UNLOCKING PUBLIC AND PRIVATE INVESTMENT:

ROLE OF FINANCIAL SECTOR

DECEMBER 2016

PROCEEDINGS

INTERNATIONAL FORUM ON ECONOMIC DEVELOPMENT AND PUBLIC POLICY

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PREFACE

To achieve more sustainable and inclusive growth, Indonesia has to shift its source of economic growth from consumption to investment. However, Indonesia cannot merely rely on government investment due to its budget limitation: investment led growth requires private sectors to play active investment roles. The financial sector plays a crucial role in strengthening private investment, particularly in mobilizing domestic savings and providing capital for productive investments.

There are many challenges facing the development of financial sector in Indonesia including the current situation where there are limited savings and only a limited number of short-term yet high cost financial products. While saving levels have been increasing, this is from a low base with savings use dominated by 1-month term deposits. Bank loans are still the dominant source of finance compared to other sources such as corporate bonds and equity issuance. Banking sector savings are mainly allocated to finance working capital investments. The dominance of the banking sector is also prevalent in terms of asset values. The role of other financial institutions, such as insurance companies and pension funds, remain very low. This shallow market situation leads to scarcity of long-term savings which are essential for long-term investment, especially in infrastructure. Indonesia needs long-term savings from non-banks. Indonesia's financial market is also less efficient than its peers in terms of bank's net interest margins and bank's overhead costs to total assets. The high costs of funds in Indonesia is partly caused by two conditions: a lower rate of savings and a higher level of loan to deposit ratios. This over lending situation makes it difficult to intermediate deposits into credits without increasing the cost of lending.

These challenges were discussed at the International Forum on Economic Development and Public Policy held in Bali on 8-9 December 2016. This year's program "Unlocking Public and Private Investment: Role of Financial Sector" builds on the 2015 program "Fiscal Reform to Support Strong and Equitable Growth: Striking The Right Balance" and the 2014 program "Growth Strategies for a Rising Indonesia." I hope this forum have met its main objective, which is to examine, and learn from international experiences in designing financial sector policies to support rapid and sustainable growth so as to avoid the middle income trap.

This report provides a general direction for the policies based on the recommendations made by the speakers and the participants in the International Forum. In addition to acting as the proceedings of the International Forum, this report also covers a series of activities related to the Forum: a workshop in Bali on 4-5 August 2016 as well as two preheating seminars in Yogyakarta on 21 October 2016 and in Kupang on 17 November 2016.

Sincere appreciation goes to our partners: the Indonesia Deposit Insurance Corporation, Bank of Indonesia, the Australian Department of Foreign Affairs and Trade through AIPEG and GPF, the Asian Development Bank, the Asian Development Bank Institute, and Agence Francaise de Development. They once again have supported us in organizing and hosting this annual conference. Their support and assistance in various fields have been very helpful for us. I hope our strong cooperation can continue.

Jakarta, December 2016

Chairman of the Fiscal Policy Agency

Prof. Suahasil Nazara

LIST OF ABBREVIATIONS

ADB	: Asian Development Bank
AIPEG	: Australia Indonesia Partnership for Economic Governance
APBN	: Anggaran Pendapatan dan Belanja Negara (State Budget)
ASEAN	: Association of South East Asian Nations
Bappenas	: Badan Perencanaan Pembangunan Nasional (the Ministry of National Development Planning)
BKF/FPA	: Badan Kebijakan Fiskal (Fiscal Policy Agency)
BPJS	: Badan Penyelenggara Jaminan Sosial (Social Security Agency)
BI	: Bank Indonesia (Bank of Indonesia)
EBA	: Efek Beragun Aset (Asset Backed Securities)
GDP	: Gross Domestic Product
GPF	: Government Partnership Fund
IKNB/NBFI	: Industri Keuangan Non-Bank (Nob-Bank Financial Institutions)
KIK EBA	: Kontrak Investasi Kolektif Efek Beragun Aset (Collective Investment Scheme - Asset Backed Securities)
KPPIP	: Committee for Acceleration of Priority Infrastructure Delivery
LPS	: Lembaga Penjaminan Simpanan (Indonesia Deposit Insurance Corporation)
MOF	: Ministry of Finance
OJK	: Otoritas Jasa Keuangan (Financial Services Authority)
PPP	: Public Private Partnership
PKEM	: Centre for Macroeconomic Policy
REITs	: Real Estate Investment Trusts
RPJMN	: Medium-term Development Planning
SMEs	: Small Medium Enterprises
SOEs	: State Owned Enterprises
SUN	: Surat Utang Negara (Treasury Bonds)

EXECUTIVE SUMMARY

Fiscal Policy Agency, the Ministry of Finance of the Republic of Indonesia, has supported a series of conferences looking at Indonesia's economic transition and issues related to the middle-income trap. This year's program "Unlocking Public and Private investment" was the sixth conference and focused on the the role of financial sector development in escaping the middle-income trap.

A well-functioning financial sector is needed to facilitate investments that are required in Indonesia to support strong and sustainable economic growth. It is therefore essential that public policy supports the development of Indonesia's financial sector. One of the fundamental steps for promoting the domestic financial sector role is through strengthening the role of domestic savings. The seminar concluded that Indonesia's domestic savings and their role to fund investment still needed to be improved. Research from AIPEG showed that a significant private investment gap - in the order of 6% of GDP by 2025 - exists in Indonesia. To address this gap, there are many initiatives that could be considered.

Firstly, the Government can play a greater role toward promoting long term savings. Mandatory private savings in Australia and Indonesia's own BPJS (Badan Penyelenggara Jaminan Sosial, the social security administrative body) are great examples. The BPJS presentation highlighted some challenges that are still faced by BPJS, namely coverage expansion, social security awareness and support to economic development. To address these challenges, BPJS should expand the number of participants, reduce the possibility of early pension withdrawal, and improve its investment governance structure. As for supporting economic development, BPJS has started investing in long term assets such as government bonds. The seminar suggested that BPJS increase investment in long term assets such as corporate bonds, asset backed securities, and other capital market instruments to reflect its role as a long-term institutional investor.

The ADB then shared its experience in setting up local currency markets in developing countries noting that such an approach can deepen a country's financial sector and reduce currency risk exposure. To deepen local currency bonds, especially those issued by international agencies, there are several challenges that should be addressed: readiness of the underlying project, availability of hedging instruments, and possibility of using these bonds as collateral in central bank repo market operations.

Secondly, the Government can play a role in financial inclusion policies. Financial inclusion initiatives should be developed to ensure access to financial services for everyone, regardless of income or location. The Japanese postal savings experience as a way of providing financial inclusion was discussed, with BI then detailing its specific strategy to ensure that 75% of the Indonesian population has access to financial services by 2019. The Japanese experience also highlighted that financial inclusion initiatives contributed to the public participation in deposit and insurance products that can address not only inequality but also increase savings accumulation. The latter is very important for current Indonesia's economy. On top of that, financial literacy should be increased through education starting from primary school. This would need joint collaboration with the Ministry of Education under the National Strategy for Financial Inclusion (Strategi Nasional Keuangan Inklusif).

Thirdly, innovative financial market products can be developed to address sector specific financing gap issues. For infrastructure investment financing, this can include using project bonds, asset-backed securities and special purpose vehicle structures to meet the needs of long-term investors and help pay for new infrastructure projects. During the discussions, there was a recognition that meeting long-term investor needs were very important for Indonesia in order to deliver long term infrastructure investments.

Fourthly, the important role development institutions can play in encouraging particular financial market policy outcomes was recognised. The Agence Francaise de Developement and the Asian Development Bank Institute shared specific examples of how they had supported green financing via credit lines and provided focused financing assistance to Asian SMEs. The ADB's experience in several developing countries also underlined that due to the strategic role of SMEs, lending to this sector is very important. The key challenge to be addressed is the unavailability of integrated data management so that financial institutions can properly assess the SMEs credit risk. This could ultimately increase the possibility of lending. In Indonesia, the Ministry of Cooperation and SMEs could use this data to better deliver the subsidized credit program for SMEs (Kredit Usaha Rakyat).

Fifthly, providing adequate financing for infrastructure projects was explored. Discussions focused on the critical role the private sector plays in delivering infrastructure and recognized that PPPs have been a successful infrastructure delivery option in other countries. Key messages emphasized the importance of the Government having a clear plan; the private sector trusting the business environment; and communicating a 'pipeline' of commercially viable projects to potential investors. An interesting idea raised in relation to innovative PPP delivery was SOEs undertaking joint venture arrangements with private sector partners to deliver PPPs and leverage off each parties advantages. These are very important in order to increase the market for infrastructure.

Finally, the Forum recognized that while financial market development advances, the safeguarding of financial stability is critical. The seminar was fortunate to have Ms. Sheila C. Bair, former Chairman of the Federal Deposit Insurance Corporation, present her experience in the United States during the Global Financial Crisis. Some key messages from her presentation included: the importance of establishing early warning systems; having a financial safety net law; the existence of a strong deposit insurance institution; and the importance of coordination with other government agencies during a crisis. She also suggested that one of the most important post-crisis proposals for bail-in policies in the US is the requirement to keep a minimum amount of long-term debts in bank's balance sheet. This direction is in-line with the "bail-in" approach in the newly adopted financial safety net law in Indonesia.

As mentioned by the Minister of Finance in her keynote speech, future challenges will include the risks of potential technological changes and economic inequality between regions in Indonesia. Specifically, the challenges are: (1) how to prepare our labor markets in the midst of rapidly changing technology and global environment so we can improve productivity, competitiveness, and reduce poverty and inequality; and (2) given a high reliance on fiscal transfer, we should take a look at the economic force and potential of each region so that we can design effective fiscal policy to reduce disparity between regions. These issues will be the topic for the next strategic research conducted in 2017 by BKF.

INTRODUCTION

The International Forum on Economic Development and Public Policy is an annual event organized by the Ministry of Finance where policy makers, academics and other stakeholders meet to exchange views and discuss Indonesia's economy. The 2016 forum was held on 8-9 December in Nusa Dua, Bali, with the theme "Unlocking Public and Private Investment in Indonesia: Role of Financial Sector". This theme was choosen in order to sharpen and follow-up on recommendations that resulted in the three previous forums, in 2013, 2014 and 2015.

In 2013, the International Forum discussed long term development sustainability risks i.e. Indonesia escaping the "middle income trap". In 2014, discussions focused on economic growth strategies in general, with the 2015 Forum focused on the design of fiscal reforms needed to safeguard long-term economic growth strategies. This year, the forum focused on the financial sector strategies required to support the achievement of Indonesia's long-term development goals, in particular the role of financial intermediation in promoting economic growth that is spread evenly to maintain stability.

The Government is very aware of the importance of strategies to encourage investment and increase national productivity. National infrastructure development is considered key as it will be able to bring a positive impact on economic activity and productivity. This can encourage high, sustainable and equitable growth.

Improving infrastructure development requires substantial financing. As such, the financing source requires special attention. State and regional budgets as well as state owned enterprises have limitations in terms of the ability to finance national infrastructure investment needs. As such, the private sector is needed to finance investments in the Indonesian economy.

One of the biggest challenges facing Indonesia in financing infrastructure is the availability of long-term financing sources. Compared to other countries in the region, Indonesia's financial market is shallow and under developed. Indonesia needs to formulate an integrated strategy to deepen its financial markets.

As such, in advance of the Forum, seminars were held Yogyakarta and Kupang to develop the Forum agenda. As detailed in the agenda sessions over the two day event in Bali focused on:

1. The role of domestic savings and the financial sector development;
2. Promoting savings and boosting long-term savings;
3. Financial inclusion policy and initiatives;
4. Financial market and product development;
5. Financial initiatives for policy sector: international lessons;
6. Financing infrastructure; and
7. Financial stability and development.

In terms of presentation of the proceedings, *Part One* of this report focuses on the International Forum itself. Its content follows the program chronologically from the welcoming remarks, keynote speech, sessions, young economist forum, presentation of seminar rapporteurs, talkshow and closing remarks.

Part Two highlights the policy recommendations stemming from the Forum.

Part Three provides an overview of pre-seminar activities, i.e. the workshop and two preheating seminars in Yogyakarta and Kupang.

In addition, *Appendices* provide the terms of reference and the full programs of the International Forum, the profiles of the speakers, the press releases, articles published and photos.

As in previous years, the Forum was conducted in cooperation with domestic and international partners. This year, seminars were coordinated with Bank Indonesia and the Deposit Insurance Agency with support provided by the Australian Department of Foreign Affairs and Trade through the Australia Indonesia Partnership for Economic Governance, Asian Development Bank, Asian Development Bank Institute (ADB Institute), and Agence Francaise de Development .

PART ONE

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WELCOMING REMARKS

WELCOMING REMARKS

INTERNATIONAL FORUM ON
ECONOMIC DEVELOPMENT AND PUBLIC POLICY

"UNLOCKING PUBLIC AND PRIVATE INVESTMENT:
ROLE OF FINANCIAL SECTOR"

Chairman of Fiscal Policy Agency
Bali, 8 December 2016

The honorables:
Minister of Finance of the Republic of Indonesia, Ibu Sri Mulyani Indrawati
Deputy Australian Ambassador for Indonesia, Mr. Justin Lee
Pak Halim Alamsyah, Chairman of LPS
Pak Hendar, Deputy Governor Bank Indonesia
Prof. Naoyuki Yoshino, Dean of Asian Development Bank Institute
Mr. Ghislain de Valon, Country Director AFD – Agence Francaise de Developpement
Distinguished speakers and participants,
Distinguished guests,
Ladies and gentlemen.

Assalamualaikum Warrahmatullahi Wabarrakatuh. Om Suwastiastu.

A very good morning to all of you.

1. Praise be to God Almighty, Allah S.W.T., by whose blessings, we are all able to gather here today.

2. It is a great pleasure for me to be here today on the first day of this international forum. First of all, on behalf of the Indonesian Government, I would like to express our appreciation to the internationally recognized speakers that have taken time from their busy schedules to join us here in Bali. It is an honor to have you here to share your insights and thoughts on the topic of *"Unlocking public and private investment: role of financial sector"*.

3. I am delighted to say that The Indonesian Government has supported a series of conferences looking at Indonesia's economic transition and issues. This year's program builds on the previous programs. In 2011 we discussed "Transforming Capital Inflow into Real Investment through Sound Fiscal Policy" and continued on the topic "Financial Stability through Effective Crisis Management and Inter-Agency Coordination" in 2012. In 2013, we focused on how to avoid the "Avoiding the Middle-Income Trap: Lessons Learnt and Strategies for Indonesia to Grow Equitably

and Sustainably" followed by 2014 and 2015 program with topic on "Growth Strategies for a Rising Indonesia: Striking the Right Balance" and "Fiscal Reform to Support Strong and Equitable Growth" respectively.

4. I would also like to welcome the participants from different backgrounds including Government, both central government, such as Ministry of Finance, Ministry of Planning, Coordinating Ministry of Economy, other relevant ministries, and local government, government agencies, academia (lecturers and researchers from various universities in Indonesia), domestic and international private sector as well as banker, investors, economist, development partners such as world bank, and media that have joined this event and who, I am sure, will benefit from participating in the thought-provoking sessions that we will hear over the next two days.

5. I take this opportunity to convey the background and goals of this seminar to Ibu Sri Mulyani, the Minister of Finance of the Republic of Indonesia, and distinguished audiences.

6. This event has been a collaborative effort of the Ministry of Finance, the Indonesia Deposit Insurance Corporation/LPS, and Bank Indonesia. So, thank you to all the agencies involved.

7. Let me also express my sincere appreciation to the Australian Government, especially the Department of Foreign Affairs and Trade through AIPEG, ADB, ADBI and AFD. Their support and assistance in various fields have been very helpful for us, and I hope it will lead to a stronger cooperation.

Distinguished Guests, Ladies and Gentlemen,

8. Based on the evidence and situation of the financial sector in Indonesia, this year's program focuses on the role of financial sector development in escaping the middle income trap. There will be three parts.
    a. The first part examines the importance of savings and efficient financial intermediation for sustainable growth and economic development and the appropriate role for government.
    b. The second part looks at how public policies can help ensure adequate financing for the economy.
    c. The third part is on financial stability and development. It looks at risks facing emerging economies in the middle of the current global economic uncertainty and how Indonesia has improved its resilience to possible shocks to its financial system.
    d. To close the Forum, a panel session discusses savings, investment, and economic growth, an increasingly topical area of analysis and policy action.

9. Before ending this remarks and letting Ibu Menteri deliver the speech as well as opening the forum, I would like to thank all of the speakers and participants, once again, for sparing the time to attend this occasion. I wish each of you all the best, and may you find this two-day seminar productive, fruitful, and insightful.

Thank you for your kind attention.

Wassalamualaikum Wr. Wb.

Prof. Suahasil Nazara
Chairman of Fiscal Policy Agency
Ministry of Finance of the Republic of Indonesia

KEYNOTE SPEECH

KEYNOTE SPEECH AND OPENING CEREMONY

INTERNATIONAL FORUM ON
ECONOMIC DEVELOPMENT AND PUBLIC POLICY

*"UNLOCKING PUBLIC AND PRIVATE INVESTMENT:
ROLE OF FINANCIAL SECTOR"*

Minister of Finance of the Republic of Indonesia
Bali, 8 December 2016

OPENING

The honorables:
Deputy Australian Ambassador for Indonesia, Mr. Justin Lee,
Pak Halim Alamsyah, Chairman of LPS
Pak Hendar, Deputy Governor Bank Indonesia
Prof. Naoyuki Yoshino, Dean of Asian Development Bank Institute
Mr. Ghislain de Valon, Country Director AFD – Agence Francaise de Developpement
Distinguished speakers and participants,
Distinguished guests,
Ladies and gentlemen.

1. Assalamualaikum Warrahmatullahi Wabarrakatuh. Om Suwastiastu. A very good morning to all of you.

2. Before starting my speech, I would like to express my appreciation for my colleague from Ministry of Finance especially Fiscal Policy Agency that organizes this delightful event. I would like to also thank the Indonesia Deposit Insurance Corporation/LPS, and Bank Indonesia for their cooperation in organizing this event.

3. I believe you share the same opinion that this event is very timely, given the current challenges we are all facing in regard with global economy.

4. Let me also express my sincere appreciation to the Australian Government, especially the Department of Foreign Affairs and Trade through AIPEG, ADB, ADBI and AFD for their continuous support.

INDONESIA STRUCTURAL REFORMS & FINANCIAL SECTOR DEVELOPMENT

Ladies and gentlemen,

5. Indonesia's economic growth has been robust compared to peers. In the last 10 years, Indonesia has achieved a real average of 5.7% economic growth.

6. In recent years, weak global demand has led to lower commodity prices globally. Indonesia, which had benefited from this terms of trade boom, experienced economic growth moderation. This experience has made Indonesia realize how important competiveness is.

7. Furthermore, Indonesia still faces domestic development issues relating to poverty and inequality. Inequality also happens between regions. Java still holds the biggest economic pie, while poverty level remains high in eastern part of Indonesia.

8. To successfully navigate these global and domestic challenges, Indonesia has developed a growth focused strategy that will preserve economic resilience via developing a more diversified economy. To achieve this, synergy between institutions as well as comprehensive reform are needed.

9. Thus Government has undertaken fiscal reforms that will see the state budget used as an instrument to support growth and provide essential public services. Besides health and education, investment in infrastructure will be prioritized.

10. To support the private sector through increasing confidence, the Government has undertaken significant structural reforms. A series of policy packages has been launched aimed at improving the business climate and maintaining people's purchasing power.

11. Future challenges will include the risks of potential technological changes and economic inequality between regions in Indonesia. Specifically, the challenges are: (1) how to prepare our labor markets in the midst of rapidly changing technology and global environment so Indonesia can improve productivity, competitiveness, and reduce poverty and inequality; and (2) given a high reliance on fiscal transfer, Government should take a look at the economic force and potential of each region so that Government can design effective fiscal policy to reduce disparity between regions.

12. A more sustainable and inclusive growth will occur through shifting the source of economic growth from consumption led to investment led growth.

13. However, Indonesia cannot rely on government investments alone. Besides budget limitations relating to the fiscal deficit rule, low tax revenue to GDP and mandatory spending requirements, public investment makes up less than 10 per cent of Indonesia's total investment. As such, private investment needs to be strengthened, including by enhancing Indonesia's financial sector.

14. Promoting private investment through the domestic financial sector still has many challenges. Chief amongst these is that Indonesia's financial sector is shallow, especially when compared to peers. That problem is caused by factors such as: informality, Indonesians' assets being stored off-shore, and low accessibility.

15. Bank loans are still the most dominant source of financing. The utilization of other sources such as corporate bonds and equity are under-done. Non-banking savings are also relatively small compared to banking savings. This leads to the scarcity of long-term savings which are essential for long-term investment, especially in infrastructure.

16. One way to promote a long term savings base in Indonesia is through mandatory savings. Indonesia has started this shift for, by example, establishing the National Social Security Agency, BPJS, back in 2011. Furthermore, BPJS as well as pension fund and insurance industry, can be encouraged to invest in long-term instruments.

17. Understanding the challenges of our financial sectors in supporting economic development, there should be an integrated strategy of financial sector development. This strategy has to be built in promoting four pillars: deepening, inclusion, efficiency, and stability.

18. One thing that we must keep in mind in developing the financial sector is to not sacrifice stability. Indonesia learned firsthand from the Asian Financial Crisis and Global Financial Crisis that financial stability is extremely important. Now Indonesia has the Law on Prevention and Resolution of Financial System Crisis (PPKSK), covering coordination for monitoring and maintaining of the Financial System Stability, resolution of the Financial System Crisis, and resolution of the Systemic Bank's problems. Long-term savings are actually a good mean for financial stability. It provides maturity matching of savings with long-term investments.

19. Government and regulator have implemented several policies that support the development and stability of financial sectors such as Tax Amnesty, promoting more Initial Public Offerings, coordination between regulator, Self-Regulatory Organizations and line ministries, strengthening prudential regulation, and mitigating asset price bubble risks in the financial market.

20. Focusing on infrastructure development, it is reasonable that financing is always an important feature for infrastructure projects, due to their large upfront costs and extended construction times. As such, we cannot rely only on banks as a source of financing for infrastructure projects.

21. Using financial markets to support projects can be challenging. On average, only 8 to 10% of total lending portfolio is infrastructure, while only 14-19% of bonds and stocks are entitled for infrastructure.

22. The reason banks and financial markets are underserving the infrastructure sector is structural in nature. Banks are exposed to asset-liability mismatches due to their short-term (mainly 6 month deposit) funding sources. Meanwhile, utilizing other instrument such as corporate bonds is not very easy since Indonesian corporate bonds are not a very attractive investment due to the small size and lack of liquidity.

23. Innovation is needed to address such challenge. Innovative asset securitization and/or 'Asset Recycling' are initiatives worth considering to finance infrastructure projects. Such scheme has been implemented by other countries, like Mexico, that has successfully done toll road securitization, and also Australia that has implemented an asset recycling scheme.

24. Indonesia should also expand the source of financing by diversifying savings pool through the increasing household savings in the form of pensions, insurances, and also channeling their assets more too financial market. Malaysia could be a good example given relatively similar level of savings rates between the countries.

25. Some countries have solid long term investors' basis through establishing mandatory savings scheme. Some pension funds in many countries have a growing appetite toward infrastructure investment. Domestic long term investors such as BPJS Ketenagakerjaan and Aspen must be encouraged to participate in long-term investments.

26. To support the long term investment especially for infrastructure development, there has to be comprehensive policy that covers:
    - Fiscal support for stimulating long-term saving and investment;
    - Social welfare policy for encouraging contractual saving and developing long-term domestic institutional investors;
    - Financial market policy for increasing access to financial services and increasing competition among financial service providers;
    - Increasing coordination among stakeholders, e.g. through Forum Koordinasi Pembiayaan Pembangunan melalui Pasar Keuangan/Coordination Forum for Development Financing (FK-PPPK).

27. Ministry of Finance has provided various support to encourage private investment in infrastructure development such as PPP, allocation of funds in state budget like Viability Gap Fund, tax holiday for infrastructure investment, and also provide guarantee for certain projects.

28. The comprehensive reform including development of financial sector that we are aiming is important to provide certainty to business and investors. Eventually this can lead to a more inclusive and sustainable economic growth.

CLOSING & FORMALLY OPENING THE SEMINAR

29. Before ending this remarks, I would like to thank all of the speakers and participants, once again, for coming to this beautiful island. I also wish this seminar be an occasion where we can exchange views and constructive ideas for Indonesia development.

30. With great pleasure, I hereby declare this International Forum on Economic Development and Public Policy, officially open!

Thank you for your kind attention.
Wassalamualaikum Wr. Wb.

Sri Mulyani Indrawati
Minister of Finance of the Republic of Indonesia

SESSION 1: The Role of Domestic Savings and the Financial Sector in Development

Moderator: Ms. Sona Shrestha, *Deputy Country Director, Indonesia Resident Mission, Asian Development Bank*.

Do Countries with High Saving Rate Grow Faster and Why?

Prof. Iwan Jaya Azis, *Professor, Cornell University and University of Indonesia.*

There has been so many studies on the topic but the answer is uncertain because on one side, there are studies indicating a positive effect on growth, but on the other side, there are studies pointing to the opposite. The most important question is, when do savings matter for economic growth? The answer is on productivity. If savings do not lead to real investment, then they will not promote growth. However, if they lead to productivity, then then they will contribute to growth. However, not all the high savings lead to productivity. It depends on the the distribution of savings. When we ask the question and divide it based on the size of the countries and split it into poor and high income countries, the answer is that leads it is more effective in higher income countries. If the savings lead to the development of technology, then savings will lead to higher productivity and the productivity will lead to growth. For less-developed countries, most of the technology investment is from foreign investment from high income countries. If you allow the foreign investment coming, then savings will influence the economic growth.

For many developing countries, including Indonesia, the important question is what the savings are used for. My favorite measure of saving is the flow of fund, since by looking at the trend, we are able to detect that savings are translated into productive investment. After the 1997, Asia is the region of exceess savings, but there were no investment into infrastructure. The question is where did the savings go? This also happeneds in Indonesia. Indonesian tend to put their money in financial assets instead of building infrastructure or a factory. As a result, there is no infrastructure spending.

Can Indonesia financial sector deliver growth and employment the financing needs ahead?

Mr. Yougesh Khatri, *Senior Macro Economist team Leader, The Australia Indonesia Partnership for Economic Governance (AIPEG)*.

There are big questions on the financial sector in Indonesia. The questions are:

- Can Indonesia financial sector deliver on the financing needs ahead?
- If not, what is the size of the funding gap?
- What is constraining financial sector development?
- What are the policy priorities for closing gap?
- What are growth consequences of a gap?

Characterization of Indonesia's financial sector can be seen by the funding supply. Savings are relatively high but are not intermediated well, with much ending up in property. Banks dominate the financial sector but they are still relatively small; deposit growth is weak, deposit base is narrow, credit to GDP is limited. Financial funds cover only 10-15% of investment and corporations are mostly self-funded. Capital market development has been slow. The stock market cap has grown with high earnings growth but market capitalization is still relatively small. Indonesia's saving rate is fairly high in comparison with ASEAN and most Emerging markets. The investment ratio is also relatively high. The current account deficit is thus around 2% of GDP.

Which growth or development target? First simplification is a focus on a growth target rather than a broader set of development objectives including income distribution. We consider achieving a target of 6% over the medium term.

We took three models to assess the investment funding needs. The first is looking at the IMF model. The 2nd approach by Bappenas. The 3rd is the growth accounting. Those three models show what we are trying to do with private investments. We estimated that the average funding gap is about cumulatively 37% of GDP over the decade. This scale of challenge requires a Master Plan for financial sector development with coordination/ownership at the highest level.

How does Indonesia compare in the mobilization of savings? Issues and challenges

Dr. Anggito Abimanyu, *Chief Economist, Bank Rakyat Indonesia*.

To be honest, reforming bank is more difficult compare to reforming a country. If you want to mobilize savings, you need to reform the financial institutions, both bank and non bank institutions. Let me talk about how to mobilize private savings. Changing economic environment before and after 2014 has influenced the financial sector. After 2014, the global economy changed dramatically after China grew rapidly. Now, global commodity prices have been cut in half, thus some countries are facing deflationary pressures and introduced quantitative easing and kept their interest low, even, negative. The second is the changes of government policy or regulation that financial institutions have to face. OJK came up with the controvertial policy on cap of the interest rate which it was not announced. Third is on the fiscal side. In the old days, gasoline subsidies were the main issue, but nowadays, it is not longer an issue. Government has reallocated the budget from consumption spending such as subsidy to the investment spending such as infrastructure. However there are some issues on the infrastructure such as project preparation and long-term financing. The financial sector also needs to be adjusted with this new environment. On the liquidity issues, the bank have more liquidity but the problem is coming from the demand side. Channelling to the real sector is the key. Besides that, financial sector is moving from exclusion to inclusion and experiencing the adoption of financial technology. In the past, banks were competing in the number of branches, but now, banks are promoting branchless to use financial technology.

The central bank need to set policy rate that should be more favourable to reduce cost of fund which is important for financial sector to produce the efficient rate within the bank. Reform within the country to attract external fund (FDI inflows) as well as investor in the capital market is also important in order to improve investment climate. Government came up with some policy refom to improve the investment climate. The last policy package is on e-commerce.

Central bank already cut down the interest rate and the reserves requirement with the hope of reducing cost of borrowing, but it did not happen since the issue is not coming from the liquidity side but on the credit side. This is not translated into credit growth sufficiently which support economic growth. On the bank side, banks are not really efficient as Indonesia has a high cost of fund. Thus, banks need to be more competitive in reducing the cost of fund and lending rate. Besides that, competition in banking sectors and improved investment climate will transform Indonesian banks. The improvement of capital markets is also important. The last point is on financial technology which might be a booster of private saving. Most banks now are already mobilizing funds through digital banking. BRI has launched BRISat on 19 June 2016 which is a part of financial inclusion revolution. Financial technology is promising, however it is needed to be regulated by BI and OJK.

In conclusion, Indonesia needs to increase investment ratio to accelerate and sustain economic growth. Providing an efficient and available long term financing is needed to support investment especially for infrastructure. The global slowdown led to lower growth and low inflation, and this gives an opportunity to reduce interest rate, improves services, and promote financial inclusion. Mobilizing Private Saving in Indonesia depend on external and internal factors. The economic potential on mobilizing savings to support business and development remain high but several key factors are needed: stable macroeconomic policies, improvement in financial literacy, regulation on better competition and governance, and internal efficiency. Financial sector, particularly Banks in Indonesia need to adjust to “new normal” global situation with internal transformation, services based operation and adopting financial-technology. NBFI should be reformed, including more products to be introduced, incentives and freer regulations to fulfill the need of long-term financing for development particularly infrastructure projects.

QUESTIONS & ANSWERS

The Dean of ADB Institute asked two questions. First, savings have to be alocated into very efficient sector. Infrastructure has low return but big spill over effect and it needs long term financing. Bank loans are usually short term, but still lack on longer term source of fund such as from insurance and pension fund. How Indonesia should cover the financing gap? Second, I think only around 30% of Indonesians have bank account because they do not have access to the financial sector especially in the remote islands. Are banks ready to provide technology to reach the remote area? Since it could be potential to mitigate the financial gap.

Another question is from Pungki Wibowo from Bank Indonesia. On the financial technology, it should be completed with the deposit guarantee otherwise financial technology will not be well developed since people do not have trust on it. How do you see this?

Response:
This is classical issue about financing. However, even Indonesia experienced excess financing, money was not invested in infrastructure since there were several non-financing impediments such as land clearing and etc. The basic principle of investment is that money will go into the promising sector.

On the longer term financing, Indonesia now has BPJS saving which is quite improved and on the right direction to meet long term financing. However, still on the financing topic, a huge informality (unbanked people) in Indonesia need to be addresed since 1% of depositors account for half of total deposit, that is very concentrated. To meet up the financing gap is not by wramping up credit but financial deepening is a good way to go and expanding the capital market.

Bank are ready to reach the remote areas, however the internet access could be the challenge. The regulation could be the next challenge since financial companies or provider or startup are not well regulated. This will affect the safety and the guarantee of the money that customer will put in.

