



Development Cooperation Between Indonesia and The Islamic Development Bank 2016-2020

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OUTLINE

- MACROECONOMY
- GOVERNMENT PRIORITIES AND DEVELOPMENT STRATEGY
- COOPERATION BETWEEN GOVERNMENT AND THE IDB



MACROECONOMY

- Indonesia is the 16th largest economy in the world and the largest OIC economy, with a gross domestic product (GDP) of US\$889 billion (2014). As a G-20 member, Indonesia is playing key role in the global development agenda and promoting South-South Cooperation.
- Under RPJMN (2015-2019), there are several macroeconomy indicator, achieving :
 - GDP growth of 8% (from a 2014 baseline of 5.1%);
 - improving human development index (HDI) from 73.8 to 76.3;
 - reducing poverty rate from 10.96% to 7.0 - 8.0%,
 - bringing down unemployment to 4 - 5%, and
 - reducing income inequality (i.e. the Gini index from 0.41 to 0.36) by 2019.
- Further, plans to address regional disparities through interregional equitable development.



The National Development Plan of Indonesia for 2005-2025 (RPJPN) Law No.17 Year 2007

The Vision and Mission of National Development for 2005-2025 are:

“Indonesia That is Self-Reliant, Advanced, Just, and Prosperous”



Direction of The 2005-2025 Long Term Development are:

1. Realizing a society that has a noble character, sound moral and ethical values, and that is cultured and civilized;
2. Realizing a nation that is competitive;
3. Actualizing an Indonesia that is democratic based on the rule of law;
4. Realizing Indonesia that is secure, peaceful, and united;
5. Realizing development that is more equitable and just;
6. Realizing Indonesia that is comfortable and sustainable;
7. Realizing an Indonesia as a self-reliant, advanced, strong archipelagic nation on the basis of the national interest;
8. Realizing an Indonesia that has an active role in international relations.

TRISAKTI AND NAWACITA

VISION: REALIZING AN INDONESIA AS AN SOVEREIGN NATION, SELF-RELIANT AND STRONG PERSONALITY THAT IS BASED ON MUTUAL COOPERATION

7 MISSIONS

National security that is able to maintain the sovereignty of the nation, sustain the economic independence by securing maritime resource, and reflect the personality of Indonesia as an archipelago nation.	Advanced society, balance and democratic that is based on law nation.	Independent and active foreign policy as well as strengthening its identity as a maritime nation	The quality life of Indonesian people that is high, advacend, and prosperous.	Competitive nation	Indonesia becomes an maritime nation that is independent, advanced, based on the national interest	Society that has strong personality and cultured.
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NAWACITA – 9 Priority Agendas

Will bring nation to protect the people and provide security to all citizens	To build good governance that is clean, effective, democratic, and reliable	To develop Indonesia from borders by strengthening areas and villages in the context of United Nation	To reject weak nation by conducting law enforcement system reform that is hat is free of corruption, have dignity, and reliable	Will improve the quality life of Indonesian people through: Smart Indonesia Smart (<i>Indonesia Pintar</i>), Healthy Indonesia (<i>Indonesia Sehat</i>), Indonesia Work (<i>Indonesia Kerja</i>) and Prospereous Indonesia (<i>Indonesia Sejahtera</i>)	Will improve the people productivity and the competitiveness in the international market	Will realize the economic independence by accelerating domestic economic strategic sectors	Will conduct nation character revolution	Will reinforce the United and strengthening social restoration
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POLITICS SOVEREIGNTY (12 Action Program - 115 Main Priorities)			ECONOMIC INDEPENDENCE (16 Action Program)			STRONG PERSONALITY IN CULTURE (3 Action Program)		
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<ol style="list-style-type: none"> To build a foreign political prestige and reposition Indonesia's role in global issues (4) To strengthen the national defence system (4) To build political in security and community peaceful (8) To realize the national intelligent proffesionalism Mewujudkan profesionalitas intelijen negara (7) 	<ol style="list-style-type: none"> To build openness in information and public communication (7) To reform the democracy system and institutional (6) To strengthen decentralization politic and regional autonomy (11) To dedicate to village empowerment (8) 	<ol style="list-style-type: none"> To protect and promote the rights of indigenou peoples (6) Women empowerment in politics and development (7) To realize the system and law enforcement justice (42) To conduct bureaucratic reform and public services (5) 	<ol style="list-style-type: none"> To dedicate to the development of human resource quality To build food sovereignty that is based on democracy agribusiness (<i>agribisnis kerakyatan</i>) To dedicate to the development of energy sovereignty that is based on the national interest. To optimize the natural resources through 7 steps and to build regulation that require CSR and /or stock for loca /around mine, strengthening the capacity of national entrepreneurs (including local miners) in the management of sustainable mining. 	<ol style="list-style-type: none"> To build labor empowerment To build financial sector based on national Strengthening domestic investment To strengthen the fiscal capacity To build infrastructure 	<ol style="list-style-type: none"> To build maritime economic Strengthening forestry sector To build spatial and sustainabile environment To build the balanced regional development To Build character and the potentialof tourism To enhance the capacity of national trade To enhance manufacturing industry 	<ol style="list-style-type: none"> Commitment to realize education as a means to national character building 	<ol style="list-style-type: none"> To strengthen the United of Indonesia and social restoration 	<ol style="list-style-type: none"> To build the soul of the nation through the empowerment of youth and sport
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Development Strategy of Medium Term National Development Plan 2015-2019 (RPJMN) Presidential Decree No.2 Year 2015

