Government of Indonesia (Gol) to the Perusahaan Penerbit SBSN (SPV) on specified assets. The ijarah assets consist of infrastructure projects and lands/buildings.
- 2a. SPV appoints Gol as Wakeel on project construction (wakala agreement).
- 2b. Sale of state owned assets (lands/buildings) from Gol to SPV.
3. Sukuk Issuance by SPV.
4. Proceeds fund of sukuk issuance from investors to SPV.
5. Proceeds fund of asset purchasing and project construction from SPV to Gol.

## **II. Periodic Payment**

6. Ijarah Agreement between Gol (Lessee) and SPV (Lessor).
7. Periodic lease payment from Gol (Lessee) to SPV (Lessor).
8. Periodic payment (coupon) to investors through paying agent.
9. Project handover at completion, from Gol (Wakeel) to SPV (Principal).

## **III. Sukuk Redemption:**

9. Purchase of assets by Gol (buyer) From investors through SPV.
11. Payment of asset purchasing by Gol (buyer) to Investors, through paying agent.
12. Sukuk Redemption.



# **Ijarah Asset to be Leased - Documentation**

**Sharia Transaction Documents are:**

- 1. Lease order**
- 2. Wakalah agreement**
- 3. Ijarah Asset to be Leased agreement**
- 4. Servicing agency agreement**
- 5. Sale undertaking**
- 6. Purchase undertaking**



*Wassalaamu 'alaikum Wr. Wb.*  
**Thank You**



**Questions, Informations, Suggestions:**

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