Financial technology can be divided into two: there are owned by bank and non-bank owned. It is true that all financial technology has to be regulated. Financial techology which is issued by bank usually is already well regulated, but the one which is issued by non-bank institution is non regulated. This is already mentioned in the economic package 14 on e-commerce that all the financial technology firms have to be regulated in term of security, amount and governance. Bi and OJK should set it up now before there is an issue in the next days.

SESSION 2: Promoting Savings and Boosting Long-term Savings

Moderator: Mr. Kensuke Tanaka, *Head of Asia Desk, OECD Development Center*.

The Supperannuation Private Pension Schemes in Australia

Prof. Hazel bateman, *Head of School, School of Risk&Actuarial, University of Queensland*.

Thank you verymuch for the invitation to this conference.

What I am going to do is to provide the summary about the system. Describing Australian system, Australia case we think about retirement income. We have a pension system, which is compulsory and about 30 years old. We have a very broad coverage. If we look at some broad design, currently we have 200 superranuation/pension funds. Individuals can choose supperanuation funds. We are quite comfortable with the supperanuation system. In Australia, we have a tax free system on pension funds.

Talking about compliance: in Australia compliance is very high. The impact of national saving: compulsory contribution have led to high national savings. The savings rate is about 30 percent. Accumulation system: provided funds for investment. Not just traditional asset. Compulsory superannuation or private savings have contributed to growth in national savings. It is around the 5^{th} largest pool of funds for investment globally. It also provides funds for investment, greater diversification of household savings and reduction in home bias.

The Emerging Role of BPJS in Indonesia

Mr. Agus Susanto, *President Director of BPJS Manpower*.

The GDP level is increasing from 2010 to 2016. Indonesia is predicted to be a rich country by 2030. Even more convincing, putting Indonesia as the 60 largest growing economy in the world. Ahead, Indonesia will need skills to support the growth. We need the higher economic growth.

Indonesia security system: BPJS kesehatan, BPJS ketenagakerjaan. Investment assets come from social security fund, and health fund. The strategy to boost the savings: increase the contribution rate and expand the coverage. To increase the contribution rate is a must. Indonesia is the lowest contribution rate. We have to review the contribution rate from the pension fund. Expansion coverage, now we implement non organic arm, like insurance agent. Now we not only provide formal sector but also informal sector. The other strategy, introduce the social security to children. We educate people since childhood about social security and put into the curriculum at school.

Thank you verymuch.

The Role of Local Currency in Securing Long Term Financing Needs

Mr. Jonathan *Grosvenor, Advisor, Office of the Treasurer&Head Treasury Client Solutions, Treasury Department, Asian Development*.

Good afternoon ladies and gentlemen, My presentation is about the the role of local currency in securing long term financing needs. The most typical question is on what the most local currency risk. Lets make guiding statement, Local currency funding, obviously need to be repaid in the local currency. Rates are typically higher in the local currency market than in USD. The currency risk is not manipulated by the developing countries. Many other Asian country has major development of local market.

Local currency markets tend to require back-to-back funding, while pool funding offers significantly more flexibility in structuring loans. There are three case studies that we can learn from. Firstly, funding is structured back-to-back with loans in Republic of Georgia. Secondly, transition to pool fundings in India allows ADB to pre-fund loans operations, removing uncertainty over disbursement timing. Thirdly, profile of onshore cross currency swap in Thailand is structured back-to-back to match terms of underlying loans.

QUESTIONS & ANSWERS

1. **Local currency, it is also important to cut long term perspective (investment on pension fund)**
   (Jonathan) there are some market such as Thailand, India and Malaysia, we have 25 year projects. Regarding to the currency question, in ADB treasury we have already structured the investment to avoid currency risk.

2. **BPJS: We also want to increase the contribution and have the sustainability program. How your strategy in increasing the contribution?**
   When BPJS pension started, we had higher inflation. This is also about employer contribution. Wages are actually the key element for pension contributions. Pension contributions increase when wages increase.

3. **Social media: regarding the huge numbers of informal sector in Indonesia, how is the strategy?**

   It is important to protect the informal sector, but not many country cover the informal sector. But Indonesia is one of the countries that cover the informal sector. We have disseminated information to the public about the awareness of social security system especially through videos and in schools.

SESSION 3: Financial Inclusion Policy and Initiatives

Moderator: Mr. Isa Rachmatarwata, *Assistant of Minister for Financial Services and Capital Market Policy and Regulation.*

National Strategy for Financial Inclusion (NSFI): Enabling and Empowering

Dr. Hendar, *Deputy Governor of Bank Indonesia*

Financial inclusion has been a hot issue worldwide. Indonesia has already considered financial inclusion as a commitment. Current conditions are that Indonesians are mostly cash-based and unbanked. From the demand side, the issues are low or no stable income, limited asset value (uncertificate land), no ID, low financial literacy, and low financial management capacity. Meanwhile, the issues from the supply side are limited/no branches in remote areas, complicated requirement, high cost and formality, and limited IT capacity. Indonesia specific challenges are that 250 millions of Indonesians live in around 17.000 islands, but Indonesia has a good opportunity with the usage of mobile phones of 314 Million units.

Currently, Indonesia position is in one of the lowest for percentage of adult having account in formal financial institution with 36% in 2014. Financial literacy level of Indonesian people are still relatively low. According to the Financial Literacy Survey conducted by BI in 2015, Indonesian people have moderate attitudes, behaviors and knowledge in financial, however still not utilizing financial services.

Financial inclusion initiatives are important for poverty eradication. Indonesia has launched Presidential Decree Number 82/2016 of NSFI which revises the 2012's NFSI document in order to (1) accommodate the Jokowi-JK's policies direction as set out in the National Medium-Term Development Plan 2015-2019, (2) to increase the integration of inclusion activities growing faster after 2012, and (3) as a legal basis for synergy and coordination among stakeholders. The NSFI target is to achieve 75% of adults having account in financial institutions by 2019.

Financial inclusion is defined as having all Indonesian people access to financial services at an affordable price. There are five pillars of NSFI: financial education, community property right, financial intermediate services, financial services in government sector, and customer protection. These pillars must be supported by three supporting environments i.e. conducive policies and regulations, supportive infrastructure and financial information technology, and effective organization and implementation mechanism.

Postal Savings and Financial Inclusion in Asia

Prof. Naoyuki Yoshino, *Dean ADB Institute & Prof Emeritus Keio University Japan*

One of conditions of sustainable growth is the utilization of domestic savings into investment. In general, saving rates are determined by population growth (number of children and demographic condition, income growth, economic growth, government support for pensions, and unemployment insurance program. Postal savings play a key role in increasing saving rates in Japan. Postal savings offer cost efficiency due to the existence of nationwide post offices with 24,700 branches offering other services such as mail services, post life insurance, and the payment of utilities.

Indonesia can learn from Japan in the utilization of post offices that are also available in many regions where there is no financial institution in remote areas. Postal networks can be utilized to open access to finance as well as to widen financial products (postal pension funds, postal insurance, and mutual funds). Postal networks can be used also in Indonesia together with financial technology (FinTech) such as in opening of accounts where identification process is conducted by a post office and FinTech provides mobile money. This however must be supported by financial education promotion program. Financial education is very important. Many students said that it is very difficult to study finance because it has nothing to do with daily life. Japan government has developed subjects to be learnt by students i.e. covering (1) financial life planning and households expense management, (2) mechanism of finance and economics, (3) rights of and risks to consumers and prevent of financial trouble, and (4) career education. All school needs to run this program.

QUESTIONS & ANSWERS

- National ID is important to be used in financial inclusion initiative.
- One of the most crucial issues in financial inclusion program is that many institutions do not want to work together. The revised NFSI is aimed at strengthening the coordination by using a presidential decree. The program however must include the Ministry of Education.
- Low-paid employees still need to be convinced about the importance of savings by educating them “save for tomorrow.” Social system transfer must also be encouraged to use non-cash basis rather than cash basis.
- Microcredit’s interest rate is still relatively high. One of possible ways to make it lower is through the creation of association of money traders.

SESSION 4: Financial Market and Product Development

Moderator: Mr. Anton Gunawan, *Chief Economist PT Bank Mandiri Tbk*

Financial Market Instruments for Infrastructure Financing

Mr. Gonthor R Aziz, on behalf Ms. Nurhaida, *Chief Executive of Capital Market Supervision OJK*

New funding sources are needed to provide infrastructure development funding, as well as to boost the infrastructure development funding capabilities of banks and the government. The Capital Markets can play an important role in funding infrastructure development by providing financial market instruments needed by private sectors, Government and banks. Retail investors can also directly contribute infrastructure development funding through buying such products and instruments.

Financial market Instruments that can be used for infrastructure financing are private funds (Reksa Dana Penyertaan Terbatas - RDPT), asset backed securities (EBA either SP or KIK) and Real Estate Investment Funds (Dana Investasi Real Estat - DIRE). OJK focuses on developing the Investment Management offerings to further support National Infrastructure Development. Such Investment Management products may allow for greater funding support for National Infrastructure Development in accordance with the ongoing Tax Amnesty program.

Role of Special Purpose Vehicles (SPV) in Securing Long-term Financing Needs

Mr. Noritaka Akamatsu, *Senior Advisor, Financial Cooperation & Integration, Sustainable Development & Climate Change Dept., Asian Development Bank*

Special Purpose Vehicles (SPV) exist in three different cases: SPV in traditional infrastructure project finance, SPV in refinancing of infrastructure project loans through securitization, and SPV in future cash flow securitization. The project sponsor should create subsidiary SPV project company (IPP). The provider of funds, the bank want to ensure that this is a profitable business. During this period, bank is the most suitable financing.

SPV in traditional infrastructure project finance is a legally and economically self-contained entity against which all contracts are written. It includes contracts that dictate the distribution of risks and returns. The project Company stands as a minority subsidiary of the sponsor that makes its obligations secure even if the sponsor goes bankrupt, or vice versa. The government can keep project debt and liabilities off-B/S and save fiscal space.

SPV can be useful in refinancing infrastructure project loans through either securitization of loans of banks or future cash flows of infrastructure. Securitization of loan assets of banks is motivated by banks' business needs and prudential regulatory incentives, while securitization of future cash flows of infrastructure is motivated by Sponsor's corporate financial needs.

SPV facilitates cash flow manipulation. There are two different types of cash flow: tranching cash flow and splitting cash flow. Bearing of residual risk by the Sponsor enables credit enhancement of higher class notes. It can also discourage moral hazard by the Sponsor, but it prevents the Sponsor from off-loading risky assets. It can also raise a question about the effectiveness of True Sale of the assets. SPV facilitates also credit enhancement. Pooling of assets diversifies away their idiosyncratic risks and reduces the risk of adverse selection by the Sponsor. Tranching also enables credit enhancement of senior tranches by over-collateralization.

Long-term Investors Perspective

Mr. Luca Tonello, *Head of Project Finance, Sumitomo Mitsui Banking Corporation*

The need for infrastructure in Southeast Asian countries remains high and the region is faced with the challenges of developing and financing an increasing number of infrastructure projects. Southeast Asian countries can be seen as a land of infrastructure investment opportunities with huge infrastructure needs and a strong pipeline of infrastructure projects. By bringing the private sector for capital, technology and expertise in developing infrastructure projects, PPP are a fundamental catalyst for economic growth, efficiency gains and lessening of the government's financial burden. However, PPPs do not seem to have delivered on their promises to close the infrastructure gap in Asia, notably due to variable political environment, weak regulatory environment suffering from a lack of transparency and clarity, absence of centralized planning and prioritizing of infrastructure projects, and the lack of standardization of process and documentation for infrastructure projects across countries.

Indonesia, along with the Philippines and Vietnam, is identified as a country with a strong pipeline of infrastructure projects. However, the key issue for long-term investors to invest in infrastructure projects is consistency. Regulatory framework must be stabilized, minimizing unnecessary changes in regulations. When government defines the risk well then it will much easier to unlock the private sector.
Four key challenges for Indonesia are decentralization, government support mechanism, land procurement, and lack of standard document.

Banks are increasingly more innovative. On the other hand the local banks are also reluctant to lend money. The answer to this is the creation of potential financial institutions. The issue is not about shortage of capital, the capital is there, but more on how to create framework to guide the execution.

QUESTIONS & ANSWERS

- Asset back securities market in Indonesia is still tiny because the challenges that Indonesia faces today are quite complex such as land, standardization, and law issues.
- OJK has no priority on what instrument must be developed first, it however facilitates the development of any financial instruments. The main problem is the readiness of market participants.
- Through transparency, OJK provides a way for the available funds to be channeled to productive infrastructure projects.
- The challenge of financial product development is on the nature of underlying assets. Do not much worry about loans, bonds or securitization assets, but equity price could be high without a connection to the real sector.
- Interlinkages between banks and non-banking institutional investors require clear regulation framework and liquidity. Singapore and Australia are good examples of countries having a clear framework. Meanwhile, the development of bond markets is important in creating liquidity.

SESSION 5: Financing Initiatives for Priority Sectors

Moderator: Prof. Jay K. Rosengard, *Adjunct Lecturer in Public Policy, Harvard Kennedy School*

Financing For the Priority Sector: Case Study with Environmental Credit Lines

Mr. Ghislain de Valon, *Country Director, AFD - Agence Française de Développement*

To finance priority investments, it takes an integrated strategy. A close coordination between regulatory constraints and market incentives is strongly needed. Donor needs to evolve in tandem with the development of environmental policies and institutional framework. Although donor's contribution is not very big, the arrival of their support can contribute to the development of an improvement of environmental regulatory framework, especially in the sense that this framework helps companies make cost-benefits calculations to guide investment strategy.

Environmental Credit Lines (ECL) is an interesting initiative that consist of donors transferring technical and financial resources to emerging countries banking industry to build their capacity to fund environmental investments. It is an integrated platform of financing that addresses not only financing issues but also other relevant issues such as human resources. It is mainly designed to support the private-sector in conducting the environment-related development projects.

Under the capacity as a development institution, AFD supports development projects by giving loans or guarantees to partner banks. However, under the ECL, the loans comes with grants also that aims to stimulate demand by doing technical assistance for the banks in the area of financing of energy or material audits, support for project design, and monitoring of implementation. This is to give the bank ability to grow confidence in lending.

From the supply side, the company that borrows from the bank under the ECL will be given incentives for any green investment conducted. This is done by giving financing at effective rates and investment premiums. This is because the loan rate AFD gives is actually a market rate (not a "soft" loan).
Overtime, ECL use by development institutions has been growing. There has been EUR2, 5 billion allocated and 42 projects are under implementation. As a result, 14 million tons equivalent CO_2 and over 1 billion KWh is saved every year, along with the creation of 300.000 kW of new green capacity and 1,5 million MWh of green energy generated every year. There has been 70 bank partners so far in more than 30 countries of operation.

There are reasons why ECL can be effective. First is because its output is not only a public policy but it also translates into a regulatory framework that can be replicated elsewhere. It also addresses the most important thing which is market making. As the banking industry is playing a significant role in the implementation or accompaniment of public policies by fueling investments-related platform with appropriate funding, to closely coordinating binding environmental regulations and market-based financial incentive mechanisms could make a difference.

The last one is to grow interest of private sector that will normally see a project in a very commercial point of view instead of environmental or public interest. The scheme will allow private sector to still operate commercially but as well apply (i) some incentives in addition to coercive/ constrained approach, (ii) Coercive framework effective that will naturally decrease the urgency of enforcement although that may require time, and (iii) Incentives that conversely can boost investment decision. Banking sector will be also more adaptive to appropriate incentives (financial, fiscal, regulation) to channel international donors' funding towards relevant priority investments in the future.

To make it effective on the implementation level, designing the scheme and incentives is therefore very vital. First, the credit lines has to be attractive enough to banking sectors, which is done through a smart regulation set that reinforces business cost and benefit analysis. The set is formed of regulation, incentives, and support such as in the form of information dissemination, communication.
Next is to associate public and private players to achieve environmental policy goals which is a good project financial set-up. One possible way to do it is by establishing project management unit so it can raise relevant players awareness of the potential gains related to green financing and investments in targeted sectors.

Finally, implementation should navigate to generating demand for loans, encourage the financing of environmentally friendly investments, stimulate submission of eligible projects obviously a prerequisite for the ECL success. These are done by feeding the project pipeline and avoid insufficient loan application.
For Indonesia, strategy could be adopted by elaborating clearer prioritization for which project will go under the ECL. National Long Term Development Planning (RPJMN) could be a main reference as it consists of such as National Action Plan for the Reduction of Green House gases emission (RAN-GRK). The prioritization should be declared by the related authorities. Beside prioritization, smart regulatory set will also matter at the implementation level. When Indonesia reach this stage, then donors can enter to facilitate private sector through ECL.

Challenges and Solutions for SME Financing in Developing Asia

Dr. Bokhwan Yu, *Deputy Dean of Asian Development Bank Institute*

SMEs play a major role in the Asian economies. This can be seen through the fact that over 90 percent of Asian firms are SMEs and over 60 percent of Asia's labor force work at SMEs. SMEs are particularly important for many developing Asian economies. Indonesia, Thailand, China and the Philippines all have high numbers of SMEs, contributing to employment and output. Therefore, in these cases, SMEs are a key source of poverty reduction.

Next we are going to discuss why SMEs are very important for the economy. As can be seen in the high number, SMEs could provide a variety in the economy by giving room for all kinds of businesses to grow. SMEs have been successful in specialization and niche markets, filling gaps in production networks. SMEs also have flexibility in production and management.

Aside of providing variety, SMEs also encourage entrepreneurship and inclusive growth SMEs provide opportunities to all levels of the workforce, including less educated workers and women. The success of SMEs encourages people with ideas to start their own companies, which also drives innovation.

Even though there is no debate on SMEs' importance to the economy, it is very challenging to improve SMEs. Some SMEs are very hard to define. How small is small becomes the center of debates as the policy implementation will go from that definition. Deciding the appropriate criteria is then a must for all regulators, and yet it is a big challenge. Literatures even have a name for this difficulty in criteria-definition, which is Peter Pan Syndrome.

As the size is not very big, it is very hard for SMEs to attract talented workers. Young and talented workers may favor larger companies over SMEs. Besides, the products or services SMEs produce is harder to market as they can't not spend much on marketing cost. Doing Research and Development is also a challenge for SMEs due to its small capacity to invest in such R&D projects. SMEs usually work on short timeframes incompatible with R&D activities.

The last but not least, challenge to improve SMEs comes from the fact that it is hard to finance. Banks tend to favor larger companies than SMEs, and banks charges SMEs with high interest rate due to this preference. To address the challenges, countries use different approaches which is detailed as follows.

Philippines

In the Philippines, there is a 'regulatory push' implemented. SMEs have grown impressively in Philippines. 99.6 percent of Philippines' firms are SMEs, employing over 60 percent of the total labor force. Development of SMEs has occurred under the 'Magna Carta for MSMEs', implemented in 1991. Under this framework, there is a formal obligation for banks to lend to SMEs. 8 percent of bank loans must be provided to micro and small enterprises, and 2 percent to medium enterprises. If the banks do not do so, there will be penalties needs to be paid accordingly.

However, despite these SME financing policies, there still has been a lack of funding for Philippines' SMEs. Until now, bank loans to micro and small enterprises have been below the Magna's mandatory 8 percent because surprisingly some banks prefer to pay a fine instead to avoid extending credit to SMEs. The result of this condition is that the majority of loans for SMEs still come from informal sources such as friends and family. This condition is unfavorable especially when SMEs would like to expand their business.

Question lies on why the latter is the case for SMEs. Some reasons may be worth to explore. First is credit information. Due to the small size, banks may feel uncomfortable to lend to as typically SMEs would not have the best documentations of their business. Therefore, their credit worthiness is not easy to assess. Bigger companies must have a more sophisticated planning and implementation of financing policies, therefore they look more attractive for banks. And speaking of familiarity of the business as well, even though maybe some SMEs have a good reporting skills, banks still charge them with very high lending rate.

Case of India, Fiji, and even Airbnb in a country with developed financial sector like the US also gives us the same lessons that SMEs are struggling to get loans from bank. Specific problems for SMEs financing therefore are (i) the large number of SMEs, as it leads to high administrative costs of loans, (ii) the not very detailed information of SMEs, as it leads to perception of greater credit risk so banks charge SMEs high interest rates, (iii) the lack availability of historical data, as it makes SMEs considered risky, and (iv) collateral requirement by banks, as it leads to SMEs owners being forced to risk their personal assets.

Korea

Solution for above is to build a right policy direction with appropriate institutional framework improvement. In Korea, for example, financial policies for SMEs are moving "from loan to interest subsidy, credit guarantee and investment". Therefore some initiatives are built on this direction. First is specialized financial institution establishment.

Among others, the Korean government decided to establish the Industrial Bank of Korea, specifically designed for SMEs. To accommodate the "special" criteria, the Bank of Korea set mandatory ratios for commercial banks (over 45%) and regional banks (over 60%) to provide loans to SMEs. Besides, the government also established SBC (Small and Medium Business Corporation).

In order to address the high lending rate charge for SMEs, the government steps in to help by giving an interest subsidy. However, efforts like deepening the financial markets could also smoothly help decreasing interest rate in general.

In term of collateral requirement issue, to help bearing the credit risks the banks carries, Government of Korea built credit guarantee institutions to help financial institutions overcome these issues. Besides, the government introduced a mutual aid program to address this problem called Yellow Umbrella Mutual Aid.

Next is to create alternative funding outside of banks, for example the government gives direct investment by establishing the Korea Venture Investment Company. This is to overcome the high risk of SMEs business. Under the scheme, the risk is high but at least it aims to grow some potential SMEs to become high growth businesses.

QUESTIONS & ANSWERS

- Success story of ECL implementation in Indonesia is the use of it in biogas and biomass project. However, key impediment for future investment is regulation in the energy sector that is confusing.
- Non-financial support for SME in Korea is very critical. There is R&D and incubating period of SME. In general, Korean Government does not really give non-financial support.

- Medium sized enterprises: there is an explicit 3-year period for an SME to graduate from SME status to still be able to receive support from Government. This kind of policy is implemented in Korea.

SESSION 6: The financing of Infrastructure: How to Ensure Adequate Funding for Infrastructure Projects?

Moderator: Dr. David Nellor, *Facility Director, the Australian Indonesia Partnership for Ecomonic Governance*

The Way Ahead For Indonesia: How to Ensure the Financing for Its Infrastructure Projects

Dr. Robert Pakpahan, *Director General of Financing and Risk Management, Ministry of Finance Indonesia*

Only around 60 percent of total infrastructure investment needs in Indonesia will be funded by state budget and SOEs. Given the current condition in private investment, for example the low bank credit growth, deficit of this infrastructure needs is huge. This should be of Government's concern as the economic growth may be lagging as well due to lack of infrastructure development. In regard with this issue, the Government of Indonesia also aims to give support to non-state budget financing as well, outside of state budget allocation.

The Ministry of Finance (MoF) provides a number of financial facilities to attract more private participation as well as to increase the capacity of SOEs in developing public infrastructure. For SOEs capacity issue, MoF gives financing such as capital injection to SOEs to increase SOEs' leverage. Extensively, various financial facilities is given to PPP projects as well as non-PPP projects.

For PPP projects, financial facilities are in the form of Project Development Facility (PDF), Viability Gap Fund (VGF), Government Guarantees (provided directly by MoF or through IIGF), and Availability Payment scheme (AP). These are aimed at attracting more demand from the private sector.

For non-PPP projects, the financial facilities are Government guarantees to SOEs' loans from IFIs for the Development Infrastructure Projects, Business Viability Guarantee Letter for PT. PLN power projects, Credit guarantees to SOEs' loans for the development of Sumatra Toll Roads, PT. PLN power projects (FTP1), Regional Water Companies.

Aside of the financial facilities, the Government has also allocated contingent liability through credit guarantee scheme. This is given across infrastructure sectors, such as power, water, basic infrastructure, and toll road.

Setting the good management framework of the guarantee therefore becomes a key concern for government. To manage the liabilities, we use (i) maximum guarantee limit, (ii) reporting requirement, and (iii) the role of Indonesia Investment Guarantee Fund (IIGF) as ring fencing. Budget allocation for claims on government guarantee that are unrealized will be accumulated in the government guarantee reserve account so as of September 2016 there is IDR 1,670,1billion of them.

Beside, an integrated approach should also be taken. Clearer coordination was initiated by MoF through the Establishment of a PPP Unit. The main mandates of this national unit is to act on behalf of the Minister of Finance in providing government support and approvals for projects.

What Is the Role of Government versus the Role of the Private Sector in Financing Public Projects

Mr. Chris Heathcote, *Chief Executive Officer, Global Infrastructure Hub*

To improve public and private cooperation in term of infrastructure development, there has to be political will from the top management in the infrastructure development field to build a very clear framework. This will involve clearer and more transparent division of who (which institution) is responsible for what. This is important so that investors are aware of what risks they are facing and how to mitigate and share the risk with Government as project owners. Risk sharing mechanism is a very important tool for attracting investment, especially if Indonesia would like to make use of foreign investment.

Next is to grow competence in the infrastructure field, including in term of infrastructure investment. If more people are knowledgeable and experienced in for example investing in an infrastructure project, the infrastructure market will grow by itself and even made as a specific asset class. Making it as asset class was already pioneered by some developed countries that have allocated big amount of investment to infrastructure such as Australia. They have grown for a long time now. Before, Australia classified infrastructure as “other asset class”. Now, the infrastructure division in giant institutional investors are growing.

The third recommendation is to have pipeline of projects that can give investors an attractive investment opportunity. At this pipeline stage, financial markets then can be brought in. This pipeline will help making good example of how infrastructure development is successful and is safe for investment through financial market. This will catalyze both the infrastructure development and the infrastructure market in the financial sector.

QUESTIONS & ANSWERS

- Government should be careful in conducting asset securitization scheme, especially if it takes to consider giving a credit guarantee.

SESSION 7: Financial Stability and Development

Moderator: Ms. Destry Damayanti, *Board of Commissioner, Indonesia Deposit Insurance Corporation*

The Legal Framework and Institutional Setting for Crisis Prevention and Resolution: International experience

Ms. Sheila C. Bair, f*ormer Chairman of the Federal Deposit Insurance Corporation (2006-2011)*

Thank you that was a very nice introduction. When people introduce me as the second most powerful woman by the Forbes, people sometimes asked who is number 1. That was 2009. But in 2010, I was dropped to number 14. I was devastated because I was behind Lady Gaga (the singer). And in 2011 when I left the FDIC, I completely dropped out of the list.

It's wonderful being in Bali, so thank you for the invitation

First question. How do you anticipate the crisis?

In the US, actually the wages for the middle class have stagnated for a couple of decades (so hopefully the new President will do something about this). To improve this, we tried to make consumer debt more available and in particular the mortgage debt to improve standard way of living. That was a mistake, because that was not sustainable. As regulator, as government official, and as banker, we have to make sure that people can repay. In the US we saw a doubling of mortgage debt, a doubling of home prices, meanwhile wages remained stagnant. So there is a problem of where do consumer get the money to repay all the mortgage debt. So this high number of mortgage rate with a low wage raise another potential problem and led the system to collapse.

So the warning signs are the increase in consumer debt while wages were stagnant. Of course asset bubble was also extremely important. The bubble of the house's price should be one of the warning signs as well. It's nearly impossible to know when the bubble would collapse. In an unsustainable situation it is more likely to crack. So again it is really important for government decision maker and regulator to make sure that consumer can repay their debt. Banks also borrowed too much vis-à-vis their equity base. So they are not resilient when the crisis came. Investment banks which early on adapted Basel II had problems as well. They were completely out of hands i.e. Lehman Brothers. When the crisis came, they were not ready.

Next, early intervention?

What regulators should see in the beginning? In the beginning there were the housing market which were overpriced and consumer over leveraged. And there was also securitization. This securitization is not transparent. It is off balance sheet. It's not in the balance sheet of banks with very little documentation. Since home prices always go up and mortgage never fall, so regulators ignored most warning. At that time, there were a lot of supervision and everybody felt safe. At that time, people thought that market knew better than regulators so why need an FDIC. We did not have a bank failure for so many years. Later on, we realized that we need stress test so that is if something goes wrong we need to know how the asset would perform.

Financial Safety Net?

How do we define the Safety Net? What do we bail out? If you get through a crisis situation, then you need to intervene. Deposit Insurance Corporations have to make it heard and be known to people. In the beginning, the FDIC was a good institution. But banks were getting better and more complex. There are insurance companies as well in the system. So we have to get better than them.

Liquidity assistance should be available. Bail out is realistic. Strong deposit insurances are very important. People and business need a safe place to keep their money. Regulation supervisory tools are needed and important as well so people will know that they are well protected. Resolutions are very important as well.

Confidence is important. To maintain confidence, you have to have money and financial support. To be able to protect you have to have financial support. Otherwise people will put their money elsewhere.
Once someone saw me sitting in economy class in a flight to a seminar and after making sure that it was me, the chairman of the FDIC, he said: "Holy cow, you must be running out of money to sit in the economy class". So depositor's confidence is important.

Rules or Discretion?

You need a combination of both and some flexibility

Bail Out Again?

On the money to bail out, you need to be prudent and have system wide support. No need to be generous. Otherwise you are too fragile. Definitely FDIC need to give bail out. According to Dodd-Franc Act (Wall Street Reform and Consumer Protection Act 2010), the FDIC provided financial support but we definitely had to bail systemic financial institution.

Coordination?

Coordination is another area which is challenging, especially during the crisis. Not just domestically but also internationally, particularly in terms of sharing information.

Communication and Politics?

Communication and dealing with politics is difficult. But transparency will help you out and that is comply with Dodd-Frank Act.

New Administration?

All agencies will see new chairmen for example the Consumer Protection Bureau and The Federal Reserve. Even though the transition is rather painful but in the long run I think the US will be a strong country working together with emerging markets.

We all hope for the best

The Legal Framework and Institutional Setting for Crisis Prevention and Resolution: The Indonesian Experience

Prof. Suahasil Nazara, *Chairman of the Fiscal Policy Agency, Ministry of Finance*

During the Asian financial crisis 1997-1998, Indonesia experienced a severe banking crisis and the cost of banking restructuring program was among of the highest in the world. While Indonesia had navigated safely through the Global financial crisis 2008, the decision at that time to bail out a mid-size bank in order to maintain financial stability created legal and political turmoil for the decision makers. Three main lesson learnt during the crisis were the need for a rigorous financial reform, an improved coordination amongst authorities, and a clearer legal basis.

Learning from the crisis experiences, in order to prevent a financial crisis, Indonesia has initiated a series of financial sector reforms. The international best or common practices to safeguard financial stability and to resolve problem banks have been take into account in the reform. This includes the establishment of the Indonesia Deposit Insurance Corporation or Lembaga Penjamin Simpanan in 2005 as the operator of deposit guarantee scheme and the bank resolution authority. It followed by the establishment of the Financial Services Authority or Otoritas Jasa Keuangan (OJK) in 2012 as an integrated financial sector regulation and supervision authority.

In April 2016, the government and parliament have issued the Law of Prevention and Resolution of Financial System Crisis. The law served as main protocol for coordination and decision making process amongst institutions during normal (crisis prevention) and crisis condition (crisis resolution) between Ministry of Finance as fiscal authority, Bank Indonesia as monetary authority, OJK and LPS. Furthermore, the law also provides a more robust legal basis for an effective crisis resolution in which the mandates of each institution are clearly defined.

Key Features in formulating the law are as follows:

First, strengthen coordination amongst institutions through the establishment of the Financial System Stability Committee (KSSK) as the main mechanism for coordination and cooperation between MoF, BI, OJK, and LPS.

Second, the law is focused on prevention of financial system crises by strengthening the banking supervisory function, specifically on Systematically Important Banks (SIB). This approach is taken based on two major considerations: (i) the failure of systemic banks may lead to the failure of the payment system which cause ineffective function of the financial system and direct impact on the economic; and (ii) most Public funds are managed by the banking sector, particularly by a Systemic Bank.

Third, the introduction of the bail-in concept (instead of bail out) to resolve problems in the banking sector. This concept requires the use of bank's internal resources to resolve liquidity or solvability problems through the implementation of the recovery plan. This includes selling of bank's assets, additional capital from shareholders and other parties, and/or conversion of certain debts into capital, the use of contributions from the banking industry that collected by the LPS.

