



Republic of Indonesia



Infrastructure Development Strategies In Indonesia

by

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The Government Objectives

1. Unemployment rate decreases from 9.7% in 2004 to 5.1% in 2009
2. Poverty rate decreases from 16.6% in 2004 to 8.2% in 2009

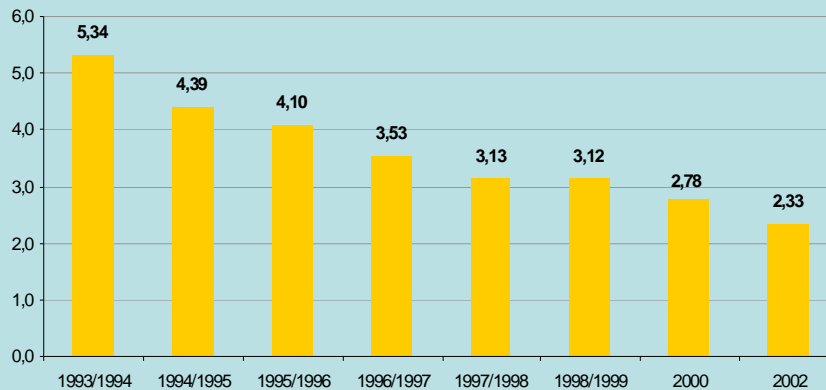
To achieve these targets, the economic growth needs to accelerate from about 5% in 2004 to 7.6% in 2009, so the average economic growth will achieve 6.6% per year

To support the economic growth 6.6% annually Investment Ratio to the GDP should be increased from 20.5% in 2004 to 28.4% in 2009

Trend of Infrastructure Expenses in Indonesia is Declining



Indonesian Infrastructure Expenses (% of GDP)

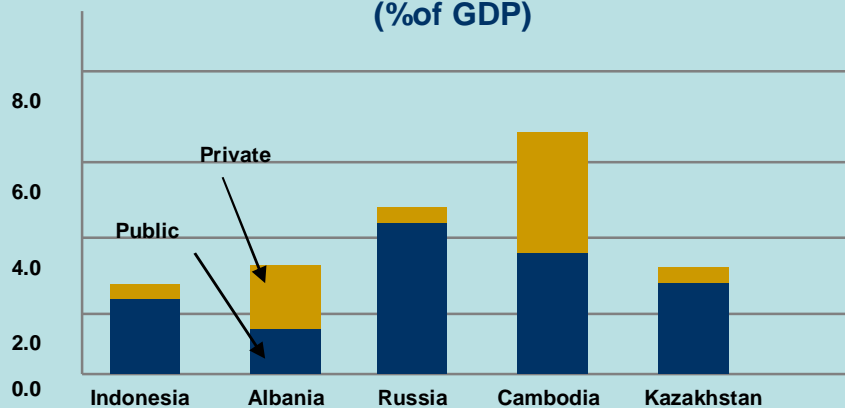


n In 1993/1994, Infrastructure Expenses in Indonesia reached 5.34% of the total GDP, and in year 2002 was only 2.33% of the total GDP.

n To reach the GDP's growth at 6.6% per year, it needs the infrastructure funding at 5% per year of the total GDP (not including O&M).

n Compare to the other developing countries, Indonesia has the lowest infrastructure service coverage and private participation in infrastructure development is not significant

Other Countries Infrastructure Expenses (% of GDP)



Source: World Bank 2004

Infrastructure Condition

Compared to other developing countries,

Indonesia has relatively low level of infrastructure service coverage, for instance: water supply (39% of urban population), road density level (1,6 km/1000 people), electricity consumption (319 kwh / capita) with 45% of households are not connected to electricity, urban sanitation service (3%), fixed line teledensity (only 27 lines per 1000 people), and many more.