“Indonesia That is Sovereign, Independent and Personality based on Mutual Cooperation”

DEVELOPMENT NORM

- 1) Development for human beings and community;
- 2) Effort to increase welfare, prosperity, productivity should not lead to create a wider gap;
- 3) Main focus is addressed to increase the productivity of middle-lower society, without preventing, hampering, lowering, and reducing the flexibility of major actors to continue to be an agent of growth;
- 4) Development activity should not harm and decrease the environmental support and the balance of ecosystem.

3 DEVELOPMENT DIMENSION

HUMAN DEVELOPMENT DIMENSION

Education

Health

Housing

Mental / Character

MAIN SECTOR DEVELOPMENT DIMENSION

Food Sovereignty

Energy and Power
Sovereignty

Maritime and Marine

Tourism and Industry

TERRITORIAL AND EQUITY DIMENSION

Among Group of
Income

Among region:
Village, Borderland,
Outside Java, East
Region

NECESSARY CONDITION

Law Certainty and
Enforcement

Security and Peaceful

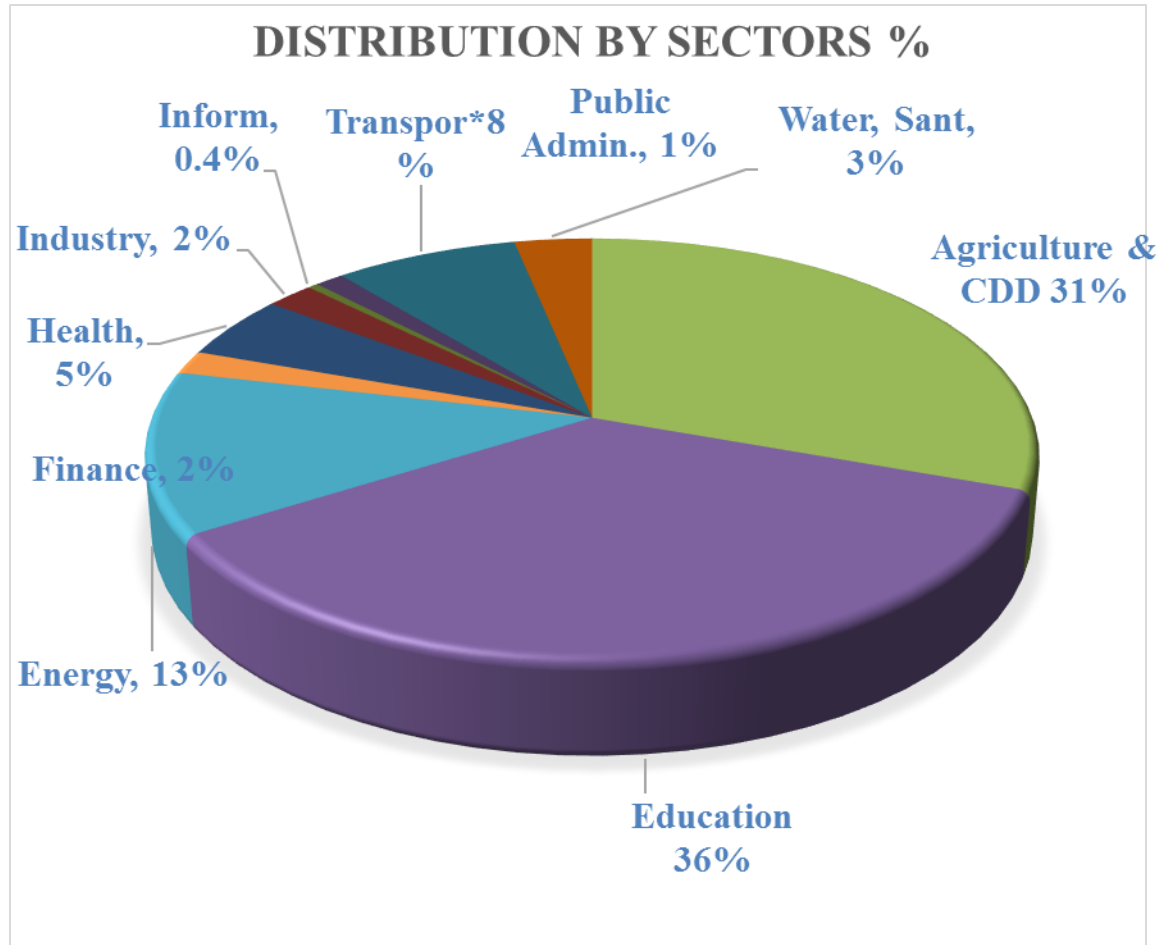
Politics and
Democracy

Governance and
Bureaucratic
Reform

QUICK WINS AND OTHER CONTINUED PROGRAMS



IDB Comparative Advantages



The dominant sector between the Gol and the IDB are education sector (36%) and CDD (31%)

Source: Review Sector Distribution of IDB



Focus Area of Cooperation with The IDB in 2016-2020

Based on Member Country Partnership Strategy (MCPS) for Indonesia 2016-2020



Supporting Smart, High and Inclusive Growth

Thematic Area 1 Reducing Regional Disparities

Energy

Transport

Urban Development

Higher Education and
Skills Development

Private Sector
Development

Thematic Area 2 Deepening of Islamic Financial Industry

Supporting Financial
Sector Regulators and
Supervisors

Strengthening Islamic
Microfinance Sector

Supporting Islamic
Financial Institutions (incl.
Zakat and Waqaf)

Capacity Building

Thematic Area 3 Supporting Regional Integration

Expanding Reverse
Linkages

Supporting Existing
Regional Integration
Programs



Thematic Area 1

Reducing Regional Disparities

ENERGY

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- Achieve electrification ratio of 97%
- Development of an additional 35 GW in addition to the ongoing construction of 7.4 GW
- Enhance Transmission Capacity by 108 GVA