Fourth: The provision of more comprehensive procedures to resolve liquidity and solvability problems. In particular the provision of new resolution methods for the resolution authorities namely the purchase and assumption (P&A) and the bridge bank.

Fifth, the reinforcement of the roles of President in the crisis resolution. As stipulated in the law, KSSK provides recommendations to the President to change the status of financial system stability and recommended measures to resolve the Crisis the President may reject or accept KSSK recommendations.

QUESTIONS & ANSWERS

- What President Donald Trump will do to the Dodd-Frank Act is still not clear.
- Coordination and communication with the parliament are an important process to elaborate a situation and seek a guidance.
- Monetary policy is related to the FDIC responsibility. Zero interest rates, for example, make financial market more fragile.
- Sequences in financial liberalization in emerging markets are very important.
- The challenges in implementing the bail-in policy and the immunity of decision makers.

YOUNG ECONOMIST FORUM

This is a special session for young talented economists who Fiscal Policy Agency believes to be our colleagues in various economic policy debates in the future. This year there are five young economists from University of Indonesia, University of Airlangga, University of Diponegoro, Semeru Research Institute, and University of Padjajaran.

Moderator: Dr. Della YA Temenggong, Lead Adviser AIPEG

The Political Economy of Pension Fund Reform in Indonesia

Dr. Iman Harymawan, *University of Airlangga*

Today, thanks for having me here, for the invitation. I will discuss the political economy of pension fund reform in Indonesia. The objectives of pension fund are consumption smoothing, insurance, poverty relief, redistribution and other.

There are two type of pension fund; fully funded and pay as you go. The main issue is that the uncovered population in Indonesia is still high. There's no significant contribution of the pension fund to Indonesian fiscal. The issue of voluntary pension contradict the aims of pension itself.

There are another factors that influence pension fund reform, the demographic trend is one of them. Factors facilitating the introduction of social pension include Economic and political crisis, conflict, etc, Historical legacy, a need to address declining coverage rates, fiscal space, civil society activism, political parties, external financing.The constrain involves; low income, fiscal constrain, competing demand.

The main issue why middle income reluctant to support the issue is due to high informal sectors. Policy notes; it is important to increase fiscal space through intensifying the coverage of formal sectors, and creating support for employee. Without strong middle income support the pension program is less likely to success.

Strengthening the Role of Islamic Social Finance: The Instrument of Zakat

Dr. Mohammad Soleh Nurzaman, *University of Indonesia*

I'd like to present actually a compilation of my thoughts about zakat. Poverty as a multidimensional program, cannot be solved only from the government side, it needs to be solved interestedly from multi sector. The third sector role is important to be considered.

Even though the expenditure of the final to the public sectors but the poverty level remain the same.The most thing that I want to highlight is the Islamic finance, particularly Islamic social finance of zakat. Zakat is like tax, like automatic policy. It can be performed as charity and social safety nets. The contemporary role of zakat is as community empowerment and development as well as to rescue and relief.

If we consider the potential collection of zakat, it can be collected for about 400 trillion 3.4% of GDP at best. Zakat is distributed to around 4-5 million beneficiaries, where 75% of recipients are categorized as poor and needy people. However there are challenges; the public trust, data and indicator of evaluation, and the last one is about institutional problem. The action done to solve the problem is having NPWZ (zakat payer id number) to increase public trust, Evaluation of database and indicators, having a standardize zakat institution.

A Bridge Called Public –Private Partnership

Dr. Deden Dinar Iskandar, *University of Diponegoro*

There's a potential that the village fund would be wasted. To mitigate the problem, tools are needed to be implemented. I decided to run a laboratory experiment. Policy intervention experiment Decision Support Tool (DST). This tool prefers public benefits rather than individual benefit. Surprisingly, the result showed that only a few samples allocate public fund for public benefits. They cheat public funds for their own need. Then the DST was implemented to a number of samples. We can conclude that the tendency to cheat public fund is lessen. By introducing DST it can mitigate the intention and the chance to cheat the fund.

Innovative Financing for SMEs: Lessons from Community Forestry Enterprises

Dr. Heni Kurniasih, *SMERU Research Institute*

My presentation will look from quite different point of view which is from the users. Community forest enterprises (CFEs) contribute to the economy in term of job provision. The further illustrate the activity of CFEs is timber production, extraction of forest nature. Some CFE have no legal status. The source of CFE includes formal and semiformal organization (bank/NGOs), non-financial resources, and informal sources like money lender. The challenge in sustaining CFE is the limited access in financing; barriers in business environment, low business performance, lack access to financial services. Different case studies from different country resulted in different result depending on the characteristics of the country.

The Relationship between Industrial Concentration, Foreign Direct Investment and Industrial Performance in the Indonesian Manufacturing Sector

Dr. Maman Setiawan, *University of Padjadjaran*

I'm going to present an ongoing research about how foreign direct investment (FDI) affect the host economy. Previous research found that there is substantial heterogeneity in the effect of foreign direct investment on the allocative and technical efficiency. A case in

Indonesian food and beverage sectors, there is persistence inefficiency.There is an increasing trend of FDI in 2013 but it's started decreasing a little bit in 2014 and 2015. The general conclusion is that higher industrial concentration increases mark-up of the firms in industry, however it also reduces technical efficiency. One of the policy implications is to limit the firms to grow in size if the higher size will cause anti-competitive practices.

QUESTIONS & ANSWERS

Moderated panel discussion Q&A

1. Suggestion for PNS to increase pension fund.

2. Political consensus is important.
   Strengthening Islamic social financing.
   We should create competitive e environment to increase

3. Having a standardize international institution

4. How could you connect pension and investment
   I agree to find out how policy will help CFE. Various good intentional support have been done.

PRESENTATION OF THE SEMINAR REPORT

WELCOME REMARKS

Dr. Justin Lee, Deputy Australian Ambassador to Indonesia

International Forum on Economic Development and Public Policy
Hilton Bali - 9 December 2016, 1:30- 1:45pm
Justin Lee, Deputy Ambassador
Welcoming remarks - 15 minutes

Introduction

- Acknowledgements
    - TBC
- I am delighted to be here on behalf of the Australian government and it is my pleasure to welcome you to this afternoon's event.
- Australia is very proud to have supported this conference over a number of years, given the important role for the Fiscal Policy Agency in formulating policy in Indonesia.
- I would like to speak briefly about the economic landscape facing both Indonesia and Australia and some of the common reform challenges facing our two countries and the role of foreign trade and investment in meeting these challenges.
- I will then turn to the work we are doing in partnership to address these challenges – a partnership we hope to strengthen further in the years ahead

The economic landscape

- Let me begin by noting some of the strengths of the economic landscape in Indonesia – Continued growth, a commitment to reform and infrastructure investment, and a young workforce keen to contribute to the nations development.
- These three points alone – growth, capital investment, labour – help explain why the outlook for Indonesia remains positive.
- Indonesia is tapping into important drivers of growth:
    - Urbanisation is very rapid, increasing growth and dynamism.
    - Education is rising, building a foundation for further growth.
    - Indonesia is rich in natural resources and commodities.
    - Half of Indonesia's population is under thirty and is therefore a growing consumer base and workforce.
- These factors combine to make up more than a third of ASEAN's GDP — making Indonesia the largest economy in the region.
- Of course, we are all mindful of the global headwinds and what this means for growth looking forward. Global growth remains anemic, which the IMF is calling the "new mediocre". This raises the prospect of sustained low commodity prices, hurting both our large commodity exporting sectors.

- Further, the sands appear to be shifting in global trade agreements, with a potential risk to trade flows and prices. A related challenge from changing global trading patterns is securing revenues in an increasingly complex interlinked corporate environment.
- These global headwinds only serve to emphasize the need for continued domestic reform as a source of growth and development.
  - With protectionist voices growing stronger in the U.S. and Europe, we must focus on strengthening trade and investment ties within our region and bilaterally.
- We must also ensure that growth is broad based and the benefits are shared by all
- In this context, two-thirds of Indonesian's do not have access to a bank account – a persistent challenge for Indonesia.
- As Indonesia's financial market continues to develop, it is critical that all Indonesians benefit from the opportunities that access to finance, financial literacy, and financial independence can bring.
  - This is particularly important for women in Indonesia who have greater difficulty accessing finance to start a business.
- At DFAT we have adopted a policy of "Male Champions of Change" and relatedly, I have taken up the role of Senior Gender Champion for the Australian development program in Indonesia.
- The Australian government is prioritising women's empowerment as part of its development support, as a key driver of sustainable economic growth, development and stability.
- I should of course also acknowledge that in Minister Sri Mulyani, Indonesia has one of the world's leading reformers. It is indeed a great honour to share this stage with her today.

Financial Sector development

- Turning attention to the theme of the conference, the role of the financial sector in supporting investment, I will focus on key domestic reform priorities for both our nations, in particular ensuring financial stability and supporting infrastructure investment.
- As we have heard throughout the last day and a half, some significant gains have been made in strengthening the financial sector in Indonesia in recent years. The Financial Crisis Prevention and Resolution Law is a significant example of this, as is the development of Indonesia's financial regulatory bodies. These have helped to improve confidence in the stability of Indonesia's financial markets.
- We have recently seen the strength of these institutions and financial sector supervision in Indonesia with the appropriate and considered coordination across agencies as potential shocks such as Brexit and the US election results unfolded this year. Of course, challenges in Indonesia's financial sector remain.
- In thinking about how to respond to these challenges, I would like to share some of the experiences of the Australian financial sector.
  - In Australia, Financial services account for 450,000 jobs and 9 per cent of GDP.
  - Australia has the fourth largest pool of investment fund assets in the world and the largest in Asia.

    - We have avoided a significant financial sector crisis since the early 1990s, which has been key to sustaining growth.
- This is not to say that we don't have problems, indeed in 2014 the Australian government conducted a Financial System Inquiry that made 44 recommendations, noting room for improvement in a range of areas.
- However, on balance our financial sector and the systems that regulate it are considered to be among the best in the world.
- A key reason underpinning Australia's financial stability is our regulatory system and well developed private sector.
- We have two seperate regulators, with the Australian Prudential Regulatory Authority responsible for financial stability, while the Australian Securities and Investment Commission oversees market conduct and consumer protection
    - Both regulators are equal and generally independent of government, working closely together.
    - Seperating the two functions into regulators of equal power reflects that if one were to be a lead regulator or the two functions were done by one body, financial stability would take precedence. Thereafter, ensuring good market conduct and protecting consumers would decline in importance.
- Through the Government Partnerships Fund and the Australia Indonesia Partnership for Economic Governance, we are supporting exchange, dialogue and training between regulators in Indonesia and Australia, as well as supporting technical advice from leading local and international advisers.
    - These two partnership programs are in place to support the agenda of the Indonesian government with key priorities such as tax reform, improving the quality of spending and financial market development.
    - Our broader development partnership is addressing other pressing priorities such as gender, social inclusion and infrastructure.

Infrastructure

- Like Indonesia, the Australian government has made infrastructure a key priority, with a focus on attracting private investment. There is an urgent need to upgrade infrastructure. The cost of congestion in Australian capital cities, estimated at $16 billion in 2014, is expected to more than triple over the next 15 years.
- Compulsory saving and the development of Australia's financial markets has created a pool of long-term savings that is an important source of funding for infrastructure investment.
    - Managed funds are major investors in infrastructure, in particular PPPs.
- Australia is considered a world leader in Public Private Partnerships, though there is still considerable room for improvement
    - PPPs represent less than 10 per cent of total government infrastructure procurement in Australia.
    - A key concern for investors is the low supply of projects, with many state governments in Australia not utilising PPPs as a method of infrastructure delivery.
- To try and encourage greater infrastructure investment, the Australian government has undertaken several initiatives.

- One measure that could be replicated in other countries is the asset recycling initiative, which was introduced in Australia in 2014.
    - Asset recycling involves an incentive payment by the central government to state governments that sell or leases assets and use funds raised to invest in building new, priority infrastructure.
- Through the G20, we have also established the Global Infrastructure Hub, which has a mandate to grow the global pipeline of quality, bankable infrastructure projects.

Indonesia's opportunities, challenges and our partnership

- Through our economic partnership, Australia invests in a number of initiatives that are helping to develop Indonesia's financial markets and support private infrastructure investment, including in areas I have briefly discussed today
- We have supported partnerships between Australian and Indonesian government agencies, with one example being regular exchange and dialogue between our financial regulators.
- Through this partnership we have helped support Indonesia's Financial Services Authority to develop FinTech regulation and ensure good market conduct in the sector.
    - Recently Indonesian officials travelled to Monash University to work alongside Australia's best financial sector researchers, as well as visit FinTech incubators.
        - This will help Indonesian officials to draft the FinTech regulation that will be released by the end of the year.
- Through our infrastructure partnership we are also supporting Indonesia to address one of the government's most critical challenges.
    - We are designing a new $300 million development program, *Kemitraan Indonesia Australia untuk Infrastruktur* (or KIAT).
    - This will come on board in early 2018, which will support Indonesia to deliver its infrastructure agenda
        - And importantly a pipeline of bankable projects which can be of interest to private sector investors
- President Widodo's first medium term development plan set an ambitious infrastructure investment target of $465 billion between 2015 and 2019.
    - Approximately one-third of this figure will need to be sourced from the private sector.
- However, private infrastructure investment remains low, reflecting investor concerns about regulatory issues, the viability of projects on offer and the willingness of government to make users pay.
- One way to attract private investment is to demonstrate that there are profitable projects on offer to the private sector through completing public private partnerships. Again, opportunities for foreign investment and trade will be critical to meeting your financing and infrastructure challenge.
    - Recently a contract was awarded for the construction of the Umbulan Springs Water Pipeline, which will supply approximately 1.3 million Surabayans with drinking water.

        - Australian advisers helped prepare the detailed business case for this project, which will deliver a $200 million PPP and leverage approximately $90 million in private investment.
- While Umbulan Springs is a positive result, the scale of the infrastructure financing challenge is considerable and we stand ready to support Indonesia with high quality project preparation.

Conclusion

- Ladies and gentleman, I hope that the discussions and presentations during this conference help stimulate ideas to develop Indonesia's financial sector, and the crucial role foreign trade and investment will play in meeting this challenge.
- We hope that through our economic partnership and activities like this conference, we can continue to partner with the Ministry of Finance to help address Indonesia's pressing challenges.
- Thank you.

RAPPORTEURS

Presentation of the workshop report by rapporteur on "Developing Indonesia's Finance Sector to Support Rapid, Inclusive, and Sustainable Growth"
by
Prof. Suahasil Nazara,
Chairman of Fiscal Policy Agency, Ministry of Finance Indonesia.

KEY MESSAGES

1. Over the last day and a half we've talked and explored a lot about the ways public policy can play a role in developing Indonesia's financial sector. We know this is critically important as a well-functioning financial sector is fundamentally needed to facilitate the investment that Indonesia requires. We know that investment is needed to provide rapid, sustainable and inclusive growth to the people of Indonesia.

2. We started yesterday's proceedings with a key note speech from Ibu Menteri. She reflected on the importance of learning lessons from the past when looking to the future and explained how much had changed since she was last Finance Minister. She emphasized that she wanted the Ministry of Finance to come up with solutions to strengthen and deepen Indonesia's financial markets rather than just discuss about the problems. She also challenged us to think about the impacts of potential technological changes and how inter-regional challenges can be addressed. Specifically, the challenges are: (1) how to prepare our labor markets in the midst of rapidly changing technology and global environment so we can improve productivity, competitiveness, and reduce poverty and inequality; and (2) given high reliance on transfer, we should take a look at the economic force and potential of each region so that we can design effective fiscal policy to reduce disparity between regions. This will be a lot of homework for us!

3. In session 1, the panel discussed the role of domestic savings in financial sector development. We examined Indonesia's savings pattern – noting the low rates of financial sector usage – and heard about the importance of having savings to fund investment. Savings must be utilized for productive investments, not for speculation. We were also presented research from AIPEG showing that a significant private investment gap - in the order of 6% of GDP by 2025 - exists in Indonesia. The panel noted that while mobilizing private saving in Indonesia depended on many external and internal factors, its economic potential remained high.

4. In session 2, the panel talked about ways how the government should promote long term savings. Practical examples of mandatory private savings in Australia and our own BPJS were discussed. BPJS highlighted some challenges that are still facing by BPJS, namely coverage expansion, social security awareness and support to economic development. Unfortunately, BPJS's investment portfolio is dominated by bonds, especially government bonds. We expect that BPJS can invest more in long-

term investment products to reflect its role as a long-term institutional investors. The ADB then shared their experiences in constructing local currency markets in developing countries noting that such an approach can deepen a country's financial sector and reduce currency risk exposure.

5. Our panel for session 3 examined how financial inclusion policies should be developed to ensure access to financial services for everyone, regardless of income or location. The Japanese postal experience was explained with BI then detailing their specific strategy to have 75% of the Indonesian population accessing financial services by 2019. Indonesia can learn the Japanese postal experience to increase savings rate and to allocate its portfolio to long-term investment.

6. In session 4, the panel focused on innovative ways financial market products could be developed. This included using project bonds, asset-backed securities and special purpose vehicle structures to meet the needs of long-term investors. Discussions recognized that this meeting of long-term investor needs was very important for Indonesia as this was required to deliver long-dated infrastructure investments.

7. In Session 5, the French Aid Agency and Asian Development Bank Institute shared their experiences and lessons in financing for particular policy outcomes. This included presentations on green financing via credit lines and focused financing assistance to Asian SMEs.

8. The session 6 panel concluded the day by exploring how adequate financing has to be provided for infrastructure projects. Discussions focused on the critical role the private sector plays in delivering infrastructure and recognized that PPPs have been a successful infrastructure delivery option in other countries. Key messages emphasized in session 6 related to the importance of the Government having a clear plan, that the private sector trusted the business environment and communication of a 'pipeline' of commercially viable projects to potential investors. An interesting idea raised in relation to innovative PPP delivery was SOEs undertaking joint venture arrangements with private sector partners to deliver PPPs and leverage off each parties advantages.

9. Session 7 talked about financial stability and development. We were lucky to have Ms. Sheila C. Bair, former Chairman of the Federal Deposit Insurance Corporation, who shared her experience waving on the financial crises in the United States. Some key messages from her talk are the importance of early warning system, financial safety net law, a strong deposit insurance company, use a combination of rules and discretion, and good coordination during crisis. One of the important bail-out policies is the requirement to keep a minimum amount of long-term debts in bank's balance sheet. In Indonesia, however, we prefer bail-in policy rather than bail-out policy.

TALKSHOW

Moderator: Ms. Desi Anwar (Senior Anchor and Director of CNN)

Discussant: Prof. Suahasil Nazara (Chairman of Fiscal Policy Agency, MoF), Mirza Adityaswara (Senior Deputy Governor Bank Indonesia), Fauzi Ichsan (Commissioner of Deposit Insurance Agency), Sheila C. Blair (Former Chairman of the Federal Deposit Insurance), and David Fernandez (Chief Economist for Asia Pacific – Barclays).

Desi: Let me start with you Pak Suahasil, we still talk about infrastructure and how to bring it into realization. We cannot only rely on the state budget that is only 10 % and on state owned enterprises that is another 10 %. What is it that you see as the biggest challenge to reach that 80 %? Because it is not a matter of money, but when it comes to Indonesia what needs to be done to get the project on the ground?

Suahasil: The problem is not on the intention but on the how to establish the program. First the government has to look at the budget, but the state budget will not enough. The second is the state owned enterprises to build the infrastructure. If we give capital injection to the state owned enterprises, they should be able to create more and more. The third logic is the PPP which bear its own challenge. Are we going to build infrastructure by any means? Infrastructure project is not a process that you can complete within months. It is a long process and integrity needs to be there.

Desi: What can the government do to give incentive to private investors? We need long term investment in 10-15 years

Suahasil: At this moment there are several financing schemes. The government can issue the guarantee letter. There is actually one scheme for the private sector that would invest more than 1 trillion rupiah which would not need government guarantee and got some special thing with the tax. The schemes are there, and what we need now is how the government can promote these.

Desi: Sometimes the government does not want to guarantee like in the case in Jakarta.

Suahasil: The guarantee scheme is actually many different things, it can be electricity guarantee etc. The schemes are all there. So the government needs to promote the infrastructure project.

Desi: We also talk about financial deepening. Pak Mirza, could you enlighten us and what actually needs to be done to deepen our economy?

Mirza: If we want to grow above 5 % we have to solve the saving investment gap. The questions is how to grow the domestic savings. Our neighbor can grow deposit to GDP up to 7 %. We at BI really focus on this. In terms of authority dealing with money markets and capital markets. Our stock market still very small. We are now pushing for certificate deposit in the market. We need a lot of coordination.

Desi: We have come a long way since 1999, we have done great so far. We are basically on the right tract, but is there any way that we can have a more prudent economic, just give your personal thoughts.

Mirza: In my job at BI, I regularly conduct meeting with foreign financial investors. The question is always around the budget deficit. When it is high then they will be nervous. If we grow above 5 % we will have the issue of current account deficit. We are always making effort to be always prudent. We need financing from foreign investors. We are always cautious.

Desi: Because we are not affected by the recent meltdown. How vulnerable are we to capital outflow?

Mirza: When the government cut the budget deficit that is cut the subsidies, we have to improve the current account deficit. The macroeconomic number already improved a lot. We already are able to control corporate sector borrowing. We say to the market that Indonesia manages the macroeconomic well enough.

Desi: Rupiah itself reach almost 13,000. What is the ideal level of exchange rate?

Mirza: In this country, if the rupiah is weakening, people have the assumption that the economy is going worse, and when the rupiah is strong then the government is successful and it is good. But actually it is not like that. So basically BI just manages the volatility. The current level is good.

Desi: What are your thought, I know you were with the private sector, what do you think about the consumer confidence in the present government?

Fauzi: Let me start with the banking system as a whole, it is relatively healthy. I would not worry too much with the global shock. Looking at LPS, we want to give the assurance that their money are safe. Indonesia is still going well. In the future if there is a big bank failing, we will not inject fresh equity. We are really optimistic with the stability of the banking system.

Desi: What are the warning signs, that are the red lights that we need to pay attention in terms of crisis?

Fauzi: Postmortem is always easy to see what went wrong. Look at the banking system that time was very fragile. BI reformed itself. The system now is much stronger than previously when we were having the crisis.

Desi: The growth in Indonesia is still driven much from consumption, why is that bank still love to lend for consumers rather than project or company?

Fauzi: I do not quite totally agree with that, yes if you look at the overall data. This reflects the conservative approach of the bank. The government encourage more on strategic investment. It is good and this needs to be complemented with a good regulation.

Desi: Learning from the experience of the bubbles, did you see any warning signs (red lights) that something was not going right?

Sheila: We saw the situation in a more isolated way. The consumer portfolio showed some indication and we saw see the early warning sign. Securitization was given very generously. There were plenty of warning signs, people just could have listened.

Desi: What should have been done?

Sheila: There has been a mistake. Mortgage lending system.

Desi: What is really too big?

Sheila: There were some parties buying to the issue and doing things that should not have been done.

Desi: Now with the election, something still not being fix, do you think that the government learned something?

Sheila: This is all monetary policy, and macroeconomic policy. I do things when other recognize there is a problem. I do worry about that. There would be smarter and simpler regulations.

Desi: How do you see Indonesia, the last year with Europe and US slowing down? We have huge domestic market in Indonesia. What is the obstacle to get that long term investment?

David: My perception with the foreign investor is the need to address the trauma. If we look today with global challenges, relatively to other emerging markets, Indonesia is still stable and attractive but I am not saying that it is immune. This has been a good years with inflows.

Desi: What can the country do to keep the money for long term?

David: It has been there for quite a long time but we have not seen the improvement in infrastructure. Even if the foreign investor eager to buy Indonesian asset, but that is not yet producing the longer expected result.

Desi: Has Indonesia competitiveness increased?

Fauzi: Indonesia is doing very well. You see some improvement, but infrastructure remain the most important issue as well as education.

Desi: In the future what is the worst case?

David: There is almost no way out for China. Indonesia has quite a strong connection with China. China has lied about the GDP, there is no increasing GDP as promised before.

Desi: About AEC what can we do to strengthen our alliance?

David: This is clearly one of the biggest region in the world. The community clearly have the opportunity to define markets.

CLOSING REMARKS

International Forum on Economic Development and Public Policy
"Unlocking Public and Private Investment : Role of Financial Sector"
Bali , 9 December2016

The honorable Bapak Mirza Adityaswara,Senior Deputy Governor of Bank Indonesia.
The honorable Bapak Prof Suahasil Nazara, Chairman of Fiscal Policy Agency, Ministry of Finance.
The honorable Chairman Sheila Bair, FDIC Chairman in 2006-2011
The honorable Bapak Isa Rachmatawarta, Assistant of Minister of Finance for Financial Services and Capital Market Policy and Regulation
The honorable Prof Naoyuki Yoshino, Dean Asian Development Bank Institute.
The honorable Mr Ghislain de Valon, Country Director, Agence Fracaise de Development
The honorable Dr David Nellor, Facility Director, The Australian Indonesia Partnership of Economic Governance.
The honorable distinguished panelists and speakers
Distinguished audiences: fellow government officials and regulators, academicians, leaders of private sector and international development partners.

Assalamualaikum Wr.WB,
Salam Sejahtera,
Om Swastiastu,
Good afternoon,

First of all, I would like to praise the Almighty for His blessings so that today we could conclude this forum. We have discussed and shared thoughts about a very important theme: "Unlocking Public and Private Investment : Role of Financial Sector" in the last two days. This is a very timely and imortant topic for a large and and aspiring country like Indonesia.

Before starting my closing remarks, on behalf of the organizer Ministry of Finance I would like to thank all of speakers and participants for your valuable time to actively engage in this conference. LPS is delighted to be involved in hosting the 6th international conferences series organized by the Ministry of Finance.

Ladies and Gentlemen,
We have discussed many issues and we obtained valuable insights about the role of financial sector in promoting economic developments especially in unlocking investment opportunities for both private and public sectors. We also gain a better understanding of the importance of financial stability for economic development as well as risk assessment and monitoring, crisis prevention and resolution.

We understand that national savings and investment policy is very essential to promote strong and stable domestic source of financing for development. The empirical study shows that lagged saving is positively associated with productivity growth through technology diffusion. In addition for Indonesia, if we want to mobilizing savings, we need stable macroeconomic policies, improve financial literacy, regulation on better competition and governance and internal efficiency.

One interesting but challenging from empirical observation has been cited by several speakers. Notably the highly underdeveloped nature of Indonesia's financial sector has made Indonesia to rely on foreign saving to fill the investmnet gap. They argued that the gap in private investment gap may reach 9% of GDP. and yet, there were periods where Indonesia experienced relatively abundant liquidity but unfortunately most of the liquidity has been invested heavily in less productive assets such as financial assets and property.

Another challenge of Indonesia financing policy at this time is how to promote the long-term savings to finance infrastructure investment. Infrastructure construction needs long term financing but the market in Indonesia is not yet well developed.

We know that banks are not in the position to finance long term projects financing. The urgency of non conventional market instrument should be our top priority. However, the size and liquidity of market should not be a prerequisite for infrastructure financing through financial market.

The experience from other countries purpose several alternatives of financing schemes in addition to conventional bank lending and debts. Some altenatives that we can use are SPV's model, optimizing postal savings and channeling pension funds money as has been adopted in some countries.

Ladies and Gentlemen,
The last issue we have highlighted in the discussion is financial stability. We understand that massive financing (hence leveraging) will come with increased vulnerability. Hence we should also be more vigilant and prepare necessary policies to safe guard the financial system.

Fortunately this year we have managed to mark an important milestone in managing financial stability: the launching of the Financial Crisis Prevention and Mitigation Law (Law No. 9 2016). The law provides holistic and comprehensive guidance for all Financial Safety Net (FSN) Members to take appropriate role and coordinate to prevent financial crisis and (should one inevitably occur) minimize the impact.

From experience in many financial crisis we can see that the role of deposit insurance (DI's) to maintain financial stability system will be even greater especially to preserve confindence. DI's needs various options and full control of the process of banking resolution. The new paradigm for banking resolution are to preserve the most critical function of financial intermediation, avoiding the use of public money and at the same time maintain public confidence in the banking system.

Ladies and Gentlemen,
As we conclude this conference today, I invite each and every one of you to do your part to keep the momentum of our discussions moving forward in a positive and productive manner. We realize that the work towards achieving our objectives is not easy.

On behalf of the organizer of this conference, I would like again to thank all speakers and participants for their presence in this wonderful event. It is truly a great pleasure for us to be here and meeting all of you. We hope that our dialogue will bring a tighter relationship between us for better cooperation and greater mutual benefit.

I also wish to extend my sincere gratitude to the Australia Indonesia Partnership for Economic Governance (AIPEG), World Bank, Asian Development Bank, Asian Development Bank Institute and Agence Francais de Development which have provided substantial supports for our forum.

Last but not least I would like to express my sincere appreciation to the organizing commitee members who have exerted great efforts in order to make the conference successful.

Since you are already in Bali, please enjoy the beauty ofthe Island of the Gods.

Thank you,
Om Shanti Shanti Shanti Om
Wassalamualaikum Wr.Wb

Halim Alamsyah
Chairman of IDIC

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PART TWO

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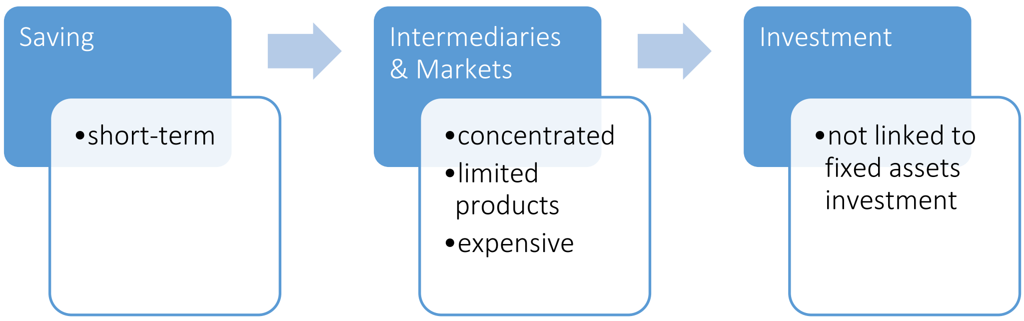
POLICY RECOMENDATONS

Having considered the determinants of saving and investment and other countries experience, the BKF's four deepening strategies (market deepening, institutional deepening, skill deepening and sector deepening) are focused on answering the challenges of the current situation where there are limited savings and only a limited number of short-term focused financial products which are high cost and not linked to fixed assets investment.

To work towards addressing this, policy directions will aim to increase access to financial services, stimulate long-term savings, increasing competition among market intermediaries and increase the efficiency of saving allocation to long-term investments (i.e. the quality of intermediation process). The framework of policy recommendation is as follows:



Policy Directions

1. <u>Fiscal policy</u> for stimulating long-term savings and investment;
2. <u>Social welfare policy</u> for encouraging mandatory savings and developing long-term domestic institutional investors;
3. <u>Financial market policy</u> for increasing access to financial services and increasing competition among financial service providers;
4. <u>Increasing coordination</u> among stakeholders .e.g. through Coordinating Forum for Development Financing (FK-PPPK).

