INDONESIA INFRASTRUCTURE PROJECTS:
INVESTMENT AND FINANCING OPPORTUNITIES

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The world’s largest archipelagic nation, consisting of over 17,508 islands stretching 3,261 miles from east to west wider than distance from Washington DC to San Francisco California;

The world’s fourth most populous country, with 67% classified as productive population;

Enjoying the demographic bonus in 2020-2035;

A G-20 country with GDP over USD1 tn & the 3rd highest G20’ economic growth (average in 10 years);

Growing middle income class that is projected to double by 2020;

Home to abundant natural resources and variety of commodities;

Establishing of downstream processing industries and massive infrastructure development in all regions;
Indonesia Economy Outlook: Riding The Wave of Optimism

Economic picture in solid position (2017: 5.07%), manageable inflation (Feb-18: 3.18%), an adequate level of foreign exchange reserves (Feb-18: USD128 billion).

Indonesia’ Economic Growth, 2011-2017

- 2011: 6.17%
- 2012: 6.03%
- 2013: 5.56%
- 2014: 5.01%
- 2015: 4.88%
- 2016: 5.03%
- 2017: 5.07%

Indonesia’ Spatial GDP Growth in 2017

- Kalimantan: 4.33%
- Sulawesi: 6.99%
- Sumatera: 4.30%
- Java: 5.61%
- Bali & Nusa Tenggara: 3.73%
- Papua & Maluku: 4.89%

Source: International Monetary Fund, Bank Indonesia and BPS-Statistics of Indonesia
Indonesian Market Provides Attractive Returns

Indonesia is the ASEAN country with the highest and 5th highest yield in the index universe.

Real Yield EM Countries

Credit Default Swap, Selected Countries

Despite Turmoil, Risk Perception is Still Contained

Source: Bloomberg Barclays EMIC Gov Index
Indonesia Financial Sector: Stable and Well-Performed

The Trend Movement of Capital Adequacy Ratio

Banking Loan

Banking Excess Reserve: USD 50.7 billion

Risk Based Capital:
- General insurance companies: 521%
- Life insurance companies: 321%
The Domestic Capital Markets Continue A Strengthening Trend

The Trend Movement of Asia Pasific Stock Index

- Brazil
- Russia
- Malaysia
- China
- Philippines
- Singapore
- Indonesia
- Thailand

JCI becomes one of the top four major stock indexes in the Asia Pacific

- 20% growth

Jakarta Composite Index
Closed at the highest level: 6.355,67

Net capital inflow in 2017: USD9,7 billion

Source: Bloomberg
The Importance of Infrastructure Development for Economic Growth, Jobs and Access to Markets and Services

- Stimulating economic growth;
- Maintaining inflation rate;
- Generating large numbers of employment;
- Increasing people’s purchasing power;
- Providing adequate transportation facilities;
- Enhancing connectivity among areas within the country, hence the transportation costs become more efficient;
- Improving the flow of goods and services, thereby trigger the emergence of economic activities in the surrounding area;

37 Infrastructure Priority Project

- 1. Balikpapan-Samarinda Toll Road
- 2. Manado-Bitung Toll Road
- 3. Panimbang-Serang Toll Road
- 4. 35 Segments of Trans-Sumatera Toll Road
- 5. Probolinggo – Banyuwangi Toll Road
- 6. Yogyakarta – Sawoe Toll Road
- 7. SH4 Express Railway
- 8. MRT Jakarta South-North Line
- 9. Makassar-Parepare Railway
- 10. Light Rail Transit (LRT) of Jakarta-Depok-Bogor-Bekasi
- 11. LRT of South Sumatera
- 12. East Kalimantan Railway
- 13. LRT of DKI Jakarta
- 14. Kuala Tanjung International Hub Seaport
- 15. Bitung International Hub Seaport
- 16. Palimban Port
- 17. Inland Waterways Cikarang-Bekasi-Laut (CBL)
- 18. Palapa Ring Broadband
- 20. Central – West Java Transmission Line 500 KV
- 21. Indramayu Coal-fired Power Plant
- 22. Sumatera 500 KV Transmission (4 Provinces)
- 23. Multif Tambang Coal-fired Power Plant (6 Provinces)
- 24. PLTGU (16 Provinces)
- 25. Bontang Oil Refinery
- 26. Tuban Oil Refinery
- 27. RDMF/Revitalization of the Existing Refineries (Balikpapan, Gilacaap, Balongan, Dumai, Plaju)
- 28. Abadi WK Masela Field
- 29. Unilization Field Has Jambaran-Tiung Biru
- 30. Indonesian Deepwater Development (IDD)
- 31. Tangguh LNG Train 3 Development
- 32. West Semarang Drinking Water Supply System
- 33. Jakarta Sewerage System
- 34. National Capital Integrated Coastal Development (NCICD) Phase A
- 35. Jatiluhur Drinking Water Supply
- 36. Lampung Drinking Water Supply
- 37. Waste to Energy Program in 8 cities

Source: Indonesia Presentation Book, February 2018
Infrastructure development has been our top priority agenda.
Strong Commitment to Continue Productive Spending on Infrastructure

Indonesia’ State Budget Allocation For Energy Subsidy And Infrastructure, Billion Dollars

- 2013-R: 25.43 (Energy Subsidy), 12.79 (Infrastructure)
- 2014-R: 27.48 (Energy Subsidy), 12.44 (Infrastructure)
- 2015-R: 18.56 (Energy Subsidy), 8.63 (Infrastructure)
- 2016-R: 20.03 (Energy Subsidy), 7.03 (Infrastructure)
- 2017-R: 28.66 (Energy Subsidy), 6.64 (Infrastructure)
- 2018: 29.98 (Energy Subsidy), 6.90 (Infrastructure)

Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) and Indonesia Presentation Book, January 2018
Developing the nation through Infrastructure

Increasing Quality of Budget Spending

- **Roads**
  - Trans-Sumatra Toll Road
  - Merah Putih Bridge, Ambon

- **Dams**
  - Jetisgede Dam (Operational)

- **Drinking Water Processing**
  - Umbulan Drinking Water Provision System, East Java

- **Transportation**
  - Jakarta MRT Project
  - Terminal 3 Ultimate Soekarno-Hatta
  - New Tanjung Priok Port Project
  - Nop Goliat Deilai, Papua

- **Road Construction**
  - 865 km

- **Irrigation Construction**
  - 781 km

- **Electrification Ratio**
  - 95.15%

- **Construction of Affordable Housing**
  - 13,405 units

Source: Indonesia Presentation Book, February 2018
Huge financing needs for infrastructure development

Total financing gap for 37 priority projects is **USD164.2 bn** or **90%** of total infrastructure financing needs → using PPP Scheme or Blended Finance mechanism

**Funding Scheme of 37 Priority Projects (2017-2025)**

- **51%** from Private/PPP
- **39%** from SOE
- **10%** from State/Regional Budget

**Total Investment Value**

US$ 181.6 Billion

- US$92.4 billion from Private/PPP
- US$71.8 billion from SOE/Regional SOE
- US$17.5 billion State/Regional Budget (including G-to-G loan)

**5 Sectors with Highest Investment Value**

- **Energy**: 12 Projects, US$ 93 Bn
- **Electricity**: 1 Program, US$ 76.7 Bn
- **Road**: 74 Projects, US$ 52.2 Bn
- **Train**: 23 Projects, US$ 46.2 Bn
- **SEZs and IEs**: 30 Projects, US$ 28.7 Bn

Source: Indonesia Presentation Book, February 2018
Bringing more foreign investments to the country

Foreign Direct Investment Realization Based on Country of Origin

<table>
<thead>
<tr>
<th>NO</th>
<th>COUNTRY OF ORIGIN</th>
<th>INVESTMENT (US$ Million)</th>
<th>PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>8,441.6</td>
<td>5,951</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>4,996.2</td>
<td>3,646</td>
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<tr>
<td>3</td>
<td>China</td>
<td>3,361.2</td>
<td>1,977</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong</td>
<td>2,116.5</td>
<td>1,157</td>
</tr>
<tr>
<td>5</td>
<td>South Korea</td>
<td>2,024.6</td>
<td>3,274</td>
</tr>
<tr>
<td>6</td>
<td>United States of America</td>
<td>1,992.8</td>
<td>625</td>
</tr>
<tr>
<td>7</td>
<td>Netherland</td>
<td>1,489.4</td>
<td>871</td>
</tr>
<tr>
<td>8</td>
<td>Malaysia</td>
<td>1,213.6</td>
<td>1,537</td>
</tr>
<tr>
<td>9</td>
<td>Mauritius</td>
<td>1,056.6</td>
<td>236</td>
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<tr>
<td>10</td>
<td>British Virgin Islands</td>
<td>844.8</td>
<td>1,109</td>
</tr>
<tr>
<td>11</td>
<td>United Kingdom</td>
<td>774.8</td>
<td>585</td>
</tr>
<tr>
<td>12</td>
<td>Switzerland</td>
<td>615.5</td>
<td>227</td>
</tr>
<tr>
<td>13</td>
<td>Australia</td>
<td>513.9</td>
<td>730</td>
</tr>
<tr>
<td>14</td>
<td>Taiwan</td>
<td>397.0</td>
<td>585</td>
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<td>15</td>
<td>Germany</td>
<td>289.0</td>
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</tr>
<tr>
<td>16</td>
<td>India</td>
<td>286.6</td>
<td>509</td>
</tr>
<tr>
<td>17</td>
<td>France</td>
<td>249.6</td>
<td>460</td>
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<td>18</td>
<td>Brazil</td>
<td>231.6</td>
<td>27</td>
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<td>19</td>
<td>Thailand</td>
<td>220.2</td>
<td>248</td>
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<tr>
<td>20</td>
<td>Cayman Islands</td>
<td>219.7</td>
<td>118</td>
</tr>
</tbody>
</table>