IDB Group Intervention Areas

- Installation of new generation capacity (coal and/or renewable)
- Facilitate supply and installation of Transformers to support expansion and strengthening of Transmission Network
- Expansion and strengthening of Distribution Network to increase accessibility



Thematic Area 1

Reducing Regional Disparities

TRANSPORT

Plan for Achievement

Gol Development Plan Targets (RPJMN 2015-2019)

- Development of 2,650 km of new regional and national road
- Increase road capacity of 4,200 lane-km
- Improvement of existing road capacity to 1,807 km
- Development of 1,000 km new toll road and preserve the current roads
- Build and expand 15 new airports and 9 cargo airports
- Build docks of lake and river crossings in 120 locations, 65 ports, and 50 units of new vessels

IDB Group Intervention Areas

- Local and Regional Road Networks
(Development of trans South-South eastern Java Regional Roads, National Road Improvement in South and West Kalimantan, Road Improvement in Sulawesi Island and Major Cities)
- Airport and Port Development (PPP)



Thematic Area 1

Reducing Regional Disparities

URBAN DEVELOPMENT

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- Achieve '100 – 0 – 100' (100% access to clean water, 0% slum, and 100% access to proper sanitation)
- Provide centralized wastewater infrastructure systems in 430 cities/districts (serving 33.9 million)
- Develop communal wastewater treatment in 227 cities / districts (serving 2.99 million)
- Improve waste management in 409 cities/districts

IDB Group Intervention Areas

- Sanimas Phase II
- Regional Sewerage System Development
- Construction and operation of waste water collection, treatment and disposal facilities
- Implement neighborhood and urban slum neighborhood improvement activities in urban wards/villages



Thematic Area 1

Reducing Regional Disparities

HIGHER EDUCATION AND SKILLS DEVELOPMENT

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- Increase access to quality and relevant higher education (gross enrolment rate) from 29.2 % in 2014 to 36.7% in 2019.
- Improve the higher education and training index from 64 in 2014 to 56 in 2019.
- Improve the human development index from 73.8 in 2014 to 76.3 in 2019.

IDB Group Intervention Areas

- Develop and upgrade national higher education institutions
- Support skills development programs for teaching and management of the institutions
- Establish center of excellencies
- Support Science and Techno Parks
- Develop and upgrade Vocational Training Centers and review and develop curricula for the VTCs
- Finance state of the art equipment
- Support on-job-training and apprenticeship programs
- Support R&D



Thematic Area 1

Reducing Regional Disparities

PRIVATE SECTOR DEVELOPMENT

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- GOI plans to fill the 36% of infrastructure funding gap via private sector (incl. PPP) investments
- GOI plans to increase the role of private sector particularly in generating investments, creating employment opportunities and fostering innovation

IDB Group Intervention Areas

- Provide lines of financing to banks
- Support innovative trade finance products such as Structured Trade Finance
- Provide focused corporate investments in priority sectors such as agriculture, education, health and power
- Support export/import credit insurance business activities and provide political risk insurance for foreign direct investment
- Partner with banks and hence enabling MSMEs and Cooperatives to benefit from various financing
- Advisory on Hajj savings and management infrastructure



Thematic Area 2

Deepening of Islamic Financial Industry

ISLAMIC FINANCIAL INDUSTRY

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- Build strong Islamic financial sector
- Enhancing access to financial services including Islamic Finance from 4.12% in 2014 to 25% in 2019
- Develop sustainable livelihood for the poor through Islamic microfinance institutions

IDB Group Intervention Areas

- Assist in implementing the “Master Plan” for Islamic Finance Industry
- Establishing an Islamic microfinance Apex institution
- Establishment of an Islamic Inclusive Financial Services Board (IIFSB) and Assist in developing the Best Core Principles for Awqaf and Islamic microfinance
- Establishment of OJK Microfinance Center
- Assist Pilot Project on Integration of Zakat in CDD
- Training for Association of Islamic Banks
- Jointly develop book on BMTs with Universitas Sumatra Utara and OJK; and another on Islamic Monetary System jointly with Universitas Islam Sultanagong and Bank Indonesia
- i-FSAP: Undertaking a pilot project for the Islamic Financial Sector Assessment Program



Thematic Area 3

Supporting Regional Integration

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- GOI to consolidate all activities to position Indonesia as a middle income country by positing it as a leading contributor to global development particularly among developing countries through its framework of South-South and Triangular Cooperation (SSTC)
- GOI to support IDB Reverse Linkage (RL)

IDB Group Intervention Areas REVERSE LINKAGES

- RL programs in agriculture, poverty reduction, energy and mining, governance on fiscal and macroeconomic management, disaster risk management, and science and technology in IDB member countries.
- Coordinate with Center of Excellence (COEs) and other stakeholders for RL programs.



Thematic Area 3

Supporting Regional Integration

Plan for Achievement

GoI Development Plan Targets (RPJMN 2015-2019)

- Indonesia introduced the establishment of ASEAN Economic Community (AEC) by 2020, which was later revised in 2015 and to be effective by the beginning of 2016. In order for the AEC to be successful, deeper intra-ASEAN integration is required, and for Indonesia, being the biggest economy in ASEAN, plans to take a leading role.

IDB Group Intervention Areas REGIONAL INTEGRATION

- Support regional integration initiatives in the ASEAN region under existing platforms of IndonesiaMalaysia-Thailand Growth Triangle (IMT-GT) and Brunei Darussalam – Indonesia - MalaysiaPhilippines East ASEAN Growth Area (BIMPEAGA).
- Support to development of cross border roads, ports, airports, energy transmission
- Support capacity development for provincial planners



Others

Based on IDB pipeline projects 2016-2020, propose additional two sectors of IDB's intervention, namely **Health Sector and Agriculture Sector.**



MINISTRY OF NATIONAL DEVELOPMENT PLANNING/
NATIONAL DEVELOPMENT PLANNING AGENCY



THANK YOU