Market deepening	Institutional deepening	Skill deepening	Sector deepening
•Encourage mandatory savings •Develop financial market from money market to asset-backed securities market •Strengthen local currency bond market	•Develop long-term domestic institutional investors	•Financial literacy program •Professional and skills development program	•Financial inclusion •Tax incentives for long-term saving and investment •Developing consolidated savings and investment policy •Strengthening the role of FK-PPPK

Policy Matrix of Integrated Strategy on Financing for Development:

No	Issue	Sub-no	Recommendation
1.	Encouraging mandatory savings	1.a.	Promoting social security awareness.
		1.b.	Enforcing the compliance with severe penalties.
		1.c.	Not allowing for early withdrawals, except for limited exceptional circumstances.
		1.d.	Adapting compulsory participation for the informal sector either by semi-compulsion or compulsion of pension participation.
2.	Developing financial market from money market to asset-backed securities market	2.a.	Integrating money market and bond market data.
		2.b.	Including SOE bonds with specified rating as eligible instruments for repo transaction with central bank
		2.c.	Promoting project bonds and SOE asset securitization for financing infrastructure projects.
		2.d.	Communicating a pipeline of commercially viable projects to potential investors.
		2.e.	Increasing participation in REITs and other non-traditional instruments in financial market.
3.	Strengthening local currency bond market	3.a.	Revising the current regulation for NBFI holding in government bonds to also include specified SOE bonds.
		3.b.	Enabling environment for hedging.
		3.c.	Promoting facility or specific incentives for investor that is willing to invest in local currency bonds.
		3.d.	Including SOE bonds with specified rating as eligible instruments for repo transaction with the central bank.
4.	Developing long-term domestic institutional investors	4.a.	Revising government regulation – tax at amount 0% for all institutional investors for their capital gain in bond investment.
		4.b.	Improving BPJS investment governance structure.
		4.c.	Encouraging BPJS to increase investment in long-term assets such as corporate bonds and asset back securities.
5	Financial literacy program	5	Collaborating with the Ministry of Education under the National Strategy for Financial Inclusion.
6	Professional development program	6	Promoting LPDP scholarships for non-formal education such as training to get Certified Financial Analyst (CFA), Certified Risk Management (CRM), Certified Public Accountant etc.

7	Financial inclusion	7.a.	Integrating electricity data with BPJS data.
		7.b.	Collaborating with PT. Pos Indonesia to utilize post offices to open access to finance and to widen financial products.
		7.c.	Providing an integrated SME data management to allow financial institutions properly assess the SME credit risks, including delivering the subsidized credit programs (KUR).
8	Tax incentives for long-term savings and investment	8.a.	Providing tax incentives for listed companies that utilize the public offering proceeds for fixed asset investment, including infrastructure projects.
		8.b.	Applying tax for early pension redemption
		8.c.	Providing tax incentives for originators of future cash flows securitization for infrastructure projects.
9	Developing consolidated savings and investment policy	9	Appointing a unit within the Ministry of Finance to coordinate savings and investment policy.
10	Strengthening the role of FK-PPPK	10	Appointing FK-PPPK to conduct coordination across institutions to set an integrated national framework of financial sector development.

The explanation of those policy directions and matrix is as follow:

Fiscal Policy

The government can play an important role in increasing saving and investment rates. Some measures that have been taken by the government are as follow. Firstly, increasing minimum tax income tax level (*Pendapatan Tidak Kena Pajak* PTKP) to IDR 54 million from IDR 36 million per year in order to increase purchasing power and to stimulate consumption and growth. As a consequence, investment is expected to increase. Secondly, tax amnesty program that is mainly aimed at encouraging repatriation of Indonesian assets from overseas. It can be also seen as an effort to mobilize offshore savings into the national financial system. This repatriation fund may be used for financing public infrastructure as well as to lower the cost of borrowing. Thirdly, cash transfer program to reduce poverty. Lastly, incentives for investment in special economic zones.

However, it is important to utilize savings for long-term investment therefore it is crucial that tax incentives are only selectively given for those that use the proceeds for fixed asset investment including infrastructure projects. Government regulation number 77 Year 2013 offers a tax cut of 5% below the generally applicable corporate rate of 25% for a public company that at least 40% of its paid-in capital is listed for trading in the Indonesian Stock Exchange. This regulation may be extended by offering another tax cut for a public company that utilize a minimum amount of its public offering proceeds to fixed-asset investment.

This is important to address the issue of disconnection between financial markets and the real sector (Andriansyah & Messinis 2014). As indicated by Bencivenga *et al.* (1996), speculative trading boosts investors' reluctance to invest in a real sector investment project. Capitalists tend to invest their capital in financial markets, in particular the secondary markets. In this case, an increase in trading liquidity may lead to less long-term and productive investments because there will be less creation of new capital investments. Savings are only utilized for capital formation and accumulation, but not for capital allocation to productive investments; therefore they may have no impact on the level of real activity. Singh (1997) also argues that the expected functions of trading and corporate controls from the secondary markets do not work efficiently. The primary markets themselves are not a preferred way to undertake investment in firm-specific human capital. Government incentives also need to avoid crowd-in private investment.

The investment policy of BPJS Kesehatan, BPJS Ketenagakerjaan and other long-term institutional investors must be re-oriented to their nature: long-term investments. Currently, their portfolio are still dominated by short-term assets. At the same time, the participants of insurance, pension, and old-age savings must be discouraged from early withdrawals. Tax policy could be considered to create incentives to invest more and to keep savings in the financial system. BPJS must also have proper investment governance structure such as an independent investment board that makes investment decisions based on broad policy guidelines and an overall return target (example of Malaysia EPF).

Social Welfare Policy

The Banking sector has been dominant in Indonesia's financial structures and will continue to play an important role in the medium term. The short-term saving and short-term investment are, however, a characteristic of banking sector, therefore we need initiatives beyond the banking sector that enable the creation of long-term saving i.e. through insurance and pension funds. These contractual savings must be encouraged to help overcome the current short-term saving bias.

The government needs to revise the national social security program (*Sistem Jaminan Sosial Nasional*), especially the insurance program, the old age saving, and the pension programs. BPJS Kesehatan and BPJS Ketenagakerjaan are potential leaders for this initiative. Given their purpose to finance retirement (a long-term liability), it would make sense for insurance and pension funds to embrace a long-term investment strategy. This initiative can be also seen as part of an effort to transition from the informal to formal economy.

As mentioned before, contractual savings empirically increase saving rates (Grigoli *et al.* (2014), Dayal-Gulati and Thimann (1997), Feng *et al.* (2009), and Singh (2010)). For instance, Feng *et al.* (2009) argues that pension reform for enterprise employees over the period 1995-1999 increases savings rates in China. Landerretche and Martinez (2013) stressed that engagement in pension funds depends on financial literacy levels. Interestingly, Ang (2008b) argues that the pension system scheme in Malaysia pushed by a direct government intervention has a negative impact on economic development. This is mainly due to inefficiency in the public sector to accommodate a large amount of funds from the private sector. In contrast, Park and Lim (2004) find that liquidity constraints caused by the mandatory saving do not hamper growth in Singapore.

We, however, can learn from the three pension systems in Singapore, Malaysia (both with a centralized publically managed program) and Chile (with pensions managed by competiting private pension funds, as in Australia). To encourage saving for retirement, the Singaporean Government established a mandatory saving scheme (a fully-funded social security system) in 1955. Both the employee and employer make deposits to the saving account which legally belongs to the employee. Central Provident Fund (CPF) manages the deposits, while the Singaporean government determines the contribution rate for employees and employers (the CPF rate). Different age groups may have different CPF rates. Interestingly, the saving account can be used for medical costs, the purchase of houses, education and insurance. Meanwhile, the Chilean pension system has been reformed since March 2008 by changing the pension system structure and requirements. The Chile government provides a pension safety net by guaranteeing a minimum pension level on retirement for members who have contributed for at least 20 years. This is approximately 50% of median monthly earnings. Malaysia has the Employees Provident Fund (EPF) which is the national compulsory retirement savings scheme for the private-sector. EPF is fully funded and provides defined contribution benefits to its members. Tolos *et al.* (2014) discusses the recent development of pension system in Malaysia which now also introduce the voluntary Private Retirement Scheme (PRS).

Pension reform as a way to encourage contractual saving is also crucial in developing long-term domestic institutional investors. Indonesia's financial market needs capable domestic investors, in particular institutional investors, to increase financial inter linkage and reduce Indonesian exposure to currency risk and capital flow volatility. Related to the first initiative to encourage contractual saving, BPJS Kesehatan and BPJS Ketenagakerjaan are potential leading institutional investors for this initiative. Again, we can learn from pension reforms in Singapore, Malaysia, and Chile. Some recommendations are to impose higher contributions for pensions, to apply tax for early pension redemption, and to provide tax exemptions to all institutional investors for their capital gain in bond investment.

Financial Market Deregulation

Increasing Access to Financial Services: Financial inclusion

A survey conducted by the World Bank finds that there are still 32% of Indonesian households do not save, mostly because they have no money to save. Among the savers, 47% of them save at banks, 3% at other formal financial institutions, and 18% at informal institutions (Figure 15). Meanwhile, the demand for loans is also relatively large with 60% of the population borrowing money. However, loans from banks only cover 27% of this amount (figure 16). This is a financial inclusion issue where many people do not have a formal account at a financial institutions and so cannot readily access affordable financial services.

Basic saving and micro saving products may be encouraged. Indonesia can learn from Japan in the utilization of post offices that are also available in many regions where there is no financial institution in remote areas. Postal networks can be utilized to open access to finance as well as to widen financial products (postal pension funds, postal insurance, and mutual funds). The USA has Bank Savings Incentive Programs with the objective to encourage consumers to start or increase savings through deposit accounts (OCC 2014).

The programs is done via automatic deposits into savings accounts from paychecks or checking accounts. There are incentives offered by financial institutions for customers setting up automatic accounts. The form of incentives include low or no cost financial products and services, basic financial education to participants, and entry to prize drawings. Financial institutions are also working with local governments and community-based organizations to promote these programs. The main target of these program are low- and moderate-income households. The savings accounts can be set for specific goals such as purchasing homes, creating small businesses, and furthering education. In Indonesia, we also have basic savings accounts *TabunganKu*, which is formal savings accounts with no periodic administration fees and low minimum balance requirements of about $2 (USD), to improve financial inclusion. Bank (2014) however still find some issues with this program such as low awareness, low profitability, low ownership, and poor usability.

All above initiatives must be accompanied by a national-wide financial literacy program, in particular on insurance and pension literacy. Financial education is very important. Many students said that it is very difficult to study finance because it has nothing to do with daily life. Japan government has developed subjects to be learnt by students i.e. covering (1) financial life planning and households expense management, (2) mechanism of finance and economics, (3) rights of and risks to consumers and prevent of financial trouble, and (4) career education. All school needs to run this program. The program provoke more people entering longer term insurance contracts or saving for monthly pension payments at retirement. Collaborating with the Ministry of Education under the National Strategy for Financial Inclusion is important to make this program happened. This however must be supported by finance education promotion program.

Developing Money Market: The Importance of Sequencing.

The development of money markets is a prerequisite for the development of financial markets. Karacadag *et al.* (2003) argue that reforms to develop domestic financial markets need a sequencing of market development to absorb both macroeconomic and financial risks. Financial institutions and regulators need to develop their risk management capacity according to the level of market development and sophistication. Sequencing therefore is needed to safeguard financial stability during financial market development. The sequence order is: (1) money market; (2) treasury bill and foreign exchange market (3) government bond market; (4) corporate bond and equity market; and (5) asset backed securities and derivatives market. The role of money markets is in price discovery, and interest rate setting and transmission. Lending and borrowing capacity of financial instructions requires a liquid money market.

One important instrument in the money market is repurchase agreements (repos) because they can be used as indirect monetary control and liquidity management by central banks to facilitate interbank lending and borrowing. BKF (2015) proposed to include SOE bonds with specified ratings as eligible instruments for repo transaction with the Central Bank. Another current issue with repos in Indonesia is the existence of double taxation. The development of a local currency bond market is also required to provide a liquid money market and stable interest rates to enable investment in long-term bonds.

Strengthening Local Currency Bond Market

Well-functioning local currency bond markets are crucial to mobilize or intermediate saving to investment in local currency. The reliance on foreign currency funding is risky for both the sovereign and corporates due to significant volatilities in international markets. The Government needs to encourage local investors to invest in Rupiah dominated corporate bonds. BKF (2015) highlight two strategies to strengthen local currency bond market. First, revising the current regulation for non-banking financial institutions holding in government bonds to also include specified SOE bonds. Second, increasing participation in real estate investment trusts (REITs) and other non-traditional instruments in financial markets. Third, enabling environment for hedging. Last, promoting facility or specific incentive for investor that are willing to invest in local currency bonds. Finally, it is important to develop securitization especially for mortgage finance, and infrastructure schemes to create an asset-recycling scheme for SOEs.

Establishing a bond guarantee fund is also important to increase the attractiveness of the local bond market. Danajamin in Malaysia may be a good example. It is allowed for Danajamin to provide guarantee more than its capital. Therefore, its risk management strategies are active tracking of financial/non-financial covenants such as sinking fund build-up requirement; regular site visits, Co-signatory arrangement for monetization, and exposure/risk sell down to potential investors/bankers. Key learning points are state owned financial guarantor structure (vs private), largely independent & non-executive board structure, managing private sector financial institutions (avoid crowding out), talent and market benchmarking, and nurturing culture of risk awareness and importantly co-risk sharing schemes with the private sector. For Indonesia context, PT. Penjaminan Infrastruktur Indonesia (Infrastructure and Guarantee Fund Indonesia) can be mandated to be the guarantee agency.

Increasing Competitiveness in Financial Services

The transmission of savings to investment may be not captured in financial markets and intermediary. It implies that there is a problem with the efficiency of resource allocation. An increase in financial service competitiveness is believed to lead to a more efficient and innovative financial market. Competition is also expected to minimize the moral hazard problem of financial institutions, especially banks with their nature of linkages between banks through inter-bank markets and payment systems. In general the benefits of competition are to increase efficiency, to provide better products with lower prices, to stimulate innovation, and to replace inefficient financial institutions with efficient ones.

Claessens (2009) proposes three approaches to increase the competition. Firstly, reducing regulatory barriers by removing unnecessarily anti-competitive regulation and make the entry process as easy and inexpensive as possible. Second, levelling the playing field across financial services providers and financial products through harmonization among financial services providers, markets and types of products. Thirdly, assuring that the institutional environment required for the production and distribution of financial services, such as network services, need to be available to all parties with fair and uniform priced.

Khan *et al.* (2012) identified three main factors that hindered investments in Indonesia: high cost of finance, low social returns on investment, and low appropriability of that return. Inefficiency in financial intermediation (measured by the wide spread between lending and borrowing rates) and low levels of domestic lending are the two main reasons for the high cost of finance (measured by the high level of lending rates). This high cost of finance is a bigger problem than the low level of domestic savings. Khan *et al.* (2012) argue that the inefficiency is mainly due to alternative finance being more attractive, such as corporate bonds and equity financing.

To enhance competition in the Indonesia banking system is problematic given the largest banks are state-owned. It is important to consolidate number of banks to be 60 to 70 through M&As within the next 10 to 15 years.

Coordination

Strengthening the Role of FK-PPPK

Policy initiatives must be developed and implemented through an integrated national framework in order to make coordination across institutions work effectively and have strong influence. Indonesia can learn from Malaysia with its *Malaysia Capital Market Task Force*, Russia with its *Moscow International Financial Centre Implementation Task Force*, and Thailand with its *Financial Sector Master Plan Committee*. *Forum Komunikasi Pembiayaan Pembangunan melalui Pasar Keuangan* (FK-PPPK), consisting Ministry of Finance, Bank of Indonesia and Financial Service Authority, can be a starting point. Established in April 2016, FK-PPPK can formulate comprehensive national strategies to develop and deepen Indonesia's financial markets in order to support the national development. A deep, active, liquid, inclusive and efficient financial market is a prerequisite to increasing financial resource availability.

PART THREE

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Workshop
"Financing for Growth and Infrastructure Development"
Nusa Dua, Bali, 4-5 August 2016
Fiscal Policy Agency Ministry of Finance of Indonesia
Australia Indonesia Partnership for Economic Governance (AIPEG)

Objective

In its five-year plan (RPJMN 2015-2020), the Government of Indonesia has adopted an ambitious program of infrastructure development and upgrade. This program will support the economic prospects of the country and boost its long-term development capacity by unlocking major impediments to growth.

One of the key challenge to ensure the full and successful implementation of the infrastructure program is the limited availability of sources of financing, given binding fiscal constraints and the underdeveloped nature of Indonesian financial markets.

This two-day workshop will take stock of international best practices in infrastructure financing mechanisms, and look at the experience of key countries in the Asian region. Financing mechanisms to be studied include project bonds, SUKUK bonds, credit enhancement schemes and private infrastructure funds. It will also look at the key role of institutional investors and the support by regional donors including MDBs.

The lessons of the cases will be used to find innovative ways of financing to support infrastructure spending in Indonesia.

The outcome of the workshop will be summarized in a paper that will be used as a key input to the discussions at the BKF international conference of next December 2016 in Bali.

Welcoming speech by **Dr. Parjiono, Director for Macroeconomic Policy, Fiscal Policy Agency (BKF) Ministry of Finance**

Day 1, 4 August 2016

Moderator: Mr. Anton Gunawan, Chief Economist, PT Bank Mandiri

Session I: Infrastructure Needs in Indonesia and Financing Challenges

Questions be answered in this session.

a. Indonesia's infrastructure investment needs (Government vs Private) in the medium term
b. The national strategy of infrastructure investment financing: Prioritization and scheme
c. Other country's experience in financing huge infrastructure needs in the medium term

Speaker 1: Ms. Amalia Adininggar Widyasanti, Director of Macro Planning and Statistical Analysis, Acting Director of SOEs and Financial Sector, Ministry of National Development Planning (BAPPENAS): Infrastructure needs and national strategies for infrastructure financing for Indonesia

Ms. Adini's presentation focused on the national strategies for infrastructure financing. Infrastructure investments have long-term economic benefits either through direct transmission (as accumulation of capital stock) or indirect transmission (as total factor productivity). China's experience shows that infrastructure boosts economic growth. Infrastructure investments are always an important factor, even in a crisis period. Investments in infrastructure can also improve competitiveness of a country.

Based on the intensity of capital and the public interest, the government has set priorities to the class of infrastructure that requires high level of capital and have high level of publicity such as roads, highways, railways, airports, ports, electricity, water and sewerage, and telecommunication. The Ministry of National Development Planning/National Development Planning Agency has set the Infrastructure Medium Term Development Targets for 2015 -2019 in the RPJM 2015-2109. Indonesia is expected to invest IDR 4,796.2 trillion (USD 364.5 billion) for infrastructure in 2015-2019, of which 41.3% will be financed by the government budget, 22.2% by SOEs, and 36.5% by the private sector. The government will focus and tackle economically feasible but financially not feasible projects. The RPJMN 2015-2019 mandates an increase in the effectiveness and efficiency of infrastructure financing in the medium term, through (1) utilizing Public Private Partnership (PPP) scheme as a development approach in sectoral and cross-sectoral infrastructure development, (2) providing alternative sources of financing to meet infrastructure targets, i.e. through PPP, establishment of a Development/Infrastructure Bank, as well as other innovative financing schemes, (3) increasing the efficiency of infrastructure management, through risk sharing mechanisms, incentives and disincentives, as well as policy debottlenecking, and (4) encouraging private participation in providing infrastructure through government or private financing.

Some challenges in infrastructure finance: (1) maturity mismatch between sources of fund (short term deposits in the banking system) and the long term needs of infrastructure funds, (2) limited domestic funds due to shallow financial markets, (3) limited role of existing infrastructure financing institutions, and (4) limited types of financing instruments. Finally, she concludes that Indonesia's infrastructure needs for the medium term are large while the capacity of government funding, both through the Central and Local Budgets is limited. Therefore, it is important to develop alternative sources of financing, i.e. through Public Private Partnership (PPP), development of other innovative financing schemes, and encouraging private participation in infrastructure investment.

Speaker 2: Dr. Ferry Irawan, Deputy Director of Macroeconomic Policy Center, Fiscal Policy Agency (BKF) Ministry of Finance: Strengthening Role of Financial Sector to Promote Strong and Sustainable Economic Growth

Mr. Ferry discussed the role of the financial sector as an integrated part of infrastructure financing strategies. The strategies can either use SBN or non-SBN. He argues that because the source of investment from the government is limited, private investment will play an essential role in financing the investment. However, there are some challenges in strengthening private investment both from the demand for funds and from the supply of funds. From the demand side, the high cost of funds and the insufficient capacity for issuance are the key challenges, while from the supply side, are the low savings rate and the low level of financial inclusion. Another important challenge in the long run is financial interlinkages: non-banks and private financial markets in Indonesia in size relative to the banking system, although growing, are still low.

He highlighted the importance of optimizing the role of NBFI in investment financing. The Ministry of Finance (PKEM) estimates that the amount of new financing that can be generated from banks and pension funds through credit and bonds for 2015-2019 is at about IDR9.369 trillion. This amount will go toward meeting the financing needs indicated in the RPJMN at a total of IDR9.175 trillion. Indonesia also needs an integrated strategy on financing for development which includes (1) building an integrated roadmap of optimizing the financial sector role to support economic development through renewing related acts and regulations, (2) improving the quality of financial sector regulation and supervision so as to comply with international standards, (3) strengthening coordination through National Financial Sector Development Forum (Forum Pembiayaan Pembangunan melalui Pasar Keuangan/FKPPPK), (4) strengthening the role of the financial sector to promote strong and sustainable growth, and (5) promoting the development of an infrastructure bank as complement to banking services. Meanwhile, the macro strategy for improving funding capacity of Indonesian Financial Sector includes market deepening, institution deepening, skill deepening and sector deepening.

The on-going tax amnesty program attracting domestic and offshore capital has also to be utilized. There are some possible financing schemes via tax amnesty that could be used, such as asset back securities and infrastructure funds. However, infrastructure funds face challenges such as liquidity issues, the readiness of the projects, green-field vs brown-field projects, and tax incentives. In the long term, an integrated strategy on financing for development should include (1) promoting integrated and sequence-based financial deepening, (2) promoting investor participation in local currency bond financing both retail and institutional investors, (3) promoting financial inclusion program especially for non-traditional financial product, (4) increasing the capacity of BPJS as lead institutional investor in accumulating asset by managing current liquidity risk, (5) promoting equal level of playing field in term of tax between institutional investors, (6) optimizing alternative way of financing such as non-traditional financing, (7) increasing human resource capacity in advanced investment field, and (8) promoting issuance of rated infrastructure/project bonds in financial market

Speaker 3: Mr. Christopher Juan Costain, Lead Financial Sector Specialist, World Bank: Infrastructure Needs in Indonesia and Financing Challenges

The World Bank's speaker highlighted that private participation in infrastructure via PPP has stayed flat globally since 2012. Some sovereign funds in Australia and Canada are involved in PPP. Turkey currently is the biggest country for PPPs, while Philippines is the second largest. In the case of the Philippines, it is interesting to know that its capital market size is relatively low. This shows that bond market development is not a prerequiste for the infrastructure financing development.

Among recent trends, there has been some shift in flows toward renewable energy projects. The largest number of projects were in energy (205), followed by transport (55), and finally water and sewerage (40). Infrastructure Spending Gap measuring the gap between spending and estimated infrastructure needs for 2016-2030 by McKinsey Indonesia shows that Indonesia has the highest among G20 countries with the gap of 1.3% GDP. In Indonesia the infrastructure capital stock is in decline relative to the size of its economy, but fixed investment in construction had grown. This raises a question as to why this has happened in the construction sector, but not in the infrastructure sector which shares very similar characteristics. However, this fact is not unique to Indonesia.

PPPs in Indonesia and private sector spending on infrastructure are not growing fast, despite numerous efforts by the government. There are two main sets of constraints. First, there is a complex PPP framework (legal and regulatory). There is no single institution that has the mandate or the influence to make decisions to move investment projects forward: interagency coordination emerges as a critical issue to project preparation and implementation. Regulatory bottlenecks and governance issues: A maze of poor regulations, and the failure of various ministries to cooperate, have made it extraordinarily difficult to deliver on large-scale infrastructure. And many sector-specific laws and measures are inconsistent or misaligned with existing laws and regulations. Clarity on sector-specific laws and regulations, and consistency/compatibility with their source of financing (i.e., publicly- and privately financed infrastructure projects) is essential. Second, lack of appropriate financial tools to channel long-term funds to infrastructure. While the GOI has laid out the regulation as the foundation of the PPP framework, it requires a high level convening power to become functional.

Discussions

Mr. Sahminan informed that BI has relaxed some regulations related to the use of hedging derivatives and stresses that repo still has no connection with infrastructure projects. Mr. Wayan from OJK informed that OJK wants to increase the share of IKNB. OJK launched a regulation that enables multi-finance companies to invest in infrastructure and a regulation that allows venture capital to set up venture funds. OJK also addresses a challenge in developing private pension funds, in particular when competing with BPJS. Insurance can be allowed to invest in infrastructure bonds.

Mr. Syarif Hidayat from the Indonesian Customs and Excises proposed to set up a fixed percentage from APBN for infrastructure as it is now for education. It also needs to set a priority for transportation, in particular in remote areas or for the eastern part of Indonesia (outside java). Ms. Adini answered that it may not be feasible to set up a fixed percentage for infrastructure because the fiscal policy space will be limited.

Mr. Agung from BKF highlighted the issue of land and acquisition financing. While Bobby, also from BKF, expressed concerns with some issues such as the maturity mismatch from the repatriation funds (3 years requirement vs long-term needs for infrastructure), project readiness to be financed, instruments are not there yet for infrastructure projects, heavily rely on institutional investors, the prudential regulations to protect investor money, issuers of municipal bonds, and venture capitalists: back to original equity financing. Ms. Adini responsed that import tax duty allowances for facilitating infrastructure development. Mr. Ferry answered that the tax amnesty is just providing an opportunity to capture needed long-term financing for infrastructure projects. Asset-backed securitization (EBA) may be the first priority. About the land acquisition, the main problem is that the money is not available to acquire land.

Bastari from Kemenko Perekonomian stressed on that project bonds, EBA, mutual funds can be utilized to absorb the tax amnesty funds as financing alternatives for infrastructure. However, the main issues are the coordination across institutions, the readiness of the projects, and the development of securitization equity trust funds. The main question is who should start first, Menkoperekonomian or PJK? Mr. Ferry answered that we need to set up a task force for tax amnesty and infrastructure financing.

Mr. Chris argued for the securitization of existing projects, but warned about municipal bonds, they can create problems.

Session II: Non-traditional financing instruments and mechanisms to channel more capital

Questions be answered in this session.

a. Role of capital market in financing infrastructure: Has the role achieved its potential?
b. How to increase capital market role in financing infrastructure? What would be the challenges in increasing the role?
c. What is the strategy to increase the depth of the market?

Speaker 1: Mr. Chu Kok Wei, Group Head, Treasury and Markets, CIMB: infrastructure financing using financial market instruments in Malaysia

Mr Chu's talk included viability of Long-Term Fixed Rate Local Currency Bonds to Fund Infrastructure Development, what it takes to develop a successful domestic project bond market, some proposals for consideration and stated that tax amnesty is crucial to attract offshore & onshore capital necessary for project bond financing.

Firstly he warned to be cautious on SOE involvement in infrastructure projects because this can create higher debts. He argues that Indonesia is not poor. From macroeconomic perspective, Indonesia does need money, it has money. The problem is "access to financing", not the availability to financing. A well-functioning local currency loan deposit banking and capital markets are crucial to mobilize or intermediate savings and financing. The size of ASEAN local currency bond markets today is 4.6 times larger than its foreign currency bonds (vs 2.5 times in 1997). ASEAN has learned from the experience of the 1997 financial crisis that the reliance on foreign currency funding is risky for both its sovereign and corporates due to significant volatilities in international markets. ASEAN Sovereigns have Sufficient Capacity to Grow Loans & Bonds to Finance Necessary Infrastructure Development

With Basel 3 Liquidity Framework, it is not commercially viable for banks to lend / fund long-term projects. There are also limited single lending limit among banks in Indonesia and across ASEAN. The government should focus on ensuring the sanctity of contracts & political expediency. The government needs to create regulatory neutrality for project owners to issue project bonds (vs seeking bank loans) such as NO mismatch on currency, funding tenure and interest rate, diversifying funding away from banks and not subjecting to legal lending limit, cost-efficient and expeditious source of long-term financing from gearing point of view.

Indonesia is a young society, the savings are not needed to use immediately. Indonesia needs long-term instruments to monetize retirements. Tax amnesty repatriation money will enter banking first. The non-banking institutions withdraw the money from the banks/deposits to invest in project bonds. The participant of tax amnesty will be mostly individuals, so the money cannot be used for long-term project financing.

Government needs to impose higher contribution for pensions to stimulate the growth of the pension fund industry because it plays a key role in creating demand for local currency project bonds.

He advanced several proposals for consideration: (1) The Indonesian government could consider setting up a high-level Ministerial level committee to remove legal, regulatory & tax impediments on holistic basis for project bonds, (2) oversee and speed up the (i) implementation of infrastructure projects and (ii) development of corporate/project bond market. Immediately, government needs to (1) identify a pilot bond project to spearhead an infrastructure project bond issuance and to set relevant benchmark for subsequent issuances, (2) appoint anchor investor and anchor issuer, (3) progress of the pilot project to be reported to the Ministerial level committee on periodic basis. There should be one project bond in market. Land acquisition issue must be exclusively handled by the government.

Speaker 2: Mr. Arshad Mohamed Ismail Executive Vice President, Head, Corporate & Investment Banking, Maybank Islamic: Non-traditional financing instruments and mechanisms to channel more capital.

PwC estimates that Indonesia infrastructure program is expected to accelerate spending before 2019, peaking at 7.7% of GDP in 2017. As the Indonesian economy matures, infrastructure spending in Indonesia will likely account for a slightly lower proportion of GDP, falling to 5.3% by 2025. The demand of Indonesia sukuk is very good. He argues that Indonesia must rely less on government and shift more on market. Mr. Arshad provided the case study of Malaysia, and in particular on how to get the private sector involved in building infrastructure projects.

Speaker3: Dr. Sahminan, Deputy Director of Economic Research Group, Bank Indonesia: Attracting offshore capital.

Mr. Sahminan mainly talked about policy responses from Bank Indonesia to capital inflows. Thanks to the capital inflows from the tax amnesty program, net inflows of non-resident funds this year are expected to be higher. Direct Investment inflows tend to be more stable compared to other inflows. BI's policy responses to capital flows are using trilemma approach i.e. monetary policy independence, exchange rate stability, and free capital movement. The framework of managing trilemma consists of maintaining monetary policy autonomy to achieving price stability and financial stability, stabilizing exchange rate movements in line with its fundamental, and managing capital flows. Some policies of BI: Firstly, monetary policy measures such as sterilized FX market intervention, dual intervention (FX and bonds intervention simultaneously), interest rate, and FX reserve accumulation. Secondly, capital flows management which include minimum holding periods for short term bills (CB bills), increase duration during inflows, and reduce duration during outflows. Thirdly, macro prudential Measures such as increase RR Rupiah and FX and secondary RR, limiting short terms borrowings exposure of banks (e.g. 30% capital), risk management of corporate FX borrowings (hedging requirement, FX liquidity requirement, credit rating), LDR-linked reserve requirement, and loan to value ratio for housing loans and down payment rule for automotive loans. Lastly, structural policy which covers financial market deepening (FX market, bonds market and money market) and export proceed regulation. Policy on corporate's foreign borrowings, however, is not intended to limit external debt but rather to strengthen non-bank corporate risk management

Discussions

Mr. Wahyu from the Indonesian Bond Pricing Agency argued that not everyone knows bonds even plain vanilla bonds, not to mention project bonds. We also face limited available data on bond market. Need to provide market information. Response: education is important, oversubscription shows investors already aware.

KPPIP (The Committee for Acceleration of Priority Infrastructure Delivery) commented on several issues. The issue about land acquisition is a budget issue. A task force including BI, OJK, MoF, Kementerian BUMN, Kementerian Koordinator Bidang Perekonomian has been established. The problem is introducing a new instrument. Issue on tax amnesty is how to mitigate the risks e.g. financial bubbles, not in channeling the funds. How to compete attracting money, especially equity investors.

Response: Mr Chue suggests to play safe in borrowing and let's down to an action.

Session III: The role of domestic private investors in infrastructure financing: retail and institutional

Moderator: Prof. Romuald Semblat, Financial Sector Advisor, the Australia Partnership for Economic Governance

a. What is the current contribution of retail and institutional investor in Indonesia on corporate and infrastructure financing?
b. What is the barrier for utilizing retail and institutional investor fund to finance infrastructure? Both through direct channel or financial market channel
c. How to increase the contribution? Medium and long term
d. How to increase the capacity of the investors? Medium and long term

Prof. Semblat started by highlighting that Indonesia's savings ratio is relatively high by international standard, but has low financial depth. It has also has high level of investment but low level investment in infrastructure. This raises an interesting question. The key problem may be the transmission of savings to investment which is not captured in financial market. It is about whether savings are allocated to short term savings or long term savings and whether long term savings are mandatory or voluntary. There is also lack of long term investment and how to allocate savings to long term investments

Speaker 1: Ms. Norsamsida Hassan, Head of Infrastructure Investment, Employers Provident Fund Malaysia (EPF): Employees Provident Fund Helping Support Infrastructure in Malaysia

She spoke about Employees Provident Fund (EPF) and its role in infrastructure financing in Malaysia. The EPF is a social security institution, providing retirement benefits for private and non-pensionable public sector employees through management of savings in an efficient and reliable manner. It has two separate, but not distinct departments: project financing and private markets. The former is involved in a project financing phase (which is debt capital market), whereas the latter involves in a private market phase (which is for equity-like investors). The project financing department selects financing projects, of good quality & with high ratings, and at an earlier stage than brownfield. Meanwhile, the private markets phase is characterized by brownfield assets and inflation-linked cash flows. The major challenges faced by EPF are (1) limited good assets in local markets, (2) limited availability of information as infrastructure investment is quite new, (3) increase in competition from other investors who are willing to accept lower yields due to falling interest rates – in particular by sovereign wealth funds and other matured pension funds, and (4) the need to rely on 3rd parties of which failure to perform could have material adverse effects on investments and returns – investments in infrastructure typically are lumpy therefore participation by 3rd parties is essential. To date, the EPF has commitments into 10 direct/ co-investments and 9 infrastructure funds across 15 countries such US, Canada and Australia.

Speaker 2: Mr. Simon Iman to, Head of Finance and Investment Department, Indonesia Life Insurance Association (AAJI): role of insurance sector in corporate and infrastructure financing

Mr. Simon spoke about life insurance in Indonesia, assets and liabilities management, and regulation and expectation. He raises the issue of an OJK Regulation No. 01/POJK 05/2016 that requires insurance companies to invest in government bonds at least 20% in 2016 and 30% in 2017. Insurance companies prefer government bonds rather than corporate bonds but they always get a limited amount in the primary or secondary markets. Among problems in the corporate bond market, he mentioned the thin liquidity in trading corporate bonds (infrastructure).

Speaker 3: Mr. Soebowo Musa, Chief Executive Officer, Kiran Resources Indonesia: strengthening the role of retail investors for infrastructure financing in Indonesia, e.g. opportunity for infrastructure

He argued in favor of securitization because they are suitable match for infrastructure financing. Infrastructure financing is medium to long term investment, high credit exposure to a single or concentrated obligor/debtor, regulatory and construction risk, Meanwhile securitization is Medium to Long Term Financing, Diversified risk exposures – Pool of financial assets, Flexible credit enhancement structure, Flexible financing structure comprising broader financing products (S/T, M/T, L/T),

Challenges of securitization: (1) limited asset types being securitized, (2) the outstanding size of securitization in Indonesia is low compared to ASEAN+3, (3) retail investors need to be educated about the securitization especially about the structure and pricing, (4) KIK-EBA only one of the securitization structures.

He concluded that securitization is suitable vehicle for Infrastructure Financing. However, there is a need for a regulation environment that facilitates the breath of securitization products [KIK-EBA = Securitization BUT Securitization is not KIK-EBA]. The success of the securitization program requires: (1) good securitization structure: High grade investment securitization product, (2) effective investor/public communication on the product: Full disclosure on ABS key features, risks and benefits, (3) regulatory Support for common global structure: Non-restrictive regulatory environment.

Discussions

Poltak BEI asked Ms Hassan on how to hedge position and independency of EPF. Ms Hassan responded that there is no need to hedge, but hedging is conducted in the Treasury department. Recycle income from overseas into the same currency, and only for brownfield projects. EPF is not a government body.

Answering the questions on why insurance companies invest in mutual funds and not ETF, Simon answered that in the current situation, they do not have capability to manage their own funds, so they usually invest in fixed income mutual funds. Furthermore ETF are not liquid. Institutional investors just keep them because they offer high return. To get good perception. The first ABS issuance is important and has to succeed.

Mr. Anton asked the appetite of insurance companies to corporate bonds. The response was to focus on SOE corporate bonds. Insurance companies prefer to invest in corporate bonds through mutual funds as they also offer benefit tax advantages. Corporate bond pricing is also important.

Mortgage can be packed in ABS but how about infrastructure projects? Future cash flow cannot be sold to investors. Response: Yes, they can be securitized. One way is to monetize current-assets of SOEs.

Mr Chu argued that who actually needs liquidity? Because fund managers do not change portfolio frequently.

Mr Anton asked if we can develop something else than BPJS such as postal savings? Response: potential investors are retail investors but they need to learn from ORI and SUKRI, must have access to secondary markets to get a right price in which they can sell to selling agent with a lower price. There is no law on trustee but it can be overcome by requiring annual audit for the assets as a subsitution of trustee. Priority in Indonesia is to develop long-term savings through mandatory savings via BPJS. Postal savings is another bank and as such it will still have a maturity mismatch problem

Mr. Subawa: KIK EBA is not liquid and there is no secondary markets.

Day 2, Friday, 5 August 2016

Moderator: Mr. Poltak Hotradero, Head of Issuer Information Management and Development Division, Indonesia Stock Exchange (PT BEI)

Session IV: Project and corporate bonds development

a. What is the current size and composition of project and corporate bonds market in Indonesia?
b. What is the challenge and outlook of the market in the next five years with the current economic agenda to focus on building infrastructure? (outlook of issuers e.g. SOEs and investors)
c. How elements like credible rating, ample credit enhancement, and/or government guarantee should contribute to the development?
d. What is the strategy to increase the depth of the bonds market, especially the project bonds market? How to divide the list of projects based on priority level, and suitability of the project's nature with the financing scheme available?

Session IV: Project and corporate bonds development

Speaker 1: Mr. Adrian Tay Kuan Yeow, Director of Corporate Strategy Danajamin Malaysia: how can the government provide support to project bonds: the example of Malaysia

Mr Adrian gave an overview of Danajamin in project or infrastructure bonds/sukuk financing in Malaysia. Danajamin is a financial guarantee insurer (FGI) as credit enhancer for bonds and sukuks. It was established in May 2009 as Malaysia's first Financial Guarantee Insurer under the Government's RM60 Billion stimulus package and governed under the Financial Services Act 2013. Danajamin is owned by Ministry of Finance (50%) and Credit Guarantee Corporation (50%). The latter is owned by the Central Bank of Malaysia, and function as a provider of credit enhancement for loans.

Since 2009, Danajamin has guaranteed RM 8.8 billions consisting of RM4 biilions for project/infrastructure and RM 4.8 biliions for coprorate/ABS. It is involved in active risk sharing with partner banks or investors. Danajamin has contributed to the Malaysian market development through (1) the introduction of new issuers to the capital markets, (2) brought back bank guarantees to the capital markets, (3) new application of guarantees, either drop off guarantees (projects/infrastructure) or partial guarantees, and (4) promoting rating diversity. Danajamin provides guarantees for contsruction phase only.

Danajamin can provide guarantees above its capital. Therefore, its risk management strategies are active tracking of financial/non-financial covenants such as sinking fund build-up requirement; regular site visits, Co-signatory arrangement for monies utilization, and exposure/risk sell down to potential investors/bankers. So far there has been zero defaut.

Learning points from Danajamin: We need a conducive landscape for capital markets with a strong Government leadership and support in terms of a good regulatory framework, good legal framework, broad based investment community, established rating agencies and state owned enterprises. Key learning points are state owned financial guarantor structure (vs private), largely independent & non-executive board structure, managing private sector financial institutions (avoid crowding out), talent and market benchmarking, and nurturing a culture of risk awareness.

Speaker 2: Mr. Abiprayadi Riyanto, President Director Mandiri Sekuritas: how to develop project bonds market in Indonesia?

Mr Abi said that Mandiri Sekuritas can help to arrange project bonds. He believes that Indonesia's project bond has a good potential because of (1) high amount of infrastructure projects to be done by the government, (2) bond demand is increasing in line with lower interest rate period, and (3) limitation of banks in infrastructure financing.

Even though banks are currently the main source of financing due to Indonesia's underdeveloped Capital Markets, the capacity of Indonesian banking industry is not enough to support all the required infrastructure financing. The bond market is a potential alternative. Currently, debt issuance is dominated by government bonds (Surat Utang Negara "SUN") but Indonesia's bond market size to GDP is the lowest compared with Asian peers and had declined from 2007. Indonesia has a huge potential issuers from SOE companies.

There are some challenges in project bond development, among which: lack of industry expertise, construction risk, limitation of local investors in terms of size and shortsighted investment horizon, ability to attract foreign investors. Finally the speaker suggested that to develop the projet bond market Indonesia needs to have a credible appraiser of credit rating and also guarantees for enhanced rating.

Discussions

Nicholas from Australian Embassy asked about if there is a back-stop arrangement? The response was no. Credit enhancement agency doesn't work for developing country? Response: somebody needs to take some risks than others. Starting point is a government agency.

Aziz from ADB.

1. How much is public infrastructure investment financed by PPP and how much is from project bonds in Malaysia? Response: They don't have the numbers. It is funded by consession. Off-balance sheet guarantees from government.
2. Just comments: how realistic is it to expect institutional investors to help project bonds. See the experience of singapore and australia. It takes 15 years for banks in the Philippines to gain expertise in project finance

Sam: it is critical that credit enhancement as risk sharing arrangement with involvement of the private sector..

Mr Abi said that Mandiri is currently developing project bonds for toll-roads., but still examining and calculating cashflows. Pension funds will be more confident investing in project bonds if there is a government guarantee.

Speaker 3: Ir. Brahmantio Isdijoso, M. S., Director for State Financial Risk Management, Directorate General of Budget Financing and Risk Management (DJPPR) Ministry of Finance: Guarantor Perspective on Project Bond: Trans-Sumatera Toll Road Project.

DJPPR has no experience in guaranteeing project bonds. There is a lack of experience of local rating agency in assessing project bond for greenfield project. Therefore, it may be more suitable for refinancing (brown project) in favor of investor's appetite and guarantor. The underlying regulation has also not been established yet

The speaker shared the experience of the Trans Sumatera Toll Road. In Presidential Regulation No.100/2014 for Trans Sumatera Toll Road Projects, the Government provides a guarantee on PT HutamaKarya financing, from bank loans and bonds. Currently, the government provide guarantees for PT HutamaKarya loan for Toll Road Development (Medan – Binjai, Palembang – Simpang Indralaya). Hutama Karya issues JORR-S bonds which is project-based bonds by collateralization of JORR-S toll road. Project-Based Bonds will refinance Bank loans (part or its entirely) after several years of project operation. This will free up banks' money for financing the other Trans Sumatera toll road projects. Project-based bonds are suitable for refinancing after operation since bond investors may demand lower interests but they prefer greenfield projects:

- No construction risk
- More predictable (proven) traffic volume, tariff and O&M expenses
- Better rating and lower funding costs expected after project starts operation

Speaker 4: Ms. Sinthya Roesly, President Director of Indonesia Infrastructure Guarantee Fund (PT PII): IIGF RoleE in IIndonesia Infrastructure Development

Political risks due to government actions or inactions: discrimination change in law (project specific), delays in necessary approval, early termination. Government guarantee through IIGF: ring fencing of state budget, balancing between government interest and bankability issue, risk assessor and risk manager, acquiring resources in market.

Speaker 5: Mr. Salyadi Saputra, President Director of Indonesia Credit Rating Agency (PT Pefindo): structuring project bond for infrastructure

The speaker talked about corporate Bond Development in Indonesia, Corporate Bond vs Project Bond, Project Bond vs Bank Loan, PEFINDO's rating methodology for Corporate and Project Bond, and challenges in Project Bond Development in Indonesia.

Challenges to develop Project Bonds in Indonesia: (1) Support from the regulator and government in the form of regulations: regulatory and legal risk: regulatory change such as in tariff during the tenor of the project bond may result in project's financial distress, (2) since a project finance is based on contractual foundation, how strong the contracts will be honored by the parties, (3) the initial rating during the early stage (particularly in the construction phase) may not be as good as the rating in the operational stage and (4) socialization/education to investors

PRE-HEATING SEMINAR - YOGYAKARTA

Time and Place: Auditorium Mubyarto MEP FEB UGM, 21 October 2016

Speakers:

1. Dr.Yoopi Abimanyu, Senior Researcher, Fiscal Policy Agency
2. Prof. Wihana Kirana Jaya, Lecturer, FEB UGM
3. Tavip Agus Rayanto, M.Si, Head of Regional Development Planning Board (Bappeda) Yogyakarta
4. Prof. Dr. Abdul Halim, Lecturer FEB UGM
5. Dr. Parjiono, Director of Macroeconomic Policy, Fiscal Policy Agency
6. Prof. Triwidodo, Lecturer FEB UGM
7. Dr. Asteria Diantika, Head Deputy of Financial Services Authority Yogyakarta

The seminar discussion is directed towards strategy to increase the role of public and private investment through financial sector. In general, the discussion has talked about three main issues, namely (i) potential and strategy to mobilize savings for investment; (ii) strategy for financing infrastructure development; (iii) the development of bond instruments, particularly municipal bonds.

1. Savings Mobilization for Investment

Increased investment is needed in order to achieve strong[1] and equitable growth for Indonesia. In a closed economy, investment is accelerated through increasing savings as its financing source. An eclectic approach is needed to increase investment through saving, given the dynamics in the global and domestic market, especially the negative interest rates trend in developed countries which resulted to a decreasing interest rate trend.

Savings need to be characterized by the quality or depth and pattern in management in order to map the use of domestic savings, for example to fund the infrastructure as a sector that directly linked to economic growth. However, the use of domestic savings for investment funding has its own challenges making the analysis for increasing savings capacity necessary, including the mobilization of national funds offshore.

Several challenges in infrastructure financing nowadays are (i) expensive cost of funds, (ii) the quality of savings, and (iii) economic structure.

First, expensive cost of funds. Indonesian deposits level is relatively low compared with other countries, as reflected with the deposits to GDP ratio. On the other hand, the relatively low level of deposits is almost entirely used for credit and already hit over-lending condition suggested by above 90% loan to deposit ratio. Both factors would lead to difficulty in raising credit and investment loans without increasing cost of funds. Given the circumstances, new strategy is needed to increase deposits as loan source.

The relatively low deposits to GDP ratio implied ample room for increasing domestic deposits. One effort done by the Government is through Tax Amnesty (TA) program, which is to repatriate citizen's fund offshore, especially from export proceeds. In this regards, the Government need to arrange measures to accommodate the repatriated asset from the TA program, namely diversify investment instruments to suit investors' appetite.

Second, challenge in the quality of savings. The quality of savings is defined as long duration savings, which is needed as source of financing for long term infrastructure. The bulk of private deposits is on short tenor, with the majority of less than one year deposits. In the same time, the utilization of capital market instruments is still limited, as reflected by low level of equity market and bond market capitalization to GDP ratio. Moreover, savings mobilization is still focused on banking, whilst NBFI role should rise (by an increase in NBFI asset to GDP). One effort done by the government is the creation of public savings, through BPJS Ketenagakerjaan (workforce) and PT Taspen, although most of their investments are in short term deposits.

Third, economic structure challenge. Indonesian economy still dominated by informal sector (non-wage earner), that almost reach 70 percent. The perfect strategies and policies to support savings mobilization are needed given the economic structure. It is certainly a challenge for the design of strategies and polices of public savings.

2. Infrastructure Development Financing in Central and Regional Government

As one of an important issue in growth, infrastructure development funding and financing in central and regional government is vital. Funding refers to central and regional government revenue, both from natural resources and non-natural resources, while financing activities related to the amount of expenditure that cannot be funded by central and regional government revenue. The ability to map both activities based on leading sectors in each regional government is essential to anticipate and identify any financing gap.

The Medium-Term Development Planning (RPJMN) issued by the central government stated that Indonesia is expected to attract infrastructure investments amounting to Rp4,796 trillion in 2015 up to 2019, of which Rp2,870 trillion is needed to finance medium term strategic projects which includes 197 high priority projects and 35 mega-watts of electricity. The total amount can be broken down into Rp778 trillion of financing provided by SOEs, Rp388 trillion from central and regional government budget, and Rp1,696 trillion from the private sector. The strategic infrastructure financing realization as of August 9, 2016 based on information from KPPIP is Rp8.4 trillion. The role of SOEs and private sector is vital due to limited funds from central and regional government budget.

Since private sector financing makes up more than half of the total financing required, the financing system needs to be developed to attract investors, i.e. through deepening of instruments, market and financing schemes. The asset repatriation from Tax Amnesty program is also expected to result in alternative financing through direct investments such as Government and Corporate Contract Scheme (KPBU) and non KPBU (joint venture and B2B partnership), in addition to indirect investments through the financial market such as stocks and bonds issuance and derivative instruments such as Asset Backed Securities (ABS).

For regional infrastructure, such as Yogyakarta, the leading sector is tourism. The tourism sector grew rapidly as the 2016 province's budget was revised twice because its growth target achieved faster than expected. The strategy to finance infrastructure investment as an enabler in tourism sector focuses on internal funding and SOE. The role of private investment is still not widely considered in the provincial budget, albeit the amount needed is greater than the budget. The lack of private investment is caused by the need to increase the knowledge of the regional government regarding financing instruments.

Several financing instruments that can be used other than the regional budget and SOE are through savings, both in banking or in capital market assets. However, there are still challenges in accommodating these two instruments. The discussion in the seminar is focused on private savings.

3. Bonds and Non-Traditional Scheme Development

The financing scheme in infrastructure projects investment must be well developed as it has several unique features, namely large cost in the early stage and averagely long concession age.However, long term financing in Indonesian financial market, such as corporate bonds are not fully utilized by the corporate. This resulted in a maturity mismatch in infrastructure financing dominated by banking, of which the majority of the liabilities are in short tenors (ie. less than one year deposits).

Nevertheless, the thin financial market should not impede the utilization of capital market instruments such as issuing bonds for infrastructure or other leading sectors financing, as applied in Philippines. Given the global regulations, of which bank financing is no longer directed towards long term financing, the advancement of long term financing is a priority.

Strategy to increase long term funding capacity is to address several issues such as supply, demand, infrastructure and regulations in financial market.

Market deepening measures are done through gradual development of the money market instruments, such as the T-bills market and forex market. The money market development is important as short term liquidity management tools for foreign investors with currency mismatch exposure and the long-term bond holders, equity investors and ABS investors.

Corporate bonds can be promoted to accommodate the mobilization of repatriated funds. This will require strategies from the supply side, i.e. the issuer (including SOEs); the demand side, i.e. investors (including banks and NBFI); and also market infrastructure and regulations. In this regard, Indonesia can learn from the example of Singapore and other repatriation target countries on the issuance of local currency denominated corporate bonds issued offshore. This strategy is already conducted in Thailand. On the subject of regions financing gap, municipal bonds may be the answer. Preparation strategies need to be done by the regions, such as supporting regulations and complete documentation as well as provincial government financial reports to ease the regions' credit rating assessment. In addition, risk sharing mechanism between the provincial government, SOE, consumers and the underwriter (as in the case of project bonds) need to be well-designed. Moreover, intensive information dissemination, including to law enforcer and auditor is also crucial.

The issuance of SMEs bonds can also be developed with regards to the challenge posed by the structure of the domestic economy. A strong cooperation between Bank Indonesia, as the authority for SMEs mentoring and OJK, as the supervisor of microfinance institutions, is needed. One of the key issue to be developed is to create a legal entity for SMEs to be closely monitored and for the purpose of consumer protection. In this regard OJK suggested that the SMEs can be directed as Rural Banks or microfinance institutions.

Other than the three type of bonds, other instruments are also important to develop. Conventional investment such as Build, Operate, and Transfer (BOT) also needed to be developed to accommodate long term investors that have lower appetite towards financial market instruments. To utilize the revenue from brownfield projects, ABS instruments can be used. For example, the securitization of revenue from space rent in the new airport in Yogyakarta International Airport, as well as the parking rent in government buildings. ABS can accelerate the regions' infrastructure development, as long as the projects are on the pipeline.

PRE-HEATING SEMINAR - KUPANG

Time and Place: Gedung Keuangan Negara, 17 November 2016

Speakers:
1. I Nengah Gradug, Head of Regional Office DJPBN NTT Province
2. Dr. Ferry Irawan, Fiscal Policy Agency
3. Christovel Lianto, Chairman of Indonesian Economists Association (ISEI), Kupang Branch
4. Wayan Darmawa, Head of Regional Development Planning NTT Province
5. Winter Marbun, Head of Financial Services Authority NTT Province
6. Abraham Paul Liyanto, Head of Industry Chamber (KADIN) NTT Province
7. Dr. Petrus Imanual de Rozari, Lecturer, University of Cendana

Despite the global economy risk that exposes Indonesia as an open economy, Indonesia's economic growth has been stable and high these past years. Household consumption and investment (reflected in gross fixed capital formation) was driving this growth. However, the equity of this growth still needs to be improved. This can be seen in the high inter-region disparity in Indonesia.

East Nusa Tenggara (NTT) is one of the provinces that have higher economic growth than the national average. However, at the same time, the level of inequality in the province was high. This is partly because most commercial projects, especially, taking workers from outside the province. The result is most NTT population did not enjoy the province economy's rapid development. For NTT, both productivity and income distribution is an important issue.

Government of Indonesia has been targeting higher productivity and more equitable distribution by focusing growth strategy to increase investment. These investments in particular is done by accelerating the development of infrastructure as well as providing incentives for the business sector to create stable trade sector.

Strategies and policies to encourage investment are as follows:
- Managing the stability of the economy to create an investment climate and strong business
- Simplifying the investment licensing procedures
- Harmonising investment regulations between central and local government
- Increasing the participation of state-owned enterprises in the infrastructure development consistently
- Enhancing the role of banking institutions in lending, especially of working capital loans and investment
- Expanding the role of non-banking financial institutions in the development of alternative infrastructure financing

The commitment to develop this infrastructure visible from the high investment needs in the medium term which amounted to IDR4.796 trillion for infrastructure alone, it takes off-budget sources of financing. These resources come from banks and non-banks and capital markets. At present, the potential increase in liquidity is still high when compared with other countries, reflected from the relatively low deposit to GDP ratio

With the Tax Amnesty repatriation of funds coming into the banking system, bank liquidity is expected to increase so that the capacity of banks to extend credit would also be improved. In addition, the fund quality also needs to be improved. Indonesia's saving rate has been quite high and the trend is likely to increase, but still dominated by short-term funds. Financial deepening is needed to reduce the mismatch in the economy that currently needs long-term financing.

In the country, although the bank still holds a large proportion in infrastructure financing, bank basically has its limitations. Therefore, non-bank financial institutions role should be encouraged, especially through the bond market. The capital market is therefore essential to facilitate funding indirectly from this IKNB. In addition to bonds, instruments that can be driven in the short term, particularly in the Tax Amnesty to use the momentum include Asset Backed Securities.

It takes strategy to develop these instruments, which consists of deepening the market, institutions, expertise is needed.

For the deepening of the market, the Government should encourage the development of integrated markets and sequentially from the money market to the derivatives market. In addition, the placement of investors (especially institutional) to the dominant corporate bonds, long-term IDR also needs to be improved.

For the deepening of institutions, government needs to encourage inclusive finance program to increase the use of financial services, encouraging the application of the same tax treatment antarinvestor, and maximizing alternative financing through non-traditional institutions. On top of that, the Government needs to improve the quality of human resources in terms of this investment.

For the province such as NTT, the big issues for promoting private investment is financial inclusion levels are low enough that the utilization of savings is difficult. The relevant authorities such as the Financial Services Authority (OJK) and Bank Indonesia continues to implement innovative inclusive financial program and to the point. One of the programs that need to be encouraged is the cooperation of local authorities with students to disseminate information of the importance of saving.

Aside from the savings mobilization, increasing the ability of corporations to invest in private companies must also be increased. One way is to increase the number of entrepreneurs. It can be started by increasing the number of small and medium enterprises.

To improve this, support from the financial industry in the form of access to capital and cheap lending rates is needed. To address this, Government could conduct policy to increase bank lending for small and medium enterprises, such as by promoting SME banks (BPR). Nowadays BPR amounted to 1.637 banks but the composition of its assets was only

2 percent of the total national assets. Compared with commercial banks amounted to 118 with assets of 98%, BPR function needs to be supported. One example of desired Government policy is lower tax policy on BPR's deposit interest.

In regard with infrastructure, the Government should focus on basic infrastructures such as roads, bridges, ports etc. Other Infrastructure can be delivered under the public private partnership. For the priority ones such as building of sophisticated Government office in a new location with purpose to increase the surrounding land prices, Government's role is needed as well. A concrete example in the office of Governor of Gorontalo and Governor of NTT office that successfully increased the land price in the surrounding areas.

Increasing investment capacity can also be encouraged through foreign direct investment. In NTT, Governments needs to focus to priority sectors that can have high added value products such as livestock breeding industry. Currently, the type of industry that exists in NTT is not very interesting due to its consumptive characteristics such as malls and car showrooms. Other potential sector that already starts to build in NTT and needs to be further promoted is tourism sector.

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APPENDICES

Term of Reference and Program

Profiles

Press Releases

Presentations (Slides)

Articles

Photos

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INTERNATIONAL FORUM ON
ECONOMIC DEVELOPMENT AND PUBLIC POLICY

UNLOCKING PUBLIC AND PRIVATE INVESTMENT: ROLE OF FINANCIAL SECTOR

BALI 8-9 December 2016

TERMS OF REFERENCE AND PROGRAM

Hosted by:

MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

In coordination with:

BANK INDONESIA

LEMBAGA PENJAMIN SIMPANAN | Indonesia Deposit Insurance Corporation

Supported by:

Australian Government

ADB

ADBInstitute

AGENCE FRANÇAISE DE DÉVELOPPEMENT

TERMS OF REFERENCE

INTERNATIONAL FORUM ON
ECONOMIC DEVELOPMENT AND PUBLIC POLICY

UNLOCKING PUBLIC AND PRIVATE INVESTMENT:
ROLE OF FINANCIAL SECTOR

Rationale:

The Indonesian Government has supported a series of conferences looking at Indonesia's economic transition and issues related to the Middle-Income trap. This year's program "Unlocking Public and Private Investment" builds on the 2015 program "Fiscal Reform to Support Strong and Equitable Growth: Striking The Right Balance" and the 2014 program "Growth Strategies for a Rising Indonesia" by focusing on financial sector development.

The middle-income trap is generally defined as a slowdown in per capita income growth once a country reaches middle-income status that prevents it from advancing to high-income status. Initially income rises, thanks for low wages and increasing labor force participation, but as labor cost increase, the country loses its competitive edge. Moving away from labor-intensive, low value-added production processes, requires a middle-income country to become more productive and competitive on the basis of its investments in skills and human capital formation, infrastructure, technology, and institutional development.

This year's program focuses on the role of financial sector development in escaping the middle-income trap. There will be three sessions. The first session examines the importance of savings and efficient financial intermediation for sustainable growth and economic development and the appropriate role for government. The second session looks at how public policies can help ensure adequate financing for the economy. The third session is on financial stability and development. It looks at risks facing emerging economies in the middle of the current global economic uncertainty and how Indonesia has improved its resilience to possible shocks to its financial system. To close the Forum, a keynote session discusses savings, investment, and economic growth, an increasingly topical area of analysis and policy action.

Background

Asian countries, include Indonesia, are embarking on a new stage of its development, away from a heavy reliance on the commodity sector and toward a more balanced and equitable growth. To support and finance its enormous investment needs, countries will need to mobilize sizable fa1savings domestically and build a strong financial system.

This conference will provide an opportunity to look at some of the key issues in this area, including by taking stock at the international experience, and point to some important policy directions: how to mobilize savings and effectively intermediate those to the best investment opportunities? How to provide financing to underserved but key sectors of the economy, to SMEs and to public infrastructure? How to ensure that the financial development and deepening does not threaten financial and macroeconomic stability?

Objectives

The main objective of the forum is to look at the international experience, in designing financial sector policies to support rapid and sustainable growth and avoid the middle income trap and to come up with policy recommendations. The Forum will focus on these themes with presentations and discussions by policy-makers, influential thinkers, academics, and stakeholders:

- International evidence on how to mobilize and utilize savings more productively to finance investment and meet development objectives: how an inclusive and efficient financial intermediation process through financial institution, instruments, and market (financial system) can promote sustainable economic development.
- Debottlenecking the long-term financing challenges for strategic sectors of the economy, particularly infrastructure, by optimizing the role of financial system. It will also cover the utilization of non-traditional financial instruments such as project bonds, asset securitizations, and crowd-funding.
- Addressing the trade-off between allowing financial system innovation and stability and development given the current challenges in emerging markets.

Presenters and discussants at the Forum will be expected to discuss policy options, strategies and challenges for Indonesia in avoiding the middle income trap.

Expected Outputs: Background paper, proceedings, report and summary of policy recommendations and priorities from the conference.

Format: A draft program of the Forum is attached. Each session in the conference will have key questions. The Forum will be conducted in English.

Time and Venue: 8-9 December 2016, Hilton Bali Resort (d/h Grand Nikko Hotel), Nusa Dua, Bali

Expected audience: The Forum is expected to have approximately 250 participants from relevant ministries, government agencies, academia, domestic and international private sector, civil society organizations, development partners (bilateral and international organizations), and media from Indonesia and also from other countries in the region.

Expected Speakers: There will be substantive engagement and contributions from prominent speakers from the Government of Indonesia, policy-makers from other countries, high-profile academics and fiscal policy experts, international financial institutions, private sector, civil society organizations and think-tanks.

Publicity: The Forum will have a dissemination strategy including such things as: (i) a webpage before the event and updated as the International Forum proceeds; (ii) a press release; (iii) invited reporters from main (press/TV) news channels; (iv) a media event at the Forum (press conference/talk show session); and (v) potentially a web page with proceedings (slides, videos of presentations etc.).

PROGRAM

Day 1 (Thursday, 8 December 2016)
International Forum on Economic Development and Public Policy on
Unlocking Public and Private Investment: Role of Financial Sector

<table>
<tr><th>Time</th><th>Topic</th></tr>
<tr><td>08:00 – 08:30</td><td>Registration</td></tr>
<tr><td colspan="2">Opening Remarks</td></tr>
<tr><td>08:30 – 08:45</td><td>Opening Remarks by Prof. Suahasil Nazara, Chairman of Fiscal Policy Agency Ministry of Finance Indonesia</td></tr>
<tr><td>08:45 – 09:45</td><td>Key Note Speech:
Ms. Sri Mulyani Indrawati, Minister of Finance Indonesia
Structural Reforms and Financial Sector Development
This session will review structural reform of the Indonesia economy and its challenges. It will include the discussion on the role of private sector and financial sector in promoting economic growth, including the government efforts to address the issues of financial inclusion, deepening and stability.

Photo Session</td></tr>
<tr><td colspan="2">Session 1: The role of domestic savings and the financial sector in development
Given high investment financing needs, Indonesia should find the optimum way of pooling and mobilizing savings in order to promote economic growth.</td></tr>
<tr><td>09:45 – 10:55
(70’)
Presentation: @15’
Q&A: 20’</td><td>Moderator: Ms. Sona Shrestha, Deputy Country Director, Indonesia Resident Mission, Asian Development Bank

Presenter 1: Do countries with high savings rate grow faster and why?
The presenter will review the international evidence and experience from Asia on the determinants of high savings rate.
• Prof. Iwan Jaya Azis, Professor, Cornell University and University of Indonesia

Presenter 2: Can Indonesia financial sector deliver growth and employment – the financing needs ahead?
The presenter will help us review if there is a financing “policy gap”. In addition to assessing whether there is a policy gap, some initial approaches to addressing the financial sector development needs will be covered.
• Mr. Yougesh Khatri/Mr. Kahlil Rowter, Senior Macro Economist Team Leader, The Australia Indonesia Partnership for Economic Governance (AIPEG)

Presenter 3: How does Indonesia compare in the mobilization of savings? Issues and challenges
The presenter will be asked to review the optimum way to mobilize savings.
• Dr. Anggito Abimanyu, Chief Economist, Bank Rakyat Indonesia

Moderated panel discussion
Q&A</td></tr>
</table>

Time	Topic
Session 2: Promoting savings and boosting long-term savings Government initiatives or policies to boost savings, especially long-term ones to promote higher and more sustainable growth.	
10:55 – 12:05 (70') Presentation: @15' Q&A: 20'	Moderator: Mr. Kensuke Tanaka, Head of Asia Desk, OECD Development Centre **Presenter 1: The superannuation private pension schemes in Australia** The presenter will review evidence on how private pension schemes can contribute to higher savings and an efficient financial intermediation into investments. • Prof. Hazel Bateman, Head of School, School of Risk & Actuarial, University of Queensland **Presenter 2: The emerging role of BPJS in Indonesia** The presenter will review the role of BPJS in Indonesia in the mobilization of savings and how it could contribute to the development of the financial system. • Mr. Agus Susanto, President Director of BPJS Manpower **Presenter 3: The Role of Local Currency in Securing Long Term Financing Needs** The presenter will discuss local currency funding in developing markets, reviewing the costs and benefits of FX risk mitigation, developing a pool funding approach and highlighting the current challenges to long term finance in local currency. • Mr. Jonathan Grosvenor, Advisor, Office of the Treasurer & Head Treasury Client Solutions, Treasury Department, Asian Development Bank Moderated panel discussion Q&A
12:05– 13:00	Lunch break
Session 3: Financial inclusion policy and initiatives How to ensure access to financial services for everyone, regardless of income or location?	
13:00 – 14:00 (60') Presentation: @15' Q&A: 20'	Moderator: Mr. Isa Rachmatarwata, Assistant of Minister for Financial Services and Capital Market Policy and Regulation **Presenter 1: Postal Savings and Financial Inclusion in Indonesia** The presenter will review financial inclusion condition and policies all around the world and how it contributes to promote strong and sustainable growth. In addition, strong coordination strategy toward successful implementation, and how the case is for Indonesia, will also be covered. • Prof. Naoyuki Yoshino, Dean, Asian Development Bank Institute **Presenter 2: National strategy of financial inclusion** The presenter will be presenting the nation-wide financial inclusion strategy. • Mr. Hendar, Deputy Governor of Bank Indonesia

<table>
<tr><th>Time</th><th>Topic</th></tr>
<tr><td></td><td>Moderated panel discussion
Q&A</td></tr>
<tr><td colspan="2">Session 4: Financial Market and Product Development</td></tr>
<tr><td>14:00 – 15:10
(70’)
Presentation: @15’
Q&A: 20’</td><td>Moderator: Mr. Anton Gunawan, Chief Economist PT Bank Mandiri, Tbk.

Presenter 1: Designing Financial Market Instrument for Infrastructure Financing
The speaker will review the issues and challenges in using financial market to finance infrastructures. Assessment on potential financial market instruments for infrastructure financing such as project bonds, Asset-Backed Securities (ABS), crowd-funding etc, will also be key for the presentation.
Mr. Gonthor R. Aziz, Director for Capital Market 1A, Indonesia Financial Services Authority
Presenter 2: Role of Special Purpose Vehicle for Securing Long Term Financing Needs
The presenter will be discussing on how a tailored financial market instrument could help utilizing the pooled funds in financial institution more efficiently and effectively.
Mr. Noritaka Akamatsu, Senior Advisor, Financial Cooperation & Integration, Sustainable Development & Climate Change Dept., Asian Development Bank
Presenter 3: Product Development: Long Term Investors Perspective
The presenter will be asked to review how investors strategy toward investing in infrastructure projects through debt capital market, both brown field and green field.
Mr. Luca Tonello, Head of Project Finance, Sumitomo Mitsui Banking Corporation
Moderated panel discussion
Q&A</td></tr>
<tr><td colspan="2">Session 5: Financing initiatives for priority sectors: international lesson</td></tr>
<tr><td>15:10 – 16:15
(65’)
Presentation: @15’
Q&A: 20’</td><td>Moderator: Prof. Jay K. Rosengard, Adjunct Lecturer in Public Policy, Harvard Kennedy School

Presenter 1: Financing for the priority sector
The presenter will be share the experience and lesson learnt through our credit lines to banking industry, and more specifically public policies and private financings can jointly contribute to the implementation of priority investments in emerging countries.
Mr. Ghislain de Valon, Country Director, AFD - Agence Française de Développement</td></tr>
</table>

Time	Topic
	Presenter 2: **Challenges and solutions for SME financing in developing Asia** The presenter will review challenges facing by SMEs in developing Asia countries and discuss the possible solutions by analyzing the Korean case. • Dr. Bokhwan Yu, Deputy Dean, Asian Development Bank Institute Moderated panel discussion Q&A
Session 6: The financing of infrastructure: How to ensure adequate funding for infrastructure projects?	
16:15 – 17:15 (60') Presentation: @15' Q&A: 20'	Moderator: Dr. David Nellor, Facility Director, The Australian Indonesia Partnership for Economic Governance Presenter 1: **The way ahead for Indonesia: How to ensure the financing for its infrastructure projects** The presenter will present policies and strategies to finance infrastructure projects. • Dr. Robert Pakpahan, Director General of Financing and Risk Management, Ministry of Finance Indonesia Presenter 2: **What is the role of Government versus the role of the private sector in financing public projects** The presenter will review private sector's role in financing public projects • Mr. Chris Heathcote, Chief Executive Officer, Global Infrastructure Hub Moderated panel discussion Q&A
19:00	*Gala dinner hosted by Minister of Finance Indonesia*

Day 2 (Friday, 9 December 2016)
International Forum on Economic Development and Public Policy on
Unlocking Public and Private Investment: Role of Financial Sector

Time	Topic
Session 7: Financial stability and development	
09:00 – 10:00 (60') Presentation: @15' Q&A: 20'	Moderator: Ms. Destry Damayanti, Board of Commissioner, Indonesia Deposit Insurance Corporation Presenter 1: The legal framework and institutional setting for crisis prevention and resolution: international experience • Ms. Sheila C. Bair, former Chairman of the Federal Deposit Insurance Corporation Presenter 2: The legal framework and institutional setting for crisis prevention and resolution: the Indonesian case (the Financial Safety Net Law) • Prof. Suahasil Nazara, Chairman of Fiscal Policy Agency, Ministry of Finance Moderated panel discussion Q&A
10:00 – 12:00 (120') Presentation: @15' Q&A: 40'	Young Economist Forum Moderator: Dr. Della YA Temenggung, Lead Adviser AIPEG Presenter 1: The Political Economy of Pension Fund Reform in Indonesia • Dr. Iman Harymawan, Universitas Airlangga Presenter 2: Strengthening The Role of Islamic Social Finance: The Instrument of Zakat • Dr. Mohammad Soleh Nurzaman, Universitas Indonesia Presenter 3: A Bridge Called Public-Private Partnership • Dr. Deden Dinar Iskandar, Universitas Diponegoro Presenter 4: Innovative Financing for SMEs: Lessons from Community Forestry Enterprises • Dr. Heni Kurniasih, SMERU Research Institute Presenter 5: The Relationship between Industrial Concentration, Foreign Direct Investment and Industrial Performance in the Indonesian Manufacturing Sector • Dr. Maman Setiawan, Universitas Padjadjaran Moderated panel discussion Q&A
12:00 – 13:30	Lunch and Friday Prayer Break

Session : Presentation of the workshop report by rapporteur on "Developing Indonesia's Finance Sector to Support Rapid, Inclusive, and Sustainable Growth"	
13:30 – 13:55	Welcome Remarks: • Prof. Naoyuki Yoshino, Dean Asian Development Bank Institute • Dr. Justin Lee, Deputy Australian Ambassador to Indonesia
13:55 – 14:30	Presentation of the workshop report by rapporteur on "Developing Indonesia's Finance Sector to Support Rapid, Inclusive, and Sustainable Growth" by Prof. Suahasil Nazara, Chairman of Fiscal Policy Agency, Ministry of Finance Indonesia. Photo Session
Session : Talk show	
14:30 – 16:30	Moderator : Ms. Desi Anwar, Senior Anchor and Director of CNN Indonesia Discussant 1: Prof. Suahasil Nazara, Chairman of Fiscal Policy Agency, Ministry of Finance Discussant 2: Mr. Mirza Adityaswara, Senior Deputy Governor Bank Indonesia Discussant 3: Mr. Fauzi Ichsan, Chief Executive Officer of the Indonesian Deposit Insurance Corporation Discussant 4: Ms. Sheila C. Bair, former Chairman of the Federal Deposit Insurance Corporation Discussant 5: Mr. David Fernandez, Chief Economist - Barclays
16:30 – 16:45	Closing remarks by Mr. Halim Alamsyah, Chairman of Board of Commissioners of the Indonesian Deposit Insurance Corporation

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PROFILES

	Sri Mulyani Indrawati *The Minister of Finance of the Republic of Indonesia* Born in Bandar Lampung on August 26, 1962, Sri Mulyani earned her bachelor degree in Economics major from the Universitas Indonesia (1986). Then she continued her study in the University of Illinois Urbana Champaign, United States and earned Master of Science of Policy Economics (1990). In 1992, she earned Ph.D of Economics. On July 27th, 2016, President Joko Widodo inaugurated Sri Mulyani Indrawati as the Minister of Finance in his Working Cabinet.
	Prof. Suahasil Nazara *Chairman of Fiscal Policy Agency, Ministry of Finance* Born in Jakarta on November 23, 1970, Suahasil earned his bachelor degree majoring Economics from Universitas Indonesia in 1994 and his Master of Science from Cornell University USA in 1997. In 2003, he gained his Doctor of Philosophy (PhD.) from University of Illinois at Urbana Champaign USA. Commencing on February 6, 2015, he serves as the Head of Fiscal Policy Agency of Ministry of Finance.
	Kensuke Tanaka *Head of Asia Desk, OECD Dvelopment Centre* Kensuke Tanaka is the Head of the Asia Desk of the OECD Development Centre. Before joining the OECD Development Centre, Mr. Tanaka was a Programme Manager at the OECD's Centre for Co-operation with Non-members. He also worked at a public research institute and taught at a university in Japan as well as in France (Sciences Po)
	Prof. Hazel Bateman *Head of School, School of Risk & Actuarial, University of Queensland* Hazel Bateman is a Professor of Economics and Head of the School of Risk and Actuarial Studies and a Chief Investigator with the ARC Centre of Excellence in Population Ageing Research (CEPAR), at the University of New South Wales (Sydney, Australia). Prior to joining the University of New South Wales, Hazel worked as an economist with the Australian Treasury.

	Agus Susanto *President Director of BPJS Manpower* Educational Background: INSEAD Fontainableau, France; Magister Management from Gajah Mada University, Yogyakarta, Indonesia; Social and Political Science from Gajah Mada University, Yogyakarta, Indonesia
	Jonathan Grosvenor *Advisor, Office of the Tresurer & Head Treasury Client Solutions, Treasury Department, ADB* Mr. Jonathan Grosvenor is Advisor, Office of the Treasurer and Head, Treasury Client Solutions Unit, Treasury Department of the Asian Development Bank.
	Prof. Iwan Jaya Azis *Deputy Country Director, Indonesia Resident Mission* *Asian Development Bank* Iwan Jaya Azis is a professor at Cornell University and University of Indonesia. He is currently active promoting on-line classes through the MOOC system (Massive Open Online Courses) to overcome the country's perennial challenges in higher education.
	Destry Damayanti *Board of Commisioner, Indonesia Deposit Insurance Corporation* Destry Damayanti is Member of Board of Commissioners of Indonesia Deposit Insurance Corporation since September 2015. Damayanti obtained her Bachelor Degree in Economics from Universitas Indonesia and Master of Science, Field of Regional Science from Cornell University, New York, United States.
	*Sheila C. Bair* *Former Chairman of the Federal Deposit Insurance Corporation* Sheila C. Bair is the Chairman Federal Deposit Insurance Corporation ke-19 from 2006 to 2011. Prior to her appointment at the FDIC, Bair was the Dean's Professor of Financial Regulatory Policy for the Isenberg School of Management at the University of Massachusetts Amherst, a post she had held since 2002.

	Desi Anwar *Senior Anchor and Director of CNN* Desi Anwar is currently Director, Senior Anchor and Journalist at CNN Indonesia based in Jakarta Indonesia. She host a daily talk show “insight with Desi Anwar” featuring in-depth interviews with prominent figurs, policy makers, expert, celebrities and leaders both international and Indonesian. Desi is the Founder, Editor and Content Provider of the online magazine The Daily Avocado.
	Mirza Adityaswara *Senior Deputy Governor Bank Indonesia* Mirza Adityaswara, born in Surabaya in 1965, graduated with a Bachelor of Economics from the University of Indonesia and subsequently received his Master of Applied Finance from Macquarie University, Sydney, Australia. He was also appointed Ex Officio member of the Board of Commissioners of the Financial Services Authority (OJK) in August 2015.
	*Fauzi Ichsan* *Member of Board Commissioners and CEO* Fauzi Ichsan is member of the board of commissioners and CEO at the Indonesian Deposit Insurance Corporation (IDIC), appointed by presidential decree in December 2014. He received a master degree from Massachusetts Institute of Technology (MIT) in 1995 and a bachelor degree from London School of Economics (LSE) in 1991.
	*David Fernandez* *Chief Economist for Asia Paciific - Barclays* David Fernandez is a Managing Director and Head of Fixed Income, Currencies and Commodities Research, Asia Pacific at Barclays, based in Singapore. Mr. Fernandez joined Barclays in 2013 from JP Morgan, where his last position was Chief Economist and Head of Market Strategy, Emerging Asia. Mr. Fernandez holds an M.A. and Ph.D. in Economics from Princeton University, completing his dissertation under the guidance of Ben S. Bernanke.
	Della Y. A. Temenggung *Lead Adviser of Economic Support Team of Australia Indonesia Partnership for Economic Governance (AIPEG)* She started her career as a lecturer and researcher in Department of Industrial Engineering and Magister of Business Administration, Bandung Institute of Technology. Della has been working on the area of economic policy, private sector development, international and development economics. She is passionate to support increase in evidence based economic policy in Indonesia. Della holds a PhD in Economics from Australian National University.

Dr. Iman Harymawan

Universitas Airlangga

Iman Harymawan is an Assistant Professor in the Department of Accounting, Faculty of Economics and Business, Universitas Airlangga, Indonesia. He received his PhD degree (2016) in accounting from City University of Hong Kong in Hong Kong, MBA degree (2009) from National Cheng Kung University in Taiwan, and his B.A. degree (2006) in accounting from Universitas Airlangga in Indonesia.

Dr. Mohammad Soleh Nurzaman

Universitas Indonesia

Mohammad Soleh Nurzaman is a lecturer at the Department of Economics, Faculty of Economics and Business, University of Indonesia. He holds degrees from University of Indonesia (BSc Economics), Australian National University (Master of International and Development Economics), and International Islamic University Malaysia (PhD Economics).

Deden Dinar Iskandar

Universitas Diponegoro

Deden Dinar Iskandar received doctoral degree in Development Economics from University of Bonn, Germany, in 2013. He is currently teaching Development Economics, Public Economics and Institutional Economics in undergraduate and graduate programs at Diponegoro University. In addition to teaching and conducting research in the University, he has involved in several projects with government institutions and international agencies as Financial and Economic Consultant.

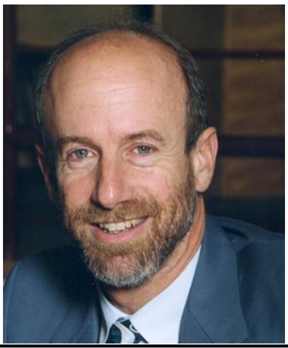
Dr. Heni Kurniasih

SMERU Research Institute

Heni Kurniasih, is a Senior Researcher at SMERU Research Institute primarily working on governance and international development. She has researched multi-level transition in community forestry system in Indonesia for her PhD at the University of Melbourne.

	*Dr. Maman Setiawan* *Universitas Padjadjaran* Maman Setiawan is a lecturer at Faculty of Economics and Business, Padjadjaran University (UNPAD) and a director of the Centre for Economics and Development Studies (CEDS) at the same university. He received his PhD in industrial economics at Wageningen University in 2012.
	Dr. Justin Lee *Deputy Australian Ambassador to Indonesia* Dr Justin Lee holds a BA (Jur.) (Hons), a PhD in Development Geography from the University of Adelaide and a Graduate Diploma in Foreign Affairs and Trade from Monash University. He curenntly serves as Deputy Australian Ambassador to Indonesia
	Sona Shrestha *Deputy Country Director, Indonesia Resident Mission* *Asian Development Bank* Dr. Shrestha holds a Ph.D. in Economics from the University of California and Bachelor of Arts degree in Economics from the Smith College. Dr. Sona Shrestha is Deputy Country Director (DCD) at the Asian Development Bank's Indonesia Resident Mission. Dr. Shrestha assumed this role in May 2016. Prior to this, she was ADB's Principal Country Economist for the Philippines.
	Yougesh Khatri, Ph.D. *Deputy Country Director, Indonesia Resident Mission* *Asian Development Bank* Dr. Yougesh Khatri is the Managing Director of Alphanomiks PTE LTD (a small Singapore-based consultancy), a Senior Macroeconomist Team Leader at the Australia-Indonesia Partnership for Economic Governance (AIPEG), a visiting lecturer at Imperial College Business School, and a consultant to the Asian Development Bank.

	Isa Rachmatarwata *Asistant of Minister for Financial Services and Capital Market Policy and Regulation* Isa Rachmatarwata, born in Jombang at 30 December 1966, earned his bachelor degree in Mathematics from Institut Teknologi Bandung in 1990. Receiving scholarship from the Ministry of Finance, he continued his study at the University of Waterloo, Canada and obtained Master of Mathematics (in Actuarial Science) in 1994.
	Prof. Naoyuki Yoshino *Dean, Asian Development Bank Institute* Naoyuki Yoshino is Dean of the Asian Development Bank Institute (ADB Institute); Professor Emeritus of Keio University, in Tokyo, Japan; and Chief Advisor at the Japan Financial Services Agency's (FSA) Financial Research Center (FSA Institute).
	Mr. Hendar *Deputy Governor of Bank Indonesia* Dr. Hendar has been appointed as Deputy Governor of Bank Indonesia since August 2, 2013. His previous position was Assistant Governor of Bank Indonesia for Payment System. Currently, Dr. Hendar also serves as Chairman of Bank Indonesia Accounting Policy Setting Committee (KAKBI).
	Anton Gunawan *Chief Economist PT. Bank Mandiri* Anton Gunawan currently serves as: (I) Chief Economist of PT Bank Mandiri (Persero), Tbk. and Executive Director of Mandiri Institute - since March 2015, (ii) President Commissioner of PT Mandiri Manajemen Investasi, since July 2015, (iii) Faculty Member of Bank Indonesia Institute, since August 2016.

	Prof. Jay Rosengard *Adjunct Lecturer in Public Policy, Harvard Kennedy School* Jay K. Rosengard is Lecturer in Public Policy at the Harvard Kennedy School (HKS) with over 35 years of experience in the design, implementation, and evaluation of development policies and programs throughout Asia, Africa, and Latin America.
	Ghislain de Valon Country Director, AFD-Agence Francaise de Developpement Ghislain de Valon holds a Master Degree in Economics from Rouen University (France) and he is a graduate of Banking and International Finance from Toulouse University (France). He formerly was posted in Northern Africa then in Eastern Africa as PROPARCO Regional Representative after having worked in the French Overseas Departments as General Secretary in Financial Institutions owned by AFD.
	Dr. Bokhwan Yu *Deputy Dean, Asian Development Bank Institute* Dr. Bokhwan Yu is the Deputy Dean (Capacity Building and Training and Special Activities) at the Asian Development Bank Institute. A national of the Republic of Korea (ROK), Dr. Yu previously worked for the World Bank and the European Bank for Reconstruction and Development (EBRD). Dr. Yu holds an MA and a PhD in political economics from the University of Cambridge.
	Dr. David Nellor *Facility Director, The Australian Indonesia Partnership for Economic Governance* Dr. David Nellor is Director of the Australia Indonesia Partnership for Economic Governance and concurrently an Adjunct Professor at the Lee Kuan Yew School for Public Policy, National University of Singapore.

	Dr. Robert Pakpahan *Country Director, AFD-Agence Francaise de Developpement* Robert, who was born in Tanjung Balai, North Sumatera, on October 20th, 1959, received his Diploma Degree from State College of Accountancy majoring in Finance with Accounting Specialization in 1985 and 1987. He received his Doctor of Philosophy in Economics from University of North Carolina at Chapel Hill, United States in 1998. Commencing on November 27, 2013, he serves as the Director General of Budget Financing and Risk Management.
	Chris Heathcote *Chief Executive Officer, Global Infrastructure Hub* Chris is one of the few Infrastructure professionals to have worked as Principal, Advisor and Debt Provider to the infrastructure sector.

PRESS RELEASE DAY 1

Annual International Forum on Economic Development and Public Policy

UNLOCKING PUBLIC AND PRIVATE INVESTMENT:
ROLE OF FINANCIAL SECTOR

Denpasar, 8-9 Desember 2016

Kementerian Keuangan kembali menggelar kegiatan akademis *Annual International Forum on Economic Development and Public Policy* bertajuk ***Unlocking Public and Private Investment: Role of Financial Sector*** pada 8-9 Desember 2016 di Nusa Dua Bali. Kegiatan ini merupakan rangkaian diskusi kebijakan pembangunan ekonomi berorientasi jangka panjang yang telah digelar mulai tahun 2013 dengan tajuk Menghindari Jebakan *Middle-Income Trap* kemudian tahun 2014 dengan Strategi Pertumbuhan Ekonomi (*Growth Strategies for a Rising Indonesia*) dan tahun lalu dengan mengusung topik Reformasi Fiskal untuk Pertumbuhan dan Keadilan. Tahun ini **fokus mendiskusikan peranan sektor keuangan** sebagai instrumen bagi Indonesia untuk mempercepat pembangunan, melepaskan diri dari *middle-income trap*.

Menteri Keuangan Sri Mulyani Indrawati pagi ini membuka kegiatan dan memberikan pidato kunci. Beliau menyatakan bahwa sektor keuangan merupakan sektor yang penting dimana Indonesia perlu menyeimbangkan sisi sumber dan sisi penggunaan pendanaan masyarakat. Dari sisi penggunaan, Indonesia membutuhkan dana yang besar untuk membangun infrastruktur yang sedang digalakkan, namun dari sisi sumber walau pun cukup banyak tabungan masyarakat tetapi dalam tenor jangka pendek. Masalah *maturity mismatch* ini perlu segera dicari solusinya.

Beliau juga menggarisbawahi bahwa diskusi tentang pembangunan sektor keuangan selalu mengingatkan sejarah deregulasi perbankan dengan Pakto 88 (Paket Oktober 1988). Dengan deregulasi ini maka sektor perbankan perkembang pesat, dan dapat kita nikmati hasilnya kini. Namun jangan pula kita lupakan bahwa kita juga pernah mengalami Krisis Keuangan 1998. Suatu kejadian yang sangat disayangkan kalau kita lupakan. Bahwa pembangunan sektor keuangan jangan pernah meninggalkan aspek prudentialnya.

Apalagi dalam kondisi perekonomian global saat ini, dimana kita dihadapkan pada beberapa risiko perekonomian global yang mempengaruhi perekonomian domestik, seperti: perekonomian dunia yang tumbuh rendah – permintaan dunia melemah, harga komoditas yang rendah, *rebalancing* pertumbuhan ekonomi China, dan kecenderungan peningkatan kebijakan proteksionis. **Namun Bu SMI juga menyampaikan pesan Bapak Presiden Jokowi di berbagai kesempatan bahwa jangan hanya melihat sisi risikonya saja tetapi lihatlah sisi peluangnya,** temukanlah berbagai oportunitas yang ada sehingga kita bisa tetap optimis dalam membangun.

Mengenai isu kemiskinan dan ketimpangan, Bu SMI menyinggung bahwa isu terkait mengatasi ketimpangan pendapatan itu sama pentingnya dengan isu mengatasi kemiskinan. Saat ini Indonesia menghadapi kondisi yang makin sulit untuk mengurangi

kemiskinan mencapai level *single digit*. Kita memasuki ke wilayah yang berbeda dengan ketika menurunkan kemiskinan dari prosentasi yang tinggi, ini periode yang krusial bahkan dengan usaha fiskal yang lebih besar dari sebelumnya.
Dalam konteks inilah bahwa beberapa waktu yang lalu dibahas dalam Rapat Kabinet Terbatas mengenai pendidikan. Bahwa pendidikan kita masih menghadapi beberapa tantangan: (1) nilai *passing grade* ujian nasional masih relatif rendah (2) *mismatch* pendidikan dengan kebutuhan lapangan kerja. Dengan dukungan belanja pendidikan yang cukup besar, kata kuncinya ialah bagaimana sistem pendidikan kita bisa menghasilkan sumber daya manusia yang mampu meningkatkan produktivitas dan daya saing bangsa. Produktivitas dan daya saing dapat diraih ketika sumber daya manusianya terdidik, adaptif dengan perubahan perubahan tekologi dan inovatif. Yang dengan itu maka pengentasan kemiskinan bisa dilakukan secara lebih mudah.

Terkait ketimpangan sebetulnya tidak hanya terjadi ketimpangan antara si kaya dan si miskin tetapi perlu juga dilihat ketimpangan antar wilayah di Indonesia. Kita perlu melihat lebih dalam apa yang menjadi pendorong ekonomi di masing-masing wilayah dan jenis policy apa yang dibutuhkan serta apakah skema desentralisasi fiskal yang ada masih ada ruang untuk diefektifkan.

Dalam konteks inilah pemerintah terus menjalankan reformasi di bidang ekonomi. Dari sisi fiskal konsentrasi reformasi bergerak ke sisi pendapatan. Bukan berarti sisi belanja tidak disentuh, setelah berhasil mereformasi belanja subsidi energi ke belanja infrastruktur kini menyisakan bagaimana alokasi subsidi yang ada lebih tepat sasaran. Kita melihat yang penting bukan hanya seberapa besar alokasi belanja APBN untuk membantu kaum miskin tetapi juga bagaimana desain penyalurannya yang lebih menjamin ketepatan sasaran dan pencapaian tujuan. Reformasi fiskal sisi pendapatan juga tidak hanya berkonsentrasi kepada perubahan regulasi seperti UU KUP, UU PPh dan UU PPN tetapi juga aspek administrasi dan penggunaan teknologi informasi.

Pemerintah hingga kini telah mengeluarkan 14 paket kebijakan ekonomi. Ini wujud kesungguhan reformasi di bidang ekonomi. Dapat dikatakan bahwa Indonesia merupakan satu dari sangat sedikit negara di dunia yang melakukan ***ambitious policy reform*** dengan kemauan sendiri. Kalau lah terjadi di negara lain, biasanya ketika dalam skema bantuan IMF. Bu SMI mengapresiasi hal ini. ##

PRESS RELEASE DAY 2

Annual International Forum on Economic Development and Public Policy
UNLOCKING PUBLIC AND PRIVATE INVESTMENT:
ROLE OF FINANCIAL SECTOR
Denpasar, 8-9 Desember 2016

Internasional Forum Kementerian Keuangan Hari Ke-2 Menghadirkan Wanita Paling Berpengaruh Kedua di Dunia dan Para Ekonom Muda

Hari kedua *Annual International Forum on Economic Development and Public Policy* bertajuk ***Unlocking Public and Private Investment: Role of Financial Sector*** pada 8-9 Desember 2016 di Nusa Dua Bali menghadirkan diskusi menarik. Sesi pagi menghadirkan Ketua *Federal Deposit Insurance Corporation* atau Lembaga Penjamin Simpanan Amerika Serikat periode 2006 – 2011, **Sheila Collen Bair**. Beliau merupakan tokoh penting pelaku sejarah bagaimana Amerika Serikat menghadapi kondisi krisis keuangan global 2008. Bahkan Majalah Forbes menobatkan beliau sebagai ***the second most powerful women*** **berturut-turut pada 2008 dan 2009**.

Dalam paparannya beliau membagikan pengalaman dan pelajaran berharga bagaimana mengatasi krisis di Amerika Serikat. Beliau **menyampaikan empat hal kunci yang dibutuhkan dalam pencegahan krisis**. **Pertama**, perlunya mengatur institusi keuangan besar secara lebih berhati-hati. **Kedua**, dalam konteks intervensi dari otoritas lembaga pengawasan maka dibutuhkan sistem deteksi dini yang lebih baik, *early warning system* yang lebih sensitif serta penguatan peran lembaga pengawas sebagai otoritas resolusi krisis. **Ketiga**, meningkatkan jaring pengaman sistem keuangan (*financial safety net*) sehingga ketika diperlukan intervensi pemerintah maka dapat dilakukan dengan ongkos termurah. Pendekatan *bail-in* daripada *bail-out* dapat dilakukan untuk mengatasi bank bermasalah. **Terakhir**, beliau menggarisbawahi perlunya koordinasi yang baik antarotoritas sistem keuangan, dari koordinasi dalam operasional harian atau pun terlebih ketika dalam situasi krisis – perlu *crisis management protocol* yang baik.

Dalam sesi yang sama, **Prof Suahasil Nazara** Kepala Badan Kebijakan Fiskal Kementerian Keuangan menyajikan poin-poin penting yang ada dalam regulasi baru Undang-undang Republik Indonesia Nomor 9 Tahun 2016 Tentang Pencegahan dan Penanganan Krisis Sistem Keuangan. Antara lain beliau menyampaikan bahwa keberadaan landasan hukum untuk pencegahan dan resolusi krisis sangat krusial karena ketiadaan landasan hukum ini berpotensi mengakibatkan trauma para pelaku sejarah dalam mem-*bail-out* bank gagal dalam situasi krisis. Selain itu, sangat penting komunikasi yang baik antarpemangku kepentingan, ini komponen penting dalam pencegahan krisis. Terakhir beliau juga menggarisbawahi bahwa sangat dimungkinkan untuk *bail-in* sebagai mekanisme resolusi krisis walau pun bukan perkara gampang karena perlu konsensus bersama pemerintah dengan parlemen.

Selain itu, dalam sesi kedua Internasional forum menghadirkan **lima ekonom muda (*young economist*)** untuk menyajikan gagasan-gagasannya. Mereka adalah para ekonom yang baru selesai menamatkan studi lanjutnya dan berusia di bawah 35 tahun. Para ekonom muda ini adalah:

- Dr. Iman Harymawan dari Universitas Airlangga alumni program doctoral *City University* Hongkong tahun 2016
- Dr. Mohammad Soleh Nurzaman dosen Fakultas Ekonomi dan Bisnis Universitas Indonesia, PhD ekonomi dari International Islamic University Malayisa (IIUM).
- Dr. Deden Dinar Iskandar dosen Universitas Diponegoro, mendapatkan PhD bidang Ekonomi Pembangunan dari University of Bonnn, Germany.
- Dr. Heni Kurniasih ialah peneliti senior di SMERU Research Institute, alumni University of Melbourne Australia
- Dr. Maman Setiawan dosen Universitas Padjadjaran menjabat sebagai Direktur *Centre for Economics and Development Studies* (CEDS), alumni Wageningen University Netherlands.

Sesi ini dimoderatori secara baik oleh ekonom muda yang telah berkiprah di berbagai lembaga internasional yaitu Dr. Della Temenggung, alumni Australia National University yang saat ini bekerja sebagai Senior Adviser di *Indonesia Partnership for Economic Governance (AIPEG)* Jakarta. ##

ARTICLE 1

Daya Ungkit Tabungan dan Investasi untuk Pertumbuhan

Hidayat Amir
Bisnis Indonesia, 8 Desember 2016, Peneliti Badan Kebijakan Fiskal

Dalam beberapa kali kesempatan di beberapa forum bersama para pengusaha, saya kerap ditanya apa yang akan dilakukan pemerintah untuk memacu pertumbuhan ekonomi. Suatu pertanyaan yang biasa. Namun dalam benak saya, pertanyaan ini mengandung kekurangtepatan. Maka biasanya saya menjawab bahwa sebetulnya para pengusaha lah yang lebih tepat untuk ditanya mengenai persoalan ini. Karena sebetulnya merekalah motor utama penggerak pertumbuhan perekonomian. Sedangkan, pemerintah hanya memiliki kontribusi sekitar 18% dari total yang dialokasikan dalam APBN. Memang betul pemerintah memiliki otoritas untuk membuat kebijakan untuk mengarahkan atau menggerakkan instrumen-intrumen dalam perekonomian. Tetapi tetap saja efektivitasnya sangat tergantung atas respon para pelaku ekonomi apakah mendukung atau tidak kebijakan yang diambil oleh pemerintah. Dampaknya sangat tergantung kepada respon pemegang kontribusi yang sebesar 82%, yaitu masyarakat termasuk para pelaku usaha.