Total Investments in Indonesia

At the moment, UK investors became the 11th biggest investors in Indonesia

Source: Indonesia Investment Coordinating Board (BKPM)-RI
Developing a more sustainable financing option for infrastructure

However, financing through banking faces legal lending limit and liquidity maturity mismatch.

Banking Finance to Infrastructure Projects

- 2013: 30.36
- 2014: 33.04
- 2015: 33.49
- 2016: 38.55
- 2017: 42.52

Infrastructure Financing Through Domestic Capital Market

- USD148 million through *asset securitization*
- USD296 million through *future cash flows securitization*

Infrastructure Financing Through Issuing Komodo Bonds

- USD296 million with 7.5% yield
- USD480 million with 7.7% yield
Comprehensive Efforts to Promote Infrastructure Financing

Supply Side

- Municipal Bonds
- Perpetual Bonds
- Green Bonds
- Blended Finance

Demand Side

Mandatory Minimum Investment for Pension Fund and insurance in:
- Government Bonds
- Corporate Bonds in Infrastructure

Infrastructure & Supporting Policies: Hedging Instruments, Tax Incentives
Why Indonesia & Why Invest Now?

1. **Indonesia’s Economy and Financial Sector Continue to Do Well**

2. **All Global Rating Agencies Have Improved Indonesia’s Sovereign Rating**

3. **Global Competitiveness Index of Indonesia Also Increased**
   - From 41st in 2017, to 36th in 2018.

4. **Ease of Doing Business Indonesia Climbed 34 Places to 72nd in 2018**

5. **Transport Infrastructure Index Improved to 30th in 2018**

6. **Best Countries to Invest In**
   - #2 Best Countries to Invest In

Source: Indonesia Presentation Book, February 2018
TIME TO INVEST IN REMARKABLE INDONESIA

Thank You
Green Bonds: A New Promising Investments in Indonesia

Indonesia Green Bond has characteristics:
- Verifier (individual/group/corporation) → green eligible projects;
- Action plan if green bond becomes “not green” (max 1 year);
- Buyback if green bond becomes “not green”;
- Incentives (discount for registration levies; tax exemptions; listing fee discount from the stock exchange and other incentives from corresponding agencies)

Eligible Sectors:
1. Renewable energy;
2. Energy efficiency;
3. Sustainable pollution management and prevention;
4. Sustainable natural resources and land use management;
5. Biodiversity conservation;
6. Clean transportation;
7. Sustainable water and sewage management;
8. Climate change adaption;
9. Eco-efficient products;
10. Environmentally friendly buildings that meet regional, national and international certification standards;
11. Other business activities and/or other activities that concern environmental sustainability;

Indonesia has launched its “Green Global Sukuk”
- First Indonesia Green Sukuk
- First Sovereign Green Sukuk in the World

<table>
<thead>
<tr>
<th>Tenor</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>USD1,25 bn</td>
</tr>
<tr>
<td>Yield</td>
<td>3,75%</td>
</tr>
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</table>
As an archipelagic nation, enhancing connectivity among areas within the country becomes a top priority for Indonesia to enable its future growth and development.

- Kertajati Airport in West Java
- Trans-Kalimantan Toll Road
- Trans-Sulawesi Railway
- Bali Airport
- Raknamo Dam in East Nusa Tenggara
- Trans-Sumatera Toll Road
- Papua Sea Toll Road
Blended Finance: An Attractive Source of Financing for Indonesia’s Infrastructure Development

1) Limited government budget to finance infrastructure projects;
2) Meeting the global concern on sustainable development (SDGs) and reducing climate change effect (Paris Agreement);
3) Enormous amount of private philanthropic funding to address the SDGs and promote climate action for developing countries, including Indonesia;
4) In current low interest rate regime, long term investors are seeking higher returns investment alternatives.