Several constraints to be addressed are :

1. Low quality of services
2. Limited coverage
3. Unsustainable services
4. Lack of fairness and transparency in tariff policy
5. Bias and inconsistent regulatory framework
6. Uncertainty in land acquisition
7. Limited infrastructure funding capacity

Telecommunications

Telecommunication Service Teledensity Comparison
Fixed Lines Per 1000 Population between 1996 - 2000

No	Country	Fixed Line	Mobile Line	GDP per capita - US\$
1	India	23	2	430
2	China	73	27	762
3	Indonesia	27	8	822
4	Malaysia	195	123	3997
5	Phillippines	33	36	1050
6	Thailand	84	38	2310
7	Pakistan	21	2	469
8	Srilanka	27	11	815

Sourcer : World Development Indicators, 2002 The World Bank, Washington D.C



Toll Roads

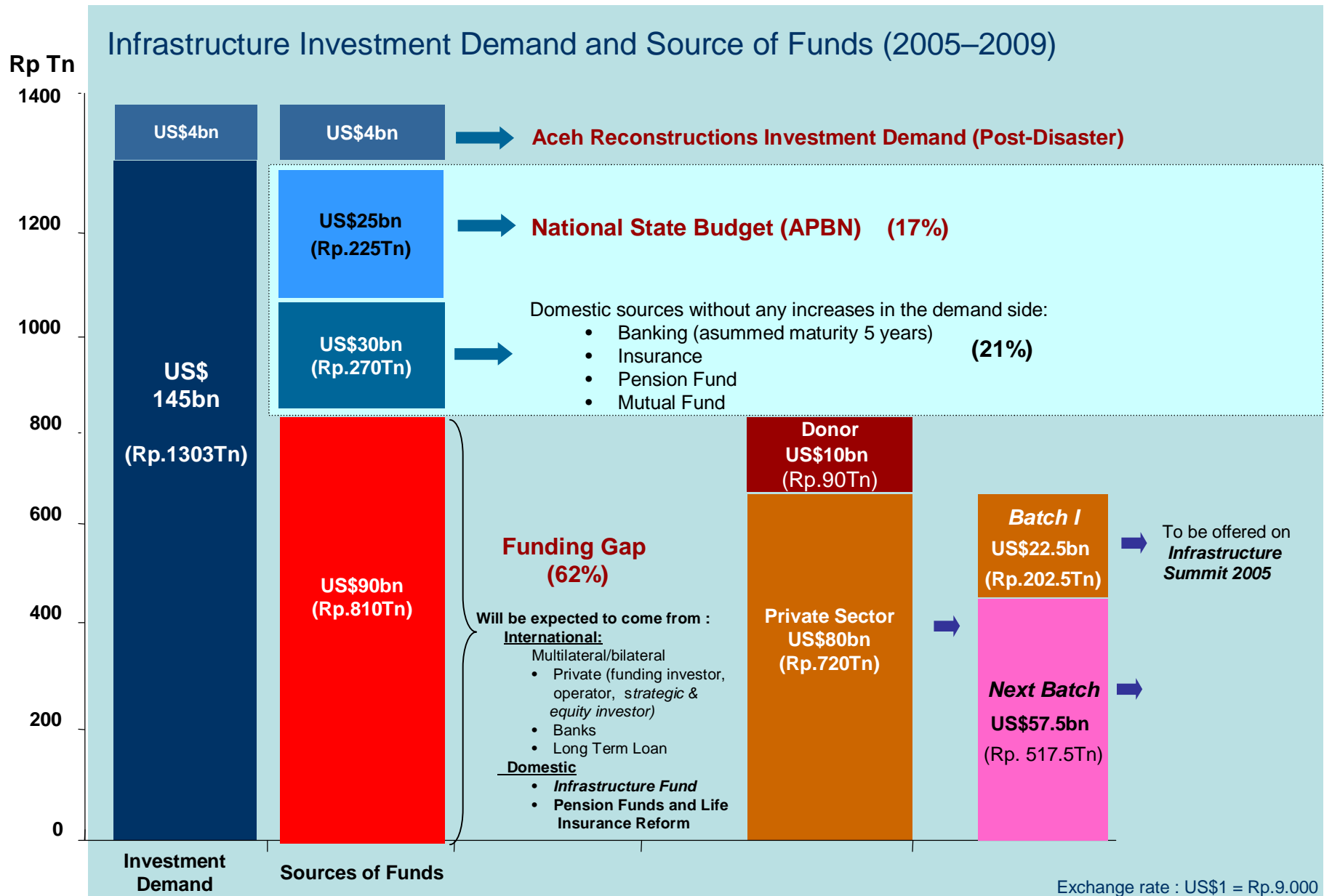


Operating Toll Road Comparison in Several Countries

Country	Length of Operating Toll Road (Km)
Argentina	197
China	4,735
Indonesia	562
Malaysia	1,127
The Philippines	168