Sebagai ilustrasi mari kita tilik kembali dokumen perencanaan pembangunan jangka menengah RPJMN 2015 – 2019. Untuk mencapai target pertumbuhan ekonomi sebesar rata-rata 7% pada periode tahun 2015 – 2019 dibutuhkan investasi untuk tumbuh rata-rata 10,2%. Dalam nominal, kebutuhan investasi dalam periode ini mencapai sebesar Rp26.558 triliun. Dari jumlah ini, diperkirakan pemerintah 'hanya' bisa berkontribusi sebesar Rp4.024 triliun atau setara dengan 15,2% dari total kebutuhan investasi nasional. Sisanya yang sebesar Rp22.534 triliun (84,8%) harus dikontribusikan oleh masyarakat.

Kebutuhan investasi dari masyarakat dimobilisasi melalui lima komponen, yaitu: (1) kredit perbankan sebesar Rp5.693 triliun; (2) luar negeri, baik dalam bentuk *foreign direct investment* (FDI) atau pun instrumen keuangan sebesar Rp4.070 triliun; (3) penerbitan saham hanya sebesar Rp734 triliun; (4) penerbitan obligasi sebesar Rp3.482 triliun; dan (5) dana internal masyarakat sebesar Rp8.555 triliun.

Permasalahan di sektor keuangan

Dengan target kebutuhan investasi dari masyarakat yang sedemikian besar, hal ini bukanlah target yang mudah untuk dicapai. Hal ini mengingat bahwa Indonesia masih memiliki berbagai persoalan di sektor finansial. Indonesia perlu bekerja keras untuk tiga hal: meningkatkan inklusi keuangan agar setiap lapisan masyarakat bisa terlibat dalam sistem keuangan, dan memaksimalkan pemanfaatan berbagai produk keuangan, serta meningkatkan efisiensi fungsi intermediasi sektor keuangan.

Dari data statistik terlihat bahwa dalam periode 2000-2015 secara rata-rata rasio tabungan terhadap produk domestik bruto (PDB) Indonesia hanya mencapai 27,6%. Rasio ini terbilang relatif rendah jika dibandingkan dengan beberapa negara ASEAN. Sebut saja, secara berurutan: Brunei Darussalam (50,6%), Singapore (45,5%), Vietnam (29,4%), dan

Thailand (28,1%). Rasio Indonesia hanya sedikit lebih tinggi jika dibandingkan dengan Cambodia (14.67%) dan Lao PDR (13.99%). Satu lagi yang perlu dicatat, tabungan di Indonesia juga didominasi dalam bentuk tabungan atau deposito berjangka pendek. Dalam kondisi seperti ini tentu *unfavourable* untuk mobilisasi dana masyarakat untuk membiayai kebutuhan investasi.

Data statistik juga menunjukkan bahwa pinjaman bank dalam bentuk kredit model usaha dan kredit investasi masih menjadi sumber pembiayaan yang dominan jika dibandingkan dengan sumber pembiayaan lain seperti obligasi korporasi dan penerbitan ekuitas. Pada tahun 2010, nilai *outstanding* pinjaman untuk modal usaha dan investasi mencapai Rp1.232,68 triliun. Angka ini jauh lebih tinggi jika dibandingkan dengan *outstanding* obligasi korporasi yang sebesar Rp115,35 triliun dan posisi modal yang dihasilkan melalui pembiayaan ekuitas (*IPO* dan *right issues*) yang hanya sebesar Rp73,46 triliun.

Jika dilihat dari sisi pertumbuhannya, nilai pembiayaan dari sektor perbankan dan pasar obligasi selama periode 2010-2015 mencatat angka yang cukup fantastis, masing-masing tumbuh 138% dan 117%. Sayangnya kondisi berbeda yang dialami di pasar modal, yang justru mengalami pertumbuhan negatif (-27%). Ini fakta yang menarik, semacam anomali, mengingat fakta bahwa biaya atas pembiayaan (*cost of financing*) yang berasal dari perbankan yang relatif tinggi.

Untuk membuat tabungan masyarakat dapat teralokasikan kepada investasi produktif dibutuhkan intermediasi keuangan yang dalam dan efisien. Pasar keuangan Indonesia masih belum cukup dalam jika dibandingkan dengan beberapa negara ASEAN. Jika dilihat dari rasio kredit domestik terhadap sektor swasta terhadap PDB, kedalaman finansial Indonesia jauh tertinggal. Walau pun mengalami kenaikan dari sebesar 17,65% (2000) menjadi 30,74% (2014), namun angka ini masih jauh di bawah Thailand 113,43% (2014), Malaysia 115,48% (2014), dan Singapore 127,07% (2014). Jika dilihat dengan indikator rasio kapitalisasi pasar saham terhadap PDB, Indonesia pun tertinggal. Pada tahun 2014, rasio kapitalisasi pasar saham terhadap PDB Indonesia hanya sebesar 40,33%, sementara Thailand 95,36%, Malaysia 139,36%, dan Singapore melejit jauh meninggalkan negara ASEAN lainnya dengan rasio sebesar 241,92%.

Pasar keuangan Indonesia juga masih tertinggal efisiensinya jika dibandingkan dengan negara-negara tetangga. Diukur dengan dua indikator, *net interest margin* (NIM) perbankan dan rasio beban overhead terhadap total aset perbankan maka didapati bahwa pada 2014 NIM Indonesia mencapai 5,49%, sementara Thailand 2,86%, Malaysia 1,77%, dan Singapore hanya 1,43%. Pada tahun yang sama, beban overhead terhadap total aset perbankan Indonesia mencapai 3,01%, jauh lebih tinggi dibandingkan dengan Thailand yang hanya 1,72%. Bahkan Malaysia dan Singapore beban overheadnya jauh lebih kecil yaitu 0,76% dan 0,69%. Makin rendah nilai NIM dan rasio beban overhead terhadap total aset mengindikasikan perbankan yang makin efisien dalam menjalankan fungsi intermediasi keuangan.

Tantangan kebijakan

Dengan berbagai permasalahan tersebut maka otoritas kebijakan baik otoritas fiskal maupun otoritas moneter perlu mengambil langkah-langkah perbaikan yang nyata. Untuk meningkatkan kapasitas pendanaan diperlukan strategi yang terintegrasi, strategi pendalaman yang mencakup pendalaman pasar, pendalaman institusi, pendalaman keahlian, dan pendalaman sektor.

Strategi pendalaman pasar dapat dilakukan antara lain dengan mendorong pengembangan pasar yang terintegrasi dan berurutan dari pasar uang hingga pasar derivative serta meningkatkan penempatan investor (terutama institusi) ke obligasi korporasi berdominasi Rupiah berjangka panjang. Strategi pendalaman institusi dapat dilakukan antara lain dengan mendorong program keuangan inklusif untuk meningkatkan penggunaan jasa keuangan serta memaksimalkan alternatif pembiayaan melalui lembaga non-tradisional. Sedangkan strategi pendalaman keahlian antara lain dengan meningkatkan kualitas SDM dalam bidang makro-finansial, ketenagakerjaan, mikro keuangan dan investasi. Strategi pendalaman sektor dengan melaksanakan inisiatif nasional untuk meningkatkan penggunaan pasar keuangan dalam pendanaan sektor ekonomi prioritas, e.g. dengan inisiatif *project bond* atau Efek Beragun Aset (EBA) untuk *pipeline* proyek infrastruktur.

Dengan berbagai strategi tersebut harapannya sektor keuangan semakin bergairah, semakin luas instrumen keuangan, semakin banyak pelaku bisnis di sektor keuangan baik dari hulu sampai ke hilir, sehingga diharapkan iklim kompetisi makin baik yang pada gilirannya akan meningkatkan kapasitas pendanaan dan juga efisiensi di sektor keuangan.##

ARTICLE 2

Pasar Keuangan & Pembiayaan Pembangunan

Andriansyah
Bisnis Indonesia, 8 Desember 2016, Pegawai Badan Kebijakan Fiskal

Ditengah *Trump effect* di pasar keuangan menunjukkan bahwa stabilitas sektor keuangan telah menjadi barang publik, bagian yang tidak bisa dipisahkan dari kehidupan perekonomian sehari-hari. Sektor keuangan berkontribusi dalam pertumbuhan ekonomi suatu negara melalui berbagai peran, seperti pendayagunaan tabungan domestik, pemanfaatan informasi, pengawasan melalui tata kelola perusahaan, pengurangan risiko, penyediaan pasar serta intermediasi keuangan, dan penyediaan modal (Levine 2005).

Kombinasi peran pertama dan terakhir mungkin menjadi paling penting dimana dana masyarakat yang pada umumnya bernilai kecil dikumpulkan dan kemudian disalurkan untuk pembiayaan investasi di sektor riil yang membutuhkan modal yang sangat besar, seperti proyek infrastruktur yang masih tertinggal. Ketertinggalan di bidang infrastruktur ini merupakan salah satu penyebab pertumbuhan ekonomi Indonesia belum dapat mencapai potensi optimalnya.

Akar permasalahannya adalah ketergantungan yang tinggi kepada APBN sebagai sumber utama pembiayaan infrastruktur. Walau tetap menjadi prioritas kerja pemerintah pusat, namun pembangunan proyek-proyek infrastruktur saat ini terkendala oleh keterbatasan ruang fiskal dalam APBN sehingga alokasi anggaran untuk pembangunan infrastruktur juga terbatas. Dalam konteks ini, peran aktif BUMN dan swasta sangat diharapkan kontribusinya dalam pembiayaan sebagian dari total kebutuhan investasi infrastruktur.

Struktur sistem keuangan Indonesia saat ini masih didominasi oleh sektor perbankan, baik itu sebagai sumber utama pendanaan maupun jika dilihat dari sisi besarnya aset. Akibatnya terjadi *maturity mismatch* bagi pembiayaan infrastruktur jika masih terus mengandalkan sektor perbankan karena umur kewajibannya sebagian besar jangka pendek. Sayangnya, sumber pembiayaan alternatif melalui instrumen pasar keuangan seperti obligasi juga masih belum dapat diandalkan karena masih didominasi oleh obligasi korporasi bertenor 3-5 tahun.

RI sebenarnya memiliki potensi sumber daya keuangan yang cukup besar. Data tahun 2015 menunjukkan tingkat tabungan kita berkisar 32% dari GDP, lebih tinggi dari rata-rata dunia (24%) serta negara tetangga seperti Malaysia (28%) dan Philipina (23%). Dengan tingkat investasi 35% dari GDP, kesenjangan tabungan-investasi Indonesia sebenarnya relatif rendah, yang mencerminkan kecukupan dana untuk membiayai kebutuhan investasi. Belum lagi jika melihat potensi dari sektor informal dan dana-dana warga negara Indonesia yang banyak diparkir di luar negeri.

Permasalahan utama tampaknya pada akses ke pembiayaan, baik itu melalui intermediasi keuangan maupun pasar keuangan. Disini peran perbankan dan pasar modal, terutama melalui instrumen keuangan berdenomiasi Rupiah, menjadi sangat penting dalam memobilisasi dana masyarakat. Pendalaman layanan keuangan dan pasar keuangan dengan demikian menjadi hal esensial untuk menjembatani permasalahan ini.

Pada saat yang bersamaan, regulasi pasar keuangan dalam rangka pendalaman pasar keuangan juga perlu dilakukan secara hati-hati. Studi terkini juga menunjukkan bahwa pada titik tertentu pendalaman pasar keuangan dapat berdampak negatif terhadap perekonomian, karena hubungan antara pertumbuhan ekonomi dan sektor keuangan ternyata menyerupai kurva berbentuk lonceng (Sahay *et al* 2015).

Titik kritisnya adalah ketika perilaku pengambilan risiko menjadi tidak terkendali dan ketika pasar keuangan terlalu dalam, yang dikenal dengan istilah "*too much finance*", dapat berdampak pada ketidakefisienan investasi terutama disebabkan oleh ketidaktepatan penyaluran dan lemahnya pengawasan penggunaan dana. Untungnya, Indonesia belum mencapai titik kritis tersebut.

Dengan nilai *Financial Development Index* sebesar 0,322 dan berada di peringkat 63 di antara 183 negara dunia, Indonesia masih berpotensi untuk melakukan pendalaman sektor keuangan yang berdampak positif terhadap pertumbuhan ekonomi. Reformasi struktural lanjutan di sektor keuangan masih diperlukan untuk menciptakan sektor keuangan yang kuat dengan fungsi intermediasi yang efisien.

Strategi pendalaman sektor keuangan perlu dilakukan secara utuh melalui pendalaman pasar, pendalaman institusi, pendalaman keahlian, dan pendalaman sektor. Meminjam argumen Paul Romer dalam tulisannya *the Trouble with Macroeconomics* (2016), Indonesia perlu merumuskan kebijakan di sektor keuangan yang dapat berjalan dengan baik melalui diagnosis dan tindakan seperti halnya di dunia kedokteran. Sektor keuangan harus menjadi pelayan, bukan majikan sektor riil.

Tantangan Sektor Keuangan

Secara umum, tantangan sektor keuangan Indonesia terletak pada dana berjangka pendek, terkonsentrasi ke sektor perbankan, keterbatasan produk, mahal dan tidak berorientasi ke investasi jangka panjang. Tantangan di sektor keuangan ini juga dipercaya berkontribusi dalam sulitnya Indonesia melepaskan diri dari jebakan negara berpendapatan menengah.

Indonesia membutuhkan tabungan yang bersifat jangka panjang sehingga mampu digunakan untuk pembiayaan jangka panjang. Isu utama adalah masih lemahnya daya dukung dari industri asuransi dan dana pensiun, baik itu sebagai bentuk tabungan jangka panjang maupun pemodal jangka panjang.

Perkembangan kedua industri tersebut masih cukup tertinggal jika dibandingkan dengan negara lain. Nilai total aset masing-masing industri hanya mencapai 7% dan 2% dari GDP di tahun 2015, sementara itu nilai asset rata-rata dunia sebesar 8% dan 11%. Industri dana pensiun Malaysia dengan *Employee Provident Fund*-nya misalnya sudah mencapai 58%.

Tabungan jangka panjang merupakan faktor terpenting dalam mendorong investasi jangka panjang dan pada akhirnya juga akan bermanfaat dalam pertumbuhan ekonomi Indonesia.

Dalam konteks stabilitas keuangan, penanaman dana masyarakat ke investasi jangka panjang oleh lembaga keuangan bukan bank ini akan lebih tangguh dalam menghadapai tekanan jangka pendek yang sering terjadi di pasar keuangan. Bagi pemerintah, tentu juga penting merancang reformasi sistem pensiun yang tidak memberatkan di masa mendatang.

Kunci utama dalam mendorong tabungan jangka panjang adalah adanya kewajiban skema pensiun untuk semua penduduk sebagaimana diterapkan di Singapura, Malaysia dan Chile misalnya. BPJS Ketenagakerjaan dan Taspen dapat dijadikan harapan dalam konteks ini. Tak kalah pentingnya adalah pola kebijakan investasi dana pensiun juga perlu diarahkan ke investasi jangka pandang. Adalah sesuatu hal yang sia-sia, jika dana pensiun dan asuransi masih berorientasi pada investasi jangka pendek seperti deposito atau surat utang negara. Disini kembali memerlukan peran sektor keuangan dengan fungsi intermediasinya yang efektif, selain pengembangan produk-produk investasi yang mampu memfasilitasi kebutuhan investasi jangka panjang ini.

Sekuritisasi aset, dimana aset yang tidak likuid ditransformasi menjadi aset likuid, menjadi hal yang menarik dalam konteks di atas. BUMN dapat menjadi motor dalam penerapan skema sekuritasi asset-aset infrastruktur. Dengan skema ini, proyek infrastruktur yang telah beroperasi dan mempunyai arus kas yang stabil dapat disekuritisasi untuk kemudian dana hasil sekuritisasi tersebut dapat diinvestasikan ke proyek infrastruktur baru.

Tulisan ini merupakan pendapat pribadi penulis dan tidak mencerminkan pendapat institusi dimana penulis bekerja.

ARTICLE 3

Asset Securitization for Infrastructure Financing

Adelia Pratiwi
Economist at Fiscal Policy Agency, Ministry of Finance
The Jakarta Post, 19 September 2016

After a sluggish growth period, the asset securitization market in Indonesia may see new potential to expand along with the new assets repatriated or declared through the tax amnesty scheme. A Rp 500 billion (US$37.6 million) transaction made in late August by state-owned Indonesian financier PT Sarana Multigriya Finansial to provide secondary mortgage financing services in cooperation with state-owned PT Bank Mandiri could attract the participation of other banks. Amid the slowdown in credit and state revenue growth, such deals could help cover the financing deficit, especially in regard with infrastructure development.

There are two structures of asset-backed securities (ABS): the collective investment contract (CIC) and the letter of participation (LP). The CIC is a basic structure of asset securitization that uses a concept similar to mutual funds in which an investment manager and custodian bank are authorized to manage collective investments. Other parties involved are the underwriters, rating agencies, credit enhancement, as well as the servicer that collects future payments. The CIC is more common because it can securitize all financial assets that generate cash flow potential, while the LP is limited to mortgages.

By their structure ABS themselves have many competitive advantages over other instruments both for the originator and the investor. For the originator, securitization of assets will not affect the financial position (off-balance sheet). Especially for banks, the implication is capital will not erode, the loan-to-deposit ratio will decrease and more varied sources of financing will be available. In term of infrastructure financing, the off-balance sheet feature will create higher lending capacity so even a leveraged state-owned enterprise (SOE) like PT PLN can participate.

Likewise, for investors, ABS can serve as a risk management tools as the instruments have a bankruptcy remoteness feature because the underlying assets would not be subject to confiscation as a result of a declaration of bankruptcy. Because of these features, the rating of the ABS could be higher than the originator. However, in addition to the supply and demand, the ABS price may also be influenced by other things, such as the allowance for contingency, insurance and options or swaps toward interest rate or currency exchange rate positions.

Since it was first launched in February 2009, the asset securitization market has only been used to facilitate secondary mortgage financing with only one user, PT Bank Tabungan Negara. Based on Presidential Decree No. 1/2008 on Amendment of Presidential Decree No. 19 of 2005 on Financing Secondary Housing, securitization is defined as a transformation of illiquid assets to become liquid by way of purchase of financial assets from originator and the issuance of ABS.

Despite the fact that secondary mortgage financing is the origin of the asset securitization market in Indonesia, securitization should be able to serve secondary financing for other sectors as well.

As a result of the single-company show, the ABS market size now is only around Rp 2.5 trillion, which is very low compared to the corporate bond market of Rp 270 trillion and the equity market of Rp 5.7 quadrillion. Similar to corporate bonds, ABS is only liquid at a maturity of up to 10 years. The biggest investors in the market are non-financial corporations, followed by financial institutions such as insurance, pension funds, banks and very small contributions from individuals, mutual funds, securities and others.

Based on a survey conducted in August 2016 by the Indonesia Stock Exchange, only about 10 percent of corporations, investment managers and investors have a great understanding of the ABS instruments, while about 90 percent are keen to learn more about these securities.

For corporations, a lack of information disseminated by regulators, the high cost of funds and limited clarity of legal and accounting treatments are indicated to be the impediments for more corporations to use this scheme. Add the fact that there is nearly no restriction to invest in ABS and some investors are still resistant because of tax treatments, secondary market performances and competing investment policy from stakeholders. Debottlenecking as well as product development by including sharia-compliant ABS were agreed by survey participants to be essential for the ABS market to take off.

Given the huge needs for infrastructure investment, ABS could potentially fill the gap. Of the types of assets subject to further regulatory support, the securitization of government-guaranteed debt securities and future receivables could be promoted. The former example is bonds issued by Indonesia Infrastructure Finance (PT SMI), whereas the latter example is the future cash flow such as from tolls, electricity bills, flight passenger service charge, and cargo sales charge. As the bonds have served retail investors well, with better socialization, retail investors should also have room to participate in the ABS market in the future. This way, Indonesia can reduce its reliance on the state budget for infrastructure financing.

ARTICLE 4

Mobilizing Pension Funds for Infrastructure

Adelia Pratiwi
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The Jakarta Post, 7 November 2016

The Indonesian government has recently encouraged pension funds including the Indonesian Workers Social Security Agency (BPJS Ketenagakerjaan) to take part in financing infrastructure projects carried out by state-owned enterprises (SOEs).

However, a workable scheme needs to be put in place. The Brazilian example of Standardized Infrastructure Bonds (SDIBs) could be one possible option. In term of infrastructure investment, pension funds can invest in two ways—directly and indirectly. However, allocation for both investment types is relatively small. For direct investment, BPJS Ketenagakerjaan for example, has not yet fully used the room it has to invest in infrastructure projects. Based on Presidential Decree No. 55/ 2015 on the asset management of BPJS Ketenagakerjaan, it can allocate up to 5 percent to direct investment from total assets. However, the current allocation is only 0.9 percent, with all of it going to property.

With respect to indirect investment, one potential investment option is the instrument of corporate bonds. However, the pension funds' investment allocation for corporate bonds is lower than that for bank deposits.

In fact, however, this is just not happening with pension funds. Insurance companies and haj trust funds are also investing in short term instruments. It is quite different from the worldwide trend. According to Global Pension Statistic, 90 percent of the pension funds in the world place their investment in bonds and stocks.

There are few explanation of why there is a lack of interest in corporate bonds. First, the market is not liquid. Based on the current data, corporate bond size in Indonesia is only around 2 percent of gross domestic product (GDP). From this small amount, only 13 percent is used to finance infrastructure projects. With a small market and not very active secondary market, investors are still reluctant to utilize such a financial instrument.

Starting 2017, a regulatory push is going to be applied to change this condition. Under Indonesia's Financial Services Authority (OJK) regulation No. 1/POJK.05/2016 on government bond investment, pension funds are required to allocate minimum 30 percent of their assets to buy government bonds. However, there is still a gap as corporate bonds are not given the same treatment. OJK has recently planned a revision for this regulation to also include infrastructure-related SOE bonds on the requirement which is expected to help filling the regulatory gap.

From the supply-side, the high cost of funds, as well as limited understanding has been the impediment of the corporate bond market growing. The fact that most issuers are financial companies makes the corporate bond market unattractive. Therefore, the issuance of

infrastructure sector-related bonds are expected to be able to further expand the corporate bond market.
Another structural barrier to pension funds investing in infrastructure is because of the fact that Indonesian investors are more familiar with corporate bonds than project bonds. Pension funds, for example, prefer bonds already listed on the stock market, which means it can only be issued by a company that meets certain profitability criteria. This is why it is difficult for green-field projects to attract buyers.

It is important to note that similar problems are also being faced by many pension funds around the world. However, Indonesia can learn the experiences of Brazil in mobilizing funds for infrastructure projects. The investment instrument, which is specifically designed to mobilize pension funds to infrastructure projects is called Standardized Infrastructure Bonds (SDIBs).

Based on a study by Japan Credit Rating Agency, pension funds should only invest in a particular stage of an infrastructure project, namely in the operation stage. However, the Brazilian government has adopted a concept that makes pension funds more comfortable to invest in from the beginning of the construction stage by addressing two main concerns.

First, by involving the banking sector to pay interest to bond holders during the construction stage for approximately five years, as projects have yet to generate income. In this way, the pension funds will still be able to justify their asset allocation because they will receive interest payments during the construction stage. It is also suitable for the current situation, where banks are not encouraged to provide long-term loan.

Second, utilization of the construction risk-sharing mechanism. Brazilian banks and insurers are also involved in providing a guarantee scheme so the high construction risk is not borne by the pension funds. This is possible by setting up a pool of Brazilian Treasury Bonds that they hold. So if there is anything wrong with the project, the pension funds are allowed to sell these government bonds. The amount of the government bonds is equal to the amount of cash injected into a project. When a project has begun its operation and is earning cash flow, it will pay back the interest paid by the banks during the construction stage.

With the interest payment during the whole life of the bonds included in the construction stage and guarantee on the principal, such a project bond can attract long-term investors. Such concept has received a positive response from long-term investors in Brazil. The project bond concept developed by Brazil is quite attractive and could be adopted by the Indonesian government in order to mobilize more long-term funds to finance infrastructure development.

ARTICLE 5

MEMBIAYAI INFRASTRUKTUR MELALUI PASAR KEUANGAN: FOKUS PADA OBLIGASI DAN EFEK BERAGUN ASET

Oleh: Dr. Ferry Irawan[1] dan Adelia Surya Pratiwi, MSc[2]

Info Risiko Fiskal, Edisi 2, Tahun 2016

Agar Indonesia dapat mencapai pertumbuhan ekonomi yang kuat[3] dan merata, investasi perlu ditingkatkan. Dalam perekonomian tertutup, peningkatan investasi dapat dilakukan dengan meningkatkan sumber pembiayaannya yaitu tabungan. Dengan berbagai dinamika yang ada di perekonomian global maupun domestik, terutama era suku bunga negatif di Negara-negara maju yang berdampak pada tren penurunan suku bunga di Negara-negara berkembang, diperlukan pendekatan eklektik untuk melihat bagaimana meningkatkan investasi melalui tabungan.

Untuk memetakan penggunaan tabungan domestik baik publik maupun swasta untuk berbagai kebutuhan investasi, misalnya untuk pembangunan infrastruktur sebagai sektor yang berhubungan langsung dengan pemerataan pertumbuhan ekonomi, perlu dilakukan karakterisasi tingkat tabungan berdasarkan kualitas atau kedalamannya serta pola pengelolaannya. Namun demikian, pemanfaatan tabungan domestik untuk mendanai kegiatan investasi dihadapkan pada tantangan tersendiri sehingga analisis peningkatan kapasitas tabungan termasuk dengan mobilisasi dana nasional yang diparkir di luar (*offshore*) diperlukan.

Beberapa tantangan bagi pembiayaan infrastruktur dewasa ini adalah (i) mahalnya biaya dana, (ii) kualitas tabungan, dan (iii) struktur ekonomi.

Pertama, tantangan mahalnya biaya dana. Pada saat ini tingkat deposito dalam perekonomian Indonesia masih relatif rendah dibandingkan dengan di negara negara lain, sebagaimana tercermin pada rasio deposito terhadap PDB. Namun di sisi lain, tingkat deposito yang relatif rendah tersebut hampir dimanfaatkan seluruhnya untuk kegiatan kredit dan telah mencapai kondisi *overlending*, sebagaimana tercermin pada tingkat *loan to deposit* yang melampaui 90%. Kedua faktor tersebut tentu menyebabkan sulitnya upaya untuk meningkatkan kegiatan kredit dan pinjaman untuk investasi tanpa menyebabkan peningkatan biaya dana/pinjaman yang cukup tinggi. Dengan melihat kondisi tersebut, maka dibutuhkan strategi baru untuk mendorong peningkatan deposit sebagai sumber pinjaman.

Relatif rendahnya tingkat deposito terhadap PDB di dalam negeri mengisyaratkan bahwa masih terdapat ruang untuk mendorong peningkatan deposit domestik yang besar. Salah satu upaya yang telah ditempuh pemerintah adalah program *Tax Amnesty*. Dengan program kebijakan ini, dana warga Negara Indonesia yang disimpan luar negeri, terutama

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yang merupakan hasil dari ekspor, diharapkan dapat ditarik kembali ke dalam negeri. Dalam kaitan ini, Pemerintah juga perlu menyiapkan langkah-langkah untuk menampung repatriasi aset dari kebijakan tax amnesty tersebut. Diversivikasi jenis instrumen investasi perlu disiapkan dan dikembangkan untuk disesuaikan dengan berbagai jenis *appetite* investor.

Penyebab tingginya biaya dana lainnya adalah sistem intermediasi dana. Seiring dengan masih besarnya porsi perbankan (58 persen dari total saham, obligasi, dan kredit perbankan) dalam perekonomian, perbankan memiliki keunggulan tersendiri karena dapat mengendalikan biaya dana di pasar. Apabila institusi keuangan lain bertumbuh, seperti dana pensiun dan asuransi, pengendalian harga ini seharusnya dapat dikurangi seiring meningkatnya permintaan untuk instrumen pasar modal oleh investor-investor institusi keuangan non-bank tersebut. Selain itu, *net interest margin* dan biaya *overhead* perbankan Indonesia juga relatif lebih tinggi dibandingkan dengan beberapa Negara di kawasan regional. Hal tersebut menunjukkan perlu ditingkatkannya efisiensi fungsi intermediasi yang dilakukan oleh perbankan.

Kedua, tantangan kualitas tabungan. Kualitas tabungan didefinisikan sebagai tabungan berdurasi jangka panjang. Untuk membiayai infrastruktur yang bersifat jangka panjang, dibutuhkan tabungan sebagai sumber pinjaman yang juga bersifat jangka panjang. Tabungan swasta Indonesia saat ini cenderung berjangka pendek dengan dominasi di jangka waktu deposito yang kurang dari satu tahun. Pada saat yang sama, instrumen pasar modal yang digunakan juga masih sedikit sebagaimana tercermin pada rendahnya kapitalisasi pasar saham dan obligasi terhadap PDB. Selain itu, mobilisasi tabungan juga terfokus pada perbankan, sedangkan peran IKNB sendiri (yang tercermin dalam aset IKNB per PDB) masih perlu ditingkatkan. Salah satu upaya yang sudah dibangung Pemerintah adalah membangun tabungan publik misalnya melalui BPJS Ketenagakerjaan dan PT Taspen. Namun, sebagian besar dana BPJS Ketenagakerjaan dan PT Taspen masih dalam bentuk *term deposit* jangka pendek.

Ketiga, tantangan struktur ekonomi. Perekonomian Indonesia masih diwarnai oleh dominasi sektor informal yang mencapai hamper 70 persen (bukan penerima upah). Strategi dan kebijakan yang tepat tentu dibutuhkan untuk dapat mendorong mobilisasi tabungan pada struktur ekonomi yang demikian. Berdasarkan data Badan Pusat Statistik di tahun 2015, pekerja yang merupakan penerima upah hanya mencakup sekitar 35 persen dari total pekerja. Hal ini tentu menjadi tantangan tersendiri bagi desain strategi dan kebijakan tabungan publik.

1. Pembiayaan Pembangunan Infrastruktur di Pusat dan Daerah

Kegiatan pembangunan infrastruktur merupakan salah satu isu pembangunan yang cukup penting. Terkait dengan isu tersebut, analisis kebutuhan investasi serta pendanaan (*funding*) dan pembiayaan (*financing*) bagi pembiayaan kegiatan investasi infrastruktur tidak hanya di pusat tetapi juga di daerah sangat dibutuhkan. Kegiatan *funding* mengacu pada sumber-sumber penerimaan pemerintah pusat dan daerah, baik yang berbasis Sumber Daya Alam (SDA) maupun non-SDA, sedangkan kegiatan *financing* terkait dengan besaran belanja yang tidak dapat didanai dengan penerimaan pemerintah pusat dan daerah. Kemampuan memetakan kedua hal ini berdasarkan sektor-sektor unggulan yang dimiliki daerah juga sangat penting untuk mengantisipasi dan mengidentifikasi adanya *financing gap*.

Di Pemerintah pusat, dokumen Rencana Pembangunan Jangka Menengah (RPJMN) menyatakan bahwa Indonesia diharapkan dapat menarik investasi infrastruktur sebesar Rp4.796 triliun di tahun 2015 sampai dengan 2019. Dari total ini, Total dana yang dibutuhkan untuk membiayai proyek strategis dalam jangka menengah Rp 2.870 T. Jumlah ini termasuk termasuk: 197 proyek dengan prioritas tertinggi dan 35 mega watt listrik dengan komposisi pembiayaan BUMN sebesar Rp778 T, dana APBN/APBD sebesar Rp388T, dan Swasta sebesar Rp1.696 T. Realisasi pembiayaan infrastruktur strategis ini per 9 Agustus 2016 menurut KPPIP adalah sebesar Rp8,4 T. Karena dana APBN terbatas, BUMN dan Swasta diharapkan berperan dalam pembiayaan infrastruktur.

Dari total kebutuhan, lebih dari 50 persen berasal dari Swasta sehingga dibutuhkan pengembangan system pembiayaan untuk menarik dana dari investor misalnya melalui pendalaman instrumen, pasar, dan skema pembiayaan). Repatriasi aset melalui program Amnesti Pajak juga diharapkan menjadi alternative pembiayaan melalui investasi langsung: Skema Kontrak Pemerintah dengan Badan Usaha (KPBU), Non-KPBU (Joint Venture, B2B partnership), serta investasi tidak langsung melalui pasar keuangan: penerbitan saham, obligasi, instrumen derivatif seperti Efek Beragun Aset (EBA).

Untuk infrastruktur di daerah, di Provinsi Yogyakarta misalnya, sektor unggulannya adalah pariwisata. Sektor pariwisata ini berkembang sangat pesat yang menyebabkan perlunya dilakukan dua kali revisi terhadap APBD Provinsi di tahun 2016 akibat target pertumbuhannya tercapai lebih cepat dari perkiraan. Strategi untuk membiayai investasi infrastruktur sebagai *enabler* di sektor pariwisata ini fokus terhadap penggunaan pendanaan internal daerah serta BUMN. Peran investasi dari swasta masih belum banyak dipertimbangkan di dalam APBD meskipun jumlah yang dibutuhkan dari sini lebih besar dibandingkan APBD. Belum besarnya investasi swasta disebabkan di antaranya oleh masih perlu ditingkatkannya pengetahuan Pemerintah Daerah terkait instrumen pembiayaan.

Beberapa instrumen pembiayaan yang dapat digunakan di luar APBD Yogyakarta dan BUMN adalah melalui tabungan, baik di perbankan maupun kepemilikan aset di pasar modal. Namun demikian, masih terdapat tantangan untuk menggunakan kedua instrumen ini. Adapun pembahasan dalam seminar ini lebih difokuskan kepada tabungan swasta.

Untuk utilisasi tabungan swasta di Yogyakarta, tantangannya adalah dominasi pembiayaan internal. Yogyakarta memiliki tingkat literasi keuangan cukup tinggi, yang tercermin dari tingginya jumlah kepemilikan rekening (4,6 juta) dibandingkan dengan jumlah penduduk sendiri (3,6 juta). Selain itu, interaksi penduduk terhadap sektor keuangan cukup tinggi, yaitu 27 persen dengan perbankan dan 7 persen dengan pasar modal. Hal ini tercermin dari jumlah institusi keuangan non-bank yang mencapai 800 perusahaan. Namun demikian, penyaluran tabungan swasta ke investasi dalam bentuk kredit masih perlu ditingkatkan, yang tercermin dari rasio *Loan to Deposit* di beberapa tahun yang hanya mencapai sekitar 60 persen atau lebih rendah dari rata-rata nasional. Beberapa faktor yang menyebabkan rendahnya penyaluran kredit investasi ini adalah masih besarnya porsi pendanaan internal bagi sektor usaha di Yogyakarta, sejalan dengan fakta bahwa sebagian besar usaha warga Yogyakarta merupakan bisnis keluarga.

2. Pengembangan Strategi Pembiayaan Jangka Panjang

Dengan sifatnya yang unik, di antaranya membutuhkan biaya yang besar di awal serta umur konsesi proyek infrastruktur yang rata-rata sangat panjang, investasi dalam proyek-proyek infrastruktur, termasuk pembiayaannya, perlu dirancang dengan baik agar memberikan manfaat sebesar-besarnya bagi perekonomian.

Namun demikian, dalam pasar keuangan Indonesia, pembiayaan berjangka panjang, seperti melalui obligasi, terutama obligasi korporasi, masih belum berkembang sehingga belum banyak dimanfaatkan oleh korporasi. Akibatnya terjadi *maturity mismatch* bagi pembiayaan infrastruktur yang masih didominasi oleh perbankan yang umur kewajibannya sebagian besar jangka pendek (misalnya instrumen deposito berjangka yang kurang dari satu tahun).

Meskipun demikian, dangkalnya pasar keuangan seyogyanya tidak menjadi penghalang untuk memulai penggunaan instrumen pasar modal seperti obligasi bagi pembiayaan infrastruktur maupun sektor strategis lainnya, seperti yang diterapkan di Filipina. Dengan perkembangan pengaturan di tingkat global, dimana bank tidak lagi diarahkan untuk pembiayaan jangka panjang, pengembangan pembiayaan jangka panjang sangat penting untuk diprioritaskan.

Strategi untuk meningkatkan kapasitas pendanaan jangka panjang adalah dengan meng-address isu permintaan, penawaran, infrastruktur, dan regulasi instrumen di pasar keuangan.

Pendalaman pasar (*market deepening*) dilakukan di antaranya dengan pengembangan melakukan sequencing terhadap instrumen-instrumen di pasar keuangan seperti pasar uang, pasar SPN dan pasar valas sebagai alat manajemen likuiditas jangka pendek bagi investor tertentu yang membutuhkan seperti investor asing yang terekspos currency mismatch serta pemegang obligasi jangka panjang, pasar obligasi Pemerintah, obligasi korporasi dan saham, serta Efek Beragun Aset (EBA). Di samping pasar obligasi Pemerintah, pasar obligasi korporasi terutama yang bertenor panjang perlu dikembangkan.

3. Fokus terhadap Obligasi dan Efek Beragun Aset

3.1. Obligasi Korporasi dan Obligasi Daerah

Salah satu instrumen yang memiliki potensi cukup besar adalah obligasi. Obligasi sangat penting sebagai complement bagi kredit perbankan yang masih dominan di sektor keuangan Indonesia. Obligasi memiliki kelebihan berupa kemampuannya untuk memobilisasi dana jangka panjang. Namun demikian, saat ini terdapat tantangan bagi obligasi korporasi.

Ukuran obligasi korporasi jauh lebih kecil dibandingkan dengan jenis aset sejenis yaitu obligasi Pemerintah. Selain lebih kecil, sebagian besar obligasi korporasi juga berjangka pendek (rata-rata dibawah 5 tahun). Sektor-sektor yang masuk ke pasar obligasi juga sebagian besar merupakan institusi keuangan. Meskipun hal ini juga terjadi di beberapa Negara lain, perhatian juga perlu diberikan terkait efek dari absennya sektor non-keuangan terhadap kemampuan obligasi untuk memobilisasi dana jangka panjang.

Selain dari sisi penerbit, obligasi korporasi sebagian besar berjangka pendek disebabkan oleh investor institusi jangka panjang seperti dana pensiun dan asuransi yang cenderung berinvestasi ke instrumen jangka pendek seperti *term deposit* yang rata-rata di bawah satu tahun. Kenyataan bahwa sebagian besar manajemen investasi di investor institusi non-bank dilakukan dengan cara yang belum optimal menyebabkan adanya tantangan mobilisasi dana jangka panjang oleh obligasi.

Strategi yang dibutuhkan adalah dari sisi *supply* dari instrumen ini yaitu penerbitnya termasuk BUMN, sementara di sisi *demand* dari instrumen ini yaitu investor termasuk Bank dan IKNB, serta faktor infrastruktur pasar dan regulasi obligasi korporasi. Dalam hal ini, Indonesia dapat mencontoh penerbitan obligasi korporasi bermata uang domestik di luar negeri, misalnya di Singapura atau Negara lain yang menjadi target repatriasi. Strategi tersebut telah diterapkan sebelumnya oleh Thailand.

Lebih lanjut dari sisi regulasi, untuk meningkatkan daya saing pasar obligasi korporasi, diperlukan regulasi yang netral antara obligasi Pemerintah dan obligasi korporasi misalnya, termasuk dalam kaitannya dengan aturan wajib investasi SBN oleh IKNB. Selain perlakuan pajak yang netral, meningkatkan daya saing instrumen dari sisi biaya dana bagi penerbit serta appetite investor dari segi risiko dengan skema penjaminan instrumen obligasi (bukan pada proyeknya), seperti yang dilakukan di Malaysia melalui Korporasi Danajamin juga penting. Salah satu opsi yang dapat dilakukan adalah perluasan mandat PT Penjamin Infrastruktur Indonesia.

Untuk meningkatkan partisipasi dari IKNB lebih lanjut, diperlukan insentif berupa pengecualian pendapatan investasi dari pajak, terutama untuk asuransi sebab dana pensiun sudah tidak terbebani jenis pajak ini. Selanjutnya, untuk menjangkau jenis investor lain seperti ritel dan individual, akses data dan informasi dengan kerja sama Indonesia Bond Pricing Agency (IBPA) perlu dibuka secara luas dan ditingkatkan kualitasnya agar pemahaman publik terkait instrumen ini semakin baik. Mulai dari peningkatan mobilisasi dana repatriasi, antisipasi *financing gap* di daerah, terlihat bahwa terdapat kebutuhan yang besar untuk mengembangkan instrumen dalam rangka memobilisasi tabungan ke investasi.

Terkait antisipasi *financing gap* di daerah, dapat dikembangkan instrumen obligasi daerah. Dari berbagai daerah di Indonesia, Yogyakarta dapat mencontoh provinsi Kalimantan Timur dan Jawa Barat yang telah mempersiapkan diri untuk menerbitkan obligasi daerah. Meskipun belum resmi diluncurkan, strategi persiapan perlu segera dilakukan oleh daerah-daerah lainnya. Beberapa yang harus disiapkan adalah peraturan pendukung hukum, serta dokumentasi dan pelaporan keuangan pemerintah provinsi untuk mempermudah *assessment credit rating* daerah. Mekanisme *risk-sharing* antara pemerintah provinsi, BUMN, konsumen, dan perusahaan penjamin (dalam hal obligasi berbasis proyek) perlu dirancang dengan baik. Selain itu, diseminasi informasi yang intensif termasuk ke penegak hukum dan auditor juga diperlukan.

Terkait dengan tantangan struktur ekonomi di sebagian besar wilayah di Indonesia, penerbitan obligasi untuk Usaha Mikro, Kecil, dan Menengah (UMKM) juga dapat dikembangkan. Namun langkah terseut membutuhkan kerja sama yang kuat antara Bank Indonesia sebagai otoritas yang bertanggung jawab atas pendampingan UMKM serta OJK sebagai pengawas lembaga keuangan mikro. Salah satu isu utama yang perlu dipersiapkan adalah upaya membadanhukumkan UMKM agar dapat dimonitor perkembangannya serta untuk keperluan perlindungan konsumen. Dalam kaitan ini, OJK mengusulkan agar UMKM dapat diarahkan ke bentuk badan hukum. Untuk UMKM dengan bidang usaha pembiayaan, dapat diarahkan untuk berbentuk Badan Perkreditan Rakyat (BPR) atau Lembaga Keuangan Mikro (LKM).

Di luar ketiga jenis obligasi, perlu juga dikembangkan instrumen lainnya yang sesuai dengan potensi yang ada. Namun investasi yang konvensional seperti *Build, Operate, Transfer* (BOT) juga perlu tetap dikembangkan untuk mengakomodir jenis investor jangka panjang tertentu yang memiliki *appetite* yang kecil terhadap instrumen yang diperdagangkan di pasar keuangan. Untuk meutilisasi potensi yang ada misalnya pendapatan yang diperoleh dari infrastruktur yang sudah terbangung (*brownfield*), dapat menggunakan instrumen seperti EBA. Contoh di Yogyakarta adalah sekuritisasi pendapatan sewa *space* di bandara baru (Yogyakarta International Airport) serta sewa lahan parkir di gedung-gedung Pemerintah. EBA dapat mempercepat pembangunan infrastruktur daerah dengan catatan sudah ada proyek yang menjadi *pipeline*.

Saat ini, Pemerintah c.q. Kementerian Keuangan, Bank Indonesia, dan Otoritas Jasa Keuangan melakukan kerja sama menyusun strategi peningkatan kapasitas pembiayaan jangka panjang nasional melalui Forum Koordinasi Pembiayaan Pembangunan melalui Pasar Keuangan (FK-PPPK). Tujuan utama dari forum koordinasi ini adalah untuk menciptakan alternatif pembiayaan jangka panjang bagi pembangunan. Di tengah likuiditas perbankan yang terbatas saat ini, beberapa instrumen di pasar keuangan yang didorong di antaranya adalah obligasi korporasi / obligasi proyek berjangka panjang, khususnya dalam kaitannya dengan proyek infrastruktur strategis.

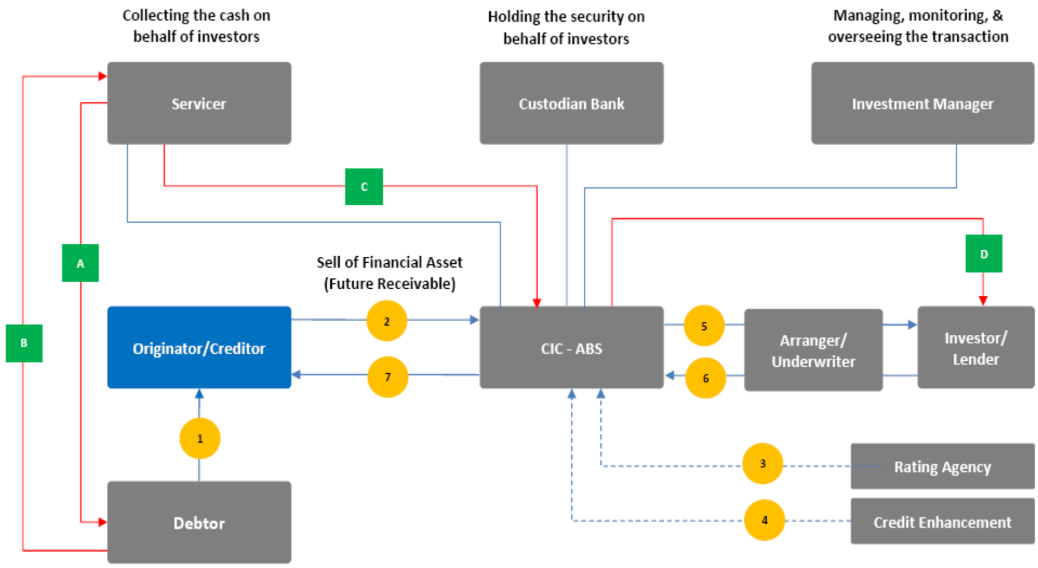
3.2. Efek Beragun Aset (EBA)

Dibandingkan dengan pasar obligasi korporasi, pasar Efek Beragun Aset jauh lebih kecil. Di tahun 2016, setelah beberapa lama mengalami pertumbuhan yang lesu, pasar Efek Beragun Aset berpotensi untuk kembali meningkat. Pada Agustus 2016, terjadi transaksi sekuritisasi aset Kredit Pemilikan Rumah (KPR) PT Bank Mandiri sebesar Rp500 miliar. Skema ini kemudian disebut-sebut menjadi peluang untuk mendorong momentum pembiayaan pertumbuhan ekonomi khususnya percepatan pembangunan infrastruktur.

Terdapat dua struktur EBA berdasarkan peraturan yang berlaku, yaitu Kontrak Investasi Kolektif (KIK) dan Surat Partisipasi (SP). KIK berdasarkan Peraturan Bapepam LK No. IX.K.1 adalah jenis EBA dasar yang menggunakan konsep yang mirip dengan reksa dana dimana terdapat Manajer Investasi dan Bank Kustodian yang berwenang melaksanakan pengelolaan investasi secara kolektif dan menjembatani originator (perusahaan pemilik aset yang disekuritisasi) dan investor. Pihak lain yang terlibat adalah underwriter, lembaga pemeringkat kredit/*rating*, lembaga penjamin, serta servicer (yang mengumpulkan pembayaran kredit misalnya). Di saat KIK lebih umum karena dapat mensekuritisasi Seluruh aset keuangan yang menghasilkan potensial arus kas, SP masih terbatas untuk KPR BTN dengan PT Sarana Multigriya Finansial (SMF) sebagai penerbit SP berdasarkan regulasi (POJK 23/POJK.04/2014).

Sejak pertama kali diluncurkan di tahun 2009, hanya ada satu jenis korporasi yang ada di dalam pasar ini, yaitu PT Bank Tabungan Negara dan PT Sarana Multigriya Finansial (SMF) selaku pengelola investasinya. Menurut PP Nomor 1 Tahun 2008 mengenai Pembiayaan Sekunder Perumahan, PT Bank Tabungan Negara disebut sebagai originator karena memiliki aset berupa KPR tadi sekaligus sebagai debitur yang akan menerima pembiayaan yang masuk ke yang dinamakan Kontrak Investasi Kolektif (KIK). Hal dimaksud diilustrasikan pada Gambar 2 berikut dengan keterangan Servicer: PT SMF; Originator/Creditor: PT BTN; CIC-ABS: PT SMF.

Gambar 2: Struktur EBA di Indonesia



Sumber: PT Danareksa Investment Management

Investor KIK-EBA sendiri terdiri dari sebagian besar korporasi, diikuti dengan institusi keuangan seperti asuransi, dana pensiun, sekuritas, dan lainnya. Besar pasar ini saat ini adalah Rp2,5 T dengan total penerbitan dari awal diluncurkan sebesar Rp5 T. Sama dengan obligasi korporasi di Indonesia, EBA hanya likuid di tenor hingga 10 tahun.

Harga dari EBA dari waktu ke waktu ditentukan oleh kualitas aset. Selain supply-demand pasar, kualitas aset juga dapat dipengaruhi oleh adanya beberapa hal seperti penyisihan piutang ragu-ragu, asuransi, jaminan atas tersedianya likuiditas pada jatuh tempo, serta opsi atau “swap” atas tingkat bunga atau atas nilai tukar mata uang asing. Implikasi: untuk meningkatkan harga EBA dari waktu ke waktu, diperlukan penjaminan yang misalnya dapat dilakukan oleh Pemerintah.

EBA sendiri dari sisi struktur memiliki banyak keunggulan kompetitif dari instrumen lainnya baik dari sisi originator maupun investor.

Bagi originator, sekuritisasi aset tidak akan mempengaruhi posisi keuangan, atau dengan kata lain *off-balance sheet*. Seperti bagi originator bank, modal yang tidak tergerus, LDR turun dan bank memiliki sumber pendanaan yang lebih variatif. Implikasi bagi pembiayaan infrastruktur: meningkatkan kapasitas kredit dengan meningkatkan jumlah BUMN yang dapat berpartisipasi sebagai originator. BUMN yang sudah sangat tinggi rasio *leverage*-nya seperti PT PLN juga dapat menerbitkan instrumen ini karena tidak mempengaruhi posisi keuangannya.

Di sisi yang sama, bagi investor, kualitas aset terjaga karena dengan demikian, risiko perusahaan (selaku originator) tidak terekspos ke dalam aset atau dengan kata lain terdapat fitur *bankruptcy remoteness*, dimana aset keuangan yang menjadi *underlying* EBA tidak dapat dikenakan sita umum sebagai akibat dari adanya pernyataan pailit.

Dari segi biaya, EBA termasuk murah sehingga seharusnya lebih banyak originator yang memanfaatkannya. Hal ini terkait dengan peringkat kredit dan risikonya yang bisa lebih tinggi dari originator.

Bentuk aset yang bisa di-EBA-kan adalah surat berharga komersial, tagihan kartu kredit, tagihan yang timbul di kemudian hari (*future receivables*), pemberian kredit termasuk kredit pemilikan rumah atau apartemen, Efek bersifat hutang yang dijamin oleh Pemerintah, Sarana Peningkatan Kredit (*Credit Enhancement*)/Arus Kas (*Cash Flow*), serta aset keuangan setara dan aset keuangan lain yang berkaitan dengan aset keuangan tersebut.

Namun demikian, dari jenis-jenis aset dimaksud, yang sudah dipergunakan baru satu jenis instrumen yaitu kredit pemilikan rumah (hanya untuk yang horizontal, belum vertical seperti apartemen) dengan satu originator, yaitu bank BTN. Hal ini kontras dengan kondisi bahwa kredit properti cukup besar proporsinya dalam neraca bank-bank komersial di Indonesia. Ruang pengembangan EBA yang terdekat adalah peningatkan partisipasi bank komersial lain untuk KPR-nya (karena mekanisme KPR yang sudah terlebih dahulu berjalan dan payung hukumnya sudah baik), seperti PT Bank Mandiri yang sudah melakukan sekuritisasi KPR. Selain itu, akan ada arah pengembangan ke penggunaan aset lain seperti piutang UMKM oleh PT Bank BRI.

Tantangan meningkatkan likuiditas pasar EBA di Indonesia adalah:
1. Likuiditas pasar yang rendah sehingga kurang menarik bagi investor;
2. Belum dimanfaatkannya berbagai jenis *underlying asset* di luar KPR, hal ini disebabkan oleh kurangnya ahli mengenai EBA di Indonesia;
3. Beberapa investor contohnya dana pensiun mendorong pembayaran bunga yang tinggi sehingga biayanya menjadi cukup mahal bagi originator;
4. Dukungan hukum: peraturan Bapepam LK dahulu memperbolehkan adanya pemanfaatan underlying asset di luar KPR, namun hal ini belum diakomodir di aturan saat ini, misalnya POJK 23/POJK.04/2014, POJK 20/POJK.04/2015 serta Perpres No. 1 Tahun 2008. Payung hukum yang lebih tepat sebetulnya adalah setingkat peraturan perundang-undangan, sebagaimana dahulu RUU Sekuritisasi pernah akan diajukan namun terhenti di tahun 2005.
5. Regulasi:

i. *Capital charge* dari instrumen EBA adalah 100% dari modal. Hal ini sangat mendiscourage investasi EBA oleh bank, padahal antarbank KPR dan non-KPR dapat dilakukan *cross-financing*.

ii. Pajak untuk transaksi EBA masih belum mengakomodir keunikan sistem EBA. Hal ini mencerminkan pemahaman otoritas yang masih perlu ditingkatkan. Saat ini transaksi EBA berbasis arus kas di masa depan dikenai pajak yang cukup besar yaitu 15 persen (Pajak Penghasilan/PPh final) atas jumlah arus kas tetap yang diterima oleh perusahaan yang berlaku sebagai KIK. Akibatnya, biaya pelaksanaan EBA ditambah beban pajak menjadi sangat tidak kompetitf dibandingkan dengan instrumen lainnya, seperti obligasi.

    Berdasarkan estimasi PT Danareksa Investment Management, besaran bunga EBA adalah 10 hingga 11 persen, sangat jauh lebih tinggi dibandingkan obligasi korporasi, misalnya untuk BUMN dengan rating lokal AAA sebesar 7 persen. Arah pengaturan yang diusulkan adalah (i) “menghilangkan sifat ‘*fixed*’ dari arus kas yang diterima KIK” atau (ii) melakukan amandemen terhadap peraturan undang-undangan. Di Pasal 4 Undang-Undang Nomor 36 Tahun 2008 Tentang Perubahan Keempat Atas Undang-Undang Nomor 7 Tahun 1983 Tentang Pajak Penghasilan, pemegang unit KIK bukan merupakan objek pajak.

iii. Kebijakan investasi untuk IKNB: Pada dasarnya, tidak ada restriksi investasi ke EBA untuk IKNB. Namun, untuk IKNB seperti dana pensiun, selain regulasi OJK, arah investasi dana pensiun (porsinya saat ini 10 persen) juga tergantung dari stakeholders, dalam hal ini pemberi kerja yang umumnya meminta *return* yang tinggi sehingga menjadikan EBA relatif mahal dibandingkan dengan instrumen lainnya.

Mempertimbangkan hal-hal tersebut di atas, penerbitan EBA dengan *underlying* piutang infrastruktur dalam rangka pembiayaan jangka panjang pada dasarnya dapat dilaksanakan. KPPIP mengindikasikan beberapa *future cashflow* yang dapat di-EBA-kan yaitu PT Jasa Marga (underlying asset: pendapatan tol), PT PLN (tagihan listrik), PT Angkasa Pura (*Passenger Service Charge*/PSC), Pelindo (*Ticket Sales Charge*/TSC, *Cargo Sales Charge*/CSC). Namun demikian, diperlukan suatu lembaga yang khusus didedikasikan untuk memastikan pembayaran piutang tersebut, mengingat sifatnya yang tidak kontraktual (tidak seperti KPR). Salah satu opsi yang dapat digunakan adalah penugasan PT SMI sebagai KIK. Sebagaimana diketahui, PT SMI akan menerbitkan *infrastructure bonds untuk* membiayai project *brownfield*, bonds ini dapat dijadikan *underlying* karena posisi PT SMI dengan demikian adalah perusahaan pembiayaan sekunder infrastruktur.

Namun demikian, perlu ditindaklanjuti hal-hal berikut:

1. Kepastian hukum dan regulasi bagi seluruh pihak yang terlibat: dibutuhkan konfirmasi dari OJK selaku regulator pasar modal dan institusi keuangan, Kementerian BUMN selaku regulator BUMN, serta Kementerian Keuangan.
2. Mendorong *national showcase project* sebagai *market maker*: originator (4 BUMN potensial untuk menjadi originator EBA), PT SMI, underwriter, investor (Asuransi dan Dana Pensiun), lembaga *rating* (lokal misalnya PT Pefindo), lembaga penjamin (BUMN misalnya PT PII, non-BUMN misalnya CIMB Group Malaysia), PT BEI selaku operator pasar modal, dan lainnya; dan

3. Diseminasi informasi yang dilakukan secara intens, misalnya mencontoh metode sosialisasi pelaksanaan hedging nilai tukar Rupiah terhadap mata uang asing oleh BUMN tahun 2015 lalu yang melibatkan auditor dan penegak hukum.

Karena struktur EBA yang cukup melibatkan birokrasi yang panjang, ke depannya dapat pula dikaji penggunaan mekanisme *trust*. Selain itu, untuk meningkatkan likuiditas, dapat pula dikaji penggunaan *regulatory push* untuk meningkatkan investasi IKNB ke KIK-EBA, khususnya infrastruktur, serta relaksasi peraturan perbankan mengenai holding EBA dalam portofolio perbankan.

3.3. Studi Kasus: EBA PT PLN Dan Lainnya

Terdapat potensi EBA dari BUMN infrastruktur, yaitu dalam hal ini PT PLN dan PT Jasa Marga. Beberapa jenis aset yang potensial disekuritisasi adalah *Future Cash Flow* (FCF) seperti abonemen listrik (dengan originator PT PLN), serta pendapatan tol (dengan originator PT Jasa Marga).

Dari ketiga jenis aset potensial yang diidentifikasi pada poin 3a di atas, yang paling memungkinkan untuk disekuritisasi dalam waktu dekat dengan menggunakan aturan yang berlaku saat ini adalah abonemen listrik. Hal ini dilihat dari segi kecocokan karakteristik instrumen dengan struktur EBA.

Beberapa karakter dari abonemen listrik yang menjadikan aset ini sangat potensial untuk disekuritisasi adalah:

1. Abonemen listrik tercatat sebagai piutang usaha PT PLN, dimana piutang usaha termasuk ke dalam salah satu jenis aset yang *eligible* untuk disekuritisasi berdasarkan peraturan Bapepam LK No. IX.K.1, yaitu “tagihan yang timbul di kemudian hari (*future receivables*)”. Karakter utama FCF untuk dikategorikan sebagai piutang adalah adanya perikatan hukum misalnya dalam bentuk perjanjian antara BUMN originator (kreditur) dan peminjam (debitur).
2. Prediktabilitas jumlahnya tinggi: pembayaran abonemen listrik tidak tergantung pada penggunaan daya listrik setiap bulannya. Selain itu, jumlah abonemen listrik ini umumnya selalu bertumbuh setiap bulannya. Piutang tidak tertagih dari abonemen listrik ini juga sangat kecil sehingga kualitas EBA dari piutang jenis bisa setara dengan rating lokal AAA.
3. Abonemen ini juga ditampung di dalam suatu rekening khusus (*escrow account*) sehingga lebih siap apabila nantinya akan dialihkan kepada KIK-EBA.

Besaran piutang usaha PT PLN dari abonemen listrik ini adalah Rp5,7 triliun per bulan yang dihitung berdasarkan jumlah kilo watt per jam (kWh) yang dihasilkan dari pembangkit listrik.

Sekuritisasi jenis FCF lainnya dengan demikian dapat dilakukan sepanjang memiliki fitur-fitur yang mirip dengan yang dimiliki abonemen listrik sebagaimana dijelaskan pada poin 3c(ii) di atas. Namun demikian, beberapa kendala yang telah diidentifikasi di bab sebelumnya akan tetap menjadi isu bagi sekuritisasi abonemen listrik ini terutama mekanisme *off-balance sheet*. Di kasus PT BTN yang melakukan sekuritisasi KPR-nya, perlakuan *off balance sheet* dilakukan dengan aturan akuntansi tertentu dimana PT SMF membeli residual claim atau aset dengan kualitas terendah dari KPR tersebut. Karena bagian kredit macet dari total KPR sudah dihilangkan dari neraca PT BTN, PT BTN dapat mengeluarkan seluruh komponen KPR yang disekuritisasi.

Apabila di kasus sekuritisasi abonemen listrik terdapat lembaga sejenis PT SMF, lembaga tersebut dapat membeli *residual claim* dari PT PLN terkait piutang abonemen listrik tersebut sehingga dapat dikeluarkan dari neraca PT PLN. Alternatif lainnya, adalah PT PLN memberikan aset tambahan dalam bentuk kas ke EBA dimaksud sehingga permasalahan dalam penagihan dapat diserap dahulu oleh aset tambahan ini. Salah satu bentuk aset tambahan ini yang telah diterapkan sebelumnya oleh PT Bank Mandiri untuk kasus sekuritisasi KPR adalah obligasi Pemerintah yang dimilikinya.

Beberapa aset lain yang potensial dan mirip dengan fitur yang dimiliki oleh abonemen listrik adalah piutang dari sewa kios di *airport* (dengan originator PT Angkasa Pura) karena terdapat perikatan hukum dengan penyewa/*tenants*.

Sedangkan untuk sekuritisasi aset pendapatan tol maupun hak konsesi PT Jasa Marga dalam jangka pendek belum dapat dilaksanakan karena adanya isu kejelasan dukungan hukum. Pada dasarnya karena prediktabilitasnya tinggi, OJK menilai bahwa pendapatan tol cukup potensial untuk disekuritisasi sudah tercatat sebagai *intangible asset* dengan besaran sekitar Rp 22 triliun di neraca PT Jasa Marga. Isu yang perlu didiskusikan adalah bagaimana destrukturisasi aset (hak konsesi) ini sedemikian hingga hak yang beralih ke KIK-EBA nantinya hanya hak penagihan pendapatan tol saja ke konsumen. Sedangkan hak terkait operasional jalan tol tetap menjadi tanggung jawab PT Jasa Marga.

Struktur ini mencakup konfirmasi besaran potensi abonemen untuk disekuritisasi, pihak mana dan dokumen apa saja yang perlu disiapkan (misalnya analisis *due diligence* untuk pihak independen seperti *rating agency*, investor, dan lainnya). Desain struktur KIK-EBA dengan basis abonemen listrik dari PT Danareksa Investment Management dan PT BEI ini nantinya akan menjadi referensi bagi perumusan rekomendasi kebijakan kepada pimpinan terkait di Kementerian Keuangan.

Selain itu, dalam jangka menengah, apabila implementasi EBA akan diperluas ke arah jenis lainnya di luar abonemen listrik, dapat diambil langkah-langkah berikut:
1. Sosialisasi instrumen KIK-EBA kepada BUMN infrastruktur, manajer investasi, serta investor, baik institusi maupun ritel.
2. Memperbaiki *price discovery system* dengan menciptakan *benchmark* untuk KIK-EBA (yang dimulai dengan KIK-EBA berbasis abonemen listrik)
3. Untuk mengakselerasi proses pengembangan KIK-EBA, perlu dibentuk bentuk *taskforce* nasional yang di-*lead* oleh Pemerintah.

***

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