Source: Bappenas, 2003

Investment Needs



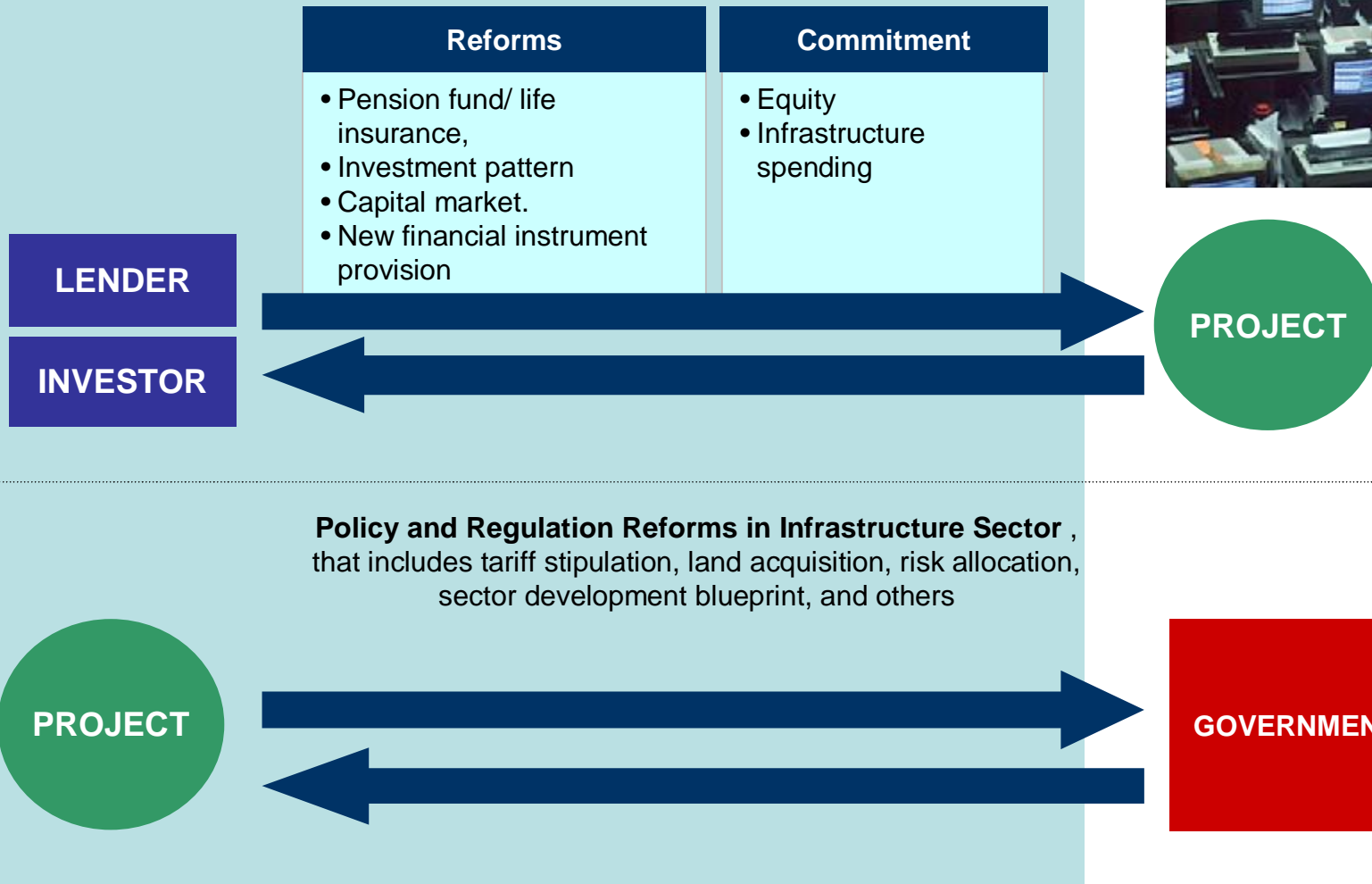
Short Term Strategy

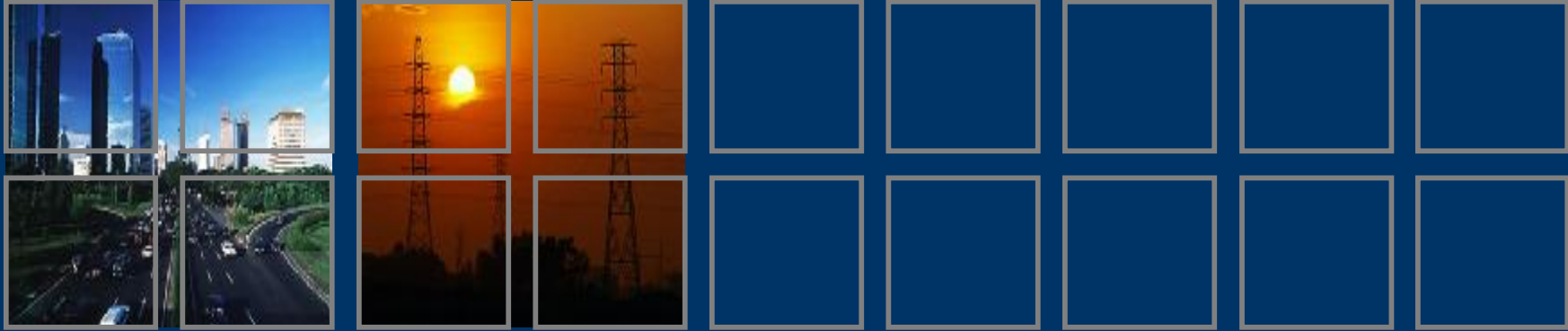


	Current Condition	Steps that may be taken in the near future
Source of fund	<ul style="list-style-type: none">< Loan< Obligation< Internal cash	<ul style="list-style-type: none">< Increase the allocation of loan ratio and investment to infrastructure sector.< Banking sector evaluates risks through project finance approach.< The establishment of Infrastructure Fund in equity procurement.< Credit Enhancement.< Restructuring the capital of infrastructure company.< Effective communication both with Bank Indonesia and Commercial Banks
Sectoral Policy	<ul style="list-style-type: none">< Sectoral policy's lack of support for private investor's participation	<ul style="list-style-type: none">< The implementation of sectoral regulatory laws such as Road Law and Electricity Law⁽¹⁾, Water Resources Law, Transportation Law, Land Acquisition Law< Revise regulatory frameworks for public-private partnership, so a competitive, transparent, fair and accountable process can be established.

Long Term Strategy

In both the SHORT and LONG TERM Indonesia requires holistic policy reforms in the financial sector, as well as infrastructure to allow sustainable, competitive and increased investment in infrastructure sector





THANK YOU

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS

